



Contracting Authority

Ministry of Environmental Protection and Regional Development of
the Republic of Latvia

Estonia – Latvia – Russia
Cross Border Cooperation Programme within
European Neighbourhood and Partnership Instrument
2007-2013
EC decision No C (2008) 8332

Guidelines **for Large Scale Project Applicants**

NOTICE

These Guidelines are compiled to give particular assistance to the Applicants elaborating the full Application Form of the Large Scale Projects (LSPs) of the Estonia – Latvia – Russia Cross Border Cooperation Programme within the European Neighbourhood and Partnership Instrument 2007-2013 (Programme).

The Guidelines provide an overview of the planning, managing and follow-up to the projects financed from the Programme. The Guidelines include information on the process from the preparation of the full Application Form to implementation, monitoring, reporting and finalization of the project. They also contain information on how to fill in the Application Form, what to annex to it and what procedures to follow. Text of the Guidelines shall serve as a summarised basic guide to the LSP applicants.

Please note, that the English version of the document is approved by the JMC of the Programme and takes precedence over other language versions.

The relevant documents for the preparation of the LSP applications can be downloaded from the Programme's web site: <http://www.estlatrus.eu>.

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1 GENERAL INFORMATION ABOUT THE PROGRAMME

1.1 BACKGROUND

The Estonia – Latvia – Russia Cross Border Cooperation Programme is implemented within the framework of the European Neighbourhood and Partnership Instrument (ENPI). Currently the Programme offers a single set of objectives as well as unified procedures for project application and implementation, applicable to institutions from both the European Union (EU) Member States and the Partner Countries.

In addition to the Open Calls for Proposals, the participating countries in agreement with the European Commission have jointly identified large-scale cross-border investment projects which are selected and contracted through the direct award procedure.

1.2 LEGAL FRAMEWORK

The following EU legal acts and working documents provide further detailed information on the implementation of the Programme:

Regulation No 1638/2006	of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI Regulation)
Commission Regulation No 951/2007	of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument (<i>Implementing Rules</i> further in the text)
Council Regulation No 1605/2002	of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities
Commission Regulation No 2342/2002	of 23 December 2002 laying down detailed rules for the implementation of Council Regulation No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities
PRAG	Practical Guide to Contract procedures for European Commission external actions (the version of November 2010 will apply for LSPs)
Programme	Estonia–Latvia–Russia Cross Border Cooperation Programme within European Neighbourhood and Partnership Instrument 2007–2013 approved by European Commission on 17 December 2008, decision No C(2008)8332
Financing Agreement	Financing Agreement between the Government of the Russian Federation and the European Community on Financing and implementing the Cross Border Cooperation Programme signed on 18 November 2009

Applicable national legal acts and EU regulations and those on horizontal themes, in particular on sustainable development, environment, competition and state aid, public procurement, equal opportunities are to be observed.

1.3 OBJECTIVES OF THE PROGRAMME AND PRIORITIES

The ***strategic objective*** of the Programme is to promote joint development activities for the improvement of the region's competitiveness by utilising its potential and beneficial location in the cross roads between the EU and the Russian Federation.

The **specific objective** of the Programme is to make the wider border area an attractive place for both its inhabitants and businesses through activities aimed at improving the living standards and investment climate.

LSPs should be directly related to the Programme objectives and fit to the Priority 1 or Priority 2 as stated by the Programme:

1st Priority: Socio-economic development	is dedicated to strategic development of border region's competitiveness through support to business and labour market development, improvements in communication networks and exploring region's potential for tourism as well as maintaining efficient and safe borders.
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Measure 1.1 *Fostering of socio-economic development and encouraging business and entrepreneurship*

Measure 1.2 *Transport, logistics and communication solutions*

Measure 1.3 *Tourism development*

2nd Priority: Common challenges	aims at addressing common problems and initiating and continuing joint actions in the areas of common interest on both sides of the border
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Measure 2.1 *Joint actions aimed at protection of environment and natural resources*

Measure 2.2 *Preservation and promotion of cultural and historical heritage and support of local traditional skills*

Measure 2.3 *Improvement of energy efficiency and promotion of renewable energy sources*

1.4 PROGRAMME AREA

Programme area includes the following NUTS III regions:

Latvia: Latgale, Vidzeme; adjoining areas: Riga City and Pieriga

Estonia: Kirde-Eesti, Lõuna-Eesti, Kesk-Eesti; adjoining area: Põhja-Eesti

Russia: Leningrad region, Pskov region, St. Petersburg City.

Applicants and partners of the LSPs may be located (have their legal address) outside the Programme area, but all LSP activities must take place in the Programme area.

1.5 PROGRAMME MANAGEMENT

Joint Monitoring Committee (JMC)

is a decision making body responsible for ensuring effectiveness and quality of the Programme implementation. The JMC takes the final decision on projects to be supported and amounts granted to the projects. Members of the JMC are representatives from national and regional level partners from the Republic of Estonia, the Republic of Latvia and the Russian Federation. The JMC nominates part of the JMC to act as the Selection Committee.

Joint Managing Authority (JMA)

is an executive body having overall responsibility for managing the Programme and implementing decisions taken by the JMC; body responsible for efficient and correct management and implementation of the Programme. To ensure segregation of duties, Operational Section, Financial Management Section and Internal Audit Section of the JMA have been established. The JMA is acting as the Contracting Authority and signing Grant Contracts with the Beneficiaries of approved projects, approves project implementation reports and initiates payments. Ministry of Environmental Protection and Regional Development of the Republic of Latvia is the Joint Managing Authority of the Programme.

Joint Technical Secretariat (JTS)

is a joint operational body assisting the Joint Managing Authority and the JMC in carrying out their respective duties. The JTS is in charge of the day-to-day operational follow-up and financial management of the projects. It is participating in assessment of the Applications. The JTS is composed of international staff. The JTS is located in Riga, the Republic of Latvia and hosted by the State Regional Development Agency of the Republic of Latvia. The JTS has Branch Offices in the Republic of Estonia and the Russian Federation. The JTS informs and supports potential beneficiaries of the Programme in the country where activities are envisaged.

National Authorities

are national institutions responsible for the Programme development, relevant policy making and monitoring of the Programme on behalf of the participating countries. Their functions are implemented by the Ministry of the Interior of the Republic of Estonia, the Ministry of Environmental Protection and Regional Development of the Republic of Latvia and the Ministry of Regional Development of the Russian Federation.

1.6 FINANCIAL ALLOCATION FOR LARGE SCALE PROJECTS

The overall indicative amount made available from the Programme for the Large Scale Projects is **EUR 26 096 744**. Additional financing to the programme has been made available from the Estonian State budget 9,081,558 EUR.

1.7 OFFICIAL LANGUAGE

The official working language of the Programme is English. Applications shall be submitted in English, Grant Contracts shall be concluded in English, all official documentation and communication related to the implementation of projects should be in English. Interpretation and translation costs foreseen during the project implementation can be included in the budget of the project.

2 RULES FOR LARGE SCALE PROJECT PROPOSALS

These Guidelines set out the rules for the submission, selection and implementation of LSPs financed in conformity with the Programme (available for download at the Programme's web site: www.estlatrus.eu) and with the provisions of the PRAG (version of November 2010 apply) available on the Europe Aid web site:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

2.1 ELIGIBILITY OF THE APPLICANT AND THE PROJECT PARTNER(S)

In addition to the general programme requirements, an exclusive competence of the applicant for LSP has to be proved. According to the provisions of PRAG, Section 6.3.2 "Grants awarded without calls for proposals ("Direct award")", the grant can be awarded under the following conditions:

"Grant is awarded to a body with a de jure or de facto monopoly, duly substantiated in the award decision. For these purposes, "de facto" or "de jure" means that the beneficiary, which may be a consortium:

- has exclusive competence in the field of activity and/or geographical area to which the grant relates pursuant to any applicable law; or
- is the only organisation (i) operating or (ii) capable of operating in the field of activity and/or geographical area to which the grant relates by virtue of all considerations of fact and law."

The Programme will finance activities within the projects which have (is aimed to keep) a purely cross border character and involve at least two partners, of whom at least one project partner shall be from Estonia and/ or Latvia and at least one partner from the Russian Federation. The Programme is an important complement to the existing and foreseen national, regional and sectoral initiatives in the cooperation area.

No particular limits are established for the portion of expenditure incurred by the Beneficiaries and project partners outside the Programme area.

The applicant and the project partner(s) must satisfy **all** criteria listed below:

- 1) be legal persons **and**
- 2) be non-profit making (with exception of public equivalent body and private entities participating as the project partner(s)) **and**
- 3) be directly responsible for the preparation and management of the project with their partner(s), not acting as an intermediary, **and**
- 4) not be in any of the situations listed below:
 - a. they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
 - b. they have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*; (i.e. against which no appeal is possible);
 - c. they have been guilty of grave professional misconduct proven by any means which the Joint Managing Authority can justify;

- d. they have 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 they are established or with those of the country of the Joint Managing Authority or those of the country where the contract is to be performed;
- e. they have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests:
 - 1) cases of fraud as referred to in Article 1 of the Convention on the Protection of the European Communities' Financial Interests drawn up by the Council Act of 26 July 1995;
 - 2) cases of corruption as referred to in Article 3 of the Convention on the Fight Against Corruption Involving Officials of the European Communities or Officials of Member States of the European Union, drawn up by the Council Act of 26 May 1997;
 - 3) cases of participation in a criminal organisation, as defined in Article 2(1) of Joint Action 98/733/JHA of the Council;
 - 4) cases of money laundering as defined in Article 1 of Council Directive 91/308/EEC.
- f. they are currently subject to an administrative penalty referred to in Article 96(1) of the Financial Regulation No 1605/2002.

The following are not the project partners and do not have to sign the Partnership Statement:

- 1) **associates;**
Associates can be involved in the project implementation if they play a real role in the project. Associates may not receive funding from the grant with the exception of daily allowances, accommodation and travel costs. Associates do not have to meet the eligibility criteria referred to in this section. The associates have to be mentioned in the Application Form and they have to sign the Letter of Endorsement by the Associates.
- 2) **subcontractors;**
The grant Beneficiaries and the project partner(s) have the possibility to award contracts to subcontractors. Subcontractors are neither project partners nor associates, and are subject to the procurement rules set out in the Guidelines.

2.2 Partnership requirement

Each project shall involve at least **two project partners** (the applicant and at least one project partner), of whom at least one project partner shall be from Estonia or Latvia and at least one project partner from the Russian Federation.

2.3 ELIGIBILITY OF COSTS

Only **eligible costs** can be taken into account for a grant. The categories of costs considered as eligible and non-eligible are indicated below. The budget is both a cost estimate and a ceiling for eligible costs. Note that the eligible costs must be based on real costs and backed by supporting documents during the project implementation.

The 3E issues in the project budget

The project budget has to be in line with the principles of economy, efficiency and effectiveness.

The principle of economy requires that the resources used by the institution for the pursuit of its activities shall be made in due time, in appropriate quantity and quality and at the best price.

The principle of efficiency is concerned with the best relationship between resources employed and results achieved.

The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

Co-financing rate

Grant to the project may not exceed 90% of the total eligible costs of the project.

Not less than 10% of the total eligible costs of the project are the Beneficiaries' and/or the project partner(s) own contribution to the project and must be financed from their resources or from sources other than the Programme budget.

For the private entities from Estonia and Latvia the maximum co-financing from the Programme cannot exceed 50% of the total eligible costs for respective project partner.

Eligible costs

Costs for activities incurred prior to the contract signature can be considered as eligible on the condition that they are incurred after the Project Summary Form of the LSP is submitted to the JMA, but no later than signing of the Grant Contract.

Only Beneficiaries and project partners of the approved LSPs (upon approval to full Application Form) will be able to claim the reimbursement of the costs for activities prior to the contract signature.

The applicant must clearly indicate the costs for activities prior to the contract signature in the Project Summary Form and in the LSP Application Form.

Costs for activities prior to the contract signature can be incurred under the following Budget Headings:

- Budget Heading 1 "Human Resources" – project management costs necessary for the coordination of project activities;
- Budget Heading 2 "Travel Costs" – project management costs necessary for the coordination of project activities;
- Budget Heading 5 "Other costs and external services" – elaboration of full set of documents (e.g. technical documentation, Feasibility Study, Environmental Impact Assessment etc.) as required by the European Commission and/or the national legislation.

