Bilaga

CENTRAL BALTIC
INTERREG IV A
PROGRAMME
2007–2013

Central Baltic
INTERREG IV A Programme 2007-2013

Cross-Border Co-operation Programme under
The European Territorial Co-operation Objective

Subsidy Contract
For the implementation of the
Project Young Baltic Narratives

EUROPEAN UNION
EUROPEAN REGIONAL DEVELOPMENT FUND
INVESTING IN YOUR FUTURE

Regional Council of Southwest Finland

Preamble

The subject matter of this contract is the legally binding agreement on implementation and management of the

Subject:	Young Baltic Narratives
Project Number:	AI10
Date of Arrival (AF):	14.10.2009 (original version)
Date of Arrival (AF):	24.06.2010 (updated valid version)
LP Organisation:	Stockholm County Council / Film Stockholm
Sub-Programme:	Archipelago and Islands Sub-programme
Priority:	3. Attractive and dynamic societies
Direction of Support:	Social and democraphic issues, especially young people
Approved start date:	01.04.2010
Approved closure date:	31.12.2012

in accordance with the approved application form (Annex 1) with the Annex 6 of the application form included and protocol note of the respective Steering Committee (Annex 2).

The following contract between the Regional Council of Southwest Finland (hereinafter referred to as the Regional Council) acting as Managing Authority (MA) of the Central Baltic INTERREG IV A Programme 2007-2013 (Central Baltic OP) with its office at:

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Represented by the Programme Director Tarja Nuotio

And

Stockholm County Council / Film Stockholm
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represented by its authorised representative

Hans Ullström

Head of Culture Administration, Stockholm County Council/Film Stockholm.

hereinafter referred to as Lead Partner (LP), meaning the final beneficiary, as defined in the Central Baltic OP section 8.4 as well as in the Multilateral Agreement § 4.

Abbreviations

AA = Audit Authority
CA = Certifying Authority
Central Baltic OP = Central Baltic INTERREG IV A Programme 2007-2013
CR = Control Report
DVEE = Declaration of Validation of Eligible Expenditure
EC = European Commission
FLC = First Level Control
JTS = Joint Technical Secretariat
LP = Lead Partner
MA = Managing Authority
SC = Steering Committee
PP = Project Partner
PR/PC = Progress Report/Payment Claim

§ 1
Applicable legal framework

The LP guarantees that the project is implemented and managed in accordance of the valid regulations as well as the horizontal policies of the European Union and valid national legislation and that all the practical instructions as set out in the Programme Manual concerning the management and implementation of the project are followed.

EU Structural Fund regulations:

● Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund (hereinafter ERDF), the European Social Fund and the Cohesion Fund;
● Council Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund;
● Commission Regulation (EC) No 1828/2006 of 8 December, setting out rules for the implementation of Council Regulation (EC) 1083/2006;

Community Rules:

● Rules for public procurement and entry into the markets;
● Protection of the environment;
● Equal opportunities between men and women;
● State aid/De Minimis rules;

National Finnish regulations defining the position and responsibilities of the Regional Council in relation to the management and implementation of the Central Baltic OP including the position of the Regional Council as contracting party in Subsidy Contract as well as legal rights of the Lead Partner (LP) and Project Partners (PPs):

● Laki eräiden työ- ja elinkeintoministeriön hallinnonalan ohjelmien ja hankkeiden rahoittamisesta (1652/2009) and Valtioneuvoston asetus eräiden työ- ja elinkeinoministeriön hallinonalan ohjelmien ja hankkeiden rahoittamisesta (1695/2009)
● Structural Fund Act (1401/2006) and Valtioneuvoston asetus rakennerahastoista (311/2007) modified by act number (1653/2009) and decree number (1656/2009) respectively

● State Aid: Act on Discretionary Government Transfers (688/2001);
● Local Government Act (365/1995)
● Administrative Procedure Act (434/2003)

Respective national regulations:
● National rules applicable to the LP and PPs in Sweden, ?land, Finland, Estonia.

Programme Documents and Multilateral Agreement:

● The Central Baltic OP (CCI No. 2007CB163PO066), approved by the EC on 21.12.2007 (Decision C (2007) 6599), setting the strategy and objectives of the Programme

● The Programme Manual Version 3 (The MA/JTS shall publish at the programme web site www.centralbaltic.eu call specific Manuals and the LP/PPs must always apply that call specific version. In case a Manual version published after project's approval would contain relevant changed rules on programme level the most favourable rule will be applied on the project.)

● The valid version of the Multilateral Agreement on the implementation of the Central Baltic OP between the participating Member States/Åland and the Regional Council of Southwest Finland acting as Managing Authority, Certifying Authority and Audit Authority.

