# GRANT CONTRACT No _____

*<The Project No and Title >*

The Ministry of the Interior of the Republic of Lithuania,

acting as the Managing Authority and the Contracting Authority of the Lithuania-Russia Cross-Border Cooperation Programme 2014-2020, approved by the European Commission decision No C(2016)8463 final of 19 December 2016 (hereinafter – the MA)

on the one part,

and

Public Establishment "Joint Technical Secretariat", acting as the Intermediate body according to Agreement on financing and implementation of the Cross Border Cooperation Programme "Lithuania – Russia" 2014-2020 (hereinafter – the JTS);

on the second part,

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

on the third part,

(hereinafter – Parties)

on a basis of the following legal framework:

- The Commission Implementing Decision C(2016)8463 final of 19 December 2016 on the Joint Operational Programme Lithuania-Russia 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;
- 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 action;
- 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 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, EURATOM) No 966/2012;
- Agreement on financing and implementation of Cross Border Cooperation Programme "Lithuania-Russia" 2014-2020 between the European Union, the Russian Federation and the Republic of Lithuania (hereinafter – the Financing agreement);

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– Guidelines for Applicants and Beneficiaries (hereinafter – the Guidelines);

– Applicable national legal acts and the EU Regulations and Directives for the implementation of projects funded by the EU and the Russian Federation, including cross-cutting issues on local democracy, environmental sustainability, gender equality and HIV/AIDS;

have agreed as follows:

## ARTICLE 1 - PURPOSE OF THE GRANT CONTRACT

1.1 The purpose of this Grant Contract (hereinafter – the Contract) is the award of the Programme funding (grant) (hereinafter – the Programme funding) by the MA and the JTS for the implementation of the project <*The Project No*> entitled: <*Title of the Project*> (hereinafter – the Project) described in the Grant Application Form (Annex I – the Project Description, Annex II – the Project Budget, Annex III – the Declaration by the Applicant to the Contract) (hereinafter – GAF). The Project is financed from the Lithuania-Russia Cross-Border Cooperation Programme 2014-2020 approved by the European Commission decision No C(2016)8463 final of 19 December 2016.

1.2 The Programme funding consists of the financial contribution of the European Union (hereinafter – the EU) and the financial contribution of the Russian Federation. The EU financial contribution is provided from the European Neighbourhood Instrument and the European Regional Development Fund (hereinafter – the EU funds). The financial contribution of the Russian Federation is provided from the Federal Budget of the Russian Federation (hereinafter – the Russian Federation funds).

1.3 The Contract is signed in accordance with the decision of the Programme's Joint Monitoring Committee of the <*Day/month/year*> to award the Programme funding to the Project.

1.4 The Lead Beneficiary accepts the Programme funding and undertakes to carry out the Project under its own responsibility and in accordance with the GAF with a view to achieve the objectives laid down therein.

1.5 The Lead Beneficiary acts in cooperation with Beneficiary(ies), listed in the Project.

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

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

1.8 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 the Contract.

## ARTICLE 2 – IMPLEMENTATION PERIOD

2.1 Implementation of the Project shall begin on <*Date (day/month/year)* or *the day following that on which the last of the three* 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 the 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 the Points 2.1, 2.2 and 2.3 of the Article 2 of the Contract.

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## ARTICLE 3 – FINANCING THE PROJECT

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

3.2 The MA and the JTS undertakes to finance a maximum amount of <…> EUR (<the amount in words> euro) Programme funding, equivalent to 90 % of the estimated total Project budget. The Programme funding may not exceed the maximum ceiling to the Contract in terms of the percentage stated therein.

3.3 The financial contributions to the Project consists of:

3.3.1. Programme funding out of which:

3.3.1.1. the EU funds. The maximum amount of <…> EUR (<the amount in words> euro) to be financed from the EU funds; The EU funds to be transferred to the Lead Beneficiary by the MA.

3.3.1.2. the Russian Federation funds. The maximum amount of <…> EUR (<the amount in words> euro) to be financed from the Russian Federation funds. The Russian Federation funds to be transferred to the Lead Beneficiary by the JTS. The Russian Federation funds shall be used for financing the actions within the Project only on the territory of the Russian Federation.

3.3.2. the co-financing funds of the Lead Beneficiary and the Beneficiary(ies). The amount of 10 % of the total eligible Project budget shall be co-financing of the Lead Beneficiary and Beneficiary(ies) to the Project and shall be financed from their resources or from sources other than the EU budget.