To be eligible after the contract signature, costs must be incurred by the Beneficiary or its partner(s) and must be in line with the Article 14.2 of the General Conditions to the Grant Contract:

- 1) incurred during the implementation of the project, i.e. after the starting date of the project stipulated in the Grant Contract (including costs prior to the Contract signature) and before the project end date with the exception of costs relating to final reports, expenditure verification and evaluation of the project, which can be incurred not later than the date of submission of the final report;
- 2) indicated in the estimated overall budget of the project;
- 3) necessary for the implementation of the project;

- 4) identifiable and verifiable, in particular being recorded in the accounting records of the Beneficiary or its partner(s) and determined according to the applicable accounting standards of the country where the Beneficiary and/or the partner is established and according to the usual cost accounting practices of the Beneficiary and/or the partner(s);
- 5) incurred in compliance with the relevant procurement procedures;
- 6) reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

Ineligible costs

The following costs of the Beneficiary and the project partner(s) **are not eligible**:

- 1) debts and provisions for losses or debts;
- 2) interest owed;
- 3) items already financed in another framework;
- 4) purchases of land or buildings, except where necessary for the direct implementation of the project, in which case ownership must be transferred to the final beneficiaries and/or local partner(s), at the latest by the end of the project;
- 5) currency exchange losses;
- 6) taxes (except those listed in the description of the Budget Heading 1), including VAT, unless the Beneficiary and/or the project partner(s) cannot reclaim it. Please note that VAT that is recoverable by whatever means cannot be considered eligible, even if it is not actually recovered by the Beneficiary or the project partner(s) (i.e. the Beneficiary or the partner who could officially recover the VAT has decided not to do it);
- 7) credits to third parties;
- 8) fines, financial penalties and expenses of litigation;
- 9) contributions in-kind.

3 IDENTIFICATION AND SELECTION OF LARGE SCALE PROJECTS

The LSP Applications are examined by the JMC with the assistance of the JMA/JTS. All projects submitted by the applicants are checked according to the following **steps and criteria**:

3.1 Step 1: Shortlist

National Authorities initiated internal discussions about LSPs in the participating countries of the Programme and prepared national lists of the LSPs. Applicants in cooperation with their project partners prepared **a Project Summary Form** and submitted to the JTS or its Branch Offices in paper form. In addition to this, Russian applicants and partners had to present letter of support from the respective national and/or regional authorities (Ministry of Regional Development of the Russian Federation and from the administration of the respective region).

The JTS asked additional questions and clarifications to ensure that the Project Summary Form presented to the JMC is of the appropriate quality.

Based on the verification by the JMA/JTS, the **JMC approved a shortlist** of LSPs on the basis of the Project Summary Forms. The decision of the JMC had the form of a **written recommendation** reflecting how each proposal complied with the requirements.

The approved shortlist accompanied by the project summaries and the JMC's recommendation was **submitted to the European Commission** (DG EuropeAid) who checked the relevance of the projects.

Projects accepted by the European Commission form **the final shortlist**.

Overall 6 LSP Summaries have been approved by the JMC and form the final shortlist of the LSPs of the Programme. (See list of shortlisted LSP's in the Annex 3)

3.2 Step 2: Final list of projects to be financed

Shortlisted applicants and their partners shall prepare the **Full Application Form**.

Full Application Form is submitted to the JTS, where its general correspondence to the Project Summary Form that is accepted by the European Commission is verified as well as its compliance with the formal requirements (See the checklist in the Annex 4). The JTS may ask additional questions and clarifications to ensure that the full Application is in line with the formal requirements.

Based on the check by the JMA/JTS the Full Application is sent to the JMC for approval. The **decision of the JMC** should have the form of a **written recommendation** (See the form in the Annex 5).

The filled Full Application Form together with the feasibility study (studies), environmental impact assessment(s), evidence(s) of ownership or access to the land and JMC's recommendation should be submitted to the European Commission (DG EuropeAid) who shall check the admissibility of the project.

Projects accepted by the European Commission shall form the **final list of large scale projects** to be financed.

3.3 HOW TO APPLY AND THE PROCEDURES TO FOLLOW

3.3.1 Application

In order to apply for the LSP grant, shortlisted applicants have to fill in the full Application Form.

Detailed instructions on how to fill in the Application Form are provided in the Application Form itself and also in a separate document included in the Applicant's Pack "Instructions on how to fill in the Application Form".

The complete **Application** includes the following documents based on the national and/or European Commission requirements:

(1) In paper version:

1. **Application Form**, duly filled-in, signed, stamped (if applicable) and dated by the applicant (including Budget, Logical Framework, Declaration by the Applicant).
2. **Legal Entity Sheet**, duly completed and signed by the applicant (the sheet should be stamped if applicable).
3. **Partnership Statement(s)** duly filled-in, signed and stamped (if applicable) by each of the project partner(s) (including the applicant).
4. **Letters of Endorsement by the Associates** duly filled-in, signed and stamped (if applicable) by each of the associate partner(s).
5. **Evidence of ownership or access to the land/ buildings** (applicable for projects foreseeing construction works). (In case the applicant or partner is not the owner of the land/building the document which according to national law proves the right to carry out the investment and other planned activities.)
6. **Environmental Impact Assessment** for the concrete objects (if required according to national legislation or Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment) in national language. If the Environmental Impact Assessment is in national language, a summary in English has to be submitted.
7. **Feasibility Study or equivalent** requested by the national law (social-economical analysis, etc.) on the planned investments/ renovations/ supplies. There can be a joint feasibility study drawn up for all infrastructure objects or a separate feasibility study for the concrete infrastructure object. If the Feasibility Study is in national language, a summary in English has to be submitted.
8. **Technical specifications** for the planned supplies.
9. The **Statutes or Articles of Association** of the applicant organisation and of each project partner organisation. **This obligation does not apply to public bodies.**
10. The partner's **Registration Certificate and Value Added Tax (VAT) payer's registration certificate (if applicable) or equivalent**, according to national law. **This obligation does not apply to public bodies.**
11. The **applicant's and the partner's financial and operational reports** (operational report, if requested by the national legislation; and financial report (the profit and loss account and the balance sheet) for the last financial year for which the accounts have been closed. **This obligation does not apply to public bodies.**
12. The **External Audit Report** produced by an approved auditor, certifying the applicant's accounts for the last financial year available should be submitted. **This obligation does not apply to public bodies.**

The documents of the Application listed in points 1, 2, 3, 4, 5 above should be submitted as **originals**. The documents of the Application must be signed by the authorized person/ head of the applicant organisation and the project partner organisation, where applicable.

The other documents listed above should be submitted as ***paper copies or electronically, if allowed by the legislation of the respective partner's country.***

Both the originals and copies of the said originals must show legible stamps and/or signatures and dates.

- (1) **Electronic version** of the Application, which has to be sent by email includes the following documents:
 - 1) **Application Form** (including Budget, Logical Framework, Declaration by the Applicant);
 - 2) **Feasibility Study** (if relevant according to description in point 8 above);
 - 3) **Documents** listed above in points 6-13, if they are not submitted in the paper version.

Documents to be submitted in English:

- Application Form;
- Legal Entity Sheet of the Applicant;
- Signed Declaration by the Applicant (part of the Application form);
- Partnership Statement;
- Letter of endorsement by the Associates;
- Summary of the Feasibility Study (Studies) if the Feasibility Study (Studies) is (are) prepared in the national language(s);
- Summary of the Environment Impact Assessment(s) in English if the document(s) is (are) prepared in the national language(s)

3.3.2 Where and how to submit the application

The Full Application that consists of Full Application Form (one original and one copy) and documents listed in Chapter 3.3.1 points 2-13 should be submitted in one envelope. The envelope must bear the following sentences: "*Large Scale Project Application for Estonia-Latvia-Russia CBC Programme within ENPI 2007-2013*" together with the full name and address of the applicant. The electronic version of the above-mentioned documents has to be sent to the email address lsp@estlatrus.eu. Please be aware that the size limit for the email messages sent to this address is 30 MB.

The Application should be submitted by regular mail, courier service¹ or by hand-delivery at one of the addresses below:

1) **Joint Technical Secretariat:**

Ausekļa Street 14-3 (3rd floor)

LV-1010, Riga, Latvia

or

2) **Joint Technical Secretariat Branch Office in Tartu, Estonia**

Sõbra 56 (5th floor)

51013 Tartu, Estonia

or

3) **Joint Technical Secretariat Branch Office in Jõhvi, Estonia**

¹ Courier, courier service - refers to a company providing special delivery of items from a sender to recipient within a short period of time. Delivery to the recipient is carried out directly by an employee of such company. Such companies operate beyond the regular national post system; they do not provide "registered mail" services.

Pargi 27 (1st floor)
41537 Jõhvi, Estonia

or

4) Joint Technical Secretariat Branch Office in St. Petersburg, Russia
14 Izmailovsky prospect, office 312-316, St. Petersburg
198005, Russia

or

5) Joint Technical Secretariat Branch Office in Pskov, Russia
Branch Office in Pskov, Russia
Sovetskaya Street 60a, p.3, 4th floor, Pskov, Russia

Where an applicant submits several different applications, each one has to be sent separately.

Applications submitted in non-satisfactory quality and/or not fulfilling formal requirements will be sent back to the applicants for their improvement.

3.4 AWARD PROCEDURE AND CONTRACTING

Once the project has been confirmed by the European Commission, the JMA shall approach the beneficiary and request the updated documents required for the signature of the Grant Contract (for example, updated timetable and budget).

The Grant Contract is based on the standard PRAG template with respective modifications agreed within the JMC and EC.

Grant Contract is signed between the Contracting Authority (Joint Managing Authority) and the Beneficiary. In accordance with the Article 2 of the Implementing Rules “‘beneficiary’ means a body which signs a grant contract with the Joint Managing Authority and which assumes full legal and financial responsibility for project implementation vis-à-vis that authority; it receives the financial contribution from the Joint Managing Authority and ensures it is managed and, where appropriate, distributed in accordance with the agreements drawn up with its partners; it alone is responsible to the Joint Managing Authority and it is directly accountable to the authority for the operational and financial progress of activities.

4 PROJECT IMPLEMENTATION, MONITORING, REPORTING AND CONTROL

4.1 ADMINISTRATIVE MANAGEMENT OF THE PROJECT

Following the decision to award a grant, the Beneficiary will be offered a Grant Contract.

With the signature of the Grant Contract the contractual relations and responsibilities between the Contracting Authority (Joint Managing Authority) and the Beneficiary emerge. The Beneficiary becomes responsible and accountable to the Contracting Authority for efficient implementation of the project in compliance with the provisions of the concluded Grant Contract and Application.

Before the Joint Managing Authority signs the Grant Contract, the following procedures have to be carried out (but not limited to):

- the applicant submits to the Joint Managing Authority the signed Partnership Agreement with its partners;
- the applicant has to notify the Joint Managing Authority on the external audit companies (Auditors) which will carry out expenditure verification at the Beneficiary's and the project partner(s) level. The Joint Managing Authority has to approve the Auditor(s) either before conclusion of the Grant Contract or before the Beneficiary's request for the initial pre-financing instalment to the Contracting Authority;
- the applicant has to provide the original of the Financial Identification Form with the details of its banking account;
- during preparation of the Grant Contract JTS/ Joint Managing Authority could carry on monitoring visits to the projects;

Signing of the Grant Contract is a subject to the fulfilment of the above indicated procedures.

By signing the Application Form, the applicant declares accepting, in case where it is awarded a grant, the contractual conditions as laid down in the Grant Contract. The Joint Managing Authority sends the signed Grant Contract to the Beneficiary indicating the deadline when the countersigned contract shall be returned to the Joint Managing Authority.

The Partnership Agreement has to set the rights and obligations of the partner(s), provisions guaranteeing the financial management of the funds allocated to the project, including the arrangements for recovery of amounts unduly paid.

The Partnership Agreement will not be a part of or Annex to the Grant Contract.

4.1.1 START AND END DATE OF THE PROJECT

Project **starting date** is defined by the Beneficiary and the Joint Managing Authority; stipulated in the Grant Contract and it can be either:

- the day following that on which the last of the two parties signs the Grant Contract,
or
- a later date agreed in the Grant Contract,

and no later than 6 months after the signing of the Grant Contract.

- Exceptionally and subject to conditions on retroactive eligibility as stipulated in the Paragraph 6.2.8 of the Practical Guide, a date preceding the signature of the Contract, but not preceding the Beneficiary's request for grant can be defined as the starting date of the project. Implementation of the Action can start earliest on a date when the Project Summary of the Action is submitted to the Joint Managing Authority.

The **end date of the project** is calculated by adding to this date the number of months indicated in the Application as the duration of the project, however, project implementation has to be finalized before 31 December 2014.

