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SUBSIDY CONTRACT for the implementation of the project **CBxx Acronym** Central Baltic programme

Preamble

The subject matter of this contract is the legally binding agreement on implementation and management of the project **CBxx Acronym (Full name)**, approved with the identification, partners and budget information as set in Annex 1.

The contract refers to the Application Form as approved by the Monitoring Committee (Annex 2) and, in case of conditions, by the Managing Authority and set as approved by the Managing Authority in the e.monitoring system Jems. The valid Application Form is always the one in Jems. Any modifications are done and approved in Jems and they replace the original Application Form.

The contract is signed between the Regional Council of Southwest Finland (hereinafter referred to as the Regional Council) acting as Managing Authority of the Central Baltic programme and the lead partner of the project.

Abbreviations

AA - Audit Authority

Central Baltic programme - Central Baltic Programme 2021-2027

EC - European Commission

ERDF - European Regional Development Fund

EU - European Union

National control - the first level control body

JS - Joint Secretariat

LP - lead partner

MA - Managing Authority

MC - Monitoring Committee

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PP - project partner

§ 1

Applicable legal framework

The LP confirms with its signature that it has read the Programme Manual and the Subsidy Contract and will commit itself to reading later additional guidance documents or information sent by the JS/MA and is aware of the applicable rules. The LP further confirms that it has and will clarify all potentially unclear elements with the JS/MA. The LP understands its role and responsibility in forwarding all relevant information and guidance to the PP's and ensuring that they follow all set rules. The LP is recommended to establish self-check systems to ensure that the whole partnership follows the programme rules at all stages of implementation.

The LP guarantees that the project is implemented and managed in accordance of the valid regulations as well as the horizontal policies of the EU, the Programme Manual and valid national legislation:

- Re 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 and repealing Council Regulation (EC, Euratom) No 966/2012, together with related Delegated or Implementing Acts;
- The European Structural and Investment Funds Regulations, Delegated and Implementing Acts for the 2021-2027 period, especially:
 - Regulation (EU) No 2021/1060 of the European Parliament and of the Council of 24 June 2021, laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund, and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, and repealing Council Regulation (EC) No 1303/2013, and any amendment;
 - Regulation (EU) No 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund, and repealing Regulation (EC) No 1301/2013, and any amendment;
 - Regulation (EU) No 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial goal (Interreg) supported by the European Regional

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Development Fund and external financing instruments, and repealing Regulation (EC) No 1299/2013, and any amendment;

- Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing directive 95/46/EC (General Data Protection Regulation, GDPR);
- Articles 107 and 108 of the Treaty on the Functioning of the European Union, Commission Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid, Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty; Delegated and Implementing acts, as well as all applicable decisions and rulings in the field of state aid;
- All other EU legislation and the underlying principles applicable to the LP and the PPs, including the legislation laying down provisions on competition and entry into the markets, the protection of the environment, and equal opportunities between men and women;
- National rules applicable to the LP and its PPs and their activities;
- Project data, comprising but not limited to latest project documentation such as application form and all project information available in the electronic system (Jems);
- All manuals, guidelines and any other documents relevant for project implementation (e.g., Programme Manual and practical guides) in their latest version, as published on the programme website or handed over to the LP directly during the project implementation.

Programme documents:

- The Central Baltic Programme Document (CCI 2021TC16RFCB013), approved by the EC on 7.6.2022, setting the strategy and objectives of the programme;
- All manuals, guidelines and any other documents relevant for project implementation (e.g., Programme Manual and practical guides) in their latest version, as published on the programme website or handed over to the LP directly during the project implementation.

Principles to be applied:

- In case EU regulations are in place for a certain topic, these take precedence. In the absence of EU regulations, the programme MC may set programme-specific rules in the Programme Manual. In case none of the above has regulated a certain topic, national rules apply.

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§ 2

Award of subsidy

1.

The MC has approved the project on DD.MM.YYYY. The decision of the MC is based on the criteria set out in the Programme Manual and approved by the MC. In case the MC has set special conditions they have to be followed (Annex 2).