3.4 If the European Commission (hereinafter – the EC) and/or the Russian Federation fails to make the funds available to the Programme for any reason, the MA and the JTS are entitled to withhold payments for as long as needed or, as an ultimate measure, the MA is entitled to terminate the Contract.

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

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

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

4.2 The Lead Beneficiary shall:

a) carry out the Project vis-à-vis the MA and the JTS 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 and the Project Budget in the Annex I and Annex II to the Contract and the terms and conditions of the Contract and the Guidelines with Annexes;

b) be responsible for complying with any obligation incumbent on it and the Beneficiaries from the Contract;

c) ensure the observance of the eligibility, public procurement, visibility and state aid rules as stated in the Contract, the Guidelines with Annexes, the Programme as well as with the other applicable EU and national legislation for the purposes of the Project implementation;

d) ensure that all the information to be provided and requests made for the Project to the MA and the JTS are sent via the Lead Beneficiary;

e) be the mediator for all communication between the Beneficiaries, the MA and the JTS;

f) 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;

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g) be aware and make the Beneficiaries aware and agree that, for the purposes of protection of the financial interests of the Russian Federation, their data may be transferred to the National Authority of the Programme – Ministry of Economic Development of the Russian Federation;

h) 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 Programme 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 the Beneficiaries under the Contract;

i) ensure that itself and Beneficiaries be legally and financialy responsible for the activities they implement and for the share of the Programme funding they receive; establish and maintain the Project management and accounting system that allows itself and 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;

j) determine with the Beneficiaries the necessary procedures for decision-making and coordination appropriate for specifics of the Project, the 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 the Project outputs and results;

k) be responsible for supplying all the documents and information in full and timely to the MA 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 the 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 MA or the JTS. Any information given, as well as any request made by the Project to the MA or the JTS, shall be deemed to have been given in agreement with all the Beneficiaries;

l) inform immediately the MA via the JTS in writing about any circumstances that may affect or delay the implementation of the Project, or improper Project implementation;

m) inform immediately the MA via the JTS of any change in the legal, financial, technical, organisational or ownership situation of itself and any of the Beneficiaries, as well as, of any change in the name, address or legal representative of itself and any of the Beneficiaries, changes in management staff and auditor(s);

n) be responsible in the event of audits, checks, monitoring or evaluations, as described in Articles 7, 8, 12 of the Contract for providing all the necessary documents, including the accounts of itself and the Beneficiaries, copies of the supporting documents and contracts concluded;

o) be the sole recipient, on behalf of all of the Beneficiaries, of the payments of the MA and the JTS. The Lead Beneficiary shall ensure that the appropriate payments are 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 MA and the JTS deducts them from payments to the Lead Beneficiary;

p) ensure that the expenditure presented by itself and 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;

q) ensure that all the Project expenditure and revenues gained by itself and 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;

r) verify that the expenditure presented by itself and the Beneficiaries has been examined by the auditor according to the requirements set in the Article 8 of the Contract;

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s) undertake liability for all the actions undertaken by itself and the Beneficiaries, which cause a violation of the obligations under the Contract;

t) be responsible for the recovery of the Programme funding from all the Beneficiaries and transfer of the recovered amounts to the MA or the JTS;

u) not delegate any, or part of, these tasks to the Beneficiaries or other entities.

## ARTICLE 5 - PAYMENT OF THE GRANT

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

5.1. The payments of Programme funding will be made 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;
- further pre-financing of 40 % of the amount referred to in Point 3.2. of the Article 3, after the MA receives a letter on the approval of the progress report from the JTS in accordance with Article 7 to the Contract, accompanied by a request for further pre-financing payment;
- the (final) balance payment.

5.2. If additional clarifications for the progress or final report are requested by the MA, the term for payment of further pre-financing (interim) or (final) balance payment is prolonged.

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

5.4. Further pre-financing may only be paid in full if the part of the expenditure actually incurred and which is financed by the MA and the JTS (by applying the 90 %) 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 the Article 7 of 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 unused amounts of the previous pre-financing payment.

5.5. The further pre-financing payment of the EU funds shall be made by the MA within 30 working days from the reception of the letter on approval of the progress report by the JTS. The payment of the Russian Federation funds shall be made by the JTS within 20 working days after the MA confirms approval of the progress report or/and executed payment of the EU funds, in the event Russian Federation funds are available at the JTS.

