

**Iceland**   
**Liechtenstein** **Norway**  
**Norway grants** **grants**

ANNEX I

GENERAL CONDITIONS

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## DEFINITIONS

**Access Rights** – rights to use results and rights, including copyright and other intellectual or industrial property rights, under the Project Contract.

**Award Decision** – the decision whereby the FMC awarded the Grant to the Project Consortium.

**Background** – inventions, outcomes, materials, methods, processes, products, programmes, software, findings, discoveries or any other information that has been generated by each Project Partner prior to or independent of the Project and which are necessary for the implementation of the Project or for the utilization of the results. This includes copyrights or other intellectual property rights pertaining to the Background.

**Beneficiary States** – the Beneficiary States of the EEA and Norwegian Financial Mechanisms 2014–2021: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Lithuania, Latvia, Malta, Poland, Portugal, Romania, Slovakia, Slovenia.

**Day** – calendar day unless otherwise specified.

**Donor States, Donors** – Iceland, the Principality of Liechtenstein and the Kingdom of Norway.

**EEA** – the European Economic Area.

**EEA and Norway Grants** – the Donors' contribution to reduce economic and social disparities and to strengthen bilateral relations with 15 EU countries in Central and Southern Europe and the Baltics.

**EFTA** - The European Free Trade Association.

**EGREG system** - Grants Management and Monitoring IT system, which shall be used for managing the Fund.

**Fair and reasonable conditions** – appropriate conditions, including possible financial terms or royalty-free conditions, taking into account the specific circumstances of the request for access, for example the actual or potential value of the results or rights, including copyright and other intellectual or industrial property rights, to which access is requested and/or the scope, duration or other characteristics of the exploitation envisaged.

**FMC** – the Financial Mechanism Committee (FMC) is the decision-making body for the EEA Grants. The Committee consists of representatives of the Ministries of Foreign Affairs of Iceland, Liechtenstein and Norway. The Norwegian Ministry of Foreign Affairs is the decision-making body of the Norway Grants.

**FMO** – the Financial Mechanism Office (FMO) is the Brussels-based secretariat for the Grants. The FMO is affiliated to the European Free Trade Association, but reports to the Foreign Ministries of Iceland, Liechtenstein and Norway.

**FO** – the Fund Operator which implements the Fund, consisting of a consortium of Ecorys Poland in partnership with JCP Srl Consulting Procurement. The Fund Operator is legally represented by Ecorys.

**Foreground** – the results, including information, whether or not they can be protected, which are generated under the Project. Such results include rights related to copyright and other industrial and intellectual property rights, and other documents relating to same or similar forms of protection.

**Fund** – the EEA and Norway Grants Fund for Regional Cooperation within the EEA and Norwegian Financial Mechanisms 2014 – 2021.

**Lead Partner** – the Lead partner is the entity, established in one of the 15 Beneficiary States, or in one of Donor States or as an international organization coordinating the Project Consortium and having submitted the Concept Note and the Full Proposal.

**Net revenues** - revenues minus any operating costs and replacement costs of short-life equipment incurred during the respective period.

**Pre-existing Right** – any industrial and intellectual property right on any material, document, technology or know-how which exists prior to a Project Partner using it for the production of the result in the performance of the Project Contract. It may consist in a right of ownership, a license right and/or right of use belonging to the Project Partners, the FMO/FO as well as to any other third parties.

**Project Consortium** – the consortium that has been awarded the Grant made up of the Lead Partner, Beneficiary Partner(s) and any Expertise Partner(s).

**Project Description** – the description of the Project contained in the full proposal, including any changes and/or conditions required by the FO, the FMO and/or the FMC during the project evaluation and grant award process and annexed to the Project Contract (Annex II)

**Project Partner(s)** – the Project Consortium member(s), including the Lead Partner, the Beneficiary Partner(s) and any Expertise Partner(s).

**Revenues** – cash inflows directly paid by users for goods or services provided by the Project, such as charges borne directly by users for the use of infrastructure, sale or rent of buildings, or payments for services.

**Substantial error** – any infringement of a provision of the Project Contract resulting from an act or omission of the Project Partners.

# PART I – GENERAL PROVISIONS

## GENERAL PROVISIONS

### 1. GENERAL PRINCIPLES

1. The Lead Partner shall represent and act on behalf of the other Project Partners. To this end, the Project Contract is signed only by the Lead Partner. This is in accordance with Article 13 (*Partnership Agreement amongst the Project Partners*).
2. The Lead Partner shall be the sole responsible for the execution of this Project Contract and the implementation of the Project in accordance with Article 11 (*Role of the Lead Partner*).
3. In case the agreement between the FO and the FMO is terminated, any rights and obligations of the FO vis-à-vis the Lead Partner shall automatically be transferred to the FMO which shall be entitled to retransfer them to any entity designated by the FMO to replace the FO.

### 2. TERMS FOR FINANCING

1. The Grant is awarded exclusively for the implementation of the Project.
2. Project Partners shall use the Grant exclusively for the implementation of the Project.
3. All payments by the FO shall be made to the Lead Partner . The Lead Partner shall be the sole responsible for transferring the respective payments to the other Project Partners in accordance with the Partnership Agreement.

### 3. DATA PROTECTION

1. Any personal data shall be processed solely for the purposes of the implementation, management and monitoring of the Project Contract by the FO, the FMO and the Donor States and may also be transferred to the bodies responsible for the monitoring or inspection tasks arising from this Project Contract and/or the laws applicable to the Project Partners.
2. The entity acting as data controller is the Fund Operator (FO).
3. If Project Partners have any queries concerning the processing of personal data, they shall address them to the FO.
4. The Project Partners shall process personal data under this Project Contract in compliance with 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) and with the applicable national laws on data protection.
5. The Project Partners, also on behalf of their employees or any natural person involved in the implementation of the Project and acting under the authority of the related Project Partners, shall have the right of access their personal data and the right to rectify such data.
6. The Project Partners shall limit access and use of personal data to that which is strictly necessary for the performance, management and monitoring of the Project Contract and shall take all appropriate technical and organisational security measures necessary to preserve the strictest confidentiality and limit access to this data taking into account the processing risks and the nature of the personal data concerned.

#### 4. CONFLICT OF INTEREST

1. The Lead Partner shall take all necessary measures to prevent any situation that could compromise the impartial and objective performance of the Project Contract. Such conflict of interest could arise, in particular, as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest. Any conflict of interest which could arise during the implementation of the Project must be notified to the FO in writing without delay. In the event of such conflict, the Lead Partner shall immediately take all necessary steps to resolve it.
2. The FO reserves the right to verify that such measures are adequate and may require additional measures to be taken, if necessary, within the assigned time limit. The Lead Partner shall ensure that its staff and Board of Directors are not in a situation that could give rise to a conflict of interest. Without prejudice to Article 10 (*General obligations of the Project Partners*), the Lead Partner shall replace, immediately and without compensation from the FO, any member of its staff exposed to such a situation.
3. The Lead Partner is responsible for compliance with the provisions of this Article, also for the compliance by the other Project Partners, any sub-contractors and other third parties involved in the implementation of the Project.
4. The Lead Partner shall abstain from any contact that could potentially compromise its independence.
5. The Lead Partner declares that:
  - 5.1 it has not made and shall not make any offer of any type, whatsoever, from which an advantage can be derived under the Project Contract;
  - 5.2 it has not granted and shall not grant, has not sought and shall not seek, has not obtained and shall not attempt to obtain, and has not accepted and shall not accept, any advantage, financial or in kind, to or from any party whatsoever, where such advantage constitutes an illegal practice or involves corruption, either directly or indirectly, inasmuch as it is an incentive or reward relating to the implementation of the Project.

