Subgrant Contract

This Contract is financed under the EU-co-funded project ‘Capital Cities Collaborating on Common Challenges in Hazardous Waste Management-Yerevan, Warsaw, Tirana’ (NEAR-TS/2019/412-943).

# SUB-GRANT CONTRACT

**No.<** contract identification number*>*

(hereinafter: the ‘Contract’)

**Yerevan Municipality ‘IPIU Building Up of Yerevan’ CNCO,** 44 Teryan str., 3rd floor, (hereinafter: the ‘**Sub-Grantor**’), lawfully represented by Mr. Sergey Melik-Yolchyan, Deputy CEO – “Capital Cities Collaborating on Common Challenges in Hazardous Waste Management – Yerevan, Warsaw, Tirana” project director /financial director/ from one part

and

<Full official name as mentioned in the LEF> <Legal status (organisation)>

[<Organisation state registration number>]

<Full official address>

**[**VAT number, for VAT registered beneficiaries**]** (hereinafter: **the Sub-Grantee**)

lawfully represented by <insert name and position of the legal representative>

[and

<Full official name as mentioned in the LEF>

[<Legal status (organisation)>]

[<Organisation state registration number>]

<Full official address>

**[**VAT number, for VAT registered beneficiaries**]**

(hereinafter: **the Sub-Grant Co-Beneficiary**)

who has conferred mandate for the purposes of the signature of the agreement to the Sub-Grantee, collectively referred to as “**Sub-Grant Beneficiaries**” where a provision applies without distinction to the Sub-Grantee and the Sub-Grant Co-Beneficiary**]** of the other part,

(hereinafter: the ‘Parties’)

have agreed as follows:

# ARTICLE 1 — Subject of the Contract

1.1 The purpose of this contract is the award of a sub-grant by the Sub-Grantor to finance the implementation of the Action <insert title as per Annex I> described in Annex I (hereinafter: the ‘Action’). No other activity can be financed with the sub-grant.

1.2 The Yerevan Municipality ‘IPIU Building Up of Yerevan’ CNCO, in its capacity of Sub-Grantor, and the **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** are the sole parties to this Contract. The Contract and the payments attached to it cannot be assigned or transferred to a third party in any manner whatsoever.

1.3 The **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** shall be awarded the sub-grant on the terms and conditions set out in this Contract.

1.4 The [Sub-Grantee accepts / Sub-Grant Beneficiaries accept] the grant and to be responsible for carrying out the Action in accordance with the provisions of this Sub-Grant Contract. The Sub-Grantee shall act as Coordinator of the Sub-grant Co-Beneficiary and report to the Sub-Grantor on its behalf.

1.5 The Parties commit to work in a spirit of cooperation and partnership, to employ their best efforts to ensure that the Action is soundly implemented and administered in accordance with the terms of this Contract, and the requirements of applicable legislation.

# ARTICLE 2 — Implementation period of the action

2.1 This Contract shall enter into force and the Implementation of the Action shall begin on the date when the last Party signs this Agreement.

2.2 The implementation period of the Action, as laid down in Annex I, is <number> months.

2.3 Within 10 working days from the Sub-Grant Contract entry into force, the Sub-Grantee shall present to the Sub-Grantor the following document[s]:

* Procurement Plan for the whole project period. The Procurement Plan preparation format shall be provided by the Sub-Grantor upon Contract signature.
* [Partnership Agreement signed by all Sub-Grant Beneficiaries].

The Procurement Plan shall be approved by the Sub-Grantor.

# ARTICLE 3 — Financing the Action[[1]](#footnote-1)

3.1 The total eligible costs are estimated at EUR <insert amount>, as set out in Annex II.

3.2 The Sub-Grantor undertakes to finance a maximum amount of EUR <insert amount>.

3.3 The sub-grant is further limited to <enter applicable percentage > % of the total eligible cost of the Action specified in Article 3.1. The amount of total eligible costs, the co-financing percentage and the maximum sub-grant amount cannot be increased.

3.4 The final amount of the sub-grant may not exceed the maximum ceiling in Article 3.2 and the percentage in Article 3.3.

If at the end of the action, the eligible costs of the Action as per Article 12 are less than the estimated eligible costs as referred to in Article 3.1, the sub-grant shall be limited to the amount obtained by applying the percentage laid down in Article 3.3 to the total eligible costs of the Action approved by the Sub-Grantor.