5.6. The (final) balance payment of the EU funds shall be paid by the MA within 30 working days after the MA receives a letter on approval of the final report from the JTS in accordance with the Article 7 of the Contract, accompanied by a request for payment of the (final) balance payment. The payment of the Russian Federation funds shall be made by the JTS within 20 working days after the MA confirms approval of the final report or/and executed payment of the EU funds, in the event Russian Federation funds are available at the JTS.

5.7. In case where the pre-financing instalments are to be paid to the Lead Beneficiary, the first instalment of pre-financing shall be paid to the Lead Beneficiary within 30 working days, as from the date of reception of the request for payment from the Lead Beneficiary and the approval of the auditors for the Lead Beneficiary or / and Beneficiaries in Lithuania by the JTS and MA in accordance with the Article 7 of the Contract. The payment of the Russian Federation funds shall be made by the JTS within 20 working days after the MA confirms executed payment of the EU funds, in the event Russian Federation funds are available at the JTS.

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

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

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

5.1. The payments of the Programme funding will be made 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;
- further pre-financing instalments designed to normally cover the 80% of the Lead Beneficiary and the Beneficiaries financing needs for each six months period of the project implementation, but each instalment not exceeding 25 % of the Programme funding amount referred to in Point 3.2. of the Article 3 to the Contract, after the MA receives a letter on approval of the progress report from the JTS in accordance with Article 7 to the Contract, accompanied by a request for further pre-financing payment;
- the (final) balance payment.

5.2. If additional clarifications for the progress or final report are requested by the MA, the term for payment of further pre-financing (interim) or (final) balance payment is prolonged.

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

5.4. Further pre-financing may only be paid in full if the part of the expenditure actually incurred and which is financed by the MA and the JTS (by applying the 90 %) 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 the Article 7 of 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 unused amounts of the previous pre-financing payment.

5.5. The further pre-financing payment of the EU funds shall be made by the MA within 30 working days from the reception of the letter on approval of the progress report by the JTS. The payment of the Russian Federation funds shall be made by the JTS within 20 working days after the MA confirms approval of the progress report or/and executed payment of the EU funds, in the event Russian Federation funds are available at the JTS.

5.6. The (final) balance payment of the EU funds shall be paid by the MA within 30 working days after the MA receives a letter on approval of the final report from the JTS in accordance with the Article 7 of the Contract, accompanied by a request for payment of the (final) balance payment. The payment of the Russian Federation funds shall be made by the JTS within 20 working days after the MA confirms approval of the final report or/and executed payment of the EU funds, in the event Russian Federation funds are available at the JTS.

5.7. In case where the pre-financing instalments are to be paid to the Lead Beneficiary, the first instalment of pre-financing shall be paid to the Lead Beneficiary within 30 working days, as from the date of reception of the request for payment from the Lead Beneficiary and the approval of the auditors for the Lead Beneficiary or / and Beneficiaries in Lithuania by the JTS and MA in accordance with the Article 7 of the Contract. The payment of the Russian Federation funds shall be made by the JTS within 20 working days after the MA confirms executed payment of the EU funds, in the event Russian Federation funds are available at the JTS.

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

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

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**Option 3: All projects**

5.1. The interim and / or (final) balance payment of the EU funds shall be paid by the MA within 30 working days after the MA receives a letter on approval of the progress / final report from the JTS in accordance with the Article 7 of the Contract, accompanied by a request for payment for the interim / (final) balance payment (reimbursement). The payment of the Russian Federation funds shall be made by the JTS within 20 working days after the MA confirms approval of the progress / final report or / and executed payment of the EU funds, in the event Russian Federation funds are available at the JTS.

5.2. If additional clarifications for the progress or final report are requested by the MA, the term for interim or (final) balance payment is prolonged.

5.3. The amount of the Programme funding from each funding source (the EU funds and the Russian Federation funds) paid to the Lead Beneficiary after approval of the progress / final report shall depend on expenditure actually incurred during the reporting period and percentage (90 %) fixed in the Point 3.2 of the Article 3 of the Contract.

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

## ARTICLE 6 - ELIGIBILITY OF COSTS

6.1 The Lead Beneficiary shall ensure that all expenditure included in the Project budget 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 Lead Beneficiary and 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 for the preparation of strong partnerships including costs of travel and subsistence incurred by the Lead Beneficiary and the Beneficiaries in relation to the preparation of the GAF, which can be incurred and paid after the publication of the Call for Proposals;

b) they are indicated in the Project 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 Lead Beneficiary and the Beneficiaries and determined according to the accounting standards and the usual cost accounting practices applicable to them;

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;

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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 7.4 of 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 the section 7.4 of the Guidelines, may have been initiated and contracts may be concluded by the Lead Beneficiary and the Beneficiary(ies) before the start of the implementation period of the Project, provided the provisions of the section 7.4 of the Guidelines have been respected.

