



**Co-funded by
the European Union**

Practical Guidelines for Project Implementation

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According to European Commission notification on suspension of the Agreement on financing and implementation of Cross-Border Cooperation Programme “Latvia-Russia” 2014-2020 (hereinafter – Programme) signed between Russian Federation, Latvia and the European Union (hereinafter – Financing Agreement), and consequent suspension of Russian representatives from Programme implementation and Russian project partners from project implementation, clauses in Practical Guidelines for Project Implementation (hereinafter - Practical Guidelines) stipulating provisions for partners from Russian Federation are suspended.

1. INTRODUCTION

The purpose of these Practical Guidelines is to support beneficiaries involved in the implementation of the direct award and call for proposal projects and other stakeholders in successful implementation of the project. It explains how to manage the project from the beginning to final report and balance payment, and up to the obligations beyond the project implementation period.

The Practical Guidelines explain the rules and procedures to be followed and formats/templates to be used by the lead beneficiaries and beneficiaries involved in project implementation to ensure accurate and eligible project implementation, including contractual obligations, operational and financial management, visibility, monitoring of the project and other important aspects of project implementation.

In the event there is a contradiction between Guidelines for Grant Applicants, Guidelines for Direct Award Project Applicants and Practical Guidelines, provisions of Practical Guidelines prevail.

A separate document Communication and Visibility Guidelines for Project Beneficiaries covering issues related to information and visibility of projects is available on the website of the Programme Programme

1.1. Legal framework

- Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014;
- Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014;
- Commission Implementing Regulation (EU) No 897/2014 of 18 August 2014 (hereinafter – Implementing Regulation);
- Commission Implementing Regulation (EU) No 2020/879 of 23 June 2020 amending Implementing Regulation (EU) No 897/2014 as regards specific provisions to align the provisions for the implementation of cross-border cooperation programmes financed under the European Neighbourhood Instrument with specific measures in response to the COVID-19 pandemic;
- Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018;
- Financing agreement - Agreement on Financing and Implementation of Cross Border Cooperation Programme Latvia-Russia 2014-2020 (entry into force on 1 December 2018);

- Latvia–Russia Cross Border Cooperation Programme 2014-2020 approved by the governments of the Republic of Latvia and the Russian Federation and adopted by the European Commission on 18 December 2015, EC decision No C (2015) 9181.

1.2. Processing of personal data of natural persons

In order to ensure compliance with legal framework and to ensure fulfilment of functions, Programme implementing bodies process natural person data in accordance with the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

As during the project implementation beneficiaries are obliged to keep and provide all the required information on project implementation, including natural person data, to Programme implementation bodies, beneficiaries from Latvia are also obliged to ensure that processing and movement of such data complies with the requirements set in the above mentioned regulation.

1.3. Anti-fraud policy of the Programme and treatment of irregularities

Introduction

The Managing Authority/Joint Technical Secretariat as well as the participating countries of the Programme and the European Commission are **zero-tolerant to fraud and corruption** and support transparent financial and operational management of the projects implemented according to the applicable legal framework of the Programme.

Terminology

Fraud means any intentional act or omission concerning:

- the use or presentation of false, incorrect or incomplete statements or documents which has as its effect the misappropriation or wrongful retention of Programme co-financing parties' financial contributions;
- non-disclosure of information on violation of a specific obligation, with the same effect;
- the misuse of such funds for purposes other than those for which they are originally granted.

Passive corruption means deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, or would have, the effect of harming the financial interest of the Republic of Latvia, the Russian Federation or the European Union.

Active corruption is deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official, for himself or for a third party, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the financial interest of Republic of Latvia, the Russian Federation or the European Union.

Conflict of interests exists where the impartial and objective exercise of the functions of any person under a contract is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.

Irregularity therefore is any breach of the legislative acts of the Republic of Latvia, the Russian Federation, the European Union, documents of the Programme that regulate the management of the Programme, as well as grant contract resulting from the action or failure to act of the

beneficiary and that has or might have a negative influence on financial contribution of the European Union, the Republic of Latvia or the Russian Federation to the Programme budget by charging unjustified item of expenditure to financial contribution of the European Union, the Republic of Latvia or the Russian Federation to the Programme budget.

Thus non-compliance with the applicable legal framework of the Programme may result in either irregularity or ineligible costs.

Responsibilities and anti-fraud measures

The participating countries of the Programme shall use all appropriate measures to prevent any irregularities, fraud and corruption and of any measure taken or planned to deal with them. In case of suspicions of fraud, it will be investigated in cooperation between Member States, the Managing Authority/ Joint Technical Secretariat and the European Commission where necessary. All the relevant national procedures shall be used to ensure that appropriate investigation and prosecution takes place.

Reporting Fraud

In order to prevent and detect acts of fraud, corruption and any other irregularities and correct their impact on implementation of the projects co-financed by the Programme, the Managing Authority/Joint Technical Secretariat supports whistleblowing.

Therefore, the Managing Authority/Joint Technical Secretariat urges anyone becoming aware of any element, which arouses suspicions of fraud or corruption and any other irregularities, to alert such case by e-mail lat-rus.cbc@varam.gov.lv or by regular post to address Peldu street 25, Riga, LV-1494, Latvia without delay.

All information received by the Managing Authority/Joint Technical Secretariat regarding suspicion of fraud, corruption or any other irregularity will be taken into account and investigated accordingly.

The identity of the whistle-blower is protected.

2. CONTRACTING

For open call for proposals projects once the Joint Monitoring Committee of the Programme has made decision on the list of project applications to be awarded grant and the Managing Authority has issued letters on projects' approval to the applicants, contracting procedure is started with successful applicants.

For direct award projects contracting procedure is initiated once the Managing Authority has received European Commission decision about approval of project applications.

In addition to the decisions taken respectively by the Joint Monitoring Committee and the European Commission, Financing agreement - Agreement on Financing and Implementation of Cross-border Cooperation Programme Latvia-Russia 2014-2020 has to enter into force before grant contracts may be concluded.

All projects also have to fulfil several pre-conditions before grant contracts may be signed:

1. partnership agreement has to be signed by all project partners and either its original or copy has to be submitted to the Joint Technical Secretariat. Partnership agreement has to lay down provisions for the distribution of tasks, responsibilities and financial contribution of all beneficiaries, including provisions guaranteeing financial management of the funds allocated to the project, including the arrangements for recovery of amounts unduly paid. Partnership agreement has to be concluded between the lead beneficiary and beneficiaries defining their rights and responsibilities, it will not be a part of or annex to the grant contract. The partnership agreement serves as legal ground regulating

relationship within the partnership. The partnership agreement template is available on the Programme website.

2. financial identification form has to be filled in in English and its original sent to the Joint Technical Secretariat. In case the bank provides the documents in national language only, the form may be filled in and certified by the lead beneficiary, and supplemented by original bank statement containing all data. Financial identification form is available on the Programme website.
3. projects have to fulfil all the conditions set by the Joint Monitoring Committee or the European Commission (if applicable). These conditions will be stated in the Managing Authority letters about approval of project applications.

In addition to the above stated pre-conditions, there might be some technical updates for the full application forms before conclusion of grant contract, for example, updated start and end date of project implementation, updates in project implementation plan, etc. Responsible project managers from the Joint Technical Secretariat will provide assistance to the projects in preparation of all the above-mentioned documents and information.

After receiving properly prepared and filled in documents, a grant contract will be prepared by the Joint Technical Secretariat. After the grant contract is signed by the legal representative of the Managing Authority, it will be sent to the lead beneficiary for signing it by the authorized representative of the lead beneficiary within the set deadline.

Please note that in any case grant contract shall be signed not later than on:

- 30 June 2019 in case of direct award projects;
- 31 December 2021 in case of open call for proposals projects.

3. IMPLEMENTATION OF THE PROJECT

3.1. Start and end date of the project

The **starting date of the project** is set in the grant contract. Project starting date is agreed between the lead beneficiary represented the common decision of the partnership and the MA. It can be either:

1. the day following that on which the last of the two parties signs the grant contract;
2. a later date agreed in the grant contract and no later than 6 months after the signing of the Grant Contract;
3. before signing of grant contract on project own risk but not earlier than on 1 December 2018 for direct award projects and not earlier than one day after the Joint Monitoring Committee decision on project approval for call for proposals projects.

The **end date of the project** is calculated by adding the number of months indicated in the full application form as project duration to the starting date. The project implementation period cannot exceed **31 December 2023**.

3.2. Management and responsibilities within the project

All projects should follow the lead beneficiary principle in the project management. Nevertheless, all beneficiaries should be committed to active co-operation for the sake of successful implementation of project. Each beneficiary is legally and financially responsible for activities that it implements and for the share of the Programme funds that it receives. The framework for relationship inside the project is laid down in the partnership agreement, however, distribution of main tasks and responsibilities should be as follows and as set in the grant contract and partnership agreement:

NB! In Exceptional cases, when the appointed lead beneficiary due to suspension from project implementation is unable to implement its obligations towards beneficiaries involved in project implementation, the Managing Authority or other Programme bodies, each beneficiary involved in the project implementation may act individually, without Lead beneficiary involvement, in order to continue fulfilling its responsibilities for implementation of the project, including towards Programme bodies. Prior coordination of planned actions with the Joint Technical Secretariat is recommended.

Requirements and responsibilities of lead beneficiary described in this chapter and other chapters of Practical Guidelines in cases, where lead beneficiary is suspended from project implementation, refer also to project beneficiaries for implementation of part of project respective beneficiary is responsible for as per latest approved Application Form.

Responsibilities of lead beneficiary	Responsibilities of beneficiary
Implementation of project activities	
<ul style="list-style-type: none"> - assumes responsibility for ensuring implementation of the entire project - sets up and maintains project implementation system - coordinates and monitors activities and tasks among the beneficiaries involved in implementation of the project - ensures that all project activities are implemented in due quality and maintains general quality management of the project - ensures proper communication inside the partnership and with a wider public - represents the project and ensures communication with the Managing Authority and Joint Technical Secretariat - ensures production and maintenance of all documents and evidences required for control and audit purposes - implements relevant project activities in accordance with provisions of Programme documents and national legislation 	<ul style="list-style-type: none"> - implements relevant project activities in accordance with provisions of Programme documents and national legislation and in due quality - informs lead beneficiary about needed changes in project activities or budget in a timely manner - ensures production and maintenance of all documents and evidences required for control and audit purposes

<ul style="list-style-type: none"> - coordinates and submits requests for changes in the project 	
Financial management	
<ul style="list-style-type: none"> - maintains a separate account or adequate accounting code for the needs of the project - uses allocated financial resources for the purposes of implementation of project in accordance with provisions of Programme documents and national legislation - supervises overall use of project budget 	<ul style="list-style-type: none"> - maintains a separate account or adequate accounting code for the needs of the project - uses allocated financial resources for the purposes of implementation of project in accordance with provisions of Programme documents and national legislation
Communication and visibility	
<ul style="list-style-type: none"> - ensures overall coordination of communication activities and visibility of project - observes provisions of "Communication and Visibility Guidelines for Project Beneficiaries" for applying all necessary communication and visibility actions - implements communication and visibility activities as planned in the full application form 	<ul style="list-style-type: none"> - observes provisions of "Communication and Visibility Guidelines for Project Beneficiaries" for applying all necessary communication and visibility actions - implements communication and visibility activities as planned in the full application form
Reporting and expenditure verification	
<ul style="list-style-type: none"> - ensures that the expenditure presented by the beneficiaries involved in implementation of the project has been incurred for the purpose of implementing the project and corresponds to activities set in the grant contract - procures auditor in a timely manner¹ - prepares individual report and submits it for expenditure verification to public officer/ auditor in a timely manner - verifies that the expenditure presented by the other beneficiaries involved in implementation of the project has been verified - prepares consolidated interim/final report and submits it to the Joint Technical Secretariat with expenditure verification reports of beneficiaries involved in implementation of the project 	<ul style="list-style-type: none"> - procures auditor in a timely manner² - prepares individual report and submits it for expenditure verification to public officer/ auditor in a timely manner - submits individual report and expenditure verification report to the lead beneficiary - in case, lead beneficiary is suspended from implementation of the project, in cooperation with project partners involved in the project, prepares consolidated interim/final report and submits it to the Joint Technical Secretariat with expenditure verification reports of beneficiaries involved in implementation of the project

¹ Applicable for lead beneficiaries from Russian Federation

² Applicable for beneficiaries from Russian Federation

Payments

<ul style="list-style-type: none"> - receives payments from the Managing Authority for the implementation of project activities - distributes financial resources received from the Managing Authority to beneficiaries involved in implementation of the project - repays amounts not used or unduly paid together with any interest on late payment from itself and concerned beneficiary(-ies) to the Managing Authority 	<ul style="list-style-type: none"> - receives payments from the lead beneficiary and uses it for the implementation of the project activities - repays lead beneficiary or the Managing Authority the amounts not used or unduly paid together with any interest on late payment - In case, lead beneficiary is suspended from implementation of the project and Managing Authority has elaborated individual conditions for payments to each beneficiary, receives payments from the Managing Authority and uses it for the implementation of project activities - In case, lead beneficiary is suspended from implementation of the project, repays the Managing Authority the amounts not used or unduly paid together with any interest on late payment
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Monitoring, evaluation, audit

<ul style="list-style-type: none"> - sets up the monitoring system, regularly requests and receives information from all beneficiaries to know where the project stands; is responsible for achievement of the project objective and indicators, implemented by beneficiaries that are involved in the project implementation - requests approval of the Managing Authority for change of ownership of project results - maintains all project related documentation for at least 5 years after the Managing Authority receives balance payment from the European Commission - provides access to project documentation and project implementation sites for on-spot checks and project visits, ex-post and result oriented monitoring visits by the Managing Authority and the Joint Technical Secretariat - provides access to project documentation, the premises, sites and locations of project implementation, and results if requested by the Managing Authority, the Joint Technical Secretariat, the Audit Authority, the National Authorities of the Republic of Latvia and the Russian Federation, authorised representatives of the European 	<ul style="list-style-type: none"> - regularly provides information to the lead beneficiary on the project progress; immediately signals in case of any delays/problems - informs the lead beneficiary about needed change of ownership of project results - maintains all project related documentation for at least 5 years after the Managing Authority receives balance payment from the European Commission - provides access to project documentation and project implementation sites for on-spot checks and project visits, ex-post and result oriented monitoring visits by the Managing Authority and the Joint Technical Secretariat - provides access to project documentation, the premises, sites and locations of project implementation, and results if requested by the Managing Authority, the Joint Technical Secretariat, the Audit Authority, the National Authorities of the Republic of Latvia and the Russian Federation, authorised representatives of the European Commission, the European Anti-Fraud Office, the European Court of Auditors, the
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Commission, the European Anti-Fraud Office, the European Court of Auditors, the Group of Auditors and any external auditor authorised by these institutions or bodies	Group of Auditors and any external auditor authorised by these institutions or bodies
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Each project has to carry out internal project monitoring with the purpose to provide effective and timely decision making, e.g. to take improving or corrective actions. The internal project monitoring includes ongoing project management activities, e.g. collection and analysis of data, project steering meetings and consultations with stakeholders. In addition, the lead beneficiary and beneficiaries may carry out project evaluation. The information about the internal management, monitoring and evaluation activities has to be provided in the project reports.

