

**GRANT CONTRACT No \_­­­­­\_\_\_\_\_\_­­\_\_\_\_\_**

*<Project No and Title >*

(the ‘Contract’)

The Ministry of the Interior of the Republic of Lithuania,

acting as the Managing Authority of the European Neighbourhood Instrument Cross-Border Cooperation Programme Latvia-Lithuania-Belarus 2014-2020, approved by the European Commission decision No C(2015)9136 of 17 December 2015 (hereinafter – Contracting Authority)

of the one part,

and

<Full official name of the Lead Beneficiary, as mentioned in the Grant Application Form> (hereinafter – Lead Beneficiary)

of the other part,

(hereinafter – Parties)

on a basis of the following legal framework:

* EU-Belarus Financing Agreement for the ENI CBC Programme Latvia-Lithuania-Belarus 2014-2020 (Ref. Ares (2016)6581326-23/11/2016) of 28 December 2016;
* The Commission Implementing Decision C(2015)9136 final of 17 December 2015 on the Joint Operational Programme Latvia-Lithuania-Belarus 2014-2020 for the ENI Cross-Border Cooperation programme for the years 2014-2020 to be financed from the general budget of the European Union;
* The Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external project;
* Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument;
* Commission Implementing Regulation (EU) No 897/2014 of 18 August 2014 laying down specific provisions for the implementation of cross-border cooperation programmes financed under Regulation (EU) No 232/2014 of the European Parliament and the Council establishing a European Neighbourhood Instrument;
* The Programming document for European Union support to ENI cross-border cooperation for the period 2014-2020, that provides the strategic framework for the EU support for cross-border cooperation on the external borders of the EU, under the ENI, for the period 2014-2020;
* Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002;
* Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union;
* Guidelines for Applicants and Beneficiaries for the respective Call for Proposals (hereinafter – Guidelines);
* Applicable national legal acts and the EU Regulations and Directives, including horizontal themes, in particular on sustainable development, environment, competition and state aid, public procurement, gender equality,

have agreed as follows:

**ARTICLE 1 - PURPOSE OF THE GRANT CONTRACT**

1.1 The purpose of this Contract is the award of a EU funding (grant) (hereinafter – the EU funding) by the Contracting Authority for the implementation of the project <*Project No>* entitled: < *Title of the Project>* (hereinafter – the Project) described in Annex I to this Contract. The EU funding is financed from the European Neighbourhood Instrument Cross-Border Cooperation Programme Latvia-Lithuania-Belarus 2014-2020 approved by the European Commission decision No C(2015)9136 of 17 December 2015.

1.2 The Contract is signed in accordance with the decision of the Programme’s Joint Monitoring Committee of the <date/month/year> to award the EU funding to the Project.

1.3 The Lead Beneficiary accepts the EU funding and undertakes to carry out the Project under its own responsibility and in accordance with the Project Description, including its budget, in the Annex I to the Contract with a view to achieve the objectives laid down therein.

1.4 The Lead Beneficiary acts in cooperation with partner organisation(s) – (hereinafter – the Beneficiary(ies)), listed in the Project. The term ‘Beneficiaries’ refers to all the Beneficiaries, including the Lead Beneficiary and the Beneficiaries of the Project.

1.5 The Lead Beneficiary shall be awarded the EU funding on the terms and conditions set out in this Contract, which consists of these conditions and annexes, which the Lead Beneficiary hereby declares it has noted and accepted.

1.6 The Lead Beneficiary shall ensure that the Project is implemented and managed in accordance with this Contract and the provisions of the Programme documents as listed above in the legal framework of the Programme.

1.7 Obligations of the Lead Beneficiary set in the Contract shall be valid and binding for all Beneficiaries of the Project. The Lead Beneficiary shall ensure that the Beneficiaries are informed of and shall follow their obligations set in this Contract.

**ARTICLE 2 – IMPLEMENTATION PERIOD**

2.1 Implementation of the Project shall begin on <xxx date / the day following that on which the last of the two Parties signs>.

2.2 The Project’s implementation period, as laid down in the Annex I to the Contract, is <number of months> months.

2.3 The end date of the Project is set according to the implementation period which is indicated in Point 2.2 of the Article 2 of the Contract.

2.4 The costs for the Project can be incurred and paid only within the Project implementation period as indicated in Points 2.1, 2.2 and 2.3 of the Article 2 of this Contract.

2.5 The execution period of this Contract will end at the moment when the balance is paid to the Lead Beneficiary by the Contracting Authority.

**ARTICLE 3 – FINANCING THE PROJECT**

3.1 The total Project budget is estimated at maximum …....... EUR (amount in words), as set out in the Annex I to the Contract.

3.2 The Contracting Authority undertakes to finance a maximum of …...... EUR (amount in words), equivalent to 90 % of the estimated total Project budget/ < equivalent to xx % of the estimated total Project budget for Large Infrastructure Projects (hereinafter – the LIP)>.. The EU funding may not exceed the maximum ceiling to the Contract in terms of the percentage stated therein.

3.3 The amount of 10%/ <xx % in case of LIPs> of the total Project budget must be the Beneficiary(ies) own co-financing to the Project and must be financed from their resources or from sources other than the EU budget.

3.4 Maximum …….. % of the final amount of eligible costs of the Budget Heading 1 of the Project budget may be claimed by the Project as indirect costs.

3.5 If the European Commission (hereinafter – EC) fails to make the EU funds available to the Programme for any reason, the Contracting Authority is entitled to withhold payments for as long as is needed or, as an ultimate measure, to terminate this Contract.

3.6 If the eligible expenditure at the end of the Project is less than the estimated eligible expenditure as referred to in Point 3.1. of Article 3 to the Contract, the EU funding shall be limited to the amount obtained by applying the percentage laid down in Point 3.2. of the Article 3 to the Contract to the eligible expenditure of the Project approved by the Contracting Authority.

**ARTICLE 4 – OBLIGATIONS AND TASKS OF THE LEAD BENEFICIARY**

4.1 The Lead Beneficiary becomes solely responsible and financially liable towards the Contracting Authority for efficient implementation of the Project in compliance with the provisions of the Contract.