6.4 Indirect administrative costs related to office running for the purposes of the Project (e.g., consumables, rent of office, electricity, heating, cleaning, phone, etc.) can be claimed in the Budget Heading 7 "Indirect Administrative Costs" and calculated as a flat rate up to 7% of the Budget Heading 1 "Human Resources".

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

6.6 The methods used by the Lead Beneficiary and the Beneficiaries to determine lump sums and flat-rates shall be clearly described and substantiated in the Project Description and/ or the Project Budget 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 the Point 6.7 of the Article 6 of the Contract or costs already declared under another costs item or budget heading of the Project under the Contract. The lump sums or flat-rates may not be amended unilaterally.

6.7 Cash transfers between the Lead Beneficiary and/ or the Beneficiaries and/ or affiliated entities may not be considered as costs incurred and paid.

6.8 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 act / certificate for works and proofs of registration of the object according to the national legislation is a necessary requirement to consider the whole cost of works as eligible for the Programme funding.

6.9 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 the Beneficiaries and already financed by the EU budget;

d) purchases of land or buildings;

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 the Russian Federation;

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;

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k) depreciation costs;

l) costs of subcontracting Beneficiaries or employees of Beneficiary(ies).

## ARTICLE 7 – REPORTING ARRANGEMENTS

7.1 Progress reports shall be produced for every 6 months during the Project implementation period counting from the Project start date, according to the provisions of the Point 2.1 of the Article 2 of the Contract and shall be submitted by the Lead Beneficiary to the MA via the JTS within 30 calendar days after the end of the respective period.

7.2 The final report shall be submitted by the Lead Beneficiary to the MA via the JTS within 2 months after the end date of the Project.

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

7.4 In case the request described in the Point 7.3 of the Article 7 of 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 MA via the JTS with all the required information on the implementation of the Project in the reports. In this regard the progress and final reports shall:

a) cover the Project as a whole, regardless of which part of it is financed by the MA and the JTS and shall cover information of the Lead Beneficiary and the Beneficiaries. Each report must provide a full account of all aspects of the Project's implementation for the period covered;

b) 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;

c) be drafted using the templates provided in the Guidelines, be supported by individual expenditure verification reports for the Lead Beneficiary and each Beneficiary, Lead Beneficiary's request for the further pre-financing (interim) payments or payment of the (final) balance, where applicable, and include other requested annexes indicated in the Guidelines and its Annexes;

d) 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 MA / the JTS in the progress and final reports and to submit corresponding documents anew by the day set by the MA/ the 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 English. 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 MA for the final approval and payment procedure.

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

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a) if the documents are prepared properly, to approve the progress/ final report;

b) 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 via the JTS 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 MA may suspend the time-limit for the approval of a progress/ final report by notifying the Lead Beneficiary via the JTS 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 JTS. In such cases, the JTS may request clarification, alteration or additional information, which must be produced within 20 working days of the request, unless otherwise indicated. The time-limit starts running again on the date the required information is received. The MA is entitled to withhold any payment of the Programme 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 Programme funding amount to the Project.

7.9 Any progress and final report shall be considered approved if no written reply from the MA/ the JTS is sent within 30 working days of its receipt accompanied by the required documents.

7.10 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 MA and the JTS 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 the Contract in accordance to the provisions of the Article 22 of the Contract.

## ARTICLE 8 - EXPENDITURE VERIFICATION

8.1 Expenditure declared by the Lead Beneficiary and the Beneficiaries in the Project progress and final report shall be examined by a competent auditor being independent from the Lead Beneficiary and the Beneficiaries in accordance to the provisions of Section 7.5.3 of the Guidelines. The expenditure verification report shall conform to the model set in the Guidelines and shall be produced by an auditor approved by the relevant Programme bodies.

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

8.3 The Lead Beneficiary and each Beneficiary shall select an auditor using the applicable public procurement procedure in accordance with requirements set in the Section 7.5.3 of the Guidelines and shall sign the agreements with the selected auditors only after the approval of selected auditor(s) by the relevant Programme body. The Lead Beneficiary shall inform in written the MA via the JTS on the selected auditors who meet the specific conditions set by the EU, the Programme and national requirements for the Lead Beneficiary and all the Beneficiaries before the Lead Beneficiary's request for the initial pre-financing instalment. The Programme bodies have the right of rejecting the selected auditor(s) for justified reasons. The MA reserves the right to require to replace the auditor if considerations, which were unknown when the Contract was signed, cast doubt on the auditor's independence or professional standards.