Lead beneficiary has to appoint a **project manager**, responsible for setting up and maintaining the implementation system of the project, and **financial manager** in order to ensure professional financial management. The same person can be appointed both as project manager and as financial manager.

Each **beneficiary** appoints a **project manager**, who is the contact person with the project manager of the lead beneficiary, **the Managing Authority/ Joint Technical Secretariat (in case of need)**, and a **financial manager**, who is responsible for book-keeping in the project in the beneficiary organisation. The same person can be appointed both as project manager and as financial manager.

For direct award projects it is highly recommended to appoint a **Steering Group**, consisting of representatives of each beneficiary and other important stakeholders responsible for monitoring of project implementation according to provisions of the grant contract and partnership agreement, reviewing and approving project work plans and reports. Projects of open call for proposals are also encouraged to appoint a Steering Group if beneficiaries consider that it would contribute to better project implementation.

Separate 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.

All projects are advised to organize a kick-off meeting with participation of all project beneficiaries. Such an event would greatly serve as a means of setting up a common approach to communication, project implementation and other essential issues. If needed, assigned Joint Technical Secretariat project manager may also participate upon availability in the kick-off meeting to provide Programme-specific information about project implementation. In this case the Joint Technical Secretariat should be informed about the event at least 2 weeks before it takes place.

4. CHANGES IN THE PROJECT

All beneficiaries have to submit information to the lead beneficiary about necessary project changes till the deadline agreed within the partnership. The lead beneficiary has to review submitted changes to check if they have no impact on project objectives, are clearly described and sufficiently justified and are in line with the allowed changes (either major or minor) described in the Practical Guidelines. If needed, the lead beneficiary asks for additional clarifications from beneficiary.

In case, lead beneficiary is suspended from implementation of the project, each beneficiary, involved in the project implementation, can introduce changes to the project for the scope respective beneficiary is responsible for. This requirement can be applied retroactively as of the date Lead beneficiary has been suspended from implementation of the project. In exceptional and justified cases, the Managing Authority can approve deviations in Application Form (activities

and costs) for project beneficiary which continues to implement project, in case changes in project were not possible due to suspension of Lead beneficiary but were crucial for project.

NB! It is strongly recommended to consult with the Joint Technical Secretariat and take its comments into account before planning any changes or submitting request for changes.

The request for changes has to be described in a standardised template available in the Programme website and shall be submitted for each type of project changes (minor or major) separately.

When planning and elaborating changes, the following general principles should always be applied:

- request to the Managing Authority **should be substantiated**. The Managing Authority either approves justified requests or rejects requests, which have little or no substantiation or contradict provisions set by legal framework and guiding documents of the Programme,
- changes cannot intend to modify the grant contract and project application form in a way that would alter the project objectives or oppose the equal treatment of all projects and their beneficiaries,
- grant contract and project application form can only be modified within the implementation period of the project,
- changes cannot be made retroactively **(except for cases as described in this chapter)**,
- the maximum amount of the grant may not be increased neither in terms of Programme co-financing share (%) nor actual allocated Programme co-financing in EUR,
- any change extending the implementation period of the grant contract must consider that implementation activities must be completed **until 31 December 2023**,
- as a general rule - requests for approval of major changes by signing an addendum to the grant contract have to allow an adequate time limit (at least 30 days) before the changes are intended to enter into force; for direct award projects- inform the Managing Authority/Joint Technical Secretariat as soon as possible as the approval process may require also Joint Monitoring Committee and the European Commission decision

The following information should be provided in the request for change:

- What was initially planned in the application form: title of activity/budget line, activity package and the budget heading, deliverables;
- Requested changes: description of necessary changes, their purpose, if relevant – sources from which changes will be covered (activity package, budget line and budget heading);
- Justification of changes;
- Impact of requested changes – how proposed changes will help to achieve project objective in more efficient way and will foster cooperation.

NB! Without prejudice to the decision of the Managing Authority, the eligibility of costs and their relevance shall be verified by public officer/auditor upon the expenditure verification check and other further checks.

The Managing Authority may disapprove changes of activities, budget, or in any other parts of the full application form, if they are not justified or modify the project's purpose.

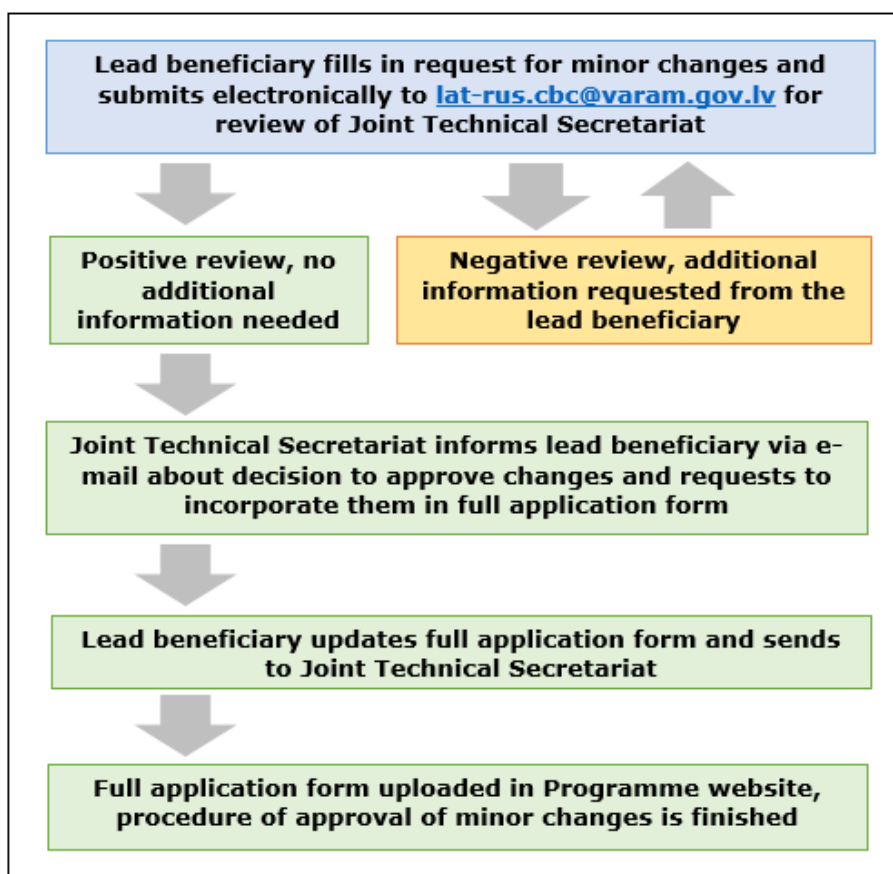
4.1. Minor changes

Minor changes are listed in the table below. Minor changes have a minor impact on the project implementation, project outputs and/or results.

Minor changes require approval of the Managing Authority/Joint Technical Secretariat except cases where minor changes may be notified via interim/final report. The lead beneficiary requests approval of minor changes in the project by sending **a list of requested changes with justification for them as soon as such changes arise or cumulatively**.

The Managing Authority/Joint Technical Secretariat shall review the proposed changes after request for changes is received to the Programme e-mail: lat-rus.cbc@varam.gov.lv.

4.1.1. General procedure of approval of minor changes *



* In case, Lead beneficiary is suspended, each project beneficiary involved in project implementation, follows procedure directly.

NB! Minor changes that require approval by the Managing Authority/ Joint Technical Secretariat are considered as approved only when the decision by the Managing Authority/ Joint Technical Secretariat is issued.

The latest approved full application form will be made available to beneficiaries involved in project implementation.

After approval of requested changes Partnership agreement has to be changed accordingly (if relevant).

DESCRIPTION OF MINOR CHANGE	ACTIONS TAKEN AND ADDITIONAL PROVISIONS
1. Minor change of project beneficiary data	
<ul style="list-style-type: none"> - change of contact details for lead beneficiary or beneficiary (project manager, financial manager, communication manager) - change of contact person for lead beneficiary or beneficiary (project manager, financial manager, communication manager) 	<p>Notify Joint Technical Secretariat about the change immediately. Communicate minor change via interim/final report.</p>
<ul style="list-style-type: none"> - change of translation or title for lead beneficiary or beneficiary, change of authorised representative for lead beneficiary or beneficiary not affecting legal status or causing structural change 	<p>Notify Joint Technical Secretariat about the change immediately by submitting updated application form and relevant documents (e.g. updated partnership statement).</p>
2. Change of bank account of lead beneficiary	
<ul style="list-style-type: none"> - bank account of lead beneficiary/beneficiary (in case of transfer of funds from MA) changed as indicated in the previously submitted original financial identification form 	<p>Notify Joint Technical Secretariat about the change immediately by submitting updated original financial identification form.</p>
3. Changes in time plan	
<ul style="list-style-type: none"> - minor adjustments in rescheduling the project activities in the time plan with no impact on overall implementation period of the project <p><i>(e.g. in the application form project planned to organise two seminars in the first reporting period. Due to x reasons organisation of the second seminar is moved to the second reporting period)</i></p>	<p>Communicate minor change via interim/final report.</p>
4. Minor changes in activity packages	
4.1 Minor changes in activity packages 1 and 2	

<ul style="list-style-type: none"> - change of activities listed in the relevant activity package (<i>e.g. in addition to publications about project on internet homepages it is decided to also create a Facebook page for project to reach a wider audience, minor change in technical/construction works, etc.</i>) - change of amount of activities listed (<i>e.g. project planned to organize 2 press conferences, however it is decided to organize 3 press conferences etc.</i>) - change of number of deliverables of project activities (<i>e.g. number of participants in project meetings, number of copies of communication materials etc.</i>) 	<p>Communicate minor change via interim/final report.</p> <p>NB! Changes may not have negative effect on objective of the relevant activity package or project in general. Change must be justified and where applicable principles of sound financial management must be met and total cost of respective budget heading must not be exceeded.</p> <p>In case of changes in related to communication and information minimum Programme communication requirements must be maintained.</p>
4.2 Minor changes in activity packages implemented outside of Programme area 3 to 5 and approval of activities to be implemented outside of Programme area	
<ul style="list-style-type: none"> - change of activities and amount of activities listed in the relevant activity package - creation of a new or a deletion of an existing project output and/or activity from activity packages 3-5 - change of activity's implementation location from Programme area to outside of Programme area 	<p>Follow procedure of approval of minor changes.</p> <p>NB! Changes may not have negative effect on objective of the relevant activity package or project in general. Change must be strongly justified and where applicable principles of sound financial management must be met and total cost of respective budget heading must not be exceeded.</p> <p>In case with these changes technical documentation for planned (re)construction works is changed, project beneficiaries are responsible for creation and submission of technical documentation in line with national legal acts.</p> <p>The changed technical documentation (copy of documents) shall be submitted to the Joint Technical Secretariat for information purposes.</p>
5. Changes in project budget	
<ul style="list-style-type: none"> - change between and in budget lines within the same budget heading (<i>e.g. costs for planned translation services are higher than expected, but there are savings for room rent for seminars within budget heading 3; within</i> 	<p>Communicate via interim/final report.</p> <p>Total cost of respective budget heading must not be exceeded.</p> <p>NB! Changes may not decrease quality of related project outputs and results.</p>

<p><i>budget heading 2 and budget heading 3 inclusion/exclusion of expenditure item is needed, for example, accommodation costs, translation costs or other logically interconnected costs to the planned expenditures are missing etc.)</i></p> <ul style="list-style-type: none"> - change of number of units or unit rate in a budget line 	
<ul style="list-style-type: none"> - transfers among budget headings involving a variation of not more than 15% of the initially approved amount of budget heading by the Joint Monitoring Committee or budget approved with the latest major changes 	<p>Follow procedure of approval of minor changes.</p> <p>NB! Changes may not decrease quality of related project outputs and results.</p> <p>Need for changes strongly justified and principles of sound management are met.</p>

6. Changes in project due to changes in building/technical documentation

<ul style="list-style-type: none"> - changes in building/technical documentation which do not affect information provided in the project application form (<i>meaning that description of respective activity, deliverable and its target size is not changed, for example, in the activity it is planned to create a walking path 500 m long and 2 m wide, during the project it is concluded that technical solutions (for example, instead of provision stairs to/from walking path, it is decided to construct descent road to/from walking path) for constructing the path need to be changed but description and indicators mentioned in the activity is not amended etc.</i>). 	<p>Communicate changes via interim/final report</p> <p>NB! Information in the project application form shall not be affected. If information in the project application form is affected due to changes in the building/technical documentation, relevant changes in the project application form have to be made as minor or major according to changes nature.</p> <p>In case technical documentation for planned (re)construction works is changed, project lead beneficiary and beneficiaries are responsible for creation and submission of technical documentation in line with national legal acts.</p> <p>The changed technical documentation (copy of documents) shall be submitted to the Joint Technical Secretariat for information purposes.</p>
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4.2. Major changes

Allowed major changes are listed in the table below. Any changes that are exceptions to the ones listed in the table below are subject to decision of the Joint Monitoring Committee.

NB! In case of major changes for direct award projects prior approval of the Joint Monitoring Committee and the European Commission will have to be received, particularly, but not limited to, cases which are regarding the following:

- cumulative changes of more than 20% of a budget heading;
- change of the Lead Beneficiary (other than mere renaming of the institution), modification of the conditions of ownership or operation of the project;
- changes in the physical characteristics or the functional purposes of the project, which may alter its nature, objectives and/or scope.

Therefore, lead beneficiaries/beneficiaries of direct award projects involved in project implementation must consult with the Managing Authority/Joint Technical Secretariat as soon as need for changes arise in the project and allow adequate time in order to complete the procedure of approval of these changes.