4.1.2 MANAGEMENT OF THE PROJECT AND RESPONSIBILITIES WITHIN THE PARTNERSHIP

All projects must follow the **Lead Partner Principle** in the project management.

After grant award decision, the **Beneficiary together with project partners** is responsible for:

- signing the Partnership Agreement with all partners defining rights and responsibilities of the parties, the Partnership Agreement should in particular cover all obligations arising from the grant contract between the Joint Managing Authority and the Beneficiary which are applicable to the project partners;
- signing the Grant Contract with the Joint Managing Authority;
- setting up and maintaining efficient and reliable project implementation system (strategic, daily and financial management), i.e.: ensuring efficient use of the project's resources; co-ordination of activities and tasks among the project partners and ensuring that these tasks are subsequently fulfilled; ensuring proper communication with and among the project partners and wider public;
- representing the project – the Beneficiary serves as a contact point to the Joint Managing Authority, JMC and JTS concerning the implementation of the project and should ensure continuous communication between the Programme (JTS) and the project partners;
- progress of the project as far as its financial and physical execution is concerned, and in particular, for ensuring the delivery of outputs and results in line with the approved Application;
- establishing adequate monitoring and evaluation system of the project that ensures timely delivery of outputs of the project and results in a proper quality;
- timely and correct reporting;
- requesting and receiving payments from the Joint Managing Authority, which then are timely forwarded to the project partner(s);
- respecting and observing the EU, PRAG and national legislation concerning financial management and controls, public procurement, rules on nationality and origin, information and publicity and state aid rules;
- ensuring that the beneficiary's expenditure is supported by invoices or documented by accounting documents understandable to third parties; has actually been paid out by the beneficiary within the reporting period for activities described in the approved Application; and that the products or services have actually been delivered;
- ensuring production and maintenance of all documentary evidence required for control and audit purposes on the Beneficiary's level;
- implementation of the project in accordance with the provisions of the Partnership Agreement.

Project partners are responsible for:

- implementation of their part of activities in the project and they must actively assist the Beneficiary in efficient implementation of the project in line with the requirements of the Application, the Programme and the Partnership Agreement.
- respecting and observing EU, PRAG and national legislation concerning financial management and controls, public procurement, rules on nationality and origin, information and publicity and state aid rules

- ensuring that their expenditure is supported by invoices or documented by accounting documents understandable to third parties; has actually been paid out by within the reporting period for activities described in the approved Application; and that the products or services have actually been delivered.
- ensuring production and maintenance of all documentary evidence required for control and audit purposes on the partner's level;
- for implementation of the project in accordance with the provisions of the Partnership Agreement.

The Partnership Agreement has to be concluded between the Beneficiary and its partner(s) defining their rights and responsibilities. Model Partnership Agreement is available on the Programme's web-site www.estlatrus.eu.

Each project has to appoint or hire a **project manager** who is responsible for setting up and maintaining the implementation system of the project. In order to assure professional financial management, an experienced **financial manager** is to be appointed or sub-contracted. The project implementation system should guarantee clearly identifiable costs and outputs of the project, proper and orderly payments and handling of the grant.

The Beneficiary must ensure close cooperation between the sub-contracted project manager and the Beneficiary staff as well as supervision of the management of the project. The beneficiaries contact person should remain in charge of the project at least 6 months after the end date of the project to enable smooth closure of the project.

Also each project partner must nominate **a local coordinator**, who is the contact person with the project manager **and a book-keeper**, who is responsible for book-keeping within the project in the project partner organisation.

For each project a **Steering Group** is to be formed, consisting of all project partner representatives and other important stakeholders and being responsible for monitoring of the implementation of the project according to the provisions of the Grant Contract, reviewing and approving project's work plans and reports.

Working groups, task forces and advisory groups may be established to coordinate daily running of activities, to fulfil specific tasks, to carry out certain activities, etc.

4.1.3 OWNERSHIP OF THE PROJECT RESULTS

The ownership, title and intellectual and industrial property rights to, the project's results, reports and other documents relating to it shall be vested in (belong to) the Beneficiary, its partners, associates or final recipients.

The Beneficiary and its partners grant the JMA, the European Commission, Member States and the partner country the right to use freely and as it sees fit all documents deriving from the project, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.

Prior consent of the JMA is required for the transfer of ownership, industrial and intellectual property rights for outputs and results of the project during the implementation period of the project and for five years after completion of the project.

4.1.4 PUBLICITY AND INFORMATION REQUIREMENTS

The Beneficiary and the project partner(s) must take the necessary measures to publicise fact that the project is financed by the Programme.

Every project, funded by the Programme must conduct communication and visibility activities in order to:

- ensure smooth operation of the project (due to efficient communication among the project partners);
- make the results of the project visible to the target groups concerned or to the public;

- emphasise the contribution of the Programme to the development of the region.

These measures must be in accordance with the applicable rules laid down in the Communication and Visibility requirements of the programme set out in the LSP Communication and Visibility Guidelines (will be elaborated in a separate document).

In order to carry out effective, concise and consistent communication, the Beneficiary and the project partner(s) must plan the communication and promotion activities from the stage of drafting the Application and should plan these activities and specify them in the Application.

The Beneficiaries and the project partners should work in close cooperation with the JTS Large Scale Projects Manager and Information Managers starting from the stage of drafting the Full Application.

Beneficiaries should also send information to the JTS prior to major project events.

4.1.5 USE OF THE PROGRAMME LOGO

The Programme logo consists of these elements:

- 1) EU emblem and reference note "part financed by the European Union";
- 2) the Programme emblem;
- 3) the Programme slogan "united by borders".



The use of the Programme logo is compulsory on all communication materials and tools (both hard copy and electronic), documents of the project and outputs produced by the project. Use of the Programme logo is also compulsory when using other logos, like project's or project partner's own logo. The Programme logo has to be at least the same size as the other emblems/ logos used and is the first from the left side if other logos or emblems are used. The Programme logo can be downloaded here: <http://www.estlatrus.eu>.

Large Scale Projects additionally financed from the Estonian State budget have to use also the logo of the Estonian Ministry of the Interior. The use of the logo is compulsory on all communication materials and tools (both hard copy and electronic), documents of the project and outputs produced by the project. The logo has to be at least the same size as the other emblems/ logos used and is the second from the left side after the Programme logo. The logo can be downloaded here: <http://www.estlatrus.eu>.

An example:



SISEMINISTEERIUM
Estonian Ministry of the Interior

IN SUPPORT OF REGIONAL DEVELOPMENT

4.1.6 CONTACTS OF THE JTS

Ausekļa Street 14-3 (3rd floor), LV-1010, Riga, Latvia

Phone: +371 6750 9520

Fax: +371 6750 9523

Email: info@estlatrus.eu

4.2 FINANCIAL MANAGEMENT OF THE PROJECT

4.2.1 DESCRIPTION OF BUDGET HEADINGS

The project budget is divided between the six budget headings and further detailed into sub-headings and budget lines. The detailed breakdown of the project budget consists of the Programme's grant and the applicant's and the project partners' co-financing (contribution).

All expenditures included into the budget breakdown shall follow the rules on eligibility of expenditure.

The following costs can be included into the project budget as eligible:

Heading 1 – Human resources

Includes only the cost of the staff of the Beneficiary and the project partner(s) assigned directly to the project, corresponding to actual gross salaries (including wages, employment taxes, social security charges, health insurance and pension contributions) and other remuneration related costs due in the respective country. Salaries must not exceed those normally borne by the employer (the Beneficiary or its partner(s)) as the case may be, unless it is justified in the Application Form by showing that it is essential to carry out the project. The staff costs should be comparable with the salaries on the market and have to be calculated based on national legislation requirements and the principles.

Employees can be employed either full-time or part-time for the project. If staff is not working full time for the project, percentage of involvement should be indicated in the description of the costs and reflected in the number of units (e.g. if the duration of the project is 18 months and a staff member works 50% of his full time for the project, the number of units should be 9 months).

The Beneficiary and the project partner(s) as well as associates are not allowed to sub-contract each other or employees of their organisations in order to carry out project activities.

If the Beneficiary and/ or the partner(s) institutions do not have the necessary human resources to ensure implementation of project, these specialists can be employed on the basis of the Service Contracts. In this case their costs have to be budgeted under the Budget Heading 5 "Other costs and external services".

Heading 2 – Travel costs

Costs for travel (business trips) to project -related activities and events are budgeted under this Budget Heading 2 "Travel costs". Travel costs are eligible only if they are directly related to and essential for the effective delivery of the project.

NB! Per diems or daily allowances for project staff included in the Budget Heading 1 "Human resources" shall be planned under the Budget Heading 2 "Travel costs".

The Latvian, Estonian Beneficiaries and the project partner(s) and Russian public authorities have to follow their usual practice in setting the daily allowance and accommodation rates based on the national legislation setting limits for the business trips.

The Russian Beneficiaries and the project partner(s) which are private institutions or NGOs shall apply total per-diem rates, which include accommodation, meals, local travel within the place of mission and sundry expenses, not exceeding the rates set out in the project budget nor the maximum published by the European Commission at the time of signing this contract that can be found here:

http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm.

Per diems are paid for the missions abroad and within the home country of the Beneficiary/respective project partner requiring an overnight stay. Per diems are allowed only for the staff members indicated in Heading 1 "Human resources" and seminar/conference participants and with specific rules to associates. Destination country has to be indicated in the budget table. Per diems cover costs of accommodation, daily allowances (meals and sundry expenses) and local transport in the place of mission.

Also visa and travel insurance costs are to be listed under this Budget Heading.

All costs budgeted under this Budget Heading should be supported by the documentary evidence for the travel such as business trip requests and reports, agendas, travel tickets, invoices, boarding passes, etc. Please note that the subsistence allowances rates as well as accommodation that exceed the set limits for the public authorities under national legislation are not eligible from the budget of the project.

All travel costs for external experts must be included into their service contracts and budgeted in the Budget Heading 5 "Other costs and external services".

NB! In case travelling outside the Programme territory is foreseen in the project, costs shall be planned under separate line within this Budget Heading. Please specify in the project budget the planned travels.

Heading 3 – Equipment and supplies

Costs for purchase or rent of equipment (new or used) and supplies are eligible, if these items are specifically needed for the purposes of the implementation of the project, are listed in the approved project budget, correspond to market prices and are purchased following the relevant procurement procedures.

The applicant is asked to provide a breakdown (cost estimation) of costs for equipment in the Application Form. Therefore please make sure that all cost items of equipment are listed.

Every co-financed piece of equipment must comply with the information and publicity rules.

Heading 4 – Direct Local Office Costs

Will not be eligible for LSPs.

Heading 5 – Other costs and external services

All direct costs relevant to the project, which cannot be included under the other Budget Headings and are directly linked to the project activities, should be included under this Budget Heading. Please specify the nature of these costs listing them in the Budget Heading description.

All services/works sub-contracted to an external service provider based on the applicable public procurement procedure should be listed under this Budget Heading "Other costs and external services" (e.g. external management of the project, consultants, speakers for workshops, experts, web-design, organisation of meetings, conferences, seminars, trainings, translation, interpretation, reproduction, dissemination of information, evaluation specific to the project, information and publicity, publications, research, other services necessary for the project, financial service costs (in particular the bank charges for the project account, the costs of transfers and financial guarantees, etc.)). Please allocate under this Budget Heading 5 "Other costs and external services" also costs for the expenditure verification.

Work of the external experts should be essential for the project, rates should be reasonable compared to the level of experience and expertise according to the standard rates in the respective Participating Country where the project partner is located, average market rates resulting from the public procurement procedures are applied; and quality of produced outputs is ensured.

All the travel costs should be part of the service contract.

Purchase of services/ expertise is subject to procurement procedures.

The Beneficiary and the project partner(s) as well as associates are not allowed to sub-contract each other or employees of their organisations in order to carry out project activities.

Heading 6 – Infrastructure

Please list under this Budget Heading 5 “Infrastructure” all costs of works and services related to construction, renovation, installation of infrastructure and their supervision. Please list each work and service contract as a separate item in the project budget.

All services and works sub-contracted to an external service provider have to strictly follow the relevant procurement procedures.

Investments are financed only in case they are necessary for reaching the results of the project and the Programme. Investments co-financed by the Programme should be aimed at public use during the project implementation.

Every co-financed piece of equipment and investment must comply with the information and publicity rules.

