VOLUME 2

# SECTION 6 RETENTION GUARANTEE[[1]](#footnote-1)

(To be completed on paper bearing the letterhead of the financial institution)

For the attention of

<name and address of the contracting authority>

referred to below as the “contracting authority”

Subject: Guarantee no. <…>

Retention guarantee for contract <contract number and title> (please quote number and title in all correspondence)

We, the undersigned, <name, and address of financial institution>, hereby irrevocably declare that we guarantee, as primary obligor, and not merely as a surety on behalf of <contractor’s name and address>, hereinafter referred to as ‘the contractor’, payment to the contracting authority of <amount of the retention guarantee>, representing the retention guarantee mentioned in Article 47 of the special conditions of the contract (contract number and title) concluded between the contractor and the contracting authority, hereinafter referred to as ‘the contract’.

Payment will be made without objection or legal proceedings of any kind, upon receipt of your first written claim (sent by registered letter with confirmation of receipt) stating that the contractor has failed to fulfil its contractual obligations fully and properly. We will not delay the payment, nor will we oppose it for any reason whatsoever. We shall not under any circumstances benefit from the defences of the security. We will inform you in writing as soon as payment has been made.

We accept that no amendment to the terms of the contract can release us from our obligation under this guarantee. We waive the right to be informed of any change, addition or amendment to the contract.

We note that the guarantee will be released in accordance with Article 47.3 of the general conditions to the contract [and in any case at the latest on <at the expiry of 18 months after the implementation period of the contract> ].[[2]](#footnote-2)

[The whole paragraph should be deleted when the contracting authority is the European Union or the Beneficiary Country under indirect management in the framework of IPA:

Any request to pay under the terms of the guarantee must be countersigned by the head of delegation of the European Union in the country of the contracting authority or his designated empowered deputy as par the applicable Commission rules. In case of a temporary substitution of the contracting authority by the Commission, any request to pay will only be signed by the representative of the Commission, namely whether the head of delegation, his designated empowered deputy or the authorised person at headquarters' level.]

The law applicable to this guarantee will be that of [if the contracting authority is the European Union and the financial institution issuing the guarantee is established outside the EU: Belgium] [(i) if the contracting authority is the European Union and the financial institution issuing the guarantee is established inside the EU; OR (ii) if the contracting authority is an authority in the partner country: <the country in which the financial institution issuing the guarantee is established>]. Any dispute arising out of or in connection with this guarantee will be referred to the courts of [if the contracting authority is the European Union and the financial institution issuing the guarantee is established outside the EU: Belgium] [(i) if the contracting authority is the European Union and the financial institution issuing the guarantee is established inside the EU; OR (ii) if the contracting authority is an authority in the partner country: <the country in which the financial institution issuing the guarantee is established>].

The guarantee will enter into force and take effect upon its signature.

Done at [*insert place*], on [*insert date*]

|  |  |
| --- | --- |
| [*Signature*]  [*Function at the financial institution/bank*] | [*Signature*]  [*Function at the financial institution/bank*] |

*Stamp of the body providing the guarantee*

1. Guidance on the verification of financial guarantees can be found in chapter 9.1 of the DEVCO Companion. In indirect management, the contracting authority should seek guidance from the European Commission before accepting a financial guarantee. [↑](#footnote-ref-1)
2. This mention should be inserted only where required, for example where the law applicable to the guarantee imposes a precise expiry date or where the guarantor can justify that he is unable to provide such a guarantee without expiry date. [↑](#footnote-ref-2)