#### 5. CONFIDENTIALITY

1. The FO and Project Partners accept to preserve the confidentiality of any information, irrespective of its form, disclosed in writing or orally in relation to the implementation of the Project Contract and identified in writing as confidential until at least 5 years after the transfer of the Final Payment.
2. The Project Partners shall not use information mentioned in paragraph 1 for any purpose other than fulfilling their obligations under the Project Contract unless otherwise agreed with the FO.
3. The Project Partners and their staff shall maintain confidentiality for the duration of the Project Contract and after completion thereof.
4. Each Project Partner may disclose information or documents referred to paragraph 1 that are linked to the performance of the Project Contract if the disclosure is required by the law or following prior agreement of the FO.

## 6. VISIBILITY

1. The Lead Partner shall take all necessary steps to publicise and widely and effectively disseminate to the public information on the EEA and Norway Grants.
2. To this end, the Lead Partner shall follow and comply with the Communication and Design manual as made available at the time of the signature of the Project Contract.

## 7. INFORMATION AND COMMUNICATION ACTIVITIES

1. Without prejudice to Article 11 (*Role of the Lead Partner*), the Lead Partner shall adopt all necessary measures in order to ensure:
  - 1.1 The implementing of the Project level communication plan with clear actions to ensure visibility of the EEA and Norway Grants and the Fund;
  - 1.2 The increasing of public awareness about the contribution and role played by the Donors through the EEA and Norway Grants and the Fund.
  - 1.3 The largest availability of information across the countries involved in the implementation of the Project, as well as Iceland, Lichtenstein and Norway;
  - 1.4 The strengthening of public awareness of, and engagement with, the objectives and activities of the Fund and the issues they address;
  - 1.5 The mentioning of the EEA and Norway Grants and the Fund in all publications and activities for which the Fund is used;
  - 1.6 The giving of prominence to the name of the Donors and logos of the EEA and Norway Grants on all publications, posters, webpages and other products and infrastructure, as well as any events carried out under the Project;
  - 1.7 The establishing of dedicated websites in English for the Project where information about the Project, its progress, achievements and results, relevant photos and/or videos, contact information, a clear reference to the EEA and Norway Grants and the Fund is included, as well as general information about the three Donor States and the EEA and Norway Grants;
  - 1.8 The organising of at least one major and two minor annual information activities on progress, achievements and results in the projects, such as a seminar or a conference with stakeholders, a press conference or press event, including a launch activity/event as well as a closing activity/event for the project;
  - 1.9 The providing of information and reporting on results and impact to the public on the Project supported by the Fund as part of the narrative report in line with Article 28 (*Reporting*).
  - 1.10 The communication to the FO of any communication campaigns, media appearances or other publicity for the Project.
2. Project information and communication activities may be performed in the national languages of target groups, provided that summaries and key information are also presented in English.
3. Project Partners shall authorise the FO and the FMO to publish, in and by any means, the following information:
  - 3.1 The names of all Parties;
  - 3.2 Contact data of Project managers;



- 3.3 The Project name;
- 3.4 The summary of Project activities;
- 3.5 The objectives of the Project and the subsidy;
- 3.6 The Project start and end dates;
- 3.7 The Grant awarded and the total eligible cost of the Project;
- 3.8 The geographical location of the Project implementation;
- 3.9 Any other information regarding the Project implementation.

## 8. INTELLECTUAL AND INDUSTRIAL PROPERTY, OWNERSHIP AND USE OF RESULTS

1. Unless otherwise stipulated in the Special Conditions, Project Partners retain ownership of the Foreground.
2. The Project Partner that contributes the Background to the Project implementation retains the title to such a Background. Without prejudice to Article 49 (*Record keeping*), the Project Partner concerned shall inform the FO as soon as possible of any limitation to the granting of Access Rights to Background, or of any other restriction which might substantially affect the granting of Access Rights.
3. Project Partners must ensure that they have all the rights to use any Pre-existing Rights during the implementation of the Project. The Project Partners must ensure that the FO, the FMO and the Donor States have the right to use any Pre-existing Rights. Unless specified otherwise in the Special Conditions, the Pre-existing Rights must be used for the same purposes and under the same conditions as applicable to the rights of use of the Project results.
4. Each Project Partner shall enjoy Access Rights to the results and the rights foreseen in this Article of another member of the Project Consortium if this is needed by the former to exploit its own results. Such Access Rights shall be granted under fair and reasonable conditions.
5. Project Partners shall grant the FO, the FMO and the Donor States the following rights to use the Foreground:
  - 5.1 Royalty-free use, limited to non-commercial and non-competitive use, and in particular, making available to persons working for the FO, the FMO and the Donor States, as well as, copying and reproducing entirely or partially and in unlimited number of copies;
  - 5.2 Reproduction: the right to authorise direct or indirect, temporary or permanent reproduction of the results by any means (mechanical, digital or other) and in any form, entirely or partially;
  - 5.3 Communication to the public: subject to any restrictions due to security rules or legitimate interest, the right to authorise any display performance or communication to the public, by wire or wireless means, including making available to the public the results in such a way that the public may access them from a place and at a time individually chosen by them; this right also includes the communication and broadcasting by cable or by satellite;
  - 5.4 Distribution: the right to authorise any form of distribution of results or copies of the results to the public;
  - 5.5 Adaptation: the right to modify the results;
  - 5.6 Translation.

6. In case natural, recognizable persons are depicted in a photograph or film, the Lead Partner shall submit a statement signed by these persons giving their permission for the described use of their images. The above does not refer to photographs taken, or films shot in public places where random members of the public are identifiable only hypothetically and to public persons acting in their public activities.
7. Granting rights of use to the FO, the FMO and the Donor States does not affect their confidentiality obligations under Article 5 (*Confidentiality*).

## ROLES, OBLIGATIONS AND RESPONSIBILITIES

### 9. PRINCIPLES OF PROJECT IMPLEMENTATION AND ETHICAL GUIDELINES

1. The implementation of the Project and its activities shall be based on the common values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.
2. The Project and its activities shall follow the principles of good governance; they shall be participatory and inclusive, accountable, transparent, responsive, effective and efficient. There shall be zero-tolerance towards corruption.
3. The Project and its activities shall be consistent with sustainable development, long-term economic growth, social cohesion and environmental protection.
4. The Lead Partner shall implement the Project in compliance with the Ethical Guidelines (Annex III). The Lead Partner undertakes to ensure that all Project Partners comply with the principles mentioned in this Article and the Ethical Guidelines. The partnership agreement between the Project Partners shall refer expressly to the Ethical Guidelines.

### 10. GENERAL OBLIGATIONS OF THE PROJECT PARTNERS

1. Each Project Partner, as part of its obligations, shall implement the Project with due care, efficiency, transparency and due diligence in accordance with the best professional practice.
2. Each Project Partner shall be directly involved in the implementation of the Project.
3. Each Project Partner shall be responsible for regular updates of information concerning the Project implementation as well as regular registration of incurred expenditure on a monthly basis at least, using the EGREG system;
4. Each Project Partner, as part of its obligations, shall respect and abide by all applicable laws and regulations in force in the country where it is established and shall ensure that its staff also respects and abides by all such laws and regulations.
5. Each Project Partner must provide any information about the implementation of the Project, including information in electronic format within 15 calendar days starting from the receipt of the FO request, unless otherwise indicated by the FO.
6. The representatives of each Project Partner shall take part in events and trainings organised by the FO.

