



EUROPEAN COMMISSION  
DIRECTORATE-GENERAL  
ENVIRONMENT  
Directorate D - Water and Environmental Programme  
**ENV.D.1 - LIFE**

*Standard agreement applicable to  
project funded in 2005*

## GRANT AGREEMENT

AGREEMENT NUMBER - [.....]

The European Community (“the Community”), represented by the Commission of the European Communities (“the Commission”), itself represented for the purposes of signature of this agreement by [forename, name, function, DG/service],

of the one part,

and

[full official name]

[official legal form]

[official registration No]

[full official address]

[VAT number]

(“the beneficiary”), represented for the purposes of signature of this agreement by [name, forename and function],

of the other part,

HAVE AGREED

The **special provisions** and **common provisions** set out below (specific provisions for LIFE-Nature and specific provisions for LIFE-Environment) and the following **Annexes**:

- |                  |   |
|------------------|---|
| <b>Annex I</b>   | Description of the proposal                                       |
| <b>Annex II</b>  | Bank guarantee model  |
| <b>Annex III</b> | Standard statement of expenditure (also available on webpage XXX) |
| <b>Annex IV</b>  | LIFE logo   |
| <b>Annex V</b>   | Natura 2000 logo  |
| <b>Annex VI</b>  | Standard audit report   |

## SPECIAL PROVISIONS

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### *Article 1*

Financial support under Regulation (EC) No [...] of the European Parliament and of the Council is hereby granted to project proposal No **XXXXXX**, title: **XXXXXXXXXXXXXXXXXX**, received on **XXXXXX**, (“**the project**”) as described in Annex I. The grant is ruled under the terms and conditions set out in the special provisions, the Common Provisions and the annexes to the agreement which the beneficiary hereby declares that he has taken note of and accepts.

Three identical copies of the grant agreement have been produced, each signed by the beneficiary. Each copy has been sealed with seal numbers LIFE-**XXX XXXX**, **XXXXX**, **XXXXX**.

The beneficiary hereby accepts the grant and undertakes to do everything in its power to carry out the project, as described in Annex I, acting on its own responsibility.

### *Article 2*

This agreement shall enter into force on the date when the last of the two parties signs.

The project shall run for **XX** months from 00/00/0000 to 00/00/0000.

The total cost of the project is estimated at EUR [...], as shown in the provisional budget in Annex I. The provisional budget shall give a detailed breakdown of the costs that are eligible for Community funding under the terms of Article II.21, of the Common Provisions as well as the breakdown of all sources of finance. The financial support from the Community is hereby set at **XX%** of the total eligible cost mentioned in Annex I with a maximum of €**XXXXXX**. The final amount of the grant is determined as defined in article 23 of the common provisions.

### *Article 3*

Done at Brussels in three copies, on **XX/XX/XXXX**.

*For the beneficiary,*

*For the Commission,*

*Name:*

*Catherine Day*

*Function:*

*The Director-General*



# **COMMON PROVISIONS**

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## CHAPTER A - COMMON PROVISIONS

### PART A.I - Legal and administrative provisions

#### Article 1 - References

All LIFE projects shall be carried out in accordance with, in order of precedence:

- Regulation (EC) No [...] of the European Parliament and of the Council<sup>1</sup>,
- The special conditions of the grant agreement sent for signature to the beneficiary,
- These common provisions included in the grant agreement,  
The project proposal (hereinafter referred to as "the project") identified in the grant agreement (Annex I).

Which form an integral part of the grant agreement

#### Article 2 - Responsible Commission service and correspondence

- 2.1. For the purposes of implementation of the provisions set out below, the Commission shall be represented by the Directorate-General for the Environment in the person of its authorising officer or authorising officer by sub-delegation.
- 2.2 All correspondence must bear the identification number and project title and must be sent to the following address:

**European Commission  
Directorate-General Environment  
Unit ENV.D.1 - BU-9 2/1  
B - 1049 Brussels**

- A copy of all correspondence must be sent to the external project monitoring team designated by the Commission.
- Ordinary mail shall be considered to have been received by the Commission on the date on which it is formally registered by the Commission unit responsible referred above.

#### Article 3 - Participants

LIFE projects may involve three types of "participants", depending on their roles and obligations:

- beneficiary,
- partner(s),
- subcontractor(s).

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<sup>1</sup> OJ L 192, 28.7.2000, p. 1.

#### **Article 4 - Role and obligations of the beneficiary**

- 4.1 The beneficiary shall be solely legally and financially responsible to the Commission for the implementation of the project.
- 4.2 The beneficiary shall receive the financial contribution from the Commission and, in the case partners are involved, shall ensure that this financial contribution is distributed as specified in the agreements established with the partners.
- 4.3 Notwithstanding the provisions in Article 33(2), the beneficiary shall bear part of the costs of (co-fund) the project it leads.
- 4.4 The beneficiary shall be the single point of contact for the Commission and shall be the only participant to report directly to the Commission on the technical and financial progress achieved. The beneficiary shall therefore provide mid-term (former interim) and final cost statements and reports incorporating and verifying the data provided by the partners and showing that they are consistent with any corresponding cost statement.
- 4.5 The beneficiary shall be directly involved in the technical implementation of the project and dissemination of the results.
- 4.6 The beneficiary shall maintain up-to-date books of account, in accordance with the normal accounting conventions imposed on them by law and existing regulations. For the sake of traceability of expenditure and income, an analytical accounting system (cost centre accounting) shall be put in place. The beneficiary shall keep all appropriate supporting documentation for all expenditure, income and revenue for the project as reported to the Commission (including copies of those of partners and subcontractors), such as invoices, purchase orders, proof of payments, salary slips, time sheets and any other documents used for the calculation and presentation of costs. This documentation shall be clear, precise and effective.
- 4.7 The beneficiary shall conclude, with any partners expressively committed in the project implementation and identified in the project proposal, any agreements necessary for completion of the work, provided these in no way infringe their obligations stated in the grant agreement with the Commission. Such agreements shall clearly describe the roles, rights and responsibilities of the participants. The agreements shall describe the tasks to be performed by each participant and define the financial arrangements, taking into account the provisions of Article 20. Such agreements shall stipulate that the Community may exercise the same rights and guarantees vis-à-vis the partners as vis-à-vis the beneficiary itself. A copy of these agreements shall be notified to the Commission when finalised.
- 4.8 The beneficiary shall ensure that sub-contractors issue invoices including a clear reference to the project. The invoices as well as any supporting documents for choosing the sub-contractor, and all the details concerning the service delivered, shall be kept on file.
- 4.9 The beneficiary shall ensure that the Community support is publicised, as detailed in Article 16.