Major changes have a significant impact on the project implementation, project outputs and/or results.

4.2.1. The general procedure for handling major changes:

1. Lead beneficiary / beneficiary involved in project implementation must fill in a request for change, sign it (either electronically or in paper form) and with necessary supporting documents according to table below submit it to the one of the following addresses:
 - Request for change signed in paper version to Development Instruments Department, The Ministry of Environmental Protection and Regional Development of the Republic of Latvia, Peldu street 25, Riga, LV-1494, Latvia;
 - Request for change signed with e-signature to lat-rus.cbc@varam.gov.lv.
2. Managing Authority/ Joint Technical Secretariat reviews the received request for change, its compliance with Programme requirements and grant contract and provides feedback to the lead beneficiary/ beneficiary involved in project implementation if information is sufficient to take a decision. If information is not sufficient, the Managing Authority/ Joint Technical Secretariat asks for clarifications and submission of missing documents. Depending on type of information requested, terms of its submission will be set accordingly.

Once there is sufficient information, Managing Authority prepares decision letter about approval or rejection of major changes.
3. In case of rejection of requested changes, justification is provided by the Managing Authority.
4. In case of approval of requested changes, the lead beneficiary/ beneficiary involved in project implementation is requested to incorporate approved changes in the full application form and send it to Programme e-mail lat-rus.cbc@varam.gov.lv for the Managing Authority/ Joint Technical Secretariat.
5. If requested changes involve also change of the grant contract (addendum to grant contract), addendum is prepared, signed by the Head of the Managing Authority and sent to the lead beneficiary for signing. Changes involving change of the grant contract can be proceeded, if Lead beneficiary is not suspended from project implementation.
6. Procedure of approval of major changes is finalized once full application form is updated according to the Managing Authority decision letter and the Managing Authority has received back addendum to the grant contract signed by the lead beneficiary, if applicable.

NB! Major changes are considered approved only when such decision is issued by the Managing Authority.

The latest approved full application form will be made available to beneficiaries involved in project implementation.

Partnership agreements shall be changed accordingly in case of changes in partnership of the project, changes in budget that involve transfers among beneficiaries, as well as other project changes that effect the contents of signed partnership agreement. As soon as signed by all parties a copy of the updated document shall be submitted to Managing Authority/Joint Technical Secretariat for information purposes.

Major changes always require approval by the Managing Authority.

DESCRIPTION OF MAJOR CHANGE	ACTIONS TAKEN AND ADDITIONAL PROVISIONS
1. Change in the partnership of the project:	
<ul style="list-style-type: none"> - project beneficiary withdraws and no other organization is joining the partnership to take over the planned activities and budget; 	<p>Follow procedure of approval of major changes.</p> <p>NB! In case of change in the partnership of the project prior approval of the Joint Monitoring Committee will be required.</p> <p>Project and project partnership eligibility criteria must be maintained (e.g.- at least one beneficiary from Latvia and one from Russia, specific eligibility of direct award projects must be maintained).</p> <p>Activities that are removed from the work plan as well as the role of the withdrawn project beneficiary is not crucial, outputs and results can still be achieved as initially planned. Otherwise, activities have to be taken over by existing project beneficiary.</p>
<ul style="list-style-type: none"> - project beneficiary withdraws from the project and is replaced by another beneficiary (either new or existing) taking over implementation of relevant project activities and budget. Depending on the stage of project implementation the new beneficiary either fully takes over planned project activities and budget or, if project implementation is in progress, takes over remaining activities and budget; 	<p>Follow procedure of approval of major changes.</p> <p>NB! In addition to submission of request for changes, also:</p> <ul style="list-style-type: none"> a) partnership statement has to be submitted; b) for bodies that are not public entities from the Russian Federation – statutes, registration certificate or equivalent and statement on national tax authority on absence of tax arrears in accordance with Section 5.3.1. of Guidelines for Grant Applicants for 1st Call for Proposals, Section 5.2.1. of Guidelines for Grant Applicants for 2nd Call for Proposals and Section 3.3.1 of Guidelines for Direct Award projects. For the new beneficiary documents in accordance with provisions of Section 5.3.1. of Guidelines

	<p>for Grant Applicants have to be submitted together with request for changes.</p> <p>Project and project partnership eligibility criteria must be maintained (e.g. at least one beneficiary from Latvia and one from Russia, specific eligibility of direct award projects).</p> <p>NB! In case of change in the partnership of the project prior approval of the Joint Monitoring Committee will be required.</p>
<ul style="list-style-type: none"> - legal changes (title, legal status, etc.) of the project beneficiary organisation occur. 	<p>Submit request for approval of major changes to the Managing Authority, follow procedure of approval of major changes.</p> <p>NB! In addition to submission of request for changes, copy of the official document stating the structural or legal change must be submitted.</p> <p>In case if legal status of beneficiary from Russian Federation is changed, additionally for bodies that are not public entities also statutes, registration certificate or equivalent and statement on national tax authority on absence of tax arrears shall be submitted.</p> <p>Eligibility criteria for the partnership must be observed.</p> <p>Change of title of project beneficiary organisation which has no impact on its legal status has to be officially communicated via e-mail to the Joint Technical Secretariat as soon as it happens but request for changes may be submitted later together with other project changes. Such change is considered and approved also as minor change.</p> <p>Joint Monitoring Committee may take decision in case respecting of eligibility criteria for partnership is questioned.</p>
<p>2. Change in project duration:</p>	
<ul style="list-style-type: none"> - prolongation of project implementation period is needed. 	<p>Submit request for approval of major changes to the Managing Authority, follow procedure of approval of major changes.</p> <p>The project implementation cannot be longer than 31 December, 2023.</p>
<p>3. Substantial changes in project activities:</p>	

<ul style="list-style-type: none"> - increase/decrease of expected project output/result indicators - creation of a new or a deletion of an existing project output and/or activity from activity packages 3-5 that directly ensures achievement of project output/result indicator 	<p>Submit request for approval of major changes to the Managing Authority, follow procedure of approval of major changes.</p> <p>NB! Changes may not have negative effect on objective of the relevant activity package or project in general. Change must be strongly justified.</p> <p>In case technical documentation for planned (re)construction works is changed (changes in cost estimations, technical projects, etc.), project beneficiaries are responsible for creation and submission of technical documentation in line with national legal acts.</p> <p>The changed technical documentation (copy of documents) shall be submitted to the Joint Technical Secretariat for information purposes.</p> <p>Joint Monitoring Committee may take decision in case changes may affect achievement of the Programme output and result indicators or would be an exceptional case from the Programme requirements.</p>
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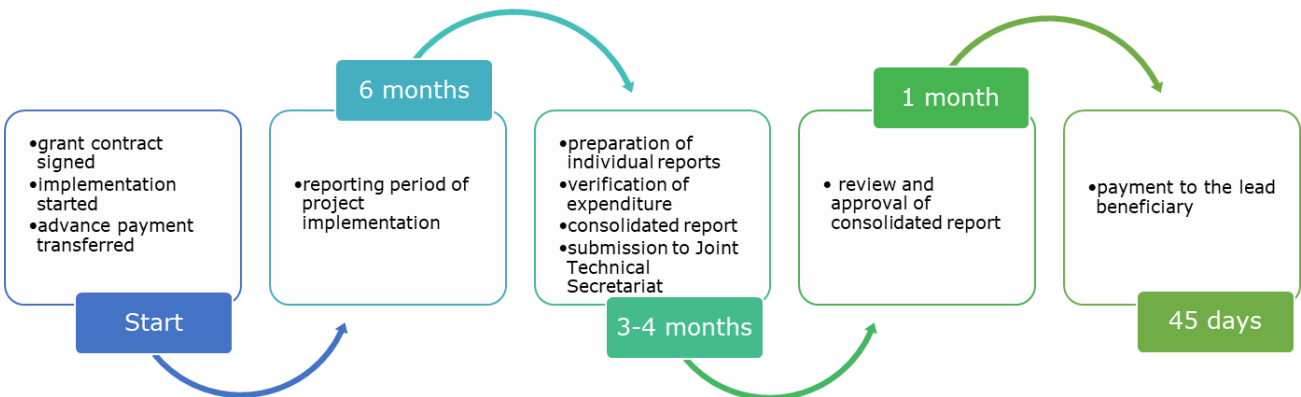
4. Changes in project budget:

<ul style="list-style-type: none"> - addition or deletion of a budget line - transfers among budget headings involving a variation of more than 15% of the amount approved originally by the Joint Monitoring Committee or budget approved with the latest major changes under each relevant budget heading for eligible costs; - transfers among beneficiaries; 	<p>Submit request for approval of major changes to the Managing Authority, follow procedure of approval of major changes.</p> <p>NB! Changes may not decrease quality of related outputs and results.</p> <p>Changes should foster more efficient achievement of the project objectives and results.</p> <p>Need for changes strongly justified and principles of sound management are met.</p> <p>NB! In addition to providing information about change in budget in the request for changes, in case of budget reallocations between budget headings also budget reallocation form (available in the Programme website) in MS Excel has to be filled in.</p> <p>NB! In case of budget transfer among beneficiaries, partnership statements with relevant updates of involved beneficiaries'</p>
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	<p>budgets shall be submitted together with the request for change.</p> <p>NB! In case transfers among budget headings will involve a variation of more than 30% under each relevant budget heading and transfers among beneficiaries will involve a variation of more than 30% of each involved beneficiary's total budget prior approval of the Joint Monitoring Committee will be required for such change.</p>
5. Change of the VAT payer status:	
<ul style="list-style-type: none"> - VAT payer status of project beneficiary has changed 	<p>Submit request for approval of major changes to the Managing Authority, follow procedure of approval of major changes.</p> <p>NB! Partnership statement has to be attached to the request for changes.</p>

5. REPORTING, MONITORING AND CONTROL

During project implementation all projects shall report on their progress. The project report covers both the project activities and outputs as well as financial implementation. The report serves as basis for the regular payments made to the project and is used for monitoring of project's progress. In addition, it may be used to communicate minor project changes to the Joint Technical Secretariat as stated in Section 4.1. of Practical Guidelines.



5.1. Reporting requirements and deadlines

Lead beneficiary in cooperation with all the beneficiaries of the project draws up:

- **interim report** – providing information about implementation of project activities, achievements made and expenditures at least after **every six month period of reporting**;
- **final report** – providing information about implementation of project activities, achievements made and expenditures in the last period of reporting as well as providing information about overall achievement of planned project outputs and results and general implementation of project’s budget.

In case Lead beneficiary is suspended from project implementation, each beneficiary, involved in the project implementation after receiving expenditure verification report by public officers shall submit respective individual report of the current reporting period directly to the Joint Technical Secretariat/ Managing Authority. Preparation and submission of the consolidated report to the Joint Technical Secretariat is done in cooperation of all beneficiaries involved in the project implementation.

In general, expenditure included in the interim/final report must have been paid out (“transferred out of the bank account”) before the end of the respective reporting period and within the project duration except:

- preparatory costs and retroactive costs which are stated in the budget of the full application form and may have been paid before the start of the project implementation;
- costs for preparation of final reports, including expenditure verification, audit and final evaluation of the project, which may be paid after the implementation period of the project but no later than within 1 month after project end date and those costs should be listed in the final report and in the expenditure verification report;
- costs connected with the salary payments have to be reported within the reporting period when the last payment connected with the salary is made (*e.g. in case if salary payment to employee is made in reporting period No 1 but relevant taxes are paid during reporting period No 2 all the costs connected with the salary payment should be included in the report for reporting period No 2*);
- in case, after conclusion of each public procurement contract for infrastructure works costs for works indicated in the procurement contract will be higher than planned contract costs indicated in the relevant budget line of budget heading 5 “Infrastructure and works” of the worksheet “Budget per Partners” of approved application form, reimbursement of Programme co-financing for infrastructure works can be made proportionally based on proportion of planned contract costs of each beneficiary indicated in the budget heading 5 “Infrastructure and works” of the worksheet “Budget per Partners” to total infrastructure costs of each beneficiary indicated in the procurement contract;
- costs withdrawn by the public officer/auditor from respective beneficiary’s individual report may be included in the next report with new substantial evidences serving as justification for eligibility of relevant costs;
- item costs that should be distributed according to actual usage (“wear and tear”) may also be reported proportionally (partly or fully) within the reporting period when items have been partly or fully distributed;
- costs which are temporarily withdrawn by the Joint Technical Secretariat/Managing Authority from respective interim report for additional clarification may be reported in the next reporting period if found eligible by the Joint Technical Secretariat/Managing Authority.

In any other case if costs are not included in the relevant interim report they may be included in future reports only with a written acceptance by the Joint Technical Secretariat/Managing Authority.

5.1.1. Deadlines for submission and approval of interim/final reports

- **Interim reports** have to be submitted to the Joint Technical Secretariat/Managing Authority no later than **three months** after the end of each reporting period.
- **Final reports** have to be submitted to the Joint Technical Secretariat/Managing Authority no later than **four months** after the end of project implementation.
 1. It is important to take into account the following: Respect the deadlines! The public officer/auditor and the Joint Technical Secretariat/Managing Authority will verify the report in the order of submission, therefore, it is important to submit report in time - according to the deadline for its submission.
 2. It is in the best interests of the project to submit correct and complete reports and to reply to questions of public officer/auditor and the Joint Technical Secretariat/Managing Authority within deadlines as during clarifications check of the interim or final report is put on hold.

NB! Reporting is divided in 4 steps as described further and is summarised in the following table. The following time frame is only applicable if no clarifications are needed either in expenditure verification level from public officer/auditor or during assessment of the Joint Technical Secretariat/Managing Authority. As general rule- time stops at expenditure verification level or during assessment of the Joint Technical Secretariat/Managing Authority if additional clarifications are needed.

Activity	Lead beneficiary and beneficiaries submit their individual reports to public officer/ auditor	Expenditure verification and issuing expenditure verification report by public officers/ auditors	Lead beneficiary/beneficiaries involved in project implementation on prepare and submit consolidated interim report or final report to the Joint Technical Secretariat/Managing Authority	Joint Technical Secretariat assesses the consolidated interim report or final report	Managing Authority makes further pre-financing instalment following rules in grant contract and Section 7 of Practical Guidelines
Deadline	2 weeks from the end of the reporting period	8 weeks after the individual report is submitted to public officer/auditor	2 weeks after the public officer/auditor has issued expenditure verification report In case of final report- 6 weeks after the public officer/auditor has issued expenditure verification report	4 weeks after the consolidated interim report or final report is received	45 days after approval of interim or final report
Total max time passed since the end of the interim/ final reporting period	2 weeks	10 weeks	12 weeks = 3 months In case of final report- 16 weeks = 4 months	16 weeks = 4 months In case of final report- 5 months	Approx. 5,5 months for interim report or 6,5 for final report

The Joint Technical Secretariat/Managing Authority will review the submitted documents and within **30 days** will either approve the report or, if necessary, request from the lead beneficiary/beneficiary involved in project implementation additional documents/clarifications to be submitted.