Principles to be applied:

● In case of contradiction between national and EU regulation the EU regulation takes priority over the national regulation

● In case a LP/PP receives national state co-funding and the financial instructions set in the Programme Manual and by the National State Authority differ, the strictest rule always applies (NB! The funding decision of the national state co-financier is not subject to this Subsidy Contract)

● In case the national eligibility rules applied for the ERDF funding and the instructions respectively eligibility rules on the Programme level set out in the Programme Manual differ, the strictest rule always applies

§ 2
Award of Subsidy

1.
The Steering Committee of the Archipelago and Islands Sub-programme has approved the project 'Young Baltic Narratives' on 23.03.2010 §7.4. The decision of the Steering Committee is based on the criteria set out in the Central Baltic OP document and approved by the Monitoring Committee and in case of Sub-Programme/call specific criteria as approved by the respective Steering Committee. In case the respective Steering Committee has set special conditions they have to be followed (Annex 2).

2.
On the basis of the Archipelago and Islands Sub-programme Steering Committee decision an earmarked subsidy of 967 500,00 Euros is awarded by the MA to the LP organisation of the project from the ERDF Funds of the OP

Approved total budget (€)[1]

Office and Rent Costs	43 440,00 Euro
Personnel	634 221,00 Euro
Travel and accommodation	228 014,00 Euro
External expertise	208 971,00 Euro
Equipment	41 400,00 Euro
Investment	0,00 Euro
Other direct costs	106 554,00 Euro
In kind contributions	5 400,00 Euro
TOTAL	1 268 000,00 Euro
INCOME	0,00 Euro
TOTAL NET COSTS	1 268 000,00 Euro

Approved financial plan and ERDF contribution (€)

Approved ERDF contribution 76,30 % [2] (maximum amount)	967 500,00 Euro
National Public contribution 23,70 % (maximum amount)	300 500,00 Euro
National Private contribution 0,00 % (maximum amount)	0,00 Euro
TOTAL FUNDING	1 268 000,00 Euro
Income	0,00 Euro
TOTAL NET FUNDING	1 268 000,00 Euro

The project financing is the sum of the total amount of co-financing coming from partners in the participating Member States/Åland and the total amount awarded from funds of the Central Baltic OP and National Authorities. All the allocations are considered maximum provisional amounts. The disbursement of ERDF subsidy is conducted in accordance of the project partner ERDF grant rate as approved in the AF and consequently applied by the LP in PR/PC. The LP is obliged to monitor the average ERDF grant rate defined for the project and be aware that imbalanced spending within the project partnership may lead to reduction of support of those partners causing the imbalance.. **Underspending of finances will lead to proportional reduction of the Programme funding. The final amount of the ERDF will be paid on the basis of the reported total eligible expenditure only.**

3.
Disbursement of the Subsidy will be made subject to the condition that the national First Level Control process (Article 16(1) Regulation (EC) No 1080/2006) as well as the certification by the CA have been carried out adequately fulfilling the requirements set out in the Multilateral Agreement on the implementation of the Central Baltic OP between the participating Member States and the MA as well as in the respective EU and National regulations.

4.
If the EC fails to make the funds available the MA is entitled to terminate this contract and any claim by the LP against the MA for whatever reason is excluded.

5.
If the LP or the PP fails to meet the requirements of the national co-funding as set out in this contract (§2) based on the approved application the MA is either entitled to ter-

[1] The binding budget of the project is available in detail in Annex 1
[2] Average Grant Rate of the ERDF funding of the whole project. The co-financing rates of each participating LP/PP are in accordance of the approved application.

minate this contract or reduce the amount of subsidy proportionately to the reduced national co-funding depending on the case. The national co-financing must be visible in project accounting centre to enable the verification of accumulated national co-financing. Any claim by the LP against the MA for whatever reason is excluded after the parties concerned have exchanged information on the matter and no mutual consent has been found within reasonable time.

6.
The subsidy has been granted under De Minimis rule and therefore the relevant restrictions and obligations as set out in the Programme Manual based on EU regulations must be followed. Relevant and applicable EU and national State Aid regulations are to be followed (Cf §5 (4)) (Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid published in Official Journal of European Union on 28.12.2006 L 379/5.). In addition of setting restrictions and obligations directly to the project partners (LP/PPs) this rule applies also to *key stakeholders* (e.g. private enterprises) participating in targeted project pilots (e.g. training, marketing, new product development etc.) receiving therefore channeled support via these activities (*Cf. Chapter 5, LP liabilities*).

