**ANNEX C – ADMINISTRATIVE PROVISIONS**

This Annex C to the FSTP Agreement aims providing important information and indication to the FSTP beneficiary in relation to:

1. the eligibility criteria of costs, mentioning what is eligible and what is not
2. record keeping, rules for currency conversion and for procurement

**ARTICLE 1 — ELIGIBLE COSTS**

**1.1 Cost eligibility criteria**

Eligible costs are actual costs incurred by the beneficiary(ies) which meet all the following criteria:

1. they are incurred during the implementation of the action. In particular:
   * Costs relating to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement. Cash transfers between the contracting authority and the beneficiary(ies) may not be considered as costs incurred;
   * Costs incurred should be paid before the submission of the final reports.
2. they are indicated in the estimated overall budget for the action;
3. they are necessary for the implementation of the action;
4. they comply with the requirements of applicable tax and social legislation;
5. they are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

**1.2 Eligible direct costs**

Subject to previous article and, where relevant, to the provisions of the FSTP Agreement being respected, the following direct costs of the beneficiary(ies) shall be eligible:

1. the cost of staff assigned to the action, corresponding to actual gross salaries including social security charges and other remuneration-related costs (excluding bonuses); **salaries and costs shall not exceed those normally borne by the beneficiary(ies),** unless it is justified by showing that it is essential to carry out the action;
2. travel and subsistence costs for staff and other persons taking part in the action, provided they do not exceed those normally borne by the beneficiary(ies) according to its rules and regulations. In addition, the rates published by the European Commission at the time of contract signature may never be exceeded;
3. purchase costs for equipment (new or used) and supplies specifically dedicated to the purposes of the action
4. Logistical costs specifically dedicated to the action;
5. costs of consumables specifically dedicated to the action;
6. Costs actually incurred in relation to a project office used for the action or a portion of these costs needed by the Action.
7. duties, taxes and charges, including VAT, related to the purposes of the action, paid and not recoverable by the beneficiary(ies).

**1.3 Non-eligible costs**

The following costs shall not be considered eligible:

1. debts and debt service charges (interest);
2. provisions for losses, debts or potential future liabilities;
3. **costs declared by the beneficiary(ies) and financed by another action or work programme receiving a European Union grant (including through the European Development Fund);**
4. purchases of land or buildings;
5. currency exchange losses;
6. credits to third parties;
7. in kind contributions;
8. salary costs of the personnel of national administrations, unless otherwise specified in the special conditions and only to the extent that they relate to the cost of activities which the relevant public authority would not carry out if the action were not undertaken;
9. bonuses included in costs of staff;
10. Negative interest charged by banks or other financial institutions.

**ARTICLE 2 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS**

**2.1 Record keeping**

The beneficiary(ies) shall keep all records, accounting and supporting documents related to this contract for seven years following the payment of the balance.

They shall be easily accessible and filed so as to facilitate their examination and the coordinator shall inform the contracting authority of their precise location.

All the supporting documents shall be available either in the original form, including in electronic form, or as a copy.

The documents referred to in this article include:

1. Proof of purchase such as invoices and receipts;
2. Proof of receipt of goods such as delivery slips from suppliers;
3. Proof of delivery of services such as approved reports, time sheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates) etc.;
4. **Proof of payment** such as bank statements, debit notices, proof of settlement by the contractor;
5. Quotations and Evaluation of quotations Report with the selection of the best supplier (when the value of the supply/service is above 2.500 EUR);
6. Proof of commitments such as contracts and order forms;
7. Proof that taxes and/or VAT that have been paid cannot actually be reclaimed;
8. Staff and payroll records such as contracts, salary statements and time sheets. For local staff recruited on fixed-term contracts, details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary. For expatriate and/or European-based staff (if the action is implemented in Europe) analyses and breakdowns of expenditure per month of actual work, assessed on the basis of unit prices per verifiable block of time worked and broken down into gross salary, social security charges, insurance and net salary.

When the language of the supporting documents is not English, French or Spanish, a brief translation of the mains contents of the documents is required.

Failure to comply with the obligations set forth in this article constitutes a case of breach of a substantial obligation under this contract. In this case, the contracting authority may in particular suspend the contract, payments or the time-limit for a payment, terminate the contract and/or reduce the grant.

**2.2 Rules for currency conversion**

The contracting authority shall make payments to the beneficiary to the bank account referred to in the FSTP Agreement, which allows the identification of the funds paid by the contracting authority. The contracting authority shall make payments in the currency set in the FSTP Agreement.

Reports shall be submitted in EURO. If the costs have been paid in local currency, they must be reported both in local currency and in EURO. For the purpose of reporting, conversion into EURO shall be made using the rate of exchange at which each contracting authority's contribution was recorded in the beneficiary(ies)'s accounts[[1]](#footnote-0), unless otherwise provided for in the FSTP Agreement. If at the end of the action, a part of the expenses is pre-financed by the beneficiary(ies) (or by other donors), the conversion rate to be applied to this balance is the one set in the special condition according to the beneficiary(ies)'s usual accounting practice. If no specific provision is foreseen in the special conditions, the exchange rate of the last instalment received from the contracting authority will be applied.

**2.3 Procurement rules**

In case the Action requires the purchase of goods (equipment), or the execution of services (experts’ fees) or work (construction) contracts, there are some fundamental principles that apply to procurement award procedures which the beneficiary has to respect throughout the procedure.

These principles are:

* + - the principle of Sound financial management, by which budget appropriations must be used in accordance with the principles of economy, efficiency and effectiveness;
    - The principle of proportionality that requires that measures adopted by the beneficiary do not exceed the limits of what is appropriate and necessary in order to attain the objectives pursued and that where there is a choice between several appropriate measures’ recourse must be had to the least onerous;
    - the principle of the protection of the European Union’s financial interests, which means excluding unreliable economic operators and detect and avoid the potential conflict of interests;
    - The principle of transparency;
    - The principle of Equal treatment and non-discrimination.

In case the Action requires the purchase of goods, or the execution of services or works contracts:

* with a value of less than or equal to EUR 2 500, the beneficiary may pay on the basis of an invoice without prior acceptance of a tender.
* with a value of more than EUR 2.500, the beneficiary must require 3 quotations and select the most economically advantageous offer (the technically compliant quotation with the best price-quality ratio). In this case, the beneficiary shall evaluate the offers received against objective criteria which enable measuring the quality of the offers and which take into account the price. The beneficiary shall keep sufficient and appropriate documentation with regard to quotation collected and the award decision.

1. The pre-financing payments may be transferred:

   1. in EURO by the Contracting Authority to LOCAL CURRENCY into the Beneficiary bank account. In this case the FIFO exchange rate will be directly generated during this transaction.
   2. In LOCAL CURRENCY from the Contracting Authority to the Beneficiary bank account: in this case the exchange rate to be applied is the FIFO generated within the Contracting Authority’s accounts.

   **In any case, the Contracting Authority will ensure the support to the Beneficiary in managing correctly the conversion rule.** [↑](#footnote-ref-0)