Administrative costs

Indirect administrative costs are related to office running for the purposes of the project. They are calculated on percentage or pro rata basis according to justified and clear method. Indirect costs are eligible if they do not include costs assigned to another heading of the budget. If the applicant/ partner is in receipt of an operating grant financed from the EU budget that covers all its administrative costs no indirect costs may be claimed within the proposed budget for the project. The maximum amount of indirect administrative costs cannot exceed 7% of the total direct eligible cost of the project.

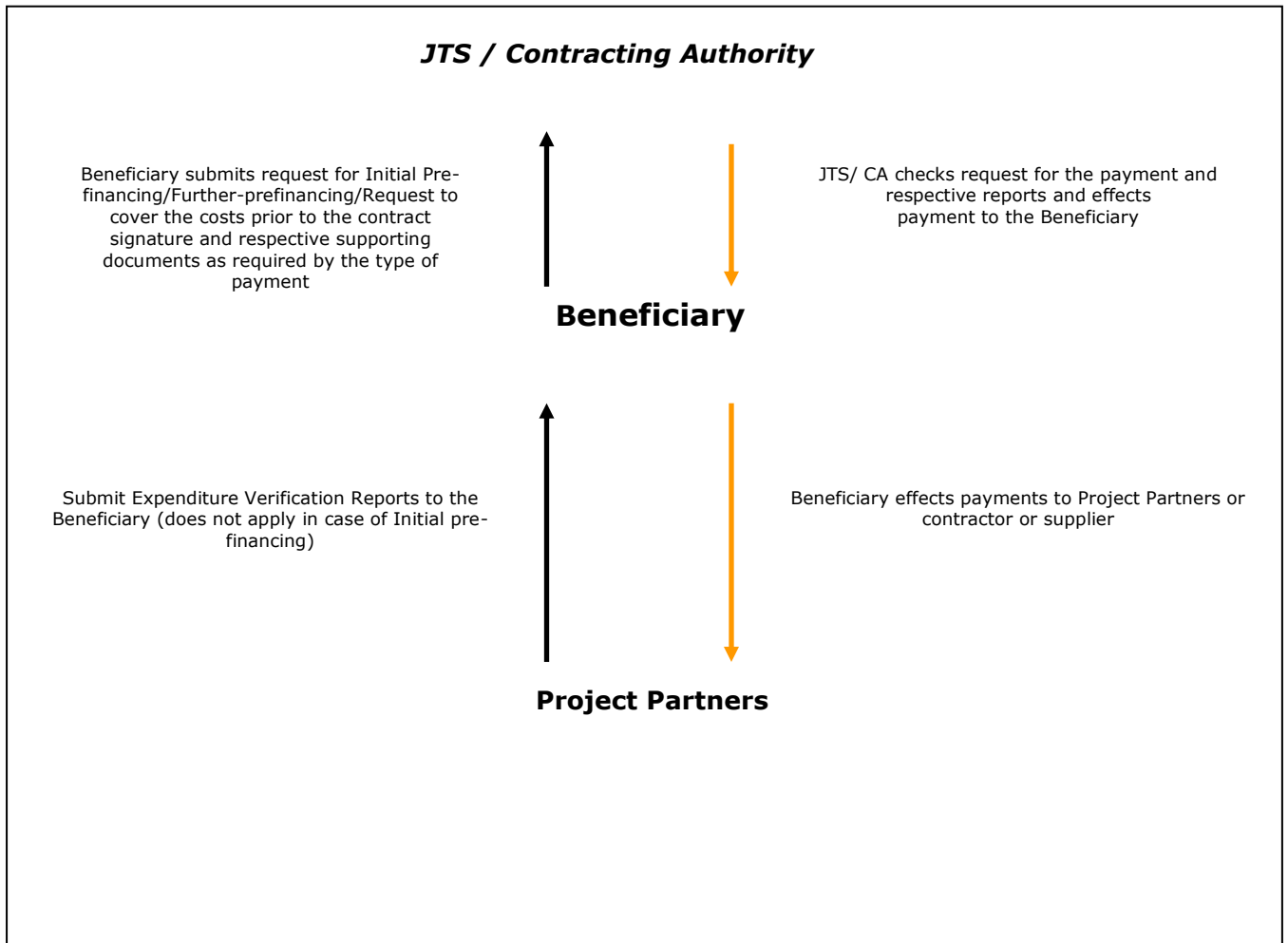
Contingency reserve

A contingency reserve (an amount set aside, but not allocated in advance, to accommodate unforeseeable spending pressures during the project implementation) not exceeding 5% of the direct eligible costs of the project may be included in the project budget, without increasing the total amount to be financed by the Joint Managing Authority. It can be used only for the implementation of the project activities with the prior written authorisation of the Joint Managing Authority.

4.2.2 An example of the financial management model

An example of the financial management model for the project is illustrated below.

Please, note that this model is a general example, and each project may establish its own model that would best suit the objectives of the project and its partnership and prove to be the most efficient and effective.



Explanation of the model:

- Partners, including the *Beneficiary*, implement their part of activities of the project, cover related costs and retain the accounting documents constituting the audit trail (contracts, invoices, time sheets, calculation and payment evidence, etc.), as well as output documents showing the implementation of the project's activities (minutes of meetings, studies, manuals, policy documents, training materials, etc.).
- Partners report to the *Beneficiary*, who prepares the joint Report. When reporting, the *Beneficiary* and other project partners have to ensure that an independent auditor's verification is performed on their part of the reported activities and expenditure. The *Beneficiary's* auditor performs the checks on the *Beneficiary's* activities and expenditure, and also verifies that the information provided by the partners is accompanied with the auditor's statements and that it has been accurately reflected in the Report. For the audit trail, the *Beneficiary* retains the input to the Report received from the partners.
- The *Beneficiary* submits the project Report to the JTS.

- The JTS and the Contracting Authority check the report within 30 days. They may request clarification, alteration or additional information, which must be produced within 30 days of the request. The countdown for submission of clarifications starts again on the date when requirement from the JTS/Contracting authority is received.
- Any report shall be considered approved if there is no written reply from the JTS/Contracting Authority within 45 days of its receipt accompanied by the required documents, but JTS will inform Beneficiary on status of project report. Approval of the reports shall not imply recognition of their regularity nor of the authenticity, completeness and correctness of the declarations and information do they contain. The Contracting Authority executes payment to the Beneficiary in 45 days after reports have been approved by the JTS.
- The *Beneficiary* transfers the funds to the Project Partners or contractors or suppliers as defined in the Partnership Agreement.

4.2.3 PAYMENTS TO THE PROJECT

The total amount to be paid by the Joint Managing Authority to the **Beneficiary** may not exceed the maximum grant laid down in the Special Conditions of the Grant Contract neither in terms of absolute amount nor in percentage of the total estimated costs of the project. If the total actual costs of the project at the end of the project are less than the estimated total costs as referred to in the Article 3.1 of the Special Conditions, the Joint Managing Authority's contribution shall be limited to the amount obtained by applying the percentage laid down in the Article 3.2 of the Special Conditions to the total actual costs of the approved project.

The following two payment procedures will be applied to the Large Scale Projects:

Option 1:

Initial pre-financing instalment payment	Reimbursement of costs prior to the contract signature	Further pre-financing instalments during the project implementation	Balance payment
Max 90 % of the 1st year's Grant (in 45 days after signing of the Grant Contract and submission of the Request Payment)	Paid on the basis of the Interim Report with the Expenditure Verification Report covering these costs and Request for payment	Further pre-financing instalments, total sum of initial/further pre-financing instalments and reimbursements cannot exceed 90 % of the Grant on the basis of Interim Report with Expenditure Verification Report and Request for Payment (in 45 days after approval of the previous report by the JTS)	In 45 days after approval of the Final Report accompanied by the Expenditure Verification Report and request for payment.

The initial pre-financing instalment will be 90% of the 1st years grant of the project. It will be transferred to the account of the Beneficiary within 45 days after signing the Grant Contract and submission of the Request for advance payment. Further requests for pre-financing

instalment can be requested also for the year when the initial pre-financing instalment has been made.

In order to reimburse the costs prior to the contract signature, the Applicant has to submit report with the Expenditure Verification Report covering these costs and Request for payment. This can be submitted either together with the request for the initial pre-financing instalment, further pre-financing instalment or separately.

The Joint Managing Authority shall pay further pre-financing instalment for each twelve month period of implementation of the project after approval of the Interim Report with Expenditure Verification Report. Further pre-financing instalment may be given if the part of the expenditure actually incurred which is financed by the Joint Managing Authority (by applying the percentage set out in Article 3.2 of the Special Conditions) stands at least at 70% of the previous payment (and at 100% of any previous payments) as supported by the corresponding Interim Report, an Expenditure Verification Report and financial guarantee (This provision shall not apply if the Beneficiary is a government department or public body or an international organisation).

If the consumption of the previous payment is less than 70%, the amount of the further pre-financing instalment shall be reduced by the unused amounts of the previous payment. The total sum of pre-financing (initial pre-financing instalment and further pre-financing instalment) may not exceed 90% of the grant costs as referred to in Article 3.2 of the Special Conditions.

As regards the physical execution of the payments the Joint Managing Authority at the request of the beneficiary may execute the payment in several tranches.

The Joint Managing Authority will pay the balance within 45 days following the approval of the Final Report in accordance with Article 15.2 of the of General Conditions.

Example of the payment scheme

Project duration-30 months, project partners are Public organizations:		EURO			
1	Total cost of the project according to the Special Conditions	6 000 000			
2	Programme contribution according to the Special Conditions: 90% of the total cost	5 400 000			
3	Planned costs for the 1 st year of the Project	3 645 000			
4	Grant amount for the 1 st year of the Project	3 280 500			
5	Initial Pre-Financing Instalment (maximum 90% of the 1 st year's Planned grant 3645000)	2 952 450			
6	Total planned costs of the project 1 st reporting period	2 000 000	1 st Reporting Period	First Year of the Project	
7	Grant amount in the planned costs of the 1 st reporting period (year)	1 800 000			
8	Declared and accepted costs made during the 1 st reporting period (Request for Payment can be submitted when the expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	2 000 000			
9	Grant amount within Declared and accepted costs during the 1 st reporting period	1 800 000	2 nd Reporting Period		
10	Planned costs for the 2 nd reporting period	1 645 000			
11	Planned grant amount of the 2 nd reporting period	1 480 500			
12	Declared and accepted costs made during the 2 nd reporting period (Request for Payment can be submitted at once when expenditures actually incurred stands at least 70% of the previous payment and 100% in any other payments)	1 645 000			
13	Grant amount within Declared and accepted costs during the 2 nd reporting period	1 480 500	3 rd Reporting Period		2 nd Year of the Project
14	Further pre-financing instalment (the cumulative initial and further payments cannot exceed 90% of the total grant amount i.e. items 5+14 cannot exceed 4 860 000)	1 907 550			
15	Planned costs for the 3 rd reporting period	2 355 000			
16	Planned grant amount of the 3 rd reporting period	2 119 500			
17	Declared and accepted costs made during the 3 rd reporting period	2 355 000	Remaining balance and total costs	3 rd Year of the Project	
18	Grant amount within Declared and accepted costs during the 3 rd reporting period	2 119 500			
19	Amount received with initial and further pre-financing instalment (5+14 (cannot exceed 90% of the Grant amount))	4 860 000			
20	Balance Payment ((9+13+18)-5-14)	540 000			
21	Total declared and accepted costs (8+12+17)	6 000 000			
22	Grant amount within total declared and accepted costs (9+13+18)	5 400 000			

Option 2:

In case where the beneficiary intends to pre-finance the whole project from its own resources there is a possibility to choose option 2 for payments where the payment from the programme will be executed after approval of the final report by the JMA.

The grant shall be paid to the Beneficiary by the Contracting Authority in one payment within 45 days of the Contracting Authority approving the final report in accordance with Article 15.2, accompanied by:

- a request for payment of the balance conforming to the model in Annex V,
- an expenditure verification report if required under Article 7.2.17 (Article 15.6 of the General Conditions).

4.2.4 USE OF EURO

Payments to the project will be made in Euro only.

Conversion into Euro of the real costs borne in national currencies (other than Euro) shall be done at the rate made up by the average of the rates published in InforEuro for the months covered by the relevant report (for the reference please see the website: <http://ec.europa.eu/budget/inforeuro/index.cfm?language=en>).

Please note that any exchange losses are not eligible costs and must be covered by the Beneficiary and/or the project partners. The expenditure in national currency (other than Euro) must be converted into Euro with an accuracy of four digits after the comma (e.g. 0.1234).