4.2 The Lead Beneficiary shall:

1. carry out the Project vis-à-vis the Contracting Authority taking all the necessary measures to ensure that the Project is carried out and the costs are incurred and paid in accordance with the Project Description in the Annex I to the Contract and the terms and conditions of this Contract and the Guidelines with Annexes;
2. be responsible for complying with any obligation incumbent on it and Beneficiaries from this Contract;
3. ensure the observance of the eligibility, public procurement, visibility and state aid rules as stated in this Contract, the Guidelines with Annexes, Joint Operational Programme as well as with the other applicable EU and national legislation for the purposes of Project implementation;
4. ensure that all the information to be provided and requests made for the Project to the Contracting Authority and public establishment Joint Technical Secretariat (hereinafter – JTS) are sent via the Lead Beneficiary;
5. be the intermediary for all communication between the Beneficiaries and the Contracting Authority;
6. be aware and make the Beneficiaries aware and agree that, for the purposes of protection of the financial interests of the EU, their data may be transferred to internal audit services, the European Court of Auditors, the Financial Irregularities Panel or the European Anti-Fraud Office;
7. guarantee that it has established with the Beneficiaries the division of the mutual responsibilities in the Partnership Agreement comprising provisions that, inter alia, guarantee the sound financial management of the EU funding allocated to the Project including the arrangements for recovery of funds unduly paid. The Lead Beneficiary furthermore guarantees that the Partnership Agreement complies with all requirements under the legal framework which applies to the Lead Beneficiary and Beneficiaries under the Contract;
8. ensure that Beneficiaries be legally and financialy responsible for the activities they implement and for the share of EU funding they receive; establish and maintain the Project management and accounting system that allows the Beneficiaries to implement the Project activities with the requisite care, reliability and efficiency in the use of the Project’s resources, transparency and diligence and establish adequate Project monitoring and evaluating system that ensures timely achievement of the Project outputs and results in a proper quality;
9. determine with the Beneficiaries the necessary procedures for decision-making and coordination appropriate for specifics of the Project, Project size and needs that allow Beneficiaries’ involvement in decision-making and submission of the regular information on the progress of the Project; establishing adequate Project monitoring and evaluating system that ensures cost efficient, timely and qualitative delivery of Project outputs and results;
10. be responsible for supplying all the documents and information in full and timely to the Contracting Authority and the JTS and other competent authorities responsible for the implementation and monitoring of the Programme or their authorised representatives which may be required under this Contract, in particular in relation to the progress and final reports, the requests for payment and also in ensuring the conditions to carry out the Project inspections. Where information from the Beneficiary(ies) is required, the Lead Beneficiary shall be responsible for obtaining, verifying and consolidating this information before passing it on to the Contracting Authority. Any information given, as well as any request made by the Project to the Contracting Authority, shall be deemed to have been given in agreement with all the Beneficiaries;
11. inform immediately the Contracting Authority in writing about any circumstances that may affect or delay the implementation of the Project, or improper Project implementation;
12. inform immediately the Contracting Authority of any change in the legal, financial, technical, organisational or ownership situation of any of the Beneficiaries, as well as, of any change in the name, address or legal representative of any of the Beneficiaries, changes in management staff and auditor(s);
13. be responsible in the event of audits, checks, monitoring or evaluations, as described in Articles 7, 8, 12 to the Contract for providing all the necessary documents, including the accounts of the Beneficiaries, copies of the supporting documents and contracts concluded;
14. be the sole recipient, on behalf of all of the Beneficiaries, of the payments of the Contracting Authority. The Lead Beneficiary shall ensure that the appropriate payments are then made to the Beneficiaries without unjustified delay according to the provisions of the Partnership Agreement; at the same time, if any ineligible costs are discovered, the Contracting Authority deducts them from payments to the Lead Beneficiary;
15. ensure that the expenditure presented by the Beneficiaries has been incurred for the purpose of implementing the Project and corresponds to activities set in the Contract and agreed between all the Beneficiaries;
16. ensure that all the Project expenditure and revenues gained by the Beneficiaries from the Project are recorded in relevant accounts and are identifiable, verifiable and backed by original invoices or other accounting documents of equivalent value;
17. verify that the expenditure presented by the Beneficiaries has been examined by the auditor or by a competent public officer according to the requirements set in Article 8 to the Contract;
18. undertake liability for all the actions undertaken by the Beneficiaries, which cause a violation of the obligations under this Contract;
19. be responsible for recovery of the EU funding from all the applicable Beneficiaries and transfer of the recovered amounts to the Contracting Authority;
20. not delegate any, or part of, these tasks to the Beneficiaries or other entities.

### **ARTICLE 5 - PAYMENT OF THE GRANT**

5.1. The Contracting Authority will pay the EU funding to the Lead Beneficiary following the selected payment procedures below:

**Option 1**: *projects with an implementation period not exceeding 12 months.*

The Contracting Authority will make payments of the EU funding to the Lead Beneficiary in the following manner:

* a pre-financing of 40 % of the amount referred to in Point 3.2. of the Article 3 to the Contract on a basis of the request for pre-financing payment. The pre-financing will be paid after the Contracting Authority has approved the auditor(s) for the Belarusian and Lithuanian Beneficiaries.
* further pre-financing of 40 % of the amount referred to in Point 3.2. of the Article 3, within 25 working days after the Contracting Authority receives a request for further pre-financing payment from the JTS in accordance with Article 7 to the Contract, on a basis of the approved progress report and individual expenditure verification reports.
* the balance payment.

If additional clarifications for the progress or final report are requested by the Contracting Authority,, the term for payment of further pre-financing or balance is prolonged.

The total sum of pre-financing under the Contract may not exceed 80 % of the EU funding amount referred to in Point 3.2. of the Article 3 to the Contract.

The balance will be paid within 25 working days after the Contracting Authority receives a request for payment of the balance from the JTS on a basis of an approved final report and individual expenditure verification reports in accordance with Article 7 to the Contract.

Further pre-financing may only be paid in full if the part of the expenditure actually incurred and which is financed by the Contracting Authority (by applying the rate indicated in Point 3.2) stands at 70% at least of the previous payment as supported by the corresponding progress report and by individual expenditure verification reports as specified in Article 7 to the Contract*.*

Where the consumption of the previous pre-financing is less than 70 %, the amount of the further pre-financing payment shall be reduced by the amount corresponding to the difference between the 70 % of the previous pre-financing payment and the amount actually consumed of the previous pre-financing payment.

**Option 2:** *projects with an implementation period of more than 12 months.*

The Contracting Authority make payments of the EU funding to the Lead Beneficiary in the following order:

* a pre-financing of 30 % of the amount referred to in Point 3.2. of the Article 3 to the Contract on the basis of the request for pre-financing payment. The pre-financing will be paid after the Contracting Authority has approved the auditor(s) for the Belarusian and Lithuanian Beneficiaries.
* further pre-financing instalments designed to normally cover the 80 % of Beneficiaries financing needs for each six month period of the project implementation, but each instalment not exceeding 25 % of the EU funding amount referred to in Point 3.2. of the Article 3 to the Contract, within 25 working days after the Contracting Authority receives a request for further pre-financing payment from the JTS on a basis of an approved progress report and individual expenditure verification reports in accordance with Article 7 to the Contract,:
* the balance payment.

If additional clarifications for the progress or final report are requested by the Contracting Authority, the term for payment of further pre-financing or balance is prolonged.

The total sum of pre-financing under the Contract may not exceed 80 % of the EU funding amount referred to in Point 3.2. of the Article 3 to the Contract*.*

The balance will be paid within 25 working days after the Contracting Authority receives a request for payment of the balance from the JTS on a basis of an approved final report and individual expenditure verification reports in accordance with Article 7 to the Contract. Further pre-financing may only be paid in full if the part of the expenditure actually incurred and which is financed by the Contracting Authority (by applying rate indicated in Point 3.2.) stands at 70% at least of the previous payment (and at 100% of any previous payments) as supported by the corresponding progress report and by individual expenditure verification reports as specified in Article 7 to the Contract*.*

Where the consumption of the previous pre-financing is less than 70 %, the amount of the further pre-financing payment shall be reduced by the amount corresponding to the difference between the 70 % of the previous pre-financing payment and the amount actually consumed of the previous pre-financing payment.

**Option 3:** *All projects*

The EU funding amount shall be paid to the Lead Beneficiary by the Contracting Authority within 25 working days after the Contracting Authority receives a request for the interim/ final payment (reimbursement) from the JTS on a basis of an approved progress/final report and individual expenditure verification reports in accordance with Article 7 to the Contract.

If additional clarifications for the progress or final report are requested by the Contracting Authority the term for payment is prolonged.

The amount of EU funding paid by Contracting Authority after approval of the progress/final report shall depend on expenditures actually incurred during reporting period and percentage fixed in the Contract*.*

5.2 The amount of the EU funding paid by the Contracting Authority after approval of the final report shall depend on expenditure actually incurred during the reporting period and percentage fixed in the Point 3.2. of the Article 3 to the Contract.

