



Delegation Agreement N° EAC-2019-0028
for the implementation of the Erasmus+ Programme

The European Union (hereinafter referred to as "the Union" or "EU"), represented by the European Commission (hereinafter referred to as "the Commission"), represented for the purposes of signature of this Delegation Agreement ("the Agreement") by Ms Sophia ERIKSSON-WATERSCHOOT, Director, Directorate-General for Education, Youth, Sport and Culture,

on the one part,

and

VALSTS IZGLITIBAS ATTISTIBAS AGENTURA State Education Development Agency,

(hereinafter referred to as "the National Agency" or "the NA"),

represented for the purposes of signature of this Agreement by Ms Dita TRAIIDÁS,

whose registered office is at:

Valnu Iela 1
LV 1050 RIGA,

on the other part,

hereafter referred to as "the parties",

Having regard to the Regulation (EU) No 1288/2013 of the European Parliament and of the Council of 11 December 2013 establishing 'Erasmus+': the Union programme for education, training, youth and sport and repealing Decisions No 1719/2006/EC, No 1720/2006/EC and No 1298/2008/EC, including Article 18(4) on the additional funding derived from external instruments, hereafter referred to as "the Erasmus+ legal basis";

Having regard to the decision of the National Authorities of **Latvia** to designate **VALSTS IZGLITIBAS ATTISTIBAS AGENTURA** as National Agency for the Erasmus+ Programme;

Considering that the Commission has made an evaluation of the latest Management Declaration issued by the National Agency of **Latvia**, the related Independent Audit Opinion and the National Authority Report and that nothing has come to its attention causing to believe that **VALSTS IZGLITIBAS ATTISTIBAS AGENTURA** does not comply with the conditions to continue its activities as National Agency of **Latvia** for the Erasmus+ Programme, notwithstanding the qualifications expressed in the relevant evaluation conclusions', and (if applicable) for which corrective action has to be taken within a specified timeframe;

HAVE AGREED

the Agreement and the following Annexes:

- | | |
|-----------|--|
| Annex I | 2019 Calendar for the use of funds for grant support (located in the NAconnECt platform, the Horizontal Library) |
| Annex II | 2019 Guide for National Agencies ("GfNAs") (located in the NAconnECt platform, the Horizontal Library) |
| Annex III | 2019 National Agency Erasmus+ Work Programme (located in LifeCard) |
| Annex IV | 2019 Yearly NA Report Model (located in LifeCard) |
| Annex V | Rules on the application of financial corrections |
| Annex VI | Negative interest avoidance strategy (if relevant) |

which form an integral part of this Agreement.

The terms set out in the Special Conditions of the Agreement shall take precedence over those in the General Conditions.

The terms set out in the Agreement shall take precedence over those in the Annexes.

The terms of Annex I shall take precedence over those in Annexes II and III.

The terms of Annex II shall take precedence over those in Annex III.

I SPECIAL CONDITIONS

Article I.1. SUBJECT AND PURPOSE OF THE AGREEMENT

I.1.1. The Commission has decided to entrust the implementation of Erasmus+ Programme management tasks (hereinafter referred to as "entrusted tasks") in **Latvia** to the NA in accordance with the terms and conditions of the Erasmus+ legal basis and this Delegation Agreement.

The purpose of this Agreement is to:

- define the entrusted tasks and lay down the rules - including rights and obligations on both parties - applicable for their implementation;
- provide the NA with funds to support the implementation of such entrusted tasks.

I.1.2. The NA shall undertake all activities under this Agreement. In particular, the NA shall perform the following entrusted tasks:

- a) manage all stages of the project lifecycle of the following Programme Actions:
 - Erasmus+ learning mobility of individuals, with the exception of mobility organised on the basis of joint or double/multiple degrees and the Student Loan Guarantee Facility;
 - Erasmus+ strategic partnerships within the action "cooperation for innovation and the exchange of good practices";
 - the management of Erasmus+ small-scale activities supporting the structured dialogue in the youth field within the action "support for policy reform";
- b) issue grant support to beneficiaries by way of a grant agreement, as specified by the Commission for the Programme Action concerned;
- c) perform, as autonomous additional tasks, the functions of national Erasmus+ structures other than the NA (hereinafter referred to as "networks"), in accordance with the Erasmus+ Work Programme.