3.5 The **[**Sub-Grantee undertakes **/** Sub-Grant Beneficiaries undertake**]** to co-finance from own resources <enter applicable percentage>% of total eligible costs.

# ARTICLE 4 — Annexes to the contract

4.1 This Sub-Grant Contract comprises the following annexes, that form integral part of the Contract:

Annex I Sub-Grant Description (same as Application Form)

Annex II: Sub-Grant Budget (3 worksheets)

Annex III: Sub-Grant Guidelines for Applicants

Annex IV Model for Narrative Interim / Final Report

Annex V Model for Financial Interim / Final Report

Annex VI Model for Payment Request.

In the event of a conflict between the provisions of the present Contract and any annex thereto, the Contract shall take precedence.

# ARTICLE 5 — Contact addresses

Any communication relating to this Contract shall be in writing, state the number and title of the Action and be sent to the following addresses:

***For the Sub-Grantor***

**Yerevan Municipality ‘IPIU Building Up of Yerevan’ CNCO,**

1/3 P. Byuzand str., 5th floor,

For the attention of Mr. Sergey Melik-Yolchyan, Financial Director

E-mail: [hwmproject.2020@gmail.com](mailto:hwmproject.2020@gmail.com)

***For the [Sub-Grantee / Sub-Grant Beneficiaries]***

<address of the **Sub-grantee** for correspondence to be inserted>

<contact person to be inserted>

E-mail: <e-mail to be inserted>.

# ARTICLE 6 — Role of the Sub-Grantee [and Sub-Grant Co-Beneficiary]

6.1. The **[**Sub-Grantee / Sub-Grant Beneficiaries] shall:

1. be responsible for carrying out the Action vis-a-vis the Sub-Grantor, taking all necessary and reasonable measures to ensure that the Action is carried out in accordance with the Sub-Grant Description in Annex I, the terms and conditions of this Contract, the relevant in-force legislation and the Guidelines for Applicants. To this purpose, the **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** shall implement the Action with the requisite care, efficiency, transparency, and diligence, in line with the principle of sound financial management and with the best practices in the field;
2. be responsible for complying with any obligation incumbent on them from this contract jointly or individually;
3. in the event of audits and checks, as described in Article 17, or monitoring / evaluations - provide all the necessary documents, including but not limited to: excerpts from accounts, copies of relevant supporting documents and signed copies of any contract concluded to implement the Action according to Article 17.4, or access to the same documents.

6.2 **[**The Sub-Grant Co-Beneficiary shall forward to the Sub-Grantee the data needed to draw up the reports, financial statements and other information or documents required by this Contract, including in the event of audits, checks, as described in Article 17, or in case of monitoring or evaluations**].**

**[Obligations of the Sub-Grantee ]**

**[**6.2/6.3**]**The Sub-Grantee shall:

1. monitor that the action is implemented in accordance with this contract **[**and ensure coordination with the Sub-Grant Co-Beneficiary in the implementation of the action ];
2. **[**be the intermediary for all communications between the Sub-Grant Beneficiaries and the Sub-Grantor**];**
3. supply all documents and information that the Sub-Grantor will require under this Contract. This includes the narrative and financial interim and final reports, as per templates attached to this Contract, and any other periodic reports that the Sub-Grantor may require during implementation.
4. timely inform the Sub-Grantor of any event likely to affect or delay the implementation of the Action;
5. timely inform the Sub-Grantor of any changes in legal, financial, technical, organisational or ownership situation as well as of any changes in the name, address or legal representative or concerning financial information [occurring to any of the Sub-Grant Beneficiaries];
6. be fully accountable from a financial point of view for ensuring that the action is implemented in accordance with this Contract;
7. be the sole recipient of the payments of the Sub-Grantor [and ensure that the appropriate payments are then made to the Sub-Grant Co-Beneficiary without unjustified delay].

The Sub-Grantee shall not delegate any of these tasks.

# ARTICLE 7 – Liability

7.1. The Sub-Grantor cannot under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the [Sub-Grantee / Sub-Grant Beneficiaries] while the Action is being carried out or as a consequence of the Action. The Sub-Grantor cannot, therefore, accept any claim for compensation or increases in payment in connection with such damage or injury.