5.3 In case where the pre-financing instalments are to be paid by the Contracting Authority, the first instalment of pre-financing shall be paid to the Project within 25 working days, as from the date of reception of the request for payment from the Project and the approval of the auditors for the Belarusian and Lithuanian Beneficiaries by the Contracting Authority in accordance with the Article 7 to the Contract.

5.4 The payments owed by the Contracting Authority shall be made in Euro to the bank account of the Lead Beneficiary referred to in the Financial Identification Form in Annex II to the Contract, which identifies the EU funding paid by the Contracting Authority and allows the calculation of the interests produced by such funds. Any risk of changes in exchange rates is borne by the Beneficiaries.

5.5 Any interest or equivalent benefits accruing from the pre-financing paid by the Contracting Authority to the Beneficiaries shall be mentioned in the final report. Any such interest or equivalent benefit accruing from the pre-financing received by the Beneficiaries shall be reported, assigned to the Project and deducted from the payment of the balance.

**ARTICLE 6 - ELIGIBILITY OF COSTS**

6.1 The Lead Beneficiary shall ensure that all expenditure included in the budget of the Project were incurred and paid respecting the rules on eligibility of expenditure as indicated in the Guidelines and its Annexes. Only eligible costs shall be taken into account for the Project budget.

6.2 Eligible costs are costs actually incurred and paid by the Beneficiaries which meet all of the following criteria:

a) they are incurred and paid during the implementation period of the Project. In particular:

(i) costs relating to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after end of the implementation period do not meet this requirement;

(ii) an exception is made for costs relating to final reports, including an expenditure verification and an audit related to the preparation of the final report, which shall be incurred within 2 months after the implementation period of the project and before submission of the final report;

(iii) an exception is made for costs budgeted in the Budget Heading 5 related to the preparation of the technical documentation for an infrastructure component for the project, which can be incurred before the start of the project but not earlier than 17 December 2015;

(iv) an exception is made for costs for the preparation of strong partnerships including costs of travel and subsistence incurred by all project Beneficiaries in relation to the preparation of the Grant Application Form, which can be incurred and paid after the publication of this Call for Proposals;

b) they are indicated in the project's estimated budget;

c) they are necessary for the project implementation;

d) they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the accounting standards and the usual cost accounting practices applicable to the beneficiary;

e) they comply with the requirements of applicable tax and legislation on social security payments;

f) they are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy, efficiency and effectiveness;

g) they are supported by invoices or documents of equivalent probative value;

h) they are not claimed in this or any other EU co-financed programme or other donor programmes (to avoid double financing);

i) they are complying with the rules of the communication and visibility;

j) they are complying with the rules of nationality and origin;

k) they are complying with the public procurement rules laid down in the section 3.4 of Guidelines and in the Annex II “Detailed Rules on Procurement” to the Guidelines;

l) they are complying with the applicable national regulations;

m) they are proved by expenditure supporting documents.

6.3 Procedures to award contracts, as referred to in section 3.4 of the Guidelines and Annex II “Detailed Rules on Procurement” to the Guidelines, may have been initiated and contracts may be concluded by the beneficiary(ies) before the start of the implementation period of the project, provided the provisions of section 3.4 of the Guidelines and Annex II “Detailed Rules on Procurement” to the Guidelines have been respected.

6.4 The total amount of financing on the basis of lump sums and flat rate financing may not exceed EUR 60 000 per project.

6.5 The methods used by the Beneficiaries to determine lump sums and flat-rates shall be clearly described and substantiated in the Project Description and shall ensure compliance with the no-profit rule and shall avoid double funding of costs. These costs may not include ineligible costs as referred to in Point 6.7 of the Article 6 to the Contract or costs already declared under another costs item or budget heading of the Project under this Contract. The lump sums or flat-rates may not be amended unilaterally.

* 1. Cash transfers between the Lead Beneficiary and/ or the other Beneficiaries and/ or affiliated entities may not be considered as costs incurred and paid;
  2. Presentation of a valid proof of commissioning into exploitation and registration according to the national legislation, if commissioning into exploitation is required by the national legislation, or acceptance as current renovation according to the national legislation is a necessary requirement to consider the whole cost of works as eligible for EU financing.

6.8 The following costs shall not be considered as eligible:

a) debts and debt service charges (interest);

b) provisions for losses or liabilities;

c) costs declared by the Lead Beneficiary or beneficiary and already financed by the European Union budget;

d) purchases of land or buildings for an amount exceeding 10 % of the eligible expenditure of the project concerned;

e) exchange-rate losses (differences between exchange rate required by the Programme and exchange rate of national bank, exchange rate used by beneficiary’s bank or other), including bank fees for currency exchange;

f) duties, taxes and charges, including VAT, except where non-recoverable under the relevant national tax legislation, unless otherwise provided in appropriate provisions negotiated with Belarus;

g) loans to third parties;

h) fines, financial penalties and expenses of litigation;

i) contributions in kind, which are defined as any provision of non-financial resources free of charge by a third party;

j) costs related to activities falling under State aid rules;

k) depreciation costs;

l) costs of subcontracting project Beneficiaries or employees of project Beneficiary.

**ARTICLE 7 – REPORTING ARRANGEMENTS**

7.1 Progress reports shall be produced for every 6 months during Project implementation period counting from the Project start date, according to the provisions of Point 2.1 of the Article 2 to the Contract and shall be submitted by the Project to the Contracting Authority via the JTS within 45 calendar days after the end of the respective period.

7.2 The final report shall be submitted to the Contracting Authority via the JTS latest within 2 months after the end date of the Project.

7.3 The deadline for submission of progress and final reports can be extended in duly justified cases. In such cases, the Lead Beneficiary must inform the Contracting Authority via JTS on the unforseen circumstances by an official letter not later than 14 calendar days in advance before deadline for submission of progress/ final report, indicating the justification for delay.

7.4 In case the request described in Point 7.3 of the Article 7 to the Contract appears, the JTS will reply in written within 7 working days after receiving it. If the request is justified a new deadline for submitting the given progress/ final report shall be set. In other cases the Lead Beneficiary shall be requested to submit the missing progress/report within the reporting deadlines.

7.5. The Lead Beneficiary shall provide the Contracting Authority via JTS with all the required information on the implementation of the Project in the reports. In this regard the progress and final reports shall:

1. cover the Project as a whole, regardless of which part of it is financed by the Contracting Authority and shall cover information from all the Beneficiaries. Each report must provide a full account of all aspects of the Project's implementation for the period covered;
2. provide a documented record of what has been achieved during the reporting period by informing on the progress of the Project, delivered outputs, achieved results, incured and paid costs;
3. be drafted using the templates provided in the Guidelines, be supported by individual expenditure verification reports for each Beneficiary, Lead Beneficiary’s request for the further pre-financing payments or payment of the balance, where applicable, and include other requested annexes indicated in the Guidelines and its Annexes;
4. be drafted in English and Euro being used as a currency. Supporting documents can be submitted either in English or in national languages.

7.6 If the documents are prepared improperly, the Lead Beneficiary undertakes to eliminate any inconsistencies detected by the Contracting Authority/JTS in the progress and final reports and to submit corresponding documents anew by the day set by the Contracting Authority/JTS.