8.4 The Lead Beneficiary shall ensure that the expenditure and activities of the Lead Beneficiary and 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 itself and 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 7.5.3 of the Guidelines.

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8.5 The expenditure verification shall be performed on the basis of an agreed-upon procedure as set in the Section 7.5.3 of the Guidelines and Annex IX 'Expenditure Verification Report'. The Lead Beneficiary shall ensure that the auditor shall examine whether the costs declared by itself and 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 the 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 The Lead Beneficiary and the Beneficiaries shall allow auditor 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 on-the-spot checks. The Lead Beneficiary and the Beneficiaries shall give access to all documents and databases concerning the technical and financial management of the Project, the Project outputs, deliverables and sites. The Lead Beneficiary and the Beneficiaries are responsible to provide the requested documents and explanations at any time on verification process to the auditor within requested deadlines.

## ARTICLE 9 - PUBLIC PROCUREMENT

9.1 If the implementation of the Project requires procurement of goods, works or services by the Lead Beneficiary and the Beneficiaries, the rules set in the section 7.4 of the Guidelines shall apply. In particular the following shall be applied:

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

b) where the Lead Beneficiary / 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 July 2015, ;

c) where the Lead Beneficiary / the Beneficiary is a private entity and does not fall under the Russian national procurement legislation, provisions of the Financing agreement and it's Annex II "Award of procurement contracts by Russian private beneficiaries"shall be applied;

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

9.2 In all cases, the rules of nationality and origin set forth in Articles 8 and 9 of Regulation (EU) No 236/2014 and provisions of the Financing agreement shall apply.

## ARTICLE 10 - ACCOUNTANCY AND EXCHANGE RATE

10.1 The Lead Beneficiary shall ensure that itself and each Beneficiary receiving the Programme funding shall:

a) open a separate bank account or sub-account for reception of the Programme funding in Euro;

b) maintain either a separate accounting system or a suitable accounting code for all transactions relating to payments for the Project and accountancy of the Project costs;

c) indicate the Project No on the original invoices which are paid from the Project Budget and reported as the Project costs, or in the invoice it shall be indicated that invoice is issued in the frame of the implemented Project. In case the invoice is partly paid from the Project Budget or only part of the amount is reported as the Project costs - exact paid/ reported amount from the Project (the

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Programme funding or own co-financing of the Lead Beneficiary or the Beneficiaries) should be indicated on the invoice;

d) have 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 Lead Beneficiary and the Beneficiaries shall have accurate and regular accounting of the 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 Lead Beneficiary / the Beneficiary‘s regular book-keeping system or an adjunct to that system.

10.3 The Lead Beneficiary and the Beneficiaries 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.

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 Lead Beneficiary and 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 Lead Beneficiary and the Beneficiaries shall take all the necessary steps to publicise the fact that the Project is co-financed by the Programme. Such measures shall comply with the provision of Section 7.7. of the Guidelines, and ‘*Communication Handbook’* and ‘*Communication and Visibility Manual for European Union External Actions’* laid down and published by the EC, that can be found at: http://ec.europa.eu/europeaid/work/visibility/index_en.htm. The Lead Beneficiary and the Beneficiaries are obliged to follow the requirements of these documents and to use the logo of the Programme together with the EU flag and the inscription mentioning the EU funding to the Project on all the communication materials.

11.2 The Lead Beneficiary / the Beneficiaries receiving Russian co-financing shall obey the Practical Recommendations for Projects Participants on the Information Coverage of the Russian Federation Participation in Cross-Border Cooperation programmes between Russia and the EU, that can be found at: http://economy.gov.ru/minec/activity/sections/mps/programs/2017220202 and to use the logo of the Programme, the EU flag together with the flag of the Russian Federation and the inscription mentioning the EU and Russian co-financing to the Project on all the communication materials.

11.3 The Lead Beneficiary and the Beneficiaries shall mention the Project and the Programme funding in information given to the public, target groups, in documentation and any publications in the media. It shall display the EU and the Programme logos and, if applicable, the flag of the Russian Federation.