- 4.10 The beneficiary shall be required to share freely with its partners the know-how necessary for implementation of the project.
- 4.11 The beneficiary shall not act, in the context of the project, as sub-contractor or supplier to the partners.

#### **Article 5 - Role and obligations of partners**

- 5.1 The partners are exclusively the organisations expressly identified in the project proposal and committed to the project implementation through relevant forms. The partners shall be directly involved in the technical implementation of one or more tasks of the project. Each partner shall bear a part of the costs of (co-fund) the project.
- 5.2 The partners shall benefit from the financial contribution from the Commission as stipulated in the agreement between the partners and the beneficiary.
- 5.3 The partners shall maintain up-to-date books of account, in accordance with the normal accounting conventions imposed on them by law and existing regulations. For the sake of traceability an analytical accounting system (cost centre accounting) shall be put in place. The partners shall keep all appropriate supporting documentation for all expenditure, income and revenue for the project as reported to the Commission by the beneficiary, such as invoices, purchase orders, proof of payments, salary slips, time sheets and any other documents used for the calculation and presentation of costs. This documentation shall be clear, precise and effective.
- 5.4 The partners shall provide the beneficiary in charge of the technical and financial reporting to the Commission with all documents necessary for this activity.
- 5.5 The partners shall not report directly to the Commission on the technical and financial progress unless explicitly requested to do so by the Commission.
- 5.6 The partners shall ensure that sub-contractors issue invoices including a clear reference to the project. The invoices as well as any supporting documents for choosing the sub-contractor, and all the details concerning the service delivered, shall be kept on file.
- 5.7 Partners shall be required to share freely with the beneficiary and other partners the know-how necessary for implementation of the project.
- 5.8 The partners shall ensure that the Community support is publicised, as detailed in Article 16.
- 5.9 Partners shall not act, in the context of the project, as sub-contractor or supplier to the beneficiary or other partners.



## **Article 6 - Role and obligations of subcontractors**

- 6.1 For specific tasks of a fixed duration, a project may also include subcontractors, who shall not be considered as partners. Any recourse to subcontracting while the action is under way, if not provided for in the initial grant application, shall be subject to prior written authorisation by the commission in the sense of article 13.2.
- 6.2 Subcontractors shall provide, within the limits sets in article 21.4, external services to the beneficiary and/or partners, who shall pay the full price corresponding to the service provided.
- 6.3 Subcontractors shall make no financial investment in the project and, therefore, shall not benefit from any intellectual property rights arising from the project.
- 6.4 Subcontracts must be awarded by a public beneficiary/partner(s) in accordance with the applicable rules on public tendering and in conformity with Community Directives on public tendering procedures.

The private beneficiary/partner shall invite competitive tenders from potential subcontractors and award the contract to the bid offering best value for money; in doing so it shall observe the principles of transparency and equal treatment of potential subcontractors and shall take care to avoid any conflict of interests.

The applicable rules on tendering shall also apply in case of purchase of durable goods.

- 6.5 All invoices by subcontractors shall include a clear reference to the LIFE project (i.e. number and title or short title) and to the order/subcontract issued by the beneficiary/partner. All invoices shall also be sufficiently detailed as to allow identification of single items covered by the service delivered (i.e. clear description and cost of each item).
- 6.6 The beneficiary and partners must ensure that each subcontract shall provide expressly for the Commission and the Court of Auditors to exercise their powers of control, on documents and on the premises, over the subcontractor who has received Community funds.

## **Article 7 - Project co-financiers (other than Community funding)**

- 7.1 Co-financiers shall contribute financial resources to the project and shall not benefit from the Community contribution except in cases where they are also partners in the project.
- 7.2 Co-financiers shall not be directly involved in the technical implementation of the project.

- 7.3 The beneficiary and/or its partners shall conclude with co-financiers any agreements necessary to ensure co-funding, provided these do not infringe the obligations of the beneficiary and/or partners, as stated in the grant agreement.

#### **Article 8 - Role of external monitoring teams**

- 8.1 To follow up the project, the Commission shall be supported by external monitoring teams. The monitoring teams shall assist by following and assessing the project's progress at the technical level and its coherence with the incurred costs. They shall act strictly as an advisory body to the Commission and shall not be involved in the management of the financial resources. The monitoring teams shall be independent from the projects. As an advisory body of the Commission, they shall inspect the project and provide assessments of the reports submitted to the Commission. Monitoring teams shall not be authorised to take any decision on behalf of the Commission.
- 8.2 The external monitoring teams shall act under the same confidentiality rules as those established between the participants in the project and the Commission (as stipulated in Article 15).

#### **Article 9 - Civil liability**

- 9.1 The Commission may not, under any circumstances or for any reason whatsoever, be held liable in the event of claims deriving from the grant agreement concerning any damage or injury while the project is being carried out. No claim for compensation or repayment accompanying such a complaint shall be accepted by the Commission.
- 9.2 The beneficiaries shall exonerate the Commission from any liability connected to the relationship with their partners or to the agreements signed in this context.
- 9.3 The beneficiary and partners shall assume sole liability towards third parties, including for damage of any kind sustained by them while the project is being carried out.
- 9.4 Except in case of force majeure, the beneficiary shall make good any damage sustained by the Commission as a result of the execution or faulty execution of the project.

#### **Article 10 - Conflict of interests**

- 10.1 The beneficiary undertakes to take all the necessary measures to prevent any risk of conflicts of interests which could affect the impartial and objective performance of the agreement. Such conflict of interests could arise in particular as a result of economic interest, political or national affinity, family or emotional reasons, or any other shared interest.