7.7 The submitted progress/ final report is firstly examined by the JTS within 30 calendar days. If the information indicated in the report is insufficient, the JTS may ask for further information or clarifications and missing documents from the Lead Beneficiary that must be provided within 30 calendar days from sending a letter by fax/email, unless otherwise specified. The clarifications must be provided in the language of the Contract. If necessary, the JTS may also ask the Lead Beneficiary to provide more in depth documentation related to the activities and reported costs. The Lead Beneficiary shall provide all the answers within the set timeframe. If the submitted clarifications and documents are insufficient, or there are other outstanding issues regarding the Project, further requests for clarifications may be sent by the JTS to the Lead Beneficiary. Once there are no further questions concerning the respective report or other outstanding issues regarding the Project, the respective report and request for the payment, where applicable, shall be approved by the JTS and transferred to the Contracting Authority for the final approval and payment procedure.

7.8 The Contracting Authority undertakes to evaluate the progress/ final report in 15 working days from the day of receiving the approved documents from the JTS and:

1. if the documents are prepared properly, to approve the progress/ final report;
2. if they are prepared improperly or not all documents proving the eligibility of expenditure are submitted, or it is not possible to make a conclusion that the incurred and paid expenditure are eligible according to the supplied documents, to inform the Lead Beneficiary about the detected inconsistencies in writing and to set the term for the elimination of inconsistencies and submission of the corresponding documents. In this case the Contracting Authority may suspend the time-limit for approval of a progress/ final report by notifying the Lead Beneficiary that the progress/ final 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 Contracting Authority.

7.9 The Contracting Authority is entitled to withhold any payment of the EU funding until all unclear issues related to the implementation, management and reporting of the Project are clarified and is also entitled to deduct any irregular or ineligible expenditure found during the examination process and as a result proportionally reduce the EU funding amount to the Project.

7.10 Any progress and final report shall be considered approved if no written reply from the Contracting Authority is sent within 25 working days of the receipt of documents indicated in Point 5.1.

7.11 If, notwithstanding the information, clarification or document provided by the Lead Beneficiary, the payment request is still inadmissible, or if the award procedure or the implementation of the Contract proves to have been subject to substantial errors, irregularities, fraud, or breach of obligations attributable to the Lead Beneficiary/Beneficiary(ies), the Contracting Authority may refuse to make payments or may recover amounts already paid, in proportion to the seriousness of the errors, irregularities or fraud, and may terminate accordingly this Contract in accordance to provisions of Article 22 to the Contract.

### **ARTICLE 8 - EXPENDITURE VERIFICATION**

8.1 Expenditure declared by the Beneficiaries in the Project progress and final report shall be examined by a competent auditor or by a public officer being independent from the Beneficiaries in accordance to the provisions of Section 3.5.3 of the Guidelines. The expenditure verification report shall conform to the model set in the Guidelines and shall be produced by an auditor approved or chosen by the Contracting Authority or public officer in case of Latvian beneficiaries.

8.2 The necessary documents proving implementation of the activities and supporting expenditures of each of the Beneficiary have to be provided to their respective competent auditors/public officers in 10 calendar days after the end date of the respective reporting period.

8.3 In Latvia Beneficiaries shall provide necessary documents proving implementation of the activities and supporting expenditures for expenditure verification to the public officers assigned to carry the functions of auditors by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia. Each Beneficiary from Lithuania and Belarus shall select an auditor using the applicable public procurement procedure in accordance with requirements set in Section 3.5.3 of the Guidelines and shall sign the agreements with the selected auditors only after the approval of selected auditor(s) by the Contracting Authority. The Lead Beneficiary shall inform in written the Contracting Authority via JTS on the selected auditors who meet the specific conditions set by the EU, Programme and national requirements for all the Beneficiaries before the Lead Beneficiary’s request for the initial pre-financing instalment. The Contracting Authority has the right of rejecting the selected auditor(s) for justified reasons.

8.4 The Lead Beneficiary shall ensure that the expenditure and activities of the Beneficiaries have been verified by the bodies refered to in Artice 8.3 of the Contract and that the progress/final report is prepared on the basis of the individual expenditure verification reports provided by the Beneficiaries. The Lead Beneficiary is responsible for collecting expenditure verification reports from all the Beneficiaries, drawing up progress and final report for the whole Project in accordance to the requirements set in Section 3.5.3 of the Guidelines.

8.5 The expenditure verification shall be performed on the basis of an agreed-upon procedure as set in Section 3.5.3 of the Guidelines and Annex X ‘Expenditure Verification Report’. The Lead Beneficiary shall ensure that the auditor or the competent public officer shall examine whether the costs declared by the Beneficiaries and the revenue of the Project are real, accurately recorded and eligible in accordance with the Contract. 100 % of the expenditure of the Project shall be verified and the results of the verification shall be reflected in the expenditure verification report for Lead Beneficiary and each Beneficiary separately. Expenditure verification report shall be drafted in English.

8.6 The expenditure verification report shall cover all expenditure not covered by any previous expenditure verification report(s).

8.7 Beneficiaries shall allow auditor or the competent public officer to carry out verifications on the basis of originals of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Project as well as checks-on-spot. Beneficiaries shall give access to all documents and databases concerning the technical and financial management of the Project, Project outputs, deliverables and sites. Beneficiaries are responsible to provide the requested documents and explanations at any time on verification process to the auditor or the competent public officer within requested deadlines.

**ARTICLE 9 - PUBLIC PROCUREMENT**

9.1 If the implementation of the Project requires procurement of goods, works or services by the Beneficiaries, the rules set in the section 3.4 of the Guidelines and Annex II “Detailed Rules on Procurement” of the Guidelines shall apply. In particular the following shall be applied:

a) where the Beneficiary is a contracting authority or a contracting entity within the meaning of the Belarusian legislation applicable to procurement procedures, it may apply section 3.4 of the Guidelines and the Annex II ‘Detailed Rules on Procurement’.

b) where the Beneficiary is a contracting authority or a contracting entity within the meaning of the Latvian and Lithuanian legislation applicable to procurement procedures, it may apply national laws, regulations and administrative provisions adopted in connection with the EU legislation.

c) where the beneficiary is a non-contracting authority within the meaning of the Lithuanian legislation, national rules, approved by the Order of the Minister of Interior No. 1V-561 of 17 August 2016 on the Rules for the Procurement of Projects of the European Territorial Cooperation Programmes and the European Neighbourhood Instrument for the period 2014-2020, carried out by Lithuanian enterprises, institutions and organisations which are not contracting organizations in accordance with the Law on Public Procurement of the Republic of Lithuania. shall be applied. Where the beneficiary is a non-contracting authority within the meaning of Latvian legislation, national rules approved by the Regulations of the Cabinet of Ministers of the Republic of Latvia No 299 of June 4, 2013regarding the Procurement Procedure and the Procedures for the Application thereof to the Projects Financed by the Commissioning Party, shall apply.

c) where the Beneficiary is an international organisation, it may apply its own procurement rules if they offer guarantees equivalent to internationally accepted standards.

* 1. In all other cases the Annex II ‘Detailed Rules on Procurement’ to the Guidelines shall apply.
  2. In all cases, the rules of nationality and origin set forth in Articles 8 and 9 of Regulation (EU) No 236/2014 shall apply.