NB! In cases additional documents/ clarifications are requested the approval of report is suspended until an answer to the request is received.

Depending on the contents of the request, the terms within which they have to be submitted will be set individually. Once additional clarifications have been received the Joint Technical Secretariat/Managing Authority reviews them within 30 days. If the submitted

documents/clarifications do not satisfy the request, another round of request of documents/clarifications is started.

5.1.2. The general process of preparation of interim/final report to be submitted to the Joint Technical Secretariat is as follows:

STEP 1 – two weeks before the end of each reporting period of 6 months the Joint Technical Secretariat will provide lead beneficiary/**beneficiary involved in the project implementation with:**

1) individual interim/final report forms to be filled in by each beneficiary;

2) consolidated interim/final report form to be filled in by lead beneficiary/ **beneficiaries involved in the project implementation** summing up information of all beneficiaries' individual reports.

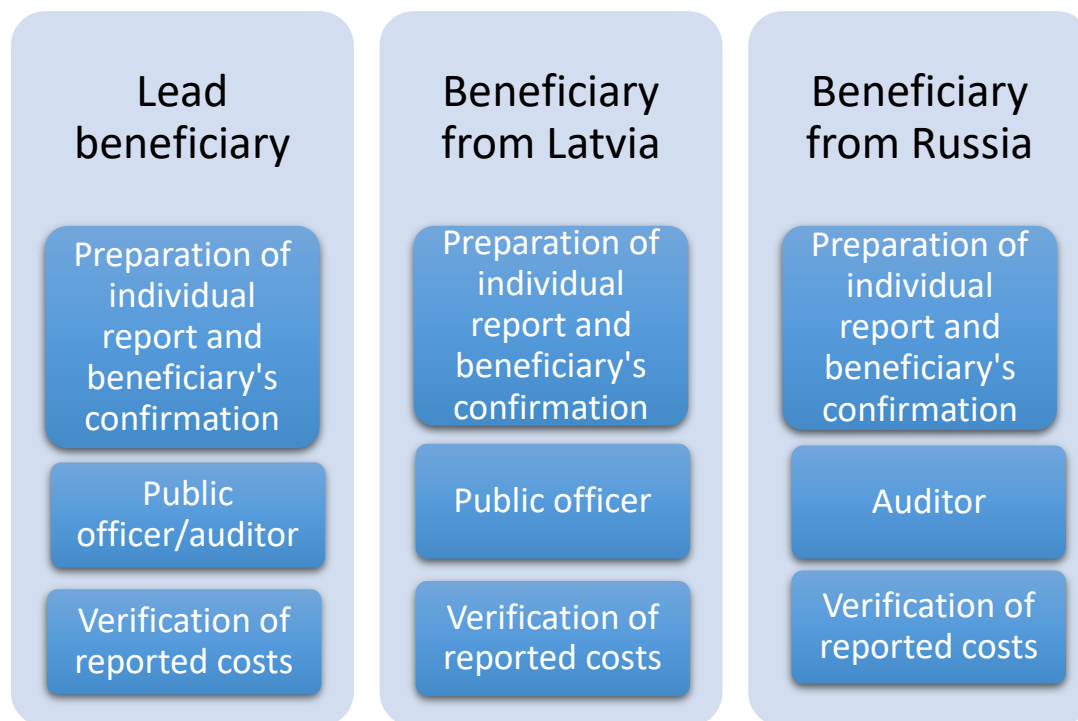
NB! Lead beneficiary, if not suspended from project implementation, is further responsible for distribution of the document among other project beneficiaries without delay.

STEP 2 – within **4 weeks after the end of reporting period each beneficiary involved in the project implementation** (including lead beneficiary) prepares individual interim/final report in English using the relevant report form provided by the Joint Technical Secretariat. Instructions of filling the interim/final report form are provided in the form. List of supporting documents to be attached for expenditure verification is available on Programme website. The report together with supporting documents has to be sent for expenditure verification to the relevant public officer (in Latvia)/auditor (in the Russian Federation).

To sum up, the following has to be submitted to the public officer/auditor:

1. **original individual report** either as e-document signed electronically or in paper signed by authorised person. If original submitted in paper, its electronic version in MS Excel has to be sent as well.
2. **original beneficiary's statement**³ either as e-document signed electronically or in paper by authorised person;
3. **supporting documents** serving as evidence of expenditure may be submitted either by e-mail, as paper copies or scanned copies in a data carrier.

³ Available on the Programme website.



Public officers/auditors will review the report and supporting documents and fill in the relevant worksheets of the individual report. If no clarifications, additional documentation is needed, public officers/auditors will issue an expenditure verification report. In case additional explanations/ documentation is requested, beneficiaries of the project must provide them within the set deadlines.

NB! Once relevant worksheets of the individual reports are filled by auditors/public officer and the complete document (filled and signed both by project beneficiary and public officer/ auditor) is **expenditure verification report**.

During any step of the expenditure verification process the public officer/auditor of respective beneficiary or Managing Authority/Joint Technical Secretariat may deduct or withdraw costs which are considered ineligible or are questioned due to non-compliance or possible non-compliance with applicable legal framework. For more information see also Section 8 of Practical Guidelines.

In case any expenditure is considered ineligible or is questioned due to non-compliance or possible non-compliance with applicable legal framework, it is included in the list of factual findings of expenditure verification report where public officer/auditor records observation. Expenditure included in the list of factual findings is automatically excluded from the total reported costs of the beneficiary. Project beneficiary will be able to provide their comments concerning public officer/auditor observations in the list of factual findings. If beneficiary does not agree with public officer/auditor observations and has stated this in comments section of factual findings, the concerned expenditure may nevertheless be included in the consolidated report of the project and submitted together with supporting documents serving as evidence for the Managing Authority to take final decision. Note that Managing Authority will take into account the opinion of public officers/auditors.

In case no costs have been incurred by a beneficiary in a reporting period, an informative letter should be sent to the relevant public officer/auditor, and individual report with filled in technical part of the report, describing implementation of the project still has to be submitted for

preparation of consolidated interim/final report.

STEP 3 – once verification of reported costs has been carried out and expenditure verification reports are received, beneficiaries **involved in project implementation** send original of expenditure verification report to the lead beneficiary/ **or in exceptional case mentioned in point 3.2. directly to the Joint Technical Secretariat** for consolidation without any delay.

STEP 4 – lead beneficiary includes information gathered from all individual reports into one consolidated interim/final report. **In case of exception mentioned in the point 3.2., preparation and submission of the consolidated report to the Joint Technical Secretariat is done in cooperation of all beneficiaries involved in the project implementation.**

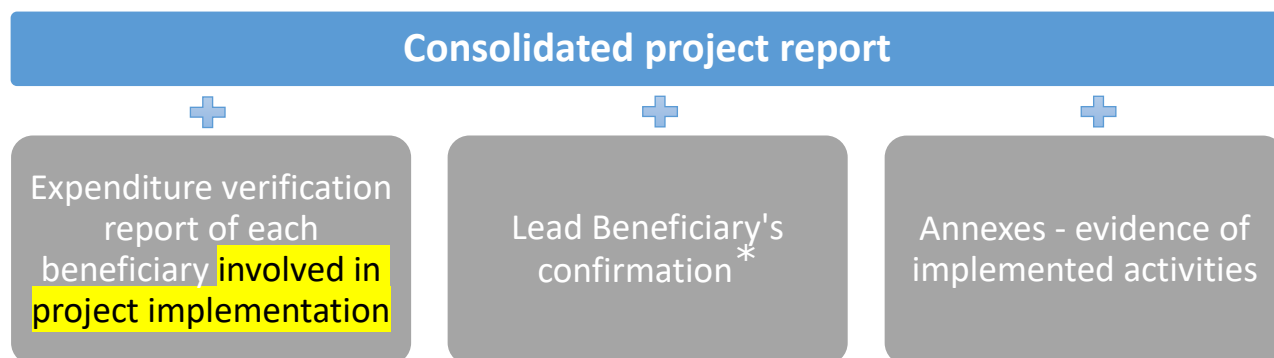
When filling in the consolidated report it is to be verified that the expenditure presented by the beneficiaries **involved in the project implementation** has been examined, data presented in the expenditure verification reports corresponds with that presented in the consolidated interim/final report.

Afterwards lead beneficiary/ **beneficiaries involved in the project implementation** submit the documents to the Joint Technical Secretariat. The following documents shall be submitted:

1. Original documents either as e-document signed by authorised person with secure electronic signature or as paper original signed "by hand":
 - 1.1. consolidated report signed by authorised person of the beneficiaries **involved in the project implementation**;
 - 1.2. expenditure verification reports (with checklist and, if applicable, on-spot report) of each project beneficiary **involved in the project implementation** including lead beneficiary signed by responsible public officer/auditor and authorized person of beneficiary;
 - 1.3. lead beneficiary/ **beneficiary involved in the project implementation** confirmation signed by authorized person (template available on Programme website);
2. Electronic version - MS Excel file of each **received** individual report and consolidated report.
3. Annexes – copies of documents either in paper or electronically serving as evidence of implementation of project activities (list of documents to be submitted with consolidated report is available on Programme website).

In those cases when beneficiary does not agree with public officer/auditor observations and has stated this in comments section of factual findings copies of supporting documents serving as evidence for the eligibility of costs must be submitted together with the consolidated report.

Electronic versions of the documents may be either sent to the official e-mail of the Programme (lat-rus.cbc@varam.gov.lv) or copied to a data carrier and submitted together with original documents in paper.



* In case Lead beneficiary is suspended from project implementation, each beneficiary involved in project implementation submits respective confirmation.

The above mentioned documents shall be submitted

- Via post to
Development Instruments Department
The Ministry of Environmental Protection and Regional Development of the Republic of Latvia,
Peldu street 25, Riga, LV-1494, Latvia

OR

- Electronically to the official e-mail of the Programme lat-rus.cbc@varam.gov.lv if individual expenditure verification reports and lead beneficiary confirmation is issued and signed as e-document.

Supporting documents may be submitted either by e-mail, as paper copies or scanned copies in a data carrier.

5.1.3. Revenue/profit in the project

Grants may not have the purpose or effect of producing a profit for lead beneficiary or beneficiaries within the framework of the project. The revenue/ profit deriving from a project grant is defined as a surplus over the costs incurred by lead beneficiary/beneficiaries, and therefore will be assigned to the project and deducted from the eligible expenditure.

Any interest or equivalent benefits accruing from pre-financing paid by the Managing Authority to the project or revenue shall be mentioned in the interim and final reports and shall be deducted from reported eligible costs. If revenue or interest is not deducted from reported costs, the calculation of non-existence of profit shall be submitted.

The Managing Authority/Joint Technical Secretariat shall check compliance with the non-profit rule when verifying the project reports. Revenue, which has to be taken into account, is the one:

- that has been collected and entered in the accounts, and
- that has not yet been collected, but which has been generated or for which the lead beneficiary and beneficiary has commitment or written confirmation on the date when the request for payment of the grant is established.

Example: revenue can derive from project-related financial transfers or their equivalent to the lead beneficiary and/or beneficiaries from third parties, income generated by the project.

5.2. Audit, financial control and monitoring

The audit and financial control foreseen in the Programme includes the following levels.

5.2.1. Tasks of public officers/auditors in verification of expenditure

The /public officer(s)/auditor(s) should verify that

- expenditures and project revenue declared by the lead beneficiary and beneficiaries are real, accurately recorded and eligible in accordance with the grant contract, and

- submitted accounts (income and expenditure) are accurate, reliable and backed by adequate supporting documents.

The public officer/auditor shall also perform the controls and on-spot checks in locations of project activities implemented by respective lead beneficiary and beneficiaries.

Verification covers 100% of project expenditures⁴, which should be:

- identifiable, verifiable and recorded in accounting records of lead beneficiary and beneficiaries;
- easily identifiable, verifiable and traced to and within lead beneficiary's and beneficiaries' accounting and bookkeeping systems.

In Latvia such verification checks will be carried out by public officers at Investments Supervision Department of the Ministry of Environmental Protection and Regional Development independent from the beneficiary. Expenditure verification by public officers is free of charge.

In Russia the verification checks and control tasks mentioned above will be carried out by an auditor. Each beneficiary from Russia is responsible for procuring auditor independent from beneficiary selected using appropriate procurement procedure in compliance with the relevant provisions of the Financing agreement. The costs for auditor shall be included in the project budget.

NB! As soon as beneficiaries from Russia have finalized appropriate procurement procedures for procuring audit services and informed lead beneficiaries about the chosen auditor, lead beneficiary shall forward this information to the Joint Technical Secretariat by sending an e-mail to official e-mail of the Programme lat-rus.cbc@varam.gov.

The auditor can be:

- same for lead beneficiary and all or some of the project beneficiaries from Russia;
- separate for lead beneficiary and each beneficiary from Russia.

However, expenditure verification shall be done for each beneficiary separately!

This expenditure verification shall be performed according to the requirements set forth in Art.32(1) of Commission Implementing Regulation No.897/2014 on the basis of an agreed-upon procedure which will be undertaken in accordance with:

- (a) the International Standard on Related Services 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by International Federation of Accountants (IFAC);
- (b) IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants.

The auditor should meet at least one of requirements set forth in Art.32(1) of Commission Implementing Regulation No.897/2014:

- (a) be a member of a national accounting or auditing body or institution which in turn is member of IFAC;
- (b) be a member of a national accounting or auditing body or institution. Where this organisation is not a member of IFAC, the auditor shall commit to undertake the work in accordance with IFAC standards and ethics;

⁴ Except flat rates and except cases if sampling is foreseen in national legal acts for functioning of public officers.

- (c) be registered as a statutory auditor in the public register of a public oversight body in a Member State in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council;
- (d) be registered as a statutory auditor in the public register of a public oversight body in a CBC partner country, provided this register is subject to principles of public oversight as set out in the legislation of the country concerned.

Based on results of performed check, the public officer/auditor issues an expenditure verification report.

NB! Further guidance on expenditure verification process is published on the Programme website www.latruscbc.eu.