11.4 The Lead Beneficiary and each Beneficiary shall publish at least 2 articles in the local, regional or national press during the Project implementation period aimed at informing the audience about the Project and its aims and present the achievements of the Project. The articles must contain the EU and the Programme logos, description of the Programme funding to the Project, sum allocated by the Programme to the Project (in EUR and local currency), and short information about the Programme.

11.5 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.

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11.6 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.

11.7 Each piece of equipment or supplies and promotion gadgets, 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, and, if applicable, the Russian Federation.

11.8 Other requirements for visibility and information of printed publications, websites, public social media accounts, publications in press and internet news portals, video and audio production, events materials are set in the Section 7.7.2 of the Guidelines.

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

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

11.11 The MA, the JTS and the EC is authorised to publish the Lead Beneficiary's and 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 Programme 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 Lead Beneficiary and / or the Beneficiary(ies) or harm their interests and has been agreed in written with the MA.

## ARTICLE 12 – EVALUATION AND MONITORING OF THE PROJECT

12.1 The Lead Beneficiary and the Beneficiaries shall allow verifications, an interim or ex post evaluation or a monitoring missions, visits to the Project and on-the-spot checks to be carried out by the MA, the JTS or the EC, the European Anti-Fraud Office, the European Court of Auditors and any external auditor or other third parties authorised by the MA. 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 Lead Beneficiary and 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 Lead Beneficiary and the Beneficiaries shall allow the above entities to:

a) access the sites and locations at which the Project is implemented;

b) examine its accounting and information systems, documents (in a form of originals, where requested) and databases concerning the technical and financial management of the Project;

c) examine the produced outputs and results of the Project;

d) take copies of the documents;

e) carry out on on-the-spots checks;

f) conduct a full audit on the basis of all accounting documents and any other document relevant to the financing of the Project and the Project Budget.

12.3 Access given to agents of the MA, the JTS, the EC, European Anti-Fraud Office and the European Court of Auditors and to any external auditor authorised by the MA 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



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13.1 Any amendment to the Contract, including the annexes thereto, shall be set out in writing.

13.2 The amendment may not have the purpose or the effect of making changes to the 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 a minor or substantial amendment in accordance to the provisions of the Section 7.6 of the Guidelines. Change may not affect any of the objectives and results of the Project.

**Substantial Amendments**

13.4 The Lead Beneficiary must submit request for a 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 Project 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 the 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 the 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. A new/replacing Beneficiary must meet the eligibility criteria and have the similar or higher operational, management and financial capacity;

13.4.7 Change of the period of implementation of the Project;

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

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

**Minor amendments**

13.7 The Lead Beneficiary must submit request for a minor amendment in one of the following cases where the amendment to the Project Budget or the 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 Changes in the Project Budget are limited to a transfer between the Project budget items within the same Budget Heading including cancellation or introduction of the Project 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.

13.7.5 Changes in the Project Description if they do not affect the basic purpose of the Project and do not alter significantly activities of the project.

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13.7.6 Change of the auditor, which shall be approved by the MA.

**Notification**

13.8 Changes of correspondence address and management staff shall be notified by the Lead Beneficiary to the JTS by the official informative letter.

## ARTICLE 14 - PUBLIC BENEFIT AND NO PROFIT

14.1 The Programme funding (grant) may not produce a profit for the Lead Beneficiary and the Beneficiaries. In the case of the Programme 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. Other provisions on availability of outputs and results of the Project may be allowed only with the prior written consent of the MA.

## ARTICLE 15 - IRREGULARITIES AND RECOVERY PROCEDURES

15.1 A substantial error or irregularity shall be any infringement of a provision of the Contract or regulation resulting from an act or an omission which causes or might cause a loss to the EU budget. The above-mentioned irregularity occurs due to the Project or failure to act of the Lead Beneficiary and / or 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:

a) providing of false information in the GAF or the Project progress/final report;

b) not providing the necessary documents to the auditors, the MA, the JTS, the EC and other authorised institutions responsible for carrying out control and monitoring tasks;

c) not observing the requirements of the Project sustainability and ownership;

d) not observing the national public procurement requirements and the Programme procurement rules;

e) infringements of other Contract provisions or provisions of the EU or applicable national legal acts which have caused or may cause that irregular expenditure is incurred;

f) failure to reach the Project outputs and results according to the Contract;

g) not observing the Programme publicity and visibility requirements;

h) other cases, that imply the ineligible Project costs.

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

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

15.4 The Lead Beneficiary is responsible to recover the amounts unduly paid with any interest on late payments, if set, to the MA. The MA 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 the Programme funds.

