

**CFCA:**

**Important Messages - Grants**

**SCOPE**

**Important messages contain:**

**1) Overview of EC/ECD instructions (“instructions”)**

*e.g. programme of implementation, derogations and other important instructions given by the Ex-ante authorities*

**2) procedural rules (“procedure”)**

*e.g. interpretation of the PRAG or internal procedures etc.*

**3) recommendations**

*e.g. existing practices related to the issues not covered or only partially addressed in the applicable regulations, manuals etc.*

Reference may be: reference to PRAG or general conditions of the contract, instruction of EC Delegation (letter ref), template to be used etc.

No	Activity	Description	Reference
<b>CALL FOR PROPOSALS STAGE</b>			
1.	<b>Launching the process - What kind of information may be provided to applicants when answering the questions?</b>	Answers to questions must bear on points of clarification to the guidelines for applicants. They may on no account give an appreciation on the eligibility or quality of a proposal. It is forbidden to help a specific applicant fill in his application form or to correct a form. However it is allowed, and advisable when possible, to organise information session(s) open to all potential applicants to explain the content of the call for proposals and the way an application form must be filled in. This information or training sessions may complement the table of questions and answers on the website.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
2.	<b>Eligibility - May the Contracting Authority give a preliminary opinion on the eligibility of an applicant/partner/p</b>	In order to ensure an equal treatment of all applicants, the Contracting Authority must not give any opinion on the eligibility, or indeed quality, of a proposal. In addition, to give an advice on the basis of a short presentation which may not accurately reflect the whole situation is likely to lead to confusion or a wrong interpretation. Answers may only bear on a clarification of the guidelines for applicants or the evaluation process, not on a given proposal.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)

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	<b>reject on the basis of a short presentation?</b>		
3.	<b>Supporting documents – bank accounts - Does the applicant need to open a specific bank account for the contract? What if he cannot?</b>	It is a specific requirement that the funds received from the Commission are clearly identified and segregated from the general account of the Beneficiary so as to ensure clarity in case of audit and that any interest accrued is reflected accurately. It is obviously preferable that a separate bank account is opened specifically for the action. However this is not always feasible but in many countries a sub-account reference within an organisation’s main bank account can be opened. Note that contracts signed following PRAG 2010 templates require that the account/subaccount shall, in accordance with the law of the State where the account is held, yield interest.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
4.	<b>Supporting documents – the auditor - Does the name of the auditor have to be indicated in the contract before the signature of it?</b>	Yes. It is what enables the Contracting Authority to make sure that the choice of the auditor does not pose any problems. The same is true for the bank account which has to be indicated in the financial identification form before signature of the contract. This information may however be modified afterwards and does not require an addendum, only a written notification.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
5.	<b>Supporting documents – the auditor - Who provides the name and the address of the auditor?</b>	The auditor is proposed by the grant beneficiary. The signature of the contract by the Contracting Authority amounts to acceptance of the auditor.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
6.	<b>The obligations of project partners- What are the obligations of the partners of the Beneficiary?</b>	The contract assimilates the partners to the Beneficiary as far as the implementation of the Action is concerned, and lists the articles of the GC which apply to them accordingly. For example, they also have to keep their supporting documents under the terms of Contract and they are subject to the same eligibility criteria as the grant beneficiary.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
7.	<b>Contribution in kind - Is the provision of staff a contribution in kind?</b>	According to the articles 14.2 and 14.5 GC, the cost of staff assigned to the Action is considered as an eligible cost, not a contribution in kind, when paid by the grant beneficiary/partner(s). Staff not paid by the grant beneficiary/partner(s) would be considered a contribution in kind.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)