10.2 Any situation constituting or likely to lead to a conflict of interests during the performance of the agreement must be brought to the attention of the Commission, in writing, without delay. The beneficiary shall undertake to take whatever steps are necessary to rectify this situation at once. The Commission reserves the right to check that the measures taken are appropriate and may demand that the beneficiary take additional measures, if necessary, within a certain time.

#### **Article 11 - Technical activity reports**

11.1 The beneficiary must provide the Commission with:

- one or more progress reports in accordance with the schedule envisaged in the project;
- one mid-term (former interim) report in accordance with the schedule envisaged in the project;
- a final report not later than three months after the date for completion of the project;
- at any time, information which can be requested concerning the management of the project.

11.2 The progress reports must contain a concise description of all activities undertaken with respect to the objectives, action and work plan envisaged in the project. A financial summary shall also be included with respect to the budget available for the project. One of the progress reports may be replaced by the mid-term (former interim) report in the event that the beneficiary reaches the spending threshold established in Article 23(3) before or after the deadline set in the project for the mid-term (former interim) report. This shall allow the beneficiary to present the request for payment of the second pre-financing payment at the appropriate time. In this case, a progress report shall be submitted by the deadline originally set for the mid-term (former interim) report.

11.3 The mid-term (former interim) report must contain:

- a detailed account of the activities undertaken with respect to the objectives, action and work plan envisaged in the project (not exceeding 50 pages in both paper and electronic format);
- an annex, if relevant, containing a set of slides/colour photographs/electronic images illustrating the main action and results of the project, any other document, map or publication which is envisaged as an identifiable product of the project or which is useful to assess the success of the project;
- the mid-term (former interim) statement of expenditure and income whether for information only or as a request for the second pre-financing payment. In the latter case the beneficiary shall indicate the amount of the payment requested;
- the audit report provided for in Article 27, in cases the pre financing payment(s) requested exceed(s) € 750 000 per financial year

11.4 The final report must contain:

- a summary of the main achievements and results of the project (maximum 5 pages in both paper and electronic format);
- a detailed account of the activities undertaken with respect to the objectives, action and work plan envisaged in the project (not exceeding 50 pages in both paper and electronic format);
- an annex, if relevant, containing a set of slides/colour photographs/electronic images illustrating the main action and results of the project, any other document, map or publication which is envisaged as an identifiable product of the project or which is useful to assess the success of the project;
- the layman's report in paper and electronic format; the layman's report is the document aimed at a broader target group and serves to inform decision-makers and non-technical parties on the objectives and the results achieved. The layman's report shall be between 5 and 10 pages in length and must be presented in the language of the beneficiary and in English and/or French. The layman's report is obligatory for all projects;
- the final statement of expenditure and income, including the audit report provided for in Article 27, if applicable. The beneficiary shall also indicate the amount of the final payment requested.

11.5 These reports shall be simultaneously forwarded to:

- the Commission (one complete copy including the annexes and two copies of the statement of expenditure and income),
- the external project monitoring team designated by the Commission (a complete copy including the annexes and a copy of the statement of expenditure and income).

11.6 Member State authorities shall have the right to ask for a copy of the intermediate activity reports and the mid-term (former interim) report. As in the case of the final report, Council Regulation (EC) [...] (LIFE) places an obligation on the beneficiary to submit, within three months of completion of the project, a further copy to the same authorities (see list on the front of the application file). The Commission may request additional copies of any of the reports and/or annexes should the need arise.

11.7 The beneficiary shall be under an obligation to create or use an existing website for the dissemination of project results. The WEB address where the main results of the project are available to the public must be indicated in the reports (e.g. summary and detailed activity reports, layman's report, etc.).

Detailed guidelines for reporting shall be made available to the beneficiaries.

## **Article 12 - Delayed performance**

12.1 The beneficiary shall inform the Commission, without delay and with full details, of any event that is liable to prejudice or delay the performance of the project. The parties concerned shall agree together on the measures to be taken.

12.2 Delayed performance may lead to a change to the project (Article 13) or to termination of the project (Article 14).

### **Article 13 - Amendment to the agreement**

13.1 The beneficiary shall be under an obligation to inform in writing the Commission on any changes to the grant agreement. Changes that would call into question the grand award decision or are contrary to the equal treatment of applicants will not be accepted.

13.2 When changes to the agreement are considered substantial, prior written additional agreement must be issued. Changes that could have a significant impact on the implementation of the project shall be considered as substantial, including:

- Changes to the overall objective of the project. Requests for changes of this kind shall be considered only if the overall objective of the project is not fundamentally altered and if the reasons for the changes are clearly outside the control of the beneficiary/partners. The overall objective of a project shall be considered to be fundamentally altered when the environmental issue originally targeted is different from the new one proposed (e.g. the original overall objective is the conservation of species X while the new overall objective is the conservation of species Y).
- Changes to the nature or content of key actions and/or deliverables. Requests for changes of this kind shall be considered only if they do not fundamentally alter the overall objective of the project.
- Changes to the legal status of the beneficiary and/or partners and/or substitution of the beneficiary and/or partners. Requests for changes of this kind shall be considered only if the new legal status or the new beneficiary/partner(s) comply with all eligibility criteria used to evaluate their technical and financial reliability at the time of the evaluation of the proposal. The Commission reserves the right to use the criteria applicable at the time of the request for the change if it considers that they set a higher standard.
- Advance of the starting date or delays in performance of the tasks entailed in the project leading to a shift in the date on which the project ends. Requests to change the starting date shall be considered only if the beneficiary is able to prove that the original date was wrongly set due to a material mistake (N.B. the start date may not be earlier than the day following the final deadline for submission of proposals).
- Postponement of the end date by over six months shall be considered only if:
  - the reasons for the delay were wholly or partly beyond the control of the beneficiary/partners;
  - all measures were taken to limit the delay;
  - sufficient guarantee is given that the new end date will be met.

- Requests for changes to the finance plan (e.g. changes in the financial contribution rate and amounts due from the Community/beneficiary/partners/co-financiers).

Requests for changes to the financial contribution by the beneficiary/partners [co-funding - see Articles 4(3) and 5(1)] and/or co-financier(s) shall be considered as substantial when one of them significantly reduces its financial contribution rate compared to the rate set in the project.

