

## ANNEX II

### Conditions applicable to Grant Contracts financed by the Kolarctic CBC Programme 2014-2020

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## GENERAL AND ADMINISTRATIVE PROVISIONS

### ARTICLE 1 - GENERAL OBLIGATIONS

- 1.1. The Partners shall implement the Project under their own responsibility and in accordance with the Project Plan in Annex I with a view to achieving the objectives laid down therein.
- 1.2. The Partners shall implement the Project with the requisite care, efficiency, transparency and diligence, in line with best practice in the field concerned and in compliance with the Grant Contract.

For this purpose, the Partners shall mobilise all the financial, human and material resources required for full implementation of the Project as specified in the Project Plan.

- 1.3. The Partners shall implement the Project with the consortium identified in the Project Plan. The Partners may subcontract a limited portion of the Project. The bulk of the Project must, however, be undertaken by the Partners.

All Partners of the Project shall actively take part in the development and implementation of the Project, and the costs they incur are eligible in the same way as those incurred by the Lead Partner. The Partners shall cooperate in the financing and, where relevant, staffing of the Project. Each Partner shall be legally and financially responsible for any activities that it implements with regard to the Project and any funds it receives for the purposes of the Project. The specific obligations and responsibilities of the Partners shall be laid down in a separate partnership agreement between the Lead Partner and other Partners.

If the Partners conclude subcontracts in order to implement the Project as referred to in the first paragraph, the Partners shall respect the contract-award procedures and rules of nationality and origin set out in Annex V and Annex VI of the Grant Contract.

The Partners shall be accountable to the Managing Authority for the implementation of the Project. The Lead Partner shall ensure that the conditions applicable to it under Articles 1, 3, 4, 5, 6, 7, 8, 10, 14, 16 and 17 shall also apply to Partners, and those applicable under Articles 1, 3, 4, 5, 6, 7, 8, 10 and 16 to all Partners' subcontractors. The partners shall include provisions to that effect as appropriate in their contracts with their subcontractors.

- 1.4. The Lead Partner shall undertake to represent the partnership in matters concerning the Project vis-à-vis the Managing Authority. It shall ensure that partnership agreements are in place with all Partners throughout the implementation of the Project. The Lead Partner assumes responsibility for the overall implementation of the Project in its entirety and shall coordinate the implementation within the partnership.

The Lead Partner shall ensure that the expenditure reported by the Partners is directly related to the implementation of the Project and that they respect the provisions of the partnership agreement, the Grant Contract and the annexes thereto. The Lead Partner shall be responsible for ensuring that the Managing Authority is notified of Project progress through interim and final reports as specified in Article 2.

The Lead Partner shall be the recipient of payments made by the Managing Authority and shall distribute the grant to the Partners as agreed in the partnership agreement and the Project Plan. The Lead Partner shall ensure that these payments to the Partners are made without unjustified delay.

- 1.5. The Lead Partner and the Managing Authority are the only parties (the “Parties”) to the Grant Contract.

## **ARTICLE 2 - OBLIGATION TO PROVIDE INFORMATION AND FINANCIAL AND NARRATIVE REPORTS**

- 2.1. The Partners must provide the Managing Authority with all required information on the implementation of the Project. To that end, the Partners must draw up interim reports and a final report. These reports shall consist of a narrative section and a financial section and shall conform to the model provided by the Managing Authority. They shall cover the Project as a whole, regardless of which part of it is financed by the Managing Authority. Each report must provide a full account of all aspects of the Project's implementation for the period covered. The level of detail provided in interim and final reports must equal that of the Project Plan and allow matching with the Budget of the Project and monitoring of progress in relation to the indicators of achievement identified in the Project Plan.
- 2.2. The Managing Authority may request additional information at any time and that information must be supplied within 30 days of the request.
- 2.3. The reports shall be drafted in the English language. They shall be submitted to the Managing Authority at the following intervals:
  - the reporting cycle for interim reports shall be no longer than twelve months. The start date of the Project shall mark the commencement of the first reporting period. Subsequent reporting periods shall begin on the date following the end date of the previous reporting period. An interim report must also accompany every request for payment, excluding the first pre-financing payment where relevant. For the purposes of fulfilling this requirement, the reporting periods may be shorter than twelve months. Interim reports must be forwarded to the Managing Authority no later than three months after the expiration of the reporting period.
  - the final report shall be forwarded no later than four months after the end date of the Project as defined in Article 3 of the Grant Contract. The final report shall describe the implementation of the Project for the entirety of its duration.
- 2.4. Additional reporting requirements will be set out in the Project Implementation Manual.
- 2.5. If the Partners fail to supply the Managing Authority with any report by the set deadline or fail to provide any information requested by the Managing Authority and fail to furnish an acceptable and sufficient written explanation of the reasons why they are unable to comply with these obligations, the Managing Authority may terminate the Grant Contract and recover the amounts already paid and not substantiated.