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<b>BUDGET CLEARING &amp; CONTRACT PREPARATION</b>			
<b>1.</b>	<b>Corrections in the budget</b>	The budget proposed for the action by the successful applicant at the call for proposals stage must be corrected to remove any obvious arithmetical errors or ineligible costs prior to signing the contract. Other clarifications or minor corrections may be brought to the Description of the action or to the budget in so far as they would not call into question the grant award decision or be contrary to the equal treatment of applicants and: - Relate to aspects clearly identified by the Evaluation Committee; or - Aim at taking into consideration the changes which have occurred since the date of receipt of the proposal	PRAG 6.4.10.2. Contract preparation and signature states
<b>2.</b>	<b>Budget lines</b>	Each budget line has to be numbered and justified in the Justification sheet to show its relevance to project activities.	PRAG E3c Budget
<b>3.</b>	<b>Per diems</b>	The maximum EC per diem rate for Croatia (published on EuropeAid) can be applied, however this has to be in accordance with Croatian law and in line with the beneficiaries' book-keeping.  Other option is that per diems may be broken down into daily allowance, and accommodation costs (with separate invoices), in order to comply with Croatian laws. In this case cumulated costs for daily allowance and accommodation cannot exceed maximum per diem rates published on EuropeAid at the time of the signature of the Contract.	National tax regulations; GC Article 14.2
<b>4.</b>	<b>Human resources – salaries/contracts</b>	A salary of the project staff is related to the position/post of the person in the institution and is defined in the systemization of work positions/posts of the institutions.	GC, Article 14.2
<b>5.</b>	<b>Employment Contracts under the Budget heading 1. Human resources</b>	When employing, final beneficiary should use contracts in line with national legislation.	National legislation
<b>6.</b>	<b>Travel</b>	When preparing budget: travel can be presented per km/per ticket/per month. During the implementation of the project: unit can be changed Other means of	GC 14.2 and GC 9.2

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		transport (different from unit specified in signed contract) can be used during the implementation if it is economically acceptable and within the budget foreseen for the particular task or trip and they do not exceed those normally borne by the Beneficiary or its partners. The CA should be informed about the change accordingly.	
7.	<b>Local office</b>	Costs related to local office of the applicant/partner which are envisaged in the Application form can be budgeted as direct costs under heading 4. Local Office e.g. rent of venue.	Annex III- Budget for the Action
8.	<b>Subcontracting of external experts</b>	<p>The staff of the beneficiary and partner institutions cannot be engaged as external experts. Any staff member of the beneficiary and partner institution foreseen for providing input with respect to activities under a specific contract should be presented under heading 1 of the Budget (Human resources).</p> <p>Contractors are neither partners nor associates, and are subject to procurement rules set out in Annex IV to the standard grant contract.</p> <p>Only out-sourced services (to which procurement procedures of Annex IV apply) are to be presented under Heading 5.</p>	GfA 2.1.2.
9.	<b>Civil servants</b>	Civil servants that are not employees of the beneficiary or his partners can be subcontracted according to the national law and presented in heading 5 with the consent of their employer.	National legislation
10.	<b>Contract preparation - Can the percentage of EU co-financing vary as a result of corrections of the budget at the stage of contract preparation?</b>	The obviously ineligible costs as well as overestimated costs are not eligible (since they do not comply with the principle of sound financial management, in particular value for money and cost-effectiveness) and must be eliminated from the budget before contract signature. The resulting decrease in the total eligible cost of the action must be reflected in the EU contribution. Therefore, both the absolute amount and the percentage of co-financing indicated in the award decision are to be taken as maxima which cannot be increased only decreased at the stage of contract preparation. Any savings made can be used to finance additional grant(s) under the call for proposals.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
11.	<b>Contract preparation - Are the amounts of the pre-financing instalments in</b>	The actual instalments will be based on the specific cash-flow needs of the Action as updated in each annual report. The only constraint is that the cumulated amount of pre-financing cannot exceed 90% of the amount of the EU contribution.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)