Whenever a beneficiary/partner/co-financier reduces its financial contribution it shall be incumbent upon the beneficiary, in agreement with its partners, to find the necessary resources to ensure correct implementation of the project.

In no case shall the Commission accept an increase in its contribution because of the withdrawal/reduction of the financial contribution of one or more beneficiary/partner/co-financier.

- Changes in the technical role of the beneficiary/partners. Requests for changes of this kind shall be considered as substantial when an action under the responsibility of the beneficiary and/or partners is allocated to a participant (beneficiary and/or partner) other than the one originally stipulated. Requests for changes of this kind shall be considered only if the new conditions comply with all the eligibility criteria used to evaluate the technical and financial reliability of each participant (beneficiary/partner) at the time of the evaluation of the proposal. The Commission reserves the right to use the criteria applicable at the time of the request for the change if it considers that they set a higher standard.
- An increase or decrease in one or more categories of expenditure in the provisional budget for the project. Requests for changes of this kind shall be considered as substantial only if the increase/decrease exceeds both 10% of a category of expenditure and €10 000. These thresholds shall apply to each of the three subcategories of durable goods. They shall not, however, apply to the category of “overheads”, for which the limit stipulated in Article 21.12 may not be exceeded. Requests for changes of this kind shall be considered only if they do not fundamentally alter the overall objective of the project.

This list is not exhaustive. Changes not listed here will be dealt with on a case-by-case basis. In case of doubt the beneficiary should check with the responsible Commission service.

- 13.3 In cases of substantial changes for which prior written additional agreement is necessary, a formal request for changes shall be sent before the desired change takes effect. The Commission reserves the right not to take into consideration any request received later than three months before the end of the project. The request shall contain all details describing and justifying the changes requested and shall be presented in line with the reporting formats required by the Commission.
- 13.4 If any change is made without this necessary agreement, the Commission reserves the right to refuse to co-finance such changed projects and, if necessary, to cancel, suspend or recover all or part of the Community support.

## **Article 14 - Termination of the project**

- 14.1 The Commission may terminate the grant agreement should the beneficiary, for no valid economic or technical reason, fail to honour one of the substantive obligations under the grant agreement.

For this purpose the Commission shall apply the following procedure:

A first letter will be sent asking the beneficiary to comply with the abovementioned obligations.

If no reply is received within two months from the date of the first letter or if the reply received is considered insufficient a second letter will be sent. In this letter the Commission will inform the beneficiary of the proposed decision based on the information available at that stage.

If no reply is received within one month from the date of the second letter or if the reply received is considered insufficient a registered letter (with acknowledgement of receipt) will be sent. In this letter the Commission will notify the beneficiary of the decision taken. Any comment by/information from the beneficiary will be considered only if it is sent within one month of receipt of the registered letter at the latest. Based on any comments/information received the Commission may confirm/amend its decision. The decision will then be considered final and will be notified by registered letter.

In the event of termination of the grant agreement the Commission may demand full or partial repayment of amounts already paid. Only the information available at that stage will be considered to determine the amount of eligible expenditure.

- 14.2 The Commission may terminate the grant agreement, without notice and without paying compensation of any kind,

In case of force majeure or where the beneficiary is declared bankrupt, is wound up or is subject to any similar proceeding;

If the beneficiary deliberately makes false or incomplete statements to obtain the Community financial contribution provided for in the agreement or if the beneficiary has intentionally or by negligence committed a substantial irregularity in performing the agreement or in the event of fraud, corruption or any other illegal activity on the part of the beneficiary to the detriment of the European Communities' financial interests. A substantial irregularity consists of any infringement of a provision of an agreement or regulation resulting from an act or an omission on the part of the beneficiary which causes or might cause a loss to the Community budget.

If the beneficiary is found guilty of an offence involving his professional conduct by a judgment having the force of res judicata or if he is guilty of grave professional misconduct proven by any justified means;

- 14.3 In these events, the Commission may demand full or partial repayment of amounts already paid under the grant agreement.

- 14.4 Termination of the grant agreement for financial irregularities shall be without prejudice to the application of other administrative measures or penalties which may be imposed in accordance with Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities' financial interests.
- 14.5 The beneficiary may terminate the project at any time by giving two months' formal written notice, provided valid economic or technical reasons exist. The beneficiary shall be under an obligation to present a technical report outlining the status of the work and the reasons for termination. The beneficiary shall present a financial report, on the basis of which the Commission will determine the amount of eligible expenditure. If no reasons are given or if the Commission does not accept the reasons, the beneficiary shall be deemed to have terminated this agreement improperly, and the Commission may ask full or partial repayment of amounts already paid.

#### **Article 15 - Confidentiality**

- 15.1 The Commission and the beneficiary/partners undertake to preserve the confidentiality of any document, information or other material communicated to them in confidence, disclosure of which could harm the other party. The parties shall remain bound by this obligation beyond the closing date of the project.
- 15.2 The Commission shall be authorised to publish, in whatever form and by whatever medium, including the Internet, all the information that it considers relevant.

#### **Article 16 - Publicity for Community support**

- 16.1 The beneficiary and partners shall be under an obligation to acknowledge the support given by the Community in all documents and media produced in the framework of the project, in particular books, brochures, press releases, videos, software, etc. For this purpose, a special LIFE logo has been designed (copy provided in Annex 3). For audio-visual material, the credits at the beginning and/or at the end shall include an explicit and readable mention of the LIFE support (e.g. "With the contribution of the LIFE financial instrument of the European Community").
- 16.2 The LIFE logo may not be referred to as a certified quality label or eco-label; use of the LIFE logo shall be restricted to dissemination activities.
- 16.3 The beneficiary and partners shall be under an obligation to erect and maintain notice boards describing the project at the locations where it is implemented, at strategic places accessible and visible to the public. The LIFE logo shall appear on them at all times.
- 16.4 In addition to the obligation set in article 11 to create or use a website for the dissemination of project results, the beneficiary and partners shall publicise the project and its results, in particular with the media, always mentioning the Community support. Details of this activity shall be given in each activity report.