### **ARTICLE 10 - ACCOUNTANCY AND EXCHANGE RATE**

10.1 The Lead Beneficiary shall ensure that each Beneficiary receiving the EU funding from the EU shall:

1. open a separate bank account or sub-account for reception of EU funding from the Contracting Authority/Lead Beneficiary in Euro;
2. maintain either a separate accounting system or a suitable accounting code for all transactions relating to payments for Project and accountancy of Project costs;
3. indicate the Project No on the original invoices which are paid from the Project budget and reported as Project costs, or in the invoice it shall be indicated that invoice is issued in the frame of implemented Project. In case the invoice is partly paid from the Project budget or only part of the amount is reported as Project costs - exact paid/ reported amount from the Project (EU funding or own co-financing of Beneficiaries) should be indicated on the invoice;
4. keep book-keeping lists/overviews/estimates, i.e. list of all expenditure, for all transactions relating to the Project in compliance with national accounting rules.

10.2 The Beneficiaries shall have accurate and regular accounting of Project costs according to the national legislation requirements. The accounting system shall be based on double-entry book-keeping system and may either be an integrated part of the Beneficiary‘s regular book-keeping system or an adjunct to that system.

10.3 The Lead Beneficiary shall ensure that all accounting documentation related to the Project is available and filed separately and that all related payments of the Project have a clearly distinguishable book-keeping code by the Beneficiaries.

10.4 The Lead Beneficiary is responsible to ensure that an adequate audit trail is documented at all levels of the Project, including Beneficiaries‘ expenditure.

10.5 The Lead Beneficiary shall keep and request all the Beneficiaries to keep the documents related to the Project in a safe and orderly manner for at least 5 years from the date of payment of the balance for the Programme. The documents are archived either as originals or as certified copies in compliance with the national legislation. Where needed, the Lead Beneficiary may ask for copies of accountancy documents from the Beneficiaries.

10.6 Expenditure incurred in a currency other than Euro shall be converted into Euro by the Beneficiaries using the monthly accounting exchange rate of the EC in the month during which that expenditure was incurred (invoiced). The expenditure in national currency (other than Euro) must be converted in Euro with an accuracy of four digits after comma.

**ARTICLE 11 – VISIBILITY, INFORMATION AND COMMUNICATION**

11.1 The Beneficiaries shall take all the necessary steps to publicise the fact that the EU has co-financed the Project. Such measures shall comply with the provision of Section 3.7. of the Guidelines, ‘*Communication Handbook’* and ‘*Communication and Visibility Manual for European Union External Actions’* laid down and published by the EC, which can be found at <https://ec.europa.eu/europeaid/sites/devco/files/communication-visibility-requirements-2018_en.pdf> The Beneficiaries are obliged to follow the requirements of these documents and to use the logo of the Programme together with the European Union flag and the inscription mentioning the EU funding to the Project on all the communication materials.

11.2 In particular, the Beneficiaries shall mention the Project and the EU's funding in information given to the public, target groups, in documentation and any publications in the media. It shall display the EU and Programme logos.

11.3 Each Beneficiary shall publish at least 2 articles in the local, regional or national press during Project implementation period aimed at informing the audience about the Project and its aims and present the achievements of the Project.

11.4 Each outdoor infrastructure object, which will be built or renovated under the Programme, has to be identified by a clearly visible display panel while the works are carried out and a representative commemorative plaque or stand once the works are over.

11.5 Each building or part of the interior of the building, which will be built or renovated under the Programme, has to be identified by a clearly visible representative commemorative plaque or stand once the works are over.

11.6 Each piece of equipment or supplies, purchased under the Programme, has to bear a clearly visible permanent sticker or other form of permanent and clearly visible marking with the visibility elements of the EU and the Programme.

11.7 The Lead Beneficiary shall ensure that the Beneficiaries send the drafts of visibility materials for the approval by the information specialists at the JTS.

11.8 The Lead Beneficiary shall ensure that the Beneficiaries publish the information on the Project and the produced outputs and results, where available, on their websites and Project’s website.

11.9 The Contracting Authority and the EC is authorised to publish the Beneficiaries’ names and addresses, nationalities, the purpose and description of the Project, its achievements, events, the outputs and results, duration and location as well as the amount of the EU funding and total budget and rate of funding freely and free of charge. Derogation from publication of particular information may be granted if it could endanger the Beneficiary(ies) or harm their interests and has been agreed in written with the Contracting Authority.

**ARTICLE 12 – EVALUATION AND MONITORING OF THE PROJECT**

12.1 The Beneficiaries shall allow verifications, an interim or ex post evaluation or a monitoring missions, visits to the Project and checks-on-spot to be carried out by the Contracting Authority or its authorised third parties, JTS or the EC, the European Anti-Fraud Office, the European Court of Auditors and any external auditor/public officer authorised by the Contracting Authority. The Lead Beneficiary shall undertake and ensure that itself and all the Beneficiaries provide to the above indicated bodies and/or the persons authorised with the documents and information necessary for the verification, evaluation or monitoring. The Beneficiaries shall take all steps to facilitate their work. These inspections may take place up to 5 years after the payment of the balance for the Programme. The Project ensures that all original documents or their certified copies in line with the national legislation related to the implementation of the Project are made available until the above final date of possible inspections.

12.2 For the purposes of the verification, evaluation and monitoring the Beneficiaries shall allow the above entities to:

1. access the sites and locations at which the Project is implemented;
2. examine its accounting and information systems, documents (in a form of originals, where requested) and databases concerning the technical and financial management of the Project;
3. examine the produced outputs and results of the Project;
4. take copies of the documents;
5. carry out on checks-on-spot;
6. conduct a full audit on the basis of all accounting documents and any other document relevant to the financing of the Project and Project budget.

12.3 Access given to agents of the Contracting Authority or its authorised third parties, JTS, EC, European Anti-Fraud Office and the European Court of Auditors and to any external auditor authorised by the Contracting Authority carrying out verifications as provided for by this Article 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.

**ARTICLE 13 – AMENDMENTS OF THE CONTRACT**

13.1 Any amendment to this Contract, including the annexes thereto, shall be set out in writing. This Contract can be modified only during its execution period as indicated in Point 2.5 of Article 2 of the Contract.

13.2 The amendment may not have the purpose or the effect of making changes to this Contract that would call into question the grant award decision or be contrary to the equal treatment of applicants.

13.3 The Lead Beneficiary can submit a request for minor or substantial amendment in accordance to the provisions of the Section 3.6 of the Guidelines.

13.4 The Lead Beneficiary must submit request for substantial amendment in one of the following cases where the amendment does not affect the basic purpose of the Project and includes:

13.4.1.Changes in the Budget between the budget headings involving a variation of 15 % or more of the amount originally entered or as modified by an Addendum to the Contract;

13.4.2. The change of the flat rate percentage in the Budget Heading “Indirect administrative costs”;

13.4.3.Changes in the  Project Description by modifying significant activities of the Project with impact on project outputs or results, including introduction of additional or new outputs or activities financed from the savings;

13.4.4. Changes in location of activities, if activities from the Programme area are transferred outside the Programme area;

13.4.5. Changes in the technical documentation which have significant impact on performance or functioning of works or affecting the Programme or project indicators;

13.4.6. Changes in the partnership and the legal status/form or type of organisation of the Beneficiaries including replacement or dropping out of a Beneficiaries;

13.4.7. Change of the period of implementation of the Project.

Change may not affect any of the objectives and results of the Project. A new/replacing Beneficiary must meet the eligibility criteria and have the similar or higher operational, management and financial capacity.

13.5 If a substantial amendment is requested by the Beneficiary(ies), the Lead Beneficiary shall submit a duly justified request to the Contracting Authority at least 30 calendar days before the date on which the amendment should enter into force, unless there are special circumstances duly substantiated and accepted by the Contracting Authority.

