ARTICLE 1

1(1) The Project Partners (“Beneficiaries”) shall ensure that the Operation is carried out in accordance with the Annex I of the Contract- ‘Standard Application for Funding a BSEC Project’.

The Beneficiaries may subcontract a limited portion of the Operation (works and services). The bulk of the Operation must, however, be undertaken by the Beneficiaries.

The BSEC recognises no contractual link between itself and the Beneficiaries’ subcontractors. The Beneficiaries alone shall be accountable to the BSEC for the implementation of the Operation. The Beneficiaries undertake to ensure that the conditions imposed upon them under this Contract also apply to any subcontractors involved.

1(2) The Beneficiaries shall implement the Operation with the requisite degree of care, efficiency, transparency and diligence, as required by best practice in the field concerned, and in compliance with this Contract.

To that end, the Beneficiaries shall mobilise all the financial, human and material resources required for full implementation of the project, as specified in Annex 1, endeavouring to use local human and material resources.

1(3) If information on corruption related to a project financed by PDF is received by the BSEC PERMIS, the issue should be addressed and decided by the Steering Committee in accordance with Articles 11 and 18.

ARTICLE 2

2(1) The Beneficiaries shall provide the BSEC with full information on the implementation of the Operation. To that end, the Beneficiaries shall draw up an interim report and a final report.

These reports must consist of a technical part and a financial part. The BSEC may request additional information at any time; that information must be supplied within 30 days of the request.

2(2) The Beneficiaries shall send the BSEC interim reports in accordance with the provisions below. Every report must provide a complete account of all aspects of implementation for the period covered.

The report must be laid out in such a way as to allow comparison of the objective(s), the means envisaged or employed, the results expected and obtained and the budget details for the Operation.
The report must contain a plan of action for the next phase of the Operation’s implementation.

2(3) The final report must contain a detailed description of the conditions in which the Operation took place, information on the steps taken to identify the BSEC as the source of financing and on considerations which could be used to evaluate the Operation’s impact, a final statement of all the eligible costs of the Operation plus a full summary of the Operation’s income and expenditure and payments received.

2(4) The reports shall be submitted at the intervals stipulated by the "Manual of Operations of the BSEC Project Development Fund".

2(5) If the Beneficiaries fails to supply a final report by the final report deadline laid down in Article 2(4), and fail to furnish an acceptable and sufficient written explanation of the reasons why they are unable to comply with this obligation, the BSEC may terminate the Contract in accordance with Article 11(3) and recover the amounts already paid.

2(6) The language of the Project Development Fund is English. All documentation, correspondence, reporting, deliverables and any other type of text will be in the English language.

**ARTICLE 3**

3(1) The BSEC cannot under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Beneficiaries while the Operation is being carried out. The BSEC cannot therefore accept any claim for compensation or increases in payment in connection with such damage or injury.

3(2) The Beneficiaries shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them while the Operation is being carried out.

**ARTICLE 4**

The Beneficiaries undertake to take all precautions necessary to avoid conflict of interest among themselves and shall inform the BSEC immediately of any situation giving rise to or likely to give rise to any such conflict.

**ARTICLE 5**

The BSEC and the Beneficiaries undertake to preserve the confidentiality of the reports referred to in Article 2 and of any document, information or other material communicated to them in confidence.

**ARTICLE 6**

6(1) Unless the BSEC requests otherwise, any notice or publication by the Beneficiaries concerning the Operation, including at a conference or seminar, must specify that the Operation has received funding from the BSEC.

The Beneficiaries shall take all necessary steps to publicise the fact that the BSEC has financed or co-financed the Operation. To that end, the Beneficiaries shall refer to the Operation and the
BSEC financial contribution in information given to the final recipients of the Operation, in internal and final reports and in any dealings with the media.

6(2) Any publication by the Beneficiaries, in whatever form and by whatever medium, including the Internet, shall carry the following warning: "This document has been produced with the financial assistance of the BSEC. The views expressed herein are those of [name of Beneficiaries] and can therefore in no way be taken to reflect the official opinion of the BSEC."

ARTICLE 7

7(1) Ownership, title and industrial and intellectual property rights in the results of the Operation and the reports and other documents relating to it shall vest in the Beneficiaries.