2.

On the basis of the MC decision an earmarked subsidy of XX euro is awarded by the MA to the LP organisation of the project from the ERDF.

The project financing is the sum of the total amount PPs own contribution in the participating Member States/Åland and the total ERDF co-financing awarded from funds of the Central Baltic programme. The ERDF co-financing is the maximum provisional amount.

The disbursement of ERDF funding is conducted in accordance with the project partner ERDF co-financing rate as approved in the Application Form.

Underspending in general will lead to proportional reduction of the programme funding for the project. The final amount of the ERDF will be paid on the basis of the reported total eligible expenditure only.

3.

Simplified Cost Options used

a. A lump sum for preparation costs is included in the project budget for all approved projects. The lump sum is 13 550 euro. The lump sum may include costs related to the preparation of the project application (meetings between partners, staff costs and costs related to preparing investment documents).

b.

Staff costs - Hourly rate as a Standard Scale of Unit Cost, the staff costs are paid as an hourly rate which has been defined for each country

c.

Office and administration costs - Paid as a flat rate; the flat rate is counted as 15% of the eligible staff costs

d.

Travel and accommodation costs - Paid as a flat rate; the flat rate is counted as 15% of the eligible staff costs



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e.

External expertise and services

f.

Equipment costs - Project management equipment unit cost is paid based on the hours worked for the project declared for staff costs in each period and for each employee.

4.

Considerable underspending of project funds will lead to cutting the project budget and ERDF funding respectively.

The assessment of project spending will be made based on the Project Report of the 3rd reporting period. The project is allowed to underspend up to 20% of its budget foreseen for these periods. Underspending beyond the set limits is only acceptable in cases where individual costs have been delayed due to reasons beyond the control of the PP(s).

If the project has underspent more than the allowed amount, the amount exceeding the set limit will be deducted from the project budget and ERDF funding. Where relevant, the LP will be contacted by the MA to clarify the spending of each period and the potential need for cutting the budget. In these cases a Subsidy Contract amendment will be made.

5.

Disbursement of the subsidy will be made subject to the condition that the national controls (Article 74 of CPR Regulation) as well as the certification by the MA have been carried out adequately.

6.

If the EC fails to make funds available to the programme for whatever reason, the MA is entitled to withhold payments for as long as is needed or, as an ultimate tool, to terminate this contract.

7.

If the LP or the PP fails to meet the requirements of the co-financing as set out in this contract (§2 (2)) based on the approved Application Form the MA is either entitled to terminate this contract or reduce the amount of subsidy proportionately to the reduced co-financing depending on the case. The project expenditure for real costs must be visible in project accounting (cost centre) to enable the verification of accumulated own contribution. Any claim by the LP against the MA for whatever reason is excluded after the parties concerned have exchanged information on the matter and no mutual consent has been found within reasonable time.



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8.

The subsidy has been granted under the General Block Exemption Regulation (Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty) Article 20 and/or Article 20a.

9.

The LP of the project is obliged to set up a Steering Group for the project immediately but at the latest within 1 month after signing this contract. The JS contact person shall be invited to all Steering Group meetings.

§ 3

Object of use, eligibility of costs and reallocation

1.

The subsidy is awarded exclusively to the LP for the implementation of the project as it is described in the Application Form approved by the MC and for preparation costs.

The project start date is xx.xx.xxxx and its duration is xx months.

2.

The LP and PP shall implement the project with the requisite care, efficiency, transparency and diligence, in line with best practice in the field concerned and in compliance with this contract. For this purpose the LP and PP shall mobilise all the financial, human and material resources required for full implementation of the project as specified in the Application Form.

3.

Costs which qualify for a subsidy pursuant to § 2 Award of subsidy exclusively consist only of eligible costs as validated by the national control and certified by the MA according to the budget structure of the approved Application Form. The eligibility of costs for ERDF is regulated by the compliance of the expenditure with the legal provisions of §1 Applicable legal framework, §7 Communication and publicity and of the Programme Manual. Partner Reports must be validated by the national controller and then a Project Report submitted by the LP to the JS in compliance with the procedure set out in the Programme Manual and the Guide for Project Implementation.