13.6 Any substantial amendment to the Contract, including its annexes, shall be set out in an Addendum to Grant Contract which shall be signed between the Contracting Authority and the Lead Beneficiary*.* The Addendum cannot be retroactive, i.e. it cannot refer to already carried out activities and incurred and paid costs. The substantial amendment enters into force when the last party signs the Addendum.

13.7 The Lead Beneficiary must submit request for minor amendment in one of the following cases where the amendment to the Budget or Project Description does not affect the basic purpose of the Project and does not alter significantly activities of the Project and the changes:

13.7.1. The financial impact is limited to a transfer between budget items within the same budget heading including cancellation or introduction of a budget item, or a transfer between budget headings involving a variation of less than 15 % of the amount originally entered (or as modified by Addendum) in relation to each concerned main budget heading for the eligible costs,

13.7.2. Changes in technical documentation (works) which have no significant impact on the performance and functioning of the works;

13.7.3. Change of any beneficiary’s legal address on condition that it remains in the Programme area;

13.7.4. Change of the bank account opened for the Project by the Lead Beneficiary.

13.8 Changes of correspondence address, management staff or auditor shall be notified by the Lead Beneficiary. The change of the auditor must be approved by the Contracting Authority. The Contracting Authority may reject the Lead Beneficiary’s choice.

13.9 The Contracting Authority reserves the right to require that the auditor be replaced if considerations which were unknown when this Contract was signed cast doubt on the auditor’s independence or professional standards.

### **ARTICLE 14 - PUBLIC BENEFIT AND NO PROFIT**

14.1 The grant (EU funding) may not produce a profit for the Beneficiaries. In the case of the EU funding, profit is defined as a surplus of receipts over the costs incurred by the Lead Beneficiary and/or Beneficiaries when the request is made for the payment of the balance.

14.2 The Project shall have a non-commercial nature. The objectives, outputs and results of the Project have to be of the public benefit, thus freely accessible to the wider public and aimed at public use. All the investments and other results of the projects should be open for public use and shall not be aimed at profit making activities. In case any publications are issued as a result of the project, they must be made available to the public freely (in printed copies or e-versions) and free of charge. Printed copies of the materials shall be freely available until all copies are given out. E-versions shall be available to the public until they are up-to-date and correspond to the real situation in the sphere of project implementation. Other provisions on availability of outputs and results of the Project may be allowed only with the prior written consent of the Contracting Authority.

### **ARTICLE 15 - IRREGULARITIES AND RECOVERY PROCEDURES**

15.1 A substantial error or irregularity shall be any infringement of a provision of a Contract or regulation resulting from an act or an omission which causes or might cause a loss to the EU budget according the paragraph 2 of Article 166 of the Regulation (EU) 1268/2012. The above-mentioned irregularity occurs due to the Project or failure to act of the Beneficiaries, and has or might have a negative influence on the general budget of the EU. The following cases can be recognised as irregularities in the Project:

1. providing of false information in the Grant Application Form/ Project Description or Project progress/final report;
2. not providing the necessary documents to the auditors, Contracting Authority, JTS, EC and other authorised institutions responsible for carrying control and monitoring tasks;
3. not observing the requirements of the Project sustainability and ownership;
4. not observing the national public procurement requirements and Programme procurement rules;
5. infringements of other Contract provisions or provisions of EU or applicable national legal acts which have caused or may cause that irregular expenditure is incurred;
6. failure to reach the Project outputs and results according to the Contract;
7. not observing Programme publicity and visibility requirements;
8. other cases, that imply the ineligible project costs.
   1. If Beneficiary fails to commission into exploitation the works, or accept the current renovation works, or register the commissioned/accepted works/object according to the national legislation, or makes a decision to implement works for the new object and correspondingly prepare the new set of technical documentation and studies, the amount of the costs for technical documentation previously reimbursed by the Contracting Autority shall be repaid to the Contracting Autority or this amount will be deducted from the payment of the balance.

15.3 In case decision related to the detected irregularity is taken, the Contracting Authority shall issue the decision on recovery of EU funding or decide to reduce the EU funding according to national legal provisions related to irregular expenditures to the Lead Beneficiary/ Beneficiary and inform the National Authorities of the Beneficiary(ies) country concerned prior to the decision issue. After the Contracting Authority has taken a decision on recovery of expenditures, recovery process shall be initiated.

15.4 In case the total eligible costs and EU funding approved in the final report by the Contracting Authority do not exceed the amount of pre-financing paid, the Contracting Authority shall issue the decision on recovery of EU funds paid in excess according to the legal provisions of the Republic of Lithuania.

15.5 The Lead Beneficiary is responsible to recover the amounts unduly paid with any interest on late payments, if set, to the Contracting Authority. The Contracting Authority shall recover from the Lead Beneficiary the amounts unduly paid together with any interest on late payments. Interests on late payments shall be established according to the regulations of the Government of the Republic of Lithuania on recoveries of EU funds.

15.6 The Lead Beneficiary basing on the Partnership Agreement shall request the repayment of the relevant amount from the Beneficiary(ies) that committed the irregularity or was payed in excess.

15.7 The Lead Beneficiary undertakes to repay any amount paid in excess of the final amount due to the Contracting Authority within 30 calendar days from the date of delivery of the decision of the Contracting Authority on recovery of funds to the Lead Beneficiary (debit note), the latter being the letter by which the Contracting Authority requests the amount owed by the Lead Beneficiary.

15.8 Bank charges incurred by the repayment of amounts due to the Contracting Authority shall be borne entirely by the Lead Beneficiary.

15.9 The Contracting Authority may also suspend payments in cases where there are suspected or established errors, irregularities or fraud committed by the Lead Beneficiary/ Beneficiaries, in the performance of another contract funded by the general budget of the European Community or by budgets managed by it which are likely to affect the performance of the present Contract. Suspension shall take effect when the notification is sent by the Contracting Authority.

15.10  In case the Lead Beneficiary fails to recover the amounts to the Contracting Authority, the Commission or the participating country in which the Lead Beneficiary is established are entitled to recover any amounts due to the Contracting Authority which the latter was not able to recover.

### **ARTICLE 16 - OWNERSHIP OF THE RESULTS OF THE PROJECT**

16.1 Ownership of the Project results, reports and other documents and immaterial outputs related, as well as the intellectual and industrial rights to them and their titles shall be vested in the Lead Beneficiary and Beneficiaries.

16.2 Without prejudice to Point 16.1. of the Article 16, the Beneficiaries grant the Contracting Authority, the JTS and the EC the right to use freely and as they see fit, and in particular, to store, modify, translate, display, reproduce by any technical procedure, publish or communicate by any medium all documents deriving from the Project whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.

16.3 The Beneficiaries shall ensure that it has all rights to use any pre-existing intellectual property necessary to implement this Contract.

16.4 Equipment and infrastructure financed by the project shall be kept by a respective Lead Beneficiary or beneficiary for at least 5 years after reception of the balance payment from the Contracting Authority. Any Project including an infrastructure component shall repay the EU funding if, within 5 years of the Project closure or within the period of time set out in state aid rules, where applicable, it is subject to a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives. In case of such change, the Lead Beneficiary shall recover sums unduly paid in respect of the Project in proportion to the period for which the requirement has not been fulfilled.

16.5. The Beneficiaries are not allowed to assign their duties and rights under this Contract without the prior consent of the Contracting Authority. In the case of legal succession, the Beneficiaries concerned is obliged to transfer all duties under this Contract to the legal successor.

