

**European Defence Industrial Development Programme (EDIDP)**

**General Model Grant Agreement**

**(EDIDP MGA — Multi & Mono)**

**Version 7.0**

**31 July 2019**

|  |  |  |
| --- | --- | --- |
| **HISTORY OF CHANGES** | | |
| **Version** | **Publication date** | **Changes** |
| 1.0 | n/a | * Not applicable |
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| 5.0 | n/a | * Not applicable |
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| 7.0 | 04.04.2019 | * Initial version/draft. |
| 7.0 | 31.07.2019 | * Final version. |

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| logo_ec_17_colors_300dpi | EUROPEAN COMMISSION  *[*[NAME DG]*][*[NAME AGENCY]*]*  *[*[Name Directorate]*][*[Name Department]*]*  [**Name Unit**] |

**GENERAL MODEL GRANT AGREEMENT FOR THE**

**EUROPEAN DEFENCE INDUSTRIAL DEVELOPMENT PROGRAMME[[1]](#footnote-2)**

**(EDIDP MGA — MULTI & MONO)**

* **Footnotes in green will be deleted by the granting authority in the version for signature (since they are internal instructions only).**
* **For options [in italics, in square brackets]: the applicable option will be chosen by the granting authority. Options not chosen will be deleted or appear as ‘not applicable’. Options chosen will appear in italics without brackets and without the Option title (to allow beneficiaries to easily spot that a specific rule applies).**
* **For fields in [grey in square brackets] (even if they are part of an option as specified in the previous item): the granting authority will enter the appropriate data in the IT system.**

**GRANT AGREEMENT**

**Project [insert number] — [insert acronym]**

This **Agreement** (‘the Agreement’) is **between** the following parties:

**on the one part**,

the **European Union** (‘EU’), represented by the European Commission (‘European Commission’ or ‘granting authority’), represented for the purposes of signature of this Agreement by [forename and surname] [function, Directorate-General, Directorate, Unit],

**and**

**on the other part**,

1. ‘the coordinator’:

[**full official name (short name)**], established in [official address in full], represented for the purposes of signing the Agreement by [forename and surname, function],

and the following other beneficiaries,if they sign their ‘Accession Form’ (see Annex 3 and Article 46):

2. [**full official name (short name)**], established in [official address in full],

[same for each beneficiary]

*[OPTION if the JRC is a beneficiary:* and X. the EU **Joint Research Centre (JRC)** established in [official address in full], if it signs the administrative arrangement (see Annex 3a)*]*.

Unless otherwise specified, references to ‘beneficiary’ or ‘beneficiaries’ include the coordinator and linked third parties (if any).

The parties referred to above have agreed to enter into the Agreement under the terms and conditions below.

By signing the Agreement, the Accession Forms and, for the EU Joint Research Centre (JRC), the Administrative Arrangement, the beneficiaries accept the grant and agree to implement the action under their own responsibility and in accordance with the Agreement, with all the obligations and conditions it sets out.

The Agreement is composed of:

Terms and Conditions

Annex 1 Description of the action

Annex 2 Estimated budget for the action

Annex 2aAdditional information on unit costs (if applicable)

Annex 3Accession Forms

Annex 3a Administrative Arrangement (JRC AA) (if applicable)

Annex 4 Model for the financial statements

**TERMS AND CONDITIONS**

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**DATA SHEET**

**1. General**

**Project number:** [project number, e.g. 690850]

**Title:** [full title, e.g. Training network for Research on molecUlar and Biomechanical Interactions in CONnective tissue disorders]

**Acronym:** [acronym, e.g. RUBICON]

**Call:** [call ID, e.g. H2020-MSCA-RISE-2016]

**Topic:** [topic ID, e.g. MSCA-RISE-2016 Research and Innovation Staff Exchange (RISE)]

**Type of action:** [ToA, e.g. ISFP-AG ISF-Police Action Grant]

**Granting authority:** European Commission

**Service (responsible unit):** [responsible unit, e.g. HOME/E/01]

**GA signature (entry into force date):** [dd/mm/yyyy]

**2. Consortium & grant**

**Maximum grant amount, total costs and reimbursement rate:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Total costs (including participants not receiving funding and associated partners)** | **Total eligible costs (BEN and LTP)** | **Reimbursement rate**  **(per activity)** | **Maximum grant amount** | **Cost forms** |
| 900 900,00 | 877 500,00 | 100%, 65%, 20% | 607 500,00 | Actual, unit, flat-rate |

**Low value grant (below 60 000 EUR):** No

**List of participants:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Number and short name** | **Role** | **PIC** | **Full name** | **Country** | **Total eligible costs** | **Max grant amount** | **Entry date** | **Exit date** |
| 1 - XXX | COO |  | XXX | DK | 100 000,00 | 100 000,00 |  |  |
| 2 - XXX | BEN |  | XXX | DE | 90 000,00 | 90 000,00 |  |  |
| XXX | LTP |  | XXX | AT | 81 000,00 | 81 000,00 |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**Participants with special statuses:** n/a

**Consortium agreement required:** Yes

**3. Action**

**Starting date:** *[*the first day of the month following the entry into force of the Grant Agreement[[2]](#footnote-3)*] [*fixed date: [dd Month YYYY]*]*

**End date:** [dd/mm/yyyy]

**Duration (in months):** [number of months, e.g. 48]

**Linked action:** No

**4. Reporting & payments**

**4.1 Reporting schedule:**

Continuous reporting/Deliverables

Progress reports[[3]](#footnote-4): No

Reports on cumulative expenditure incurred[[4]](#footnote-5): No/Yes (deadline for submission: 30 November each year)

Other reports: No

Periodic reporting

**Pre-financing reports** (additional pre-financing; no fixed reporting periods): No/Yes

**Pre-financing** **reports** **& periodic reports for final payment** (additional pre-financing; fixed reporting periods): No/Yes (deadline for submission: 60 days after end of reporting period)

|  |  |  |
| --- | --- | --- |
| **RP No** | **Month from** | **Month to** |
| 1 | 1 | 12 |
| 2 | 13 | 24 |
| 3 | 25 | 36 |

**Periodic reports for interim payments & final payment** (fixed reporting periods): No/Yes (deadline for submission: 60 days after end of reporting period)

|  |  |  |
| --- | --- | --- |
| **RP No** | **Month from** | **Month to** |
| 1 | 1 | 12 |
| 2 | 13 | 24 |
| 3 | 25 | 36 |

**Reporting language:** Language of the agreement

**4.2 Payment schedule:**

**Pre-financing payments:**

**Initial pre-financing payment:** Yes (deadline for payment: 30 days from entry into force/10 days before starting date/financial guarantee (if required) – whichever is the latest).

Conditions:The pre-financing may be distributed only if 90% of the beneficiaries have acceded to the Agreement and only to beneficiaries that have acceded to the Agreement.

**Additional pre-financing payments:** No/Yes (payment deadline: 60 days from the request/financial guarantee (if required) – whichever is the latest)

 Additional pre-financings normally require that 70% of the previous payment have been spent. If you spent less, the amount will be reduced by the difference.

**Interim payments:** No/Yes (payment deadline: 90 days from receiving the periodic report)

**Final payment** (payment of the balance): Yes (payment deadline: 90 days from receiving the periodic report)

**Bank account for payments:**

Name of bank: […]

Name of the account holder: […]

Account number (IBAN/account number and SWIFT/BIC): [e.g. IT75Y0538703601000000198049]

**4.3 Certificates, guarantees & liability regime:**

**Pre-financing guarantees**[[5]](#footnote-6)**:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Type of pre-financing** | **Pre-financing amount** | **Division per participant** | | **Guarantee amount** | **Division per participant** | |
| Initial pre-financing | 394 875,00 | 1 - XXX | 122 000,00 | 30 375,00 | 1 - XXX | 10 000,00 |
| 2 - XXX | 122 000,00 | 2 - XXX | 10 000,00 |
| XXX | 150 875,00 | XXX | 10 375,00 |
| Additional pre-financing | 100 000,00 | Consortium (without JRC) | 80 000,00 | 10 000,00 |  | |
| JRC | 20 000,00 |
| Additional pre-financing | 0 |  | | 0 |  | |

**Operational verification report:** No

**Certificates on the financial statements (CFS) required:** Yes

Conditions:

Schedule: at final payment, if threshold is reached

Threshold (beneficiary level):

* financial statement: actual costs ≥ EUR 325 000
* estimated budget: actual costs ≥ EUR *[*750 000*][*[…]*]*

*[*Exempted beneficiaries:

* [short name of beneficiary/linked third party]
* [short name of beneficiary/linked third party]*]*

**Liability regime for recoveries:**

**Joint and several liability of beneficiaries** (for debts of other beneficiaries)**:** n/a

**5. Other**

**GA Options**:

* Financial support to third parties: No
* Specific rules for carrying out action activities: No

**Time-limits running after the action end:**

Confidentiality (in years after final payment): 5

Record-keeping (in years after final payment): 5

Reviews (up to number of years after final payment): 5

Audits (up to number of years after final payment): 5

Extension of audit findings from other grants to this grant (no later than number of years after final payment): 5

Impact evaluation (up to number of years after final payment): 5

# CHAPTER 1 GENERAL

#### ARTICLE 1 — SUBJECT OF THE AGREEMENT

This Agreement sets out the rights and obligations and the terms and conditions applicable to the grant awarded to the beneficiaries for implementing the action set out in Chapter 2.

# CHAPTER 2 ACTION

#### ARTICLE 2 — ACTION

The grant is awarded for the action [**insert project number**] — [**insertacronym]** (‘**action**’), as described in Annex 1.

#### ARTICLE 3 — DURATION AND STARTING DATE

The duration and the starting date of the action are set out in the Data Sheet (see Point 3).

# CHAPTER 3 GRANT

#### ARTICLE 4 — FORM OF GRANT AND REIMBURSEMENT RATE

The grant takes the form of a (mixed) **reimbursement of actual costs grant**.

The grant will reimburse:

* […%] of eligible costs for studies, such as feasibility studies, and other accompanying measures
* […%] of the eligible costs for the design of a defence product, tangible or intangible component or technology as well as the technical specifications on which such design has been developed, including partial tests for risk reduction in an industrial or representative environment
* […%] of the eligible costs for the system prototyping of a defence product, tangible or intangible component or technology
* […%] of eligible cost for the testing of a defence product, tangible or intangible component or technology
* […%] of eligible cost for the qualification of a defence product, tangible or intangible component or technology
* […%] of eligible costs for the certification of a defence product, tangible or intangible component or technology
* […%] of eligible costs for the development of technologies or assets increasing efficiency across the life cycle of defence products and technologies.

#### ARTICLE 5 — MAXIMUM GRANT AMOUNT, FINAL GRANT AMOUNT AND REVISED FINAL GRANT AMOUNT

The **maximum grant amount** for the action is set out in Annex 2.

The **final grant amount** will depend on the actual extent to which the action is implemented in accordance with the Agreement’s terms and conditions (in particular, implementation in accordance with Annex 1 and amount of eligible costs incurred), and will be calculated by the granting authority at the final payment (see Article 26).

If — after the final payment (in particular, after checks, reviews, audits or investigations; see Article 29) — the granting authorityrejects costs (see Article 31) or reduces the grant (see Article 32), it will calculate a **revised final grant amount** for the beneficiaries concerned.

#### ARTICLE 6 — ESTIMATED BUDGET, BUDGET CATEGORIES AND BUDGET FLEXIBILITY

##### 6.1 Estimated budget

The **estimated budget** for the action is set out in Annex 2.

It contains the estimated eligible costs for the action, broken down by activity, participant and budget category.

Annex 2 also shows the **cost forms** (actual, unit, flat-rate or lump sum) to be used for each budget category.

If unit costs are used, the amounts per unit and calculation method will be explained in Annex 2a.

##### 6.2 Budget flexibility

Changes to the estimated budget indicated in Annex 2 normally require an amendment.

The budget breakdown may however be adjusted — without an amendment (see Article 45) — by transfers (between activities, participants and budget categories), as long as this implies no change to the description of the action in Annex 1 (if Annex 1 must be changed, also Annex 2 must be amended).

However:

* the beneficiaries may not add costs relating to subcontracts not provided for in Annex 1, unless such additional subcontracts are approved by an amendment
* flexibility caps:
  + the beneficiaries may not make transfers between activities and budget categories of more than 20% of the total costs set out in Annex 2, unless they are approved by an amendment (see Article 45)
* the beneficiaries may not transfer amounts to or from budget categories with lump sums (if any).

#### ARTICLE 7 — ELIGIBLE AND INELIGIBLE COSTS

In order to beeligible for reimbursement (‘**eligible costs**’), costs must meet the general and specific conditions set out in this Article.

##### 7.1 General cost eligibility conditions

The general cost eligibility conditions (per cost form) are the following:

1. foractual costs:
2. they must be actually incurred by the beneficiary
3. they must be incurred in the period set out in Article 3, with the exception of costs relating to the submission of the final periodic report which may be incurred afterwards (see Article 25)
4. they must be indicated in the estimated budget set out in Annex 2
5. they must be incurred in connection with the action as described in Annex 1 and necessary for its implementation
6. they must be identifiable and verifiable, in particular recorded in the beneficiary’s accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary’s usual cost accounting practices
7. they must comply with the applicable national law on taxes, labour and social security and
8. they must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency
9. for unit costs (if any):
10. they must be calculated as follows:

{amounts per unit set out in Annex 2a

multiplied by

the number of actual units}

1. the number of actual units must comply with the following conditions:

* the units must be actually used or produced in the period set out in Article 3
* the units must be necessary for implementing the action or produced by it and
* the number of units must be identifiable and verifiable, in particular supported by records and documentation (see Article 24)

1. forflat-rate costs (if any):
2. they must be calculated by applying the flat-rate set out in Annex 2 and
3. the costs to which the flat-rate is applied must comply with the conditions for eligibility set out in this Article
4. for lump sum costs (if any):
5. the eligible amount must be equal to the amount set out in Annex 2 and
6. the corresponding tasks or parts of the action must have been properly implemented in accordance with Annex 1.

##### 7.2 Specific conditions for costs to be eligible

The specific cost eligibility conditions (per budget category) are the following:

**For all direct cost categories:**

For direct cost categories (e.g. personnel, travel & subsistence, subcontracting and other direct costs) only costs that are directly linked to the action implementation and can therefore be attributed to it directly are eligible. They must not include any indirect costs (i.e. costs that are only indirectly linked to the action, e.g. via cost drivers).