Costs for the project implementation are eligible if they have been paid out in between the start date and the end date of the project. In addition to the project duration, project preparation costs will be covered as a lump sum.

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The project activities must be finalised 1 month before the end of the project. The last month of the project is a so-called closure period, when only costs for project management (salaries, office and administration costs) for the LP can occur.

4.

During the project implementation the project may use the flexibility rule as described in the Programme Manual. The LP is entitled to apply for modifications (beyond the flexibility rule) to the budget or content during project implementation. Modifications should be done not more than 2 times. Such modifications require an official Modification Request to the JS/MA in accordance with the procedure set in the Programme Manual. The modified budget and/or content will enter into force only after decision by the MA/MC. This may require also a modification of the Subsidy Contract. The LP is obliged to clearly state the nature of modifications and the arguments behind each modification whether budget/financing or content related in the Modification Request submitted to the JS.

5.

If in justified cases the project requires a prolonged duration due to technical and administrative reasons, the LP will have to follow the instructions set out in the Programme Manual. The prolonged duration should not be more than 3 months and is to be applied at the latest six months before the approved end date of the project.

6.

The Lead Partner must report on its chosen output and result indicators as requested and with related evidence during and after project implementation.

Where the Lead Partner has not fulfilled the obligation to report on data and evidence about achieving target levels of output or result indicators that are required after project completion, the financial correction is 5% of the project total ERDF budget.

7. The Joint Secretariat/Managing Authority takes no responsibility for information given by the project in the Application Form on procurements. This information must be understood as purely indicative and can never be binding. The final verification is always made based on information reported.

§ 4

Request for payments

1.

The LP may only request payments by providing proof of progress of the project as described in the approved Application Form. All reports are filled in in Jems where also all checks are made. Instructions as laid in the Programme Manual, Guide for Project Implementation and other guides for reporting must be observed.

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2.

The Partner Reports have to be submitted to the national control 15 days after the end of the reporting period.

The Project Reports have to be submitted to the JS/MA 4 months after the end of the reporting period as stated in the Programme Manual. Later reporting with respect of the above mentioned deadlines must be approved specifically by the JS/MA on an ad hoc basis. In case an individual report is delayed by more than one year, the MA may decide not to approve the costs included in that report.

In case the JS/MA has questions on the reports, projects will be given time to answer those questions. If no reply is received within the deadline, the JS/MA will proceed with the information that is available. Where the JS/MA does not have enough information to support the eligibility of the cost, it will be deemed ineligible.

3.

Based on the fact that payments by the EC to the MA will only be made in accordance with the corresponding budget commitments Article 105 of CPR Regulation the LP must request payments in accordance with approved Application Form. Payments not requested in time, in full or non-compliance with the procedure set in the Programme Manual and in other guidance for reporting may be lost if the programme experiences a de-commitment. The consideration whether payments are reduced due to the de-commitment process will be done at the end of each year of the approved project duration time. Any unjustified delay in reporting or in the clarification process of the Project Report, either by LP or by PP(s), can imply a reduction or suspension of the subsidy. A failure to comply with the requirements set for the proper audit trail (Cf. §3 (3) and §11) may also lead to reduction or suspension of the payments. The information on system of audit trail and list of bodies as described in §11 will be provided to the JS/MA at the latest prior to the first Project Report. A copy of the list must be included in the national control documents sent to the national control.

4.

For income or net revenue the rules as described in the Programme Manual or national regulations must be followed. ERDF funding unduly paid will be recovered.

5.

After content and financial assessment of the Project Report by the JS and certification and payment decision by the MA have completed successfully, the MA will transfer the eligible ERDF funding to the LP without any delay and within 80 days, given the provision that necessary funds have been made available to the programme by the European Commission. The funds will be disbursed in euro (€) only and transferred to an account indicated by the LP. Any exchange rate risk will be borne solely by the LP.



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6.