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	<b>option 2 fixed freely (Article 15.1 GC)?</b>		
<b>IMPLEMENTATION &amp; REPORTING</b>			
<b>1.</b>	<b>Reallocations</b>	Where the amendment to the Budget or Description of the Action does not affect the basic purpose of the Action and the financial impact is limited to a transfer between items within the same main budget heading including cancellation or introduction of an item, or a transfer between main budget headings involving a variation of 15% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading for eligible costs, the Beneficiary may amend the budget and inform in writing without delay the Contracting Authority accordingly. This method may not be used to amend the headings for administrative costs or the contingency reserve.	GC, Article 9.2
<b>2.</b>	<b>Within what limits can the Beneficiary modify the budget unilaterally?</b>	<p>Provided that such change does not affect the purpose of the Action, the grant beneficiary may change between headings within the limit of 15% of the initial amount of all the budget headings concerned (giving and receiving headings). The modifications to the budget made by the Beneficiary under Article 9.2 GC are taken into account in a cumulative way. It is therefore not possible to proceed in this way to several reallocations of 14% each! As soon as the cumulated amount of the changes made by the Beneficiary exceeds 15% of the initial amount of a heading for eligible costs, an amendment is necessary. Within a budget heading, the Beneficiary may reallocate freely the funds between items (including deleting and introducing new items), as long as the main purpose of the action remains the same.</p> <p>In all cases of unilateral change the Beneficiary must inform the Contracting Authority without delay in writing. Initial amount means the amount set out in the contract, or as modified by formal addendum/a. Nevertheless, this method may not be used to amend the administrative costs or the contingency reserve.</p>	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
<b>3.</b>	<b>Is a confirmation letter from the Contracting Authority necessary to officialise a change</b>	No. The letter sent by the Grant Beneficiary to the Contracting Authority is enough to amend the contract in these limited fields. It is only when the Contracting Authority opposes the change of bank account or of auditor that it may react, and the letter that it then sends to the Grant Beneficiary cancels the change.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)

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	<b>of address, bank account, auditor or budget (within the 15 % limit)?</b>		
4.	<b>Changes of original budget unit rates</b>	The rates indicated in the budget are estimated rates. If such change alters the total amount foreseen, then the change is subject to the conditions of article 9.2 GC. New unit rates must always meet the definition of eligible costs in Article 14.1 GC (necessary for the implementation of the Action and <b>complying</b> with the principles of sound financial management, in particular value for money and costs/effectiveness).. Change has to be explained in variation column in reports.	GC, Article 9.2 and 14.1.
5.	<b>VAT exemption</b>	On the invoice, basis for VAT exemption has to be stated.	National legislation
6.	<b>Verification of administrative costs</b>	CFCA will not check administrative costs. “The flat-rate funding in respect of indirect costs does not need to be supported by accounting documents. Indirect costs are eligible provided that they do not include costs assigned to another heading of the budget of this Contract.”	GC, Article 14.4.
7.	<b>Administrative costs</b>	A fixed percentage not exceeding the percentage laid down in Article 3 of the Special Conditions of the total amount of direct eligible costs of the Action may be claimed as indirect costs to cover the administrative overheads incurred by the Beneficiary for the Action	GC, Article 14.4, and SC Article 3.3
8.	<b>VAT exemption – IPA 2010 I component</b>	If the invoice paid and reported in the report contains VAT, the amount of VAT is considered ineligible for financing and should be deducted from the amount of eligible costs.  The Beneficiary (or, where applicable, its partners) will not have to show it cannot reclaim taxes in any of the following cases: – where the amount of taxes per invoice is less than EUR 200, within a maximum of EUR 2 500, representing not more than 5% of the Contracting Authority's contribution; - where the Beneficiary can demonstrate that the steps necessary for recovery of taxes oblige it to incur costs in a country where it only performs the relevant operations on an ad hoc and isolated basis; and that these costs for recovery (e.g.,	GC, Article 14.7

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		registration fees in the country or the costs for appointing a tax representative, declaration fees, etc.) clearly exceed the amount of the taxes declared to the Contracting Authority;	
9.	<b>VAT exemption – IPA III C</b>	<p>Taxes, including VAT are not eligible, therefore, they will be considered as part of the estimated total accepted costs of the action for the purpose of co-financing provided the Beneficiary (or, where applicable, its partners) can prove it cannot reclaim them.</p> <p>The European Commission and the Republic of Croatia have agreed in the Framework Agreement between the Government of the Republic of Croatia and the Commission of the European Communities to fully exonerate the following taxes: VAT for services rendered, goods supplied and/or works executed by them under EC contracts with the right of the contractors to offset or deduct input VAT paid in connection with the services rendered, the goods supplied and/or the works executed against any VAT collected by them for any of their other transactions. Should EC contractors not be able to make use of this possibility, they shall be entitled to obtain VAT refund for VAT paid in the Republic of Croatia directly from the tax authorities upon submission of a written request accompanied by the necessary documentation required under the national/local law for refund and by a certified copy of the underlying EC contract.</p>	<p>Framework Agreement between the Government of the Republic of Croatia and the Commission of the European Communities (OG, IA, 10/2007)</p>
10.	<b>Income tax on per diems</b>	<p>According to national regulations income tax should be paid on per diems above non-taxable amount prescribed by Regulations on Income Tax. In this case total amount paid for per diem (including tax) is considered as eligible cost.</p>	<p>Regulations on Income Tax</p>
11.	<b>Supporting documents for Human resources</b>	<p>Employment contracts or annexes of employment contracts should be delivered to the CA, if required.</p>	<p>GC, Article 16.3.</p>