4.2.5 KEEPING THE PROJECT ACCOUNTS

The Beneficiary and the project partners shall keep accurate and regular accounts of the implementation of the project using an appropriate accounting and bookkeeping system. In order to ensure it the Beneficiary and all partners involved in the implementation of the project and receiving funds from the Programme must maintain:

- a separate accounting system or
- an adequate accounting code

for all transactions related to the project without prejudice to national accounting rules. In this way all project related expenditure and receipts should be clearly identified.

Accounts and expenditures relating to the project must be easily identifiable and verifiable in compliance with the Article 16.1 of the General Conditions.

4.2.6 BUDGET RELOCATIONS, CHANGES IN THE PROJECT, CONTRACT AMENDMENTS

Beneficiaries should do their best to implement the project as defined in the approved Application Form. It is important that the contract budget and a plan of activities are carefully observed during the whole period of project implementation. Nevertheless situations may arise where there is a need to make some changes in the activities and/or budget, update the contact information or replace an expert, etc. In such situations, the Beneficiary will have to apply for an amendment to the Grant Contract (see Art. 9 of the General Conditions).

Please note that:

Total maximum amount of the Grant stipulated in the Grant Contract cannot be changed!!!

The procedures for amendment of the LSP Grant Contract are divided into two groups depending on the type of change that should be made. Minor changes in the Grant Contract may be implemented without receiving a prior agreement of the Contracting Authority, but the Contracting Authority should be notified about them. Major modifications in the contract require a formal Addendum to the contract to be signed by the Contracting Authority and the Beneficiary before their implementation. In case of major modifications of the Grant Contract, an Addendum should be prepared before making the change.

Please note that:

If you plan to make a minor change or major modification in your project, it is recommended to consult and inform JTS immediately before submitting your request.

The following general principles must always apply:

- The Beneficiary must substantiate its request to the Contracting Authority. The Contracting Authority examines the reasons provided, and rejects requests which have little or no substantiation.
- The modifications must not intend to make such changes to the Grant Contract that would alter the project objectives or contradict the equal treatment of applicants.
- Grant Contracts can only be modified within the lifetime of the contract, modifications cannot be made retroactively.
- The maximum amount of the grant may not be increased.
- Any modification extending the performance period of the Grant Contract must envisage that implementation and balance payments can be completed before the expiry of the financing decision, under which the initial grant contract was financed. The implementation period for the projects financed under the Programme ends on 31 December 2014.
- Requests for addendum to Grant Contracts must allow an adequate time-limit (30 days) for the addendum to be signed before the modifications are intended to enter into force.

4.2.6.1 Notifications to Contract: Minor Changes

Minor changes that require only written notification to the JTS by the Beneficiary not a formal Addendum include:

- Minor changes in activities with no budgetary implications,
- Budget modifications that do not affect the basic purpose of the project; and the financial impact is limited to a transfer between items within the same budget heading including cancellation or introduction of an item, or a transfer between budget headings involving a variation of 15% or less of the amount originally entered (or as modified by addendum) under each relevant heading for eligible costs (not applicable to Budget heading for Administrative costs, Contingency reserve),
- Change of address or phone/fax number and/or e-mail address,
- Change of bank account,
- Change of staff and key-experts (including all persons under Heading "Human Resources" and Heading "Other costs and external services" such as project managers, financial managers, coordinators, trainers, etc.),

- Increase or decrease in numbers of equipment or unit prices without significant modification of requirements and without changes of the budget amount allocated for that budget item,
- Model/Brand name change of the equipment.

Please note that:

The JTS will provide support on the eligibility of minor changes. It is strongly recommended to consult with the JTS and take their comments before submitting your notification officially.

In case of these minor Grant Contract changes, the Beneficiary may apply the amendment **without the prior consent of the Contracting Authority**. However, the Beneficiary should send by post a notification letter to the Contracting Authority through the JTS, by using Standard Form-(Annex 1 of the Guidelines). The JTS will check the proposed changes and then send the letter together with checklist to the Contracting Authority.

The Contracting Authority may disapprove minor changes for activities, budget, bank account or in any other parts of the contract, if they threaten the financial stability and accountability or project purpose. The Contracting Authority will give answer within 2 weeks after notification by the Beneficiary will be received.

The deadlines for notification are as follows:

Minor change	How to notify	Deadline for informing the JTS/JMA
Small change of activities with no budgetary implications	Interim or Final Report	Next report
Change of activity plan with no duration implications	Notifications letter from the Beneficiary (by post and by e-mail as well)	10 days within the implementation of the change
Small changes of activities with budgetary implications		
Changes of address, phone no, e-mail, contact person, authorised person(s) of the Beneficiary/project partners		
Changes of bank account		
Change of project staff or expert		

Minor change	How to notify	Deadline for informing the JTS/JMA
Changes within the Budget Heading or a transfer between Budget Headings involving a variation of 15% or less during the whole project implementation period		As soon as initiated, but no later than 20 days before the end of the reporting period

Additional documents that have to be attached to notification letters are as follows:

Increase of approved salaries/ fee rates	Justification and a document proving that new requested salaries do not exceed those normally borne by the Beneficiary or his partners or those on the market.
Increase of approved unit rates or number of equipment	Justification and document proving that the new requested rates do not exceed normal market rates (for example, 3 different offers).
Change of project staff expert	Justification of the change and CV of the expert proposed.

Any minor changes modifying the budget must include a replacement budget showing how the full budget breakdown of the initial budget has been modified by these changes (and any previous minor changes) as shown in the following table:

Budget headings	Original Budget	Budget of Minor Changes 1	Budget of Minor Changes 2	Budget of the Last Changes
Human resources				
Travel costs				
Equipment and Supplies				
Direct local office costs				
Other costs and external services				
Infrastructure				
Total eligible costs				

4.2.6.2 *Addendum: Major modifications*

Major modifications that require a formal Addendum are as follows:

- Extension or early closing of the Grant Contract,

- Significant changes in the activities that effect the basic purpose of the project as long as the proposed changes do not question the grant award decision and are not contrary to the equal treatment of applicants,
- Transfers amongst Budget headings involving a variation of more than 15% of the amount originally entered under each relevant Budget Heading for eligible costs,
- Adding a new heading or excluding an existing heading from the budget,
- Change of the auditor;
- Change of project Partners (dropping out, addition or replacement),
- Use of contingency reserve.

NB!!! If it is necessary to make changes in the Beneficiary's or Project partner's organisation's name or legal status the Beneficiary must submit an information letter notifying the JMA about the upcoming change. When the change of the organisation's name or legal status has taken place, the Beneficiary will send a request for contract addendum, adding documents that prove the necessary change.

Please note that:

The JTS will provide support on the eligibility of addendum requests.

Beneficiaries are strongly advised to avoid making changes that require an addendum. The addendum procedure can be long and complicated so Beneficiaries are advised to seek an addendum only if absolutely necessary.

4.2.6.3 Preparing an addendum

The procedure for preparing of the Addendum is as follows:

Step No 1: Prepare a request for addendum (Annex 2 of the Guidelines) in English in three copies and sent to the JTS by post and by e-mail as well. A copy of request will be retained by the Beneficiary.

The request for Addendum should contain a detailed description of the requested modification and the reason for modifications.

The request must be properly grounded. The Contracting Authority examines the requests and rejects the ones which have little or no substantiation.

Any addendum modifying the budget must include a replacement budget showing how the full budget breakdown of the initial contract has been modified by this addendum (and any previous addenda) as shown in the following table in addition to the table prepared in the addendum request.

Budget headings	Original Budget	Budget of Addendum 1	Budget of Addendum 2	Budget of the Last Addendum
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Human resources				
Travel costs				
Equipment and Supplies				
Direct local office costs				
Other costs and external services				
Infrastructure				
Total eligible costs				

Additional documents that have to be attached to the request for addendum are as follows:

Extension or early closing of the Grant Contract	Explanation and/or Expenditure Verification Report
Significant changes in activities that effect the basic purpose of the project as long as the proposed changes do not question the grant award decision and are not contrary to the equal treatment of applicants	New description together with Annexes 1 "Description of the Action", Annex 3 "Budget for the Action" and Logical Framework
Transfers amongst Budget Headings; involve a variation of more than 15% of the amount originally entered under each relevant Budget Heading for eligible costs	Justification and a document proving that changes are necessary
Adding new heading or excluding an existing heading from the budget	Justification and a document proving that changes are necessary
Change of project Partners (dropping out, addition or replacement)	Justification, the overall information on the Partners which is required in the Application form.
Changes in the Beneficiary's or Project partner's organisation's name or legal status	Documents proving the new name or status of the Beneficiary or Project partner - registration certificate, statutes etc.
Change of authorised person(s) of the Beneficiary/project partners	A document proves that new authorised person is nominated for the Project.
Use of contingency reserve	Detailed justification and evidence for the use of contingency reserve for unforeseeable spending pressures during the project implementation
Change of auditor	Justification and registration certificate of the proposed auditor
Change of the Project Manager or Financial Manager	Justification and CV of the proposed person

Step No 2: Send the request for Addendum to the JTS by post and by e-mail.

For planning of the future activities that are subject to the Addendum the Beneficiary should note that the time of processing and approving Addendum by the Contracting Authority will take at least one month.

The JTS will check and send the request and a cover letter to the Contracting Authority.

JTS/JMA may ask additional information, if needed, and Beneficiary has to reply to the JTS/JMA request in 5 working days. The checking process is suspended until additional information from the Beneficiary is received and period of time for verification process will be prolonged by the period of time needed to receive necessary information from the Beneficiary.

Step No 3: The Contracting Authority prepares and sends the Addendum to the Beneficiary for signature.

The addendum takes effect on the date of the later signature.

Remember - Beneficiary cannot implement the change before the signature of the Addendum.

Step No 4: The Beneficiary keeps one copy of his records and sends two copies of the duly signed addendum together with the annexes back to the Contracting Authority.

4.2.7 Procurement (tendering)

4.2.7.1 General information on procurement according to EU procedures

Procurement is the timely acquisition of goods, works and services, which respects the following conditions in accordance with the **art. 1. And 2 of Annex IV to the Grant contract:**

- the objectives of the organisation are concerned;
- fairness, integrity and transparency through competition;
- economy and effectiveness;
- best value for money;
- avoid any conflicts of interest.

Please note that:

Project Beneficiaries and partners from Estonia and Latvia, as well as Russian Federation public entities, should follow their national procurement procedures and additionally follow the rules of nationality and origin set out in art. 2 of Annex IV to the Grant contract.

Russian partners that are not public entities must respect art. 1 to 7 of Annex IV to the Grant contract. It is recommended to use PRAG (chapters 2 to 5 and templates) as a model of 'best international

practice' (art. 3 of Annex IV).

Strict rules should be followed in each procurement procedure in order to acquire best price-quality ratio. Therefore the following principles must be taken into account for a good procurement;

No discrimination - there should be no discrimination against products, services, suppliers, contractors or service-providers on grounds of nationality, as long as the rules of origin and nationality are respected. However, thorough yet impartial assessment is required for technical grounds and quality or safety factors.

Fair competition - there should usually be a competition for the award of contracts, unless there is a strong and objective reason for not holding a competition, or the amounts are below the required thresholds by Annex IV of the PRAG or national legislations (as applicable). All tenderers must be given the same information and the same opportunities to come up with winning bids.

Any firm or expert that have participated in the preparation of a project or in drafting the tender file must be excluded from participating in tenders based on this preparatory work, as this would constitute unfair competition.

Clear specifications - tenderers cannot compete effectively unless they know precisely the requirements of the purchaser. Therefore, specifications of requirements ("Technical Specifications" in case of supplies or works tenders, "Terms of Reference" in case of service tenders) should be by reference to recognised technical specifications and, where required, quality assurance standards, with appropriate levels of certification.

Effective publicity (announcement) - any tendering process is unlikely to be successful if the best potential tenderers do not get to hear of requirements. This is particularly important for publicly funded procurement where, typically the purchasers are not experts in the field. This is where use of the internet is increasingly important, but it is vital that tenderers know where to go for their information.

It is also necessary to publish details of decisions on contracts awarded. Further, to improve the skills and efficiency of tenderers, those who request it should be debriefed on why they were, or were not, selected to bid, and why they were successful or unsuccessful in winning the contract.

For publications in the national or regional press the Programme Communication and visibility Guidelines for the Large Scale projects shall be followed if it is possible to do according to the national legislation.

Adequate timescales - another vital principle is that bidders are given sufficient time to respond to advertisements expressing an interest in the purchaser's requirement, to respond to invitations to participate in the bidding and to prepare and submit their offers. For example Under EU PRAG, , local open tenders require at least 30 calendar days between the date of publication of the advertisement and the submission deadline for tenders.