The MA is entitled to withhold any ERDF payment until all unclear issues related to the implementation, management and reporting are clarified and is also entitled to deduct any ineligible cost found during the certification process and as a result proportionately reduce the ERDF funding on project.

7.

The LP/PP(s) are committed to the eligible own contribution as indicated in the approved Application Form and are obliged to ensure the proper accumulation of eligible own contribution during the project implementation and inform the JS/MA immediately in case the accumulation for whatever reason is not possible and follow the JSA/MA instructions given on a case like this.

§ 5

Representation of project partner(s), liability

1.

The LP solely bears the overall financial and legal responsibility for the project and for the PP(s).

2.

The LP guarantees that it is entitled to represent the PP(s) participating in the project bearing the sole responsibility of delivering as well as receiving all the information relevant for the project management between LP and PP(s) and that it will establish with the PP(s) the division of the mutual responsibilities in the form of Partnership Agreement(s).

The LP is directly responsible for forwarding all relevant information and guidance given by the JS/MA to the PP(s).

3.

The LP guarantees that a Partnership Agreement is signed with all PPs, containing at least the following: 1) role and obligations of the individual partners in the partnership in project implementation (incl. description of activities of each project partner by reporting periods as indicated in the approved Application Form, 2) budgetary principles, 3) financial management provisions for accounting, reporting, financial control, 4) receipt of ERDF payments, 5) distribution of the ERDF funding between the project partners (partner budget tables annexed) according to the approved Application Form, 6) strive for balanced spending rate in accordance with the ERDF funding, 7) liability in case of failures in project delivery and project spending including provisions for changes in the work plan, 8) the partners financial liability and provisions for the recovery of funds in case of amounts incorrectly reported and received by the partner, 9) information and publicity requirements, 10) resolutions of conflicts in the partnership, 11) the ownership rights of the results between partners and in relation to the terms of the Subsidy Contract (§8). The list is

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not exhaustive and the LP and the PPs may add further items according to the project specific needs.

The JS/MA is not a party in the Partnership Agreement or in the disputes that may arise between the contracting parties or towards third parties.

The LP furthermore guarantees that all the mandatory permits required by EU or national legislation needed for the implementation of the project have been delivered to the JS/MA in due time as specified in the Programme Manual and that any precondition set by the respective MC has been met in accordance of the decision made (Annex 2).

4.

The LP guarantees furthermore that the whole partnership has complied with all requirements under the legal framework applicable.

The LP is liable towards the MA for:

- ensuring that all its PPs have a legal status which is in line with the definition of Programme Manual as it is in force on the date when this contract is signed;
- ensuring that all expenditure reported in the project report has been validated according to the procedures set in the Programme Manual;
- ensuring that the PPs fulfil their obligations under this contract and with respect of the requirements set by the legal references mentioned in §1 Applicable legal framework;
- failure to fulfill obligations under this contract by itself and by its PPs;
- maintaining and updating the list of bodies holding documentation in the audit trail;
- ensuring that state aid rules are applied as instructed in the Programme Manual (if this is not the case, the MA is entitled to recover the ERDF funding unduly paid);
- ensuring that adequate resources and time are reserved for the closure measures prior to the actual closure date indicated in the approved Application Form and in the Preamble.

5.

If the MA demands repayment of subsidy in accordance with this contract, the LP is liable to the MA for the total amount of the subsidy.

6.

The MA cannot under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the LP or the PP(s) during the project implementation. The MA therefore cannot accept any claim for compensation or increase in payment in connection with such damage or injury.



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7.

The LP and PP(s) shall assume liability to third parties including liability for damage or injury on any kind sustained by them while the project is being carried out. The LP and PP(s) shall discharge the MA of all liability associated with any claim or action brought as a result of a non-compliance of rules or regulations by the LP or PP(s) as result of violation of a third party's rights.

§ 6

Additional obligations

In addition to the obligations of the LP as already stated, the LP undertakes:

1.

To ensure that a separate cost centre is opened for the project in the accounting centres of LP, each PP and to ensure that any received subsidy can be clearly identified and repaid if necessary due to irregularities.

2.