## **ARTICLE 3 - LIABILITY**

- 3.1. The Managing Authority cannot under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Partners while the Project is being carried out or as a consequence of the Project. The Managing Authority cannot therefore accept any claim for compensation or increases in payment in connection with such damage or injury.

- 3.2. The Partners shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them while the Project is being carried out or as a consequence of the Project. The Partners shall discharge the Managing Authority of any liability arising from any claim or action brought as a result of an infringement by the Partners or the Partners' employees or individuals for whom those employees are responsible of rules or regulations, or as a result of violation of a third party's rights.

#### **ARTICLE 4 - CONFLICT OF INTEREST**

The Partners undertake to take all necessary precautions to avoid conflicts of interest and shall inform the Managing Authority without delay of any situation constituting or likely to lead to any such conflict. In case a conflict of interest is detected, a Partner must immediately replace any member of its staff in such a situation.

There is a conflict of interests where the impartial and objective exercise of the functions of any person under the Grant Contract is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.

#### **ARTICLE 5 - CONFIDENTIALITY**

The Managing Authority and the Partners undertake to preserve the confidentiality of any document, information or other material communicated to them in confidence.

#### **ARTICLE 6 - VISIBILITY**

- 6.1. The Partners must take all necessary steps to publicise the fact that financing has been received from the European Commission and the countries involved in the implementation of the Programme. All visibility measures must comply with and fulfil the criteria laid down in the communication and visibility instructions of the Programme.

The Managing Authority may reject costs relating to visibility measures partially or in full if they do not comply with the communication and visibility instructions of the Programme.

- 6.2. The Partners shall implement the communication and visibility activities according to the approved communication plan and report on the activities as instructed in the Project Implementation Manual.
- 6.3. The Partners authorise the Managing Authority, the European Commission and the relevant national authorities to publish information on the project, including for example the name, address, nationality of the partners, the purpose, duration and location as well as the maximum amount of the grant and rate of funding of the Project's eligible costs. A derogation from publication of this information may be granted if it could endanger the Partners or harm their commercial interests.
- 6.4. The Lead Partner shall guarantee that all natural persons participating in the project or project activities have in advance given their consent to collection, recording, storage and transfer of their personal data in databases of the Programme authorities and management bodies.
- 6.5. The Partners shall submit photos, videos and other relevant visibility material to the Managing Authority as instructed in the Project Implementation Manual. The Partners

grants the Managing Authority the right to use freely the submitted material in its communication and visibility activities.

#### **ARTICLE 7 - OWNERSHIP/USE OF RESULTS AND ASSETS**

- 7.1. Ownership of, and title and intellectual and industrial property rights to, the Project's results, reports and other documents relating to it shall be vested in the Partners.
- 7.2. Notwithstanding the provisions of Article 7.1 and subject to Article 5, the Partners grant the Managing Authority the right to use freely and as it sees fit all documents deriving from the Project, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.
- 7.3. The Republic of Finland, the Kingdom of Sweden, the Russian Federation and the European Commission shall have the right to use, publish or disclose to third parties all studies financed under this Contract.
- 7.4. If the Project includes an infrastructure component it may not be subject to a substantial change affecting its nature, objectives or implementing conditions which would result in undermining the original objectives of the Project within five years of project closure. In the event of such substantial changes the Managing Authority shall recover the Programme contribution from the Partners in proportion to the period for which the requirement cannot be fulfilled.

#### **ARTICLE 8 – EVALUATION/MONITORING OF THE PROJECT**

- 8.1. If the European Commission or the Managing Authority carries out an interim or ex post evaluation or a monitoring mission, the Partners shall undertake to provide it and/or the persons authorised by it with any document or information that will assist with the evaluation or monitoring mission, and grant them the access rights.
- 8.2. If the Partners or the Managing Authority (or the European Commission, where relevant) carries out or commissions an evaluation in the course of the Project, it must provide the other Party and the European Commission with a copy of the evaluation report.

#### **ARTICLE 9 - AMENDMENT OF THE GRANT CONTRACT**

- 9.1. Any amendment to the Grant Contract, including the annexes thereto, must be set out in writing in the form of an addendum. The Grant Contract may only be modified during its execution period.

Any request for amendment must be submitted to the Managing Authority by the Lead Partner. Any such requests must be submitted one month before the date on which the amendment should enter into force, unless there are special circumstances duly substantiated by the Partners and accepted by the Managing Authority.