7.2. The [Sub-Grantee / Sub-Grant Beneficiaries] shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them while the Action is being carried out or as a consequence of the action. The [Sub-Grantee / Sub-Grant Beneficiaries] shall discharge the Sub-Grantor of all liability arising from any claim or action brought as a result of an infringement of rules or regulations by the [Sub-Grantee’s / Sub-Grant Beneficiaries’] employees or individuals for whom those employees are responsible, or as a result of violation of a third party’s rights. For the purpose of this Article 7 employees of the [Sub-Grantee / Sub-Grant Beneficiaries] shall be considered third parties.

# ARTICLE 8 - Conflict of Interest

8.1. The **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** shall take all necessary measures to prevent or end any situation that could compromise the impartial and objective performance of this Contract. Such conflict of interests may arise in particular as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest.

The conflict of interests is defined in accordance with the practical guide on contract procedures for European Union external action (PRAG).

8.2. Any conflict of interests which may arise during performance of this Contract must be notified in writing to the Sub-Grantor without delay. In the event of such conflict, the Sub-Grantee shall immediately take all necessary steps to resolve it.

8.3. The Sub-Grantor reserves the right to verify that the measures taken are appropriate and may require additional measures to be taken if necessary.

8.4. The **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** shall ensure that **[**its/their**]** staff, including management, is not placed in a situation which could give rise to conflict of interests. Without prejudice to its obligations under this Contract, the **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** shall replace, immediately and without compensation from the Sub-Grantor, any member of its staff in such a situation.

# ARTICLE 9 - Visibility

9.1 The [Sub-Grantee / Sub-Grant Beneficiaries] shall take all necessary steps to publicise the fact that the European Union has financed or co-financed the action. Such measures shall comply with the Communication and Visibility Requirements for European Union External Actions laid down and published by the European Commission, that can be found at the following address:

<https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/visibility_requirements-near_english.pdf>

or with any other guidelines issued by European Commission.

9.2. In particular, the [Sub-Grantee / Sub-Grant Beneficiaries]shall mention the Action and the European Union's financial contribution in information given to the final recipients of the action, in its internal and annual reports, and in any dealings with the media. It shall display the European Union logo wherever appropriate.

9.3. Any notice or publication by the **[**Sub-Grantee / Sub-Grant Beneficiaries] concerning the Action, including those given at conferences or seminars, shall specify that the action has received European Union funding. Any publication by the **[**Sub-Grantee / Sub-Grant Beneficiaries], in whatever form and by whatever medium, including the internet, shall include the following statement: ‘This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of < Sub-Grantee’s or Sub-Grant Co-Beneficiary’s name > and can under no circumstances be regarded as reflecting the position of the European Union.’

The **[**Sub-Grantee / Sub-Grant Beneficiaries]shall notify the Sub-Grantor of any press conferences, public events, or ceremonies in connection with this contract prior to their occurrence and shall acknowledge that support was provided by EU, in the framework of the project ‘Capital Cities Collaborating on Common Challenges in Hazardous Waste Management – Yerevan, Warsaw, Tirana.’.

9.4. The **[**Sub-Grantee authorises / Sub-Grant Beneficiaries authorise] the Sub-Grantor and the European Commission to publish **[**its/their**]** name and address, nationality, the purpose of the sub-grant, duration and location as well as the maximum amount of the sub-grant and the rate of funding of the Action's costs, as laid down in Article 3.

9.5 The **[**Sub-Grantee / Sub-Grant Beneficiaries] and **[**its/their**]** staff shall respect human rights, applicable data protection rules and environmental legislation applicable in the country(ies) where they are established and internationally agreed core labour standards, e.g., the ILO core labour standards, conventions on freedom of association and collective bargaining, elimination of forced and compulsory labour, elimination of discrimination in respect of employment and occupation, and the abolition of child labour.

# ARTICLE 10 — Ownership of assets and no-profit rule

10.1 Equipment and supplies paid with the sub-grant shall not be transferred by the **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** to another organization, an individual or any other third parties in any manner whatsoever. The **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** shall maintain the ownership of such assets during the implementation of this Contract and in the 3 years after the end of the implementation period. Equipment and supplies may be transferred to Yerevan, Warsaw, and Tirana municipalities without any limitations.