To sign the Partnership Agreement with all partners immediately at the start of the project.

3.

To ensure within the partnership that all the costs of LP, each PP are paid out by the respective partner and from the respective partner's own cost centre.

4.

To pay the partners' share of ERDF to the partners without delay.

5.

To inform the MA immediately if project costs are reduced in a way that has an impact on the approved Application Form, or one of the disbursement conditions ceases to be fulfilled, or any circumstances arise which entitle the MA to reduce payment or to demand repayment of the subsidy wholly or in part.

6.

To provide the JS/MA with any information requested without any delay and to forward all information given by the JS/MA to the partners.

7.

To provide necessary data for Jems of the Central Baltic programme in compliance with this contract according to the JS/MA instructions as well as ensure that the partners understand that

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each user is responsible for keeping safe the user name and password and all activities done with the user name.

8.

To inform MA/JS without any delay about any envisaged changes of the Partnership Agreement.

9.

To take all necessary precautions to avoid conflict of interests (incl. PP) and inform JS/MA without any delay with the situation constituting or likely to lead to any such conflict. There is a conflict of interests where the impartial and objective exercise of the functions of any person under this contract is compromised for reasons involving family, emotional life, political or national affinity, and economic interest of any other shared interest with another person.

10.

To comply with the programme's zero tolerance towards fraud policy and to take any needed steps to avoid, detect or report fraud within the project partnership and project implementation.

11.

By the request of JS / MA, to provide additional information and data related to achievement of results (result indicators) for the purpose of ensuring that sound monitoring and impact evaluation activities can take place.

§

7

Communication and publicity

1.

Any notice of publication by the project, including at a conference or a seminar, must specify that the project has received a subsidy from the programme funds, in compliance with the requirements set in the Programme Manual. In any public material used to promote or disseminate the project activities whether printed or electronically available the use of the programme logo and the EU emblem (flag) together with reference to the EU and ERDF is mandatory as set out in the Programme Manual.

2.

The JS/MA shall be authorised to publish, in whatever form and on or by whatever medium, including the internet, at least the following information:

- the name of the LP and its PP(s);
- the purpose of the subsidy;
- the total project budget and ERDF funding;
- the geographical location of the project;

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- the information of the Project Reports and the Final Report.

The LP is obliged to inform the JS/MA on possible sensitive/confidential (e.g. business or personnel related) issues that cannot be published in programme newsletters and website.

3.

The LP and each PP is obliged to ensure that at least basic information about the project (aims, partners, amount of funding and its source, description of activities) is available on the internet during project implementation. Once the project has ended this information must include the main results and outputs available for dissemination. All project partner organizations must display in their premises at least one information poster (minimum size A3) informing about the project and the received EU funding.

4.

The full obligations and rules on communication and publicity are provided in the Programme Manual.

§ 8

Durability and ownership of results

1.

In accordance with Article 65 of CPR Regulation the LP shall ensure that PPs (including LP) in infrastructure of productive investment projects shall repay the ERDF funding if within five (5) years of the final payment to the beneficiary or within the period of time set out in State aid rules, where applicable, it is subject to any of the following:

- a cessation or relocation of a productive activity outside the programme area;
- a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
- a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

For projects comprising investment in infrastructure or productive investment the period for repaying contributions is ten (10) years after the final payment to the LP if the productive activity is relocated outside the EU, except where the beneficiary is an SME.

Projects without investments in infrastructure or productive investments shall repay the ERDF contribution if they are subject to an obligation for maintenance of investment under the applicable State aid rules and they undergo a cessation or relocation of a productive activity within the period laid down in those rules.

The LP is obliged to notify the MA of any such changes described beforehand for the MA to be able to determine which of the above-mentioned applies and the sums to be recovered.

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2.

The LP ensures that the arrangements in ownerships, titles and industrial and intellectual property rights on the outputs of the projects are in accordance of §8 (1).

3.