7.
As set out in the Programme Manual VAT does constitute an eligible expenditure if it is genuinely and definitely borne by the project partner and is shown in the bookkeeping as a project costs. It must be noted that if the VAT is recoverable by whatever means, it cannot be considered eligible, even if the beneficiary (project partner) does not actually recover it. The LP/PPs have been obliged to define their VAT status in the approved application and provide the necessary documentation to prove the VAT status. In case of any doubt the VAT will be deemed ineligible for that partner. In case the VAT status of the LP/PPs changes affecting the approved budget the MA/JTS has to be informed and relevant documentation is to be provided to justify the change (See Practical Guide on reporting).

8.
The LP of the Project is obliged to set up a Steering Group for the project immeadiately but at the latest within 1 month after signing this contract and contact the JTS contact person.

9.
The LP assisted by the JTS Contact Person is obliged to elaborate the conditions and obligations of the Subsidy Contract and all the relevant issues related to the implementation and management (focus on financial and budgetary questions) of the approved Application in the first meeting of the Steering Group or in a separate meeting between the JTS contact person and representatives of LP (Project Manager and Financial Manager).

§ 3
Object of use, eligibility of costs and reallocation

1.
The Subsidy is awarded exclusively to the LP for the implementation of the project as it is described in the application form approved by the Steering Committee on 23.03.2010.

2.
The LP and PP shall implement the project with the requisite care, efficiency, transparency and diligence, in line with best practice in the field concerned and in compliance

with this Contract. For this purpose the LP and PP shall mobilise all the financial, human and material resources required for full implementation of the project as specified in the application form.

3.
Costs which qualify for a Subsidy pursuant to § 2 *Award of the Subsidy*, No 1 exclusively consist only of eligible costs as validated by the national First Level Controller and certified by the CA according to the budget structure of the approved application. The eligibility of costs for ERDF is regulated by the compliance of the expenditure with the legal provisions of §1 Legal framework, §7 Publicity and of the Programme Manual (Financial Implementation of a Project). Progress reports/Payment Claims must be validated by the FLC and then submitted to the JTS in compliance with the procedure set out in the Programme Manual, Practical Guide on Reporting and in accordance with the FLC Manual setting the basic guidelines for the overall FLC procedure of the Central Baltic OP. The eligibility of the costs are also determined on the basis of the proper audit trail shown by the LP and PPs (Cf §11).

Costs for the project are eligible from the starting date until the end of the project period as stated also in the preamble of this contract. The project period results from the number of months quoted as 'project duration' in the approved application. The earliest date from which costs for the project can be considered as eligible is the starting date as stated in the preamble of this contract.

4.
During the project period the LP is entitled to reallocate the budget and make other content related modifications twice according to the options listed in the Programme Manual. Such changes require an official Change Request to the MA after relevant consultations with the JTS in accordance with the procedure set in the Programme Manual. The changed budget and/or content will enter into force only after approval of the MA and/or in relevant cases also by the respective Steering Committee. This requires also a modification of the Subsidy Contract as set out in the Programme Manual and stipulated in the Multilateral Agreement (§6). The LP is obliged to clearly state the nature of changes and the arguments behind each modification whether budget/financing or content related in the Change Request submitted to the JTS.

5.
If in justified cases the project requires a prolonged implementation time due to technical and administrative reasons, the LP will have to follow the instructions set out in the Programme Manual. The prolonged implementation time can be one (1) milestone at the most and is to be applied at the latest two months before the approved end date of the project implementation.

§ 4
Request for payments

1.
The LP may only request payments by providing proof of progress of the project as described in the approved application. Therefore the LP has to present progress reports, consisting of a Progress Report and an audited Payment Claim (PR/PC), to the MA/JTS with DVEEs and CRs included for each PP. The MA/JTS will provide reporting forms, which must be used by the LP. Instructions as laid down in the reporting forms and in the Programme Manual must be observed. The LP ensures that the co-financing rate of each project partner has been taken into account in the reporting pro-

cedure as well as in the partnership agreement allowing correct allocation of ERDF financing to each PP.

2.
The PR/PCs have to be submitted according to the reporting schedule as stated in the Programme Manual and in the Practical Guide on Reporting. Later reporting with respect of the abovementioned deadlines must be approved specifically by the MA/JTS on an ad hoc basis. For projects lasting more than two years the Interim Report is due in the middle of the approved duration time as instructed by the JTS. The Final Report/Payment Claim is due five (5) months after the project closure. The official closing date of the project is stated in the approved application and in the preamble of this Contract and if necessary taking into account the §14(2). The LP[3] ensures that adequate resources and time are reserved for the closure measures prior to the actual closure date indicated in the approved application and in the preamble.