15.5 Where the recovery relates to a claim against the Lead Beneficiary and / or the Beneficiary, which is a Public Entity established in the Russian Federation, and the MA is unable to recover the debt, the



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Russian National Authority shall provide the reimbursement of funds unduly spent in accordance with its national procedures on the basis of a complete file of the MA. Where the request of the MA did not succeed in recovery, the EC has the right to file such a request to the Russian National Authority. Without prejudice to the responsibility of the MA to recover funds unduly spent from any beneficiary established in the Russian Federation, except for Public Entities and after the MA has undertaken all possible measures to recover, the EC may proceed to the recoveries on behalf of the MA by any means, including by offsetting and by forced recovery before the competent court.

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

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

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

15.9 The MA may also suspend payments in cases where there are suspected or established errors, irregularities or fraud committed by the Lead Beneficiary/ the Beneficiaries, in the performance of another contract funded by the general budget of the EU 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 MA.

## 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 the Beneficiaries.

16.2 Without prejudice to the Point 16.1 of the Article 16 of the Contract, the Lead Beneficiary and the Beneficiaries grant the right to the MA, the JTS and the EC to use freely 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 Lead Beneficiary and the Beneficiaries shall ensure that it has all rights to use any pre-existing intellectual property necessary to implement the Contract.

16.4 The Project including an infrastructure component shall repay the Programme 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 Lead Beneficiary and the Beneficiaries are not allowed to assign their duties and rights under the Contract without the prior consent of the MA. In the case of legal succession, the Lead Beneficiary and the Beneficiaries concerned are obliged to transfer all duties under the Contract to the legal successor.

## ARTICLE 17 - DATA PROTECTION

17.1 The Project and personal data will be processed solely for the purposes of the performance, management and monitoring of the Contract by the MA and the JTS and may also be passed to the bodies charged with monitoring or inspection tasks under the EU law. The Lead Beneficiary and the Beneficiaries will

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have the right of access to their Project data and the right to rectify any such data. If the Lead Beneficiary and the Beneficiaries have any queries concerning the processing of the Project and personal data, they shall address them to the MA via the JTS .

17.2 The Lead Beneficiary and the Beneficiaries shall limit access and use of the Project and personal data to that strictly necessary for the performance, management and monitoring of the 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 MA and the JTS cannot under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Lead Beneficiary and / or the Beneficiaries while the Project is being carried out or as a consequence of the Project. The MA and the JTS cannot, therefore, accept any claim for compensation or increases in payment in connection with such damage or injury.

18.2 The Lead Beneficiary and 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 Lead Beneficiary and the Beneficiaries shall discharge the MA and the JTS of all liability arising from any claim or action brought as a result of an infringement of rules or regulations by the Lead Beneficiary's and 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 Lead Beneficiary and the Beneficiaries shall be considered as third parties.

## ARTICLE 19 - CONFLICT OF INTERESTS AND GOOD CONDUCT

19.1 The Lead Beneficiary and the Beneficiaries shall take all necessary measures to prevent or discontinue any situation that could compromise the impartial and objective performance of the 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, the Lead Beneficiary and 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 the Contract must be notified in writing to the MA via the JTS without delay. In the event of such conflict, the Lead Beneficiary shall immediately take all necessary steps to discontinue it.

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

19.4 The Lead Beneficiary and 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 the Contract, the Lead Beneficiary and / or the Beneficiaries shall replace, immediately and without compensation from the MA, any member of its staff if he/she was found in such situation.

19.5 The Lead Beneficiary and 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

20 The Lead Beneficiary and 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 of the Contract and

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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 the 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 Lead Beneficiary and 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:

a) original Contract with annexes and its amendments;

b) original(s) of the Partnership Agreement(s) and all of its amendments;

c) originals of all correspondence with the Programme institutions and between the Lead Beneficiary and the Beneficiaries;

d) all documents related to the amendments in the Project and related justification (requests for amendments, decisions, etc);

e) originals and copies of all reports submitted to the Lead Beneficiary or the JTS and the auditors' expenditure verification reports including supporting documents;

f) 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);

g) originals of all documents confirming implementation of the Project activities (agendas and minutes of the meetings, signed participants' lists, construction documents, acceptance acts, produced outputs, and other);

h) originals or copies of publication materials and evidence of outputs (brochures, articles, printouts of websites, photos, examples of promotion gadgets, etc.);

i) all other documents relating to the Programme financing, including documents related to the 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, the Lead Beneficiary and the Beneficiaries shall be aware of the following:

a) 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;

b) 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 the 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 the Contract shall be easily accessible and filed so as to facilitate their examination and the Lead Beneficiary shall inform the MA of their precise location.