**For specific cost categories:**

**A. Personnel costs (direct)**

Types of eligible personnel costs

**A.1** Personnel costs are eligible if they are related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action (**costs for** **employees (or equivalent)**). They must be limited to salaries , social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

They may also include additional remuneration for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

1. it is part of the beneficiary’s usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required;
2. the criteria used to calculate the supplementary payments are objective and generally applied by the beneficiary, regardless of the source of funding used.

**A.2** The **costs for natural persons working under a direct contract** with the beneficiary other than an employment contract or **seconded by a third party against payment** are eligible as personnel costs, if:

1. the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed)
2. the result of the work carried out belongs to the beneficiary (unless agreed otherwise) and
3. the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

Calculation

Personnel costs for employees (or equivalent), natural persons working under direct contract and seconded persons must be calculated by the beneficiaries as follows:

* for persons **working exclusively on the action**:

{monthly rate for the person

multiplied by

number of actual months worked on the action}.

The **monthly rate** is calculated as follows:

{annual personnel costs for the person

divided by

12}

using the personnel costs for each full financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the monthly rate of the last closed financial year available.

* for persons **working part-time on the action**:

{daily rate for the person

multiplied by

number of actual days worked on the action (rounded up or down to the nearest half-day)}.

The number of actual days declared for a person must be identifiable and verifiable (see Article 24).

The total number of days declared in any EU grant, for a person for a year, cannot be higher than the annual productive days used for the calculations of the daily rate.

The **daily rate** is calculated as follows:

{annual personnel costs for the person

divided by

number of individual annual productive days}

using the personnel costs and the number of annual productive days for each full financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the daily rate of the last closed financial year available.

The ‘number of individual annual productive days’ is the total actual days worked by the person in the year. It may not include holidays and other absences (such as sick leave, maternity leave, special leave, etc). However, it may include overtime and time spent in meetings, trainings and other similar activities.

The granting authority may accept other calculation methods (such as, for instance, hourly rates, daily rates calculated with annual personnel costs and 215 *fixed* annual productive days or a pro-rata apportionment of the monthly salary costs), if it considers that they reflect the actual costs incurred, in a fair, objective, realistic way and if there are sufficient records to support these costs (see Article 24).

**A.3** The work of ownersof beneficiaries that are small and medium-sized enterprises (**SME owners**) and beneficiaries that are natural persons (**natural person beneficiaries**) not receiving a salary can be declared as eligible personnel costs, if they correspond to the amount per unit set out in Annex 2a multiplied by the number of actual hours worked on the action.

**B. Travel and subsistence costs (direct)**

**Travel and subsistence costs** (including related duties, taxes and charges) are eligible if they are in line with the beneficiary’s usual practices on travel.

**C. Subcontracting (direct)**

**Subcontracting costs** (including related duties, taxes and charges) are eligibleif the conditions in Article 15.1.1 are met.

**D. Financial support to third parties (direct)**

Not applicable

**E. Other direct costs (direct)**

**E.1 Equipment**

The **depreciation costs** of **equipment**, infrastructure or other assets used for the action are eligible, if they were purchased in accordance with Article 14.1.1 and written off in accordance with international accounting standards and the beneficiary’s usual accounting practices.

Only the portion of the costs that corresponds to the rate of actual use for the action during the action duration can be taken into account.

The costs of **renting or leasing** equipment, infrastructure or other assets (including related duties, taxes and charges) are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

**E.2 Other goods and services**

Costs of **other goods and services** (including related duties, taxes and charges) are eligible, if they are purchased specifically for the action and in accordance with Article 14.1.1.

Such goods and services include, for instance, consumables and supplies,protection of results, certificates (if required by the Agreement), translations and publications.

**F. Indirect costs**

**Indirect costs** will be reimbursed at the flat-rate of 25% of the eligible direct costs (except subcontracting costs and financial support to third parties, if any)*.*

Beneficiaries receiving an EU operating grant[[6]](#footnote-7) cannot declare indirect costs for the period covered by the operating grant, unless they can demonstrate that the operating grant does not cover any direct or indirect costs of the action.

##### 7.3 Ineligible costs

The following costs are ineligible (‘**ineligible costs**’):

1. costs that do not comply with the conditions set out above (Article 7.1 and 7.2), in particular:
2. costs related to return on capital
3. debt and debt service charges
4. provisions for future losses or debts
5. interest owed
6. doubtful debts
7. currency exchange losses
8. bank costs charged by the beneficiary’s bank for transfers from the granting authority
9. excessive or reckless expenditure
10. deductible VAT
11. costs incurred during grant suspension (see Article 35)
12. in-kind contributions provided by third parties free of charge
13. costs declared under another EU grant (including grants awarded by a Member State and financed by the EU budget and grants awarded by bodies other than the granting authority for the purpose of implementing the EU budget); in particular, indirect costs if the beneficiary is already receiving an operating grant financed by the EU budget in the same period, unless they can demonstrate that the operating grant does not cover any costs of the action
14. costs for staffof a national (or regional/local) administration, for activities that are part of the administration’s normal activities (i.e. not undertaken only because of the grant)
15. costs (especially travel and subsistence costs) for staff or representatives of EU institutions, bodies or agencies
16. other[[7]](#footnote-8):

* costs arising from military or defence operations;
* costs for activities that take place outside the EU.

##### 7.4 Consequences of non-compliance

If a beneficiary declares costs that are ineligible, they will be rejected (see Article 31).

This may also lead to any of the other measures described in Chapter 5.

# CHAPTER 4 GRANT IMPLEMENTATION

## SECTION 1 GENERAL

#### ARTICLE 8 — GENERAL OBLIGATION TO IMPLEMENT THE AGREEMENT PROPERLY AND IN GOOD FAITH

The beneficiaries must implement the Agreement under their own responsibility, to their best abilities, in good faith and in accordance with all the obligations and the terms and conditions it sets out.

## SECTION 2 CONSORTIUM: BENEFICIARIES AND OTHER PARTICIPANTS

#### ARTICLE 9 — BENEFICIARIES

The beneficiaries are signatories of the Agreement and therefore fully responsible toward the granting authority for implementing the action as described in Annex 1 and complying with all obligations under the Agreement.

They must implement the action described in Annex 1 under their own responsibility. If they rely on linked third parties or other participants (see Articles 10 and 11), they retain sole responsibility towards the granting authority and the other beneficiaries.

They are jointly responsible for the *technical* implementation of the action. If one of the beneficiaries fails to implement their part of the action, the other beneficiaries must find a solution to make sure that the consortium remains able to carry out the action and to deliver results (without being entitled to an increase of the maximum grant amount). The *financial* responsibility of each beneficiary in case of recoveries is governed by Article 26.

The beneficiaries (their action) must remain eligible under the EU programme for the entire duration of the action. Costs will be eligible only as long as the beneficiary and the action are eligible.

The **internal roles and responsibilities** of the beneficiaries are divided as follows:

* 1. Each beneficiary must:

1. keep information stored in the EU Funding & Tenders Portal Participant Register (via the electronic exchange system) up to date (see Article 23)
2. inform the coordinator immediately of any events or circumstances likely to affect significantly or delay the implementation of the action (see Article 23)
3. submit to the coordinator in good time:

* the pre-financing guarantees (if required; see Article 27)
* the financial statements and certificates on the financial statements (if required; see Articles 25 and 28 and Data Sheet, Point 4.3)
* the contribution to the deliverables and technical reports (see Article 25)
* any other documents or information required by the granting authority under the Agreement.

1. The coordinator must:
2. monitor that the action is implemented properly (see Article 13)
3. act as the intermediary for all communications between the consortium and the granting authority, unless the Agreement or granting authority specifies otherwise, and in particular:

* submit the pre-financing guarantees to the granting authority (if any)
* request and review any documents or information required and verify their completeness and correctness before passing them on to the granting authority
* submit the deliverables and reports to the granting authority
* inform the granting authority about the payments made to the other beneficiaries (report on the distribution of payments; if required, see Articles 26 and 36)

1. distribute the payments received from the granting authority to the other beneficiaries without unjustified delay (see Article 26).

The coordinator may not subcontract the above-mentioned tasks.

The beneficiaries must have **internal arrangements** regarding their operation and co-ordination, to ensure that the action is implemented properly.

These arrangements must be set out in a written **consortium agreement** between the beneficiaries (see Data Sheet, Point 2), covering for instance:

* the internal organisation of the consortium
* different distribution keys for the payments (if any)
* additional rules on rights and obligations related to pre-existing rights and results (see Article 18)
* settlement of internal disputes
* liability, indemnification and confidentiality arrangements between the beneficiaries.

The internal arrangements must not contain any provision contrary to the Agreement.

#### ARTICLE 10 — LINKED THIRD PARTIES

***[****OPTION 1 if applicable to the programme and the grant:*The following entities that are affiliatedto a beneficiary[[8]](#footnote-9) participate in the action as ‘linked third parties’:

- [name of the entity (short name)], affiliated to [short name of the beneficiary]

- [name of the entity (short name)], affiliated to [short name of the beneficiary]

[same for more linked third parties]

Linked third parties can charge their costs to the action under the same conditions as the beneficiaries and must implement the action tasks attributed to them in Annex 1 in accordance with Article 13.

Their costs are estimated in Annex 2 and:

* may be reimbursed and
* will be taken into account for the calculation of the grant.

The beneficiaries must ensure that all their obligations under this Agreement also apply to their linked third parties.

The beneficiaries must ensure that their linked third parties do not contravene EU or Member State security or defense interests and that their work is not subject to controls or other restrictions by a non-EU country or non-EU-country entity (directly or indirectly through one or more intermediary undertakings, including concerning technology transfer).

Breaches by linked third parties will be handled like breaches by beneficiaries; only recovery of undue amounts and termination will be handled via their beneficiaries.

Beneficiaries must ensure that the bodies mentioned in Article 29 (e.g. granting authority, OLAF, Court of Auditors (ECA), etc.) can exercise their rights also towards their linked third parties.***]***

***[****OPTION 2:* Not applicable***]***

#### ARTICLE 11 — OTHER PARTICIPANTS INVOLVED IN THE ACTION: ASSOCIATED PARTNERS — THIRD PARTIES GIVING IN-KIND CONTRIBUTIONS — SUBCONTRACTORS

##### 11.1 Associated partners

***[****OPTION 1 if applicable to the programme and the grant:*The following entities which cooperate with a beneficiary or a subcontractor participate in the action as ‘associated partners’:

* [name of the entity (short name)], associated partner of [short name of the beneficiary]
* [name of the entity (short name)], associated partner of [short name of the beneficiary]

[same for more associated partners]

Associated partners must implement the action tasks attributed to them in Annex 1 in accordance with Article 13, but may not charge their costs to the action.

Their costs are estimated in Annex 2, but:

* will not be reimbursed and
* will not be taken into account for the calculation of the grant.

The beneficiaries must ensure that their non-financial obligations under Articles 13, 16, 17, 21, 24.1.1 and 25 also apply to their associated partners.

For associated partners established in a non-EU country or controlled by a non-EU country or non-EU country entity, the beneficiaries must ensure that:

* the cooperation does not contravene the defence and security interests of the EU and its Member States nor the objectives of the EDIDP programme as set out in Article 3 of Regulation (EU) 2018/1092;
* unauthorised access to classified information by non-EU countries or non-EU country entities is prevented;
* potential negative effects over security of supply of inputs critical to the action are avoided; and
* the cooperation does not lead to control or restriction by a non-EU country or non-EU-country entity (directly or indirectly through one or more intermediate undertakings, including concerning technology transfer) over the results of actions which receive funding under this grant.

The beneficiaries must ensure that the bodies mentioned in Article 29 (e.g. granting authority, OLAF, Court of Auditors (ECA), etc.) can exercise their rights also towards their associated partners and the associated partners of their subcontractors.

***[****OPTION 2:* Not applicable***]***

##### 11.2 Third parties giving in-kind contributions to the action

If necessary, certain action tasks set out in Annex 1 may be implemented with the help of in-kind contributions (personnel, equipment other goods and services) given by third parties free-of-charge.

Third parties giving in-kind contributions do not implement any action tasks and may not charge their costs to the action.

Their costs will not be included in Annex 2.

Substantial in-kind contributions (which impact the financial or operational capacity to carry out the action or have a high value (compared to the action budget) must be specified in Annex 1.

The beneficiaries must ensure that the third parties giving in-kind contributions do not contravene EU or Member State security or defense interests, that their contributions do not lead to controls or other restrictions by a non-EU country or non-EU-country entity (directly or indirectly through one or more intermediary undertakings, including access to results or background and technology transfer) over the results of the action and that this cooperation is consistent with the objectives and conditions of the EDIDP programme.

##### 11.3 Subcontractors

Subcontractors may participate under the conditions set out in Article 15.

#### ARTICLE 12 — PARTICIPANTS WITH SPECIAL STATUSES

##### 12.1 Non-EU participants

Not applicable

##### 12.2 Participants which are international organisations

Not applicable

##### 12.3 EU pillar-assessed beneficiaries/linked third parties (PAGODA)

Not applicable

##### 12.4 Beneficiaries/linked third parties not receiving funding

Not applicable

## SECTION 3 RULES FOR CARRYING OUT THE ACTION

### SUBSECTION 1 PROPER IMPLEMENTATION

#### ARTICLE 13 — PROPER IMPLEMENTATION OF THE ACTION

##### 13.1 Obligation to properly implement the action

The beneficiaries must implement the action as described in Annex 1 and in compliance with the provisions of the Agreement and all legal obligations under applicable EU, international and national law.

##### 13.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 32).

Such breaches may also lead to any of the other measures described in Chapter 5.

### SUBSECTION 2 PURCHASES, SUBCONTRACTING AND FINANCIAL SUPPORT TO THIRD PARTIES

#### ARTICLE 14 — PURCHASING GOODS, WORKS OR SERVICES

##### 14.1 Rules for purchasing goods, works or services

**14.1.1** If necessary, the beneficiaries may purchase goods, works or services for the action.

The beneficiaries may use their usual purchasing practices, provided that they ensure purchases with the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 16).

**14.1.2** Beneficiaries that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC[[9]](#footnote-10) (or 2014/24/EU[[10]](#footnote-11)) or ‘contracting entities’ within the meaning of Directive [2004/17/EC](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0017:EN:NOT)[[11]](#footnote-12) (or 2014/25/EU[[12]](#footnote-13)) must comply with the applicable national law on public procurement.