### 11. ROLE OF THE LEAD PARTNER

1. The Lead Partner shall mobilise all the financial, human and material resources required for the full implementation of the Project as described in the Project Description (Annex II).
2. The Lead Partner shall:

- 2.1 Undertake to ensure that other Project Partners comply with their obligations set out in the Partnership Agreement and with the obligations resulting from this Project Contract.
  - 2.2 Be responsible in case other Project Partners do not implement the Project in compliance with the provisions set out in this Project Contract.
  - 2.3 Comply with all the obligations specified in the Project Contract, including its Annexes;
  - 2.4 Implement the Project under its own responsibility and in accordance with the provisions of the Project Contract and its Annex II in order to achieve the results included therein;
  - 2.5 Not delegate any tasks relating to its coordinating and managing role to any other Project Partner;
  - 2.6 Undertake all necessary and reasonable measures to implement the Project in collaboration with the other Project Partners;
  - 2.7 Monitor on a daily basis all communication and notifications made in the EGREG system;
  - 2.8 Inform without any delay the FO of all issues that could affect the Project implementation, performance of the Project Contract or its validity;
  - 2.9 Inform the FO without delay on any event and issue which could lead to the termination of the Project by the FO in accordance with Article 45 (*Termination by the FO*);
  - 2.10 Provide the FO without any delay with relevant information regarding any change in the legal, financial, technical, organisational or ownership situation of any Project Partner, as well as regarding any change in the name, address or legal representative of any Project Partner;
  - 2.11 Undertake to reimburse to the FO the amounts that are recoverable according to Article 50 (*Recovery*) and Article 51 (*Recovery procedure*).
3. The Lead Partner shall be in charge of, and responsible for, all reporting and communication with the FO on behalf of the Project Consortium, though this does not prevent the FO, the FMO or the Donors from any communication with the other Project Partners.
  4. The Lead Partner shall be the sole responsible vis-à-vis the FO for any breach of obligations by any Project Partners.

## 12. LIABILITY

1. The Donors, the EFTA, its Secretariat, including the FMO, its officials or employees cannot, under any circumstances or for any reason whatsoever, be held liable for damages or injuries of whatever nature suffered by the Project Partners or any other third person in connection, be it direct or indirect, with this Project Contract. The FO cannot accept any claims for compensation or increases in payment in connection with such damage or injury.
2. The Donors, the EFTA, its Secretariat, including the FMO, its officials or employees, and the FO shall not be liable to any third parties for any harm or loss incurred as a result of acts or omissions of the Project Partners or their sub-contractors.
3. Each Project Partner shall obtain and maintain adequate insurance in connection with the performance of any activities under the Project Contract, including for any involvement of sub-contractors against public/third party liability.
4. The Project Partners shall assume the sole liability, towards third parties, including liability for damage or injury of any kind as a result of any action or omission or as a consequence of the

Project. The Project Partners shall discharge the FO from any liability arising from any claim or action brought as a result of an infringement of rules or regulations by the Project Partners or by their employees or individuals for whom those employees are responsible, or as a result of a breach of a third party's rights.

### 13. PARTNERSHIP AGREEMENT AMONGST THE PROJECT PARTNERS

1. The Project Partners shall enter into a Partnership Agreement, developed as per the model provided by the FO, defining the rights and obligations of the Project Partners and setting forth the terms and conditions of their cooperation in the implementation of the Project.
2. The Lead Partner shall ensure that the relevant obligations and responsibilities described in this Project Contract are applicable to all Project Partners.
3. The Lead Partner shall submit a project of the Partnership Agreement for FO approval prior to its signature by the Project Partners.
4. One duly signed original of the Partnership Agreement shall be provided by the Lead Partner to the FO within 30 calendar days from the day of the last signature of this Project Contract.

## PROJECT IMPLEMENTATION

### 14. ASSIGNMENT

1. The Lead Partner shall not, without the prior written consent of the FO, assign the Project Contract or any part thereof, or any right, benefit or interest thereunder. Any assignment without such consent shall be null and void.
2. In the event of an assignment, the Lead Partner and the assignee shall each individually and severally remain fully liable for performance of the Project Contract.

### 15. SUB-CONTRACTING

1. Sub-contracting cannot cover core tasks of the project partners.
2. Each Project Partner may conclude one or more contracts with sub-contractors complying with procurement rules set out in Article 18 (*Procurement*).
3. Each Project Partner is responsible for the work performed by its sub-contractors, and Article 10 (*General obligations of the Project Partners*) shall apply to any sub-contractors involved in the Project implementation.
4. Without prejudice to Article 11 (*Role of the Lead Partner*), the Project Partners may sub-contract tasks forming part of the Project, provided that recourse to sub-contracting is justified having regard to the nature of the Project and what is necessary for its implementation.
5. Project Partners are not allowed to sub-contract activities to other Project Partners.
6. Each Project Partner entering into one or more contracts with sub-contractors shall ensure that sub-contractors comply with Articles 1 (*General principles*), 3 (*Data protection*), 4 (*Conflict of interest*), 5 (*Confidentiality*), 6 (*Visibility*), 8 (*Intellectual and Industrial Property, Ownership and use of results*), 9 (*Principles of Project implementation and Ethical Guidelines*), 12 (*Liability*), 48 (*Accounts*) and 49 (*Record keeping*).

## AMENDMENTS

### 16. AMENDMENTS TO THE PROJECT CONTRACT

1. Either party may request in writing an amendment to the Project Contract.
2. An amendment may not have the purpose or the effect of making changes to the Project Contract which would call into question the decision awarding the Grant or be contrary to the equal treatment of applicants.
3. Amendment requests must be duly justified and be accompanied by appropriate supporting documents and/or information justifying the modifications proposed.
4. Any request for amendment on behalf of the Project Consortium must be submitted to the FO by the Lead Partner without delay via the EGREG system.
5. Amendments shall take effect on the date agreed by the Parties or, in the absence of such an agreed date, on the date of the last signature on the written addendum.
6. The Lead Partner is deemed to act on behalf of the other Project Partners when submitting a request, or when it accepts or rejects an amendment request. The Lead Partner shall ensure that adequate proof of the Project Consortium's agreement to such an amendment exists and is made available in the event of an audit or upon request of the FO.
7. Amendments shall be evidenced by means of a written addendum to the Project Contract prepared by the FO. The addendum shall become an integral part of the Project Contract; all other provisions remain unchanged and continue to have full effect.

### 17. BUDGET TRANSFERS NOT REQUIRING AN AMENDMENT TO THE PROJECT CONTRACT

1. Budget transfers do not require prior approval by the FO and do not require an amendment to the Project Contract, provided that:
  - 1.1 The total maximum Grant amount is not exceeded, the total eligible expenditure per Project Partner is not exceeded, the Project is implemented as described in Annex II and the outcomes are not affected, and
  - 1.2 Transfers between work packages and between budget headings do not cumulatively exceed 10% of the respective budget entry contained in the estimated project budget set out in Annex II. The 10% shall be calculated on the basis of the source or target budget entry, whichever is lower.

## OTHER PROVISIONS

### 18. PROCUREMENT

1. Where the implementation of the Project requires Project Partners to procure goods, services or works, the provisions contained in this Article shall apply.
2. Project Partners shall ensure the application of adequate and effective means to prevent illegal or corrupt practices. No offer, gifts, payments or benefit of any kind, which would or could, either directly or indirectly, be construed as an illegal or corrupt practice shall be made. Conflicts of interest shall be avoided.
3. Contracts shall be awarded in accordance with the principles of proportionality, free competition and best economic practices, including accountability. Project Partners must

- award the contract in accordance with the criterion of the most economically advantageous tender.
4. Project Partners which are contracting authorities within the meaning of the Directives 2014/24/EU and 2014/25/EU must comply with the applicable EU and national procurement rules.
  5. Project Partners which are not contracting authorities within the meaning of the Directives 2014/24/EU and 2014/25/EU must comply, as a minimum, with the following:
    - 5.1. If the estimated value of the contract is equal or higher than EUR 15,000 but below EUR 200,000, Project Partners shall organise the procedure in a manner that at least three comparable tenders can be submitted. The selection needs to be based on criteria previously set and provided to the bidders.
    - 5.2. If the estimated value of the contract is equal to or higher than EUR 200,000, an open procurement procedure has to be followed, meaning that any economic operator may submit a tender. The invitation to tender needs to be published at least on the Project website, as well as on all consortium members' websites and in other relevant media. The tender documents need to include clear and precise exclusion, selection and award criteria. The selection process needs to be documented. The minimum time limit for the submission of tenders is 35 days from the publication date of the contract notice.
  6. In case of doubts about the procedure to be used, the Lead Partner and any other Project Partner shall, via the Lead Partner, contact the FO for clarification. Where the Project Partners to whom paragraph 5 of this Article applies reasonably consider that there is an objective justification for not complying with the provisions set in paragraph 5, they shall seek prior approval from the FO, setting out the reasons for non-compliance.
  7. Project Partners shall apply the strictest procurement procedure applicable to them.
  8. Where the Project Partner is an International Organisation, it shall apply its own procurement rules.
  9. In order to demonstrate compliance with procurement rules, the project partners shall ensure that records of the execution and award of contracts are retained in line with Article 49 (*Record keeping*) and provided to the FO, the FMO, the EFTA Board of Auditors, the Office of the Auditor General of Norway and any bodies appointed by them, upon request.