**ARTICLE 17 - DATA PROTECTION**

17.1 Any Project and personal data will be processed solely for the purposes of the performance, management and monitoring of this Contract by the Contracting Authority and may also be passed to the bodies charged with monitoring or inspection tasks under the EU law. Beneficiaries will have the right of access to their Project data and the right to rectify any such data. If the Beneficiaries have any queries concerning the processing of Project and personal data, they shall address them to the Contracting Authority.

17.2 The Beneficiaries shall limit access and use of Project and personal data to that strictly necessary for the performance, management and monitoring of this Contract and shall adopt all appropriate technical and organisational security measures necessary to preserve the strictest confidentiality in accordance to the national legal acts and limit access to this data.

**ARTICLE 18 – LIABILITY**

18.1 The Contracting 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 Beneficiaries while the Project is being carried out or as a consequence of the Project. The Contracting Authority cannot, therefore, accept any claim for compensation or increases in payment in connection with such damage or injury.

18.2 The Beneficiaries 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 Beneficiaries shall discharge the Contracting Authority of all liability arising from any claim or action brought as a result of an infringement of rules or regulations by the Beneficiaries’ employees or individuals for whom those employees are responsible, or as a result of violation of a third party’s rights. For the purpose of this Article the employees of the Beneficiaries shall be considered as third parties.

**ARTICLE 19 - CONFLICT OF INTERESTS AND GOOD CONDUCT**

19.1 The Lead Beneficiary and Beneficiaries shall take all necessary measures to prevent or discontinue any situation that could compromise the impartial and objective performance of this Contract. There is a conflict of interest where the impartial and objective exercise of the functions of any person involved in the Project is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person. For this reason, all the Beneficiaries have to follow the respective public procurement laws and rules for the sub-contracting activities in order to avoid situations were conflict of interests or corruption might occur.

19.2 Any conflict of interests which may arise or arised during performance of this Contract must be notified in writing to the Contracting Authority without delay. In the event of such conflict, the Lead Beneficiary shall immediately take all necessary steps to discontinue it.

19.3 The Contracting Authority reserves the right to verify that the measures taken are appropriate and may require additional measures to be taken if necessary.

19.4 The Beneficiaries shall ensure that its staff, including its management, is not placed in a situation which could give rise to conflict of interests. Without prejudice to their obligations under this Contract, the Beneficiaries shall replace, immediately and without compensation from the Contracting Authority, any member of its staff if he/she was found in such situation.

19.5 The Beneficiaries shall respect human rights and applicable environmental legislation including multilateral environmental agreements, as well as internationally agreed core labour standards.

**ARTICLE 20 - FORCE MAJEURE**

The Beneficiaries shall not be held in breach of its contractual obligations if they are prevented from fulfilling them by circumstances of force majeure. The term force majeure, as used herein covers any unforeseeable events, beyond the control of either party to this Contract and which by the exercise of due diligence neither party is able to overcome such as acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosion. A decision of the EU to suspend the cooperation with the partner country is considered to be a case of force majeure when it implies suspending funding under this Contract.

### **ARTICLE 21 - CLOSURE OF THE PROJECT**

21.1 The Lead Beneficiary shall ensure that all activities of the Project are closed until the end of the implementation period stated in the Contract. Preparation of the final report shall be started 2 months before the end of the Project, evaluation of the Project and expenditure verification shall be carried out immediately after the end of the Project’s implementation period.

21.2 The Beneficiaries shall keep all documents related to the Project for 5 years from the date of payment of the balance for the Programme. In particular they shall keep:

1. original Contract with annexes and its amendments;
2. original of Partnership Agreement and all of its amendments;
3. originals of all correspondence with Programme institutions and between the Beneficiaries;
4. all documents related to the amendments in the Project and related justification (requests for amendments, decisions, etc);
5. originals and copies of all reports submitted to the Lead Beneficiary or the JTS and the auditors’/ control officers’ expenditure verification reports including supporting documents;
6. originals of all accounts, financial and accounting documents, related to the Project implementation (contracts, invoices, bills, public procurement documentation, timesheets, confirmations of money transfer, acceptance acts and other);
7. originals of all documents confirming implementation of Project activities (agendas and minutes of the meetings, signed participants’ lists, construction documents, acceptance acts, produced outputs, and other);
8. originals or copies of publication materials and evidence of outputs (brochures, articles, printouts of websites, photos, examples of promotion gadgets, etc.);
9. all other documents relating to the Programme financing, including documents related to Contract award.

21.3 Notwithstanding the above, records pertaining to audits, appeals, litigation or pursuit of claims arising from the Project performance shall be retained until such audits, appeals, litigation or claims have been completed.

21.4 With regards to the Project closure, Beneficiaries shall be aware of the following:

1. the Programme rules on visibility, information and communication shall be respected for all products produced with the assistance from the Programme including the time after the closure of the Project;
2. the Lead Beneficiary must allocate the contact person for at least 6 months after the end of the project for issues related to preparation of final report and closure of the project. During a period of 5 years after the payment of the balance for the Programme the Lead Beneficiary shall ensure effective arrangements to deliver information and project-related documents to the Programme management bodies and the EC related to control purposes.

21.5 The accounting records and supporting documents related to this Contract shall be easily accessible and filed so as to facilitate their examination and the Lead Beneficiary shall inform the Contracting Authority of their precise location.

21.6 All the supporting documents shall be available either in the original form, including in electronic form, or as a certified copy in accordance with the national legislation.

21.7 Failure to comply with the obligations set forth in this Article constitutes a case of breach of a substantial obligation under this Contract. In this case, the Contracting Authority may in particular suspend the Contract, payments or the time-limit for a payment, terminate the Contract and/or reduce or recover the amount of EU funding.

**ARTICLE 22 - NON-FULFILLMENT AND TERMINATION OF THE CONTRACT**

22.1 In case the Lead Beneficiary does not fulfill or fulfills the terms and conditions of this Contract improperly, the Contracting Authority shall be entitled to demand from the Lead Beneficiary to eliminate the violations of the Contract within the terms set by the Contracting Authority and to suspend the fulfilment of its contractual obligations for this time period.

22.2 The Contracting Authority may terminate the Contract and/ or demand repayment of the EU funding amounts already paid to the Lead Beneficiary in full or in part by informing the Lead Beneficiary about the termination of the Contract in writing via the JTS within 30 calendar days notice without any indemnity on its part, if:

22.2.1. the Beneficiaries have received the EU funding after presenting incorrect, deceitful or incomplete information which influenced the legality of the Project implementation;

22.2.2. the Lead Beneficiary has failed to submit the required progress/ final report or to submit progress/ final report within the set deadlines, or submit proofs of expenditure and activities implement in the Project, provided that the Lead Beneficiary has received a written reminder setting an adequate deadline and explicitly specifying the legal consequences of a failure to comply with requirements, and has failed to comply with this deadline;

22.2.3. a precondition for the approval of the Project (e. g., requirements for eligibility of Lead Beneficiaries and Beneficiaries in section 2.2.1 of the Guidelines) is no longer fulfilled;

22.2.4. it is not and will not be possible to implement the Project in due time, or to achieve the Project results and objectives, as well in cases of force majeure;

22.2.5. the EU funding allocated for the Project implementation was used breaching the provisions of this Contract, applicable national and/ or EU legislation;

22.2.6. the Lead Beneficiary and/ or Beneficiaries have impeded or prevented controls, audits or evaluations provided that the Lead Beneficiary has received a written request setting an adequate deadline and explicitly specifying the legal consequences of a failure to comply with requirements, and has failed to comply with this request;