- 9.2. However, where the amendment to the Budget or the Project Plan does not affect the basic purpose of the Project 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 Partners may agree to amend the budget and inform the Managing Authority accordingly, in writing and at the latest in the next report. This method may not be used to amend the heading for indirect costs.

Changes of address and changes of bank account may simply be notified, although this does not preclude the Managing Authority from opposing the Partners' choice of bank account.

- 9.3. An addendum may not have the purpose or the effect of making changes to the Grant Contract that would call into question the grant award decision or be contrary to the equal treatment of applicants. The maximum grant referred to in the Grant Contract may not be increased in any case.
- 9.4. The Managing Authority reserves the right to require that the auditor selected by any of the Partners be replaced if circumstances casting doubt on the auditor's integrity independence or professional standards are discovered.

## **ARTICLE 10 - ASSIGNMENT**

The Grant Contract and the payments attached to it may not be assigned to a third party in any manner whatsoever without the prior written consent of the Managing Authority.

## **ARTICLE 11 - IMPLEMENTATION PERIOD OF THE PROJECT, EXTENSION, SUSPENSION, FORCE MAJEURE AND END DATE**

- 11.1. The implementation period of the Project is laid down in the Grant Contract. The Lead Partner shall inform the Managing Authority without delay of any circumstances likely to hamper or delay the implementation of the Project. The Lead Partner may request an extension of the Project's implementation period no later than one month before it ends. The request shall be accompanied by all the supporting evidence needed for its appraisal.
- 11.2. The Lead Partner may suspend implementation of all or part of the Project if circumstances (chiefly force majeure) make it too difficult or dangerous to continue. The Lead Partner shall inform the Managing Authority of the suspension without delay and provide all the necessary details. Each Party may terminate the Grant Contract in accordance with Article 12.1. If the Grant Contract is not terminated, the Partners shall endeavour to minimise the length of the suspension and shall resume implementation once circumstances allow, and shall inform the Managing Authority accordingly.
- 11.3. The Managing Authority may request the Lead Partner to suspend implementation of all or part of the Project if circumstances (chiefly force majeure) make it too difficult or dangerous to continue. Each Party may terminate the Grant Contract in accordance with Article 12.1. If the Grant Contract is not terminated, the Lead Partner shall endeavour to minimise the length of the suspension and shall resume implementation once circumstances allow, after obtaining the prior written approval of the Managing Authority.

The Managing Authority may also suspend the Grant Contract or the participation of a Partner in the Project under the Grant Contract if the Managing Authority has evidence that, or if, for objective and well justified reasons, the Managing Authority deems necessary to verify whether:

- the grant award procedure or the implementation of the Project have been subject to substantial errors, irregularities or fraud;
- the Partners have breached any substantial obligations under the Grant Contract.

The Lead Partner shall provide all requested information, clarification or document within 30 days of receipt of the request sent by the Managing Authority. If, notwithstanding the information, clarification or document provided by the Lead Partner, the award procedure or the implementation of the Project prove to have been subject to substantial errors, irregularities, fraud, or breach of obligations, the Managing Authority may terminate the Grant Contract.

- 11.4. The implementation period of the Project shall be extended by a period equivalent to the length of suspension, without prejudice to any amendment to the Grant Contract that may be necessary to adapt the Project to the new implementing conditions. The Managing Authority shall notify the Lead Partner of any postponement of the end date.
- 11.5. Force majeure shall mean any unforeseeable exceptional situation or event beyond the Parties' control which prevents either of them from fulfilling any of their contractual obligations, is not attributable to error or negligence on their part (or the part of their subcontractors, agents or employees), and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A Party shall not be held in breach of its contractual obligations if it is prevented from fulfilling them by force majeure. The Party faced with force majeure shall inform the other Party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. Suspension of the Financing Agreement governing the Programme by one or several of its Parties is considered to be a case of force majeure when it implies suspending funding under the Grant Contract.
- 11.6. The payment obligations of the Managing Authority under the Grant Contract shall end 18 months after the implementation period laid down in the Grant Contract, unless the Grant Contract is terminated in accordance with the stipulations of this document.

