

EEA Financial Mechanism 2009-2014

Project Contract

between

The Planning Bureau

hereinafter referred to as the "Programme Operator",
representing the Government of the Republic of Cyprus,
hereinafter referred to as the "Beneficiary State"

and

the Department of Forests

hereinafter referred to as the "Project Promoter"

together hereinafter referred to as the "Parties"

for the financing of the

"Biodiversity Conservation in Restoration and Management of the Amiantos
Asbestos Mine in Troodos National Forest Park"

Hereinafter referred to as the "Project"



Article 1

Scope

1. This Project Contract between the Programme Operator (PO) and the Project Promoter (PP) sets out the terms and conditions of the Grant assistance provided through the EEA Financial Mechanism 2009-2014, as well as the rules and responsibilities of the parties.
2. The Project Contract is directly related to the Programme Agreement, signed between the Financial Mechanism Committee (FMC) on the one hand and the National Focal Point (NFP) on the other, which includes the Programme Decision (Annex I of the Programme Agreement) and the Operational Rules (Annex II of the Programme Agreement) and as such, these documents shall form an integral part of this Project Contract. Any reference to the Programme Agreement includes a reference to its annexes. These documents are attached to the contract as Annex 1.
3. This Project Contract is based on information provided by the PP to the NFP/PO/FMC in the relevant project application (Annex 2), and on any other information provided by the PP through its correspondence and communication with the NFP/PO.
4. With the signing of this Project Contract the PP is accepting to take over all relevant obligations that the NFP has taken on with the signing of the Programme Agreement. During the implementation of the Project, the PP shall act in accordance with the abovementioned obligations. In addition, during project implementation, the PP undertakes to adhere to (a) the Regulation on the Implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 8(8) of the Protocol 38b to the EEA Agreement on the EEA Financial Mechanism 2009-2014, (b) the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Donor States and the Republic of Cyprus, and (c) any guidelines adopted by the FMC in accordance with the Regulation. The full texts of these documents are available on the websites www.eeagrants.org and www.eeagrants.gov.cy. Failure to comply with the regulations and conditions provided in the Programme Agreement as well as with the provisions of this Project Contract, will in the first instance lead to suspension of payments of the Grant.

Article 2

Grant

1. The PO shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of the Programme Agreement, make available to the PP a financial grant (hereinafter referred to as the "Grant") to be used exclusively to co-finance the total eligible cost of the Project. The Grant shall not exceed the amount of €1.138.167.
2. The estimated total eligible project cost is €1.350.000.
3. The estimated total project cost is €1.350.000
4. The Grant rate shall not exceed 84,3 percent of the estimated total eligible cost of the Project. Further information on the funding is provided in Annex II – Operational Rules of the Programme Agreement, section 6 (Annex 1).

Article 3 Cooperation

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of the Project Contract.
2. The Parties agree to provide all information necessary for the good functioning of the Project Contract and to apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good governance, sustainable development, gender equality and equal opportunities.
3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Project.
4. To this end, meetings will be held every two months between representatives of the Parties until completion of the implementation of the Project and approval of the Project Completion Report.
5. In executing this Project Contract the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to this Project Contract.

Article 4 Communication

All communication in relation to the Project shall be directed to the Programme Operator.

Article 5 Main Responsibilities of the Project Promoter

1. The PP is responsible and accountable for the management and implementation of the Project and undertakes to:
 - (a) implement the Project in accordance with the Project Contract;
 - (b) take all necessary steps for the implementation, operation and maintenance of the Project;
 - (c) use the Grant exclusively for the purpose of the Project and according to the approved Project Application and to secure any necessary financial contributions in addition to the Grant in a timely manner;
 - (d) fully comply with all relevant national and EU legislation (including, but not limited to, legislation on the environment, public procurement and state aid);
 - (e) use all assets forming part of the Project only for such purposes as provided for in the Project Contract throughout the minimum period defined in Article 2.1 of Annex I - Programme Decision of the Programme Agreement;
 - (f) provide publicity of the Project in accordance with Article 4.7 and Annex 4 – Information and Publicity Requirements of the Regulation on the Implementation of the EEA Financial Mechanism 2009-2014, as well as Article 8 below;
 - (g) provide, upon request, the PO, the NFP and the FMC with all documents and information related to any aspect of the Project;
 - (h) make all the necessary and appropriate arrangements in order to strengthen or change the way the Project is managed;
 - (i) ensure that a sufficient audit trail is present for activities financed under the Project Contract. For this purpose, the accounting records kept must provide detailed information