Beneficiaries must ensure the purchases do not lead to control or other restrictions by a non-EU country or non-EU-country entity (directly or indirectly through one or more intermediary undertakings, including concerning technology transfer) over the results of the action

##### 14.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 14.1.1, the costs related to the contract concerned will be ineligible (see Article 7) and will be rejected (see Article 31).

If a beneficiary breaches any of its obligations under Article 14.1.2, the grant may be reduced (see Article 32).

Such breaches may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 15 — SUBCONTRACTING

##### 15.1 Rules for subcontracting action tasks

**15.1.1** If necessary, the beneficiaries may award subcontracts for the implementation of action tasks described in Annex 1.

*[OPTION if applicable to the programme and to the grant[[13]](#footnote-14):* Subcontracting may cover only a limited part of the action.*]*

The subcontractors must be eligible for participation under the EDIDP programme and remain eligible for the entire duration of the action. Costs for subcontracts are only eligible as long as the subcontractor is eligible.

The beneficiaries may use their usual purchasing practices, provided that they ensure subcontracts with the best value for money (e.g. a reasonable price considering the quality of the service) or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 16). The tasks to be implemented and the names of the subcontractors and the estimated cost for each subcontract must be set out in Annex 1 and the total estimated costs of subcontracting per beneficiary must be set out in Annex 2.

The beneficiaries must ensure that subcontracted work for which costs are claimed, is not performed outside the EU (‘place of performance obligation’).

Action tasks involving EU-classified information may be subcontracted in accordance with the provisions of Article 21.

Moreover, the beneficiaries must ensure that the same rules also apply to subcontractors at any lower tier of subcontracting (‘sub-subcontractors’), if the sub-subcontracts:

* concern more than 10% of the total eligible costs of the action or
* involve access to classified information.

**15.1.2** The beneficiaries must ensure that their obligations under Articles 16, 17, 21 and 37 of this Agreement also apply to the subcontractors.

The beneficiaries must ensure that subcontractors do not contravene EU or Member State security or defence interests and that their work does not lead to controls or other restrictions by a non-EU country or non-EU-country entity (directly or indirectly through one or more intermediary undertakings, including concerning technology transfer) over the results of the action.

The beneficiaries must ensure that the bodies mentioned in Article 29 (e.g. granting authority, OLAF, Court of Auditors (ECA), etc.) can exercise their rights also towards their subcontractors.

Beneficiaries that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC (or 2014/24/EU) or ‘contracting entities’ within the meaning of Directive [2004/17/EC](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0017:EN:NOT) (or 2014/25/EU) must comply with the applicable national law on public procurement.

Moreover, the beneficiaries must ensure that the same rules also apply to subcontractors at any lower tier of subcontracting (‘sub-subcontractors’), if the sub-subcontracts:

* concern more than 10% of the total eligible costs of the action or
* involve access to classified information.

##### 15.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 15.1.1, the costs related to the subcontract concerned will be ineligible (see Article 7) and will be rejected (see Article 31).

If a beneficiary breaches any of its obligations under Article 15.1.2, the grant may be reduced (see Article 32).

Such breaches may also lead to any of the other measures described in Chapter 5.

### SUBSECTION 3 CONFLICT OF INTERESTS, CONFIDENTIALITY AND DATA PROTECTION

#### ARTICLE 16 — CONFLICT OF INTERESTS

##### 16.1 Obligation to avoid a conflict of interests

The beneficiaries must take all measures to prevent any situation where the impartial and objective implementation of the action is compromised for reasons involving family or emotional ties, political or national affinity, economic interest, or any other direct or indirect personal or professional interest (‘**conflict of interests**’).

They must formally notify to the granting authoritywithout delay any situation constituting or likely to lead to a conflict of interests and immediately take all the necessary steps to rectify this situation.

The granting authoritymay verify that the measures taken are appropriate and may require additional measures to be taken by a specified deadline.

##### 16.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article,the grant may be reduced (see Article 32) and the grant or the beneficiary may be terminated (see Article 36).

Such breaches may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 17 — CONFIDENTIALITY

##### 17.1 General obligation to keep confidentiality

During implementation of the action and for at least until the time-limit set out in the Data Sheet (see Point 5), the parties must keep confidential any data, documents or other material (in any form) that is identified as confidential at the time it is disclosed (‘**confidential information**’).

If a beneficiary requests, the granting authority may agree to keep such information confidential for an additional period beyond the initial time-limit.

If information has been identified as confidential only orally, it will be considered to be confidential only if this is confirmed in writing within 15 days of the oral disclosure.

Unless otherwise agreed between the parties, they may use confidential information only to implement the Agreement.

The beneficiaries may disclose confidential information to their personnel or other participants involved in the action only if they:

1. need to know it in order to implement the Agreement and
2. are bound by an obligation of confidentiality.

This does not change the security-related obligations in Article 21 (if any), which still apply.

The granting authority may disclose confidential information to its staff and to other EU institutions and bodies and, for actions for which Member States appointed a programme manager, approval may be subject to a consultation with the programme manager.

It may moreover disclose confidential information to third parties, if:

1. this is necessary to implement the Agreement or safeguard the EU financial interests and
2. the recipients of the information are bound by an obligation of confidentiality.

The confidentiality obligations no longer apply if:

1. the disclosing party agrees to release the other party
2. the information becomes generally and publicly available, without breaching any confidentiality obligation
3. the disclosure of the confidential information is required by EU or national law.

##### 17.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 32).

Such breaches may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 18 — PROCESSING OF PERSONAL DATA

##### 18.1 Processing of personal data by the granting authority

Any personal data under the Agreement will be processed by granting authority under Regulation 2018/1725[[14]](#footnote-15) and according to the ‘notifications of the processing operations’ to the Data Protection Officer (DPO) of the granting authority (publicly accessible in the DPO register).

Such data will be processed by the ‘**data controller**’ of the granting authority for the purposes of implementing, managing and monitoring the Agreement or protecting the EU financial interests (including checks, reviews, audits and investigations; see Article 29).

The persons whose personal data are processed have the right to access and correct their own data. For this purpose, they must send their query to the data controller, via the contact point indicated in the privacy statement(s) on the EU websites.

They also have the right to have recourse at any time to the European Data Protection Supervisor (EDPS).

##### 18.2 Processing of personal data by the beneficiaries

The beneficiaries must process personal data under the Agreement in compliance with applicable EU and national law on data protection (including authorisations or notification requirements, if any).

The beneficiaries may grant their personnel access only to data that is strictly necessary for implementing, managing and monitoring the Agreement.

The beneficiaries must inform the persons whose data are transferred to the granting authority and provide them with the privacy statement(s) (see above), before transmitting their data to the granting authority.

##### 18.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 32).

Such breaches may also lead to any of the other measures described in Chapter 5.

### SUBSECTION 4 IPR

#### ARTICLE 19 — PRE-EXISTING RIGHTS, OWNERSHIP OF RESULTS AND RIGHTS OF USE

##### 19.1 Pre-existing rights and access rights to pre-existing rights

Where industrial and intellectual property rights (including rights of third parties) necessary for the implementation of the action exist prior to the Agreement, the beneficiaries must establish a list of these pre-existing industrial and intellectual property rights, specifying the owner and any persons that have a right of use.

For actions covering the development phase of new products and technologies, all background that is subject to controls or other restrictions by a non-EU country or non-EU-country entity (directly or indirectly through one or more intermediary undertakings, including concerning technology transfer) and where such controls or restrictions will have an impact on the results (i.e. make the results subject to controls or restrictions) must not be used for the action and must be explicitly excluded from it in the agreement on background.

For actions covering the upgrade of existing products and technologies, all background subject to controls or other restrictions must not be used for the action and be explicitly excluded from it in the agreement on background.

Each beneficiary must give the other beneficiaries (including linked third parties, if any) access to any pre-existing industrial and intellectual property rights needed for the implementation of the action and compliance with the obligations under the Agreement.

##### 19.2 Ownership of results

Results are owned by the beneficiary that generates them (unless the consortium agreement specifies another ownership regime).

The granting authority will not have any ownership nor intellectual property rights on products or technologies resulting from the action.

##### 19.2a Protection of results

Each beneficiary must examine the possibility of protecting its results and must adequately protect them — for an appropriate period and with appropriate territorial coverage — if:

1. the results can reasonably be expected to be commercially or industrially exploited and
2. protecting them is possible, reasonable and justified (given the circumstances).

When deciding on protection, the beneficiary must consider its own legitimate interests and the legitimate interests (especially commercial) of the other beneficiaries.

19.2b Transfers of ownership of results

Each beneficiary may transfer ownership of its results, unless:

* this contravenes the objectives set out in Article 3 of Regulation (EU) 2018/1092[[15]](#footnote-16) or
* the results would become subject to controls or other restrictions by a non-EU country or non-EU country entity (directly or indirectly through one or more intermediary undertakings, including concerning technology transfer).

Beneficiaries must ensure that their obligations under Articles 19.2a and 19.2b also apply to the new owner and that this owner has the obligation to pass them on in any subsequent transfer.

This does not change the security obligations in Article 21, which still apply.

A beneficiary that intends to transfer ownership to a non-EU country or non-EU country entity must formally notify the granting authority, before the intended transfer takes place and:

* identify the specific results concerned
* describe in detail the new owner and the planned or potential exploitation of the results, and
* include a reasoned assessment of the likely impact of the transfer on the objectives set out in Article 3 of Regulation (EU) 2018/1092.

The granting authority may request additional information.

##### 19.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 32).

Such a breach may also lead to any of the other measures described in Chapter 5.

### SUBSECTION 5 OTHER RIGHTS AND OBLIGATIONS

**SUBSUBSECTION 1 STANDARD OBLIGATIONS**

#### ARTICLE 20 *—* VISIBILITY OF FUNDING — PROMOTING THE ACTION — RIGHT TO USE BENEFICIARIES’ MATERIALS, DOCUMENTS OR INFORMATION FOR COMMUNICATION PURPOSES

##### 20.1 Promoting the action

*[OPTION 1:* Unless the public display is not possible or appropriate, the beneficiaries must promote the action and its results, by providing targeted information to multiple audiences (including the media and the public) in a strategic and effective manner.

This does not change the confidentiality obligations in Article 17 or the security obligations in Article 21, all of which still apply.

Before engaging in a communication activity expected to have a major media impact, the beneficiaries must inform the Commission (see Article 42). *]*

*[OPTION 2:* Not applicable*]*

**20.2 Information on EU funding — EU emblem**

*[OPTION 1:* Unless the public display is not possible or appropriate, any communication activity related to the action (including in electronic form, via social media, etc.) and any infrastructure, equipment and major results funded by the grant must:

1. display the EU emblem and
2. include the following text:

For communication activities: “This project has received funding from the European Defence Industrial Development Programme (EDIDP)under grant agreement No [number]”.

For equipment and major results: “This *[*equipment*][*insert type of result*]* is part of a project that has received funding from the European Defence Industrial Development Programme (EDIDP)under grant agreement No [number]”.

When displayed together with another logo, the EU emblem must have appropriate prominence.

For the purposes of their obligations under this Article, the beneficiaries may use the EU emblem without first obtaining approval from the Commission.

This does not, however, give them the right to exclusive use.

Moreover, they may not appropriate the EU emblem or any similar trademark or logo, either by registration or by any other means.

Any communication activity related to the action must indicate that it reflects only the author's view and that the Commission isnot responsible for any use that may be made of the information it contains.

*[OPTION 2:* Not applicable*]*

##### 20.3 Right to use beneficiaries’ materials, documents or information for communication purposes

The beneficiaries must give the granting authority the right to use information relating to the action and material and documents received from the beneficiaries (notably summaries for publication, deliverables, as well as any other material, such as pictures or audio-visual material, in paper or electronic form)

This does not change the confidentiality obligations in Article 17 nor the security obligations in Article 21, which still apply.

If the use of these materials, documents or information by the granting authority would risk compromising a beneficiary’s legitimate interests, the beneficiary concerned may request the granting authority not to use it.

Subject to the above reservation, the right to use a beneficiary’s material, documents and information includes:

1. **use for its own purposes** (in particular, making them available to persons working for the granting authority or any other EU service (including institutions, bodies, offices, agencies, etc.) or EU Member State institution or body; and copying or reproducing them in whole or in part, in unlimited numbers)
2. **distribution to the public** (in particular, publication as hard copies and in electronic or digital format, publication on the internet, as a downloadable or non-downloadable file, broadcasting by any channel, public display or presentation, communicating through press information services, or inclusion in widely accessible databases or indexes)
3. **editing or redrafting** (including shortening, summarising, inserting other elements (such as meta-data, legends, other graphic, visual, audio or text elements), extracting parts (e.g. audio or video files), dividing into parts, use in a compilation)
4. **translation**
5. **storage** in paper, electronic or other form
6. **archiving**, in line with applicable document-management rules
7. the right to authorise **third parties** to act on its behalf or sub-license the modes of use set out in Points (b), (c), (d) and (f) to third parties.

If the right of use is subject to rights of a third party (including personnel of the beneficiary), the beneficiary must ensure that it complies with its obligations under this Agreement (in particular, by obtaining the necessary approval from the third parties concerned).

Where applicable (and if provided by the beneficiaries), the granting authority will insert the following information:

“© – [year] – [name of the copyright owner]. All rights reserved. Licensed to the [name of granting authority] under conditions.”

**20.4 Consequences of non-compliance**

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 32).

Such a breach may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 21 — SECURITY-RELATED OBLIGATIONS

##### 21.1 Classified information

The beneficiaries must comply with the security classification set out in Annex I (‘security aspect letter (SAL)’ and ‘security classification guide (SCG)’) (if any).

Information that is classified must be treated in accordance with the security aspect letter (SAL), with Commission Decision (EU) 2019/513[[16]](#footnote-17) and with Commission Decision (EU, Euratom) 2015/444[[17]](#footnote-18) and its implementing rules — until it is declassified.

Deliverables which contain EU-classified information must be submitted according to special procedures agreed with the granting authority.

Action tasks involving EU-classified information may be subcontracted in accordance with the provisions of Commission Decision 2015/444 and the Generic Programme Security Instruction Concerning the EDIDP programme.

##### 21.2 Activities involving military, dual-use goods or dangerous materials and substances

Activities involving military, dual-use[[18]](#footnote-19) goods (technology, software or other)or dangerous materials and substances must comply with applicable EU, national and international law.