In no event may the end use of the assets jeopardize the project sustainability.

10.2 The **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** shall offer the use of any licensed digital application developed under the Action as well as necessary equipment free of charge to Yerevan, Warsaw and Tirana Municipalities for 5 years after the end of the implementation period.

10.3 The no-profit rule does not apply to this Contract. Sub-Grantee may receive incomes in connection to the Action to secure the project sustainability.

# ARTICLE 11 — Amendment to the Contract

11.1 Any amendment to this Contract, including the annexes thereto, shall be set out in writing. This Contract can be modified only during its implementation period.

11.2 The amendment may not have the purpose or the effect of making changes to this Contract that would call into question the sub-grant award decision or be contrary to the equal treatment of applicants. The amount of total eligible costs, the co-financing percentage and the maximum sub-grant amount referred to in Article 3.2 and 3.3 cannot be increased.

11.3. Each party willing to amend the Contract or its Annexes shall notify the other party in writing (e-mail). The notification has to be submitted at least 10 working days before the day when the amendment has to enter into force. Once notification is received the notified Party is obliged to answer in writing (e-mail) not later than 10 working days from receiving the Request of amendment. Notifications on a shorter notice can be accepted in case of exceptional circumstances, provided that these are duly justified and accepted by the Sub-Grantor.

11.4 The amendment(s) required by the Sub-Grantee, also on behalf of the Sub-Grant Co-Beneficiary, become effective when the Sub-Grantor approves the submitted Request for Amendment.

11.5 The Sub-Grantee shall notify the Sub-Grantor about any forthcoming change occurring to any Sub-Grant Beneficiary concerning:

* its legal status;
* changes in the actual locations of its premises.

Such changes must be notified at least 10 days prior to their occurrence.

11.6. In the event that the **[**Sub-Grantee is / Sub-Grant Beneficiaries are] unable to complete the Action within the implementation period specified on point 2.3 of this Sub-Grant Contract, the Sub-Grantee shall with no delay and at least 15 calendar days prior to the end of the implementation period, notify the Sub-Grantor and ask for an extension of the implementation period. Where the Sub-Grantee fails to submit a timely request for extension, or the Sub-Grantor does not grant the extension of the implementation period, then the original end of the implementation period, as specified in Article 2 of this Contract, shall remain in effect.

# ARTICLE 12 — Eligibility of costs

12.1 Eligible costs are actual costs incurred by the **[**Sub-Grantee / Sub-Grant Beneficiaries] that meet the following criteria:

1. the costs are incurred during the implementation period of the Action as specified in Article 2. In particular:

(i) Costs relating to services are incurred when the related activities are performed during the implementation period. Costs relating to supplies are incurred when the related items are delivered and installed during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, supplies or works after expiry of the implementation period do not meet this requirement.

(ii) Costs incurred must be paid before the submission of the final report.

(iii) Costs incurred must be paid by bank transfer. Cash payments are not allowed.

1. the costs are indicated in the estimated overall Sub-Grant Budget and within the limits set in the Sub-Grant Budget (Annex II to this Contract), and its subsequent modifications in compliance with Article 11;
2. the costs are necessary for the implementation of the action;
3. the costs are identifiable and verifiable, in particular being recorded in the accounting records of the **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** and determined according to the accounting standards and the usual accounting practices;
4. the costs comply with the requirements of applicable tax and social legislation;
5. the costs are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency;
6. the expenditures incurred are paid out from the bank account dedicated to the Action.

12.2. Subject to Article 12.1, the following costs shall be eligible:

1. the cost of the Project Staff as included in the Budget (Annex II). Salary costs correspond to actual gross salaries including social security charges and other remuneration-related costs (excluding performance-based bonuses) provided that such costs do not exceed those normally borne by the **[**Sub-Grantee / Sub-Grant Beneficiaries];
2. costs of freelance service contracts for the Project Staff;
3. purchase costs for equipment and supplies specifically dedicated to the purposes of the Action;
4. purchase costs of IT applications for the purposes of the Action;
5. costs of consumables;
6. costs of service and supply contracts awarded by the **[**Sub-Grantee / Sub-Grant Beneficiaries] for the purposes of the Action;
7. travel and subsistence costs of staff and other persons taking part to the Action incurred for the purpose of the Action;
8. costs for design and production of promotional and visibility materials;
9. costs of intellectual property protection;
10. duties, taxes and charges, including VAT, if paid and not recoverable by the [Sub-Grantee / Sub-Grant Beneficiaries];
11. other costs deriving directly from the requirements of the Contract;
12. any other cost identified as eligible by the Guidelines for Applicants and identified in the project budget, that is not included in the bullets from (a) to (k).