## 19. STATE AID

1. The European Union, the EEA and national rules on State aid shall apply during the implementation of the Project.
2. Any support under the Fund shall comply with the applicable EU rules on State aid.

## 20. AGREEMENT SUCCESSION

1. In case of legal succession involving any Project Partner, the respective Project Partner shall transfer all its obligations under the Project Contract to the legal successor.
2. In the case mentioned in paragraph 1 of this Article, the Lead Partner shall submit an amendment request in accordance with Article 16 (*Amendments to the Project Contract*).

## PART II – FINANCIAL AND ADMINISTRATIVE PROVISIONS

### PROJECT EXPENDITURES

#### 21. GENERAL CRITERIA FOR ELIGIBILITY OF EXPENDITURES

1. Eligible expenditures of the Project are those actually incurred within the Project by the Project Partners, which meet the following criteria:
  - 1.1 They are incurred between the first and final dates of eligibility of the Project, unless otherwise specified in the Special Conditions;
  - 1.2 They are connected with the subject of the Project as described in Annex II and they are indicated in the budget of the Project;
  - 1.3 They are proportionate and necessary for the implementation of the Project;
  - 1.4 They must be used for the sole purpose of achieving the objective(s) of the Project and its expected outcome(s), in a manner consistent with the principles of economy, efficiency and effectiveness;
  - 1.5 They are identifiable and verifiable, in particular through being recorded in the accounting records of the Project Partners and determined according to the applicable accounting standards and generally accepted accounting principles; and
  - 1.6 They comply with the requirements of applicable tax and social legislation.
2. Expenditures are considered to have been incurred when the cost has been invoiced, paid and the subject matter delivered (in case of goods) or performed (in case of services and works). Depreciation of equipment is considered to have been incurred when it is recorded in the accounts of the Project Partners.
3. The final date for eligibility of expenditure shall be no later than 30 April 2024.

#### 22. ELIGIBLE DIRECT EXPENDITURES

1. The eligible direct expenditures in the Project are those expenditures which are identified by the Project Partners, in accordance with their accounting principles and usual internal rules, as specific expenditures directly linked to the implementation of the Project and which can therefore be booked to it directly.
2. Direct expenditures are eligible provided that they satisfy the criteria foreseen in Article 21 (*General criteria for eligibility of expenditures*) and fall under the following budget headings (BH):
  - 2.1 Staff costs (BH1): The cost of staff assigned to the Project, either full- or part- time, comprising actual salaries plus social security contributions and other statutory costs included in the remuneration, provided that these costs are in line with each Project Partner's usual policy on remuneration. Staff can either be already employed by the Project Partner entity or staff specifically employed for the Project. The corresponding salary costs of staff of national administrations are eligible to the extent that they relate to the cost of activities which the relevant public authority would not carry out if the Project concerned were not undertaken;

- 2.2 Travel costs and related subsistence allowances (BH2): Travel expenses and related subsistence allowances of staff taking part in the Project, provided that these costs are in line with each Project Partner's usual practices on travel. Any accommodation allowances must not exceed the per diem rates published on the following website [http://ec.europa.eu/europeaid/funding/about-calls-tender/procedures-and-practical-guide-prag/diems\\_en](http://ec.europa.eu/europeaid/funding/about-calls-tender/procedures-and-practical-guide-prag/diems_en) in force at the moment of travel. As a general principle, the most cost-efficient means of transport shall be used;
  - 2.3 Consumables and supplies (BH3): The costs of consumables and supplies, provided that they are identifiable and assigned to the Project;
  - 2.4 Equipment costs (BH4): Cost of equipment provided that it is depreciated in accordance with generally accepted accounting principles applicable to the Project Partner and generally accepted for items of the same kind. Only the portion of the depreciation corresponding to the duration of the Project and the rate of actual use for the purposes of the Project may be eligible. In case the Project Partner determines that the equipment is an integral and necessary component for achieving the outcomes of the Project, the entire purchase price may exceptionally be eligible;
  - 2.5 Project contract requirements costs (BH5): Costs arising directly from the requirements imposed by the Project Contract (report by an independent auditor, cost of financial guarantees etc.);
  - 2.6 Subcontracting costs (BH6): Costs entailed by other contracts awarded by a Project Partner for the purposes of carrying out the Project provided that the award complies with the Article 18 (*Procurement*).
3. Where the entire purchase price of equipment is eligible in accordance with paragraph 2.4 of this Article, the Lead Partner shall ensure that:
    - 3.1. the equipment is kept in the ownership of the relevant Project Partner for a period of at least 5 years following the completion of the Project and continues to be used for the benefit of the Project's overall objective for the same period;
    - 3.2. the equipment is kept properly insured by the relevant Project Partner against losses such as fire, theft or other normally insurable incidents both during the implementation of the Project and for at least 5 years after the completion of the Project;
    - 3.3. the relevant Project Partner sets aside appropriate resources for the maintenance of the equipment for at least 5 years after the completion of the Project.
  4. The FO may waive the above obligations with respect to any specifically identified equipment where the FO is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the Project would serve no useful economic purpose.

### 23. ELIGIBLE INDIRECT COSTS

1. A flat rate of 15% of the total eligible staff costs of the Project is eligible under the Budget Heading 7- Indirect Costs.
2. The indirect costs represent the general administrative costs which cannot be attributed to the direct eligible expenditure of the Project.
3. Where in-kind contribution in the form of voluntary work constitutes part of the Project co-financing in accordance with Article 25 (*Project co-financing and in-kind contribution*) and the



voluntary work is carried out under the responsibility of the relevant Project Partner, the value of that voluntary work shall be taken into account when calculating the indirect costs.

4. Indirect costs calculated in accordance with the paragraph 1 and paragraph 3 of this Article do not need to be supported by the proof of expenditure.

#### 24. INELIGIBLE COSTS

1. The following costs shall not be considered eligible:
  - 1.1. Interest on debt, debt service charges and late payment charges;
  - 1.2. Charges for financial transactions and other purely financial costs, except costs specifically required by the applicable law and costs of financial services imposed by the Project Contract;
  - 1.3. Costs related to purchase of land or real estate;
  - 1.4. Provisions for losses or potential future liabilities;
  - 1.5. Exchange rate losses;
  - 1.6. Recoverable VAT;
  - 1.7. Costs that are covered by other sources;
  - 1.8. Fines, penalties and costs of litigation, except where litigation is an integral and necessary action for achieving the outcomes of the Project; and
  - 1.9. Excessive or reckless expenditure.

#### 25. PROJECT CO-FINANCING AND IN-KIND CONTRIBUTION

1. The required co-financing for the Project shall be provided by all Project Partners, as set forth in the Special Conditions.
2. In case of Project Partner with the status of non-governmental organisation, in-kind contribution in the form of voluntary work may constitute up to 50% of the co-financing required from this Partner. In exceptional cases, and where specified in the Special Conditions, in-kind contribution in the form of voluntary work may constitute up to 100% of the co-financing required from this Partner.
3. The hourly rate for the voluntary work shall be in accordance with salary normally paid for such work in the relevant Project Partner's country of legal registration, including the required social security contributions. The hourly rates may vary depending on the region in which the work is performed or the type of voluntary work and may be adjusted during the implementation of the Project in order to take into account changes in salaries.
4. In-kind contribution may only be based on volunteers working for the Project Partners. A beneficiary of the Project cannot be included as a volunteer.
5. Records showing the nature of activities undertaken by volunteers to justify the hourly rate used as well as timesheets must be kept.