3.
Based on the fact that payments by the EC to the CA will only be made in accordance with the corresponding budget commitments (articles 76(1) and 75(1) of Council Regulation (EC) No 1083/2006 the LP must request payments in accordance with approved application. Payments not requested in time, in full or non-compliance with the procedure set in the Programme Manual and in the Practical Guide on Reporting may be lost if the programme experiences a de-commitment. The consideration whether payments are reduced due to the de-commitment process will be done at the end of each year of the approved project duration time. Any unjustified delay in reporting or in the clarification process of the PR/PC, either by LP or by PPs, can imply a reduction or ending of the Subsidy payments. A failure to comply with the requirements set for the proper audit trail *(Cf. §3/3 and §11*) may also lead to reduction or ending of the payments. The information on system of audit trail and list of bodies as described in §11will be provided to the MA/JTS at the latest prior to the first PR/PC. A copy of the list must be included in the FLC documents sent to the national FLC bodies.

4.
Any income as stated in the Programme Manual will be reported in the PR/PC and will proportionately reduce the ERDF co-financing on projects taking into account the relevant binding rules set by EC and referred to in the Programme Manual. The LP of a project is obliged to inform the MA/JTS of any income generated within five (5) years after the project closure date. ERDF subsidies unduly paid will be recovered.

5.
After the admissibility check, content and financial assessment of the PR/PC by the JTS and certification and payment decision by the CA have completed successfully, the CA will transfer the ERDF subsidy to the LP without any delay. The funds will be disbursed in Euro (€) only and transferred to an account indicated by the LP. Any exchange rate risk will be borne solely by the LP.

6.
In accordance of Article 79 of Regulation (EC) No. 1083/2006 and Article 80 of Regulation (EC) 1083/2206 the EC withholds the last ERDF payment (5%) to the CA until 2017/2018 when all the closure documents of the Programme will be approved. As a result the CA will also withhold its own payments to the LP until the EC has made the

[3] All costs to be declared eligible must have been incurred at the latest on the last date of the duration as stated in the preamble

final payment to the CA.[4] The JTS will inform the LP immediately if the 5% withhold will be applied.

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

8. The LP/PPs are committed to the eligible own national financing as indicated in the approved Application Form and Annex 6 (Annex 2) and are obliged to ensure the proper accumulation of eligible own national financing during the project implementation and inform the MA/JTS immediately in case the accumulation for whatever reason is not possible and follow the MA/JTS instructions given on a case like this.

§ 5
Representation of Project Partners, liability

1.
The LP solely bears the overall financial and legal responsibility for the project and for the PPs (Article 20 of Regulation (EC) No 1080/2006).

2.
The LP guarantees that it is entitled to represent the PPs participating in the project bearing the sole responsibility of delivering as well as receiving all the information relevant for the project management between LP and PPs and that it will establish with the PPs the division of the mutual responsibilities in the form of partnership agreements.

3.
The LP guarantees that the **copy** of signed partnership agreement (original to be maintained by the LP/PPs) is provided to the MA/JTS in English at latest with the first validated PR/PC containing binding information **at least on responsibilities of the following items**: 1) role and obligations of the individual partners in the partnership in project implementation (incl. description of activities of each project partner by milestones as indicated in the approved application, 2) budgetary principles, 3) financial management provisions for accounting, reporting, financial control, 4) receipt of ERDF payments, 5) distribution of the ERDF co-financing between the project partners (partner budget tables annexed) according to the approved project application, 6) liability in case of failures in project delivery and project spending including provisions for changes in the work plan, 7) the partners financial liability and provisions for the recovery of funds in case of amounts incorrectly reported and received by the partner, 8)information and publicity requirements, 9)resolutions of conflicts in the partnership, 10)the ownership rights of the results between partners and in relation to the terms of the Subsidy Contract (§8) (The list is not exhaustive and the LP and the PPs may add further items according to the project specific needs).

The MA/JTS is not a party in the partnership agreement or in the disputes that may arise between the contracting parties or towards third parties.

The LP furthermore guarantees that all the mandatory permits required by EU or national legislation needed for the implementation of the project have been delivered to the MA/JTS prior to signing of the Subsidy Contract and that any precondition set by

[4] This will not happen as long as the sum of ERDF co-financing claimed by finalized projects during their entire duration is lower than 95 % of the cumulative total ERDF co-financing approved for these projects.

the respective Steering Committee has been met in accordance of the decision made (Annex 2).

4.
The LP guarantees furthermore that it has complied with all requirements under the legal framework and to the PPs which apply to them in their respective countries and that all necessary approvals have been obtained.