about expenditure actually incurred. The accounting records must show the date they were created, the amount of each item of expenditure, the nature of supporting documents and the method of payment. The necessary documentary evidence must be available (e.g. invoices);

(j) ensure the legality and correctness of payments as well as the eligibility of expenditures according to Article 7.2 of the Regulation on the Implementation of the EEA Financial Mechanism 2009-2014 and Article 1.3 of Annex II – Operational Rules of the Programme Agreement;

(k) undertakes to reimburse the amounts to the PO that were subject to irregularities, according to Article 15 below;

(l) keep separately identifiable accounting records (accounting codes) in its accounting system;

(m) keep a permanent project file which should contain all documents related to the Project;

(n) keep available all the original documents related to the Project for at least three years after its completion;

(o) provide funds in order to cover any additional costs necessary for the successful implementation of the Project;

(p) contribute to the strengthening of the bilateral relations with entities in the Donor States through various activities, as per Article 9 below;

(q) submit to the PO by 31 December of every calendar year during project implementation data on the co-financing provided to the Project during the year.

Article 6

Description of the Project

1. The objective of the Project is to halt loss of biodiversity by improving and standardising current restoration techniques and approaches in the Amiantos Asbestos Mine, with the aim to make them more effective and broaden their scope to address biodiversity conservation and landscape considerations. Reference is made to the Project Application dated 06 November 2012 and to any subsequent correspondence with the Programme Operator.

2. The completed Project shall provide the following outputs, through the activities listed below:

Outputs:

- (a) mine area restored;
- (b) training events realised.

Activities:

- (a) Reduction of ecosystem fragmentation through mine restoration works and the adoption of more effective and ecologically friendly restoration methods;
- (b) Improvement of ecosystem protection against invasive species;
- (c) Enhancement of staff's awareness in biodiversity conservation;
- (d) Integration of biodiversity and social considerations in the restoration effort.

3. The co-financing of the Project should be at least 15% of the estimated total eligible project cost as per Article 6 of Annex II of the Programme Agreement. The co-financing will be of the level of €211.833 and will be provided by the Project Promoter itself.

4. Further information on outputs and activities is provided in the Project Application (Annex2).

5. The planned duration of the Project is 36 months.

Article 7
Eligibility of Expenses

1. Unless otherwise agreed by the Parties, the General Principles of the Eligibility of Expenditures under Chapter 7 of the Regulation on the Implementation of the EEA Financial Mechanism 2009-2014 shall be applicable to the implementation of the Project, with the exception of the cost of equipment, where Article 7.3.(c) of the Regulation will not apply. In this instance, by way of an exception, the entire purchase price of new equipment will be eligible if the equipment is an integral and necessary component for achieving the outcome of the Project.
2. Expenditures incurred before the 15th of January 2013 are not eligible.
3. Expenditures incurred after the 30th of April 2016 are not eligible.
4. According to Article 7.2.2. of the Regulation on the Implementation of the EEA Financial Mechanism, eligible expenditures of Projects are those actually incurred by the Project Promoter, which meet the following criteria:
 - (a) they are incurred between the first and final dates of eligibility of the Project, as specified in the Project Contract;
 - (b) they are connected with the subject of the Project Contract and they are indicated in the estimated overall budget of the Project;
 - (c) they are proportionate and necessary for the implementation of the Project;
 - (d) they are used for the sole purpose of achieving the objective of the Project and its expected outcomes, in a manner consistent with the principles of economy, efficiency and effectiveness;
 - (e) they are identifiable and verifiable, in particular through being recorded in the accounting records of the Project Promoter and determined according to the applicable accounting standards of the country where the Project Promoter is established and according to generally accepted accounting principles; and,
 - (f) they comply with the requirements of applicable tax and social legislation.
5. According to Article 7.2.3 of the Regulation on the Implementation of the EEA Financial Mechanism 2009-2014, "costs are considered to be incurred within the dates of eligibility when the costs have been invoiced, paid and the subject matter delivered (in the case of goods) or performed (in the case of services and works)".