##### 21.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 32) and the grant or the beneficiary may be terminated (see Article 36).

Such breaches may also lead to any of the other measures described in Chapter 5*.*

**SUBSUBSECTION 2 PROGRAMME-SPECIFIC OBLIGATIONS**

#### ARTICLE 22 — FINANCIAL SUPPORT TO THIRD PARTIES

Not applicable

## SECTION 4 GRANT ADMINISTRATION

#### ARTICLE 23 — GENERAL INFORMATION OBLIGATION

##### 23.1 General obligation to provide requested information

The beneficiaries must provide — during implementation of the action or afterwards and in accordance with Article 25.2 — any information requested in order to verify eligibility of the costs, proper implementation of the action and compliance with the other obligations under the Agreement.

The information provided must be accurate, precise and complete and in the format requested, including electronic format.

##### 23.2 Obligation to keep information up to date and to inform about events and circumstances likely to affect the Agreement

Each beneficiary must keep the information stored in the EU Funding & Tenders Portal Participant Register up to date, in particular, its name, address, legal representatives, legal form and organisation type.

Each beneficiary must immediately inform the coordinator — which must immediately inform the granting authority and the other beneficiaries — of any of the following:

1. **events** which are likely to affect or delay the implementation of the action or the EU’s financial interests, in particular changes in its legal, financial, technical, organisational or ownership situation (including changes linked to one of the exclusion grounds listed in the declaration of honour submitted with the proposal)
2. **circumstances** affecting:
3. the decision to award the grant or
4. compliance with requirements under the Agreement.

##### 23.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 32).

Such breaches may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 24 — KEEPING RECORDS AND SUPPORTING DOCUMENTS

##### 24.1 Obligation to keep records and other supporting documents

The beneficiaries must — at least until the time-limitset out in the Data Sheet (see Point 5) — keep records and other supporting documentation in order to prove the proper implementation of the action and the costs they declare as eligible.

They must make them available upon request (see Article 23) or in the context of checks, reviews, audits or investigations (see Article 29).

If there are on-going procedures or other pursuits of claims under the Agreement (including the extension of findings; see Article 29), the beneficiaries must keep the records and other supporting documentation until the end of these procedures.

The beneficiaries must keep the original documents. Digital and digitalised documents are considered originals if they are authorised by the applicable national law. The granting authority may accept non-original documents if they offer a comparable level of assurance.

**24.1.1 Records and other supporting documents for the work done**

The beneficiaries must keep records and other supporting documentation on the work done (in line with the accepted standards in the respective field, if any).

**24.1.2 Records and other supporting documents for the costs declared**

The beneficiaries must keep the records and documentation supporting the costs declared, in particular the following:

1. for **actualcosts**: adequate records and other supporting documentation to prove the costs declared, such as contracts, subcontracts, invoices and accounting records. In addition, the beneficiaries’ usual cost accounting practices and internal control procedures must enable direct reconciliation between the amounts declared, the amounts recorded in their accounts and the amounts stated in the supporting documentation
2. for **unit costs** (if any):adequate records and other supporting documentation to prove the number of units declared. Beneficiaries do not need to identify the actual costs incurred or keep or provide supporting documentation (such as accounting statements) to prove the amount per unit
3. for **flat-rate costs** (if any): adequate records and other supporting documentation to prove the eligibility of the costs to which the flat-rate is applied. The beneficiaries do not need to identify the costs covered or provide supporting documentation (such as accounting statements) to prove the amount declared
4. for **lump sum costs** (if any): adequate records and other supporting documentation to prove that the corresponding tasks or part of the action as described in Annex 1 were implemented properly. The beneficiaries do not need to identify the actual costs incurred or provide supporting documentation (such as accounting statements) to prove the amount declared.

In addition,forpersonnel costs,the beneficiaries must keep **time records** for the number of days/hours declared. The time records must be in writing and approved by the persons working on the action and their supervisors, at least monthly. In the absence of reliable time records of the days/hours worked on the action, the granting authoritymay accept alternative evidence supporting the number of days/hours declared, if it considers that it offers an adequate level of assurance.

As an exception, for persons working **exclusively on the action**, there is no need to keep time records, if the beneficiary signs a declaration confirming that the persons concerned have worked exclusively on the action.

##### 24.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, costs insufficiently substantiated will be ineligible (see Article 7) and will be rejected (see Article 31), and the grant may be reduced (see Article 32).

Such breaches may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 25 — REPORTING

##### 25.1 Deliverables

The beneficiaries must report on the **deliverables identified in Annex 1** (if any) in accordance with the timing and conditions set out in that Annex.

Deliverables which are **reports** (e.g. progress reports, reports on cumulative expenditure, other special reports, etc; if any) must be submitted in accordance with the reporting schedule set out in the Data Sheet (see Point 4.1) and using the templates published on the EU Funding & Tenders Portal.

Deliverables which contain -classified information (if any) must be submitted according to special procedures agreed with the granting authority.

##### 25.2 Periodic reporting: Technical reports & financial statements

In addition, the beneficiaries must provide reports to request payments, in accordance with the reporting schedule set out in the Data Sheet (see Point 4.1) and using the templates published on the EU Funding & Tenders Portal:

* for additional pre-financings: a **pre-financing report**
* for interim and/or final payments: a **periodic report**.

The pre-financing and periodic reports include a technical and financial part.

The technical part of contains:

1. the project summary (publishable; only for the final report)
2. a narrative with an overview of the progress/implementation, activities & work packages, participants and project managementand justifying any changes/deviations compared to the planned activities and timing
3. information on impact indicators (if required)
4. specific annexes/information (if required).

The financial part of the pre-financing report includes a statement on the use of the previous pre-financing payment.

The financial part of the periodic report contains:

1. the financial statements (individual and consolidated; for all beneficiaries/linked third parties)
2. the explanation on the use of resources (or detailed cost reporting table, if required)
3. the certificates on the financial statements (CFS) (if required; see Article 28 and Data Sheet, Point 4.3).

The **financial statements** must detail the eligiblecosts for each budget category and, for the final payment, also all the receipts for the action (see Articles 7 and 26).

All eligible costs incurred should be declared, even if they exceed the amounts indicated in the estimated budget (see Annex 2). Amounts which are not declared in the individual financial statements will not be taken into account by the granting authority.

By signing the financial statements, the participants certify that:

* + the information provided is full, reliable and true
  + the costs declared are eligible (see Article 7)
  + the costs can be substantiated by adequate records and supporting documentation (see Article 24) that will be produced upon request (see Article 23) or in the context of checks, reviews, audits and investigations (see Article 29)
  + for the final report: all the receipts have been declared (if required; see Article 26).

The financial statements must be drafted in **euro**.

Beneficiaries with accounting established in a currency other than the euro must **convert** the costs recorded in their accounts **into euro**, at the average of the daily euro exchange rates published in the C series of the *Official Journal of the European Union*, calculated over the corresponding reporting period.

If no daily euro exchange rate is published in the *Official Journal of the European Union* for the currency in question, they must be converted at the average of the monthly accounting exchange rates published on the European Commission website, calculated over the corresponding reporting period.

Beneficiaries with accounting established in euro must convert costs incurred in another currency into euro according to their usual accounting practices.

##### 25.3 Language

All reporting must be in the language of the Agreement, unless otherwise agreed with the granting authority (see Data Sheet, Point 4.1).

##### 25.4 Consequences of non-compliance

If a report submitted does not comply with this Article, the granting authority may suspend the payment deadline (see Article 33) and apply any of the other measures described in Chapter 5.

If the coordinator breaches its obligation to submit reports (progress reports, pre-financing reports, periodic reports or other), the granting authority may terminate the grant or the coordinator (see Article 36) or apply any of the other measures described in Chapter 5.

#### ARTICLE 26 — PAYMENTS AND RECOVERIES — CALCULATION OF AMOUNTS DUE

##### 26.1 Payments and payment arrangements

Paymentswill be made in accordance with the payment schedule set out in the Data Sheet (see Point 4.2).

They will be made in euro to the bank account indicated by the coordinator (see Data Sheet, Point 4.2) and must be distributed without unjustified delay (restrictions may apply to distribution of the initial pre-financing payment; see below).

Payments to this bank account will discharge the granting authority from its payment obligation.

The cost of payment transfers will be borne as follows:

* the granting authority bears the cost of transfers charged by its bank
* the beneficiary bears the cost of transfers charged by its bank
* the party causing a repetition of a transfer bears all costs of the repeated transfer.

Payments by the granting authority will be considered to have been carried out on the date when they are debited to its account.

##### 26.2 Recoveries

Recoveries will be made, if — at beneficiary termination, at the final payment or afterwards — it turns out that the granting authority paid too much and needs to recover undue amounts.

Each beneficiary’s financial responsibility in case of recovery is in principle limited to their own debt and undue amounts of their linked third parties.

##### 26.3 Amounts due

**26.3.1 Pre-financing payments**

The aim of the pre-financing is to provide the beneficiaries with a float.

It remains the property of the EU until the final payment.

For **initial pre-financings** (if any), the amount due, conditions and payment schedule are set out in the Data Sheet (see Points 4.2 and 4.3).

**Additional pre-financings** (if any) will be paid in accordance with the payment schedule set out in the Data Sheet (see Point 4.2). For actions with a programme manager appointed by Member States, approval will be subject to a consultation with the programme manager.

The amount due is set out in the Data Sheet (see Point 4.3). However, if the statement on the use of the previous pre-financing payment shows that less than 70% of the previous payment was used to cover the costs of the action, the amount will be reduced by the difference between the 70% threshold and the amount used.

Pre-financing payment parts related to the EU Joint Research Centre (JRC) (if any) will be kept back and not paid out to the coordinator.

Pre-financing payments (or parts of them) may be offset — without the beneficiaries’ consent — against amounts owed by a beneficiary to the granting authority, up to the maximum grant amount indicated for that beneficiary in the estimated budget (see Annex 2).

For grants where the granting authority is the European Commission or an EU executive agency, offsetting may also be done against amounts owed to other Commission services or executive agencies.

Payments will not be made ifthe payment deadline or the payments are suspended (see Articles 33 and 34).

**26.3.2 Amount due at beneficiary termination — Recovery?**

At beneficiary termination there will be no payment, but the grant must be provisionally closed for the beneficiary which leaves the consortium.

Payments (if any) will be made with the next interim or final payment.

The **provisional beneficiary final grant amount** will be calculated in the following step:

Step 1 — Calculation of the total accepted EU contribution

Step 2 — Grant reductions

Step 1 — Calculation of the total accepted EU contribution

The granting authority will first calculate the ‘maximum EU contribution’ for the beneficiary, by applying the reimbursement rate to the total accepted costs of the beneficiary.

After that, it will take into account requests for lower contribution and calculation caps (missing CFS, etc.; if any).

The resulting amount is the ‘total accepted EU contribution’.

Step 2 — Grant reductions

If the grant is reduced (see Article 32), the granting authority will calculate the beneficiary’s reduced grant amount by deducting the amount of the reduction (calculated in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations, in accordance with Article 32.2) from the beneficiary’s maximum grant amount set out in Annex 2.

In case of rejection of costs and grant reductions, the **provisional beneficiary final grant amount** will be the lower of the two amounts above.

The **balance** is then calculated by deducting the payments received (if any; see report on the distribution of payments, see Article 36), from the amount due:

{amount due

minus

{pre-financing and interim payments received (if any)}}.

If the balance is **positive**, the amount will be included in the next interim or final payment to the consortium.

If the balance is **negative**, it will be **recovered** in accordance with the following procedure:

The granting authoritywill formally notify a **pre-information letter** to the beneficiary concerned:

* about the beneficiary final grant amount, the amount to be recovered and the reasons why
* inviting observations within 30 days of receiving notification.

If no observations are submitted or the granting authority decides to pursue recovery despite the observations it has received, it will confirmthe amount to be recovered and ask this amount to be paid to the coordinator (**confirmation letter**).

If payment is not made to the coordinator by the date specified in the confirmation letter, the granting authority will send a beneficiary recovery letter, together with a **debit note** with the terms and date for payment.

If payment is not made by the date specified in the debit note, the granting authority will **enforce recovery**:

1. byoffsetting the amount — without the beneficiary’s consent — against any amounts owed to the beneficiary by the granting authority.

In exceptional circumstances, to safeguard the EU financial interests, the amount may be offset before the payment date specified in the debit note.

For grants where the granting authority is the European Commission or an EU executive agency, debts may also be offset against amounts owed by other Commission services or executive agencies.

1. by drawing on the financial guarantee(s) (if any)
2. by holding the other beneficiaries liable in accordance with the liability regime set out in the Data Sheet (if any; see Point 4.3
3. joint and several liability of linked third parties: not applicable
4. by taking legal action (see Article 48) or, for grants where the granting authority is the European Commission or an EU executive agency, by adopting an enforceable decisionunder Article 299 of the Treaty on the Functioning of the EU (TFEU) and Article 100(2) of the EU Financial Regulation 2018/1046.

In exceptional cases (e.g. if termination takes effect after the period set out in Article 3 or if the terminated beneficiary is a coordinator who has not distributed amounts to consortium), the granting authority may recover directly from the beneficiary concerned, without first requesting reimbursement to the consortium (i.e. send the debit note directly with the confirmation letter).

If payment is not made by the date specified in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 26.4, from the day following the payment date in the debit note, up to and including the date the full payment is received.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the beneficiary, unless Directive 2007/64/EC[[19]](#footnote-20) applies.

For grants where the granting authority is an EU executive agency, recovery by offsetting or enforceable decision will be done by the services of the European Commission (see also Article 48).

**26.3.3 Interim payments**

Interim payments reimburse the eligible costs incurred for the implementation of the action during the reporting periods.

Interim payments (if any) will be made in accordance with the payment schedule set out the Data Sheet (see Point 4.2).

Payment is subject to the approval of the periodic report. Its approval does not imply recognition of compliance, authenticity, completeness or correctness of its content. For actions with a programme manager appointed by Member States, approval will be subject to a consultation with the programme manager.

The **amount due** as interim payment will be calculated by the granting authority in the following steps:

Step 1 — Calculation of the total accepted EU contribution

Step 2 — Limit to the interim payment ceiling

Step 1 — Calculation of the total accepted EU contribution

The granting authority will first calculate the ‘maximum EU contribution’ for the action for the reporting period, by applying the reimbursement rate to the total accepted costs of each beneficiary.