12.3. 5% of the final amount of direct eligible costs of the action established in accordance with Article 3 and 14, may be claimed as **indirect costs**.

The indirect costs for the action are those eligible costs which may not be identified as specific costs directly linked to the implementation of the action and may not be booked to it directly according to the conditions of eligibility in Article 12.1. However, they are incurred by the **[**Sub-Grantee / Sub-Grant Beneficiaries] in connection with the eligible direct costs for the action. They may not include ineligible costs as referred to in Article 12.4 or costs already declared under another costs item or heading of the budget of this contract. Flat-rate funding in respect of indirect costs does not need to be supported by accounting documents.

12.4. The following costs shall not be considered eligible:

1. debts and debt service charges (interest);
2. provisions for losses, debts or potential future liabilities;
3. costs declared by the Sub-Grantee and financed by another action or work programme receiving a European Union grant (including through the European Development Fund);
4. purchases of land or buildings;
5. currency exchange losses;
6. costs that are incurred prior to the signature of the Sub-Grant contract;
7. in kind contributions;
8. credits to third parties;
9. VAT and customs duties (if recoverable, under national regulations);
10. performance-based bonuses included in costs of staff;
11. any other cost that is not strictly related and necessary to the implementation of the Action.
12. any other cost not mentioned under 12.2.

# ARTICLE 13 — Implementation

13.1 If the implementation of the Action requires the **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** to procure goods or services, the procurement procedures shall be conducted with the application of principles of transparency, equal treatment, and encouraging open and free competition will be ensured. Procurement conducted according to the rules of the EU Practical Guide or to the National Public Procurement Law of the country where the entity launching the procedure is established, will be considered meeting the above principles.

13.2 The **[**Sub-Grantee **/** Sub-Grant Beneficiaries**]** shall maintain all records of the procurement procedures.

# ARTICLE 14 – Reporting obligations

14.1 The Sub-Grantee shall provide the Sub-Grantor with all required information on the implementation of the Action by means of written reports.

* 1. The following reports shall be submitted:

1. an Interim Report covering the first 6 months of implementation. The Interim Report shall be submitted to the Sub-Grantor not later than 15 working days after the end date of the reporting period. The six-month reporting period can be shortened in the case foreseen at Article 15.4. The Interim Report shall be prepared using the templates provided in Annex IV and V to this Contract.
2. a Final Report covering the whole project implementation. The Final Report shall be submitted to the Sub-Grantor not later than 20 working days after the end date of the implementation period. The Final Report shall be prepared using the templates provided in Annex IV and V to this Contract.
3. any other ad hoc report required by the Sub-Grantor to ensure the sound and regular implementation monitoring. Templates for ad hoc reporting will be provided by the Sub-Grantor.

14.3 If the Sub-Grantee fails to report to the Sub-Grantor within the set deadline without an acceptable and written explanation of the reasons, the Sub-Grantor may terminate this contract according to Article 20.2 (b) and (c).

14.4 The Sub-Grantor may request additional information at any time. The Sub-Grantee shall provide this information within 5 working days of the request, in the language of the report.

# ARTICLE 15 — Payment and reporting arrangements

15.1 The Sub-Grantor must pay the Sub-Grantee as described below:

1. An **initial pre-financing payment** equal to 50% of the maximum Sub-Grant amount set in Article 3.2.
2. A **second pre-financing payment** equal to 40% of the maximum Sub-Grant amount set in Article 3.2.
3. The **payment of the balance** of the final Sub-grant amount.

15.2 The **initial pre-financing payment** is made not later than 15 calendar days after the Contract signature.

15.3 The **second pre-financing payment** is requested by the Sub-Grantee for the 6-months reporting period. The Sub-Grantee submits a Payment Request, including the Interim Report as per Article 14.2 (i), not later than 15 working days after the end of the reporting period. If, at the end of the reporting period the part of the expenditure actually incurred which is financed by the Sub-Grantor is less than 70% of the initial pre-financing payment, the second pre-financing payment shall be reduced by the amount corresponding to the difference between the 70% of the initial pre-financing payment and the part of the expenditure actually incurred which is financed by the Sub-Grantor.