Article 8
Information and Publicity Requirements

1. The PP shall undertake that the information and publicity obligations in accordance with Annex 4 of the Regulation will be fulfilled.
2. The PP must communicate the achievements of the Project and must acknowledge the support received by the EEA Grants to the relevant audiences at national, regional and/or local level. Based on the above, the minimum publicity requirements include:
 - (a) development of a publicity plan that details the aims of the communication activities, target groups, methods and time scales;
 - (b) three information activities to be carried out, such as a press event or a press conference on progress, achievements and results (one of these should be a launch or closing activity);
 - (c) a dedicated website or a web page on an existing website, in both the national language and in English, to make information about the Project available to the public;

(d) where applicable, the erection of a billboard at the site of the Project, which will be replaced with a commemorative plaque upon completion.

Article 9

General Conditions for the Awarding of the Grant

1. In view of the conditions imposed on the NFP by the FMC in the Programme Agreement signed for the funding of this Project, the Grant is awarded to the Project Promoter under the following general conditions:

(a) The PP accepts that the Grant offer is subject to any comments or observations made by the European Commission in relation to the screening process (Article 5.10 of the Regulation);

(b) The PP is responsible to maintain any written records of any assessments concerning compliance with state aid rules, particularly decisions to award grants and set grant rates, and provides such records to the PO/FMC upon request;

(c) The PP shall undertake to develop the activities to be implemented under the Bilateral Fund based on the type of the activities described under Article 10. The activities proposed shall be submitted to the NFP/PO/FMC for approval, prior to the disbursement of the funds;

(d) The PP shall undertake to submit to the PO, by 31 December of every calendar year during project implementation, data on the co-financing provided to the Project during the year;

(e) The PP shall undertake that the equipment purchased within the Project is kept in its ownership for at least five years following the Project completion and continue to use the equipment for the benefit of the overall objective of the Project for the same period;

To this end, the PP will submit to the PO, on a yearly basis following Project completion and for a period of five years, a statement signed by the Director of the Department of Forests certifying that the equipment purchased within the Project is in operation and used for the benefit of the Project's overall objective. The statement should be accompanied by an inventory of all equipment purchased within the Project;

(f) The PP shall keep the equipment purchased within the Project properly insured against losses such as fire, theft and other normally insurable incidents, both during project implementation and for at least five years following the completion of the Project;

To this effect, the PP will submit to the PO copy of the said insurance policy on a yearly basis, starting from the date of purchase of the equipment and for at least five years following the completion of the Project.

(g) The PP shall set aside appropriate resources for the maintenance of the equipment for at least five years following the completion of the Project;

The PP shall therefore submit to the PO a copy of a five-year maintenance contract, following the completion of the Project, and will provide evidence on a yearly basis of the payments made in respect of this maintenance contract;

(h) The PP shall keep a list of the equipment purchased under the Project in the form of an inventory.

2. The PP shall take in a timely manner the necessary steps to fulfil the conditions described above.

Article 10 Funds for Bilateral Relations

1. The PP shall undertake to utilise a total amount of €20.392 (€17.333 from the EEA Financial Mechanism and €3.059 through national funds) for bilateral relations. These funds shall be used to facilitate networking, exchange, sharing and transfer of knowledge, technology, experience and best practices between the PP and relevant entities in the Donor States.

