

ANNEX II

Conditions applicable to Micro Project Grant Contracts financed by the Karelia CBC Programme

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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.

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.

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.

- 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 be responsible for ensuring that the Managing Authority is notified of Project progress through project update and final report 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. 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 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 a project update and a final report. These reports 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 final reports must equal that of the Project Plan and allow monitoring of progress in relation to the indicators identified in the Grant Contract and 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.
- 2.4. 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.
- 2.5. Additional reporting requirements are set out in the Programme Manual.
- 2.6. 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 interest 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 partially or in full if the Communication and Visibility instructions of the Programme haven't been followed.

- 6.2. 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. Derogation from publication of this information may be granted if it could endanger the Partners or harm their commercial interests.
- 6.3. 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. Upon justified request, such data shall be transferred to the European Commission, the European Anti-Fraud Office (OLAF) and European Court of Auditors.
- 6.4. The Partners shall submit photos, videos and other relevant visibility material to the Managing Authority as instructed in the Programme Manual. The Partners grant 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 Russian Federation and the European Commission shall have the right to use, publish or disclose to third parties all studies financed under this Contract.

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 which 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.

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.

- 9.2. 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.

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 two 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 and 10 ;
- 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.

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 18 months 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

- 13.1. The Grant Contract shall be governed by the law of the Republic of Finland.

FINANCIAL PROVISIONS

ARTICLE 14 - ELIGIBLE COSTS

- 14.1. Eligible costs include those staff and travel costs that are needed to produce the planned outputs. Calculation basis for the costs under each output is presented in the Grant Contract. Partners are entitled to receive the amounts as payments from the Programme in relation to the realisation of each output.
- 14.2. Managing Authority has the right to challenge the quality of the produced output and based on the quality review the eligible costs may be cut partly or in full.

ARTICLE 15 - PAYMENT

- 15.1. The Managing Authority pays the grant to the Lead Partner in the following manner:

The first pre-financing payment shall be a maximum 80% of the grant referred to in Article 4.2 of the Grant Contract.

The balance, minimum of 20 % of the total grant, as a main rule shall be paid within 45 days of the Managing Authority approving the final report, accompanied by a request for payment of the balance.
- 15.2. Any report shall be considered approved when the Managing Authority has approved it in the Programme's Management System. As a main rule reports are processed 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 request clarification, alteration or additional information, which must be produced within 30 days of the request. The time used for providing additional information is not included in the target schedule of 45 days.
- 15.3. Based on the final report and the produced outputs, the Managing Authority determines the total amount of eligible expenditure. Partners receive the balance payment from the Programme in relation to the realisation of each output.

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.

- 15.4. The Managing Authority shall make payments in euro, in accordance with the Grant Contract.

- 15.5. All references to days in this article 15 are to calendar days.
- 15.6. The Managing Authority shall make the payments to the Lead Partner within the limits of Programme funds available.

ARTICLE 16 - TECHNICAL CHECKS

- 16.1. 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 by the Managing Authority or one of the above-mentioned institutions and bodies. 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 information systems, documents and databases concerning the technical management of the Project;
- c) Take copies of documents;
- d) Carry out on-the-spot-checks;

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 or one of the above-mentioned institutions and bodies 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.

The verifications may be carried out during and after project implementation until end of the record-keeping period referred to in paragraph 16.3.

- 16.2. In addition to the project update and the final report, the documents referred to in Article 16.1 include staff contracts and salary statements in order to verify the correctness of the information concerning the salaries. The partners shall also provide necessary documentation to proof the calculation basis for travel costs.
- 16.3. The Partners shall keep all reports, supporting documents and any other document relating to the financing of the project under this Contract for five years following the payment of the balance for the Programme. They shall be easily accessible and filed so as 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. Lead partner and partners shall inform the Managing Authority where the project material is archived.

Notwithstanding this requirement, records pertaining to appeals, litigation or pursuit of claims arising from the project performance shall be retained until such appeals, litigation or claims have been completed.

- 16.4. 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. 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.

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.

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

- 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.

ARTICLE 19 - PROGRAMME MANUALS

- 19.1 The Managing Authority may publish manuals, such as a Programme Manual, 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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