5.2.2. Monitoring of projects by the Managing Authority and the Joint Technical Secretariat

The Managing Authority/Joint Technical Secretariat will carry out day-to-day monitoring and result-oriented monitoring of the projects in accordance with Article 78(3) of the Commission Implementing Regulation No 897/2014.

The day-to-day monitoring of the project will be carried out by the Managing Authority/Joint Technical Secretariat regularly during the project implementation. For this purpose the Managing Authority/ Joint Technical Secretariat will appoint a responsible project manager for each project who will monitor the progress of project implementation towards set objectives, target output and result indicators as well as will monitor the compliance of the implementation of project activities with the provisions of grant contract and Programme relevant documents.

The main tools to be used for day-to-day monitoring are project reports, on-spot checks and project visits, ex-post visits, support and consultations to project beneficiaries. The Managing Authority/Joint Technical Secretariat will inform the lead beneficiary/ **beneficiary/-ies involved in the project implementation**, if relevant, about the planned on-spot visit at least a week before the planned visit unless it is planned as an unexpected visit. After the visit a report with recommendations (if applicable) will be prepared and sent to the **relevant beneficiary/-ies**.

The Managing Authority/Joint Technical Secretariat have to be informed timely about the major events (at least one month in advance) organised within the project in order to ensure their possible participation and contacts with media.

In addition to day-to-day monitoring the Managing Authority/Joint Technical Secretariat will perform the result-oriented monitoring. Upon necessity the Managing Authority/Joint Technical Secretariat may commission an external expert to carry it out. The goal of the result-oriented monitoring is to ensure the supervision of project performance with a focus on achieved results in order to provide independent assessment and recommendations to project beneficiaries on project performance as well as to identify strengths, problems, potential risks and possible corrective measures. In comparison to day-to-day monitoring which will be performed regularly, the result-oriented monitoring may be carried out one or several time during the project implementation. Based on risk assessment of the projects the Managing Authority/Joint Technical Secretariat will define scope, selected projects and periodicity of result-oriented monitoring. The Managing Authority/Joint Technical Secretariat will inform the lead beneficiary/ **beneficiary/-ies involved in the project implementation**, if relevant, about the planned result-oriented monitoring mission as soon as sufficient and concrete information about the mission is available.

Besides the day-to-day monitoring and result-oriented monitoring, the Managing Authority/ Joint Technical Secretariat may carry out or commission the external expert to carry out the

evaluation by assessing actual outcomes and impacts of the Programme. To carry out this evaluation involvement of projects might be required.

In case the Managing Authority/ Joint Technical Secretariat undertakes to carry out or to commission the monitoring or evaluation mission, lead beneficiary and beneficiaries will have to provide the authorised persons with any documents or information required for completion of monitoring or evaluation mission.

The implementation progress of projects, including achievements and challenges, will be presented during the Joint Monitoring Committee meetings of the Programme on a regular basis.

Lead beneficiaries and beneficiaries of projects may be asked to participate in the key Programme events and/or to be a part of the Programme delegation at external events relevant to the Programme.

5.2.3. Audit of projects by the Audit Authority

The Audit Authority or external auditors working on behalf of the Audit Authority will perform its own verifications on appropriate sample of projects in accordance with Article 32(3) of the Commission Implementing Regulation No.897/2014. Audits of projects will include on-the-spot verification of the physical implementation of the project and review of the original documentation of the project implementation. Such audits will be conducted in order to

- verify that services, supplies or works have been performed, delivered and/or installed and whether expenditures declared by the lead beneficiaries and beneficiaries have been actually paid in compliance with applicable law, programme rules and conditions of the Programme;
- ensure that lead beneficiaries and beneficiaries involved in project implementation maintain either a separate accounting system or a suitable accounting code for all transactions relating to a project;
- check whether effective and proportionate anti-fraud measures are put in place.

Lead beneficiary and beneficiaries will be informed on the planned check.

5.2.4. Any further controls

Lead beneficiary and beneficiaries should allow the European Commission, the European Anti-Fraud Office, the European Court of Auditors or any external auditor authorised by these institutions and bodies to verify the use of EU funds by examining documents and/or conducting on-spot checks.

6. FINANCIAL MANAGEMENT OF THE PROJECT

6.1. Co-financing of the project

Maximum Programme co-financing rate is **90%** of the eligible costs of the project. Maximum available Programme co-financing share in EUR is indicated in the grant contract, however, payments to the project will be calculated in accordance with actual reported eligible costs (See section 7 of Guidelines "Payments" for more detailed information about calculation of Programme co-financing).

Each beneficiary must contribute at least **10%** of the total eligible costs of the project. **This contribution must derive either from own resources or, in any case, from the sources other than the EC budget and the Union.**

6.2. Use of Euro

Payments from the Managing Authority to the project will be made in EUR only.

For Russian beneficiaries, expenditure incurred in RUB shall be converted into EUR by the using the monthly accounting exchange rate set by the European Commission in the month, during which that expenditure was paid (for the reference, please, see: <http://ec.europa.eu/budget/inforeuro/index.cfm?language=en>) with an accuracy of four digits after the comma (e.g. 0.1234).

Any **exchange losses are ineligible** costs and must be covered by the beneficiaries themselves.

6.3. Keeping the project accounts

All beneficiaries **involved in the project implementation** have to keep accurate and regular accounts for the implementation of the project using an appropriate accounting and double-entry bookkeeping system. All project related expenditures and receipts have to be clearly identified and verifiable (except cases when flat rates are applied). In order to ensure it beneficiaries shall maintain either one of these:

- 1. separate accounting system,**
- 2. adequate accounting code**

for all transactions related to project without prejudice to national accounting rules (except cases when flat rates are applied).

Each beneficiary **involved in project implementation** must keep all financial documents related to the project (reports, supporting documents, accounts and accounting documents, documents related to the procurements and any other relevant documentation) for five years from the date of balance payment from the European Commission to the Programme. The Managing Authority will inform the lead beneficiary about this date.

6.4. Double financing

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

6.5. Eligibility of costs

The project budget has to be in line with the **3E principle of**

- **economy** (requires the beneficiaries to use the project resources timely, in appropriate quantity and quality and at the best price),
- **efficiency** (concerns the best relationship between consumed resources and achieved results), and

- **effectiveness** (concerns achieving the set specific objectives and intended results).

Eligible costs are costs actually incurred by lead beneficiary and beneficiaries, which meet **all of the following criteria**:

1. incurred⁵ (paid⁶) during the implementation period of the project. In particular:
 - 1.1. costs related to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Cash transfers between the lead beneficiary and the other beneficiaries may not be considered as costs incurred;
 - 1.2. costs must be paid before the project end date. An exception is made for costs relating to preparatory and retroactive costs as well as final reports, including expenditure verification, audit and final evaluation of the project, which may be paid after the implementation period of the project but no later than within 1 month after project end date and those costs should be listed in the final report and in the expenditure verification report;
 - 1.3. procedures to award contracts, as referred to in the Agreement on Financing and Implementation of Latvia-Russia CBC Cross-Border Programme 2014-2020 and in Article 52⁷ of Regulation (EU) No 897/2014 and following, may have been initiated and contracts may be concluded by the beneficiary(-ies) before the start of the implementation period of the project, provided the provisions of Article 52 Regulation (EU) No 897/2014 and

⁵ In these guidelines **costs incurred** means costs actually paid during the project implementation period with the exception to costs directly related to final report, including expenditure verification, audit and final evaluation of the project, which may be paid after the implementation period but no later than within 1 month after project end date and those costs should be listed in the final report and in the expenditure verification report.

⁶ Costs are considered to be paid out when the amount is debited from the project beneficiary organisation's bank account. The bank statements usually prove the payment. The date when the invoice was issued, recorded or booked in the accounting system does not count as a payment date.

⁷ Applicable Rules

1. If the implementation of a project requires procurement of goods, works or services by a beneficiary, the following rules shall apply:
 - (a) where the beneficiary is a contracting authority or a contracting entity within the meaning of the Union legislation applicable to procurement procedures, it may apply national laws, regulations and administrative provisions adopted in connection with Union legislation or rules of paragraph 2;
 - (b) where the beneficiary is an international organisation, it may apply its own procurement rules if they offer guarantees equivalent to internationally accepted standards;
 - (c) where the beneficiary is a public authority of a CBC partner country whose co-financing is transferred to the Managing Authority, it may apply national laws, regulations and administrative provisions, provided that the financing agreement allows it and the general principles set out in point (a) of paragraph 2 are respected.
2. In all other cases the following obligations shall be complied with:
 - (a) the contract is awarded to the tender offering best value for money, or as appropriate, to the tender offering the lowest price, while avoiding any conflict of interests;
 - (b) for contracts with a value of more than EUR 60 000, the following rules shall also apply:
 - (i) an evaluation committee shall be set up to evaluate applications and/or tenders on the basis of the exclusion, selection and award criteria published by the beneficiary in advance in the tender documents. The committee must have an odd number of members with all the technical and administrative capacities necessary to give an informed opinion on the tenders/applications;
 - (ii) sufficient transparency, fair competition and adequate ex-ante publicity must be ensured;
 - (iii) equal treatment, proportionality and non-discrimination shall be ensured;
 - (iv) tender documents must be drafted according to best international practice;
 - (v) deadlines for submitting applications or tenders must be long enough to give interested parties a reasonable period to prepare their tenders;
 - (vi) candidates or tenderers shall be excluded from participating in a procurement procedure if they fall within one of the situations described in Article 106(1) of Regulation (EU, Euratom) No 966/2012. Candidates or tenderers must certify that they are not in one of these situations. In addition, contracts may not be awarded to candidates or tenderers which, during the procurement procedure fall within one of the situations referred to in Article 107 of Regulation (EU, Euratom) No 966/2012;
 - (vii) procurement procedures set out in Articles 53 to 56 shall be followed.

following have been respected (for details, see section 6.8.6 Retroactive costs of these Guidelines);

2. they are indicated in the project's estimated overall budget and they fall under project activities set in the full application form;
3. they are necessary for the project implementation;
4. they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the accounting standards and the usual cost accounting practices applicable to the beneficiary (exception in case of preparatory costs and when flat rates are applied);
5. they comply with the requirements of applicable tax and social legislation;
6. they are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency;
7. they are supported by relevant invoices and/or other equivalent accounting documents, proved by delivery of works, services or supplies within the project (exception in case of preparatory costs and when flat rates are applied). Advance payments to the external service providers exceeding 1/3 of the total contract amount are eligible only after partial or full delivery of the purchased goods or services.

6.6. Non-eligible costs

According to the Article 49 of Commission Implementing Rules 897/2014 the following costs of the lead beneficiary and beneficiaries **are not eligible**:

- debts and debt service charges (interest);
- provisions for losses or liabilities;
- costs declared by the beneficiary and already financed by the Union budget;
- purchases of land or buildings;
- exchange-rate losses;
- duties, taxes and charges, including VAT, except where non-recoverable under the relevant national tax legislation;
- loans to third parties;
- fines, financial penalties and expenses of litigation;
- contributions in-kind as following: any provision of non-financial resources free of charge by a third party shall be considered as contributions in kind at Programme or project level. The cost of staff assigned to a project or Programme shall not be considered a contribution in kind but may be considered part of the minimum 10 % co-financing when paid by beneficiaries.

6.7. Geographical eligibility

Eligibility of costs is geographically bound to the Programme area. In duly justified cases and only if it is for the benefit of the Programme area, project beneficiaries may travel and implement activities outside the Programme area. These costs are eligible only in case they are specified in the application form or prior approved by the Joint Technical Secretariat during project implementation and are vital to the success of the project.

In case if project beneficiary organizes event outside the Programme area or travel to event outside of Programme area, then all costs connected with the organisation of event or traveling to event (e.g. travelling, external expertise, equipment etc.) fall within the scope of activities implemented outside the Programme area. Thus, relevant amount of costs should be specifically indicated in the application form or prior approved by the Joint Technical Secretariat during project implementation and reported in the project beneficiary report as outside the Programme area.

For the simplification purposes, project beneficiaries are allowed to cover travel and accommodation costs to the **following activities organized in Latvia and Russia** but outside the Programme area without prior approval by the Programme:

- a) Events organized by the Managing Authority / Joint Technical Secretariat outside the Programme area;
- b) Meetings with the auditor if auditor is located outside of the Programme area.

6.8. Description of budget headings

The project budget represents both a cost estimate and a ceiling for Programme co-financing share (%) and actual allocated Programme co-financing in EUR.

The project budget is divided between **seven budget headings** and further detailed into budget lines.

6.8.1. Budget heading 1 "Staff costs"

Expenditure on staff costs consists of gross employment costs⁸ of staff employed by the beneficiary organisation, which are engaged in the project activities. **Staff costs should be reported based on real costs method**, when real expenditure is reported and justified with the supporting documents.

Staff costs include costs of employees in line with the employment/work contract (wages, employment taxes, social security charges, health insurance and other remuneration related costs due in the respective country).

Please note that both the employment/work contract and an appointment decision/contract of natural persons working for the beneficiary organisation and receiving salary payments are hereinafter referred to as employment document.

Project staff can be hired by the beneficiary either full-time or part-time.

Budget heading specific rules:

- staff costs must relate to activities which the beneficiary organisation would not carry out if the project was not undertaken;
- if relevant, staff costs must be supported by project time-sheets of employees working part-time for the project;
- overheads and any other office and administration costs cannot be included under this budget heading, should be included in budget heading 7;
- daily allowances and any other travel and accommodation costs cannot be included under this budget heading, should be included in budget heading 2;
- in case the staff member is working part-time for the project and part-time for other tasks in the beneficiary organisation, in general actual salary rate must be used, when calculating his/her costs in the project budget;

⁸ Gross employment costs include salary payments fixed in an employment document and any other costs directly linked to salary payments incurred and paid by the employer.

- staff member, who is working for the project and remunerated from staff costs, cannot conclude any service contracts that are financed within the same project;
- staff costs cover real costs paid out based on a payslip or a document of equivalent probative value;
- the following costs are eligible components of staff costs:
 - salary payments fixed in the employment document or by law;
 - any other costs directly linked to the salary payments incurred (paid out) by the employer (such as employment taxes and social security, including pensions or holiday payments etc.) both 1) fixed in the employment document or 2) deriving from legal obligations in accordance with the national legislation and standard practices in the country and/or organisation despite the fact that they are not explicitly stated in the employment document. Organisation's standard practices shall refer to all staff of the organisation and no special rules can be made for project employees;
- the salary payments must relate to responsibilities specified in a job description of the individual staff member;
- taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the project beneficiary organisation, e.g., bonus payments, health insurance, relocation benefits⁹. They must be directly linked to the salary payments related to the project and figure on the payslip;
- overtime is eligible in exceptional cases, provided it is in conformity with the national legislation and the employment policy of the project beneficiary organisation and directly related to the project, and it is actually paid to the staff member;
- staff costs must be calculated individually for each staff member.