#### 26. NO PROFIT PRINCIPLE

1. The Grant may not have the purpose or the effect of producing a profit within the context of the Project.

2. Any net revenues generated as a direct consequence of the Project during its implementation and until the date of submission of the Final Report by the Lead Partner to the FO shall be reported within the Interim and Final Reports. The total amount of the net revenues shall be deducted from the amount of the total eligible expenditures presented in the Interim and/or Final Report and consequently shall reduce the amount of Interim and /or Final Payment.
3. Where not all project expenditures are eligible, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the expenditures.
4. Each Project Partner shall keep accounts documenting all revenues generated following Project activities for control purposes in accordance with the Article 49 (*Record Keeping*).

## 27. CURRENCY FOR FINANCIAL REPORTING AND PAYMENTS

1. Payments of the Grant shall be made in Euro.
2. The Lead Partner shall draw up the Interim and Financial Reports and Payment Requests in Euro.
3. In case costs have been incurred in another currency than Euro, the costs must be converted into Euros using the monthly accounting rate of the European Commission ([http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/inforeuro\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm)) of the month when the expenditure has been paid.
4. The Parties shall not be accountable or liable for losses or gains due to currency fluctuations.

## REPORTING AND VERIFICATION OF REPORTS

### 28. REPORTING

1. The Lead Partner shall certify that the expenditure claimed either in Interim or Final Reports complies with the principles of economy, effectiveness, and efficiency.
2. Reports, either Interim or Final, shall be drawn up using the templates provided by FO in the EGREG system. Each report consists of the narrative part and the financial part that includes the Payment Request.
3. Interim Reports shall be submitted by the Lead Partner on behalf of the Consortium within 30 calendar days after the end date of the relevant reporting period foreseen in Article 6 (*Reporting Periods*) of the Special Conditions; whereas the Final Report shall be submitted no later than 90 calendar days after the Project end date set in the Special Conditions. The timely submission of reports is a substantial obligation under this Contract.
4. In case reported voluntary work exceeds the co-financing value applicable to the Project Partner in given reporting period, the value of in-kind contribution will be decreased to the highest acceptable level.
5. Should the verification of Interim and/or Final Reports raise no concerns, the FO shall inform the Lead Partner of its approval.
6. Should the verification raise concerns or doubts, the FO shall inform the Lead Partner thereof and request necessary corrections, explanations and/or modifications to be submitted within a deadline set by the FO. Such a request by the FO triggers the suspension of payment deadline under Article 31 (*General rules and Payment procedure*). Should the Lead Partner fail to submit

the required corrections, explanations and/or modifications, the FO may suspend payments in accordance with Article 41 (*Suspension of payments*) and may apply financial corrections in accordance with Article 40 (*Financial Corrections*). Failure to comply may also lead to termination of the contract in accordance with Article 45 (*Termination by the FO*).

## 29. PROOF OF EXPENDITURE

1. All expenditure incurred by the Project Partners shall be supported by receipted invoices, or alternatively by accounting documents of equivalent probative value.
2. For the purpose of verification of expenditure by the FO, the proof of expenditure to be submitted may take the form of:
  - 2.1. Supporting documents, such as receipted invoices, or, alternatively, accounting documents of equivalent probative value; or
  - 2.2. A report of factual findings on expenditures declared under an Interim/Final Report by an independent auditor qualified to carry out statutory audits of accounting documents, or a report issued by a competent and independent public officer recognised by the relevant national authorities as having a budget and financial control capacity over the entity incurring the costs and who has not been involved in the preparation of the financial statements, certifying that expenditure declared in an Interim/Final Report has been incurred in accordance with the provisions of the Project Contract, national law and relevant national accounting principles. Auditors shall draw up a report using the template provided by the FO.
3. When the maximum amount of the Grant awarded to a Project Partner is less than EUR 200,000, that Project Partner may choose the option under point 2.1 or the option under point 2.2. Should the Project Partner choose the option under point 2.1, all supporting documents shall be provided in support of each Interim and the Final Report. Should the Project Partner choose the option under point 2.2, the Project Partner(s) shall provide the report annually and with the Final Report (for the expenditure incurred in the last period not covered by the previous annual audit report(s)). If the Project duration is less than 2 years, such a report shall be provided at the end of the Project, along with the Final Report. Supporting documents shall be provided upon the request of the FO.
4. When the maximum amount of the Grant awarded to a Project Partner is equal or above EUR 200,000, that Project Partner(s) shall provide the report foreseen in point 2.2. The Audit Report under point 2.2 shall be submitted at least annually or whenever the total incurred expenditure reported by the Project Partner is equal or above EUR 200,000 when cumulated with all previously reported incurred expenditure for which an Audit Report has not been submitted. An Audit Report shall always be provided at the time of the Final Report (for the expenditure incurred in the last period not covered by the previous annual audit report (s)). If the Project duration is less than 2 years, such Audit Report shall be provided together with the Final Report, as well as when the cumulative incurred expenditure reported exceeds EUR 200,000.
5. Should a Project Partner select an auditor in accordance with point 2.2, the Lead Partner shall notify the FO of the choice of the auditor at least 7 calendar days before contracting the Auditor by the Project Partner.
6. The FO reserves the right to require that auditor(s) foreseen in point 2.2 selected directly by the Project Partner(s), be replaced if previously unknown circumstances cast doubts on the auditor(s)'s independence or professional standards. The FO reserves the right to require that

the Auditor, except for public officers mentioned in paragraph 2.2, shall meet at least one of the formal following conditions:

- 6.1. The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC);
  - 6.2. The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor holds valid internationally recognised certification, and commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics;
  - 6.3. The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state);
  - 6.4. The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).
7. All supporting documents submitted as proof of expenditure shall be accompanied by an English translation.
  8. The FO reserves the right to ask the Project Partners to submit proof of expenditure foreseen in paragraph 1 during the performance of a monitoring visit, an audit or a check.
  9. Project Partner(s) which are international organisations shall provide proof of expenditure according to their internal rules and as specified in the Special Conditions.

### 30. BUDGET FORECAST

The Lead Partner shall prepare and submit to the FO an updated detailed budget forecast for each six months period at the time of submission of the Interim Reports.

## PAYMENTS

### 31. GENERAL RULES AND PAYMENT PROCEDURE

1. The Lead Partner shall be entitled to Advance, Interim and Final Payments in accordance with the procedures, schedule and time limits stipulated in the Project Contract.
2. Payments shall be transferred to the Lead Partner in Euro in full sums, rounded down with EUR 1 precision to the dedicated bank account as foreseen in Article 7 (*Bank account for Payments*) of the Special Conditions.
3. The FO may at any moment suspend the payment deadline foreseen in Article 33 (*Interim Payments*) and in Article 34 (*Final Payment*) if necessary corrections, explanations and/or modifications are required for Interim and/or Final Reports and/or additional checks, reviews, audits or investigations are necessary.
4. The FO shall formally notify the Lead Partner of the suspension of the payment deadline and the reasons for the suspension. The suspension shall take effect the day of the notification sent by the FO. If the reasons for suspending the payment deadline are no longer valid, the suspension shall be lifted and the payment deadline shall resume.

5. The Lead Partner shall ensure that the other Project Partners receive the amount of the Grant due to them in accordance with the provisions foreseen in the Special Conditions. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce that amount for the Project Partners.
6. The date when the regranteeing account is debited is considered as the payment date.
7. All payments are conditional upon submission of a duly signed Partnership Agreement to the Fund Operator.

### 32. ADVANCE PAYMENT AND FINANCIAL GUARANTEE

1. In the event of Advance Payment, the financial guarantee shall be provided in the form of an irrevocable, unconditional, paid on the first demand guarantee. The text of the financial guarantee shall be in accordance with the template provided by the FO. The financial guarantee shall be issued by a credible financial institution such as a bank, an insurance company or any other financial institution legally established in the EEA, which is authorised to issue such financial guarantee.
2. The choice of issuer of the financial guarantee shall require the prior approval of the FO. The FO reserves the right to request for any additional documents necessary for verification of the issuer's credibility.
3. In case of Advance Payment, the FO shall transfer the Advance Payment to the Lead Partner within 15 calendar days after FO's approval of the documents indicated in Article 4 of the Special Conditions.
4. The FO reserves the right to exceed the deadline foreseen in paragraph 3 of this Article if verification of the requested documents requires more time. In these cases, the FO shall notify via the EGREG system a reasoned note to the Lead Partner.