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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 the Contract. In this case, the MA 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 the Programme 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 the Contract improperly, the MA shall be entitled to demand from the Lead Beneficiary to eliminate the violations of the Contract within the terms set by the MA and to suspend the fulfilment of its contractual obligations for this time period.

22.2 The MA may terminate the Contract and/ or demand repayment of the Programme 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 Lead Beneficiary and / or the Beneficiaries have received the Programme 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 the Lead Beneficiaries and the Beneficiaries in the Section 3.2 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 Programme funding allocated for the Project implementation was used breaching the provisions of the 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 financial interests of the EU and the Russian Federation;

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

22.2.10 the Lead Beneficiary and/ or Beneficiaries fail, without justification, to fulfil any substantial obligation incumbent on them individually or collectively by the 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 Lead Beneficiary and / or the Beneficiary(ies) is bankrupt, subject to insolvency or winding up

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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 Lead Beneficiary and / or the Beneficiary(ies) or in situations listed in Section 3.2 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 the 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 MA 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 the Lead Beneficiary and / or the Beneficiaries substantially affects the implementation of the 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 the Contract or any information related to the Project required by the MA;

22.2.16 the MA has evidence that the Lead Beneficiary and/ or the 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 MA has evidence that the Lead Beneficiary and / or the Beneficiaries is subject to a conflict of interests;

22.2.18 the MA has evidence that the Lead Beneficiary and / or 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 the Programme funding.

The cases of termination under above points may refer also to persons who are members of the administrative, management or supervisory body of the Lead Beneficiary and / or the Beneficiaries and/ or to persons having powers of representation, decision or control with regard to the Lead Beneficiary and / or 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 MA according to the provisions of the Contract takes a decision on recovery of the Programme funding amounts already paid to the Lead Beneficiary in full or in part, the Lead Beneficiary is obliged to transfer the appropriate amount within 60 calendar days from the date of issuing the MA's decision on recovery of the Programme funding. 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 application of interest rate will be determined in accordance with the regulations of the Government of the Republic of Lithuania on recoveries of the Programme funds.

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

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

22.6 The Contract may be terminated upon a written notice from the Lead Beneficiary within 3 months if the Lead Beneficiary refunds the Programme funding paid to the Project and the interest due, if set by the

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MA.

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 the 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 The 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 the Contract must be in writing, state the Project number and title of the Project and be sent to the MA 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 the 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 Programme funding for the Project implementation.

23.6 Disputes regarding the implementation of the Contract shall be settled by negotiations. The parties of the Contract shall do everything possible to settle amicably any dispute arising between them during the implementation of the 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, the MA and the JTS 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 MA may notify the other parties 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: the Project description;
- Annex II: the Project Budget;
- Annex III: the Declaration by the Applicant;
- Annex IV: Financial Identification Form.

Done in English in three originals: one original being for the MA, the second one for the JTS and the third one original being for the Lead Beneficiary.

| MANAGING AUTHORITY | JOINT TECHNICAL SECRETARIAT | LEAD BENEFICIARY |
|---|---|---|
| Ministry of the Interior of Republic of Lithuania<br>Šventaragio st. 2, LT 01510 Vilnius<br>Phone: +370 5 271 71 30<br>Fax: +370 5 271 85 51 | The Public Establishment Joint Technical Secretariat<br>Konstitucijos av. 7, LT 09308 Vilnius<br>Phone: + 370 5 261 0477<br>Fax: +370 5 261 0498 | |

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| E-mail: bendrasisd@vrm.lt<br>Registration code: 188601464<br>VAT payer code: LT886014610<br>Bank:<br>Bank code:<br>Account number:<br><br>Name_____<br>_____<br><br>Title Chancellor<br>_____<br><br>Signature and stamp *(if available)*<br>_____<br>_____<br><br>Place,<br>date_____ | E-mail: info@vilniusjts.eu<br>Registration code: 300075874<br>Bank: „Swedbank", AB<br>Bank code: 7044<br>Account number: LT407300010157424031<br><br>Name_____<br>_____<br><br>Title Director<br>_____<br><br>Signature and stamp *(if available)*<br>_____<br>_____<br><br>Place,<br>date_____ | Name_____<br>_____<br><br>Title_____<br>_____<br><br>Signature and stamp *(if available)*<br>_____<br>_____<br><br>Place,<br>date_____ |

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