After that, it will take into account requests for a lower contribution and calculation caps (missing CFS, beneficiary termination, etc.; if any).

The resulting amount is the ‘total accepted EU contribution’.

Step 2 — Limit to the interim payment ceiling

This amount is capped to ensure that total amount of pre-financing and interim payments (if any) does not exceed 90% of the maximum grant amount:

{90% of the maximum grant amount

minus

{pre-financing and previous interim payments (if any)}}.

Interim payment parts related to the EU Joint Research Centre (JRC) (if any) will be kept back and not paid out to the coordinator.

Interim payments (or parts of them) may be offset — without the beneficiaries’ consent — against amounts owed by a beneficiary to the granting authority, up to the maximum grant amount indicated, for that beneficiary, in the estimated budget (see Annex 2).

For grants where the granting authority is the European Commission or an EU executive agency, offsetting may also be done against amounts owed to other Commission services or executive agencies.

Payments will not be made ifthe payment deadline or the payments are suspended (see Articles 33 and 34).

**26.3.4 Final payment — Final grant amount — Receipts and Profit — Recovery?**

The final payment (payment of the balance) reimburses the remaining part of the eligible costs incurred by the beneficiaries for the implementation of the action.

The final payment will be made in accordance with the payment schedule set out in the Data Sheet (see Point 4.2).

Payment is subject to the approval of the final periodic report. Its approval does not imply recognition of compliance, authenticity, completeness or correctness of its content. For actions with a programme manager appointed by Member States, approval will be subject to a consultation with the programme manager.

The **final grant amount for the action** will be calculated in the following steps:

Step 1 — Calculation of the total accepted EU contribution

Step 2 — Limit to the maximum grant amount

Step 3 — Reduction due to the no-profit rule

Step 4 — Grant reductions

Step 1 — Calculation of the total accepted EU contribution

The granting authority will first calculate the ‘maximum EU contribution’ for the action for all reporting periods, by applying the reimbursement rate to the total accepted costs of each beneficiary.

After that, it will take into account requests for a lower contribution and calculation caps (missing CFS, beneficiary termination, etc.; if any).

The resulting amount is the ‘total accepted EU contribution’.

Step 2 — Limit to the maximum grant amount

If the amount obtained following Step 1 is higher than the maximum grant amount set out in Article 5.1, it will be limited to the latter.

Step 3 — Reduction due to the no profit rule

***[****OPTION 1 if applicable to the grant[[20]](#footnote-21):*The grant must not produce a profit.

‘Profit’ means the surplus of the amount obtained following Steps 1 and 2 plus the action’s receipts, over the action’s costs.

The action’s costs are the consolidated eligible costs approved by the granting authority (accepted costs).

The action’s receipts are the consolidated receipts generated by beneficiaries that are profit legal entities during the action duration (see Article 3).

The following are considered receipts:

1. income generated by the action.

If there is a profit, it will be deducted in proportion to the final rate of reimbursement of the eligible actual costs approved by the granting authority (as compared to the amount calculated following Steps 1 and 2).***]***

***[****OPTION 2:*Not applicable***]***

Step 4 — Grant reductions

If the grant is reduced (see Article 32), the granting authority will calculate the reduced grant amount by deducting the amount of the reduction(s) (calculated in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations, in accordance with Article 32.2) from the maximum grant amount set out in Annex 2.

The **final grant amount** will be the lower of the following two:

* the amount obtained following Steps 1 to 3 or
* the reduced grant amount following Step 4.

The **balance** (final payment) is then calculated by deducting the total amount of pre-financing and interim payments already made (if any), from the final grant amount:

{final grant amount

minus

{pre-financing and interim payments made (if any)}}.

If the balance is **positive**, it will be paid to the coordinator.

Final payment parts related to the EU Joint Research Centre (JRC) (if any) will be kept back and not paid out to the coordinator.

The final payment (or part of it) may be offset — without the beneficiaries’ consent — against amounts owed by a beneficiary to the granting authority, up to the maximum grant amount indicated, for that beneficiary, in the estimated budget (see Annex 2).

For grants where the granting authority is the European Commission or an EU executive agency, offsetting may also be done against amounts owed to other Commission services or executive agencies.

Payments will not be made ifthe payment deadline or the payments are suspended (see Articles 33 and 34).

If the balance is **negative**, it will be **recovered** in accordance with the following procedure:

The granting authoritywill formally notify a **pre-information letter** to the coordinator:

* about the intention to recover, the final grant amount, the amount to be recovered and the reasons why
* requesting a report on the distribution of payments to the beneficiaries within 30 days of receiving notification and
* inviting observations within 30 days of receiving notification.

If no observations are submitted (or the granting authority decides to pursue recovery despite the observations it has received) and the coordinator has submitted the report on the distribution of payments, it will calculate the **share of the debt per beneficiary**, by:

1. identifying the beneficiaries for which the amount calculated as follows is negative:

**{{**{{total accepted EU contribution for the beneficiary

divided by

total accepted EU contribution for the action}

multiplied by

final grant amount for the action**}**,

minus

{pre-financing and interim payments received by the beneficiary (if any)}**}**

and

1. dividing the debt:

{{amount calculated according to point (a) for the beneficiary concerned

divided by

the sum of the amounts calculated according to point (a) for all the beneficiaries identified according to point (a)}

multiplied by

the amount to be recovered (negative balance)}.

and confirmthe amount to be recoveredfrom each beneficiary concerned(**confirmation letter**), together with **debit notes** with the terms and date for payment.

The debit notes to the beneficiaries will include the amounts calculated for their linked third parties (if any).

If the coordinator has not submitted the report on the distribution of payments, the granting authority will **recover** the full amount from the coordinator (**confirmation letter** and **debit note** with the terms and date for payment).

If payment is not made by the date specified in the debit note, the granting authority will **enforce recovery**:

1. byoffsetting the amount — without the coordinator/beneficiary’s consent — against any amounts owed to the coordinator/beneficiary by the granting authority.

In exceptional circumstances, to safeguard the EU financial interests, the amount may be offset before the payment date specified in the debit note.

For grants where the granting authority is the European Commission or an EU executive agency, debts may also be offset against amounts owed by other Commission services or executive agencies.

1. by drawing on the financial guarantee(s) (if any)
2. by holding the other beneficiaries liable in accordance with the liability regime set out in the Data Sheet (if any; see Point 4.3)
3. joint and several liability of linked third parties: not applicable
4. by taking legal action (see Article 48) or, for grants where the granting authority is the European Commission or an EU executive agency, by adopting an enforceable decisionunder Article 299 of the Treaty on the Functioning of the EU (TFEU) and Article 100(2) of the EU Financial Regulation 2018/1046.

If payment is not made by the date in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 26.4, from the day following the payment date in the debit note, up to and including the date the full payment is received.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the beneficiary, unless Directive 2007/64/EC applies.

For grants where the granting authority is an EU executive agency, recovery by offsetting or enforceable decision will be done by the services of the European Commission (see also Article 48).

**26.3.5 Audit implementation after final payment — Revised final grant amount — Recovery?**

If — after the final payment (in particular, after checks, reviews, audits or investigations; see Article 29) — the granting authority rejects costs (see Article 31) or reduces the grant (see Article 32), it will calculate the **revised final grant amount** for the beneficiary concerned.

The **beneficiary revised final grant amount** will be calculated in the following steps:

Step 1 — Calculation of the revised total accepted EU contribution

Step 2 — Grant reductions

Step 1 — Calculation of the revised total accepted EU contribution

The granting authority will first calculate the ‘revised total accepted costs’ for the beneficiary.

After that, it will take into account calculation caps (if any).

The resulting amount is the ‘revised total accepted EU contribution’.

Step 2 — Grant reductions

If the grant is reduced (see Article 32), the granting authority will calculate the beneficiary’s reduced grant amount by deducting the amount of the reduction (calculated in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations, in accordance with Article 32.2) from the beneficiary’s maximum grant amount set out in Annex 2.

In case of rejection of costs and grant reductions, the **revised final grant amount** for the beneficiary concerned will be the lower of the two amounts above.

If the revised final grant amount is lower than the beneficiary’s final grant amount (i.e. its share in the final grant amount for the action), it will be **recovered** in accordance with the following procedure:

The **beneficiary final grant amount** is calculated as follows:

**{**{{ total accepted EU contribution for the beneficiary

divided by

total accepted EU contribution for the action}

multiplied by

final grant amount for the action**}**.

The granting authority will formally notify a pre-information letterto the beneficiary concerned:

* about the intention to recover, the amount to be repaid and the reasons why and
* inviting observations within 30 days of receiving notification.

If no observations are submitted or the granting authority decides to pursue recovery despite the observations it has received, it will confirm the amount to be recovered (confirmation letter), together with a **debit note** with the terms and the date for payment.

If payment is not made by the date specified in the debit note, the granting authority will **enforce recovery**:

1. by offsettingthe amount — without the beneficiary’s consent — against any amounts owed to the beneficiary by the granting authority

In exceptional circumstances, to safeguard the EU financial interests, the amount may be offset before the payment date specified in the debit note.

For grants where the granting authority is the European Commission or an EU executive agency, debts may also be offset against amounts owed by other Commission services or executive agencies.

1. by holding the other beneficiaries liable in accordance with the liability regime set out in the Data Sheet (if any; see Point 4.3)
2. joint and several liability of linked third parties: not applicable
3. by taking legal action (see Article 48) or, for grants where the granting authority is the European Commission or an EU executive agency, by adopting an enforceable decision under Article 299 of the Treaty on the Functioning of the EU (TFEU)and Article 100(2) of the EU Financial Regulation 2018/1046.

If payment is not made by the date in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 26.4, from the day following the date for payment in the debit note, up to and including the date the full payment is received.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the beneficiary, unless Directive 2007/64/EC applies.

For grants where the granting authority is an EU executive agency, recovery by offsetting or enforceable decision will be done by the services of the European Commission (see also Article 48).

##### 26.4 Consequences of non-compliance

**26.4.1** If the granting authoritydoes not pay within the payment deadlines (see above), the beneficiaries are entitled to **late-payment interest** at the rate applied by the European Central Bank (ECB) for its main refinancing operations in euros (‘reference rate’), plus 3.5 points. The reference rate is the rate in force on the first day of the month in which the payment deadline expires, as published in the C series of the *Official Journal of the European Union*.

If the late-payment interest is lower than or equal to EUR 200, it will be paid to the coordinator only upon request submitted within two months of receiving the late payment.

Late-payment interest is not due if all beneficiaries are EU Member States (including regional and local government authorities or other public bodies acting on behalf of a Member State for the purpose of this Agreement).

If payments or the payment deadline are suspended (see Articles 33 and 34), payment will not be considered as late.

Late-payment interest covers the period running from the day following the due date for payment (see above), up to and including the date of payment.

Late-payment interest is not considered for the purposes of calculating the final grant amount.

**26.4.2** If the coordinator breaches any of its obligations under this Article, the grant may be reduced (see Article 32) and the grant or the coordinator may be terminated (see Article 36).

Such breaches may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 27 — GUARANTEES

##### 27.1 Pre-financing guarantee

If required by the granting authority, the beneficiaries must provide (one or more) pre-financing guarantee(s) in accordance with the timing and the amounts set out in the Data Sheet (see Point 4.3).

The coordinator must submit them to the granting authority in due time before the pre-financing they are linked to.

The guarantees must be drawn up using the template published on the EU Funding & Tenders Portal and fulfil the following conditions:

1. be provided by a bank or an approved financial institution or — if requested by the coordinator and accepted by the granting authority — by a third party
2. the guarantor stands as first-call guarantor and does not require the granting authority to first have recourse against the principal debtor (i.e. the beneficiary concerned)
3. remain explicitly in force until the final payment and, if the final payment takes the form of a recovery, until three months after the debit note is notified to a beneficiary.

They will be released within the following month.

##### 27.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 27.1, the pre-financing will not be paid.

Such breaches may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 28 — CERTIFICATES

##### 28.1 Operational verification report

Not applicable

##### 28.2 Certificate on the financial statements (CFS)

If required by the granting authority, the beneficiaries must provide certificates on their financial statements (CFS), in accordance with the schedule, threshold and conditions set out in the Data Sheet (see Point 4.3).

The coordinator must submit them as part of the periodic report (see Article 25).

The certificates must be drawn up using the template published on the EU Funding & Tenders Portal and fulfil the following conditions:

1. be provided by a qualified approved external auditor which is independent and complies with Directive 2006/43/EC[[21]](#footnote-22) (or for public bodies: by a competent independent public officer)
2. the audit is carried out according to the highest professional standards to ensure that the financial statements comply with the provisions under the Agreement and that the costs declared are eligible.

The certificates will not affect the granting authority’s right to carry out its own checks, reviews or audits, nor preclude the European Court of Auditors (ECA), the European Public Prosecutor’s Office (EPPO) or the European Anti-Fraud Office (OLAF) from using their prerogatives for audits and investigations under the Agreement (see Article 29).

If the costs (or a part of them) were already audited by the granting authority, these costs do not need to be covered by the certificate and will not be counted for calculating the threshold.

##### 28.3 Certificate on the methodology on usual cost accounting practices (CoMUC)

Not applicable

##### 28.4 Combined review certificate

Not applicable

##### 28.5 Consequences of non-compliance

If a beneficiary does not submit a certificate on the financial statements (CFS), the accepted EU contribution will be capped to reflect the CFS threshold.

If a beneficiary breaches any of its other obligations under this Article, the granting authority may apply the measures described in Chapter 5.

#### ARTICLE 29 — CHECKS, REVIEWS, AUDITS AND INVESTIGATIONS — EXTENSION OF FINDINGS

##### 29.1 Project coaches

Not applicable

##### 29.2 Checks, reviews and audits by the granting authority

**29.2.1 Checks**

The granting authority will — during the implementation of the action or afterwards — check the proper implementation of the action and compliance with the obligations under the Agreement, including assessing costs, deliverables and reports. For actions for which Member States appointed a programme manager, such checks may also involve consulting the programme manager.

**29.2.2 Project reviews (technical audits)**

The granting authority may — during the implementation of the action or afterwards — carry out reviews on the proper implementation of the action and compliance with the obligations under the Agreement (general project reviews or specific issues reviews).

Project reviews may be started during the implementation of the action and until the time-limit set out in the Data Sheet (see Point 5). They will be formally notified to the coordinator or beneficiary concerned and will be considered to start on the date of the formal notification.