2. Eligible activities shall include the participation of the PP and other relevant stakeholders in events, seminars and other relevant activities agreed with the PO/FMC. Eligible costs are defined in Article 7.7 of the Regulation.

3. The PP shall submit its proposals for activities to be covered by these funds to the PO using a specific template provided by the PO, where the following information is requested: topic/subject, type of activity, timeline, costs etc.

4. If the PP is unable to use part or all of its bilateral funds, the unused amount will be re-allocated to one or several of the other PPs for additional activities under their respective projects.

Article 11 Special Provisions on Procurement and Awarding of Contracts

1. The PP undertakes to ensure that the awarding of contracts (including the procedures prior to the awarding) and the terms and conditions of such contracts comply with best economic practices, including accountability, allow a full and fair competition between potential providers and ensure the optimal use of resources from the EEA Financial Mechanism 2009-2014.

2. To this end, the PP will follow the necessary Tender Procedures for the awarding of the contracts (Public Procurement Law No. 12(1) 2006), as well as additional measures to the provisions of the legislation, to be notified in writing to the PP by the PO. Copies of the signed contracts will be submitted to the PO within two weeks from signature.

3. No offer, gifts, payment of benefit of any kind, which would or could, either directly or indirectly, be construed as an illegal or corrupt practice (e.g. as an inducement or reward for the award or execution of procurement contracts) shall be accepted.

4. The PP shall keep records of the awarding and execution of contracts for at least three years from Project completion and provide these upon request to the PO and the FMC.

Article 12 Reporting, Monitoring and Audit

1. The PP shall provide the PO with Progress Reports to be submitted three times per year for the following periods, one month after the end of the reporting period:

- (i) 1 January to 30 April
- (ii) 1 May to 31 August
- (iii) 1 September to 31 December

The template for the Progress Reports will be provided by the PO and will cover both physical and financial progress of the Project. The Progress Reports will provide basic information on the progress of the Project's activities (including the procurement process), achievement of results, objectives and outcomes with the use of agreed indicators, and will also indicate problems encountered and propose corrective measures. As to the financial progress, it will provide disbursement details for the period in question representing the individual payments made, together with a forecast for the next reporting period.

2. Bi-monthly meetings will be held by the PO with the PP in order to examine Project progress and specific issues (e.g. late contracting, tight implementation schedules etc.) that could present problems for the successful Project implementation, so that necessary corrective actions could be agreed on. Minutes of the meetings as well as a follow-up table will be addressed by the PO to the parties concerned. These meetings will be attended by the PP, representatives of the Planning Bureau at the PO and NFP level, as well as any other services that could be involved in Project implementation (e.g. Public Procurement Directorate and Department of Information Technology Services, etc.)

3. The PP shall also provide all requested reports and documents necessary for the implementation of the tasks of the PO, the NFP and the Certifying Authority within the scope of the Project.

4. The PP shall accept monitoring and audit missions from the NFP/PO and/or the Certifying Authority, and/or the Internal Audit Service of the Republic of Cyprus, and/or external Auditors commissioned by the PO and/or the Donors (i.e. FMO, FMC and the EFTA Board of Auditors), and shall in such cases provide access to information, documents, persons, locations and facilities as required under the Programme Agreement.

In accordance with the Article 4.7.1.f of the Regulation, site visits will be conducted based on assessment of risk elements in the Project.

Article 13 Payments

1. All payments will be carried out by the PP through a relevant vote included in the Budget (Head) of the PP within the framework of the Annual Government Budget.

2. The payment claims, supported by copies of paid invoices or other documents of equal probative value, are to be presented by the PP to be verified and certified of its eligibility by the PO, in the form of a Progress Report. The Progress Report shall cover a period of at least four calendar months and be related to expenditures for that period (see Article 12 above for the time periods).

3. The payment claim verification procedure will cover 100% of all claims and will be undertaken by auditors independent of the PO's organisational structure.