## **ARTICLE 12 - TERMINATION OF THE GRANT CONTRACT**

- 12.1. If a Party believes that the Grant Contract can no longer be executed effectively or appropriately, it shall consult the other Party. Failing agreement on a solution, either Party may terminate the Grant Contract by serving two months' written notice, without being required to pay compensation.
- 12.2. The Managing Authority may terminate the Grant Contract or the participation of any Partner, without giving notice and without paying compensation of any kind:
  - a) where a Partner fails, without justification, to fulfil any of the obligations incumbent on it and, after the Lead Partner has been given notice that the Partners must comply with those obligations, still fails to do so or to furnish a satisfactory explanation within 30 days of sending of the letter;
  - b) where any of the Partners is bankrupt or being wound up, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject of proceedings concerning those matters or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
  - c) where the Managing Authority has evidence on any of the Partners or any related entities or persons, of grave professional misconduct; this also applies to agents of the Partners;

- d) where the Managing Authority has evidence on a Partner or any related entities or persons, of fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the European Union's or participating countries' interests; this also applies to agents of the Partners;
- e) where a Partner changes legal personality, unless an addendum recording that fact is drawn up or where the termination of the participation of a Partner substantially affects the implementation of the Grant Contract or calls into question the decision to award the grant;
- f) where a Partner does not comply with Articles 4, 10 and 16;
- g) where a Partner or its representative makes false or incomplete statements to secure the grant provided for in the Grant Contract or provides reports that do not reflect reality or fails to supply information required by the Managing Authority or reports within the set deadlines;
- h) where a Partner has not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which it is established;
- i) where the Managing Authority has evidence on a Partner or any related entities or persons, of substantial errors, irregularities or fraud in the award procedure or the performance of the grant; this also applies to agents of the Partners;

In cases referred to in points (c), (d), (g) and (i) above, any related person shall mean any physical person with powers of representation, decision-making or control in relation to a Partner. Any related entity shall mean in particular any entity which meets the criteria laid down by Article 1 of the Seventh Council Directive n° 83/349/EEC of 13 June 1983.

- 12.3. A Partner who has made false declarations, has made substantial errors or committed irregularities and fraud, or has been found in serious breach of any of the obligations included herein may be excluded from all contracts financed by the Managing Authority.
- 12.4. In the event of termination, the Partners shall be entitled to payment of the grant only for the part of the Project carried out, excluding costs connected with current commitments that would be implemented after termination. For this purpose the Lead Partner shall introduce a payment request and a final report.
- 12.5. However, in the event of termination of the Grant Contract by the Lead Partner under the cases specified in points d), e) and g) of Article 12.2, the Managing Authority may request full or partial repayment of sums already paid from the grant, in proportion to the gravity of the failings in question and after allowing the Lead Partner to submit its observations.
- 12.6. Prior to, or instead of, terminating the Grant Contract as provided for in this Article, the Managing Authority may suspend payments as a precautionary measure without prior notice.
- 12.7. The Grant Contract shall be terminated automatically if it has not given rise to any payment by the Managing Authority within one year of its signature.
- 12.8. In duly justified cases, the participation of a Partner may be also terminated by the Lead Partner. To this purpose, the Lead Partner shall communicate to the Managing Authority the reasons for the termination of its participation and the date on which the termination shall take effect, as well as a proposal on the reallocation of the tasks of the Partner



whose participation is terminated, or on its possible replacement. The proposal shall be sent in good time before the termination is due to take effect. If the Managing Authority agrees, the Grant Contract shall be amended accordingly.

- 12.9. In case the Grant Contract is terminated, the Lead Partner shall take all necessary steps to closing the Project immediately and to reducing further expenditure to a minimum. The Partners are entitled to reimbursement of costs incurred until the date of termination. Any costs resulting from commitments that are to take place after termination shall be ineligible.

In the event of termination the Partners shall draw up a final report and a payment request within the deadline laid down in Article 2.3.

### **ARTICLE 13 - APPLICABLE LAW AND DISPUTE SETTLEMENT**

- 13.1. The Grant Contract shall be governed by the law of the Republic of Finland.
- 13.2. The Parties shall do everything possible to settle amicably any dispute arising between them during implementation of the Grant Contract. To that end, they shall communicate their positions and any solution that they consider possible in writing, and meet each other at either's request. A Party must reply to a request for an amicable settlement within 30 days. Once this period has expired, or if the attempt to reach amicable settlement has not produced agreement within 120 days of the first request, each Party may notify the other that it considers the procedure to have failed.
- 13.3. In the event of failure to reach an amicable agreement, the dispute may by common agreement of the Parties be submitted to the conciliation of the European Commission. If no settlement is reached within 120 days of the opening of the conciliation procedure, each Party may notify the other that it considers the procedure to have failed.
- 13.4. In the event of failure of the above procedures, each Party may submit the dispute to the courts of the Republic of Finland.