15.4 The Sub-grantee may submit a Payment Request for second pre-financing payment before the end of the six-month reporting period, when the part of the expenditure actually incurred which is financed by the Sub-Grantor is more than 70 % of the previous payment.

15.5 The **payment of the balance** is requested by the Sub-Grantee at the end of the implementation period. The Sub-Grantee submits a Payment Request, including the Final Report as per Article 14.2 (ii), not later than 20 working days after the end of the implementation period.

15.6 The payment request shall be drafted using the model in Annex VI.

15.7 The second pre-financing payment and the payment of the balance shall be made within 30 days of receipt of the Payment Request by the Sub-Grantor. The Payment deadline can be suspended if:

* the Payment Request is not properly completed;
* the supporting documents have not been supplied in totality or in part;
* clarifications, modifications or additional information to the narrative or financial reports are needed;
* the visibility obligations set out in Article 9 are not complied with.

Any suspension of the Payment deadline is notified in writing to the Sub-Grantee.

15.8 The Sub-Grantor’s payment obligations are contingent upon the availability of funds from which the payment for contract purposes can be made. In case of temporary fund unavailability, no legal liability arises on the Sub-Grantor and the payment obligation remains suspended until when the funds are again made available.

15.9 If the [Sub-Grantee provides / Sub-Grant Beneficiaries provide] the Sub-Grantor with incorrect or incomplete financial information or omits to timely inform the Sub-Grantor about any changes to financial information that has been already provided, any costs incurred by the Sub-Grantor for incorrect bank transfer and payment recovery shall be borne by the [Sub-Grantee / Sub-Grant Beneficiaries].

# ARTICLE 16 – Accounting and bank management

16.1 The **[**Sub-Grantee / Sub-Grant Beneficiaries] shall maintain accurate and regular accounts of the implementation of the Sub-Grant using an appropriate accounting and double-entry book-keeping system, compliant with the relevant in-force provisions of the relevant national legislation.

The accounting system:

* may be an integrated part of or an adjunct to the **[**Sub-Grantee’s / Sub-Grant Beneficiaries’] regular system;
* shall enable income and expenditure relating to the action to be easily traced, identified, and verified.

16.2 The **[**Sub-Grantee / Sub-Grant Beneficiaries] shall ensure that any financial report as required under Articles 6 and 14 can be properly and easily reconciled to the accounting and bookkeeping system and to the underlying accounting and other relevant records.

16.3 The Sub-Grantee must have a separate bank account in EUR that shall be used exclusively for transactions concerning this Sub-Grant Contract. All payments by the Sub-Grantor shall be made on that account, as stipulated by art. 12.1, a, (iii).

16.4 Payments in cash by the **[**Sub-Grantee / Sub-Grant Beneficiaries] are not allowed.

# ARTICLE 17 – Technical and Financial Checks

17.1. The **[**Sub-Grantee / Sub-Grant Beneficiaries] shall allow the Sub-Grantor, any external auditor authorised by the Sub-Grantor, the European Commission, the European Anti-Fraud Office, the European Court of Auditors to perform verifications. To this purpose the **[**Sub-Grantee / Sub-Grant Beneficiaries] shall allow the above-mentioned entities to:

* access the locations where the Action is implemented;
* examine all accounting and information systems, documents and databases concerning the Sub-Grant technical and financial management;
* take copies of the documents;
* carry out on-the-spot checks;
* conduct a full audit on the basis of all accounting documents and any other relevant document to the financing of the Action.

The **[**Sub-Grantee undertakes / Sub-Grant Beneficiaries undertake] to provide the above entities with copies of documents relevant to the Action upon request and to perform all necessary steps to support and facilitate their work.

17.2. Audits and verifications as provided for by this Article shall be carried out on the basis of confidentiality with respect to third parties, without prejudice to the obligations of public law to which the auditors or the other authorized persons performing the checks are subject.

17.3 The **[**Sub-Grantee / Sub-Grant Beneficiaries] shall keep all records, accounting and supporting documents related to this contract for five years following the end date of the implementation period, and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed of.