- 16.5 The beneficiary and partners shall be under an obligation to inform the Commission of, and invite it without payment of registration fees or other fees, to all seminars and public conferences organised in the framework of the project at least three weeks in advance of the event.
- 16.6 All documents in hard copy form or other format produced under a LIFE-Nature project must bear the Natura 2000 logo. The project's importance in terms of establishing the Natura 2000 network must be described.

#### **Article 17 - Ownership and exploitation of results**

- 17.1 The beneficiary and/or its partners shall be the owners of documents, possibly patentable or patented inventions and expertise obtained pursuant to the project.
- 17.2 The Commission, with a view to promoting the use of techniques or models favourable to the environment, attaches great importance to the beneficiary making these documents, patents and know-how available in the Community as soon as they are available, on non-discriminatory and reasonable commercial conditions.
- 17.3 The Commission expects the beneficiary and/or its partners to comply with Article 17(2) for a period of five years after termination of the project.
- 17.4 Should the beneficiary, for no legitimate reason, refuse to give access to these products or to grant licences under these conditions, the Commission reserves the right to apply the rules in Article 14 or, if the project has ended, to demand full or partial repayment of the Community contribution.

#### **Article 18 - Technical availability of audio-visual material**

- 18.1 The beneficiary shall submit all audio-visual material produced in the framework of the project on two supports: a VHS videocassette and a professional tape (Betacam SP or better) for future duplication. It shall also communicate the address where the master will be deposited.
- 18.2 The beneficiary shall grant the Commission the non-exclusive right to reproduce, to dub if necessary, to distribute or to use the audio-visual production, completely or partly, without time limit, for non-commercial purposes, even during public events. Nevertheless, the Commission shall not be considered as "co-producer".
- 18.3 The Commission reserves the right to use the photographs submitted with the technical reports to illustrate any information material it produces on LIFE and/or Natura 2000. It undertakes to credit these as indicated in the reports.

#### **Article 19 - Law applicable and competent court**

The grant shall be governed by the terms of the agreement, the Community rules applicable and, on a subsidiary basis, by the law of Belgium relating to grants.

The beneficiary may bring legal proceedings regarding decisions by the Commission concerning the application of the provisions of the agreement and the arrangements for implementing it before the Court of First Instance of the European Communities and, in the event of an appeal, the Court of Justice of the European Communities.

## **PART A.II - Financial provisions**

### **Article 20 - Community financial contribution to the project**

20.1 The amount of the Community financial contribution shall be determined by applying the percentages specified in the grant agreement to the eligible costs incurred.

20.2 Under no circumstances may the total amount paid by the Commission to the beneficiary exceed the maximum amount set for the Community contribution in the grant agreement, even if the total real costs exceed the estimated budget set in the grant agreement.

The beneficiary shall ensure that no other direct or indirect European Union funding will be used to co-finance the project. If such a situation occurs during implementation of the project the beneficiary must inform the Commission without delay about the measures it intends to take to comply with its obligation. The independent auditor provided for in Article 27 shall check the sources of the project financing.

20.3 Notwithstanding the obligations set in Articles 4(3) and 5(1), the beneficiary and the partners accept that the Community contribution may not have the purpose or effect of producing a profit for the beneficiary/partner. Profit shall be defined as a surplus of receipts over the costs of the project when the request is made for final payment. Public staff salaries as defined in article 21.2 §3 shall be considered as a receipt to the project.

20.4 Notwithstanding the specific provisions for LIFE-Environment projects in Article 33, the beneficiary agrees that any revenue generated during the implementation of the project shall be counted as direct income to the project. Such revenue shall always be declared and the Commission shall reduce its financial contribution in order to balance income against expenses.

20.5 The bank account or sub-account used by the beneficiary must make it possible to identify funds paid by the Commission. If the funds paid to this account yield interest or equivalent benefits under the law of the State on whose territory the account is opened, such interest or benefits shall, if they are generated by pre-financing payments, be recovered by the Commission as specified in Article 20.6.

20.6 The beneficiary shall inform the Commission of the amount of any interest or equivalent benefits yielded by the pre-financing it has received from the Commission. Notification must be made when the request for second pre-financing payment and the request for payment of the balance of the grant is made. The interest shall not be treated as a receipt for the project and will be recovered by offsetting it against the payment of the balance. The interest yielded by the pre-financing remains the property of the Communities and will be imputed to the general budget of the European Communities as miscellaneous revenue.

20.7 The beneficiary and its partners, if any, accept that the Community financial contribution shall not constitute a claim on the Commission and may not, therefore, be assigned to any other body or transferred to a third party in any way.

## Article 21 - Eligible costs

### 21.1 To be considered eligible, costs must:

- have been provided for in the provisional budget of the project;
- be directly linked to, and necessary for, carrying out the project covered by the grant agreement;
- be reasonable and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
- have been actually incurred during the lifetime of the project, as defined in the grant agreement, be recorded in the beneficiary's and any partners' accounts or tax documents, and be identifiable and controllable. A cost shall be considered as incurred during the lifetime of the project when:
  - the legal obligation to pay was contracted after the start date for the project and before the end date;
  - implementation of the corresponding action started after the start date for the project and was completed before the end date (the only exceptions are the cost of the bank guarantee covering the six months after the project ends and the cost of the independent audit provided for in Article 27; provided the auditor is given the assignment before the project ends, the auditing activity may be completed after the project ends);
  - have been fully paid before the submission of the relevant financial report (second pre-financing or final) and payment request together with the relevant statement of expenditure and income.

### 21.2 Personnel costs shall be charged in respect of the actual time devoted to the project. They shall be calculated on the basis of the actual gross salary or wages plus obligatory social charges, but excluding any other cost. The time which each employee spends working on the project shall be recorded using time sheets established and certified by the beneficiary and any partners.

Service contracts with individuals may be charged to this category on condition that the individual concerned works in the beneficiary's/partner's premises and under its supervision and provided that such practice complies with the relevant national legislation. The time which each individual spends working on the project shall be recorded using time sheets established and certified by the beneficiary/partner. The eligible cost shall equal the actual payment made to the individual concerned in relation to the project.