The LP ensures via Partnership Agreement that results and outcomes of the project are joint property of all project participants (LP and PP(s)). Consequently, the LP safeguards that each project participant shall grant a simple, non-exclusive right of use of any produced work to all other project participants. The LP also ensures that while granting these rights to project partner(s) the specific national rules and instructions relevant for the ownership rights of the project outcomes and results are taken into account when necessary.

4.

The LP ensures that the results of the project especially any study or analysis produced during the implementation shall be made available to the public in order to guarantee a widespread publicity of the project's outcomes in accordance of the approved Application Form and Partnership Agreement.

5.

The LP ensures via the Partnership Agreement that the rules stating the ownership principles of purchased office equipment of LP and each PP after project closure have been taken into account and that the remaining value of the purchased equipment subject to measures after the closure is in accordance with the conducted depreciation taking into account the relevant national specifications. In case income is generated due to transfer of ownership rights of the purchased office equipment the LP is obliged to report to the JS/MA and it will proportionately reduce the amount of the ERDF funding. Sums unduly paid shall be recovered.

§ 9

Right of termination

1.

In addition to the right of termination laid down in § 2 (7) the MA is entitled depending on the case, totally or partially to terminate this contract by a registered letter and, where relevant, to demand total or partial repayment of funds, if

- a. the LP has obtained the subsidy through false or incomplete statements; or
- b. the project has not been or cannot be implemented, or it has not been or cannot be implemented in due time; or
- c. a change has occurred in the project that has put at risk the achievement of the results planned in the Application Form; or

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- d. the project outputs and results are severely out of line with those promised in the Application Form;
- e. the LP has failed to submit required reports or proofs, or to supply necessary information, provided that the LP 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; or
- f. the LP has failed to immediately report events delaying or preventing the implementation of the project funded, or any circumstances leading to its modification; or
- g. project reporting does not follow the set schedules, making it impossible to determine that the project is being implemented according to plan and it will achieve the set objectives, results or outputs; or
- h. the LP has impeded or obstructed controls and audits; or
- i. the LP is not fulfilling its LP obligations, including communication with the JS/MA; or
- j. the subsidy awarded has been partially or entirely misapplied for purposes other than those agreed upon; or
- k. insolvency proceedings are instituted against the assets of the LP or insolvency proceedings are dismissed due to lack of assets for cost recovery, provided that this appears to prevent or risk the implementation of the programme objectives, or the LP closes down; or
- l. subject to the provisions of § 14 (2, 3) Assignment, legal succession, the LP wholly or partly sells, leases or lets the project to a third party;
- m. or it has become impossible to verify that the Final report is correct and thus the eligibility of the project; or
- n. the LP has failed to fulfil any other conditions or requirements for assistance stipulated in this contract including Annex 2 and the provisions it is based on, notably if these conditions or requirements are meant to guarantee the successful implementation of the programme objectives.

2.

If the MA exercises its right of termination and decides to terminate funds, the LP is obliged to transfer the repayment amount to the MA. The repayment amount is due within one month following the date of the letter by which the MA asserts the repayment claim based on the information received from the MA/JS; the due date will be stated explicitly in the order for recovery.

3.

If the MA exercises its right of termination, offsetting by the LP is excluded unless its claim is undisputed or recognised by declaratory judgment.

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4.

If the MA exercises its right of termination, the amount repayable shall be subject to interest, starting on the day the payment was made and ending on the day of actual repayment. The interest rate will be determined in accordance with Article 147 of CPR Regulation.

5.

If any of the circumstances indicated in §10 Right of termination Article 1 occur before the full amount of subsidy has been paid to the LP, payments may be discontinued and there shall be no claims to payment of the remaining amount.

6.

Any further legal claims shall remain unaffected by the above provisions.

§ 10**Archiving of project documents**

1.

The LP/PPs are at all times obliged to retain for audit purposes all official files, documents and data about the project on customary data storage media (in the form of photocopies, microfiches and electronic versions) in a safe and orderly manner for 5-year period from 31 December of the year in which the last payment by the managing authority to the beneficiary is made. Longer statutory retention periods stated by national law remain unaffected. The LP/PP(s) are obliged to store the invoices and to keep them clearly traceable in the bookkeeping for the national control and audit purposes and maintain records of invoices and bodies holding documentation in the audit trail in accordance with Article 82 of CPR Regulation. The maintained and updated records/lists are made available to the JS/MA (Cf. §4 (3)).