### 33. INTERIM PAYMENTS

1. The Interim Payment is subject to the approval by the FO of the Interim Report. Such approval does not imply recognition of the compliance, authenticity, completeness or correctness of the contents of the Interim Report.
2. The FO shall transfer the Interim Payment due to the Lead Partner within 70 calendar days after the FO has received the respective Interim Report, unless the deadline for payment has been suspended in accordance with the Article 31 (*General rules and Payment Procedure*).
3. The FO reserves the right not to accept – in part or in full – expenditure claimed to be reimbursed if, due to the results of verifications and/or audits, the incurred expenditure is considered ineligible.

### 34. FINAL PAYMENT

1. Payment is subject to the approval of the Final Report by FO. Its approval does not imply recognition of the compliance, authenticity, completeness or correctness of its content.
2. The Final Grant amount is calculated based on total accepted eligible expenditures, possible deductions deriving from errors, irregularities, net revenues and the Grant Rate.
3. Without prejudice to paragraph 2 of this Article, the FO shall transfer the Final Payment to the Lead Partner within 70 calendar days starting from the receipt of the Final Report, unless the

deadline for payment has been suspended in accordance with the Article 31 (*General rules and Payment Procedure*).

4. If the verification of the Final Report reveals that payments already made are higher than the total amount of the Final Grant, the FO shall recover the difference in accordance with Article 50 (*Recovery*) and Article 51 (*Recovery Procedure*).

## MONITORING, CHECKS AND AUDITS

### 35. GENERAL RULES

1. The FO, the FMO, the EFTA Board of Auditors and the Office of the Auditor General of Norway or experts authorised to do so on their behalf, may, during the implementation of the Project and up to 5 years starting from the date of the Final Payment, carry out monitoring visits, checks and audits in relation to the proper implementation of the Project and compliance with the obligations under the Project Contract.
2. The persons performing monitoring visits, checks and audits shall be granted by each Project Partner prompt, full, and unimpeded access to all information, documents, persons, locations and facilities, relevant to the monitoring visits and audits.
3. Information and documents provided in the framework of monitoring visits, checks or audits must be treated on a confidential basis.

### 36. DESK CHECKS

1. The FO shall check the proper implementation of the Project and compliance with the obligations under the Project Contract, including verification of the Interim and Final Reports. For this purpose, the FO may request additional information. Information provided must be accurate, precise and complete and in the format requested, including electronic format.
2. Should the check reveal findings, recourse may be had to any of the remedies provided for in this Contract, in accordance with the procedures foreseen.

### 37. ON-THE-SPOT MONITORING

1. The on-the-spot monitoring visits are on-site checks carried out by the FO on the Project at any time of the Project implementation.
2. The on-the-spot monitoring visits shall involve:
  - 2.1. Monitoring related to actual progress in the Project implementation;
  - 2.2. Financial control of the Project expenditure and its eligibility, as well as compliance with the applicable legislation and the Project Contract by all Project Partners.
3. If the Project is selected for an on-the-spot monitoring visit according to paragraph 1 of this Article, the Lead Partner and the Project Partner concerned shall be informed by FO about the visit at least 15 calendar days before the date of the planned visit.
4. The Project Partner concerned must ensure that information and documents are ready and available at the moment of the on-the-spot visit and that information and documents requested are handed over in an appropriate form.
5. The FO shall draw up a report of the on-the-spot monitoring visit within 21 calendar days after the last day of the visit. The FO reserves the right to exceed this time-limit. In this case, the FO shall inform the Project Partner concerned about the delay and the reasons for the delay.

6. Once the result of the on-the-spot monitoring visit are communicated to the Project Partner(s) concerned, it/they has/have the right to provide corrections and/or remarks within 7 calendar days from the receipt of the report. Should the Project Partner fail to do so within the time given, the FO reserves the right to decide on further actions to be undertaken.
7. Should the on-the-spot monitoring visit reveal findings, the FO has the right to suspend payments in accordance with Article 41 (*Suspension of payments*), reject the ineligible expenditures, apply financial corrections in accordance with the Article 40 (*Financial Corrections*) or terminate the Project Contract in accordance with the Article 45 (*Termination by the FO*) and, if necessary, recover undue payments in accordance with Article 50 (*Recovery*) and Article 51 (*Recovery Procedure*).

### 38. AUDITS BY THE FO

1. The FO may carry out audits on the proper implementation of the Project and compliance with the obligations under the Project Contract.
2. Except in urgent cases, Project Partners shall be notified about the planned audit at least 15 calendar days before the planned visit. The Project Partner must provide, within the specified deadline, any necessary information to verify compliance.
3. The audited Project Partner must allow access to its sites and premises and must ensure that information requested is ready and available. Information provided must be accurate, precise and complete and in the format requested, including electronic format. In case Project Partners impede access to or do not provide, within the given deadline, any information and data requested, Article 41 (*Suspension of payments*) shall apply.
4. On the basis of the audit findings, a 'draft audit report' shall be drawn up and notified to the audited Project Partner, which shall have 14 calendar days to formally submit observations. This period may be extended in justified cases.
5. The 'final audit report' shall take into account observations from the audited Project Partner.
6. On the basis of the final audit findings, the FO, the FMO and the FMC may take the measures they deem necessary.
7. Should the audit reveal findings, the FO has the right to suspend payments in accordance with Article 41 (*Suspension of payments*), reject the ineligible expenditures, apply financial corrections in accordance with the Article 40 (*Financial Corrections*) or terminate the Project Contract in accordance with the Article 45 (*Termination by the FO*) and, if necessary, recover undue payments in accordance with Article 50 (*Recovery*) and Article 51 (*Recovery Procedure*).

## IRREGULARITIES AND FINANCIAL CORRECTIONS

### 39. DEFINITION AND DETECTION OF IRREGULARITIES

1. An irregularity shall mean any breach:
  - 1.1 Of the Project Contract and its Annexes;
  - 1.2 Of any provision of European Union law; or
  - 1.3 By a Project Partner, of any provision of its national law, which affects or prejudices the implementation of the Project or the Fund.

2. The Lead Partner shall make every effort possible to prevent, detect, and nullify the effect of any cases of irregularities and shall undertake to ensure that the other Project Partners make such an effort.

#### 40. FINANCIAL CORRECTIONS

1. The FO may make any appropriate financial corrections, consisting of cancelling all or part of the Grant amount.
2. The FO shall base its financial corrections on individual cases of irregularity identified, taking account of the systemic nature of the irregularity to determine whether a flat-rate or extrapolated correction should be applied, or whether the corrected amount can be based on the actual amount detected as irregular. The FO shall, when deciding the amount of a correction, take account of the nature and gravity of the irregularity and the extent and financial implications of the deficiencies found.
3. In case of irregularities leading to financial corrections, the Grant amount shall be reduced by the amount of the financial correction (net reduction).
4. The FO reserves the right to take all reasonable measures to recover any amount unduly paid to the Lead Partner, including using any available judicial or administrative remedies. In addition, the FO is entitled to resort to recovery by offsetting against any amount owed to the Lead Partner or to the Project Partner(s), including under other contractual relationships than this Project Contract.