The salary costs of a civil servant/public employee shall be considered eligible for the determination of the maximum amount of the grant only to the extent that they relate to the cost of activities which the relevant public authority would not carry out if the project concerned were not undertaken. The share of such costs referred to the salaries of civil servant/long term public staff already working for the beneficiary/partner shall in any case be entirely covered by the public beneficiary/partner concerned as its own contribution to the project.

21.3 Travel and subsistence costs shall be charged in accordance with the internal rules of the beneficiary or partner. For LIFE-Nature and LIFE-Environment, prior approval by the Commission shall be required for travel outside the European Union and candidate countries participating in LIFE, unless the destination and reasons for travel were clearly specified in the project. For LIFE-Third Countries prior written approval shall be required for travel outside the project area unless the destination and reasons for travel were clearly specified in the project.

21.4 External assistance costs relate to sub-contracting costs (works undertaken by external companies, renting or use of equipment or infrastructure, etc.). Sub-contracting the implementation of project tasks representing more than 35% of the total eligible cost shall not be permitted, unless explicitly provided for in the project.

Costs related to the purchase or leasing (as opposed to renting) of durable equipment, infrastructure or consumables supplied under subcontract shall not be charged to the budget item for external assistance. These costs shall be declared separately under the appropriate budget headings.

21.5 The depreciation of expenditure on durable goods corresponding to the purchase/manufacture or lease of equipment or infrastructure during the project period shall be considered only when they:

- are placed on the inventory of durable goods of the beneficiary or partners with a possible exception for leased durable goods,
- are treated as capital expenditure in accordance with the tax and accounting rules applicable to the beneficiary or partners in the project,
- are purchased or leased at normal market costs.

21.6 Notwithstanding the specific provisions in Article 21.7, the beneficiary/partner shall apply its internal accounting standard to calculate the depreciated eligible amount, taking into account the date of purchase, the duration of the project and the rate of actual use for the purposes of the project. The independent auditor provided for in Article 27 shall confirm that the foregoing is correctly applied. However those depreciated eligible amount will be limited to the ceilings set below;

Infrastructure costs: 25% of the total purchase cost;

Equipment costs: 50% of the total purchase cost;

Prototypes: 100% of the total purchase cost (for LIFE-Environment and LIFE-Third Countries projects). **Prototype** means infrastructure and/or equipment specifically created for the implementation of the project and that has never been commercialised and/or is not available as serial products. The prototype must play a crucial role in the demonstration activities of the project. Only components purchased and used within the life of the project may be declared. A prototype may not be used for commercial purposes during the life of the project and for five years after the project ends. Should the prototype or any of its components be used for commercial purposes (i.e. sold, leased, rented or used to produce goods or services) during, or within five years of the end of, the project, this shall be declared. The costs of creating the prototype shall then be depreciated in accordance with Articles 21(5) and 21(6).

- 21.7 For LIFE-Nature projects, the cost incurred for durable goods by public authorities or non-governmental/non-profit organisations intrinsically connected with implementation of the project, explicitly envisaged and used to a significant degree within its duration shall be considered eligible in full. Such eligibility shall be subject to the beneficiary and partners undertaking to continue to assign these goods definitively to nature conservation activities beyond the end of the project co-financed under LIFE-Nature.
- 21.8 The depreciation costs of durable goods acquired before the starting date of the project shall be considered ineligible.
- 21.9 For LIFE-Nature projects, the costs related to land/rights purchases and leases shall be eligible and shall be accounted for separately from durable goods. The specific provisions in Article 32 shall apply.
- 21.10 Expenditure on consumable material shall relate to the purchase, manufacture, repair or use of any material, goods or equipment which:
- are not on the inventory of durable goods of the beneficiary or partners in the project;
  - are not treated as capital expenditure in accordance with the tax and accounting rules applicable to the beneficiary or partners in the project;
  - are specifically related to implementation of the project (general consumables/supplies will be charged to the “overheads” cost category).
- 21.11 Other costs means any cost necessary for the project, not falling within a defined category. Expenses listed must be verifiable and not above the true costs. The costs incurred in effecting the bank guarantee, when required by the Commission, may be charged to this item as well as the cost of auditing by an independent auditor.
- 21.12 Overheads shall be eligible for flat-rate funding of 7% of the total amount of eligible direct costs actually incurred, excluding land purchase costs. They need not be supported by accounting documents. Overheads shall be eligible as indirect costs, provided they do not include costs assigned to another budget heading. Overheads are intended to cover general indirect costs needed to employ, manage, accommodate and support directly or indirectly the personnel working on the project.

## **Article 22 - Ineligible costs**

The following costs shall not be regarded as eligible and therefore may not be included by the Commission in the calculation of the total project cost:

- any cost incurred for action which benefits from aid under other Community financial instruments;
- exchange rate losses;
- unnecessary or wasteful outlays;
- distribution expenses and marketing and advertising expenses to promote products or commercial activities, except where specifically indicated in the project;
- any provisions for possible future losses or liabilities;
- any debtor interest and interest on borrowed capital;
- doubtful debts;

- entertainment expenses, except such expenses accepted as being wholly and exclusively necessary for carrying out the work under the project;
- any costs relating to other projects financed by third parties;
- assets and services donated, including voluntary work;
- travel and accommodation expenses and any form of remuneration in the name of agents of the Community institutions and of the external project monitoring teams;
- studies not specifically addressing the objective aimed at by the financed project;
- investments in major infrastructure;
- fundamental scientific research and related technological development activities;
- ineligible costs, as defined in the specific conditions for LIFE-Environment in Article 34;
- licence or patent fees or other fees related to the protection of intellectual property rights;

### **Article 23 - Methods of payment**

23.1 The financial contribution from the Community shall be paid in three instalments as follows:

23.2 The first pre-financing payment, equivalent to 40% of the maximum Community financial contribution, will be paid within 45 days of receipt of:

- the signed copy of the grant agreement;
- a signed payment request stating the name and address of the beneficiary, the name and address of the bank, the bank account details, the project reference number and any reference specified by the beneficiary to identify payment;
- for a private beneficiary: a guarantee issued by a bank or an insurance company equal to the amount of this advance and covering the duration of the project plus six months. Its validity will have to be extended in the event of extension of the project. In exceptional cases this guarantee could be replaced by joint and several guarantees by a third party. The model letter of guarantee is set out in Annex 1;
- non-profit-making organisations shall be exempt from providing the required bank guarantee unless specifically requested to do so by the Commission.