§ 11**Controls and audits**

1.

All the costs in each Project Report submitted by the LP to the JS must be validated by the national control according to the procedure described in the Programme Manual and in compliance with the requirements set in §1 Applicable legal framework.

2.

The AA of the Central Baltic programme, the responsible auditing bodies of the EU and, within their responsibility, the auditing bodies of the participating EU Member States as represented in the Group of Auditors or other national public auditing bodies are entitled to audit the proper use

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of funds by the LP or by the PP(s) or arrange for such an audit to be carried out by authorised persons. The procedure for these controls, called Second Level Audit, is described in the Programme Manual.

3.

The LP as well as PP(s) will produce all documents required for the above controls and audit, provide necessary information and give access to its business premises.

4.

The MA has a right to withhold the payments to the LP until all the required information and documentation have been delivered.

5.

In case the AA issues statements on the national control systems and defines problems of systemic character the MA has a right to withhold the payments to the LP until this case has been solved.

§ 12

Recovery of ineligible expenditure

1.

If any expenditure is considered ineligible by the MA according to regulatory framework mentioned in § 1 Applicable legal framework, a two stage-procedure will apply. The first phase consists of amicable process and in case amicable process proves to be ineffective a judicial procedure follows.

2.

The amicable phase is initiated by the MA based on available financial information of the project by sending out to LP an official letter asking for written response on the case giving the LP the possibility to clarify open questions and in relevant cases provide argumentation on its own behalf. After the LP has responded and provided relevant information it will be examined by the MA.

3.

Unless no relevant new information is provided by the LP the official recovery procedure will be launched by the MA with a registered letter (Order of Recovery based on the administrative decision including the appeal instructions) addressed to the LP organisation informing the LP on the arguments on which the repayment claim is based and requesting the repayment of the necessary amount of funds already paid out to the LP. The LP is obliged to conduct the repayment without any delay after the letter by the MA has been received by the LP organisation; the due repayment date will be stated explicitly in the order for recovery. The LP is obliged to notify the approval/non-approval of the repayment in written without any delay after receiving the letter

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from the MA and inform clearly whether the LP is appealing against the administrative decision by the MA in accordance with the appeal instructions.

4.

In case the LP either refuses or is unable to start the repayment process by the deadline set by the MA without any reply and justification in written the MA will issue another official letter (a reminder) claiming the funds. In this case the repayment is due immediately after officially receiving the second MA letter; the due date will be stated explicitly in the order for recovery. The LP is again obliged to notify the approval/non-approval of the repayment in written without any delay after receiving the second letter by the MA.

5.

In case the LP does not conduct repayment by the deadline(s) set by the MA and has provided appropriate arguments as well as appealed against the decision by the MA within the set timeframe the both parties aim to find a mutual consent on the repayment procedure before the case is brought to the Board of the Regional Council. This procedure aims to find a suitable refunding schedule for the LP or - in case the MA detects a need to correct its own administrative decision on the recovery based on new information and after consultation with the MA and AA - to find sufficient grounds for compromise solution, for instance, taking the form of curtailed recovery order.

6.

In case the LP has originally appealed against the administrative decision of the MA in accordance with the appeal instructions the case will be first handled by the Board of the Regional Council and then in relevant cases the judicial phase will take place in the competent jurisdiction in Turku, Finland in accordance with the Finnish legal framework.

In case the LP has refused to refund in accordance with valid recovery order the procedure will continue in the competent jurisdiction of the first instance in Turku, Finland in accordance with the Finnish legal framework initiated by the MA.

7.

In case the factors behind the recovery procedure show violation of the Subsidy Contract (§10), the MA will consider the termination of the contract as a last resort. In case the factors behind the recovery give reason to suspect fraud, the MA will report the case to the police as well as national and EU level anti-fraud agencies according to programme policies.

8.