Use of relevant objective criteria - it is crucial that the criteria used for the elimination of unsuitable candidates, the selection of participants in contract award procedures and the award of contracts on the basis of the offer(s) economically most advantageous to the purchaser are both objective and relevant to the requirement. These requirements are defined in the "Terms of Reference" (in the case of service contracts) or the "Technical Specifications" (for supply or works contracts). Evaluation criteria are included in the tender dossier.

Adequate records- it is essential to be able to justify decisions later on if there are any challenges or doubts about the decisions that were made. Therefore, keeping those records (reporting, financial, etc) in order to show the reasons behind decisions is obligatory. Contracts subject to the EU PRAG rules require records to be kept for at least 7 years following settlement of balance payment.

4.2.7.2 GENERAL RULES OF PROCUREMENT

The following selection criteria are to be applied in every procurement procedure:

- the eligibility check of the tenderer or candidate to take part in the procedure needs to be carried out in order to identify possible grounds for exclusion in advance;
- criteria for assessing its financial, economic, technical and professional capacity.

Beneficiary and/or Project partner may lay down minimum capacity levels below which the candidates cannot be selected. Any tenderer or candidate may be asked to prove that it is authorised to perform the contract under national law, as evidenced by inclusion in a trade or professional register, or a sworn declaration or certificate, membership of a specific organisation, express authorisation, or entry in the VAT register.

Beneficiaries and/or Project partners shall specify the references chosen to test the status and the legal capacity of tenderers/candidates in the procurement notice or in the invitation to tender. The information requested by the Beneficiary and/or Project partner as proof of the financial, economic, technical and professional capacity of the candidate/tenderer as well as minimal capacity level set forth in selection criteria may not go beyond the subject of the contract; it will also take into account legitimate interests of the economic operators, particularly those related to protection of technical and business secrets of the company.

Basic steps in procurement process (depending on the contract amount and type of contract):

- Development of Procurement Plan;
- Development of technical specifications or Terms of Reference (if necessary);
- The Call Forwarding / Publication/ Request for offers;
- Receiving tenders from potential suppliers/ service providers/ contractors;
- Making the decision on the offers;
- Notification of the decision to the responsible bodies and possible contractors;
- Document issued by the responsible authority/authorities confirming that procurement documentation is in compliance with the requirements set in the national legislation (if applicable);
- Contract procedure with the winner of the procurement.

4.2.7.3 THE RULES OF NATIONALITY AND ORIGIN

ALL Beneficiaries and partners have to follow rules of nationality and origin included in art. 2 of Annex IV of the Grant contract „Procurement by grant Beneficiaries in the context of European Union external actions“, even though they can follow national procurement rules as provided for under art. 8.2 of Annex IV. Project partners from Russia should follow the rules set in the Article 4.8 of the Agreement between the Government of Russian Federation and the European Community on financing and implementing the Cross Border Cooperation programme "Estonia - Latvia - Russia" which state the following:

"The Parties agree that the rules on the award of contracts and grants, on the eligibility and on the rules of origin and nationality to be applied for the implementation of the Agreement are those as established by Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighborhood and Partnership Instrument and the Practical Guide to contract procedures for EC external actions (PRAG). The procedures of the procurement which is carried out on the territory of the Russian Federation by Russian public entities are regulated by the national legislation of the Russian Federation."

There are strict rules regulating the way in which contracts are awarded. They help to ensure that suitably qualified contractors are chosen without bias, the best value for money is obtained, and full transparency appropriate to the use of public funds is achieved.

The rule of nationality applies to all service, work and supply contracts within grants, which means that contracts can only be signed with natural or legal persons from the eligible countries listed below. Experts working for a service provider can however be of any nationality, as long as the service provider is from the eligible countries.

The rule of origin applies to ALL supplies and materials purchased, incl. the materials to be used for the construction, but does not apply to Contractor's equipment to be used during the construction. It means that the supplies must originate from one of the eligible countries listed below.

Both nationality and origin rules must be observed when making any purchases of goods or equipment as part of a project co-financed by the Programme, even for the goods that are not covered by the EC co-financing in the project's accounts (EC rules apply to the entire project budget presented, regardless the type of co-financing).

Any deviations from the rules of nationality and origin set out above are subject to proper justification and formal derogation from the EC. It can never be justified for the reason that a product would be cheaper. It can only be justified if the products are unavailable in the markets of the eligible countries, for reasons of extreme urgency or if the realisation of a project/action would become impossible or exceedingly difficult due to the eligibility rule.

For audit purposes, the Beneficiary/Partner must be able to demonstrate the nationality of its suppliers, contractors and service providers and have proof of the origin (e.g. invoices, certificates of origin, etc.) of all products.

With regards to Nationality and Origin Rules eligible countries are:

- Member States of the European Union: Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

- ENPI countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority of the West Bank and Gaza Strip, Russian Federation, Syria, Tunisia, Ukraine.
- Countries that are the beneficiaries of an Instrument for Pre-Accession Assistance set up by Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA): Croatia, The former Yugoslav Republic of Macedonia, Turkey, Albania, Bosnia, Montenegro, Serbia, including Kosovo.
- Member States of the European Economic Area: Iceland, Lichtenstein, Norway.

a) Rules of Nationality

Participation in the procurement procedures is open on equal terms to all natural and legal persons only from above mentioned eligible countries. Tenderers must state, in the tender, the country of which they are nationals by presenting the usual proof of nationality under their national legislation.

The nationality rule applies to the contractor. It does however not apply to the experts proposed by service providers taking part in tender procedures or service contracts financed by the grant. This means that when an expert is proposed by a contractor, the nationality rule does not apply to the expert but to the company but if the expert is contracted individually, then this person has to be from one of the eligible countries listed above.

Participation is also open to international organisations.

b) Rules of Origin

Please note that:

All supplies, equipment and vehicles purchased under the Grant contract must originate from an eligible country mentioned above.

If the latest substantial transformation of supplies, equipment, vehicles has not taken place in a Member State of the European Union or one of the eligible countries mentioned above, the cost of the supplies, equipment and/or vehicles will not be eligible under the project.

Goods originating from a country shall be those wholly obtained or produced in that country. Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last, substantial, economically justified processing or working in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture. More detailed information on the meaning of this can be found in the Customs Code, Council Regulation 2913/1992 Art. 23-24 (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:1992:302:0001:0050:EN:PDF>)

The supplier must confirm that the tendered goods comply with the origin requirement specifying the country or countries of origin. When tendering for systems comprising more than one item, the origin of each item in the system must be specified. If requested to do so, the supplier must provide any additional information and/or a certificate of origin in support of the origin claimed in the tender.

Example:

Machinery used by a supply contractor for testing and installing the supplied goods, or equipment used by a works contractor for building a road, do not fall under the rule of origin, unless if the contract would explicitly stipulate that this machinery or equipment also becomes the full property of the Project Partner at the end of the contract.

The computer used by a consultant to draft the study will only have to respect the rule of origin if the service contract would stipulate that this computer is to be handed over to the Project Partner at the end of the service contract.

For equipment and vehicles with the cost over EUR 5,000 per unit contractors must present proof of origin to the Beneficiary no later than the first invoice is presented. Where the provision of a Certificate of Origin is not possible (in many countries these are only issued against presentation to the Chamber of Commerce of commercial invoices), the tenderer can - in such a case only - submit its own declaration. If unit cost on purchase is less than EUR 5,000, the tenderer must submit their own declaration.

Certificates of Origin must be issued by the competent authorities of the supplies' or supplier's country of origin and comply with the international agreements to which that country is a signatory.

When submitting the tender, the tenderer must directly state that all of the goods meet the requirements concerning origin, and must also state the countries of origin.

Please be informed, that JTS/JMA during the project implementation for the monitoring purposes may ask to provide additional information in this connection from the Beneficiary/ Partners.

Exceptions to the rules of nationality and origin

In accordance with the Paragraph 2.3.2 of the Practical Guide exceptions to the rule on nationality and origin may be made in some cases. Exceptions may be justified in certain circumstances:

- **Unavailability** of the products in the markets of the countries concerned;
- For reasons of extreme urgency;
- If the rule were to make the realisation of a project, a programme or an action impossible or exceedingly difficult.

The award of such derogation is decided on a case-by-case basis by the European Commission before the procedure is launched. In that case the Beneficiary should prepare the justification and send it to the JMA. The JMA will review the request and send to the EC for approval of the derogation from the rules of nationality and origin. NB! This should be done prior launch of the procurement procedure.

Please note that:

The Auditor verifies whether the expenditure was incurred in accordance with the rules of nationality and origin by examining the underlying documents of the procurement and purchase process.

4.2.7.4 Other essential points

Conflict of interest: The Beneficiary and project partners undertake to take all necessary precautions to avoid conflicts of interests and shall inform the Contracting Authority without delay of any 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, economic interest or any other shared interest with another person.'

Awarding principles: All contract awards must respect the principles of transparency, proportionality, equal treatment and non-discrimination.

The contract must be awarded to the most economically advantageous tender in accordance with the principles of transparency, fair competition for potential contractors, and taking care of avoiding any conflict of interest.

No retroactive awards: Contracts are considered to take effect from the date of signature of the last signatory. There is no way that contracts or contract addenda can be awarded retroactively (i.e. when goods or services have been already purchased and/or carried out). This means that no payments can be made and no goods and services can be provided prior to the signature of the contract and/or addendum. All contracts must show the true dates of signature of the contracting parties.

Use of standard documents: Standard contracts and document formats must be used (in accordance with the national legislation) and can be in national language.

Record keeping: Written records of the entire tendering and contracting procedure must be kept confidential and retained by the Beneficiary and Project partner for a period of seven years after payment of the balance. These must include the originals of all tenders submitted, together with the corresponding tender dossiers and any related correspondence.

It is also important to follow up the contract implementation in order to define milestones and penalties (in case of failure to meet the conditions) in contracts; keep contractors to the contractual terms and apply penalties if necessary and ensure regular on-site inspections and quality checks during implementation of the project. Do not:

- modify the essential terms of a contract after its award (physical, financial object);
- award additional works directly in circumstances not covered by the procurement documents;
- use exceptional procedures (direct award, negotiated procedure) in non-exceptional circumstances.

4.3 REVENUE IN THE PROJECT

On top of the contributions identified in the *Sources of Funding* budget table (from Beneficiary, Partners, Programme and other donors), the project may have direct revenue such as revenues from use of the developed infrastructure, for example, fees for using the parking place developed within the scope of the project.

In general, these revenues are added to the sources of funding, provided there is no profit. The rule of non-profit is essential in the calculation of the final amount of grant. The legal basis (in the table below).

Source	Text
<ul style="list-style-type: none"> • PRAG section 6.2.9 	<ul style="list-style-type: none"> • Grants may not have the purpose or effect of producing a profit for the beneficiary or its partners. • Profit is defined as a surplus of receipts over the costs incurred by the beneficiary and its partners when the request is made for the final payment
Grant contract General Conditions Article 17.3	The beneficiary accepts that the grant can under no circumstances result in profit for itself and it must be limited to the amount required to balance income and expenditure for the project

The JMA/JTS will check compliance with the non-profit rule when calculating the final balance of the grant after receipt of the last payment request from the Beneficiary. This verification:

- Relates to the actual project costs and actual receipts
- Takes into account all the project costs
- Includes revenue established (collected and entered into the accounts), generated or confirmed on the date when the request for payment of the balance is established

On the basis of this verification:

- Where there is a deficit of receipts on expenses and the project has not generated a profit, the EC contribution is maintained
- Where there is a surplus of receipts on expenses, the EC grant has to be revised downwards in order to reach a balance

4.4 STATE AID RULES AND PRINCIPLES

The EU State Aid rules are applicable in all cases where assistance from public funds is involved. State Aid is regarded as incompatible with the Common Market if it distorts, or has the potential to distort, competition within the European Union. Community rules on State Aid limit the support, which may be provided from public funding to assist projects in the commercial sector.

According to Regulation (EC) 1998/2006 of the Commission of 15 December 2006, participation of private companies from the Member States is subject to the following limitations: project activities must not generate a competitive advantage and the gross amount of public funding granted should not exceed the thresholds set by the *de minimis* regime.

4.5 DOUBLE FINANCING

No single project and activity may be financed by more than one European Community grant. The project activities duplicated those already financed from any EU fund; international, national, regional and/or local funds are not eligible as this is considered double-financing.

4.6 REPORTING, MONITORING AND CONTROL

4.6.1 REPORTING REQUIREMENTS AND DEADLINES

After the projects have been approved, the implementation of activities must be done in accordance with the conditions of the Grant Contract.