The LP is liable towards the MA for:

- ensuring that all its PPs have a legal status which is in line with the definition in Central Baltic OP and in the Programme Manual as it is in force on the date when this contract is signed;
- ensuring that all expenditure reported in the progress report has been validated according to the procedures set in Multilateral Agreement and in the Programme Manual;
- ensuring that the PPs fulfil their obligations under this contract and with respect of the requirements set by the legal references mentioned in §1 *Legal framework*;
- non-compliance of obligations under this contract by itself and by its PPs
- maintaining and updating the list of bodies holding documentation in the audit trail
- ensuring that State Aid/De Minimis rules are applied as instructed in the Programme Manual and that any private enterprise receiving ERDF and national public subsidies under the Central Baltic OP complies with the De Minimis conditions (if this is not the case, the CA is entitled to recover the ERDF sums unduly paid)
- ensuring that if the VAT status of the LP/PP changes affecting the approved budget of the project this will be notified to the JTS and supported by relevant documentation as instructed in the Programme Manual and in the Practical Guide for reporting (if this is not the case, the CA is entitled to recover the ERDF sums unduly paid).

5.
If the CA based on the information received from the MA/JTS demands repayment of Subsidy funds in accordance with this contract, the LP is liable to the MA for the total amount of the subsidy.

6.
The MA cannot under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the LP or the PPs during the project implementation. The MA therefore cannot accept any claim for compensation or increases in payment in connection with such damage or injury.

7.
The LP and PPs shall assume liability to third parties including liability for damage or injury on any kind sustained by them while the project is being carried out. The LP and PPs shall discharge the MA of all liability associated with any claim or action brought as a result of a non-compliance of rules or regulations by the LP or PPs as result of violation of a third party's rights.

§ 6

Additional obligations

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

1.
to ensure that a separate cost centre is opened for the project in the accounting centres of each LP/PP and to ensure that any received subsidy can be clearly identified and repaid if necessary due to irregularities,

2.
To ensure within the partnership that all the costs of each LP/PP are paid out by the respective partner and from the respective partner's own cost centre.

3.
to inform the MA immediately if project costs are reduced, if the approved application on which this contract is based will be changed, or one of the disbursement conditions ceases to be fulfilled, or any circumstances arise which entitle the MA to reduce payment or to demand repayment of the Subsidy wholly or in part,

4.
to provide the MA/JTS with any information requested without any delay

5.
to provide necessary data for the monitoring system (CBMS2007) of the Central Baltic OP in compliance with this contract according to the MA/JTS instructions

6.
to inform MA/JTS without any delay about any envisaged changes of the partnership agreement

7.
to take all necessary precautions to avoid conflict of interests (incl. PP) and shall inform MA/JTS without any delay with the situation constituting or likely to lead to any such conflict. There is a conflict of interests where the impartial and objective exercise of the functions of any person under this Contract is compromised for reasons involving family, emotional life, political or national affinity, and economic interest of any other shared interest with another person.

§ 7
Information and Publicity

1.
Any notice of publication by the project, including at a conference or a seminar, must specify that the project has received a Subsidy from the Programme funds, in compliance with the requirements set in the Programme Manual and in compliance with the requirements set by the regulatory framework in § 1 *Legal framework* and in particular articles 8 and 9 of the Regulation (EC) No 1828/2006 Annex I of Regulation No 1828/2006 and in the Programme Manual as well as in the *Communication Guide* for the projects. In any public material used to promote or disseminate the project activities whether printed or electronically available the use of the programme logo and the EU emblem (flag) is mandatory as set out in the Programme Manual.

2

Any publication by the project, in whatever form and on or by whatever medium, including the internet, must specify that it reflects the author's views and that the MA cannot be held liable for the information published by the project partners.

3.
The MA/JTS shall be authorized to publish, in whatever form and on or by whatever medium, including the internet, the following information:

- the name of the LP and its partners,
- the purpose of the subsidy,
- the amount granted and the proportion of the total cost of the project accounted for by the funding,
- the geographical location of the project,
- the information of the progress reports and the interim/final report,

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

§ 8
Durability and ownership of results

1.

In accordance of the (EC) No 1083/2006 article 57 the LP shall ensure that PPs including LP will retain the contribution received from the programme only if the project does not within five (5) years from the completion of the project or three (3) years from the completion of the operation in Member States which have exercised the option of reducing that time limit for the maintenance of an investment or jobs created by SMEs, undergo a substantial modification:

a) affecting its nature or its implementation conditions or giving to a firm or a public body an undue advantage;

b) and resulting either from a change in the nature of ownership of an item of infrastructure or the cessation of a productive activity.

The LP is obliged to notify the MA of any such changes described beforehand. Sums unduly paid shall be recovered.

2.
The LP ensures that the arrangements in ownerships, titles and industrial and intellectual property rights on the outputs of the projects are in accordance of §8, 1.

3.
The LP ensures via partnership agreement that results and outcomes of the project are joint property of all project participants (LP and PPs). Consequently, the LP safeguards that each project participant shall grant a simple, non-exclusive right of use of any produced work to all other project participants. The LP also ensures that while granting these rights to project partners the specific national rules and instructions relevant for the ownership rights of the project outcomes and results are taken into account when necessary.