23.3 The second pre-financing payment, equivalent to 30% (for LIFE-Environment and LIFE-Nature projects) or 40% (for LIFE-Third Countries projects) of the maximum Community financial contribution, will be paid on condition that at least 150% of the first pre-financing payment has been used.

The payment shall be made within 45 days of approval, by the Commission, of the mid-term (former interim) technical report provided for in Article 11.

To approve the mid-term (former interim) technical report the Commission shall have 45 days commencing on the date of receipt of:

- a signed request for payment stating the name and address of the beneficiary, the name and address of the bank, the bank account details, the amount requested, the project reference number and any reference specified by the beneficiary to identify payment;
- the official registration number, organisation, name and address of the auditor or the audit report provided for in Article 27 if the pre-financing payment(s) during a financial year exceed(s) €750 000;
- the corresponding statement of expenditure and income and the mid-term (former interim) report (Article 11).

If no comments are received from the Commission by this deadline, the mid-term (former interim) technical report shall be deemed to have been approved. Approval of the report accompanying the request for payment shall in no way imply recognition of the regularity or of the authenticity, completeness and correctness of the declarations and of the information they contain.

The 45-day period for payment shall start only after approval of the technical report.

- 23.4 The balance (final payment) shall be paid within 45 days of approval, by the Commission, of the final technical report provided for in Article 11.

To approve the final technical report the Commission shall have 45 days commencing on the date of receipt of:

- a signed payment request stating the name and address of the beneficiary, the name and address of the bank, the bank account details, the amount requested, the project reference number and any reference specified by the beneficiary to identify payment;
- the corresponding statement of expenditure and income, the final report (Article 11) and, if applicable, the audit report (Article 27).

If no comments are received from the Commission by this deadline, the final technical report shall be deemed to have been approved. Approval of the report accompanying the request for payment shall in no way imply recognition of the regularity or of the authenticity, completeness and correctness of the declarations and of the information they contain.

The 45-day period for payment shall start only after approval of the technical report.

- 23.5. Should the final eligible costs on completion of the project be lower than the estimate, the Commission's contribution shall be limited to the amount calculated by applying the set percentage to these costs.

- 23.6 The Commission may suspend or reject payment within the 90-day period, counting from the date of receipt of the request for payment and the other documents required under Articles 23(3) or 23(4). The Commission must give the beneficiary written notification of suspension. The procedure laid down in Article 14(1) shall apply.

- 23.7 If any of the abovementioned payment periods has been suspended, the time remaining shall begin to run again from the date when the additional information required is received.
- 23.8 In case of rejection of either the financial or technical reports the 90-day period shall begin to run again from the date of receipt of the new reports.
- 23.9 Commission payments shall be made in euros (€).
- 23.10 All payments shall be made in the name of the beneficiary to the bank account indicated in the request for payment. Any change must be immediately communicated to the Commission.
- 23.11 The payment shall be considered made on the day it is debited from the Commission's bank account.
- 23.12 Without prejudice to possible suspension of the payment period, a non-public beneficiary may, within two months of receiving any late payment, claim interest at the rate applied by the European Central Bank to its main refinancing operations plus three and a half percentage points. The reference rate to which the increase applies shall be the rate in force on the first day of the month of the final date for payment, as published in the C series of the official journal of the European Union.

#### **Article 24 - Recovery**

- 24.1 If any amount is unduly paid to the beneficiary or if recovery is justified under the terms of the agreement, the beneficiary undertakes to repay the Commission the sum in question on whatever terms and by whatever date it may specify.
- 24.2 In the event of termination of the grant agreement in the cases specified in Article 14, the Commission may request full or partial repayment of sums paid to the beneficiary. The Commission shall determine the manner and the time limits for such full or partial repayment.
- 24.3 Should the beneficiary fail to repay such amounts within the time limit set by the Commission, the Commission may increase the sums due by adding interest at the rate applied by the European Central Bank to its main refinancing operations plus three and a half percentage points. The reference rate to which the increase applies shall be the rate in force on the first day of the month of the final date for payment, as published in the C series of the Official Journal of the European Union. This provision shall not apply to recipients of a grant which are public authorities of the Member States of the European Union.
- 24.4 Bank charges occasioned by the repayment of sums due to the Commission shall be borne entirely by the beneficiary.
- 24.5 The recovery order drawn up by the Commission and transmitted to the beneficiary owing a repayment to the Commission shall be enforceable within the meaning of Article 256 of the EC Treaty, Article 92 of the ECSC Treaty and Article 164 of the Euratom Treaty.



24.6 If payment has not been made by the due date, sums owed to the Commission may be recovered by offsetting them against any sums owed to the beneficiary, after informing him accordingly by registered letter with advice of delivery or equivalent, or by calling in the financial guarantee provided in accordance with Article 23.2. The beneficiary's prior consent shall not be required.

#### **Article 25 - Statement of expenditure and income**

25.1 Statements of expenditure and income shall be submitted on the occasion of mid-term (former interim) and final reports.

25.2 Statements of expenditure and income shall be presented on, or in accordance with, the standard forms (Annex 3). Two copies shall be transmitted to the Commission and one to the external project monitoring team designated by the Commission.

25.3 Documents justifying expenditure (e.g. invoices) do not have to be annexed to the statement of expenditure and income. The beneficiary shall, however, if requested, provide the Commission with all details, including invoices, which it might need for evaluation of the expenditure and of the corresponding activity report.

25.4 Only the euro (€) shall be used in the statement of expenditure and income. Any payments made by the beneficiary in other currencies shall be converted by the beneficiary, using the exchange rate applied by the European Central Bank on the first day of the month in which the statement of expenditure and income is presented to the Commission. In exceptional cases, and on request from the beneficiary, the Commission may accept that the beneficiary uses the rate applicable on the first day of the month in which the expenditure is incurred

#### **Article 26 - Value-added tax**

26.1 When the beneficiary or partners are not in a position to recover the VAT paid under the project, this amount shall be considered eligible.