If the beneficiary's organisation does not have the necessary human resources to ensure implementation of project, these specialists may be employed on the basis of service contracts. In this case their costs have to be budgeted under the budget heading 3 "External expertise and service costs".

NB! Contributions in kind are not eligible. The cost of staff assigned to a project shall not be considered a contribution in kind but may be considered part of the minimum 10% co-financing based on real costs paid by beneficiaries.

⁹ Extra bonuses or changes to salaries due to running of an EU project should be evaluated against sound financial management principles (if they are justified by e.g. special qualifications, changes to the task description, etc.)

Full time

An individual dedicates 100% of his/her working time to the project.

Staff costs = total of the gross employment cost

The following main documents must be available for control purposes:

1. Employment document;
2. Job description providing information on responsibilities related to the project;
3. Payslips or other documents of equivalent probative value;
4. Data from the project beneficiary organisation working time registration system providing information on the total number of hours worked per month. The time registration system must cover 100% of the actual working time of the employee;
5. Proof of payment of salaries and the employer's contribution;
6. Other documents that could be relevant according to national legislation.

No submission of project time sheets is required.

Part-time assignment with a fixed percentage of work dedicated on the project per month

An individual dedicates a fixed percentage of working time to the project.

Staff costs = fixed percentage of the gross employment cost in line with a fixed percentage of work dedicated on the project as stipulated in the employment document or other document (e.g. order).

The following main documents must be available for control purposes:

1. Employment document;
2. Document setting out the percentage of time to be worked on the project per month (if not specified in the employment document, e.g. order);
3. Job description providing information on responsibilities related to the project;
4. Payslips or other documents of equivalent probative value;
5. Data from the project beneficiary organisation working time registration system providing information on the total number of hours worked per month. The time registration system must cover 100% of the actual working time of the employee;
6. Proof of payment of salaries and the employer's contribution;
7. Other documents that could be relevant according to national legislation.

No submission of project time sheets is required.

Contracted on an hourly basis

An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project.

Staff costs = part of the gross employment cost depending on the number of hours worked on the project

The staff costs are calculated on the basis of an hourly rate fixed in the employment document:

Hourly rate = fixed in the employment document

Staff costs = hourly rate x number of hours worked on the project + and any other costs proportionally to employment time and workload for the project deriving from obligations of beneficiary based on national legal acts (e.g. taxes, sick leave and holiday payments)

The following main documents must be available for control purposes:

1. Employment document (including information on the hourly rate);
2. Job description providing information on responsibilities related to the project;
3. Payslips or other documents of equivalent probative value;

4. Data from the project beneficiary organisation working time registration system providing information on the total number of hours worked per month. The time registration system must cover 100% of the actual working time of the employee
5. Project time sheets if employee also fulfils tasks not related to the project implementation.
6. Proof of payment of salaries and the employer's contribution;
7. Other documents that could be relevant according to national legislation.

Lead beneficiary and beneficiaries are not allowed to sub-contract each other or employees of their organisations involved in project implementation in order to carry out project activities.

6.8.2. Budget heading 2 "Travel and accommodation costs"

Travel and accommodation costs are costs of employees of the beneficiaries' organisations and other persons (if justified) related to their participation in project meetings, seminars or events and supported by the documentary evidence for travel. Only travel costs (public transport, including ferry, plane, train, bus and taxi, car rent, travel and car insurance, fuel, car mileage, toll and parking fees), accommodation costs (including city taxes), visa costs (if relevant) and daily allowances are eligible under this Budget Heading.

Budget heading specific rules:

- sound financial management principles (economy, efficiency and effectiveness) should apply to the choice of transport and accommodation. In line with the result-oriented policy approach effectiveness should be the leading principle. As the second principle, cost - efficiency should be ensured, taking into account the entire cost of the mission (travel cost, staff costs related to the travel, etc.);
- any expenditure item defined as travel costs, accommodation costs, costs of meals or visa costs that is already covered by a daily allowance, cannot be eligible in addition to the daily allowance, i.e. no double-financing is allowed;
- costs must for certain be borne by the project beneficiary organisation. Direct payment by a staff member of the project beneficiary organisation must be supported by a proof of reimbursement from the employer;
- travel and accommodation costs of staff of the organisations involved in the project as associates can be eligible, as long as they are finally paid or reimbursed by any of the beneficiary organisation;
- travel and accommodation costs of external experts and service providers cannot be included under this budget heading; they must be included in respective service contracts and be reported under budget heading 3 "External expertise and services costs";
- travel and accommodation costs related to activities outside the Programme area are eligible if rules set under section 6.7. "Geographical eligibility" are followed;
- maximum rates for travel and subsistence costs of staff and other persons taking part in the project shall be respected, provided they exceed neither the costs normally paid by the beneficiary according to its rules and regulations (which are in accordance with national legislation) nor the rates published by the EC at the time of the mission;
- in well-justified and documented cases, project beneficiaries have a possibility to cover travel and accommodation costs of guests/target group (e.g. speaker of a conference, teacher (if not reported under budget heading 3 "External expertise and services costs"), members of a project steering group outside of the project beneficiary's organisation, etc.) and driver of the project beneficiary organisation and report them under this budget heading;

- travel and accommodation costs must be justified by activities carried out within the project, e.g. participation in project meetings, project site visits, seminars, conferences, etc.;
- travel and accommodation costs should be properly documented in line with the national legislation or internal policy of the beneficiary's organisation. In exceptional cases national rules concerning missing/lost documents may be accepted.

The **list of supporting documents** for budget heading 2 "Travel and accommodation costs" includes, but not limited to:

- invoices from travel agency (or hotel, etc.), as well as proof of payment;
- tickets (plane, train, boat, etc.);
- event related documents, e.g. invitations, trip reports, agendas, etc.;
- reimbursement sheets in case of payment directly to relevant persons for the travel expenditure, as well as proof of payment;
- Travel reports, route sheets and any other documentation according to the national legal acts.

6.8.3. Budget heading 3 "External expertise and services costs"

Under this budget heading, the costs of an external service provider, an expert or consultant provided by a public or private body or a natural person who is not employed in the project have to be reported.

The following costs are eligible under this budget heading:

- studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- IT systems and website development, modifications and updates;
- promotion, communication, publicity or information linked to a project;
- financial management;
- services related to the organization and implementation of events or meetings (including rent, catering or interpretation). Please note that costs for lunch are eligible for a minimum six hours meeting and costs for dinner can be included for events taking place more than one day;
- participation in events (e.g. registration fees for conferences, business and tourism fairs and others);
- legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights;
- expenditure verification for the beneficiaries from Russia;
- provision of guarantees by a bank or other financial organisation where required (by EU or national law or the programme manual);
- travel and accommodation for external experts, speakers, chairpersons and other participants (if justified) of meetings and events, and service providers;
- insurance for equipment and infrastructure;
- other specific expertise and services needed for the project.

Budget heading specific rules:

- work by external experts and service providers must be essential to the project and specified in the application form; accommodation and travel costs (if applicable) of

external experts must be a part of service contract and be included in the total cost of provided services;

- all costs are subject to applicable public procurement rules and each beneficiary organisation is responsible for ensuring that these rules have been respected;
- subcontracting other project beneficiary organisations or employees of other beneficiary organisations, who already work for the project based on an employment contract, is not allowed;
- costs for external services are eligible if quality of produced outputs is ensured;
- advance payments exceeding 1/3 of the total contract amount to the external service providers are eligible only after partial or full delivery of the purchased goods or services;
- costs of renting rooms owned by the project beneficiary, who organizes project events, are not eligible;
- costs related to organization of internal one beneficiary (without participation of other institutions) meeting are not eligible under this budget heading but can be covered under budget heading "Office and administration costs"¹⁰.
-

The **list of supporting documents** for budget heading 3 "External expertise and services costs" includes, but not limited to:

1. Evidence of the selection process, in line with national procurement rules or the EU public procurement rules depending on the contract amount or provisions of the Financing agreement, where applicable;
2. A contract or a written agreement laying down the services to be provided, if required by national legal act. For experts paid on the basis of a daily fee, the daily rate together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the public procurement rules and must be documented;
3. An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules;
4. Outputs of the work of external experts or service deliverables, e.g.:
 - developed documents (e.g. studies, researches, programmes);
 - information and publicity materials (e.g. press articles, leaflets, CDs, website printouts, brochures, small promotion materials such as pens, etc.);
5. In case of organisation of meetings and events:
 - meeting/event agenda,
 - memo/minutes/report of the meeting/event, if available,
 - list of participants with signatures for each day (a standard form of a "List of participants" for reporting on events must be used which is published on the Programme website www.latruscba.eu),
 - photos from major meetings/events,
 - as recommendation - evaluation summary from training/skills raising events/workshops/consultations based on individual participant's assessment sheets,
 - handouts (obligatory to be provided for control purposes if preparation of handouts is paid under this budget heading);
6. Proof of payment;
7. Act of delivery and receipt (if required);
8. Other documents that could be relevant according to the national legislation.

¹⁰ Exception might apply if costs for one beneficiary internal meetings were planned and approved in the application form.

6.8.4. Budget heading 4 "Equipment costs"

Purchase or rent of equipment is eligible under budget heading 4 "Equipment costs" only in case such equipment is necessary for reaching project results, equipment is listed in the application form and beneficiaries guarantee their durability.

A cross border character and relevance of the investments in equipment should be evident and in line with the project objective. Investments in equipment should be a part of an overall cooperation strategy implemented by the beneficiaries.

The equipment budgeted under this budget heading can be:

- office equipment;
- IT hardware and software;
- furniture and fittings;
- laboratory equipment;
- machines and instruments;
- tools or devices;
- other specific equipment needed for projects.

Budget heading specific rules:

- equipment has not been supported from any EU funds or by other international, national, regional and/or local funds;
- all costs are subject to applicable public procurement rules and each beneficiary organisation is responsible for ensuring that these rules have been respected;
- equipment cannot be purchased or rented from another project beneficiary;
- for equipment rented for a certain period during the project lifetime rental costs for the respective period are eligible, if necessary; renting of equipment is properly justified and costs are planned in the application form;
- expenditure for insurance of the equipment permanently installed in the project is eligible for the project duration period. Justification for equipment insurance shall be provided in the application form and costs for insurance must be planned and reported under budget heading 3 "Expertise and service costs";
- applicant is asked to provide a breakdown (cost estimation) of costs for equipment in the application form. Therefore, please, make sure to list all cost items of equipment;
- purchase cost of equipment is eligible, if it is used solely for the purpose of the project or the target group in line with objectives of the project and costs incurred (were paid out) within the project duration;
- equipment should be aimed at public use; its ownership and the way of use cannot be changed (see rules for project results under Section 10).
- depreciation of the equipment purchased from project cannot be included in the project budget.

The **list of supporting documents** for budget heading 4 "Equipment costs" includes, but not limited to:

1. Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract or provisions of Financing agreement, where applicable;
2. Invoice providing all relevant information in line with the applicable accountancy rules;
3. Contract laying down the purchase of equipment, if required by national legal acts;
4. Proof of payment;
5. Act of delivery and receipt;

6. Proof of origin of equipment and supplies, if relevant (see Section 9.2. of Practical Guidelines)
7. Pictures of purchased equipment (upon request), including *with proof* that publicity rules have been respected (where relevant);
8. Other documents that could be relevant according to national legislation.

6.8.5. Budget heading 5 “Infrastructure and Works”

Budget heading 5 “Infrastructure and works” covers costs related to investments in infrastructure. This includes costs for site preparation, delivery of materials, handling, installation, renovation, (re)construction and their supervision and other costs related to investments in infrastructure.

Retroactive costs for development of documents that are directly related to infrastructure development specified have to be included in budget heading 6 “Retroactive costs”.

Budget heading specific rules:

- costs for infrastructure works are eligible if they have not been supported from any EU funds or by other international, national, regional and/or local funds;
- all costs are subject to applicable public procurement rules and each beneficiary organisation is responsible for ensuring that these rules have been respected;
- full costs of investments in infrastructure incurred and paid within the project duration are eligible, i.e. no depreciation is eligible;
- all compulsory requirements set by the applicable EU and/or national legislation related to the respective investment in infrastructure must be fulfilled (e.g. environmental impact assessments, feasibility studies, building permission, etc.). Please check section 4 to follow up with requirements in case of project changes.
- expenditure for insurance of the infrastructure created in the project is eligible for the project duration period and costs for insurance must be planned and reported under Budget Heading 3 “Expertise and service costs”;
- infrastructure should be aimed at public use; its ownership and the way of use cannot be changed (see rules for project results under Section 10).

The **list of supporting documents** for budget heading 5 “Infrastructure and Works” includes, but not limited to:

1. Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract or provisions of Financing agreement, where applicable;
2. Contract laying down the investments in infrastructure, if required by national legal acts. For contracts based on a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided;
3. Invoice providing all relevant information in line with the applicable accountancy rules;
4. Proof of payment;
5. Act of delivery and receipt (acceptance act);
6. Commissioning act
7. Pictures of infrastructure objects constructed/renovated with proof that publicity rules have been respected;
8. Statement from the contractor about the origin of used materials (if relevant);
9. Other documents that could be relevant according to national legislation.

6.8.6. Budget heading 7 "Retroactive costs and preparatory costs"

NB! No grant may be awarded retroactively for projects already completed pursuant Article 48(3) of Commission Implementing Regulation No.897/2014.

A grant may be awarded retroactively for costs for the development of application form and other documents - information and communication plan, environmental impact assessment, feasibility study, technical documentation for infrastructure component of the project etc.

- **Retroactive costs:** costs for the development of studies and of documentation that are directly related to infrastructure development (investment project, technical project, environmental impact assessment etc.) for each infrastructure and works object, are covered as real costs up to 7% of the relevant, planned in the project infrastructure and works object's costs.
- **Preparatory costs:** costs for travel, translation and other costs for preparation of project full application. They are covered as a lump sum of EUR 1800 (Programme financing) per project and shall be indicated in the full application. They will be paid to lead beneficiaries that have signed grant contract. Such costs are limited to travel and subsistence costs of staff and other persons taking part in the project, provided they do not exceed the costs normally paid by the beneficiary according to its rules and regulations.