4.

The LP ensures that the results of the project especially any study or analysis produced during the implementation shall be made available to the public (public domain) in order to guarantee a widespread publicity of the project's outcomes in accordance of the approved application and partnership agreement.

5.
The LP ensures via partnership agreement that the rules stating the ownership principles of purchased office equipment (as stated in the Programme Manual) of LP and each PP after project closure have been taken into account and that the remaining value of the purchased equipment subject to measures after the closure is in accordance with the conducted depreciation taking into account the relevant national specifications. In case income is generated due to transfer of ownership rights of the purchased office equipment the LP is obliged to report to the MA/JTS and it will proportionately reduce the amount of the ERDF co-funding. Sums unduly paid shall be recovered.

§ 9
Generation of revenues

1.
A revenue-generating project means any operation involving an investment in infrastructure the use of which is subject to charges borne directly by users or any operation involving the sale or rent of land or buildings or any other provision of services against payment. In applying §9 the necessary and relevant rules set by the EU Structural Fund regulations and national rules referred to in the Programme Manual are applied.

2.
For all projects regardless of the size of the total budget, the reported incomes received from the project activities will proportionally reduce the ERDF co-financing unless otherwise instructed by the Programme authorities.

3.
For projects with total budget exceeding 1 000 000 EUR eligible expenditure on revenue-generating projects shall not exceed the current value of the investment cost less the current value of the net revenue from the investment over a specific reference period for:

- investments in infrastructure; or
- other projects where it is possible to objectively estimate the revenues in advance.

Where not all the investment cost is eligible for co-financing, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the investment cost. In the calculation, the managing authority shall take account of the reference period appropriate to the category of investment concerned, the category of project, the profitability normally expected of the category of investment concerned, the application of the polluter-pays principle, and, if appropriate, considerations of equity linked to the relative prosperity of the Member State/Åland concerned.

4.
Where it is objectively not possible to estimate the revenue in advance, the revenue generated within five years of the completion of the project shall be reimbursed by the CA.

5.

Where, at the latest three years after closure of the operational programme, it is established that an operation has generated revenue that has not been taken into account under paragraphs 2 and 3 such revenue shall be refunded to the general budget of the European Union in proportion to the contribution from the Funds.

6.
In applying §9 of the Subsidy Contract it is to be ensured that the conduct is in accordance of the Article 55 of the EC Regulation 1083/2006 the Art 55 (5-6) and Article 87 of the Treaty.

§ 10
Right of termination

1.
In addition to the right of termination laid down in § 2 *Award of the Subsidy* No. 3 the MA is entitled depending on the case, totally or partially to terminate this contract by a registered letter and to demand total or partial repayment of funds, if

a) the LP has obtained the Subsidy through false or incomplete statements; or
b) the permits required before the Subsidy Contract can be signed by MA turn out be incomplete, false or are missing altogether
c) the preconditions set by the respective Steering Committee have not been met
d) the project has not been or cannot be implemented, or it has not been or cannot be implemented in due time; or
e) a change has occurred in the project that has put at risk the achievement of the results planned in the application form; or
f) the project outputs and results are severely out of line with those promised in the application form;
g) the LP has failed to submit required reports or proofs, or to supply necessary information, provided that the LP has received a written reminder setting an adequate deadline and explicitly specifying the legal consequences of a failure to comply with requirements, and has failed to comply with this deadline; or
h) the LP has failed to immediately report events delaying or preventing the implementation of the project funded, or any circumstances leading to its modification; or
i) the LP has impeded or obstructed controls and audits; or
j) the Subsidy awarded has been partially or entirely misapplied for purposes other than those agreed upon; or
k) insolvency proceedings are instituted against the assets of the LP or insolvency proceedings are dismissed due to lack of assets for cost recovery, provided that this appears to prevent or risk the implementation of the programme objectives, or the LP closes down; or
l) subject to the provisions of § 14 *Assignment, legal succession*, No 2 and 3 the LP wholly or partly sells, leases or lets the project to a third party;
m) or it has become impossible to verify that the final report is correct and thus the eligibility of the project; or

n) the LP has failed to fulfil any other conditions or requirements for assistance stipulated in this contract including Annex 2 and the provisions it is based on, notably if these conditions or requirements are meant to guarantee the successful implementation of the programme objectives.

2.
If the MA exercises its right of termination, the LP is obliged to transfer the repayment amount to the CA. The repayment amount is due within one month following the date of the letter by which the CA asserts the repayment claim based on the information received from the MA/JTS; the due date will be stated explicitly in the order for recovery.

3.
If the MA exercises its right of termination, offsetting by the LP is excluded unless its claim is undisputed or recognized by declaratory judgment.