## **FINANCIAL PROVISIONS**

### **ARTICLE 14 - ELIGIBLE COSTS**

14.1. Eligible costs are costs actually incurred by the Partners of the Project which meet all the following criteria:

- a) they are incurred during the implementation of the Project as specified in the Grant Contract with the exception of costs relating to final reports, expenditure verification and evaluation of the Project, whatever the time of actual disbursement by the Partners. Costs relating to supplies and equipment shall relate to delivery and installation of items during the implementation period. Procedures to award sub-contracts for goods/services/works may have been initiated but the contracts may not be concluded by the Partners before the start of the implementation period of the Project, provided that the Partners have followed the requirements governing the award of sub-contracts. In duly justified cases the contracts can be concluded beforehand with beneficiaries own risk, if it benefits the implementation of the project.
- b) they are indicated in the estimated overall budget of the Project,
- c) they are necessary for the implementation of the Project,
- d) they are identifiable and verifiable, in particular being recorded in the accounting records of the Partners and determined according to the applicable accounting standards of the country where the Partner is established and according to the usual cost accounting practices of the Partner,
- e) they are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency,
- f) they are in compliance with the requirements of applicable tax and social legislation of the country where the Partner is established,
- g) they are supported by invoices or documents of equivalent probative value.

14.2. Subject to the above and where relevant to the provisions of any tendering requirements being respected, the following direct costs of the Partners shall be eligible:

- the cost of staff assigned to the Project, incurred through activities that would not have been carried out if the Project had not been undertaken, 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 Partner, as the case may be, unless it is justified by showing that it is essential to carry out the Project;
- travel and subsistence costs for staff and other persons taking part in the Project, provided they do not exceed those normally borne by the Partner, as the case may be. Any reimbursement of the subsistence costs must not exceed the rates set out in the Project Implementation Manual;
- purchase or rental costs for equipment and supplies (new or used) specifically for the purposes of the Project, and costs of services, provided they correspond to market rates;
- costs of consumables purchased specifically for the purposes of the Project;

- costs entailed by contracts awarded by the Partners for the purposes of the Project;
  - costs deriving directly from the requirements of the Grant Contract (dissemination of information, evaluation specific to the Project, audits, translation, reproduction, insurance, etc.) including financial service costs (in particular the cost of transfers and financial guarantees);
- 14.3. Value Added Tax paid by the Programme participants in the framework of procurement and grant contracts financed by the Programme where it is not recoverable under the applicable national law. The partners shall demonstrate that they are unable to recover such tax.
- 14.4. A fixed percentage not exceeding 7% of the total amount of direct eligible costs of the Project, excluding costs related to the provision of infrastructure, may be claimed as indirect costs to cover the administrative overheads incurred by the Partners for the Project. The fixed percentage must be fair and equitable, and must be based on a verifiable calculation method. 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 cannot be identified as belonging to any category of eligible direct costs. The flat-rate funding may not include any ineligible costs as indicated in Article 14.5. or costs that have been indicated under other headings in the budget of the Project.

- 14.5. The following costs shall not be considered eligible:
- debts and debt service charges (interest);
  - provisions for losses or liabilities;
  - items already financed in another framework;
  - purchases of land or buildings for an amount exceeding 10 % of the total eligible expenditure of the Project;
  - exchange-rate losses;
  - duties, charges and taxes, except VAT, where non-recoverable under the relevant national tax legislation;
  - loans to third parties;
  - fines, financial penalties and expenses of litigation;
  - contributions in kind.

## **ARTICLE 15 - PAYMENT AND INTEREST ON LATE PAYMENT**

- 15.1. Payment procedures are set out in Article 4 of the Grant Contract and correspond to one of the three options below:

### Option 1

The Managing Authority will pay the grant to the Lead Partner in the following manner:

- The first pre-financing payment shall be 30% of the grant referred to in Article 4.2 of the Grant Contract.
- Interim payments shall be made on the basis of expenditure incurred and reported by the Partners within 45 days of the Managing Authority approving an interim report. The amount of the interim payments shall conform to the percentage of the grant laid down in

Article 5.2 of the Grant Contract. The total amount of the first pre-financing payment and interim payments shall not exceed 80 % of the grant.

Any expenditure incurred must be verified according to the provisions of this document. A request for payment must be accompanied by an expenditure verification report.

- The balance, amounting to at least 20 % of the grant, within 45 days of the Managing Authority approving the final report. The final report shall be accompanied by a request for payment of the balance and the expenditure verification report.

### Option 2

The Managing Authority shall pay the grant to the Lead Partner in the following manner:

- An initial pre-financing instalment of 80% of that part of the estimated budget share for the first 12 months that is financed by the Managing Authority, as specified in the overall budget of the Project.
- Further pre-financing instalments of the amount specified in Article 4 of the Grant Contract, within 45 days of the Managing Authority approving an interim report.
- Any expenditure incurred must be verified according to the provisions of this document. A request for payment must be accompanied by an expenditure verification report.
- The balance within 45 days of the Managing Authority approving the final report, accompanied by a request for payment of the balance and an expenditure verification report.