Retroactive activities and costs and preparatory costs have to be listed in the project application form.

Retroactive costs are eligible only if payments are made no earlier than 18 December 2015 and not later than one day before the approval of full application by the Joint Monitoring Committee.

Preparatory costs are eligible:

- 1) **For open call for proposals - only if payments are made after the publication of the call for proposals and not later than one day before the approval of full application by the Joint Monitoring Committee.**
- 2) **For direct award projects - only if payments are made no earlier than 18 December 2015 and not later than one day before the approval of full application by the Joint Monitoring Committee.**

Only lead beneficiaries and beneficiaries of the approved projects will be able to claim the reimbursement of the retroactive costs and preparatory costs once grant contract for implementation of the project is signed. Amount of retroactive costs included in the application form will be paid as pre-financing and reimbursement of preparatory costs will be made together with the first payment from the Managing Authority to the lead beneficiary and thus shall be included in initial pre-financing payment request.

6.8.7. Budget heading 9 "Office and administration costs" (indirect costs)

Office and administration costs cover running costs and administrative expenses of the beneficiary organisation implementing project activities.

NB! If lead beneficiary or beneficiary is in receipt of an operating grant financed from the EU budget **no indirect costs** may be claimed within the proposed budget for the project.

Indirect costs under "Office and administration costs" are calculated as a flat-rate of up to 7% of eligible direct costs, excluding costs incurred in relation to the provision of infrastructure,

provided that the rate is calculated on the basis of a fair, equitable and verifiable calculation method.

When using the flat rate, the beneficiary does not need to document that the expenditure has been incurred and paid, or to prove that the reported amount using the flat rate would correspond to the real costs for office and administration.

Managing Authority may request to demonstrate the provisional breakdown/specification of the office and administration costs as part of clarifications prior to start of the grant contract signing process.

Indirect administrative costs are related to:

- office rent;
- insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- utilities (e.g. electricity, heating, water);
- office supplies;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems (operating/administrative IT services of general nature that support delivery of the project. This includes maintenance costs of IT systems, e.g. costs related to the maintenance of a computer used by the project manager to administrate the project);
- communication (e.g. telephone, internet, postal services, business cards);
- bank charges for opening and administering the account or accounts where the implementation of an project requires a separate account to be opened;
- charges for transnational financial transactions;
- Costs related to organization of internal one beneficiary (without participation of other institutions) meeting.

Indirect costs are eligible if they:

- do not duplicate the costs of other budget headings and they are not declared under any other budget heading of the project;
- do not fall into the list of non-eligible costs outlined in Section 6.5. of these Practical guidelines¹¹, and
- do not exceed the rate stated in the budget.

Please note that total amount of financing on the basis of lump sums planned as preparatory costs and flat rate planned for office and administration may not exceed EUR 60 000 per project.

NB! In the course of project implementation the actual administrative and office costs may not exceed the percentage of direct costs as set in the grant contract. Actual final eligible amount of administrative costs will be verified upon approval of final report.

EXAMPLE:

<i>Beneficiary's total budget in the project (EUR)</i>	70 000 EUR
<i>Beneficiary's infrastructure and retroactive costs (EUR)</i>	20 000 EUR

¹¹ See also Article 49 of the Commission Implementing Regulation No. 897/2014, 18 August 2014

Eligible direct costs (EUR) from which maximum available administrative costs are calculated	50 000 EUR
Percentage of direct costs claimed as office and administration costs in the grant contract	7%
Office and administration costs initially planned in the budget of partner	3500 EUR

	Actual direct costs of project implementation	Eligible office and administration costs (7%)	Explanation
CASE A	75 000 EUR	5250 EUR	Due to the fact that actual direct costs of project implementation have been higher than planned, the amount of eligible office and administration costs may also be higher in terms of amount in EUR, but not %. NB! Case A refers to situations where only the proportion of eligible direct costs is increased in the budget and respectively infrastructure and/or retroactive costs are reduced. The total budget of the project may not be increased.
CASE B	30 000 EUR	2100 EUR	With the final report it is established that eligible office and administrative costs are lower than planned in the budget to comply with the provisions of eligibility: office and administrative costs not to exceed 7% of eligible direct costs, excluding costs incurred in relation to the provision of infrastructure.

7. PAYMENTS TO THE PROJECT

The following payments are foreseen for the projects:

1. initial pre-financing instalment (after signing of the grant contract);
2. further pre-financing instalments (during the project implementation);
3. balance (upon completion of the project).

Once grant contract is signed lead beneficiary may submit to the Managing Authority a request for initial pre-financing instalment according to options below and according to provisions of grant contract.

Original request for payment should be sent to the Joint Technical Secretariat as originals:

- if request for payment is issued and signed in paper version then via post to:

Development Instruments Department
The Ministry of Environmental Protection and Regional Development
of the Republic of Latvia
Peldu street 25, Riga, LV-1494, Latvia

OR

- Electronically to the official e-mail of the Programme lat-rus.cbc@varam.gov.lv if request for payment is issued and signed as e-document.

Further pre-financing and balance instalments shall be made by the Managing Authority within 45 days following the approval of the interim report or final report and receipt of the request for payment.

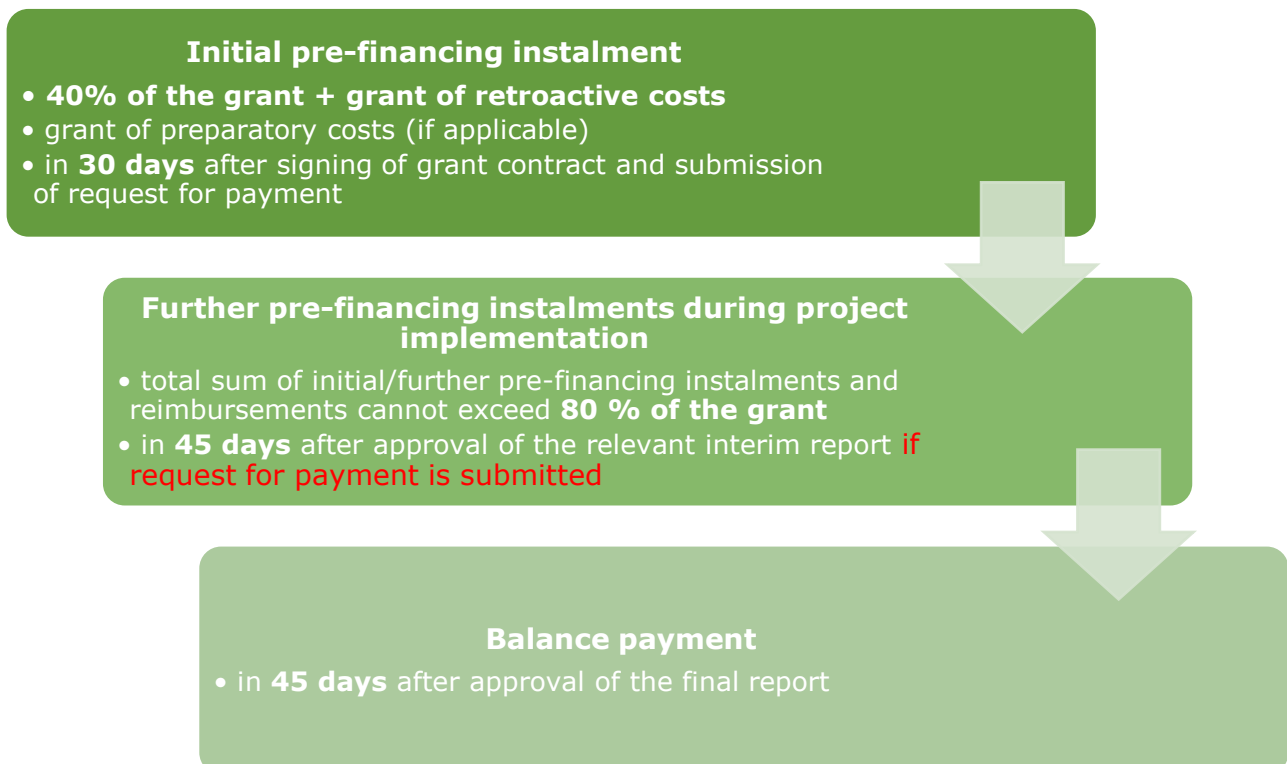
The total amount to be paid by the Managing Authority **to the project** may not exceed the maximum grant laid down in the grant contract neither in terms of absolute amount nor in percentage of the total estimated costs of the project. If the total actual costs of the project in the end of its implementation period are less than the estimated total costs as referred to in the grant contract, the Programme contribution shall be limited to the amount obtained by applying the Programme co-financing rate to the total actual costs of the approved project.

The Managing Authority transfers the funds based on the payment option chosen by the lead beneficiary and indicated in the grant contract. The financial charges concerning bank transfers performed by the Managing Authority are born by the Managing Authority.

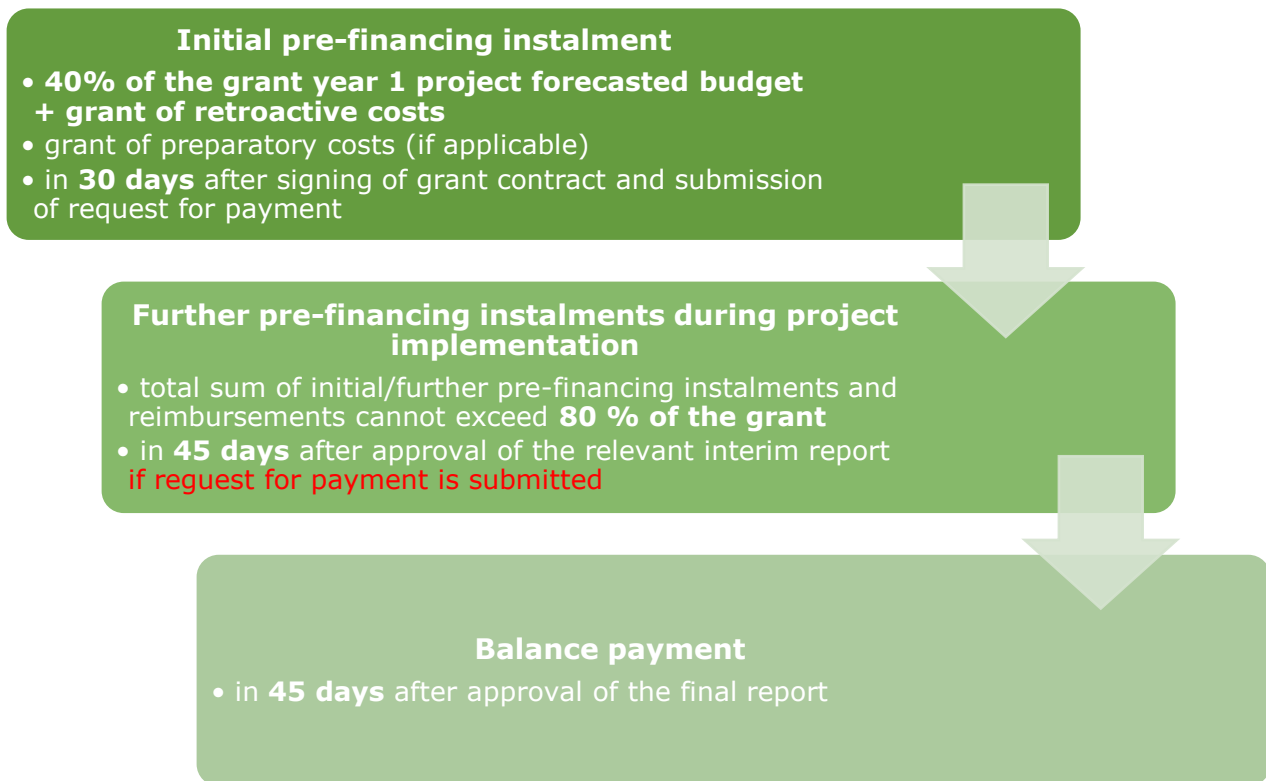
The lead beneficiary is responsible for distribution of financial resources received from the Managing Authority to all beneficiaries **involved in the project implementation according to the partnership agreement. In case of exception mentioned in the point 3.2, beneficiary involved in project implementation can claim and receive payments from the Managing Authority for its respective activities planned in Application form and its reported and verified costs, in case Managing Authority has elaborated individual conditions for payments to each beneficiary.**

7.1. Payment options

OPTION 1 for projects with duration not exceeding 18 months and Programme grant not exceeding EUR 300 000:



OPTION 2 for projects overall duration of the project exceeds 18 months or if the grant exceeds 300 000 EUR (applicable also for direct award projects):



NB! Preparatory costs will be reimbursed with the initial pre-financing instalment, based on request for payment and information provided in the budget of the full application form. Retroactive costs will be paid together with the initial pre-financing, yet, documents serving as evidence for eligibility of retroactive costs **will be verified** with the first interim report.

7.2. Basic principles for payments

1. All payments are made to the **bank account of the lead beneficiary/ beneficiary involved in project implementation in case of elaborated individual conditions for payments to each beneficiary.**

2. In case of ineligible costs discovered upon expenditure verification, during approval of the interim/final report by the Joint Technical Secretariat/Managing Authority or as a result of any audit control of the project, the sum approved as ineligible costs will be deducted (or withheld) from the reported costs.

3. Requests for further pre-financing are advised to be submitted once the part of the actually incurred expenditures financed by the Programme stand at least at 70% of the previous payment (and at 100% of any previous payments) as supported by the corresponding interim report and expenditure verification reports. If the incurred expenditure does not reach the set limit, the difference will be deducted from the requested amount. The deducted amount **can be included** in further requests for payments.

EXAMPLE:

Initial pre-financing	• EUR 100 000
1st interim report	• Expenditure reported, verified and approved by Joint Technical Secretariat/Managing Authority - EUR 60 000 (60% of the initial prefinancing)
Request for further pre-financing instalment	• EUR 70 000
Payment by the MA	• EUR 60 000 (requested EUR 70 000 minus unused EUR 10 000 of the initial pre-financing to reach the 70% of incurred expenditure)

5. Balance payment will be calculated based on total reported, verified and approved costs in the final report but also taking into consideration Programme co-financing both in EUR and as percentage of the eligible costs.