If needed, the granting authority may be assisted by outside experts. If it uses outside experts, the programme manager and the coordinator or beneficiary concerned will be informed before the start of the review. In duly justified cases, the beneficiary has the right to object on grounds of security reasons.

The coordinator or beneficiary concerned must provide — within the deadline requested — any information and data in addition to deliverables and reports already submitted (including information on the use of resources). The granting authority may request beneficiaries to provide such information to it directly. Confidential information and documents will be treated in accordance with Article 17.

The coordinator or beneficiary concerned may be requested to participate in meetings, including with the outside experts.

For **on-the-spot** visits, the beneficiary concerned must allow access to sites and premises (including to the outside experts) and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

On the basis of the review findings, a **project review report** will be drawn up.

The granting authority will formally notify the project review report to the coordinator or beneficiary concerned, which has 30 days to formally notify observations (contradictory project review procedure).

Project reviews (including project review reports) will be in the language of the Agreement.

**29.2.3**  **Financial audits**

The granting authority may — during the implementation of the action or afterwards — carry out financial audits on the proper implementation of the action and compliance with the obligations under the Agreement.

Audits may be started during the implementation of the action and until the time-limit set out in the Data Sheet (see Point 5). They will be formally notified to the coordinator or beneficiary concerned and will be considered to start on the date of the formal notification.

The granting authority may use its own audit service, delegate audits to a centralised service or use external audit firms. If it uses an external audit firm, the programme manager and the coordinator or beneficiary concerned will be informed before the start of the audit. In duly justified cases, the beneficiary has the right to object on grounds of security reasons.

The coordinator or beneficiary concerned must provide — within the deadline requested — any information (including complete accounts, individual salary statements or other personal data) to verify compliance with the Agreement. The granting authority may request beneficiaries to provide such information to it directly. Confidential information and documents will be treated in accordance with Article 17.

For **on-the-spot** visits, the beneficiary concerned must allow access to sites and premises (including for the external audit firm) and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

On the basis of the audit findings, a **draft audit report** will be drawn up.

The auditors will formally notify the draft audit report to the coordinator or beneficiary concerned, which has 30 days to formally notify observations (contradictory audit procedure). This period may be extended in justified cases.

The **final audit report** will take into account observations by the coordinator or beneficiary concerned. The report will be formally notified to it.

Audits (including audit reports) will be in the language of the Agreement.

##### 29.3 Checks, reviews and audits by the European Commission in grants of other granting authorities

The beneficiaries must allow for checks, reviews and audits by the European Commission in grants which have been delegated to other granting authorities.

**29.4 Access to records for assessing unit costs, flat-rates or lump sums**

The beneficiaries must give access to their statutory records for the general assessment of unit costs, flat-rates or lump sums which are used in EU funding programmes*.*

##### 29.5 Investigations by the European Anti-Fraud Office (OLAF)

Under Regulations No 883/2013[[22]](#footnote-23) and No 2185/96[[23]](#footnote-24), the European Anti-Fraud Office (OLAF) may — at any moment during implementation of the action or afterwards — carry out checks and investigations, to establish whether there has been fraud, corruption or any other illegal activity affecting EU financial interests.

The beneficiary concerned must provide — within the deadline requested — any information (including complete accounts, individual salary statements or other personal data) to verify compliance with the Agreement and whether there has been fraud, corruption or any other illegal activity.

For **on-the-spot** visits and inspections, the beneficiary must allow access to sites and premises and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

##### 29.6 Investigations by the European Prosecutor’s Office (EPPO)

Under Regulation 2017/1939 the European Public Prosecutor’s Office may — at any moment during implementation of the action or afterwards — carry out checks and investigations, to establish whether have been criminal offences affecting the EU financial interests.

The beneficiary concerned must provide — within the deadline requested — any information (including complete accounts, individual salary statements or other personal data) to verify compliance with the Agreement and whether there have been criminal offences affecting the EU financial interests.

For **on-the-spot** visits and inspections, the beneficiary must allow access to sites and premises and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

##### 29.7 Checks and audits by the European Court of Auditors (ECA)

Under Article 287 of the Treaty on the Functioning of the European Union (TFEU) and Article 257 of the EU Financial Regulation 2018/1046, the European Court of Auditors (ECA) may — at any moment during implementation of the action or afterwards —carry out checks and audits.

The beneficiary concerned must provide — within the deadline requested — any information (including complete accounts, individual salary statements or other personal data) to verify compliance with the Agreement.

For **on-the-spot** visits, the beneficiary concerned must allow access to sites and premises (including for the external audit firm) and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

##### 29.8 Consequences of checks, reviews, audits and investigations — Extension of results of reviews, audits or investigations

**29.8.1 Consequences of checks, reviews, audits and investigations in this grant**

Findings in checks, reviews, audits or investigations carried out in the context of this grant may lead to cost rejection (see Article 31), grant reduction (see Article 32) or any of the other measures described in Chapter 5.

Cost rejections or grant reductions after the final payment will lead to a revised final grant amount (see Articles 5 and 26).

Findings in checks, reviews, audits or investigations may lead to a request for amendment for the modification of Annex 1 (see Article 45).

Checks, reviews, audits or investigations that find systemic or recurrent financial errors, irregularities, fraud or breach of obligations in any EU grant may also lead to consequences in other EU grants awarded under similar conditions (‘**extension**’).

Moreover, findings arising from an OLAF investigation may lead to criminal prosecution under national law.

**29.8.2 Extension from other grants**

Results of checks, reviews, audits or investigations in other grants may be extended to this grant, if:

1. the beneficiary concerned is found, in other EU grants awarded under similar conditions, to have committed systemic or recurrent financial errors, irregularities, fraud or breach of obligations that have a material impact on this grant and
2. those findings are formally notified to the beneficiary concerned — together with the list of grants affected by the findings — within the time-limit for audits set out in the Data Sheet (see Point 5).

The granting authority will formally notify the beneficiary concerned the intention to extend the findings and the list of grants affected.

If theextension concerns **cost rejections**: the formal notification will include:

1. an invitation to submit observations on the list of grants affected by the findings
2. the request to submit **revised financial statements** for all grants affected
3. the **correction rate** **for extrapolation**,established on the basis of the systemic or recurrent errors, to calculate the amounts to be rejected, if the beneficiary concerned:
   1. considers that the submission of revised financial statements is not possible or practicable or
   2. does not submit revised financial statements.

If the extension concerns **grant reductions**: the formal notification will include:

1. an invitation to submit observations on the list of grants affected by the findings and
2. the **correction rate for extrapolation**, established on the basis of the systemic or recurrent errors and the principle of proportionality.

The beneficiary concerned has **60 days** from receiving notification to submit observations, revised financial statements or to propose a duly substantiated **alternative correction method/rate**. This period may be extended in justified cases.

On the basis of this, the granting authority will analyse the impact and decide on the implementation (i.e. start grant reduction or cost rejection procedures, either on the basis of the revised financial statements or the announced/alternative method/rate or a mix of those).

##### 29.9 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, costs insufficiently substantiated will be ineligible (see Article 7) and will be rejected (see Article 31), and the grant may be reduced (see Article 32).

Such breaches may also lead to any of the other measures described in Chapter 5.

#### ARTICLE 30 — IMPACT EVALUATIONS

##### 30.1 Right to evaluate the impact of the action

The granting authority or may carry out impact evaluations of the action, measured against the objectives and indicators of the EU funding programme.

Evaluations may be started during implementation of the action and until the time-limit set out in the Data Sheet (see Point 5). They will be formally notified to the coordinator or beneficiaries and will be considered to start on the date of the formal notification to the coordinator or beneficiaries.

If needed, the granting authority may be assisted by outside experts.

The coordinator or beneficiaries must provide any information relevant to evaluate the impact of the action, including information in electronic format.

##### 30.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the granting authority may apply the measures described in Chapter 5.

# CHAPTER 5 BREACH OF CONTRACT

## SECTION 1 COST REJECTION AND GRANT REDUCTION

#### ARTICLE 31 — COST REJECTION

##### 31.1 Conditions

The granting authority will — at the time of an interim payment, beneficiary termination, final payment or afterwards — reject any costs which are ineligible (see Article 7), in particular following checks, reviews, audits or investigations (see Article 29).

The rejection may also be based on the extension of findings from other grants to this grant (see Article 29).

##### 31.2 Amount to be rejected — Calculation — Procedure

Ineligible costs will be rejected in full (except for lump sum costs, if any, which will be rejected proportionally to the tasks or parts of the action as described in Annex 1 that were not properly implemented).

If the cost rejection does not lead to a recovery, the granting authority will formally notify the coordinator or beneficiary concerned of the rejection, the amounts and the reasons why. The coordinator or beneficiary concerned may — within 30 days of receiving notification — submit observations if it disagrees with the rejection (payment review procedure).

If the rejection of costs leads to a recovery, the granting authority will follow the contradictory procedure with pre-information letter set out in Article 26.

##### 31.3 Effects

If the granting authority rejects costs at beneficiary termination, it will deduct them from the costs declared in the termination report and then calculate the amount due as set out in Article 26.

If the granting authority rejects costs at an interim payment or the final payment, it will deduct them from the costs declared and then calculate amount due as set out in Article 26.

If the granting authorityrejects costs after the final payment, it will calculate the revised final grant amount as set out in Article 26. If the revised final grant amount is lower than the final grant amount, it will recover the difference.

#### ARTICLE 32 — REDUCTION OF THE GRANT

##### 32.1 Conditions

The granting authority may — at beneficiary termination, final payment or afterwards — reduce the grant for a beneficiary, if:

1. the beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed:
2. substantial errors, irregularities or fraud or
3. serious breach of obligations under the Agreement or during the award procedure (including improper implementation of the action, submission of false information, failure to provide required information, breach of ethics or security rules (if applicable), etc.) or
4. the beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed — in other EU grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on this grant (see Article 29).

##### 32.2 Amount to be reduced — Calculation — Procedure

The amount of the reduction will be calculated for each beneficiary concerned and proportionate to the seriousness and the duration of the errors, irregularities or fraud or breach of obligations.

The amount to be reduced will be calculated by applying a reduction rate to the from the beneficiary’s maximum grant amount set out in Annex 2.

In case of several breaches for a beneficiary, only the highest rate will be applied.

If the grant reduction does not lead to a recovery, the granting authority will formally notify to the coordinator or beneficiary concerned the reduction, the amount to be reduced and the reasons why. The coordinator or beneficiary concerned may — within 30 days of receiving notification — submit observations  if it disagrees with the reduction (payment review procedure).

If the reduction leads to a recovery, the granting authority will follow the contradictory procedure with pre-information letter set out in Article 26.

##### 32.3 Effects

If the granting authority reduces the grant at beneficiary termination, it will deduct the reduction and then calculate the amount due as set out in Article 26.

If the granting authority reduces the grant at the final payment, it will deduct the reduction and then calculate the amount due as set out in Article 26.

If the granting authority reduces the grant after the final payment, it will deduct the reduction and then calculate the revised final grant amount as set out in Article 26. If the revised final grant amount is lower than the beneficiary’s final grant amount, it will recover the difference.

## SECTION 2 SUSPENSION AND TERMINATION

#### ARTICLE 33 — SUSPENSION OF THE PAYMENT DEADLINE

##### 33.1 Conditions

The granting authority may — at any moment — suspend the payment deadline if a payment cannot be processed because:

1. the required report (see Article 25) has not been submitted or is not complete or additional information is needed, or
2. there are doubts about the amount to be paid (e.g. ongoing audit extension procedure, queries about cost eligibility, need for a grant reduction, etc.) and additional checks, reviews, audits or investigations are necessary
3. there are issues affecting the EU financial interests.

##### 33.2 Procedure

The granting authority will formally notify the coordinator of the suspension and the reasons why.

The suspension will **take effect** the day the notification is sent.

If the conditions for suspending the payment deadline are no longer met, the suspension will be **lifted** — and the remaining period will resume.

If the suspension exceeds two months, the coordinator may request the granting authority if the suspension will continue.

If the payment deadline has been suspended due to the non-compliance of the report and the revised report is not submitted (or was submitted but is also rejected), the granting authority may also terminate the grant or the coordinator (see Article 36).

#### ARTICLE 34 — SUSPENSION OF PAYMENTS

##### 34.1 Conditions

The granting authority may — at any moment — suspend payments, in whole or in partfor one or more beneficiaries, if:

1. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed or is suspected of having committed:
2. substantial errors, irregularities or fraud or
3. serious breach of obligations under this Agreement or during the award procedure (including improper implementation of the action, submission of false information, failure to provide required information, breach of ethics or security rules (if applicable), etc.), or
4. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed — in other EU grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on this grant.

If payments are suspended for one or more beneficiaries, the granting authority will make partial payment(s) for the part(s) not suspended. If suspension concerns the final payment, the payment (or recovery) of the remaining amount after suspension is lifted will be considered to be the payment that closes the action.

##### 34.2 Procedure

Before suspending payments, the granting authority will formally notify a **pre-information letter** to the coordinator:

* about the intention to suspend payments and the reasons why and
* inviting observations within 30 days of receiving notification.

If the granting authority does not receive observations or decides to pursue the procedure despite the observations it has received, it will confirm the suspension (**confirmation letter**). Otherwise, it will formally notify that the suspension procedure is not continued.

The suspension will **take effect** the day after the confirmation notification is sent.

If the conditions for resuming payments are met, the suspension will be **lifted**. The granting authority will formally notify the coordinator (and set the suspension end date).

During the suspension, the periodic reports for all reporting periods except the last one (see Article 25) must not contain any financial statements from the beneficiary concerned (or its linked third parties). The coordinator must include them in the next periodic report after the suspension is lifted or — if suspension is not lifted before the end of the action — in the last periodic report.

The beneficiaries may suspend the grant (see Article 35) or terminate the grant or the beneficiary concerned (see Article 36).

#### ARTICLE 35 — GRANT AGREEMENT SUSPENSION

##### 35.1 Consortium-requested GA suspension

**35.1.1 Conditions**

The beneficiaries may suspend the grant or any part of it, if exceptional circumstances — in particular *force majeure* (see Article 41) — make implementation impossible or excessively difficult.

**35.1.2 Procedure**

The coordinator must immediately formally notify to the granting authority the suspension, stating:

* the reasons why and
* the expected date of resumption.