Further pre-financing may only be given if the part of the expenditure actually incurred which is financed by the Managing Authority (by applying the percentage set out in Article 4.2 of the Grant Contract) stands at 70% at least of the previous payment (and at 100% of any previous payments) as supported by the corresponding interim report and, where applicable, by an expenditure verification report. Where the consumption of the previous pre-financing is less than 70%, the amount of the new pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment.

The total sum of pre-financing under the Contract may not exceed 80% of the amount referred to in Article 4.2 of the Grant Contract.

### Option 3

The Partners shall receive no pre-financing payments. Payments shall be made to the Lead Partner by the Managing Authority against expenditure incurred and reported in an interim report or final report. Payments shall be transferred within 45 days of the Managing Authority approving any report.

Any expenditure incurred must be verified according to the provisions of this document. A request for payment must be accompanied by an expenditure verification report.

- 15.2. Any report shall be considered approved if there is no written reply from the Managing Authority within 45 days of its receipt accompanied by the required documents. Approval of the reports shall not imply recognition of their regularity nor of the authenticity, completeness and correctness of the declarations and information they contain.

The Managing Authority may suspend the time-limit for approval of a report by notifying the Lead Partner that the report cannot be approved and that it finds it

necessary to carry out additional checks. Suspension shall take effect when the notification is sent by the Managing Authority. In such cases, the Managing Authority may request clarification, alteration or additional information, which must be produced within 30 days of the request. The time-limit starts running again on the date the required information is received.

- 15.3. The time-limit of 45 days for payment referred to in Article 15.1 above shall expire on the date on which the Managing Authority's account is debited. Without prejudice to Article 12.6, the Managing Authority may suspend this time-limit by notifying the Lead Partner that the request for payment is inadmissible, either because the amount in question is not due or because proper supporting documents have not been supplied or it thinks it necessary to conduct further checks, including on-the-spot checks, to make sure that the expenditure is eligible. Suspension shall take effect when the notification is sent by the Managing authority. The time-limit for payment shall start running again on the date on which a correctly formulated request for payment is recorded or the check specified by the Managing Authority has been performed.
- 15.4. Where the award procedure or performance of the Grant Contract is vitiated by substantial errors or irregularities or by fraud attributable to the Partners, the Managing Authority may refuse to make payments or may recover amounts already paid, in proportion to the seriousness of the errors, irregularities or fraud. The Managing Authority may also suspend payments in cases where there are suspected or established errors, irregularities or fraud committed by the Partners in the performance of another contract funded by the general budget of the European Union or by budgets managed by it which are likely to affect the performance of the Grant Contract. Suspension shall take effect when the notification is sent by the Managing Authority.
- 15.5. A report on the verification of the Project's expenditure, produced by an approved auditor who meets the specific conditions of the Terms of Reference for the expenditure verification, shall be attached to:
  - any request for pre-financing payments as specified in the Project Implementation Manual;
  - any final report;

The auditors examine whether the costs declared by the Partners are real, accurately recorded and eligible in accordance with the Grant Contract, as well as the revenue of the Project and issues an expenditure verification report conforming to the model provided by the Managing Authority.

The Partners must grant the auditors all access rights mentioned in Article 16.2.

The expenditure verification report accompanying a request for payment of the balance covers all expenditure not covered by any previous expenditure verification report.

Based on the expenditure verification report the Managing Authority determines the total amount of eligible expenditure, which may be deducted from the total sum of pre-financing under the Grant Contract (clearance).

Where a Partner is a government department or a public body, the Managing Authority may exempt it from the expenditure verification requirement.

- 15.6. If the grant exceeds EUR 60 000 the Managing Authority may request a financial guarantee for the amount of the initial pre-financing payment.

The guarantee shall be denominated in euro, conforming to the model provided by the Managing Authority. The guarantee shall be provided by an approved bank or financial institution established in one of the Member States of the European Union. Where the Lead Partner is established in Russian Federation, the Managing Authority may agree that a bank or financial institution established in that country may provide the guarantee if the Managing Authority considers that the bank or financial institution offers equivalent security and characteristics as those offered by a bank or financial institution established in a Member State of the European Union. This guarantee shall remain in force until its release by the Managing Authority when the payment of the balance is made.

This provision shall not apply if the Lead Partner is a non-profit organisation, a government department or public body, unless otherwise stipulated in the Grant Contract.