### SUSPENSION AND TERMINATION OF THE PROJECT CONTRACT

#### 41. SUSPENSION OF PAYMENTS

1. The FO may suspend, at any moment, payments, in whole or in part, if during the implementation of the Project a Project Partner (or a natural person who has the power to represent or take decision on its behalf) has committed or is suspected of having committed:
  - 1.1 Substantial errors, irregularities or fraud; or
  - 1.2 Breach of obligations under the Project Contract.
2. The FO may suspend payments and request reimbursement from the Lead Partner in case decision on such action is taken by the FMO and/or the FO.
3. If payments are suspended, the FO may make partial payment(s) for the part(s) not suspended. If suspension concerns the Final Payment, once the suspension is lifted, the payment or the recovery of the amount(s) concerned shall be considered the Final Payment that closes the Project.
4. Before suspending payments, the FO shall send a written notification to the Lead Partner:
  - 4.1 Informing of its intention to suspend payments and the reasons grounding this decision; and
  - 4.2 Inviting the submission of observations within 30 calendar days of receiving the FO's notification.
5. At the end of the aforementioned 30 calendar days' period, the FO shall analyse the Lead Partner's observations, if any, and decide whether to pursue the procedure or to reconsider the decision. If the FO decides to pursue the procedure, it shall formally notify the confirmation of the suspension and the reasons therefore and this decision shall be effective



immediately. If the FO decides to reconsider the suspension, it shall formally notify the discontinuation of the suspension procedure.

6. If the conditions for resuming payments are met, the suspension shall be lifted. The FO shall formally notify the Lead Partner of such lifting of the suspension.
7. During the period of suspension of payments, the Lead Partner is not entitled to submit any Payment Requests. Within 7 calendar days from the receipt of the FO's decision to resume payment(s), the Lead Partner shall submit pending Payment Request(s), if any.

#### 42. SUSPENSION OF THE PROJECT IMPLEMENTATION BY THE LEAD PARTNER

1. The Lead Partner, on behalf of the Project Consortium, may request to suspend the implementation of the Project or any part of it, if exceptional circumstances make the implementation impossible or excessively difficult, in particular in the event of Force Majeure within the meaning of Article 47. The Lead Partner must immediately inform the FO stating:
  - 1.1 The reasons for suspension including details about the date or period when the exceptional circumstances occurred; and
  - 1.2 The expected date of resumption.
2. Should the FO not approve the request and Lead Partner confirms that Project implementation cannot continue, the Project Contract may be terminated in accordance with Article 44 (*Termination by either Party*) or Article 45 (*Termination by the FO*).
3. The Lead Partner must immediately notify the other Project Partners of the suspension.
4. Costs incurred during the period of suspension for the implementation of the suspended Project or the suspended part of the Project are not eligible and may not be reimbursed or covered by the Grant.
5. In case the Project implementation is suspended for more than 180 continuous calendar days, the FO reserves the right to terminate the Project Contract in accordance with Article 45 (*Termination by the FO*).
6. Once the circumstances allow resuming the implementation of the Project, the Lead Partner must inform the FO immediately.
7. In order to resume the implementation of the Project, the Project Partners must demonstrate in writing that the reasons for suspension no longer exist. If the implementation of the Project can be resumed and the Project Contract is not terminated, the FO's communication shall set the date on which the Project is to be resumed. The suspension is lifted with effect from the resumption date.
8. In cases foreseen in this Article, an amendment to the Project Contract may be required. The Project Contract shall be amended through a written amendment in accordance with Article 16 (*Amendments to the Project Contract*) to set the date on which the Project shall be resumed.
9. Neither Party may claim from the other Party damages due to suspension of the Project implementation.

#### 43. SUSPENSION OF THE PROJECT IMPLEMENTATION BY THE FUND OPERATOR

1. The FO may suspend the implementation of the Project or any part thereof in the event of exceptional circumstances, notably of Force Majeure as provided for in Article 47 (*Force Majeure*).

2. The FO may also suspend the implementation of the Project or any part thereof if the FO suspects substantial errors, irregularities, fraud or breach of obligations committed by a Project Partner, in the award procedure or in the implementation of the Project Contract and needs to verify whether such events have actually occurred.
3. Before suspending the implementation of the Project, the FO must send a written notification to the Lead Partner informing it of its intention to suspend the implementation of the Project and the reasons for suspension. By such notification, the FO shall invite the Lead Partner to submit observations within 30 calendar days. The FO shall analyse the Lead Partner's observations, if any, and decide whether or not to proceed with the suspension of the Project implementation. If the FO decides to suspend the Project implementation, it shall formally notify the confirmation of the suspension and the reasons therefore and such decision shall be effective immediately.
4. The Lead Partner must immediately notify the other Project Partners of the suspension.
5. Costs incurred during the period of suspension for the implementation of the suspended Project or the suspended part of the Project are not eligible and may not be reimbursed or covered by the Grant.
6. In order to resume the implementation of the Project in cases of suspension further to paragraph 2, the Project Partners must demonstrate in writing that the reasons for suspension no longer apply. If the implementation of the Project can be resumed and the Project Contract is not terminated, the FO's communication shall set the date on which the Project is to be resumed. The suspension is lifted with effect from the resumption date.
7. In cases foreseen in this Article, an amendment to the Project Contract may be required. The Project Contract shall be amended through a written amendment in accordance with Article 16 (*Amendments to the Project Contract*) to set the date on which the Project shall be resumed.
8. Suspension of the Project implementation does not affect the FMO and/or the FO's right to terminate the Project Contract in accordance with Article 45 (*Termination by the FO*), reduce the Grant or recover amounts unduly paid in accordance with Articles 50 (*Recovery*) and 51 (*Recovery procedure*).
9. Neither Party may claim from the other Party damages due to suspension of the Project implementation.

#### 44. TERMINATION BY EITHER PARTY

1. Either Party may terminate the Project Contract by submitting a formal prior written notice.
2. The written notice must indicate:
  - 2.1 The reasons for termination; and
  - 2.2 The date the termination shall take effect. This date shall not be earlier than 30 calendar days from the date of the notification.
3. Request for Termination initiated by the Lead Partner may lead to a full or partial cancellation of the Grant awarded, a full or partial recovery of funds and/or to a request from the FO for damages.

#### 45. TERMINATION BY THE FO

1. The FO may terminate the Project Contract if the Lead Partner:

- 1.1 Implements the Project deviating substantially from the Project Description set out in Annex II or does not comply with obligations set out in the Project Contract;
  - 1.2 Fails to adopt all appropriate measures to remedy the irregularities that have been detected;
  - 1.3 Does not fulfil the conditions set out in Articles 31 (*General rules and Payment Procedure*), 41 (*Suspension of payments*) and 43 (*Suspension of the Project implementation by the Fund Operator*);
  - 1.4 Is declared bankrupt, is wound up, has its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject of proceedings concerning such matters, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
  - 1.5 Has been convicted of an offence concerning its professional conduct by a judgment which has the force of *res judicata*;
  - 1.6 Has been guilty of grave professional misconduct proven by any means which the FO can justify;
  - 1.7 Has not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which it is established or with those of the country applicable to the Project Contract or those of the country where the Project Contract is to be performed;
  - 1.8 Is suspected of fraud, corruption, involvement in a criminal organisation or any illegal activity in the implementation of the Project;
  - 1.9 In cases foreseen in Article 43 (*Suspension of the Project implementation by the Fund Operator*), it cannot carry out all activities needed to implement effectively or appropriately the Project Contract for a period equal to or more than 180 calendar days;
  - 1.10 Is guilty of misrepresentation in supplying the information required by the FO or the FMO as a condition for participation in the procedure of award of the Grant;
  - 1.11 Undergoes a change in its legal, financial, technical, organisational or ownership situation which could, in the FO's opinion, have a significant effect on the performance of the Project Contract;
  - 1.12 Fails to ensure consortium stability and is unable to present the FO with a Partnership Agreement signed by all Project Partners listed in the Project Contract.
  - 1.13 In case a decision to terminate the Project is taken by the FMO and/or the FMC.
2. Prior to the termination under paragraphs 1.1 to 1.13 of this Article, the Lead Partner shall be given the opportunity to submit its observations within 30 calendar days starting from the receipt of the FO's notification. The FO shall analyse the Lead Partner's observations, if any, and decide whether to terminate the Project Contract. If the FO decides to terminate the Project Contract, it shall send a written notification to the Lead Partner informing it of the termination and the date on which it takes effect. The Lead Partner must immediately notify the other Project Partners of the termination.
  3. Any of the events foreseen in paragraphs 1.1 to 1.13 of this Article related to a Project Partner other than the Lead Partner shall also be deemed to be a reason for termination of the Project Contract by the FO.