They shall be easily accessible and filed so as to facilitate their examination and the **[**Sub-Grantee / Sub-Grant Beneficiaries] shall inform the Sub-Grantor of their precise location.

17.4. All the supporting documents shall be available either in the original form, including in electronic form, or as a copy. Such supporting documents may include:

* Periodic reports submitted as per Contract provision / Sub-Grantor requests;
* Accounting records (computerised or manual) from the **[**Sub-Grantee’s / Sub-Grant Beneficiaries’] accounting system such as general ledger, sub-ledgers and payroll accounts, fixed assets registers and other relevant accounting information;
* Proof of procurement procedures such as tendering documents, bids/offers from tenderers and evaluation reports;
* Proof of commitments such as contracts and order forms;
* Proof of delivery of services as appropriate to the nature of services delivered;
* Proof of receipt of goods such as delivery slips from supplier;
* Proof of purchase such as invoices and receipts;
* Proof of payment such as bank statements, debit notices, proof of settlement by the contractor;
* Staff and payroll records such as contracts, salary statements, time sheets, details of remuneration paid, broken down into gross salary, social security charges, insurance and net salary.

17.5 Failure to comply with the obligations set forth in Article 17.1 to 17.4 constitutes a case of breach of a substantial obligation under this Contract. In this case, the Sub-Grantor may in particular suspend or terminate the contract and/or reduce the sub-grant.

# ARTICLE 18 – Recovery

18.1. If any amount is unduly paid to the Sub-Grantee, or if recovery is justified under the terms of this Contract, the Sub-Grantee undertakes to repay the Sub-Grantor these amounts.

18.2. In particular, if at the end of the Action, the costs of the Action approved as eligible by the Sub-Grantor in compliance with Article 12 are less than the estimated eligible costs as referred to in Article 3.1, and the Sub-Grant amount obtained by applying the percentage laid down in Article 3.3 to the eligible costs of the action approved by the Sub-Grantor is lower than the amount that has been paid to the Sub-Grantee, the Sub-Grantor shall recover the amount paid in excess by issuing a debit note.

18.3. The Sub-Grantee undertakes to repay any amounts paid in excess by the Sub-Grantor within 15 days of the issuing of the debit note, the latter being the letter by which the Sub-Grantor requests the amount owed by the Sub-Grantee. Bank charges shall be borne by the Sub-Grantee.

18.4 Should the Sub-Grantee fail to make repayment within the deadline, the Sub-Grantor may increase the amounts due by adding interest at the rediscount 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.

# ARTICLE 19 – Suspension of the Implementation

19.1 If exceptional circumstances, including force majeure, occur that make the implementation of the Contract excessively difficult or dangerous, such implementation can be suspended by the **[**Sub-Grantee / Sub-Grant Beneficiaries] or by the Sub-Grantor. The party intending to suspend implementation shall inform the other in writing without delay, explaining the reasons for the suspension and its likely duration.

19.2 The Sub-Grantee shall undertake all efforts to minimise the time and effects of suspension, and resume implementation as soon as circumstances allow, informing the Sub-Grantor accordingly. If implementation cannot be resumed the contract may be terminated in accordance with Article 20, at either the Sub-Grantee or the Sub-Grantor initiative.

19.3. The term force majeure, as used herein covers any unforeseeable events, not within the control of either party to this contract and which by the exercise of due diligence neither party is able to overcome such as acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosion. A decision of the European Union to suspend the cooperation with the partner country is considered to be a case of force majeure when it implies suspending funding under this contract.

19.4. The Sub-Grantee shall not be held in breach of its contractual obligations if it is prevented from fulfilling them by circumstances of force majeure.

19.5. In case of suspension according to Article 19.1, the implementation period of the action shall be extended by a period equivalent to the length of suspension, without prejudice to any amendment to the contract that may be necessary to adapt the action to the new implementing conditions.

# ARTICLE 20 – Termination

20.1 In the cases foreseen in Article 19.1, if the any of the Parties believes that this Contract can no longer be executed effectively or appropriately, it shall duly consult the other Party. Failing to identify a solution, the Sub-Grantor and the Sub-Grantee may terminate this Sub-Grant contract.