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12.	<b>Supporting documents for heading Human resources - Timesheets</b>	The beneficiaries/partners do not have to submit time-sheets to the CA for their presence at work by default. However, if requested, they should provide those documents as well as other documents, in line with the provisions of GC, article 2.2.. No specific format for time sheets has been prescribed by the EU, the beneficiaries' regular attendance records are acceptable.	GC, Article 2.2. and 16.3.
13.	<b>National holidays, vacation or sick leave stipulated on Timesheets</b>	The following cost will be considered eligible: the cost of staff assigned to the Action, corresponding to actual gross salaries including social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiary or its partners, as the case may be, unless it is justified by showing that it is essential to carry out the Action	GC Article 14.2
14.	<b>Eligible cost - To be considered as eligible under Article 14.1 of the General Conditions, the direct costs must have actually been incurred during the implementation period of the Action. When do we consider that costs "have actually been incurred"?</b>	<p>The criterion is the commitment of the funds, e.g. through a signature of a contract or equivalent: this must have been done during the implementation period of the action with the exception of costs relating to final reports, expenditure verification and evaluation. As concerns the payment of these costs, note that there are differences between the different versions of the GC. In accordance with the 2008 contract and after, payment may take place after the implementation period and even after the submission of the final report.</p> <p>In a similar way, contract-award procedure may be initiated before the start of the implementation period, if they are in accordance with Annex IV. Contracts and payments related to these contracts may however not be executed before the start of the implementation period of the Action.</p>	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
15.	<b>Reporting eligible cost (in case cost is not paid within reporting period)</b>	Approval of interim report means approval of costs for that interim period of time. In case invoice was issued during the interim period but payment has not been executed, cost will be presented in the following interim/final report and converted into EUR according to exchange rate from the previous period when expenditure incurred.	GC, Article 2.1
16.	<b>Control of supporting documentation</b>	The Contracting Authority may request additional information at any time.	GC, Article 2.2
17.	<b>Exchange rate</b>	Any conversion into euro of the real costs borne in other currencies shall be done at the rate made up by the average of the rates published in InforEuro for the months covered by the relevant report, unless otherwise provided in the	GC, Article 15.8

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		Special Conditions.	
18.	<b>Payment slip (recommendation)</b>	<p>Payment slip should include the salary costs of a calendar month; it should not follow the schedule of the implementation period.</p> <p>Staff and payroll records such as contracts, salary statements, time sheets are to be delivered in line with request from the CA (along with interim/final reports). For staff recruited on fixed-term, indeterminate, piece work 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 are also to be delivered in line with the request from the CA (along with interim/final reports).</p>	GC, Article 16.3
19.	<b>Travel costs</b>	<p>The following cost will be considered eligible: 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 or its partners, as the case may be. Supporting documents that proof eligibility of claimed costs are: In case of travel by bus or train, copies of tickets have to be provided, and in case of travelling by plane boarding passes are to be provided if applicable.</p>	GC Article 14.2
20.	<b>Per item /Individual payments sheet</b>	<p>Total amounts in Per item table and individual payment table have to be the same.</p>	Annex VI of the contract
21.	<b>Approval of Interim/Final report - notification of ineligible costs</b>	<p>If ineligible costs are detected during report check, the letter of approval of Interim /Final report should also include detailed table of ineligible costs containing:</p> <ul style="list-style-type: none"> <li>- name of budget line</li> <li>- amount from the report</li> <li>- ineligible amount</li> <li>- justification with reference to contract provisions.</li> </ul>	GC Article 15.2
22.	<b>Interests accruing from pre-financing payment</b>	<p>Any interest accruing from pre-financing paid by the CA to the Beneficiary shall be mentioned in the interim and final reports. Any interest accruing from pre-financing equal or below EUR 250 000 paid by the CA shall not be due to the CA. Any interest accruing from pre financing of more than EUR 250 000 paid by</p>	GC, Article 15.9.

