

A guidance¹ on the participation of Russian partners in joint projects selected in the second call for applications

It is envisaged that the Russian partners of the projects selected within the second call for applications will receive Programme co-financing for their project activities. The Programme co-financing will combine the contribution of the European Union provided by the European Neighbourhood Instrument (ENI) and the financial contribution of the Russian Federation.

For the projects selected in the second call for proposals, the costs to be co-financed by the Programme (including those for the partners from the Russian Federation) are eligible as of 25 May 2017, which is the day following the selection of projects by the Programme's Monitoring Committee. However, before the subsidy contract is concluded, the implementation of project activities will be carried out at the partners' own risk.

In addition, the Russian partners should note that the Programme co-financing can be made available only when

- the Financing Agreement will have been concluded between the European Commission, Russia and Germany as the country hosting the managing authority, and
- there will be enough liquidity on the Programme accounts for the respective funds to make payments to the projects.

The negotiations on the Financing Agreement are at its final stage.

Applicable rules and eligibility of costs

In general, project partners from the Russian Federation will follow the Programme rules laid down in the Programme Manual, e.g. concerning the applicable budget lines, the eligibility of costs, etc. The Programme Manual will be updated with regard to the participation of Russian project partners after the signature of the Financing Agreement, most likely in autumn 2017. While the updates are being prepared, the current version of the Programme Manual² as well as this guidance should be consulted for the most important points.

The following points are to be taken into account by Russian project partners as these differ from the general Programme rules:

¹ Please note that this guidance is an intermediary paper. It provides the information as being discussed during the preparation of the Financing Agreement (FA). Once the FA is signed, all the rules will be defined in an updated version of the Programme Manual.

² Programme Manual is available at the Programme website: http://www.interreg-baltic.eu/fileadmin/user_upload/about_programme/Main_documents/Programme_Manual_clean.pdf

- **Advance payment**

Russian project partners shall receive advance payments when the Financing Agreement will have been concluded and when there will be enough liquidity on the Programme accounts. Conditions for payments will be defined in the updated Programme Manual.

After the signature of the subsidy contract the advance payment will be transferred to the project via the lead partner. Further requests for interim payments are part of the project's joint progress reports submitted every six months. The advance payments have to be balanced with the reported and certified expenditure of Russian project partners at the end of each project at the latest.

Please note that the Russian partners are encouraged to start their activities, in line with the project's work plan, after the project's selection, however at their own risk. They can record their costs (e.g. staff or travel costs) as of 25 May 2017.

- **Procurement**

For the purpose of this guidance and based on the Financing Agreement, a "public entity" in the Russian Federation means a federal, regional or local authority of the Russian Federation.

(1) Procurement award procedures by Russian project partners other than public entities and other legal entities which are subject to public procurement legislation of the Russian Federation, shall be subject to the Annex to this Guidance (Award of procurement contracts by beneficiaries established in the Russian Federation other than public entities and other legal entities which are subject to public procurement legislation of the Russian Federation)³.

(2) Where the Russian project partner is a public entity established in the Russian Federation or a legal entity which is subject to public procurement legislation of the Russian Federation, it shall apply the legislation of the Russian Federation provided that the following principles are observed.

The procurement contract shall be awarded to the tender offering best value for money or as appropriate to the tenderer offering the lowest price. The Russian project partner shall avoid any conflict of interests and respect the principles of equal treatment, non-discrimination, fair competition, transparency.

The Russian project partner ensures that services, works and goods that are not originating from the Russian Federation receive the same treatment as compared to its own services, works and goods in accordance with the rules of nationality and origin (see below).

Failure to comply with the above shall render the related expenditure ineligible.

³ This annex is part of the FA, hence, still pending further updates.

(3) When purchasing goods or services with a value above EUR 5,000 (excl. VAT) the Programme requires the implementation of a “bid-at-three” procedure if provisions set by the two points above do not require any stricter procedures (see Programme Manual, chapter F.1.4.5.).

- **Rules of nationality and origin**

(1) Participation in the award of procurement procedures referred to above shall be open on equal terms to all natural persons who are nationals of, and legal persons which are effectively established in the eligible countries in accordance with the applicable legislation of each Party to the Agreement⁴.

(2) All supplies purchased under a procurement contract referred to above under the point procurement shall originate from an eligible country in accordance with paragraph (1), except when the cost of these supplies is below EUR 100 000. In this case, supplies may originate from any country.

(3) National preferences are prohibited, except for procurement contracts with a value not exceeding EUR 20 000 in order to promote local capacities, markets and purchases. Failure to comply with this principle shall render the related expenditure ineligible.

- **First level control (FLC)**

The Russian Federation established a decentralised first level control system. This means that each Russian project partner will have to select a first level controller and pay for the services. FLC costs are eligible project costs. This should be taken into consideration when planning the project budget. The Ministry of Economic Development of the Russian Federation is the control contact point responsible as approbation body that designates the controllers of all Russian project partners. Further information about the first level control system in Russia will be provided at <http://www.interreg-baltic.eu/for-projects/first-level-control.html>.

General requirements for the FLC are stipulated in the Programme Manual.

- **Studies**

Any contract related to studies co-financed by contributions provided under the ENI as well as by the Russian Federation shall include the right for the Russian Federation and the Commission to use the study, to publish it or to disclose it to third parties.

⁴ Refers to the Financing Agreement to be concluded between the European Commission, Russia and Germany as the country hosting the managing authority.

- **Exemption from “foreign financing/foreign agents”**

For the purposes of the implementation of the Programme, support received under the financial contribution of the ENI and under the financial contribution of the Russian Federation by Russian beneficiaries in the territory of the Russian Federation shall not be considered as foreign financing as defined in the national legislation of the Russian Federation.

- **Foreign exchange provisions and transfer of funds**

(1) The Russian Federation will apply its necessary national regulations in a non-discriminatory manner to the exchange, import and purchase of foreign currency. In case of procedures in currencies other than Euro, the amount shall be converted to Euro using the exchange rate method stipulated in the Programme Manual.

(2) The Russian Federation will undertake measures to facilitate any Russian project partner or contractor, in its own territory, where applicable, to:

- (a) receive support provided under the financial contribution of the ENI and under the financial contribution of the Russian Federation for the purposes of the Programme and open specific bank accounts, including accounts in Euro;
- (b) make payments as per procurement or subsidy contract requirements for the implementation of all activities necessary for the implementation of the project, including the possibility of the lead partner to redistribute the grant amount to the other project partners;
- (c) return unspent funds to the Managing Authority.

- **State aid**

State aid rules, defined by the Programme, are not applied to the Programme co-financing to the Russian partners.

The **Programme Manual should be consulted for other points**, not mentioned above. In particular, special attention should be paid to⁵:

- Use of Euro and exchange rate: chapter F.1.6
- Value added tax and other financial chargers: chapter F.1.7
- Visibility rules: chapter F.1.10
- Activities outside the European Union and the Programme area: chapter F.4
- Partnership agreement: chapter G.2.1

⁵ Please note that some of the rules might be further adjusted to include the reference to and reflect the use of the ENI/Russian funding.

- Second level audit: chapter I.6.1
- Irregularities and follow-up measures: chapter K.3

For further questions please contact:

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