EXAMPLE

Total project budget as stated in the grant contract – EUR 500 000 Programme co-financing amount – EUR 450 000 (90% of the total project budget)	
Case A	Case B
Total eligible expenditure reported and verified in the final report – EUR 540 000 (total project budget exceeded due to increase of costs of implementation of project activities).	Total eligible expenditure reported and verified in the final report – EUR 470 000 (actual costs for implementation of the project are lower than planned).
Initial pre-financing and further pre-financing instalments – EUR 360 000 (up to 80% of the Programme grant (EUR 450 000) as stated in the grant contract).	Initial pre-financing and further pre-financing instalments – EUR 360 000 (80% of the Programme grant as stated in the grant contract).
Balance payment – EUR 90 000 - the exceeded budget of the project is not taken into consideration from the calculation of balance payment, thus, Programme co-financing amount as stated in the grant contract is not exceeded.	Balance payment – EUR 63 000 – balance payment is calculated based on actual reported, verified and approved costs, applying Programme co-financing rate to them.

6. Payments to the project may be suspended by the Managing Authority according to the provisions of the grant contract.

7. In exceptional cases amount of payment can be calculated considering also planned and spent amounts by separate beneficiaries.

8. IRREGULARITIES AND RECOVERY

Lead beneficiary and beneficiaries involved in the project bear financial liability in connection with eligibility of declared project expenditures. Non-compliance with applicable legal framework of the project will result in either irregularity or ineligible costs.

Irregularity is any breach of the legislative acts of the Republic of Latvia, the Russian Federation, the European Union, documents of the Programme that regulate the management of the Programme, as well as grant contract resulting from the action or failure to act of the beneficiary and that has or might have a negative influence on financial contribution of the European Union, the Republic of Latvia or the Russian Federation to the Programme budget by charging unjustified item of expenditure to financial contribution of the European Union, the Republic of Latvia or the Russian Federation to the Programme budget.

A negative influence prejudicing financial contribution of the European Union, the Republic of Latvia or the Russian Federation to the Programme budget is meant a situation where relevant costs, prior to being approved as unduly spent, have been accepted by the Managing Authority/Joint Technical Secretariat and the related payment claim has been reimbursed to the lead beneficiary. Possible irregularity and fraud in projects can be detected by:

- 1) the Managing Authority/Joint Technical Secretariat and its branch offices,
- 2) the Audit Authority,
- 3) the Control Contact Points,
- 4) external audit companies performing control tasks for beneficiaries in the Russian Federation or public officers performing control tasks for beneficiaries,
- 5) the National Authority of the Republic of Latvia or the National Authority of the Russian Federation,
- 6) by the lead beneficiary/beneficiary itself,
- 7) third party.

In case of discovered irregularities, including those resulting in certain expenditures being considered ineligible, there are two options:

1. **deduction** of the amount approved as ineligible from consolidated report if the report is not approved and payment made to the project not made, yet;
2. **recovery** of ineligible amount from the total budget of the project in cases when deduction is not possible (e.g. irregularity discovered after project is finalized and balance payment is paid). Recovery will also refer to the cases when the actual eligible expenditure of the project after its implementation is lower than the total sum received from the Managing Authority in pre-financing payments, thus, unused Programme co-financing has remained in the accounts of project beneficiaries.

If recovery procedure is initiated, the lead beneficiary undertakes to repay its own amounts unduly spent and to ensure a recovering the unduly spent amounts from the beneficiaries of the project. The beneficiary(-ies) shall repay the lead beneficiary the amounts unduly paid in accordance with the partnership agreement signed between them.

8.1. Process of recovery of irregular and unused expenditure

1. If an irregularity has been discovered and cannot be deducted from the interim/final report because balance payment is made to the project or the amount of ineligible expenditure exceeds the planned balance payment, the Managing Authority makes a decision of initiating recovery procedure.
2. The Managing Authority issues a recovery order stating the amount to be repaid to the Programme bank account and deadline for repayment and sends it to the lead beneficiary.
3. Lead beneficiary repays the Managing Authority the due amount within deadline as indicated in the recovery order. The concerned beneficiaries shall repay the lead beneficiary the amounts unduly paid in accordance with the partnership agreement signed between them.
4. If irregularity does not concern lead beneficiary and it cannot be recovered from the lead beneficiary within the set deadline, the Managing Authority sends a letter addressed to the concerned beneficiary to repay to the Managing Authority by issuing a recovery order.
5. Should the lead beneficiary or beneficiary fail to make repayment within the deadline set by the Managing Authority, the Managing Authority shall increase the amounts due by adding interest at the rate applied by the European Central Bank to its main refinancing transactions in Euro, as published in the Official Journal of the European Union, C series on the first day of the month in which the time-limit expired. The default interest shall be incurred over the time, which elapses between the date of the payment deadline set by the Managing Authority, and the date on which payment is actually made.
6. In case of exception mentioned in the point 3.2, the Managing Authority can claim the amounts not used or unduly paid together with any interest on late payment from concerned beneficiary, involved in project implementation.

8.2. Main types of irregularities and corresponding rates of financial corrections

For the calculation of the amount of irregularity concerning carrying out **procurement procedures** and subsequent **contract implementation** the European Commission Guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement ¹² will be used for all beneficiaries. In addition, beneficiaries from the Russian Federation shall ensure that services, works and goods that are not originating from the Russian Federation receive the same treatment as compared to its own services, works and goods in accordance with rules of nationality and origin (see Section 9.2. of Practical Guidelines). Failure to comply with this requirement will result in this expenditure being ineligible.

Project activities directly related to achievement of output and/or result indicators as well as **output and/or result indicators** may be considered partly achieved or not achieved in case the lead beneficiary has failed to submit the required evidence of achievement of relevant indicators. This irregularity can be detected by the Managing Authority/Joint Technical Secretariat upon review of final report of project implementation once all project activities have been finalized. Though each case shall be assessed separately, the following amounts of financial correction shall be applied:

¹²https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/GL_corrections_pp_irregularities_annex_EN.pdf

Achievement coefficient %	Correction rate in %
65% and more	0
Less than 65% but not below 50%	10%
Less than 50%	25%

Underachievement of project activities directly related to achievement of output and/or result indicators as well as output and/or result indicators is not extrapolated to other expenditure within the project.

For project activities directly related to achievement of output and/or result indicators as well as output and/or result indicator for which target is 1 - in case such activities and output and/or result is achieved partly, depending on the achievement level (at least a half or less than a half), 10% or 25% financial correction shall be applied.

In case when several project beneficiaries are involved in the achievement of project activities directly related to achievement of output and/or result indicators as well as project output and/or result indicator and it is possible to identify specific project beneficiary due to whose failure in project implementation the activity and/or indicator is not achieved, financial correction shall be applied to the particular beneficiary`s expenditure directly related to the respective activity/indicator. If it is not possible to identify specific project beneficiary, financial correction shall be applied to the expenditure directly related to respective activity, output and/or result indicator of all concerned project beneficiaries. Financial correction shall not be applied in exceptional cases when implementation of Programme`s priority and/or project is significantly affected due to impact of force majeure. Force majeure shall mean any unforeseeable and exceptional situation or event beyond the control of Programme management bodies and/or project beneficiaries which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure.

In addition to the above-mentioned cases of irregularities deriving from procurement procedures and contract implementation, as well as failure to achieve outputs and results, there are also other reasons to consider expenditure as irregularity or ineligible:

1. Project **publicity requirements** are not respected according to the Communication and Visibility Guidelines for Project Beneficiaries thus the proportional financial correction shall be applied in amount as stated in the table below from the relevant reported costs of deliverable:

Type of mistake	Amount of correction
Publicity requirements have not been fulfilled, but the publicity elements can be added	0-10% or warning
Technical mistakes related to publicity requirements (mistakes with colours, size or similar)	10%

Elements of the publicity requirements missing	25%
No publicity requirements have been fulfilled, and no corrective measures are possible	100%

2. In case the lead beneficiary has failed to submit the required evidence on carried out activities and outputs.
3. In case the lead beneficiary or any other project beneficiary wholly or partly sells, leases or lets the project output to a third party without prior consent of the Managing Authority.
4. In case if revenue is generated by the project and amounts are not indicated in the interim/final report and have not been deducted from the eligible expenditure.
5. In case if the Managing Authority/Joint Technical Secretariat has suspicion that principles of economy, efficiency and effectiveness set in the Regulation no 966/2012 are not observed by the beneficiary (-ies) during the project implementation. The following methods (but not limited to) for assessment whether principles of economy, efficiency and effectiveness have been observed may be used:
 - economy – to assess if the resources used for achievement of project main outputs, deliverables and activities were made in appropriate quantity and quality, at the best price and at due time – for example, analysing whether costs reported for similar items are according to the market prices;
 - efficiency – to assess if there is the best relationship between resources used and results achieved – for example, by comparing costs of similar nature (administrative costs, personnel costs, etc.) within similar projects;
 - effectiveness – to assess if there is the best relationship between resources used and results achieved – for example, analysing and comparing costs reported for particular activity with results gained from the same or similar activity.

9. PROCUREMENT

9.1. General provisions

Lead beneficiaries and beneficiaries from Latvia must comply with national legislation and, where relevant, EU rules for procurement.

NB! Further to provisions of Rules of Cabinet of Ministers No 124¹³ within 10 working days after signing grant contract project beneficiaries from the Republic of Latvia have to submit to the Control Contact Point (functions fulfilled by Investments Supervision Department of the Ministry of Environmental Protection and Regional Development) project procurement plan.

Lead beneficiaries and beneficiaries, which are public entities and public equivalent bodies from the Russian Federation, must comply with national legislation. Private beneficiaries from the Russian Federation, must comply with Annex II (Award of procurement contracts by Russian private beneficiaries) of Financing agreement. In any case it must be ensured that services, works and goods that are not originating from the Russian Federation receive the same treatment as compared to its own services, works and goods in accordance with rules of

¹³ Procedures for financial control of projects funded by the European Structural and Investment Funds Objective "European Territorial Cooperation"

nationality and origin (see Section 9.2. of Practical guidelines). Failure to comply with this will result in the respective expenditure being ineligible.

NB! The following principles must be respected for procurement: the contract shall be awarded to the tender offering best value for money or as appropriate to the tenderer offering the lowest price. The beneficiary shall avoid any conflict of interests and respect the principles of equal treatment, non-discrimination, fair competition, transparency.

NB! Contracts must not be split artificially to circumvent the procurement thresholds and avoid using appropriate procurement procedure.

For Russian beneficiaries – **the use of right procurement procedure is determined in accordance with the threshold in EUR at the time when launching the procurement procedure.** Please check the conversion to RUB before launching the procedure and its correspondence to the procurement procedure foreseen in the project/procurement plan. Exchange rate fluctuations are possible during the project cycle. This means that the sum of verification of the procedure to be applied and the actual sum when reporting can differ from each other.

9.2. The rules of nationality and origin

In all cases the rules of nationality and origin set forth in Articles 8 and 9 of Regulation (EU) No 236/2014 and of the Financing agreement - Agreement on Financing and Implementation of Cross Border Cooperation Programme Latvia-Russia 2014-2020 shall apply.

Participation in the award of procurement contracts shall be also open to:

1. all natural persons, who are nationals of, and
2. legal persons, which are effectively established

in countries eligible under the applicable legislation of the Republic of Latvia and of the Russian Federation.

All purchased supplies financed by the Programme shall originate from an eligible country. However, they may originate from any country when the amount of the supplies to be purchased is below EUR 100 000. List of countries eligible to participate in the procurement procedures is indicated in the Article 9 of the Regulation (EU) No 236/2014 for purchases above EUR 100 000.

9.3. Other essential points

Conflict of interest Lead beneficiary and beneficiaries undertake all necessary precautions to **avoid conflicts of interests** and shall inform the Managing 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 a 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 shall respect the **principles of transparency, proportionality, equal treatment and non-discrimination.**

No retroactive awards **Contracts cannot 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 should show true dates of signature of the contracting parties.

Record keeping

Written records of entire procurement and contracting procedure must be kept confidential and retained by the lead beneficiary and beneficiary for a period of five years after payment of the balance to the Programme. These shall include the originals of all tenders submitted, together with relevant 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; to keep contractors to contractual terms, to apply penalties if necessary and to ensure regular on-site inspections and quality checks during implementation of the project. The following are not allowed:

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

10. PROJECT RESULTS

10.1. Ownership of project results

The ownership, title, intellectual and industrial property rights to the project results, reports and other related documents shall be vested in (belong to) the lead beneficiary, beneficiaries, associates or final recipients.

The lead beneficiary and beneficiaries grant the Managing Authority, the European Commission, the Republic of Latvia and the Russian Federation the right to use freely and as they see fit all documents deriving from the project, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.

In case of the transfer of ownership, industrial and intellectual property rights for outputs and results the transfer should be carried out according to the national legislation.

Prior approval from the Managing Authority should be received before changing ownership of the project results during implementation period of the project and five years after completion of the project.

In no event may the end use jeopardize the project sustainability. Should the case occur, any project including an infrastructure component will repay the Programme contribution if, within project implementation and five years of the project closure or within the period of time set out in state aid rules, where applicable, it is subject to a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives. Sums unduly paid in respect of the project will be recovered by the Managing Authority in proportion to the period for which the requirement has not been fulfilled¹⁴.

¹⁴ Article 39.3, Commission Implementing Regulation No 897/2014 of 18 August 2014

The transfer of ownership rights may not result into a profit for lead beneficiaries and beneficiaries. Should the case occur, the amount equal to amount of profit will be either deducted from the grant or, where project is finalised and the balance payment is made, the Managing Authority will recover the respective amount from the lead beneficiary.

11. CLOSING OF PROJECT

All projects should finalise their activities within the implementation period stipulated in the grant contract. Costs relating to final report, expenditure verification and evaluation of the project can be paid not later than within one month after project end date and they have to be included in the final report.

All project related documents should be kept for **five years** after the receipt of balance payment to the Programme. The Managing Authority will inform the lead beneficiary about the date of receipt of balance payment to the Programme.

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

- the Programme information and visibility rules should be respected for all outputs/products produced with the assistance of the Programme; they are extended to time beyond the project implementation and only limited to the life-time of the output/product. Should the publications be reproduced, they should retain the Programme logo and other Programme communication and visibility requirements;
- lead beneficiary and beneficiaries should appoint the contact person to enable smooth closure of the project and communication with the Programme management bodies; lead beneficiary and beneficiaries are obliged to retain all project related files, documents and data on standard data storage media in a safe and orderly manner for control and audit purposes at least for five years after the balance payment to the Programme.