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		the CA shall be deducted from the payment of the balance of the amounts due to the Beneficiary.	
23.	<b>Pre-financing - How to change the amounts of the pre-financing instalments when the Beneficiary spends more or less than anticipated?</b>	<p>Payments shall be made in accordance with Article 15 of Annex II. The special conditions indicate rates of payments. There can be two options:</p> <p>1. Option: pre-financing and forecast final amount.</p> <p>2.Option: First instalment of pre-financing (80% of the part of the forecast budget for the first 12 months of implementation financed by the Contracting Authority), forecast further instalment(s) of pre-financing and forecast final payment</p> <p>The purpose of the pre-financing is to assure a certain level of the cash flow at the disposal for the Grant beneficiary.</p> <p>In case of Option 2 (forecast further instalment of pre-financing): As a matter of principle the forecasts should be done in a way that it covers the financial needs for the next 12 months; however the Beneficiary is entitled to submit the claim for further pre-financing when necessary. If less than 70% has been spent of the previous payment (and 100% of any previous payments) the new payment will be reduced by those unused amounts. The Contracting authority adjusts the further instalment accordingly and pays the requested amount. In any case each payment is subject to a report accompanied in certain cases also by an expenditure verification report.</p>	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011) GC, Article 15.1.
24.	<b>EU Contribution: eligible cost s- Must the grant beneficiary provide proof of expenditures (restaurant bills, taxi slips etc.) for travel and subsistence costs of staff taking part in the action?</b>	<p>Travel and subsistence costs are subject to the "eligibility test" of article 14 GC. These costs may be reimbursed on the basis of either actual costs or on the basis of a flat-rate (per diems), whatever is provided for in the budget of the action. In case a flat-rate is used, no supporting documents are required, provided there is sufficient proof that the travel actually took place.</p>	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
25.	<b>Do grant beneficiaries have to apply the procedures and templates of the Practical Guide for subcontracting?</b>	<p>No. They apply instead the rules in annex IV to the standard grant contract, which are less stringent, and with an ex post control from the Contracting Authority.</p> <p>The PRAG templates may be used, but it is not an obligation</p>	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)

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26.	<b>Does the Commission publish the calls for tenders launched by grant beneficiaries for the implementation of an action? (annex IV)</b>	No. The grant beneficiary manages the action, including any tendering, autonomously, and must publish tenders for its own account. The Contracting Authority carries out ex post checks on beneficiaries' compliance with the applicable procurement rules.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
27.	<b>What are the supporting documents which must be kept by the Grant Beneficiary in case of an inspection?</b>	They must be such as to provide full and clear evidence that the costs of the Action were really incurred by the Grant Beneficiary. A non-exhaustive list is provided in Article 16.3 GC. Since the Commission pays for a percentage (specified in article 3.2 SC) of the total eligible costs of the Action rather than for certain specific items in the budget, the same accounting system and supporting documents must be kept for all expenses of the Action. Supporting documents must be kept for at least 7 years after the payment of the balance.	EuropeAid Frequently asked questions on Grants (as published on 06/04/2011)
28.	<b>Deadlines for secondary procurement procedure</b>	Issue: Annex IV, Art. 3: "The time-limits for receipt of tenders and requests to participate must be long enough to allow interested parties a reasonable and appropriate period to prepare and submit their tenders" What is the best international practice for time frame for international restricted/open tender procedure, local open and negotiated procedure?  Provisions of the Practical Guide to Contract procedures for EU external actions (available on: <a href="http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm">http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm</a> ) and Croatian Public Procurement Law can be both considered as best international practice.	PRAG, applicable national Procurement Law
29.	<b>Application of EMAT</b>	Issue: According to Annex IV, Art. 1 (Procurement by grant Beneficiaries in the context of European Union external actions, General principles), <i>the contract must be awarded to the most economically advantageous tender (hereinafter: EMAT) - the tender offering the best price-quality ratio..</i> On the other hand, in the Art. 3 of the same document, reference is made to application of best international practice, when drafting tender documents (including possible use of EC models developed in the context of external actions). It is important to stress that in case of supply and works contracts, mentioned templates even do not foresee application of EMAT (they're build around idea automatic procurement	PRAG point 2.4.11.2 Award criteria