The Beneficiary must draw up **Implementation Reports, Interim Reports and the Final Report**. All reports shall be drafted in English. They shall be submitted to the JTS in paper and electronic versions, postal address: Ausekļa Street 14-3, Riga, LV-1010, Latvia.

Implementation Reports have to be submitted each 6 months and they consist of a narrative report.

An Interim Report together with the Expenditure Verification Report shall be submitted with every request for payment. Interim reports shall consist of a narrative report and a financial report.

Each Implementation and Interim Report must provide a full account of all aspects of the project's implementation for the period covered.

Reports have to be submitted not later than 1 month after the end of each reporting period stipulated in Article 4 of the of the Special Conditions. The Joint Managing Authority and JTS may request additional information and this information must be supplied within 30 days of the request in accordance with Article 15.2 of the General Conditions.

The **Final Report** is a prerequisite for request of the balance payment. The Final Report consists of a narrative report and a financial report and an Expenditure Verification Report for the project. The Final Report shall contain a detailed description of the conditions in which the project was carried out, information on the steps taken to ensure the visibility of Programme financing, information with which to evaluate the project's outputs, the proof of the transfers of ownership and a final statement of all the eligible costs of the project, plus a full summary statement of the project's income and expenditure and payments received. The Final Report has to be submitted to the JTS no later than three months after the finalization of the project implementation.

Any Interim Report, Implementation Report and Final Report shall be approved by the Joint Managing Authority within 45 days of its receipt accompanied by the required documents in accordance with Article 15.2 of the of the General Conditions. Within the given time limit the JMA/JTS shall send notification to the beneficiary that the report has been approved.

The Joint Managing Authority may suspend the time-limit for approval of a report by notifying the Beneficiary that the report cannot be approved and that it finds it necessary to carry out additional checks. Suspension shall take effect when the modification is sent by the Joint Managing Authority. In such cases, the Joint Managing Authority may request clarification, alteration or additional information, which must be produced within 30 days of the request. The time-limit starts running again on the date the required information is received.

4.6.2 AUDIT AND FINANCIAL CONTROL

The controls and audits referred in this section can be performed at any stage of the project implementation and seven years after the receipt of the balance payment to the project.

The Programme foresees the following types of Audit and Financial Control:

Expenditure verification

All projects implemented within the Programme are subject to expenditure verification. The Beneficiary and partners have to subcontract an auditor who will provide expenditure

verification service. The purchase procedure of expenditure verification services shall follow the provisions stated in section 4.2.7. of these Guidelines.

Public Procurement announcement shall include Terms of Reference for an Expenditure Verification of a Grant Contract for Estonia - Latvia- Russia Cross Border Cooperation Programme within the European Neighbourhood and Partnership Instrument 2007-2013 (Annex 11a or 11b).

Taking into account the results of public procurement procedure the Beneficiary and project partners shall designate and subcontract successful tender - the independent approved auditor(s) who is member of an internationally recognised supervisory body for statutory auditing. This body should be a member of the International Federation of Accountants (IFAC). If the organisation is not a member of the IFAC, the external auditor shall commit himself to undertake the verification of ENPI expenditure in accordance with applicable IFAC standards and code of ethics.

Auditor shall examine whether costs declared by the Beneficiary and partners are real, exact, accurate and eligible in accordance with the Grant Contract. The project partner(s) in cooperation with the Beneficiary are responsible for designation of the partner's auditor(s) – either one per all partners located in the respective Programme Participating Country or one per each project partner or one per project.

The auditor shall be entitled to perform the controls and on-the-spot checks in locations of the Beneficiary and the project partner(s) receiving Programme funding and where activities of the particular project take place. The auditor examines whether the costs declared by the Beneficiary and the project partner(s) are real, exact and eligible in accordance with the Grant Contract, that the submitted accounts (income and expenditure) are accurate, reliable and justified by adequate supporting documents. 100 % of the expenditure of the project must be verified.

Additional requirements for verifications of expenditure:

- 1) expenditure should be identifiable, verifiable and recorded in the accounting records of the Beneficiary/ the project partner(s);
- 2) expenditure must be easily identifiable and verifiable and traced to and within the Beneficiary's/ the project partner(s) accounting and bookkeeping systems;

Based on the results of the performed check, the auditor issues an Expenditure Verification Report.

As set above, the project partner is responsible separately for having its expenditure validated by the auditor. Each project partner is required to submit to the Beneficiary the Expenditure Verification Report for its part, written by the auditor. The Beneficiary is responsible for collecting all partners' Expenditure Verification Reports, drafting a financial section/ report for the respective project implementation period or whole project and presenting it to its auditor for examination and compilation of consolidated Expenditure Verification Report.

Costs for the expenditure verification shall be included in the budget of the project; the detailed procedures, compliant with PRAG, are laid down in the following documents: (i) Expenditure verification by the beneficiary and (ii) Expenditure Verification by the partner(s) included in the Applicant's Pack.

The Expenditure Verification Report accompanying a request for the balance payment covers all expenditures not covered by any previous Expenditure Verification Report.

Based on the Expenditure Verification Report the Joint Managing Authority determines the total amount of eligible expenditure which may be deducted from the final payment or the sum total of pre-financing under the Grant Contract (clearance). The Beneficiary and the project partner(s) shall grant the auditor all access rights mentioned in Article 16.2 of the General Conditions.

Audits (sample checks) in the projects

In accordance with Article 37(2) of the Implementing Rules audits shall be conducted by examining the documents and conducting on-the-spot checks of a sample of projects selected by the Joint Managing Authority in consultation with the Audit Task Force established in the Programme. It shall be performed by The Independent External auditing body subcontracted by the Internal Audit Section of the Joint Managing Authority shall perform sample checks on projects. The audits shall be performed in the projects selected based on a random statistical sampling method taking account of internationally recognized audit standards, in particular having regard to risk factors related to the projects' value, type of projects, type of beneficiary or other relevant elements shall be the subject of sample checks. According to the annual audit plan prepared by the Joint Managing Authority, The sample checks will be carried out the sample checks on annual basis, will be carried out on annual basis according to the annual plan.

The sample checks should cover projects representing as a minimum 5% of EU funding granted to projects.

The Beneficiary and the project partner shall be informed if the project is selected for the sample check before the check is performed.

Any further controls

Furthermore, the Beneficiary shall allow the European Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors, or any external auditor authorized by these institutions (for example relevant Russian authorities) carrying out the controls by examining the documents or by means of on-the-spot checks, the implementation of the project and conduct a full audit, if necessary.

4.6.3 MONITORING OF THE LSPS BY THE JMA/JTS

The monitoring of implementation of the project shall be carried by the Joint Managing Authority and the JTS.

The main tools to be used during monitoring are Implementation Reports, Interim Reports and Final Report and monitoring visits. Moreover, regular communication with the JTS and the Beneficiary/the project partner(s) shall be ensured during the implementation of the project. The Beneficiaries are requested to send the prior information to the JTS in regards to the major upcoming events.

If the Joint Managing Authority, Joint Technical Secretariat carries out or commissions an evaluation or a monitoring mission, the Beneficiary and the project partner(s) shall undertake to provide the authorised persons with any document or information which will assist with the evaluation or the monitoring mission.

If the construction/ renovation works are planned in the project, in 2 weeks after the contract on construction/renovation works is signed within the project, the Beneficiary shall inform JTS of the planned construction/renovation works including the start date of the works.

The JTS will appoint LSP project manager to work on the LSP issues. As far as possible s/he would take part in main events of each project, including participating in the Steering group meetings of the projects.

The Large Scale Projects and their progress will be presented regularly at the JMC meetings.

4.7 RECOVERY

Each organisation (the Beneficiary or partner) participating in the project will bear financial liability in connection with the eligibility of the expenditures the organisation has declared. In

the case of irregularities discovered, including irregularities which result in certain expenditures being considered ineligible, the respective organisation undertakes to repay any amounts in excess of the final amount due to the Contracting Authority.

Recovery procedures will follow the provisions set in Article 27 of Implementing Rules and will be stipulated in the Special Conditions of the Grant Contract. After the amount exceeding the EU contribution will be detected by any auditing body, the Beneficiary will receive a debit note for the amount paid in excess from the Joint Managing Authority. The Beneficiary will forward the debit note to the respective partner, which has to repay the requested amount to the Contracting Authority within 45 days of the issuing of the debit note.

The default interest shall be incurred over the time which elapses between the date of the payment deadline set by the Joint Managing Authority, and the date on which payment is actually made. The Joint Managing Authority may offset amounts to be repaid against amounts of any kind due to the Beneficiary or partner, but it shall not affect the Beneficiary's or the partner's or the Joint Managing Authority's rights to agree on payment in instalments. Bank charges incurred by the repayment of amounts due to the Joint Managing Authority shall be borne entirely by the Beneficiary or partner, which will make the repayment to the Contracting Authority.

Where the recovery relates to a claim against a Beneficiary or partner established in Estonian and/or Latvian Republic and the Contracting Authority is unable to recover the debt within one year of issuing the recovery order, the EU Member State in which the Beneficiary or partner is established shall pay the amount owing to the Contracting Authority and claim it back from the Beneficiary or partner.

Where the recovery relates to a claim against a Beneficiary or partner established in the Russian Federation and the Contracting Authority is unable to recover the debt within one year of the issuing of the recovery order, the Contracting Authority shall refer the case to the Russian Federation and inform the European Commission. In this case, the Russian Federation within its competences on the basis of a complete file, will encourage measures to recover from the Beneficiary or partner the unjustified and ineligible expenditure incurred.

4.8 CLOSING OF THE PROJECT

All projects should close their activities within the time frame (implementation period) stated in the Grant Contract. Costs relating to Final Report, expenditure verification and evaluation of the project can be incurred not later than the date of submission of the Final Report and have to be included in the Final Report.

All the project related documents are to be kept for at **least seven years** after the receipt of the balance payment to the project.

With regards to the project closure, it is important to be aware of the following:

- the Beneficiary must appoint the contact person for at least six months after the project's end to enable a smooth closure of the project and communication with the Programme management bodies;
- the Beneficiary and the project partner(s) are at all times obliged to retain all files, documents and data about the project on standard data storage media in a safe and orderly manner for control and audit purposes at least for seven years after balance payment to the project.
- Project may continue to be managed by the Beneficiary or project partner after the Programme co-financed phase of the project has been completed. In this case, six months after the phase co-financed by the Programme has finished, no Programme symbol may be included in any communication tools of the project, with the exception of any commemorative plaques.

- The Programme rules on information and publicity must be respected for all products produced with the assistance from the Programme. After the closure of the Project rules on information and publicity should be respected during the lifetime of the product (example, if the project purchase fire-engines for airports the informative signs „purchased with the assistance of the programme“ will have to be kept during their lifetime);

GLOSSARY

No	TERM	DEFINITION
1)	Addendum	A document modifying the terms and conditions of a Grant Contract.
2)	Application	A package of documents necessary when submitting a proposal. The package consists of the filled in Application Form and its annexes, listed in the Application Form. The package is updated for every Call for Proposals.
3)	Application Form (Grant Application Form)	A document, which must be filled in when submitting a proposal for the project. It will later serve as the fundament of the project, if the application is approved for funding.
4)	Associate	Organisation participating in the project, but not receiving a grant. Only per diem payments and travel expenditures may be covered by the beneficiary and/or project partner within the scope of the project.
5)	Auditor	Audit company contracted by the Beneficiary and/or by the project partner which meets the specific conditions of the Terms of Reference and is/are responsible for performing the expenditure verification and issues Expenditure Verification Report submitting a report of factual expenses.
6)	Beneficiary	A body which signs a Grant Contract with the Joint Managing Authority and which assumes full legal and financial responsibility for implementation of the project vis-à-vis that authority; it receives the financial contribution from the Joint Managing Authority and ensures it is managed and, where appropriate, distributed in accordance with the agreements drawn up with its partners; it alone is responsible to the Joint Managing Authority and it is directly accountable to the authority for the operational and financial progress of activities.
7)	Budget of the project	A presentation of the total costs of the project.
8)	Co-financing	Where two or more parties are involved in funding the project. Up to 90% of the total budget of the project is provided by the Programme.