- 15.7. The Managing Authority shall make payments in euro, in accordance with the Grant Contract. Any conversion into euro of the real costs borne in other currencies shall be done at the rate indicated for the month during which the expenditure was incurred as published in InforEuro.

In the event of an exceptional exchange-rate fluctuation, the Parties shall consult each other with a view to restructuring the Project in order to lessen the impact of such a fluctuation. Where necessary, the Managing Authority may take additional measures.

- 15.8. Any interest or equivalent benefits accruing from pre-financing paid by the Managing Authority to the Partners shall be mentioned in the interim report of the last reporting period. Any interest accruing from pre-financing paid by the Managing Authority shall be assigned to the Project and deducted from the payment of the balance of the amounts due to the Partners, unless the Managing Authority requests the Partners to reimburse the interest generated by pre-financing payments before the payment of the balance.

Interest shall not be due to the Managing Authority for pre-financing paid to government departments or public bodies.

- 15.9. The interests are not taken into account when calculating the total sum of pre-financing under the Grant Contract and are not considered as revenue of the Project for the purposes of final amount as referred to in article 17.

- 15.10. All references to days in this article 15 are to calendar days.

## **ARTICLE 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS**

- 16.1. The Partners shall keep accurate and regular accounts of the implementation of the Project using an appropriate accounting and double-entry bookkeeping system. These systems may either be an integrated part of a Partner's regular system or an adjunct to that system. This system shall be run in accordance with the accounting and bookkeeping policies and rules that apply in the country concerned. Accounts, expenditure and income relating to the Project must be easily identifiable and verifiable. This can be done by using separate accounts for the Project concerned or by ensuring that expenditure for the Project concerned can be easily identified and traced to and within the Partner's accounting and bookkeeping systems. Accounts must provide details of interest accruing on funds paid by the Managing Authority.

The Partners shall ensure that the Financial Reports (both interim and final) can be properly and easily reconciled to the Partners' accounting and bookkeeping system and

to the underlying accounting and other relevant records. For this purpose, the Partners shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.

- 16.2. The Partners shall allow verifications to be carried out by the Managing Authority, the European Commission, the European Anti-Fraud Office, the European Court of Auditors, the Audit Authority/Group of Auditors, representatives of national authorities involved in the implementation and financing of the Programme and any representatives or external auditor authorised by the Managing Authority. The Partners have to take all steps to facilitate the verifications.

The Partners shall allow the above entities to:

- a) Access the sites and locations at which the Project is implemented;
- b) Examine its accounting and information systems, documents and databases concerning the technical and financial management of the Project;
- c) Take copies of documents;
- d) Carry out on-the-spot-checks;
- e) Conduct a full audit on the basis of all accounting documents and any other document relevant to the financing of the Project.

Where appropriate, the findings may lead to recovery of funds already paid by the Managing Authority.

Access given to agents of the Managing Authority, the European Commission, European Anti-Fraud Office and the European Court of Auditors, the Audit Authority/Group of Auditors, representatives of national authorities and to any external auditor authorised by the Managing Authority carrying out verifications shall be on the basis of confidentiality with respect to third parties, without prejudice to the obligations of public law to which they are subject.

- 16.3. In addition to the interim and final reports, the documents referred to in Article 16.2 include:

- Accounting records (computerised or manual) from the Partners' accounting system such as general ledger, sub ledgers and payroll accounts, fixed assets registers and other relevant accounting information;
- Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports;
- Proof of commitments such as contracts and order forms;
- Proof of delivery of services such as approved reports, time sheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates), etc;
- Proof of receipt of goods such as delivery slips from suppliers;
- Proof of completion of works, such as acceptance certificates;
- Proof of purchase such as invoices and receipts;
- Proof of payment such as bank statements, debit notices, proof of settlement by the contractor;
- Proof that VAT that has been paid cannot actually be reclaimed;
- For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs;
- Staff and payroll records such as contracts, salary statements, time sheets. For local staff, details of remuneration paid, duly substantiated by the person in

charge locally, broken down into gross salary, social security charges, insurance and net salary.

- 16.4. The Partners shall keep all records, accounting and supporting documents related to this Contract for five years following the payment of the balance for the Programme. They shall be easily accessible and filed to facilitate their examination. The Managing Authority shall notify the Partners when the balance for the Programme has been paid.

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

- 16.5. Failure to comply with the obligations set forth in this Article constitutes a case of breach of a substantial obligation under the Grant Contract. In this case, the Managing Authority may suspend the Grant Contract, payments and/or terminate the Grant Contract.