26.2 For VAT charges to be considered eligible the beneficiary must provide a declaration from the relevant national authorities that it and/or its partners must pay and may not recover the VAT for the assets and services required for the project.

#### **Article 27 - Independent financial audit**

An auditor, nominated by the beneficiary, should verify the statement of expenditure and income provided to the Commission in the following cases:

- If the maximum amount of the grant equals or exceed € 500.000.
- If the final payment requested exceed € 150.000
- If the pre-financing payment(s) requested, exceed(s) € 750 000 per financial year.

The auditor shall not only verify compliance with national legislation and accounting rules but also certify that all costs incurred comply with the common provisions for the

LIFE Programme. The work to be performed by the auditor in the cases foreseen under the first and the second cases is described in the standard audit report in annex 6.

#### **Article 28 - Commission financial audit**

- 28.1 The Commission, or any representative authorised by the Commission, may audit a beneficiary partner and subcontractor at any time during the contract and up to five years after completion of the project or the final payment of the Community contribution, as referred to in Article 23.
- 28.2 The audit shall be carried out on a confidential basis.
- 28.3 The Commission or any authorised representative shall have access to the documentation required to ascertain the eligibility of the costs of the participants in the project, such as invoices, payroll extracts, purchase orders, proof of payment, time sheets and any other documents used for the calculation and presentation of costs.
- 28.4 The Commission shall take appropriate steps to ensure that its authorised representatives treat confidentially the data to which they have access or which are provided to them.
- 28.5 The Commission may verify the use made of the Community's financial contribution by the beneficiary and partners.
- 28.6 A report on the findings of the audit shall be sent to the beneficiary and partners concerned. They may communicate their observations to the Commission within one month of receiving it. The Commission may decide not to take into account any observations conveyed after the deadline.
- 28.7 On the basis of the conclusions of the audit, the Commission shall take all appropriate measures it considers necessary, including the issuing of a recovery order regarding all or part of the payments made by it.
- 28.8 The Court of Auditors may verify the use made of the Community's financial contribution in the framework of this grant agreement, on the basis of its own procedures.
- 28.9 By virtue of Council Regulation (Euratom, EC) No 2185/96 and Regulation (EC) No 1073/1999 of the European Parliament and of the Council, the European Anti-Fraud Office (OLAF) may also carry out on-the-spot checks and inspections in accordance with the procedures laid down by Community law for the protection of the financial interests of the European Communities against fraud and other irregularities. Where appropriate, the inspection findings may lead to recovery decisions by the Commission.

## **Article 29 - Checks and inspections**

- 29.1 The beneficiary undertakes to allow Commission staff and persons authorised by the Commission appropriate access to the sites or premises where the project is being carried out and to all documents relating to the technical and financial management of the operation. Access by persons authorised by the Commission may be subject to confidentiality arrangements to be agreed between the Commission and the beneficiary.
- 29.2 Such checks may be initiated up to five years after the completion of the project or final payment as referred to in Article 23(4).
- 29.3 Such checks shall be carried out on a confidential basis.
- 29.4 Beneficiaries and partners shall provide appropriate assistance to the Commission or its authorised representatives.

## **Article 30 - Special conditions**

Any aid granted by the State or through State resources to the project covered by this decision/agreement/contract must comply with the rules laid down in Articles 87 and 88 of the EC Treaty.

## **CHAPTER B - SPECIFIC PROVISIONS FOR LIFE-NATURE**

### **Article 31 - Protection of habitats and species**

The beneficiary shall be under an obligation to inform the Commission of any activity by third parties which is likely to have a negative impact on the sites/species targeted in the project and, as far as possible, to persuade third parties to refrain from such activities.

### **Article 32 - Land/rights purchase**

- 32.1 Costs incurred for land/rights purchases, intrinsically connected with implementation of the project and explicitly envisaged, shall be considered eligible in full provided that purchase prices are based on market terms. Such eligibility shall be subject to the beneficiary and partners undertaking to continue to assign these assets definitively to nature conservation activities beyond the end of the project co-financed under LIFE-Nature.
- 32.2 For land purchased as provided for in the project, with financial support from the Commission, the beneficiary must ensure that the sales contract and/or entry in the land register includes a guarantee that the land will be assigned definitively to nature conservation. For countries where it would be illegal to include such a guarantee in the land register or sales contract, the Commission may accept an equivalent guarantee provided it offers the same legal level of protection in the long term.
- 32.3 For land purchased by private organisations, the sale contract and or its recording on the land register must include a guarantee that the land property will be transferred to a legal body, primarily active in the field of nature protections, in case of dissolution of the private organisation or its incapacity to manage the land according to nature conservation requirements. For countries where it would be illegal to include such a guarantee in the land register or sales contract, the Commission may accept an equivalent guarantee provided it offers the same legal level of protection in the long term.
- 32.4 Land purchased to be exchanged at a later date, but before the end of the project shall be exempt from the assignment guarantee at the stage of the mid-term (former interim) reporting. The exchange must be carried out before the end of the project at the latest and the provisions of article 32.2 shall apply to the lands received through the exchange.

## **CHAPTER C - SPECIFIC PROVISIONS FOR LIFE-ENVIRONMENT**

### **Article 33 - Income-generating projects**

- 33.1 The Regulation allows projects “expected to generate significant income” to receive a Community contribution of a maximum of 30% of the eligible cost incurred. Income can be actual revenue, but also includes any reduction of operational costs. Furthermore, the criterion must be understood on a longer time-scale than the limited time-frame of the project. Projects which could lead to future revenue or cost reduction shall be eligible for LIFE funding at the 30% rate. Moreover, the potential for income generation refers to the project and not only to the beneficiary; if other interested parties, partners or others can expect revenue or cost reductions from the project the 30% rate shall apply.
- 33.2 In the case of the 30% maximum contribution provided for above, the beneficiary is obliged to contribute at least as much as the Community support to the financing of the project.

### **Article 34 - Ineligible costs**

Land purchase or any other costs related to the purchase or investments of a non-innovative structural nature, including activities already confirmed on an industrial scale, shall be considered ineligible for financing.