The suspension will **take effect** the day after the notification is sent (or on a later date specified in the notification).

Once circumstances allow for implementation to resume, the coordinator must immediately formally notify the granting authority and request an **amendment** of the Agreement to set the date on which the action will be resumed, extend the duration of the action and make other changes necessary to adapt the action to the new situation (see Article 45) — unless the grant or the beneficiary has been terminated (see Article 36).

The suspension will be **lifted** with effect from the suspension end date set out in the amendment. This date may be before the date on which the amendment enters into force.

Costs incurred during grant suspension are not eligible (see Article 7).

##### 35.2 EU-initiated GA suspension

**35.2.1** **Conditions**

The granting authority may suspend the grant or any part of it, if:

1. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed or is suspected of having committed:
2. substantial errors, irregularities or fraud or
3. serious breach of obligations under this Agreement or during the award procedure (including improper implementation of the action, submission of false information, failure to provide required information, breach of ethics or security rules (if applicable), etc.) or
4. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed — in other EU grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on this grant
5. other:
6. linked action: not applicable.

**35.2.2 Procedure**

Before suspending the grant, the granting authority will formally notify a **pre-information letter** to the coordinator or beneficiary concerned:

* about the intention to suspend the grant and the reasons why and
* inviting observations within 30 days of receiving notification.

If the granting authority does not receive observations or decides to pursue the procedure despite the observations it has received, it will confirm the suspension (**confirmation letter**). Otherwise, it will formally notify that the procedure is not continued.

The suspension will **take effect** the day after the confirmation notification is sent (or on a later date specified in the notification).

It will be **lifted** if the conditions for resuming implementation of the action are met. The granting authority will formally notify the coordinator (and set the suspension end date).

The coordinator must request an **amendment** of the Agreement to set the date on which the action will be resumed (one day after suspension end date), extend the duration of the action and make other changes necessary to adapt the action to the new situation (see Article 45) — unless the grant has been terminated (see Article 36).

Costs incurred during suspension are not eligible (see Article 7).

The beneficiaries may not claim damages due to suspension by the granting authority (see Article 37).

Grant suspension does not affect the granting authority’sright to terminate the grant or a beneficiary (see Article 36) or reduce the grant (see Article 32).

#### ARTICLE 36 — GRANT AGREEMENT OR BENEFICIARY TERMINATION

##### 36.1 Consortium-requested GA termination

**36.1.1 Conditions and procedure**

The beneficiaries may terminate the grant.

The coordinator must formally notify termination to the granting authority, stating:

* the reasons why and
* the date the termination will take effect; this date must be after the notification.

If no reasons are given or if the granting authority considers the reasons do not justify termination, the grant will be considered to have been **terminated improperly**.

The termination will **take effect** on the day specified in the notification.

**36.1.2 Effects**

The coordinator must — within 60 days from when termination takes effect — submit a **periodic report** (for the open reporting period until termination).

If the granting authority does not receive the report within the deadline (see above), only costs which are included in an approved periodic report will be taken into account (no costs if no periodic report was ever approved)*.*

The granting authority will calculatethe final grant amount and final payment (see Article 26) on the basis of the report submitted. Only costs incurred until termination takes effect are eligible (see Article 7). Costs relating to contracts due for execution only after termination are not eligible.

Improper termination may lead to a reduction of the grant (see Article 32).

After termination, the beneficiaries’ obligations (in particular, Articles 17, 19, 20, 21, 25, 29, 30, 31, 32 and 47) continue to apply.

##### 36.2 Consortium-requested beneficiary termination

**36.2.1 Conditions and procedure**

The participation of one or more beneficiaries may be terminated by the coordinator, on request of the beneficiary concerned or on behalf of the other beneficiaries.

The coordinator must formally notifytermination to the granting authority and inform the beneficiary concerned.

If the coordinator’s participation is terminated without its agreement, the formal notification must be done by another beneficiary (acting on behalf of the other beneficiaries).

The notification must include:

* the reasons why;
* the opinion of the beneficiary concerned (or proof that this opinion has been requested in writing);
* the date the termination takes effect; this date must be after the notification.

If this information is not given or if the granting authority considers that the reasons do not justify termination, the participation will be considered to have been **terminated improperly**.

The termination will **take effect** on the day specified in the notification.

**36.2.2 Effects**

The coordinator must — within 60 days from when termination takes effect — submit:

1. a **report on the distribution of payments** to the beneficiary concerned
2. a **termination report** from the beneficiary concerned, for the open reporting period until termination, containing an overview of the progress of the work, the financial statement, the explanation on the use of resources, and, if applicable, the certificate on the financial statement (CFS; see Article 25 and Data Sheet, Point 4.3)
3. a **request for amendment** (see Article 45), with a proposal for reallocation of the tasks and the estimated budget of the beneficiary concerned (see Annexes 1 and 2) and, if necessary, the addition of one or more new beneficiaries (see Article 46). If termination takes effect after the period set out in Article 3, no request for amendment is needed, unless the beneficiary concerned is the coordinator. In this case, the request for amendment must propose a new coordinator.

The granting authority will calculatethe amount which is due to the beneficiary on the basis of the periodic reports (if any) and the termination report (see Article 26). Only costs incurred by the beneficiary concerned until termination takes effect are eligible (see Article 7). Costs relating to contracts due for execution only after termination are not eligible.

The information in the termination report must also be included in the periodic report for the next reporting period (see Article 25).

If the granting authority does not receive the termination report within the deadline (see above), only costs included in an approved periodic report will be taken into account (no costs if no periodic report was ever approved).

If the granting authority does not receive the report on the distribution of payments within the deadline (see above), it will consider that:

* the coordinator did not distribute any payment to the beneficiary concerned and that
* the beneficiary concerned must not repay any amount to the coordinator.

If the request for amendment is rejected by the granting authority(because it calls into question the decision awarding the grant or breaches the principle of equal treatment of applicants), the grant may be terminated (see Article 36).

If the request for amendment is accepted by the granting authority, the Agreement is **amended** to introduce the necessary changes (see Article 45).

Improper termination may lead to a reduction of the grant (see Article 32) or grant termination (see Article 36).

After termination, the concerned beneficiary’s obligations (in particular Articles 17, 19, 20, 21, 25, 29, 30, 31, 32 and 47) continue to apply.

##### 36.3 EU-initiated GA or beneficiary termination

**36.3.1 Conditions**

The granting authority may terminate the grant or the participation of one or more beneficiaries, if:

1. a change to the action or the legal, financial, technical, organisational or ownership situation of a beneficiary is likely to substantially affect or delay the implementation of the action or calls into question the decision to award the grant (including changes linked to one of the exclusion grounds listed in the declaration of honour signed before grant signature)
2. the non-accession or termination of one or more beneficiaries (and its impact on the grant) would call into question the decision awarding the grant or breach the principle of equal treatment of applicants (see Article 45)
3. implementation of the action is prevented by force majeure (see Article 41) or the grant is suspended (see Article 35) and either:
4. resumption is impossible or
5. the necessary changes to the Agreement would call into question the decision awarding the grant or breach the principle of equal treatment of applicants
6. a beneficiary (or a person with unlimited liability for its debts) is bankrupt, being wound up, having the affairs administered by the courts, entered into an arrangement with creditors, suspended business activities, or subject to any other similar proceedings or procedures
7. a beneficiary (or a person with unlimited liability for its debts) is in breach of social security or tax obligations
8. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has been found guilty of grave professional misconduct
9. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed fraud, corruption, or is involved in a criminal organisation, money laundering, terrorism-related crimes (including terrorism financing), child labour or human trafficking
10. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) was created under a different jurisdiction with the intent to circumvent fiscal, social or other legal obligations in the country of origin (or created another entity with this purpose)
11. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed:
12. substantial errors, irregularities or fraud or
13. serious breach of obligations under the Agreement or during the award procedure (including improper implementation of the action, submission of false information, failure to provide required information, breach of ethics or security rules (if applicable), etc.)
14. a beneficiary (or a person having powers of representation, decision-making or control, beneficial owner, or person essential for the award/implementation of the grant) has committed — in other EU grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on this grant (extension of findings from other grants to this grant; see Article 29);
15. despite a specific request by the granting authority, a beneficiary does not request — through the coordinator — an amendment to the Agreement to end the participation of one of its linked third parties that is in one of the situations under points (d), (f), (e), (g), (h), (i) or (j) and to reallocate its tasks
16. other:
17. linked action:not applicable.

**36.3.2 Procedure**

Before terminating the grant or participation of one or more beneficiaries, the granting authority will formally notify **a pre-information letter** to the coordinator or beneficiary concerned:

* about the intention to terminate and the reasons why and
* inviting observations within 30 days of receiving notification.

If the granting authority does not receive observations or decides to pursue the procedure despite the observations it has received, it will confirm the termination and the date it will take effect (**confirmation letter**). Otherwise, it will formally notify that the procedure is not continued.

The termination will **take effect** the day after the confirmation notification is sent (or on a later date specified in the notification):

**36.3.3 Effects**

1. for **GA termination**:

The coordinator must — within 60 days from when termination takes effect — submit a **periodic report** (for the last open reporting period until termination).

If the grant is terminated for breach of the obligation to submit reports, the coordinator may not submit any report after termination.

If the granting authority does not receive the report within the deadline (see above), only costs which are included in an approved periodic report will be taken into account (no costs if no periodic report was ever approved).

The granting authority will calculate the final grant amount and final payment on the basis of the report submitted (see Article 26). Only costs incurred until termination takes effect are eligible (see Article 7). Costs relating to contracts due for execution only after termination are not eligible.

This does not affect the granting authority’s right to reduce the grant (see Article 32) or to impose administrative sanctions (see Article 40).

The beneficiaries may not claim damages due to termination by the granting authority (see Article 37).

After termination, the beneficiaries’ obligations (in particular Articles 17, 19, 20, 21, 25, 29, 30, 31, 32 and 47) continue to apply.

1. for **beneficiary termination**:

The coordinator must — within 60 days from when termination takes effect — submit:

1. a **report on the distribution of payments** to the beneficiary concerned
2. a **termination report** from the beneficiary concerned, for the open reporting period until termination, containing an overview of the progress of the work, the financial statement, the explanation on the use of resources, and, if applicable, the certificate on the financial statement (CFS; see Article 25 and Data Sheet, Point 4.3)
3. a **request for amendment** (see Article 459), with a proposal for reallocation of the tasks and estimated budget of the beneficiary concerned (see Annexes 1 and 2) and, if necessary, the addition of one or more new beneficiaries (see Article 46). If termination takes effect after the period set out in Article 3, no request for amendment is needed, unless the beneficiary concerned is the coordinator. In this case, the request for amendment must propose a new coordinator.

The granting authority will calculatethe amount which is due to the beneficiary on the basis of the periodic reports (if any) and the termination report (see Article 26). Only costs incurred by the beneficiary concerned until termination takes effect are eligible (see Article 7). Costs relating to contracts due for execution only after termination are not eligible.

The information in the termination report must also be included in the periodic report for the next reporting period (see Article 25).

If the granting authority does not receive the termination report within the deadline (see above), only costs included in an approved periodic report will be taken into account (no costs if no periodic report was ever approved).

If the granting authority does not receive the report on the distribution of payments within the deadline (see above), it will consider that:

* the coordinator did not distribute any payment to the beneficiary concerned and that
* the beneficiary concerned must not repay any amount to the coordinator.

If the request for amendment is rejected by the granting authority (because it calls into question the decision awarding the grant or breaches the principle of equal treatment of applicants), the grant may be terminated (see Article 36).

If the request for amendment is accepted by the granting authority, the Agreement is **amended** to introduce the necessary changes (see Article 45).

After termination, the concerned beneficiary’s obligations (in particular Articles 17, 19, 20, 21, 25, 29, 30, 31, 32 and 47) continue to apply.

## SECTION 3 OTHER CONSEQUENCES: DAMAGES AND ADMINISTRATIVE SANCTIONS

#### ARTICLE 37 — LIABILITY FOR DAMAGES

##### 37.1 Liability of the granting authority

The granting authority cannot be held liable for any damage caused to the beneficiaries or to third parties as a consequence of implementing the Agreement, including for gross negligence.

The granting authority cannot be held liable for any damage caused by any of the beneficiaries or other participants involved in the action, as a consequence of implementing the Agreement.

##### 37.2 Liability of the beneficiaries

Except in case of force majeure (see Article 41), the beneficiaries must compensate the granting authority for any damage it sustains as a result of the implementation of the action or because the action was not implemented in full compliance with the Agreement.

#### ARTICLE 40 — ADMINISTRATIVE SANCTIONS

For grants where the granting authority is the European Commission, an EU regulatory or executive agency, joint undertaking or other EU body mentioned in Article 143(1) of the EU Financial Regulation 2018/1046, administrative sanctions (i.e. exclusion from EU award procedures and/or financial penalties) may be adopted in addition to the contractual measures provided under this Agreement (see Articles 136 to 140 EU Financial Regulation 2018/1046).

## SECTION 4 FORCE MAJEURE

#### ARTICLE 41 — FORCE MAJEURE

‘Force majeure’ means any situation or event that:

* prevents either party from fulfilling their obligations under the Agreement,
* was unforeseeable, exceptional situation and beyond the parties’ control,
* was not due to error or negligence on their part (or on the part of other participants involved in the action), and
* proves to be inevitable in spite of exercising all due diligence.

The following cannot be invoked as force majeure:

* any default of a service, defect in equipment or material or delays in making them available, unless they stem directly from a relevant case of force majeure,
* labour disputes or strikes, or
* financial difficulties.

Any situation constituting force majeure must be formally notified to the other partywithout delay, stating the nature, likely duration and foreseeable effects.

The parties must immediately take all the necessary steps to limit any damage due to force majeure and do their best toresume implementation of the action as soon as possible.

The party prevented by force majeure from fulfilling its obligations under the Agreement cannot be considered in breach of them.

# CHAPTER 6 FINAL PROVISIONS

#### ARTICLE 42 — ELECTRONIC GRANT MANAGEMENT — COMMUNICATION BETWEEN THE PARTIES

##### 42.1 Electronic grant management — Forms and means of communication

Updates in the Participant Portal Beneficiary Register will be done directly via the electronic exchange system.

Other communications must be made in writing and clearly identify the grant agreement (project number and acronym).

Formal notifications must be sent by registered post with proof of delivery to the addresses set out below.

Other communications may be sent by paper or to the e-mail addresses set out below (or via other means agreed with the granting authority).