22.2.7. the Lead Beneficiary is undergoing reorganisation, liquidation, restructuring or bankruptcy procedures and no other organisation is taking over responsibilities and obligations of the Lead Beneficiary;

22.2.8. the Lead Beneficiary and/ or Beneficiaries committed in any act of fraud or corruption or are involved in a criminal organisation or any other illegal activity detrimental to the EU financial interests;

22.2.9.  the Lead Beneficiary has transferred its obligations (or part of them) arising from this Contract to any third party without a previous written consent of the Contracting Authority;

22.2.10. the Lead Beneficiary and/ or Beneficiaries fail, without justification, to fulfil any substantial obligation incumbent on them individually or collectively by this Contract and, after being given notice by letter to comply with those obligations, still fail to do so or to furnish a satisfactory explanation within 30 calendar days of receipt of the letter;

22.2.11. the Lead Beneficiary and/ or Beneficiaries or any person that assumes liability for the debts of the Beneficiary(ies) is bankrupt, subject to insolvency or winding up procedures, is having its assets administered by a liquidator or by the courts, has entered into an arrangement with creditors, has suspended business activities, or is in any analogous situation arising from a similar procedure provided for under any national law or regulations relevant to the Beneficiary(ies) or in situations listed in Section 2.2.1 of the Guidelines providing the conditions for exclusion from participation in the Call for Proposals and from award of Grant Contracts;

22.2.12. the Lead Beneficiary and/ or Beneficiaries, or any related entity or person, have been found guilty of an offence concerning their professional conduct proven by any means;

22.2.13. it has been established by a final judgment or a final administrative decision or by proof in possession of the Contracting Authority that the Lead Beneficiary and/ or Beneficiaries have been guilty of fraud, corruption, involvement in a criminal organisation, money laundering or terrorist financing, terrorist related offences, illegal child labour or other forms of trafficking in human beings or has committed an irregularity;

22.2.14. a change to a Lead Beneficiary and/ or Beneficiaries legal, financial, technical, organisational or ownership situation or the termination of the participation of a Beneficiary(ies) substantially affects the implementation of this Contract or calls into question the grant award decision;

22.2.15. the Lead Beneficiary and/ or Beneficiaries or any related person, are guilty of misrepresentation in supplying the information required in the award procedure or in the implementation of the Project or fail to supply within the deadlines set under this Contract or any information related to the Project required by the Contracting Authority;

22.2.16. the Contracting Authority has evidence that a Lead Beneficiary and/ or Beneficiaries, or any related entity or person, has committed substantial errors, irregularities or fraud in the award procedure or in the implementation of the Project;

22.2.17. the Contracting Authority has evidence that the Beneficiaries is subject to a conflict of interests;

22.2.18. the Contracting Authority has evidence that the Beneficiaries has committed systemic or recurrent errors or irregularities, fraud, or serious breach of obligations under other grants financed by the EU and awarded to that specific Beneficiaries under similar conditions, provided that those errors, irregularities, fraud or serious breach of obligations have a material impact on this EU funding.

22.2.19. Presentation of a valid proof of commissioning into exploitation and registration according to the national legislation, if commissioning into exploitation is required by the national legislation, or acceptance as current renovation according to the national legislation is a necessary requirement to consider the whole cost of works as eligible for EU financing. If the indicated documents are not submitted the Contracting Authority can recover the amounts already paid in full if project objective will not be reached/ partly in amount of object cost in case the project objectives still can be reached or terminate the contract.

The cases of termination under above points may refer also to persons who are members of the administrative, management or supervisory body of the Beneficiaries and/ or to persons having powers of representation, decision or control with regard to the Beneficiaries. Any related entity means, in particular, any entity which meets the criteria laid down by Article 1 of the Seventh Council Directive No 83/349/EEC of 13 June 1983.

22.3  If the Contracting Authority according to the provisions of this Contract demands repayment of the EU funding amounts already paid to the Lead Beneficiary in full or in part, the Lead Beneficiary is obliged to transfer the appropriate amount within 30 calendar days from the date of receiving the Contracting Authority’s demand. Any delay in effecting repayment shall give rise to interest on account of late payment, starting on the due date and ending on the value day of actual repayment. The interest rate will be determined in accordance with the applicable Lithuanian national legal acts.

22.4  If any circumstances indicated in Point 22.2 of the Article 22 to the Contract occur before the full amount of the EU funding as stipulated in Point 3.2. of the Article 3 to the Contract has been paid to the Lead Beneficiary, payments may be deducted or suspended by the Contracting Authority and there shall be no payment requests from the Lead Beneficiary for the remaining EU funding amount.

22.5  If the EC terminates Programme funding, the Contracting Authority is entitled to terminate the Contract. In such a case the Contracting Authority informs the Lead Beneficiary about termination of the Contract in writing before 15 (fifteen) working days; any claim made by the Lead Beneficiary against the Contracting Authority for whatever reason is excluded.

22.6 The Contract may be terminated upon a written notice from the Lead Beneficiary within 90 calendar days if the Lead Beneficiary refunds the EU funding paid to the Project and the interest due, if they were demanded by the the Contracting Authority.

22.7 The Contract may be terminated as a result of a mutual agreement of the Parties.

22.8 Regardless the reason of the Contract termination, the Lead Beneficiary and Beneficiaries are obliged to ensure that all documents related to the Project implementation are stored in a safe and orderly manner by the Lead Beneficiary and Beneficiaries for a period referred to in Article 21 of the Contract.

22.9 Upon termination of this Contract the Lead Beneficiary shall take all immediate steps to bring the Project to a close in a prompt and orderly manner and to reduce further expenditure to a minimum.

**ARTICLE 23 – FINAL PROVISIONS**

23.1 This Contract shall enter into force on the date the last of its Parties signs and shall be valid until the Parties fulfil all their obligations according to the Contract.

23.2 Any communication relating to this Contract must be in writing, state the Project number and title of the Project and be sent to the Contracting Authority via the JTS in English.

23.3 The Contract shall be interpreted and applied according to the laws of the Republic of Lithuania.

23.4 The Contract may be amended and/ or modified and prolonged by a written consent of all the Parties. All amendments and modifications hereto shall form an integral part of this Contract and shall be valid if made in writing, signed by the Parties or their authorised representatives.

23.5 The Contract shall be amended if there are amendments in the provisions of the Legal acts and/ or if new provisions of the Legal acts enter into force providing for the different procedure for assignment, usage and/ or payment of the EU funding for the Project implementation.

23.6 Disputes regarding the implementation of the Contract shall be settled by negotiations. The parties to this Contract shall do everything possible to settle amicably any dispute arising between them during the implementation of this 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. The Lead Beneficiary and the Contracting Authority shall reply to a request sent for an amicable settlement within 30 calendar days. Once this period has expired, or if the attempt to reach amicable settlement has not produced an agreement within 90 calendar days of the first request, the Lead Beneficiary or the Contracting Authority may notify the other part that it considers the procedure to have failed.

23.7 In case of a failure to resolve any disputes by negotiations within 90 calendar days from the date the disagreement appeared, disputes, disagreements and claims shall be settled in courts of the Republic of Lithuania, jurisdiction place – Vilnius, if the laws do not stipulate for an exceptional jurisdiction.

23.8 The following documents are annexed to the Contract and form an integral part of the Contract:

* Annex I: Project Description including the budget
* Annex II: Financial Identification Form

Done in English in two originals:one original being for the Contracting Authority and one original being for the Lead Beneficiary.

**CONTRACTING AUTHORITY LEAD BENEFICIARY**

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