Failing agreement on a solution, the **[**Sub-Grantee / Sub-Grant Beneficiaries] or the Sub-Grantor may terminate this contract by serving one month written notice, without being required to pay indemnity.

20.2 Without prejudice to Article 20.1, in the following circumstances the Sub-Grantor may terminate this Contract without any indemnity on its part when:

1. the Sub-Grantor has evidence that the Sub-Grantee [or the Sub-Grant Co-Beneficiary], or any related entity or person, has committed breach of obligations, irregularities or fraud in the award procedure or in the implementation of the Sub-Grant;
2. the Sub-Grantee [or the Sub-Grant Co-Beneficiary] is guilty of misrepresentation in supplying the information required in the award procedure or in the implementation of the Action – or fails to supply within the deadlines set under this Contract any information related to the Action required by the Sub-Grantor;
3. the Sub-Grantee [or the Sub-Grant Co-Beneficiary] fails, without justification, to fulfil any substantial obligation as per Contract and, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within 10 days of receipt of the letter;
4. the Sub-Grantor has evidence that the Sub-Grantee [or the Sub-Grant Co-Beneficiary] is subject to a conflict of interests;
5. a change occurred to the Sub-Grantee’s [or the Sub-Grant Co-Beneficiary’s] legal, financial, technical, organisational or ownership situation substantially that affects the implementation of this contract or calls into question the decision awarding the grant;
6. the Sub-Grantee [or the Sub-Grant Co-Beneficiary] fails to notify any change to its legal status or the actual locations of its premises in compliance with Article 11.5;
7. the Sub-Grantee [or the Sub-Grant Co-Beneficiary] is bankrupt, subject to insolvency or winding up procedures, is having its assets administered by a liquidator or by the courts, has entered into an arrangement with creditors, has suspended business activities or is in any analogous situation arising from a similar procedure provided for under any national law or regulations;
8. the Sub-Grantee [or the Sub-Grant Co-Beneficiary] has been found guilty of grave professional misconduct proven by any means which the Sub-Grantor can justify;
9. it has been established by a final judgment or a final administrative decision or by proof in possession of the Sub-Grantor that the Sub-Grantee [or the Sub-Grant Co-Beneficiary] is guilty of fraud, corruption, involvement in a criminal organisation, money laundering or terrorist financing, terrorist related offences, child labour or other forms of trafficking in human beings or circumventing fiscal, social or any other applicable legal obligations, including through the creation of an entity for this purpose;
10. the Sub-Grantor has evidence that the Sub-Grantee [or the Sub-Grant Co-Beneficiary] has not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which it is established.

The cases of termination under points (a), (d), (g), (h) and (i) may refer also to persons who are members of the administrative, management or supervisory body of the Sub-Grantee [or the Sub-Grant Co-Beneficiary] and/or to persons having powers of representation, decision or control with regard to the Sub-Grantee [or the Sub-Grant Co-Beneficiary].

20.4 Upon termination of this Contract the **[**Sub-Grantee / Sub-Grant Beneficiaries] shall take all immediate steps to bring the action to a close in a prompt and orderly manner. Without prejudice to Article 12, the sub-grant amount shall be calculated considering the eligible costs for the part of the action carried out, and excluding costs relating to commitments that are due to be executed after termination.

20.5 In the cases of termination as per 20.2, points (a), (b), (c), (h) and (i), the Sub-Grantor may, depending on the gravity of the failings, request full or partial repayment of amounts unduly paid for the Action.

# ARTICLE 21 — Applicable Law and Dispute Settlement

21.1 This Contract shall be governed by the laws of the Republic of Armenia.

21.2 If any dispute arises between the Parties in connection with this Contract or its implementation shall be settled in amicable form. Should the Parties fail to reach an agreement the dispute shall be resolved in accordance with the legislation of the Republic of Armenia.

Done in English, in two originals, one original being for the Sub-Grantor and one original being for the Sub-Grantee.

|  |  |  |  |
| --- | --- | --- | --- |
| **For the [Sub-Grantee / Sub-Grant Beneficiaries]** | | **For the Sub-Grantor** | |
| Name |  | Name |  |
| Title |  | Title |  |
| Signature |  | Signature |  |
| Date |  | Date |  |

1. The amount awarded and percentages stated in this article must match with those in Annex II – Sub-Grant Budget. [↑](#footnote-ref-1)