7(2) Notwithstanding the provisions of the first paragraph, the Beneficiaries shall grant the BSEC the right to use freely and as it sees fit all documents deriving from the Operation, whatever their form.

7(3) By the end of the implementation period for the Operation, any equipment and supplies paid for by the BSEC grant must be transferred to the Beneficiaries or to the final recipients of the Operation. Copies of the title transfers must be attached to the final report.

ARTICLE 8

8(1) If the BSEC considers it necessary to perform an intermediate or subsequent (ex-post) evaluation, the Beneficiaries shall undertake to provide the BSEC or its authorised agents with any document or information likely to help that evaluation to be successfully concluded, and grant them the access rights described in Article 16(2).

ARTICLE 9

9(1) Any modification of the Contract, including the annexes thereto, must be set out in writing in an amendment subject to approval by both parties.

9(2) However, where the amendment does not affect the basic purpose of the Operation and the financial impact is limited to a transfer within a single budget heading, or a transfer between budget headings involving a variation of less than 20% of the amount originally entered under a heading for eligible costs, the Beneficiaries may apply the amendment and shall inform the BSEC accordingly.

Changes of address or of bank account may simply be notified, although this does not affect the BSEC’s option to oppose the Beneficiaries’ choice of bank account or auditor.

ARTICLE 10

The Contract and the payments attached to it may not be transferred or assigned to a third party in any manner whatsoever without the prior written consent of the BSEC.

ARTICLE 11

11(1) The Beneficiaries may terminate the Contract at any time by serving two months’ written notice. In this event, the Beneficiaries shall be entitled to payment of the grant only for the part
of the Operation carried out, although this does not affect the BSEC’s right in cases of wrongful termination to claim full or partial repayment of amounts already paid out.

11(2) In very exceptional and duly justified cases, the BSEC may decide to terminate the Contract by serving two months’ written notice, without being required to pay compensation. In this event, the Beneficiaries shall be entitled to payment of the grant only for the part of the Operation carried out.

11(3) The BSEC may terminate the Contract, without giving notice and without paying compensation of any kind, when the Beneficiaries:

- fail, without justification, to fulfil any of the obligations imposed and, after being given notice by letter to comply with those obligations, still fail to do so or to furnish a satisfactory explanation within 30 days of sending of the letter;
- are declared bankrupt, are wound up or are the subject of any similar proceeding;
- make changes in the status of their legal personality, unless an addendum acknowledging that fact is drawn up;
- fail to comply with articles 4 or 10 or fall into the situations described in Articles 1(3) or 16;
- make false or incomplete statements to obtain the grant provided for in the Contract or provide reports that do not reflect reality;
- commit financial irregularities.

In that event the BSEC may demand full or partial repayment of the amounts already paid out under the Contract.

Prior to or instead of terminating the Contract as provided for in this Article, the BSEC may suspend payments as a precautionary measure, without prior notice.

ARTICLE 12

12(1) The Beneficiaries shall inform the BSEC without delay of any circumstances likely to hamper or delay the implementation of the Operation. The Beneficiaries may make a request, no later than one month before the end of the Operation’s duration of execution, for the latter to be extended. The request must be accompanied by all the supporting evidence needed for its appraisal. Maximum duration is 12 months.

12(2) The Beneficiaries may suspend implementation of all or part of the Operation if circumstances make it too difficult or dangerous to continue. The Beneficiaries shall inform the BSEC without delay and provide all the necessary details. The BSEC may terminate the Contract in accordance with Article 11(2). If the Contract is not terminated, the Beneficiaries shall endeavour to minimize the duration of the suspension and may resume implementation of the Operation once the conditions are right, after informing the BSEC.

The Operation’s duration of execution is extended by an amount of time equivalent to the duration of the suspension. This is without prejudice to any amendments to the Contract which may be required to adapt the Operation to new circumstances of implementation.
ARTICLE 13

13(1) This Contract shall be governed by Turkish law.

13(2) Any dispute between the BSEC and the Beneficiaries which arises from this Contract and to which no amicable settlement could be found shall be referred to the relevant Turkish courts.