#### **ARTICLE 17 - FINAL AMOUNT OF FINANCING BY THE MANAGING AUTHORITY**

- 17.1. The total amount to be paid by the Managing Authority to the Partners may not exceed the maximum grant laid down in the Grant Contract neither in terms of absolute amount nor in percentage.

- 17.2. If the total costs of the Project at the end of the Project are less than the estimated total cost as laid down in the Grant Contract, the Managing Authority's contribution shall be limited to the amount obtained by applying the percentage laid down in the Grant Contract to the total costs of the Project approved by the Managing Authority.

- 17.3. The grant may not produce a profit for the Partners. Profit is defined as a surplus of the receipts over the eligible costs approved by the Managing Authority. The receipts to be taken into account fall within one of the two following categories:

- Income generated by the Project;
- Unused funds from financial contributions specifically assigned by other donors to the Project when the request for the payment of the final balance is made. Any such co-financing from other donors will not be considered profit until the Partners submit a request for the final payment.

- 17.4. In addition and without prejudice to the right to terminate the Grant Contract, the Managing Authority may, by a duly reasoned decision, if the Project is not implemented or is implemented poorly, partially or late, reduce the grant initially provided for in line with the actual implementation of the Project on the terms laid down in the Grant Contract.

- 17.5. Where the final amount of the grant determined in accordance with the Grant Contract would result in a profit, the Programme contribution to the Project shall be reduced by an amount equalling the profit.

#### **ARTICLE 18 - RECOVERY**

- 18.1. The Lead Partner undertakes to repay any amounts paid in excess of the final amount due to the Managing Authority within 45 days of the issuing of the debit note, the latter being the letter by which the Managing Authority requests the amount owed by the Partners. The Partners concerned shall repay the Lead Partner any amounts recovered with respect to the provisions of the partnership agreement obtaining between the



Partners. If the Partners concerned fail to compensate the Lead Partner in accordance with the partnership agreement, the Managing Authority shall inform any Partners which are unable to comply with the provisions of the partnership agreement of their obligation to repay the Lead Partner.

If the Managing Authority is unable to recover the amounts unduly paid from a Lead Partner the European Commission may recover any such amounts directly from the Russian Lead Partner or a Russian Partner provided these are not Public Entities.

If the Managing Authority is unable to recover the amounts unduly paid from a Lead Partner, the Russian National Authority defined in the Financing Agreement governing the Programme may recover any such amounts directly from the Russian Lead Partner or a Russian Partner which are Public entities.

- 18.2. Should the Lead Partner fail to make repayment within the deadline set by the Managing Authority, the Managing Authority may increase the amounts due by adding interest at the rediscount rate applied by the Bank of Finland on the first day of the month in which the time-limit expired, plus three and a half percentage points. The default interest shall be incurred over the time which elapses between the date of the payment deadline set by the Managing Authority, and the date on which payment is actually made. Any partial payments shall first cover the interest thus established.
- 18.3. Amounts to be repaid to the Managing Authority may be offset against amounts of any kind due to a Partner, after informing it accordingly. This shall not affect the Parties' right to agree on payment in instalments.
- 18.4. Bank charges incurred by the repayment of amounts due to the Managing Authority shall be borne entirely by the Lead Partner.
- 18.5. If the Grant Contract is terminated for any reason whatsoever, the guarantee for securing the pre-financing may be invoked forthwith in order to repay the balance of the pre-financing still owed by the Lead Partner, and the guarantor shall not delay payment or raise objection for any reason whatever.

## **ARTICLE 19 - PROGRAMME MANUALS**

- 19.1 The Managing Authority may publish manuals, such as a Project Implementation Manual and/or a communication and visibility instructions, to facilitate the practical implementation of projects funded by the Programme. All manuals shall be made publicly available on the website of the Programme.
- 19.2 Any manuals published by the Programme are intended as instructive guidance for the Partners. They contain practical information about the practices, methods and procedures concerning the implementation, administration and management of the Project.
- 19.3 The Partners shall observe the practices set out in the manuals with regard to administration and implementation of the Project. In duly justified cases the Partners may follow different practices than those laid down in the manuals. Any such alternative practices must be agreed with the Managing Authority in advance. Any costs incurred through practices not identified in the manuals or not otherwise accepted by the Managing Authority in writing may be considered ineligible.
- 19.4 In case the Managing Authority makes any changes to the manuals, including additions, deductions or modifications, the Managing Authority shall inform the Lead Partner in writing. The changes shall enter into force 30 days after the Managing Authority has

informed the Lead Partner of the changes to the manuals. Any such changes shall not be observed retroactively.

The Lead Partner shall be responsible for informing the Partners of any changes to the manuals.

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