4.
If the MA exercises its right of termination, the amount repayable shall be subject to interest, starting on the day the payment was made and ending on the day of actual repayment. The interest rate will be determined in accordance with Council Regulation (EC) No 1083/2006, Article 102(2).

5.
If any of the circumstances indicated in § 9 *Right of Termination*, No 1 occur before the full amount of Subsidy has been paid to the LP, payments may be discontinued and there shall be no claims to payment of the remaining amount.

6.
Any further legal claims shall remain unaffected by the above provisions.

§ 11
Archiving of project documents

1.
The LP/PPs are at all times obliged to retain for audit purposes all official files, documents and data about the project on customary data storage media (in the form of photocopies, microfiches and electronic versions) in a safe and orderly manner at least until **31.12.2025**, as defined in the Programme Manual. Other possibly longer statutory retention periods as might be stated by national, law remain unaffected. The LP/PPs are obliged to store the invoices and to keep them clearly traceable in the bookkeeping for the FLC and audit purposes and maintain records of invoices and bodies holding documentation in the audit trail in accordance with (1083/2006 § 60, (f), § 90 and 1828/2006 § 19. The maintained and updated records/lists are made available to the MA/JTS (*Cf. §4/3*).

2.
Location, conditions and support for archiving must comply with the requirements set by Article 90 of Council Regulation (EC) No 1083/2006 of 11 July 2006, by Article 19 of Regulation (EC) No 1828/2006 and with the requirements set by the Programme Manual.

§ 12
Controls and audits

1.
All the costs in each PR/PC submitted by the LP to the JTS must be validated by the national first level controllers according to the procedure described in the Multilateral Agreement and in the Programme Manual and in compliance with the requirements set by the legal framework in §1 *Legal framework*.

2.
The AA of the Central Baltic OP, the responsible auditing bodies of the EU and, within their responsibility, the auditing bodies of the participating EU Member States as represented in the Group of Auditors or other national public auditing bodies are entitled to audit the proper use of funds by the LP or by the PPs or arrange for such an audit to be carried out by authorised persons. The procedure for these controls is listed in the Multilateral Agreement (§8) and in the Programme Manual in accordance with Article 62 of Regulation (EC) No. 1083/2006.

3.
The LP as well as PPs will produce all documents required for the above controls and audit, provide necessary information and give access to its business premises.

4.
The CA has a right to withhold the payments to the LP until all the required information and documentation have been delivered or made available otherwise in a required way as set out in the Multilateral Agreement (§2)

5.
The CA has a right to conduct sample checks in addition to the national First Level Control procedure as set out in the Multilateral Agreement (§2) and in the Programme Document and in the Programme Manual.

6.
In case the AA issues statements on the national control systems and defining problems of systemic character as set out in the Multilateral Agreement (§8) the CA has a right to withhold the payments to the LP until this case has been solved.

7.
The LP undertakes to provide the independent evaluators carrying out the midterm and other as well as final evaluation of the programme according to Articles 47-49 of Council Regulation (EC) No 1083/2006 with any document or information necessary to assist the evaluation.

§ 13
Recovery of ineligible expenditure

1.
If any expenditure is considered ineligible by the CA according to regulatory framework mentioned in § 1 Legal framework, a two stage-procedure will apply in accordance of the 1080/2006 article 17. The first phase consists of amicable process and in case amicable process proves to be ineffective a judicial procedure follows in accordance of the Multilateral Agreement (§9).

2.
If any expenditure is considered ineligible by the CA as such regardless of the actual amount after ERDF payments to the LP have been conducted according to regulatory framework applied and based on the reports by the AA, a two stage-procedure will apply in accordance of the article 17 of the (EC) 1080/2006. The first phase consists of amicable process and in case amicable process proves to be ineffective a administrative and even judicial procedure follows in accordance of the Multilateral Agreement (§9). The recovery procedure is also excplicitly described in the Subsidy Contract between the MA and the Lead Partner.

3.
The amicable phase is initiated - after exchange of information and consultation with MA/JTS and other relevant bodies – by the CA based on available financial information of the project by sending out to LP an official letter asking for written response on the case giving the LP the possibility to clarify open questions and in relevant cases provide argumentation on it's own behalf. After the LP has responded and provided relevant information it will be examined by the CA.

4.
Unless no relevant new information is provided by the LP the official recovery procedure will be launched - after exchange of information and consultation with MA/JTS and other relevant bodies - by the CA with registered letter ("Order of Recovery" based on the administrative decision including the appeal instructions) addressed to the Lead Partner organisation informing the Lead Partner on the arguments on which the repayment claim is based and requesting the repayment of the necessary amount of funds already paid out to the Lead Partner. The Lead Partner is obliged to conduct the repayment without any delay after the letter by the CA has been received by the Lead Partner organisation; the due repayment date will be stated explicitly in the order for recovery. The Lead Partner is obliged to notify the approval/non-approval of the repayment in written without any delay after receiving the letter from the CA and inform clearly whether Lead Partner is appealing against the administrative decision by the CA in accordance with the appeal instructions.