4. Final acceptable payment claims must be received by PO within two months of the last date of eligibility of expenditures. Payment claims received at a later date or deemed not acceptable by the PO will not be processed.

Article 14 Increased Cost

If the cost of the implementation of the Project should exceed the estimated total eligible Project cost referred to in Section 6 of Annex II of the Programme Agreement (Annex 1), the PP undertakes that any such additional funds are made available so as to ensure the full implementation of the Project. If the PP fails to make available the additional funds or

additional investments in the Project are not deemed advisable by the PO, the latter may, after consultation with the NFP and the FMC, decide to cancel the Project and request the PP to reimburse the amount already disbursed.

Article 15 Project Modification

1. Any changes to the Project may not be implemented without the prior approval of the NFP. To this end the PP will submit a written request for project modification to the PO, who in its turn will examine the request and forward it to the NFP for approval, together with its reasoned opinion. The request shall provide the necessary background information and justification for the modification and shall contain a detailed description of the proposed modification, and a new budget when relevant. If the modification involves transfers between activities or budget headings, it shall provide the relevant financial figures.

2. The PO could also initiate itself a project modification request, if this is considered as beneficial to the implementation of the Project, by submitting a written request to the NFP for review/approval. Such cases could relate to the following:

- (a) in order to respond to unforeseen events in the country;
- (b) in order to take into account conclusions from evaluations/audits carried out;
- (c) when changes are necessary to enhance the impact of the Project;
- (d) in order to mitigate risks and/or implementation difficulties.

3. The modification requests relating to the following case would necessitate approval by the NFP only:

- (a) changes of a purely technical nature (e.g. change of the contact person);
- (b) changes that are not just of a purely technical nature, but do not affect the objectives/scope and/or introduce or suppress the results of the Project (e.g. changes of beneficiaries or activities) nor do they modify the text of Annex B of the MoU;
- (c) re-allocations inside the approved Project budget (financial transfers between activities and/or between budget headings);
- (d) re-allocations of ineligible costs (i.e. costs that are rendered ineligible for any reason during project implementation).

4. The modification requests relating to the following cases would necessitate approval by the NFP as well as the FMC:

- (a) changes to objectives and/or modification of results and/or Project activities that lead to a modification of objectives;
- (b) changes necessitating amendments to Annex B of the MoU;
- (c) re-allocations inside the approved Project budget exceeding which affect the expected outputs of the Project;
- (d) de-commitments (i.e. unspent funds resulting from a Project modification). The NFP could, in consultation with the FMC, allocate any amount that becomes available as a result of Project modifications to other approved predefined Projects(s) within the EEA cross sectoral Programme, by 31 October 2014.

Article 16 Suspension of Disbursements

1. The PP shall accept the right of the PO to take the necessary measures to investigate and remedy any deficiencies/irregularities in the Project implementation.

2. The PP shall confirm and accept the right of the FMC to suspend disbursement of the Grant under terms of the Articles 12.1 and 12.6 of the Regulation and Article 5.2 of the Programme Agreement, in case of deficiencies in the Project implementation that are not remedied.
3. Suspension due to deficiencies in the Project shall be proportionate to the scope and extent of the breach.
4. The PP/PO can present documents or other relevant evidence and request that the FMC reviews its decision to suspend payments.
5. When the FMC finds that the conditions for suspension no longer apply, it shall take a decision to continue payments.

Article 17 Financial Corrections and Reimbursement

1. The PP shall accept the right of the PO to make appropriate financial corrections when a serious deficiency/irregularity exists, consisting of cancelling all/or part of the financial contribution of the EEA Financial Mechanism to the Project.
2. The Po may make financial corrections if one of the following applies:
 - (a) a serious breach of the Project Contract has occurred;
 - (b) expenditure reported in a Progress Report or in the Project Completion Report is irregular and has not been corrected by the PP;
 - (c) the PP has not complied with its obligations to investigate and/or remedy irregularities.
3. The PO shall base its financial corrections on individual cases of irregularity identified and shall, when deciding the amount of the correction, take account of the nature and gravity of the irregularity and the extent and financial implications of the deficiencies found.
4. Cancelled financial contributions shall be reimbursed to the PO no later than one month from the notification of such a decision to the PP.