#### 46. EFFECTS OF TERMINATION

1. In the event the FO terminates the Project Contract and without prejudice to any other measures provided for in the Project Contract, the termination will not result in any liability of the FO, the FMO or FMC to the Lead Partner or any Partner.
2. In the event the FO terminates the Project Contract, the FO may require reimbursement of all or part of the Grant already disbursed to the Lead Partner and/or other Project Partners.
3. Within 45 calendar days from the day on which the termination takes effect, the Lead Partner must submit a Final Report as referred in Article 6 (*Reporting periods*) of the Special Conditions. If the FO does not receive the Final Report within the above deadline, only costs which are included in approved Interim Reports are reimbursed or covered by the Grant.
4. If the Project Contract is terminated by the FO in accordance with in Article 45 (*Termination by the FO*), the Lead Partner may not submit any Payment Request after the termination.
5. The FO calculates the Final Grant amount as referred to in Article 34 (*Final Payment*) on the basis of the Interim and Final Reports submitted. Only costs incurred until termination takes effect may be reimbursed or covered by the Grant. The termination of the Project Contract does not release the Project Partners from their record keeping obligations in accordance with Article 49 (*Record keeping*), and equipment maintenance in accordance with Article 22 (*Eligible direct expenditures*). The termination of the Project Contract does not result in any waiver of the right of the FO, the FMO, the EFTA Board of Auditors and the Office of the Auditor General of Norway or experts authorised to do so on their behalf, to perform monitoring visits, checks and audits in accordance with Article 35 (*General Rules*).

#### 47. FORCE MAJEURE

1. *Force majeure* shall mean any unforeseeable and unavoidable situation or event beyond the control of a Party, which reasonably prevents or delays the said Party from fulfilling any of its obligations under the Project Contract, and that is not due to error or negligence on its part or on the part of a sub-contractor, and could not have been avoided by the exercise of due diligence. Defects in equipment or material or delays in making it available, labour disputes, strikes or financial problems cannot be invoked as force majeure unless they stem directly from a relevant case of force majeure.
2. A Party faced with *force majeure*, shall notify the other Party without delay in writing, stating the nature of the situation or event, its likely duration and foreseeable effects.
3. The Party faced with *force majeure* may not be considered in breach of its obligations under the Project Contract if it has been prevented from fulfilling them by *force majeure*.
4. The Parties shall take the necessary measures to limit damage to a minimum. They must do their best to resume the implementation of the Project as soon as possible.

### RETENTION OF DOCUMENTS

#### 48. ACCOUNTS

1. Each Project Partner shall keep accurate and regular accounts of the implementation of the Project using an appropriate accounting and double-entry book-keeping system or an adequate accounting code for all transactions relating to the Project without prejudice to national accounting rules. These systems may either be an integrated part of each Project Partner's regular system or an addition to that system. This system shall be run in accordance

with the accounting and bookkeeping policies and rules that apply in the country of the Project Partner concerned.

2. Accounts and expenditure relating to the Project must be easily identifiable and verifiable. This can be done by using separate accounts for the Project concerned or by ensuring that expenditure for the activity concerned can be easily identified and traced to and within each Project Partner's accounting and bookkeeping systems.

#### 49. RECORD KEEPING

1. Each Project Partner shall keep full accurate and systematic records and accounts in accordance with the laws of the country where it is established. The Lead Partner shall be responsible for record keeping by itself and ensure that the Project Partners keep appropriate records.
2. Records, accounting and supporting documents must be kept for a 5-year period starting from the day after the Final Payment is made and, in any case, until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed of. These documents include any documentation concerning the implementation of the Project.
3. In addition to the reports mentioned in Article 28 (*Reporting*), documents referred to in this Article include, but are not limited to:
  - 3.1 Accounting records (computerized or manual) from each Project Partner's accounting system such as general ledger, sub-ledgers and payroll accounts, fixed assets registers and other relevant accounting information;
  - 3.2 Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports;
  - 3.3 Proof of commitments such as contracts and order forms;
  - 3.4 Proof of delivery of services such as approved reports, time sheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates);
  - 3.5 Proof of receipt of goods such as delivery slips from suppliers;
  - 3.6 Proof of completion of works, such as acceptance certificates;
  - 3.7 Proof of purchase such as invoices and receipts;
  - 3.8 Proof of payment such as bank statements, debit notices, proof of settlement by the contractor;
  - 3.9 Proof that taxes and/or VAT that have been paid cannot currently be reclaimed;
  - 3.10 For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel expenditures and maintenance expenditures;
  - 3.11 Staff and payroll records such as contracts, salary statements and time sheets.
4. All the aforementioned documents shall be easily accessible and filed so as to facilitate its examination. All the supporting documents shall be available in the original form, including in electronic form, and an English courtesy version shall be provided upon the FMO/ FO's request.

## RECOVERY

### 50. RECOVERY

1. If the revised final Grant amount is lower than the amount of already transferred payments, the FO shall recover the difference.
2. Where an amount is to be recovered, the Lead Partner shall repay to the FO the amount in question, even if it was not the final recipient of the amount due.
3. After the Final Payment, any Financial Corrections as a consequence of irregularity shall take the form of recovery.

### 51. RECOVERY PROCEDURE

1. Before recovery, the FO shall send a written notification to the Lead Partner informing of its intention to recover the amount unduly paid, specifying the amount due and the reasons for recovery and inviting the Lead Partner to make any observations within 30 calendar days on behalf of Project Consortium.
2. If, after having analysed the observations, if any, the FO decides to pursue the recovery procedure, the FO confirms the recovery by sending a letter for reimbursement, specifying the terms for repayment.
3. The Lead Partner must transfer the repayment amount in EUR to the account, as specified in the FO's letter for reimbursement, within 45 calendar days after receiving the notification.
4. Any delay in making the repayment gives the FO the right to demand from the Lead Partner penalty interest starting on the due date and ending on the value day of actual repayment at the rate applied by the European Central Bank to its main refinancing transactions in Euro, as published in the Official Journal of the European Union, C series, on the first day of the month in which the deadline expired, plus 3.5 percentage points.
5. Should the Lead Partner refuse to reimburse, the FO shall be free to deduct adequate amounts from the financial guarantee, unless otherwise provided in the Special Conditions.
6. Partial payments shall be first credited against charges and late-payment interest and then against the principal.

## PART III - FINAL PROVISIONS

### 52. WAIVER

Nothing contained in the Project Contract shall be construed or interpreted as imposing upon the FMO, the FMC, the Donor States or the EFTA any responsibility of any kind for the execution of the tasks assigned to the FO or the Project Partners under the Project Contract.

### 53. PARTIAL INVALIDITY AND UNINTENTIONAL GAPS

If a provision of the Project Contract is or becomes invalid or if the Project Contract contains unintentional gaps or misprints, this shall not affect the validity of the other provisions of the Project Contract. The Parties shall replace any invalid provision by a valid provision that is as close as possible to the purpose and intent of the invalid provision.

#### 54. APPLICABLE LAW AND DISPUTE RESOLUTION

1. Belgian law is the law governing the Project Contract.
2. In the event of any dispute concerning the Project Contract, the Parties shall in the first instance attempt to resolve the dispute in an amicable manner.
3. Should no amicable settlement be achieved within 60 calendar days of the initial notification of the dispute, the dispute shall be subject to mediation in accordance with the CEPANI Mediation Rules, it being understood that the place of mediation shall be Brussels and that the proceedings shall be conducted in the English language.
4. In the event that no settlement is reached within 90 days of the filing of the request for mediation or in the event that at any time during the said 90 day period the mediator notifies the CEPANI Secretariat that one or other party has refused to participate in, or continue, the mediation or that the mediation has failed the mediation shall immediately cease.
5. In the event that the mediation ceases without any settlement being achieved the dispute shall be subject to the jurisdiction of the French-speaking courts of Brussels.