No	TERM	DEFINITION
9)	Communication and Visibility Manual for European Union External Actions	The manual designed by the EuropeAid to ensure that projects that are funded by the EU incorporate information and communication activities designed to raise the awareness of specific or general audiences of the reasons for the project and the EU support for the project, as well as the results and impact of this support. See http://ec.europa.eu/europeaid/work/visibility/index_en.htm
10)	Consultant	The party which is contracted to perform the services.
11)	Contingency reserve	A reserve Budget Heading in the budget of the project only used in case of unforeseen expenses. It cannot exceed 5% of the direct eligible costs and must only be used with prior written authorisation of the Joint Managing Authority.
12)	Contracting Authority	The Joint Managing Authority, signing the Grant Contract with the project Beneficiary. The Beneficiary is fully legally responsible to the Joint Managing Authority under the Grant Contract.
13)	Cross border impact	Positive effect that the project is going to have on both sides of the border (in all the countries represented by the Beneficiary and the project partner(s)).
14)	Daily allowance	Flat rates of daily subsistence allowances paid to persons during the missions in order to cover meals and sundry expenses. Usually daily allowances are legislated by national legal acts and should be respected when drafting the budget.
15)	Eligible costs	The costs incurred while implementing the project, which falls under the list of eligible costs provided in the Programme documents and national and EU legal acts, in particular Article 14 of the ENPI Regulation and may be funded by the Programme.
16)	European Commission (EC)	The European Community's executive body. Led by 27 Commissioners, the EC initiates proposals on legislation and acts as guardian of the Treaties. The EC is also a manager and executor of common policies and of international trade relationships. It is responsible for the management of EU external assistance.
17)	Expenditure verification	Examination of the costs and the revenue (if any) of the project declared by the Beneficiary/the project partner(s). The auditor examines whether the costs declared by the Beneficiary and the project partner(s) are real, accurately recorded and eligible in accordance with the Grant Contract, as well as the revenue of the project and issues an Expenditure Verification Report.
18)	Expert	A person engaged to provide the expertise required for the proper performance of a contract.
19)	Final beneficiaries	Organisations/ persons who will benefit from the project in the long term at the level of the society or sector at large.
20)	Financing Agreement	An agreement between the European Community and the Russian Federation, which determines the objectives and rules applicable to the implementation of the Programme.

No	TERM	DEFINITION
21)	ENPI Regulation	Regulation No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument
22)	Grant	A direct payment of a non-commercial nature by the Joint Managing Authority to a specific recipient to implement an operation (or in some cases to finance part of its budget).
23)	Grant Contract	An agreement, between the Beneficiary and the Joint Managing Authority, with specific terms and an undertaking to implement the project in return for the Programme grant.
24)	Implementing Rules	Commission Regulation No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument
25)	Ineligible costs	The costs incurred while implementing the project, which do not fall under the list of eligible costs provided in the Programme documents and national and EU legal acts, in particular Article 14 of the ENPI Regulation and may not be funded by the Programme.
26)	Monitoring	The regular collection and analysis of information about the project (usually at least financial, technical and institutional) in order to check performance compared with its stated objectives, outputs, budget and work plan.
27)	Strategic objective	The contribution of the project to overall improvement of state of play in the region, clearly referring to the priorities of the Programme.
28)	Output	Tangible and visible deliverable produced within the project in order to reach the results (e.g. guides, web sites, study materials, etc.).
29)	Participating countries	The Member States (the Republic of Estonia and the Republic of Latvia) and Partner Country (the Russian Federation) taking part in the Programme.
30)	Partner Country	The Russian Federation, as listed in the Annex to ENPI Regulation.
31)	Per diem	Per diems are applied by the Russian beneficiaries and partners which are private institutions or NGOs. Per diems are paid for the missions abroad and within the home country of the Beneficiary/ the project partner requiring an overnight stay. Per diems cover costs of accommodation, daily allowance (meals and sundry expenses) and local transport. They should correspond to rates normally applying to the organisation and cannot exceed the EC rates published on http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm at the time of signing the contract.
32)	Public use	Results of the project are to be used to benefit the public rather than project partners.

No	TERM	DEFINITION
33)	Practical Guide to Contract Procedures for EC External Actions (PRAG)	The first sole working tool, which explains the contracting procedures applying to all EC external aid contracts financed from the European Communities general budget and the 10th European Development Fund (EDF). See http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm
34)	Procurement	The purchase of goods, supplies, services and works shall follow the provisions of section 2.1 and 2.2 of the Annex IV to the Guidelines, the PRAG rules or the national public procurement regulations as set in the Guidelines.
35)	Programme	Estonia – Latvia – Russia Cross Border Cooperation Programme within the European Neighbourhood and Partnership Instrument 2007-2013 (approved by the European Commission on 17 December 2008 by the decision No C(2008)8332) funded by the European Community.
36)	Project	Is used as a synonym to the term “action” as used in Practical Guide to Contract Procedures for EC External Actions .
37)	Project Cycle	A useful tool for understanding various stages that any project will probably go through. The basic model includes the following stages: Identification – idea for the potential project is identified and explored. Preparation – the idea of the project is carefully developed. Appraisal – the proposed project is rigorously assessed and adjusted if necessary. Funding – decision is taken about funding for the project and how it will be implemented. Implementation and monitoring – the project is carried-out and periodic checks made to ensure it is running according to plan. Evaluation – the results of the project are assessed and new ideas may be generated. See http://ec.europa.eu/europeaid/multimedia/publications/publications/manuals-tools/t101_en.htm
38)	Partner	Participant in the project, responsible for implementation of part of the activities, in accordance to the Application and to the Partnership Agreement signed with the Beneficiary.
39)	Result	A change of situation, attitude, knowledge, practice, experience, capacity and/or change of other quantitative or qualitative parameters occurred after targeted implementation of certain activities. The project may have one or more expected results to be reached by certain activities.
40)	Specific objective	The objective, which is to be achieved within the scope of the project through a number of results. The specific objective has to contribute to the overall objective of the project.
41)	Stakeholders	Individuals and organisations that are actively involved in the project, or whose interests may be affected as a result of execution or completion of the project. They may also exert influence over the objectives and outcomes of the project.

No	TERM	DEFINITION
42)	Strategy	A comprehensive set of objectives, and plans for their achievement.
43)	Sub-contractor	A legal and natural person providing supplies, services or works.
44)	Sustainable	The project is sustainable when it can provide an acceptable amount of benefits to the target group during a sufficiently long period after the funder's assistance ceases.
45)	SWOT Analysis	A technique for identifying the strengths, weaknesses, opportunities and threats of the Programme area as a basis for discussing programme objectives.
46)	Target groups	The groups/entities that will be directly positively affected by the project at the purpose level.
47)	Tender	A written or formal offer to supply goods, perform services or execute works for an agreed price.
48)	Tender procedure	The overall process of putting a contract out for tender, starting with the publication of a procurement notice and ending with the award of the tendered contract. The tender procedure should strictly follow the provisions of section 2.1 and 2.2 of the Annex IV to the Guidelines and national public procurement rules.

ANNEX 1 NOTIFICATION LETTER (FOR MINOR CHANGES TO THE CONTRACT)

< Letterhead of the Beneficiary >

Name, Surname of JTS

Address

Tel:

Fax:

DD/MM/YYYY

RE: **Notification Letter No** <insert consecutive number of the Notification letter>

Purpose: [select appropriate, delete other options [minor modification of Annex I] [Reallocation within budget heading] [Reallocation between budget headings up to 15%] [Replacement of Project coordinator] [Replacement of audit firm] [Change of bank account] [Change of address]

Contract No:

Grant Amount EUR:

Title of Project:

[Select the appropriate options and delete the options, which do not apply].

In case of Minor Modifications in Annex XXX Description of Action (activities, work plan):

[We would like to notify following modifications in Annex I to the Contract.

<Describe the modification – WHAT WILL CHANGE>

<Provide justification – WHY IT WILL CHANGE>

[Updated work plan is attached.]

In case of Modifications in the Budget:

[We would like to notify the following reallocation of costs of the above-mentioned contract:

<Describe the modification – WHAT WILL CHANGE>

<Provide justification – WHY IT WILL CHANGE>

The table below summarizes the budget amendments:

Budget Heading /Budget Item	Initial contract budget				Amendment 1, 2, 3... (for each amendment separate columns should be prepared)		Amended Budget		
	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)	EUR	% of Budget heading	# of units	Unit rate (in EUR)	Costs (in EUR)

<Following supporting documents are attached: <please list >]

In case of Change of project coordinator:

[We would like to notify replacement of project coordinator.

Mr/Ms < name of new Project coordinator > replaced *Mr/Ms* < name of initial Project coordinator> CV of *Mr/Ms* < name of new Project coordinator > is attached.]

In case of Change of audit firm:

[We would like to notify replacement of audit firm.

The new audit firm which will carry out the verification(s) referred to in Article 15.6 of Annex II is <name, address, telephone and fax numbers>

Find attached documents proving that the new auditor is a member of an internationally recognized supervisory body for statutory auditing].

In case of Change of bank account:

[We would like to notify the changes to the bank account details in the above-mentioned contract.

From: <initial bank account>

To: < new bank account >

Financial Identification Form is attached.]

In case of Change of address:

[We would like to notify the changes to the address details in the above-mentioned contract.

From: <old address>

To: < old address >]

Yours Sincerely,

<Signature of authorised representative >

< Name and position of authorised representative >

ANNEX 2 REQUEST FOR ADDENDUM TO THE CONTRACT

< Letterhead of the Grant Beneficiary >

Name, Surname of JTS

Address

Tel:

Fax:

DATE

RE:

Request for Addendum

Purpose of Addendum: [select appropriate, delete other options [Contract extension] [Reallocation between budget headings exceeding 15%] [Change of project partner] [.....]

Contract No:

Grant Amount EUR:

Title of Project:

We would like to ask your approval for the following modifications in the above-mentioned contract:

<Describe the modification – WHAT WILL CHANGE>

<Provide justification – WHY IT WILL CHANGE>

<In case of modifications in the budget insert following table:>

Budget Item / Budget Heading	Initial Contract Budget				Amendment 1, 2, 3,.. (for each amendment separate columns should be prepared)	Revised Budget		
	Unit	# of units	Unit rate (in EUR)	Costs (in EUR)		EUR (+,-)	# of units	Unit rate (in EUR)

<In case of change/removal of a project partner:>

<Describe the modification – WHY PARTNER WILL CHANGE/REMOVED>

<Provide justification – HOW BENEFICIARY WILL IMPLEMENT THE PROJECT WITH NEW / WITHOUT A PARTNER >

Yours Sincerely,

<Signature of authorised representative >

< Name and position of authorised representative >

ANNEX 3 THE FINAL LSP SHORTLIST

No	Title	Programme €	Partner's Contribution €	Total €
ELR-LSP-1	Improvement of traffic and border crossing possibilities in Väraska-Pechory monastery road- SAFE ROAD	4 699 999,5	1 075 420,5	5 775 420
ELR-LSP-2	Complex reconstruction border crossing points in Invangorod (the Russian Federation) and in Narva (Republic of Estonia)	7 399 013	822 113	8 221 126
ELR-LSP-3	Economically and environmentally sustainable Lake Peipsi area	7 526 608	836 289	8 362 897
ELR-LSP-4	Reconstruction of border checkpoint „Vientuli“ (the Republic of Latvia) and arrangement of border checkpoint „Brunishevo“ (the Russian Federation)	5 800 000	843 394	6 643 394
ELR-LSP-5	Development of air transport services at international regional airports „Daugavpils“ in Latgale region (Latvia) and „Kresti“ in Pskov region (Russia).	3 568 373	396 485	3 964 858
ELR-LSP-6	Development of the unique Narva-Ivangorod trans-border fortress ensemble as a single cultural and tourism object	6 184 309	687 146	6 871 455
Total		35 178 302,50	4 660 847,5	39 839 150

ANNEX 4 REQUIREMENTS FOR VERIFICATION OF COMPLIANCE OF THE LSP APPLICATION FORM

Index of the Project	
Title of the Project	

Requirements	Fulfilment of the requirements
Project submitted in English	
Budget presented in EUR	
Signed Partnership agreements available for all partners	
Applicant has provided the Declaration	
One original and one copy of the Full Application Form submitted	
Requested annexes are provided	
Partnership requirements are fulfilled	
Project is within the time and financial limits set	
Co-financing rates are observed	

Filled in by the JTS

Date

ANNEX 5 WRITTEN RECOMMENDATION OF THE JMC FOR THE FINAL LIST OF LARGE SCALE PROJECTS

Project Index and Title	JMC recommendation on the admissibility of the additional documents
ELR-LSP-1	
ELR-LSP-2	
ELR-LSP-3	
ELR-LSP-4	
ELR-LSP-5	
ELR-LSP-6	

Filled in by the JMC members

Date