Article 18 Termination by the Programme Operator

1. The PO may, after giving seven days' notice to the PP, terminate the Contract, if the PP fails substantially to fulfil its contractual obligations.

Article 19 Force Majeure

1. Neither party shall be considered to be in default of its contractual obligations if the fulfilment of such obligations is prevented by any force majeure event which arises after the date of signature of the Contract by both parties.
2. For the purposes of this Article, the term "force majeure" shall mean acts of God, strikes (except if these are limited to the persons in the PP's employment), lock-outs or other industrial disturbances, hostilities, wars (whether declared or not), blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosions and any other similar unforeseeable events which are beyond the control of the parties, are occurring in the territory of the Republic of Cyprus over

which the Government exercises effective control or in the place where the PP is established, and cannot be overcome by due diligence by either party.

3. If the PP invokes the occurrence of force majeure, it shall be obliged, within twenty days of the occurrence of the events constituting the force majeure, to report these in writing and to present, if required, the necessary evidence to the PO.

4. If, within the above deadline, the PP does not report the events and does not present the necessary evidence, then it shall not be deprived of the right to invoke the existence of force majeure.

5. The PO shall be obliged to reply within thirty days of receiving the aforementioned report of the PP. If the PO does not reply within the above period of time, it shall be deemed to have accepted such force majeure event.

6. If the PO invokes the occurrence of force majeure, it shall be obliged to inform the PP within twenty days of the occurrence of the events constituting the force majeure. If the force majeure affects the PP's activities, the PO shall suspend performance of the Services.

Article 20 Annexes

The following Annexes form an integral part of this Project Contract:

Annex 1: Programme Agreement
Annex I – Programme Decision
Annex II – Operational Rules

Annex 2: Project Application (with Annexes)
Annex 1 – Project Logical Framework
Annex 2 – Project Organisation
Annex 3(A&B) – Detailed Budget
Annex 4a & 4b & 4c – Map and Photos of the Project area
Annex 5 – Current Mine Restoration Practices
Annex 6 – Gantt Chart

Article 21 Language

1. All communications shall take place in the English language.
2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English.

Article 22 Contact Information

1. The addresses of the Parties and other relevant bodies, at the time of the signing, are as follows:

Programme Operator (Planning Bureau):
Planning Bureau
1409 Nicosia,
Cyprus.

Attn: Ms Antonia Omirou

Telephone: +357 22602851
Fax: +357 22666810
Email: aomirou@planning.gov.cy

The Financial Mechanism Office:
The Financial Mechanism Office
European Free Trade Association

Attn: Director of the Financial Mechanism Office
Rue Joseph II 12-16
B-1000 Brussels
Belgium
Telephone: +32 (0)2 286 1701
Fax (general): +32 (0)2 286 1789
Email: fmo@efta.int

Project Promoter:
Department of Forests
Ministry of Agricultural, Natural Resources and Environment
26 Loukis Akritas Avenue,
1414 Nicosia,
Cyprus.

Attn: Mr. Takis Tsintides

Telephone: +357 22805500
Fax: +357 22805542
Email: ttsintides@fd.moa.gov.cy and ttsintides@cytanet.com.cy

2. Changes of the above contact information shall be given in writing without undue delay by each Party to this Project Contract.

Article 23
Entry into Force and Duration

1. This Project Contract shall enter into force on the date of the last signature of the Parties.

2. This Project Contract shall remain in force until five years have elapsed after the date of the acceptance of the Project Completion Report.

This Project Contract is drawn up in two originals in the English language.

Signed in Nicosia, on 15/01/2013

Signed in Nicosia, on 15/01/2013

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For the Programme Operator

For the Project Promoter

Permanent Secretary
Planning Bureau

Acting Director
Department of Forests