5.
In case the Lead Partner either refuses or is unable to start the repayment process by the deadline set by the CA without any reply and justification in written the CA will issue another official letter (a reminder) claiming the funds. In this case the repayment is due immediately after officially receiving the second CA letter; the due date will be stated explicitly in the order for recovery. The Lead Partner is again obliged to notify the approval/non-approval of the repayment in written without any delay after receiving the second letter by the CA.

6.
In case the Lead Partner does not conduct repayment by the deadline(s) set by the CA and has provided appropriate arguments as well as appealed against the decision by the CA within the set timeframe the both parties aim to find a mutual consent on the repayment procedure before the case is brought to the Board of the Regional Council. This procedure aims to find a suitable refunding schedule for the LP or - in case the CA detects a need to correct it's own administrative decision on the recovery based on new information and after consultation with the MA and AA – to find sufficient grounds for compromise solution for instance taking the form of curtailed recovery order.

7.

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

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

8.
In case the factors behind the recovery procedure show violation of the subsidy contract (§10), the MA will consider the termination of the contract as a last resort as described in.

9.
The rate of the late interest applied to the amount to be recovered will be calculated in accordance with Council Regulation (EC) No 1083/2006, Article 102(2).

§ 14
Assignment, legal succession

1.
The MA is entitled at any time to transfer its rights and duties under this contract. In case of assignment the MA will inform the LP without delay.

2.
The LP is allowed to transfer its duties and rights under this contract only after prior written consent of the MA and the respective Steering Committee.

3.
In cases of legal succession, e.g. where the LP or a PP changes its legal form, the LP or PP is obliged to transfer all duties under this contract to the legal successor. The LP shall notify the MA about any change beforehand in written.

§ 15
Concluding provisions

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

2.
The extension time for the project has to be applied simultaneously with the last PR/PC at the latest using a form provided by the MA.

3.
All correspondence with the MA under this contract must be in writing and in English.

4.
All correspondence with the MA must be sent to the following address:

Regional Council of Southwest Finland
Department for the Management of International EU-programmes
Programme Director Tarja Nuotio
Ratapihankatu 36 – P.O. Box 273
FIN-20101 Turku, Finland
Tel.: +358 2 2100 948 – Fax: +358 2 2100 970
e-mail: tarja.nuotio@varsinais-suomi.fi – www.varsinais-suomi.fi

5.
All the Programme related relevant information for the LP and PPs is available in www.centralbaltic.eu in English

6.
If any provision in this contract should be wholly or partly ineffective, the parties to the contract will replace ineffective provision by an effective provision which comes as close as possible to the purpose of the ineffective provision. This procedure in conducted in written form by the parties concerned. In case of differences that are not ruled by this Contract the parties concerned will agree on aiming to find a mutual consent on the issue.

7.
Amendments and supplements to this contract and any waiver of the requirement of the written form must be in written form.

8.
The appeal process as legislated in the Finnish Local Government Act (Chapter 11) in cases where the LP is unsatisfied on decisions made by the MA/CA/AA has two stages:

1) The LP from the participating Member States/Åland of the Central Baltic OP may appeal against the acts of the MA/CA/AA (**e.g.** the payment decisions by the CA or unilateral termination of the Subsidy Contract by the MA) by sending the demand for rectification to the board of the Regional Council. The board will handle the rectification as soon as possible (depending on the meeting schedule of the board). The request is to be addressed to:

The Board of the Regional Council of Southwest Finland
PB 237 (Ratapihankatu 36)
20101 TURKU
Finland

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

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

The unsatisfied LP is obliged to demand for rectification against the decisions of MA/CA/AA conducted on the basis of this contract as well as on the applied legal

framework (§1) within the timeframe of 7+14 working days after receiving the information on the decision.

Only decisions made by the MA, CA and AA can be appealed against as they are the only decisions in the overall decision process having binding legal relevance.

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

9.
This contract is governed by the laws of the Republic of Finland. The place of jurisdiction is Turku, Finland.

Signatures:

Place and date: Turku

……
Signature

Tarja Nuotio
Programme Director/Managing Authority
Regional Council of Southwest Finland
Department for the Management of International EU-programmes

Place and date: ……

……

Hans Ullström

Head of Culture Administration, Stockholm County Council/Film Stockholm.

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

Annex 1: Approved application with Annex 6
Annex 2: A protocol note of the respective Steering Committee meeting