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		<p>procedure). According to EU procurement (coordination) directive (2004/18/EC), <i>Contracts should be awarded on the basis of objective criteria which ensure compliance with the principles of transparency, non-discrimination and equal treatment and which guarantee that tenders are assessed in conditions of effective competition.</i> Consequently, both award criteria (EMAT or lowest tender) can be equally used, under condition of adherence to abovementioned principles. Is this assumption correct?</p> <p>Answer: Yes. Procurement procedures must be carried out in accordance with the principles of transparency, proportionality, equal treatment and non-discrimination (as stipulate in Article 1 of Annex IV) meaning that the conditions of the procurement procedure should be known in advance (e.g. minimum technical specification to be met). Concept of “best value for money” (referred to in Article 1 of Annex IV) does not exclude possibility to award contract to the tenderers who offered the lowest price.</p>	
30.	<p><b>Composition of evaluation committee</b></p>	<p>Issue: What is the best international practice regarding composition of evaluation committee? Annex IV in Art. 3 states: “The committee must have the odd number of members, at least three, with all the technical and administrative capacity....”, without making any reference to division of responsibilities between voting and non-voting members. Furthermore, can the same person be the chairman and a voting member (assuming that he/she has technical and administrative capacities necessary to give an informed opinion on tenders)? Can we consider signed Declaration of Confidentiality and Impartiality as sufficient evidence of absence of Conflict of Interest?</p> <p>There is no obstacle for evaluators checking all relevant elements of offers - both technical and administrative, and preparing the report.</p> <p>When it comes to taking care of avoiding any conflict of interest, a Declaration of impartiality and confidentiality should be acceptable. Should a CA become aware or has doubts of a conflict of interest despite the signed declaration, it should act accordingly. Declaration of impartiality and confidentiality, in one paragraph refers to members of the committee to should declare that they have not been employed by any of the candidates/applicants/tenderers, their consortium</p>	

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		members or subcontractors within the previous 3 years. In order to fulfil this; it is recommendable for CA to revise CV of all members of the committee in order to avoid potential breach of the provisions in the Declaration.	
31.	<b>Negotiated procedure</b>	<p>Issue: Annex IV, Art. 7 state that “The Beneficiary may use the negotiated procedure on the basis of a single tender”. Does this mean that negotiated procedure can be used only in context of tenders below 10.000 EUR or regardless of the threshold negotiated procedure should follow logic of single tender procedure? Or there is no application of specific procurement threshold under condition that the grant beneficiary has adhered to basic principles (e.g. eligibility rule)? Is the application of the negotiated procedure considered as deviation (derogation) from a standard procedure requiring prior approval by the EC services?</p> <p>Article 7 of Annex IV does not refer to any specific threshold, hence the negotiated procedure may be used under conditions specified in the Article 7 of annex IV regardless of the threshold,. Application of negotiated procedure in line with provisions of Article 7 of annex IV is not conditioned with prior approval of the EC services.</p>	
32.	<b>Application of principle of availability of funds and impact on other principles</b>	<p>Issue: Under particular budget line, beneficiary has envisaged 100.000 EUR for the purpose of supply tender. Beneficiary has launched supply tender and received only one technically compliant tender with tender price 110.000 EUR, submitted by tender XYZ. Beneficiary has requested reallocation of EUR 10.000 from another budget line and concluded the contract with tenderer XYZ. Can we consider results of such procurement procedure eligible for financing? Should we follow logic of market study based on which particular line was established or availability of funds under particular grant (i.e. under budget line “contingencies”)?</p> <p>The budget breakdown is an estimation of costs. The assessment of eligibility of costs has to be done on a case by case basis. The cancellation would be an option if the award is not in compliance with sound financial management i.e. does not respect the principles of economy, efficiency and effectiveness (e.g. the price proposed by the tenderer to whom the contract is to be awarded is objectively disproportionate with regard to the price of the market).</p>	

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