ARTICLE 14

14(1) To be considered eligible in the context of the Operation, costs must:

- be necessary for carrying out the Operation, be provided for in the Contract and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;

- have been incurred during the duration of execution of the Operation;

- have actually been incurred, be recorded in the Beneficiaries’s or Beneficiaries’s partners' accounts, be identifiable and verifiable, and be backed by originals of supporting evidence.

14(2) The following direct costs shall be eligible:

- the cost of staff assigned to the Operation, corresponding to actual salaries plus social security charges and other remuneration-related costs; salaries and costs must not exceed those normally borne by the Beneficiaries, and rates must not exceed those generally accepted on the market in question;

- travel and subsistence costs for staff taking part in the Operation, provided they correspond to market rates and do not exceed the rates generally accepted by the BSEC (including economy-class air fares);

- publications, consumables and other duly justified expenses, including costs deriving directly from the requirements of the Contract;

- taxes, without prejudice to the terms of Article 14(3).

14(3) The following costs shall not be considered eligible:

- VAT which the Beneficiaries are able to reclaim.

- currency exchange losses, without prejudice to the terms of Article 15(7);

- interest owed by the Beneficiaries to any third party;

- overhead expenses unless they are directly and specifically attributed to a project activity, duly justified and verifiable with corresponding proof of expenditure.

ARTICLE 15

15(1) Payment procedures are set out in the ‘Manual of Operations of the Project Development Fund’.
15(2) Payments due from the BSEC shall be made into the bank account referred to in Annex I.

15(3) The BSEC will make payments in Euros. Where necessary, actual expenditure will be converted into Euros at the rate published by the Central Bank of the respective country where the expenditure takes place.

15(4) Any interest accruing from the advances paid to the Beneficiaries by the BSEC shall be considered income for the purposes of Article 17(3). It may be used to cover eligible costs of the Operation.

**ARTICLE 16**

16(1) The Beneficiaries shall keep accurate and regular records and accounts of the implementation of the Operation using a dedicated double-entry book-keeping system. This dedicated system shall follow the procedures dictated by professional practice. Separate accounts must be kept for each Operation, and must detail all income and expenditure. They must provide precise details of interest accruing on funds paid by the BSEC.

16(2) The Beneficiaries shall consent to record-based or on-the-spot inspections by the BSEC of the use made of the grant, in accordance with the financial regulation applicable to the general budget of the BSEC, until five years after the end of the operation.

To that end, the Beneficiaries shall undertake to provide the staff of the BSEC, or their authorised agents, with appropriate rights of access to the sites and locations in which the Operation is being implemented. Access by authorised agents of the BSEC shall be granted on condition of strict confidentiality with regard to third parties.

**ARTICLE 17**

17(1) The total amount to be paid by the BSEC to the Beneficiaries may not exceed the maximum grant established by this Contract, even if the overall actual expenditure exceeds this amount.

17(2) If the eligible costs at the end of the Operation are less than the estimated total cost specified in this Contract, the BSEC contribution shall be limited to the eligible costs.

17(3) The Beneficiaries accept that the grant can under no circumstances result in a profit for the Beneficiaries, and must be limited to the amount required to balance income and expenditure for the Operation.

**ARTICLE 18**

18(1) In the cases referred to in Articles 11(1) (except wrongful termination) and 11(2), the Beneficiaries undertakes to repay to the BSEC within 60 days of receiving a request from the latter any amounts paid in excess of the final amount due.

18(2) In the event of wrongful termination of the Contract by the Beneficiaries as referred to in Article 11(1), and in the cases specified in Article 11(3), the BSEC may request full or partial repayment of amounts paid to the Beneficiaries. The BSEC shall determine the manner and the deadline for such full or partial repayment.
18(3) Should the Beneficiaries fail to repay such amounts within the deadline set by the BSEC, the BSEC may (unless the Beneficiaries is a government department or public body in a BSEC Member State) increase the amounts due by adding interest. The late-payment interest shall apply to the time which elapses between the date of the payment deadline set by the BSEC and the date on which payment is actually made.

18(4) Bank charges incurred by the repayment of amounts due to the BSEC shall be borne entirely by the Beneficiaries.