The rate of the late interest applied to the amount to be recovered will be calculated in accordance with Article 147 of CPR Regulation.



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§ 13

Assignment, legal succession

1.

The MA is entitled at any time to transfer its rights and duties under this contract. In case of assignment the MA will inform the LP without delay.

2.

The LP is allowed to transfer its duties and rights under this contract only after prior written consent of the MA and, where needed, the MC.

3.

In cases of legal succession, e.g. where the LP or a PP changes its legal form, the LP or PP is obliged to transfer all duties under this contract to the legal successor. The LP shall notify the MA about any change beforehand in written.

§ 14

Concluding provisions

1.

This contract shall take effect on the date it is signed by both parties covering the approved duration time of the project and shall expire only after the Final Report and Project Report has been approved by the JS/MA and the payment has been certified and paid out by the MA. The specific requirements set by §1 Applicable legal framework concerning e.g. archiving, ownership rights, generation of revenues, audit trail, audit and publicity measures are valid for the LP and PPs beyond the expiration date of the Subsidy Contract.

The programme uses the eMonitoring System (Jems) for reporting, applying for project modifications and other procedures related to the implementation of the project. Each user is responsible for keeping safe the user name and password and for all activities done with the user name.

2.

All correspondence with the MA under this contract must be in writing and in English.



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Date

3.

All correspondence with the MA must be sent either through the eMonitoring System (Jems) or to the following address:

Regional Council of Southwest Finland
Department for Regional Development
Regional Development Director Tarja Nuotio
P.O. Box 273
FIN-20101 TURKU, FINLAND
e-mail: tarja.nuotio@varsinais-suomi.fi

4.

All programme related relevant information for the LP and PPs is available in www.centralbaltic.eu in English.

5.

If any provision in this contract should be wholly or partly ineffective, the parties to the contract will replace ineffective provision by an effective provision which comes as close as possible to the purpose of the ineffective provision. This procedure is conducted in written form by the parties concerned. In case of differences that are not ruled by this contract the parties concerned will agree on aiming to find a mutual consent on the issue.

6.

Amendments and supplements to this contract and any waiver of the requirement of the written form must be in written form and will be made through the eMonitoring System (Jems).

7.

The appeal process as legislated in the Finnish Local Government Act (Chapter 11) in cases where the LP is unsatisfied on decisions made by the MA/AA has two stages:

1. The LP from the participating Member States/Åland of the Central Baltic Programme may appeal against the acts of the MA/AA by sending the demand for rectification to the board of the Regional Council. The board will handle the rectification as soon as possible (depending on the meeting schedule of the board). The request is to be addressed to:

The Board of the Regional Council of Southwest Finland
P.O. Box 273
20101 TURKU
FINLAND

2. In case the LP is unsatisfied with the ruling of the Board the LP from the participating Member States/Åland of the Central Baltic programme may also appeal to the Administrative Court of Turku in the first instance (www.oikeus.fi). This procedure takes place only after the Board of the Council has ruled on the case.



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The detailed appeal instructions for both procedures are annexed to the respective decisions of the MA/AA as well as the Board of the Regional Council.

The unsatisfied LP is obliged to demand for rectification against the decisions of MA/AA conducted on the basis of this contract as well as on the applied legal framework (§1) within the timeframe of 7+14 working days after receiving the information on the decision.

All decisions made by the MA and AA can be appealed against.

Prior to the official rectification/appeal process the LP is obliged to contact the relevant authority for consultation on the case to ensure that proper information is applied by the parties involved.

8.

This contract is governed by the laws of the Republic of Finland. The place of jurisdiction is Turku, Finland.

Signatures:

Place and date: Turku

.....
Signature

Tarja Nuotio

Regional Development Director
Regional Council of Southwest Finland
Department for Regional Development

Place and date:

.....
Signature

LP LEGAL REPRESENTATIVE

[Title]

LP ORGANISATION

Stamp of the organisation (If a stamp is not used according to the internal procedures, please state it)

Interreg



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Annex 1: A protocol note of the respective Monitoring Committee meeting

Annex 2: Administrative decision