##### 42.2 Date of communication

Communications are considered to have been made when the receiving party receives them.

E-mail communications are considered to have been received at the same time as they are sent by the sending party. If the sending party receives a non-delivery report, it must immediately try to send the communication via other means.

Paper communications are considered to have been received when they arrive at the receiving party (for the Commission: entry stamp of the competent department).

Formal notificationsare considered to have been received on either:

* the delivery date registered by the postal service or

the deadline for collection at the post office.

##### 42.3 Addresses for communication

Paper communications and formal notifications to the granting authority must be sent to the official mailing address indicated on the granting authority’s website. E-mail communications must be sent to the following e-mail address: [insert functional mailbox].

All communications to the beneficiaries will be sent to the legal address specified in the EU Funding & Tenders Portal Participant Register.

#### ARTICLE 43 — INTERPRETATION OF THE AGREEMENT

##### 43.1 Precedence of the Terms and Conditions over the Annexes

The provisions in the Terms and Conditions of the Agreement take precedence over its Annexes.

Annex 2 takes precedence over Annex 1.

#### ARTICLE 44 — CALCULATION OF PERIODS, DATES AND DEADLINES

In accordance with Regulation No 1182/71[[24]](#footnote-25),periods expressed in days, months or years are calculated from the moment the triggering event occurs.

The day during which that event occurs is not considered as falling within the period.

‘Days’ means calendar days, not working days.

#### ARTICLE 45 — AMENDMENTS

##### 45.1 Conditions

The Agreement may be amended, unless the amendment entails changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

Amendments may be requested by any of the parties.

##### 45.2 Procedure

The party requesting an amendment mustformally notifya signed request for amendment.

The coordinator notifies and receives requests for amendment on behalf of the beneficiaries (see mandate in Annex 3).

If a change of coordinator is requested without its agreement, the notification must be done by another beneficiary (acting on behalf of the other beneficiaries).

The request for amendment must include:

* the reasons why
* the appropriate supporting documents and
* for a change of coordinator without its agreement: the opinion of the coordinator (or proof that this opinion has been requested in writing).

The granting authority may request additional information.

If the party receiving the request agrees, it must return the signed amendment by formal notification — within 45 days. If it does not agree, it must formally notify its disagreement within the same deadline. The deadline may be extended, if necessary for the assessment of the request. If no notification is received within the deadline, the request is considered to have been rejected.

An amendment **enters into force** on the day of the signature of the receiving party.

An amendment **takes effect** on the date of entry into force or another date agreed by the parties.

#### ARTICLE 46 — ACCESSION

##### 46.1 Accession of the beneficiaries mentioned in the Preamble

The beneficiaries which are not coordinator must accede to the grant by signing the Accession Form (see Annex 3) and formally notifying it to the granting authority — within 30 days after the entry into force of the Agreement (see Article 49).

They will assume the rights and obligations under the Agreement with effect from the date of its entry into force (see Article 49).

If a beneficiary does not accede to the grant within the above deadline, the coordinator must — within 30 days — request an amendment (see Article 45), to remove the beneficiary and make any changes necessary to ensure proper implementation of the action. This does not affect the granting authority’s right to terminate the grant (see Article 36).

##### 46.2 Addition of new beneficiaries

In justified cases, the beneficiaries may request the addition of a new beneficiary.

For this purpose, the coordinator must formally notify a request for amendment in accordance with Article 45. It must include an Accession Form (see Annex 3) signed by the new beneficiary.

New beneficiaries will assume the rights and obligations under the Agreement with effect from the date of their accession specified in the Accession Form (see Annex 3).

Additions are also possible in mono-beneficiary grants.

##### 46.3 Transfer to a new beneficiary

In justified cases, the beneficiary of a mono-beneficiary grant may request the transfer of the action to a new beneficiary, provided that this would not call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

For this purpose, the beneficiary must submit a request for amendment in accordance with Article 45. It must include an Accession Form (see Annex 3) signed by the new beneficiary.

The new beneficiary will assume the rights and obligations under the Agreement with effect from the date of accession specified in the Accession Form (see Annex 3).

#### ARTICLE 47 — ASSIGNMENTS OF CLAIMS FOR PAYMENT AGAINST THE GRANTING AUTHORITY

The beneficiaries may not assign any of their claims for payment against the granting authority to any third party, except if approved by the granting authorityon the basis of a reasoned, written request by the coordinator (on behalf of the beneficiary concerned).

If the granting authority has not accepted the assignment or if the terms of it are not observed, the assignment will have no effect on it.

In no circumstances will an assignment release the beneficiaries from their obligations towards the granting authority.

#### ARTICLE 48 — APPLICABLE LAW AND SETTLEMENT OF DISPUTES

##### 48.1 Applicable law

The Agreement is governed by EU law, supplemented if necessary by the law of Belgium.

##### 48.2 Dispute settlement

If a dispute concerning the interpretation, application or validity of the Agreement cannot be settled amicably, the EU General Court *—* or, on appeal, the EU Court of Justice *—* has sole jurisdiction. Such actions must be brought under Article 272 of the Treaty on the Functioning of the EU (TFEU).

However, for non-EU beneficiaries (if any; see Article 12), the dispute must be brought before the courts of Brussels, Belgium (unless an association agreement to the EU Funding Programme stipulates sole jurisdiction of the EU courts).

For international organisations (if any; see Article 12) the dispute must be referred to arbitration. In this case, each party must formally notify to the other party its intention of resorting to arbitration. The Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of entry into force of the Agreement will apply. The appointing authority will be the Secretary-General of the Permanent Court of Arbitration following a written request submitted by either party. The arbitration proceedings must take place in Brussels and the language used in the arbitral proceedings will be English. The arbitral award will be binding on all parties concerned and will not be subject to appeal or revision.

If a dispute concerns administrative sanctions, offsetting or an enforceable decision under Article 299 TFEU (see Articles 26 and 40), the beneficiaries must bring action before the General Court *—* or, on appeal, the Court of Justice of the European Union *—* under Article 263 TFEU.

For grants where the granting authority is an EU executive agency, actions against offsetting and enforceable decisions must exceptionally be brought against the Commission (not against the Agency).

#### ARTICLE 49 — ENTRY INTO FORCE

The Agreement will enter into force on the day of signature by the granting authority or the coordinator, depending on which is later.

SIGNATURES

For the coordinator For the granting authority

[function/forename/surname] [forename/surname]

[signature] [ signature]

Done in [English] Done in [English]

on [insert date] on [insert date]

ANNEX 1

**DESCRIPTION OF THE ACTION**

ANNEX 2

****

ANNEX 2a

**ADDITIONAL INFORMATION ON UNIT COSTS**

* **Instructions and footnotes in blue will be deleted by the granting authority (since they are internal instructions only).**
* **For options *[*in square brackets*]*: the applicable option will be chosen by the granting authority. Options not chosen will automatically be deleted.**
* **For fields in [grey in square brackets] (even if they are part of an option as specified in the previous item): the granting authority will enter the appropriate data.**

**Unit cost for SME owners/natural beneficiaries without salary**

**1. Costs for SME owners or beneficiaries that are natural persons****not receiving a salary**

Units: hours worked on the action

Amount per unit (‘hourly rate’): calculated according to the following formula:

{the monthly living allowance for researchers in H2020 MSCA-IF actions / 143 hours}

multiplied by

{country-specific correction coefficient of the country where the beneficiary is established}

The monthly living allowance and the country-specific correction coefficients are set out in the Horizon 2020 Work Programme (section 3 MSCA) in force at the time of the call:

* for calls under EDIDP Work Programme 2018 and after:
  + for the monthly living allowance: **EUR 4 880**
  + for the country-specific correction coefficients: see Horizon 2020 Work Programme 2018-2020 (available on the [EU Funding & Tenders Portal Reference Documents](https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home) page)

***[additional OPTION for beneficiaries/linked third parties that have opted to use the unit cost (in the proposal/with an amendment):*** For the following beneficiaries/linked third parties, the amounts per unit (hourly rate) are fixed as follows:

- beneficiary/linked third party [short name]: EUR [insert amount]

- beneficiary/linked third party [short name]: EUR [insert amount]

[same for other beneficiaries/linked third parties, if necessary] ***]***

Estimated number of units: see Annex 2

ANNEX 3

**ACCESSION FORM FOR BENEFICIARIES**

[**Full official name (short name)**], established in[official address in full]

**hereby agrees**

**to become** *[*beneficiary*][*coordinator*]*

**in Grant Agreement** [**insert number**] **— [insert acronym]** (‘the Grant Agreement’)

**between** [full official name of the coordinator(short name)] **and**the European Union (‘EU’), represented by the European Commission (‘European Commission’ or ‘granting authority’),

***[****OPTION for beneficiaries/new beneficiaries:* **and mandates**

**the coordinator** to submit and sign in its name and on its behalf any **amendments** to the Agreement, in accordance with Article 45.***]***

By signing this Accession Form, the beneficiary accepts the grant and agrees to *[OPTION: for new coordinators:* take on the obligations and role of coordinator and to*]* implement it in accordance with the Agreement, with all the obligations and conditions it sets out ***[****OPTION for new beneficiaries:* as from *[*[insert date]*][*the date of the signature of the Accession Form*][*the date of entry into force of the amendment*]* (‘**accession date’)** *[additional OPTION for change of beneficiary due to partial takeover:* and with joint and several liability for undue amounts paid to [insert short name of former beneficiary ](i.e recoveries)*]* — if the granting authority agrees with the request for amendment***]***.

SIGNATURE

For the beneficiary /new beneficiary/new coordinator

[function/forename/surname]

[signature]

Done in [English] on [insert date]

***[OPTION if the JRC participates:***

ANNEX 3a

**ADMINISTRATIVE ARRANGEMENT WITH THE JOINT RESEARCH CENTRE (JRC)*]***

ANNEX 4

****

1. Regulation (EU) 2018/1092 of the European Parliament and of the Council of 18 July 2018 establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovation capacity of the Union's defence industry (OJ L 200, 7.8.2018, p. 30). [↑](#footnote-ref-2)
2. This date must normally be the first day of a month and later than the entry into force of the agreement. The RAO can decide on another date, if justified by the applicants. However, the starting date may not be earlier than the date of the submission of the grant application – except in cases of extreme urgency and conflict prevention (Article 193 EU Financial Regulation 2018/1046). [↑](#footnote-ref-3)
3. Progress report should be added if there are long reporting periods linked to payments (additional pre-financing or interim/final payment) – depending on the programme, typically more than 12 or 18 months. [↑](#footnote-ref-4)
4. Reports on cumulative expenditure must be added to the list of deliverables for grants of more than EUR 5 million, with pre-financing and reporting periods of more than 18 months. [↑](#footnote-ref-5)
5. A financial guarantee may be required by the RAO if they consider it necessary (i.e. appropriate and proportionate) to limit the financial risks connected with the payment of pre-financing. Pre-financing guarantees may not be requested for low-value grants (see Article 152 EU Financial Regulation 2018/1046). [↑](#footnote-ref-6)
6. For the definition, see Article 180(2)(b) Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (‘EU Financial Regulation’) (OJ L 193, 30.7.2018, p. 1): ‘**operating grant**’ means direct financial contribution from the budget in order to finance the functioning of a body which has an objective forming part of and supporting an EU policy. [↑](#footnote-ref-7)
7. Condition must be specified in the call. [↑](#footnote-ref-8)
8. For the definition, see Article 187 EU Financial Regulation 2018/1046: **entities affiliated to the beneficiary** are:

   entities that form a ‘sole beneficiary’ (i.e. where an entity is formed of several entities that satisfy the criteria for being awarded a grant, including where the entity is specifically established for the purpose of implementing an action to be financed by a grant);

   entities that satisfy the eligibility criteria and that do not fall within one of the situations referred to in Article 136(1) and 141(1) and that have a link with the beneficiary, in particular a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation. [↑](#footnote-ref-9)
9. Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts (OJ L 134, 30.04.2004, p. 114). [↑](#footnote-ref-10)
10. Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65). [↑](#footnote-ref-11)
11. Directive [2004/17/EC](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0017:EN:NOT) of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.04.2004, p. 1). [↑](#footnote-ref-12)
12. Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243). [↑](#footnote-ref-13)
13. [↑](#footnote-ref-14)
14. Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39). [↑](#footnote-ref-15)
15. Regulation (EU) 2018/1092 of the European Parliament and of the Council of 18 July 2018 establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovation capacity of the Union's defence industry (OJ L 200, 7.8.2018, p. 30). [↑](#footnote-ref-16)
16. Commission Decision (EU) 2019/513 of 26 March 2019 on the security framework for the European Defence Industrial Development Programme (OJ L 85, 27.3.2019, p. 43). [↑](#footnote-ref-17)
17. Commission Decision (EU, Euratom) 2015/444 of 13 March 2015 on the security rules for protecting EU classified information (OJ L 72, 17.3.2015, p. 53–88). [↑](#footnote-ref-18)
18. Council Regulation (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items (OJ L 134, 29.5.2009, p. 1). [↑](#footnote-ref-19)
19. Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (OJ L 319, 05.12.2007, p. 1). [↑](#footnote-ref-20)
20. No profit rule does not apply to the following (see Article 192(3) EU Financial Regulation 2018/1046):

    * actions with the objective to reinforce the financial capacity of the beneficiaries
    * actions where the continuity after their end is to be ensured by the income generated by the action
    * grants in the form of study, research or training scholarships paid to natural persons or as other forms of direct support paid to natural persons who are most in need
    * grants which are entirely in the form of financing not linked to costs
    * actions implemented only by non-profit organisations (i.e. all beneficiaries and linked third parties are non-profit organisations)
    * grants with a maximum amount of not more than EUR 60 000 (low value grants).

    [↑](#footnote-ref-21)
21. Directive [2006/43/EC](http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1447145828278&uri=CELEX:32006L0043) of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts or similar national regulations (OJ L 157, 9.6.2006, p. 87). [↑](#footnote-ref-22)
22. Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18/09/2013, p. 1). [↑](#footnote-ref-23)
23. Council Regulation (Euratom, EC) No 2185/1996 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15/11/1996, p. 2). [↑](#footnote-ref-24)
24. Regulation (EEC, Euratom) No 1182/71 of the Council of 3 June 1971 determining the rules applicable to periods, dates and time-limits (OJ L 124, 8/6/1971, p. 1). [↑](#footnote-ref-25)