I.1.3. The NA shall perform the entrusted tasks under its own responsibility and in accordance with the principles of sound financial management, transparency and non-discrimination. It shall:

- a) ensure the visibility of Union funding in accordance with Article II.7;
- b) set up and ensure the functioning of an internal control system that is effective and efficient in accordance with para. 2 of Annex II;
- c) use an accounting system that provides accurate, complete and reliable information in a timely manner in accordance with para. 4.3.1 of Annex II;
- d) be subject to an independent external audit, performed in accordance with internationally accepted auditing standards by an audit service functionally independent of it;
- e) ensure the ex post publication of information on recipients of Union funds in accordance with para. 3.7.10 of Annex II;

- f) ensure the protection of personal data as laid down in Regulation (EU) 2018/1725 of the European Parliament and of the Council¹, in accordance with Article II.6;
- g) apply appropriate rules and procedures for the management of funding as procurement and grants in accordance with para. 4.4 and para. 3.1 to 3.10 of Annex II;
- h) carry out checks on grant beneficiaries in accordance with para. 3.11 of Annex II;
- i) recover funds unduly paid in accordance with para. 3.12 of Annex II;
- j) take appropriate measures to prevent, detect and correct irregularities and fraud in accordance with para. 3.14 of Annex II;
- k) report to the Commission on the implementation of the entrusted tasks in accordance with Article I.4;
- l) make use of the relevant IT tools provided by the Commission to record all information in relation to the Programme Actions managed by the NA;
- m) develop a consistent policy with regard to dissemination and exploitation of results of activities supported under the actions they manage within the Programme;
- n) assist the Commission in the general task of disseminating information in respect of actions and activities managed at European level, and its results, and shall inform relevant target groups about the actions undertaken in their country.

Article I.2. ENTRY INTO FORCE AND DURATION

This Agreement shall enter into force on the date when the last of the two parties signs it. It shall cover the implementation of the entrusted tasks during the period between 1 January 2019 and 30 June 2023.

If the NA reports at final report stage on any outstanding recovery orders, the duration of implementation of the entrusted tasks will be extended until the outstanding amounts are recovered or waived, in accordance with para. 3.12 of Annex II.

The budget for the performance of the entrusted tasks shall be implemented according to the provisions of the 2019 annual work programme for the implementation of "Erasmus+": the Union Programme for Education, Training, Youth and Sport.

Individual contracts in relation with the contribution to networks which implement this Agreement shall be signed by 31 December 2019.

Grant agreements which implement this Agreement shall be signed by the dates provided in Annex I.

¹ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

Article I.3. UNION FINANCIAL CONTRIBUTION

The maximum amount of the Union financial contribution for the implementation of the entrusted tasks is **23.000.274,50 EUR**.

The Union financial contribution shall:

- (i) support the management costs of the NA in relation to the entrusted tasks, hereafter referred to as "contribution to management costs". This contribution shall cover the management costs of the calendar year 2019;
- (ii) allocate funds for the implementation of the Actions of the Programme, the management of which is entrusted to the NA, hereafter referred to as "funds for grant support". These funds shall be used according to the schedule in Annex I of the Agreement;
- (iii) support the network functions implemented by the NA, hereafter referred to as "contribution to networks". This contribution shall cover the costs for support to networks of the calendar year 2019.

The Union contribution shall be used solely for the purpose of the implementation of this Agreement.

I.3.1. Contribution to management costs

The Commission shall provide:

- (i) a contribution to management costs of the Erasmus+ programme for an amount of **758.373,00 EUR**;
- (ii) a contribution of **1.667,00 EUR**, in addition to the funds referred to under point (i), which shall be used for the implementation of KA1 action grants for Higher Education student credit mobility and staff mobility between Programme and Partner Countries referred to in Article I.3.3.5.

I.3.2. Contribution to networks

I.3.2.1 The Commission shall provide:

- (i) Not applicable;
- (ii) Not applicable;
- (iii) a contribution of maximum **26.883,00 EUR**, corresponding to **90,00%** of the total acceptable expenditure incurred in relation with ECVET.

I.3.2.2 Budget transfers within contribution to networks

Without exceeding the maximum amount set out in Article I.3.2.1, the NA may adjust the estimated budget for each network by transfers between budget categories, provided that this adjustment of expenditure does not affect implementation of the entrusted tasks and that the transfer between budget categories does not exceed 20% of the amount of any budget category from which and to which a transfer is made.

Any variation in excess of the maximum percentage for budget transfers between budget categories as well as any variation entailing a substantial change to the entrusted tasks of a network as referred to in Annex III shall be subject to a prior written request by the NA, and, if accepted by the Commission, a written supplementary agreement in compliance with the provisions set in Article I.8.

Transfers are not allowed between the EU financial contribution in support of the different networks, nor between the Union total contribution to networks, the contribution to management costs and the funds for grant support.

I.3.3. Funds for grant support

I.3.3.1 Funds for Erasmus+ grant support from Heading 1 of the EU budget

The maximum amount of funds for grant support from Heading 1 of the EU budget is **20.431.383,50 EUR**, hereafter referred to as "Erasmus+ Heading 1 funds".

The Erasmus+ Heading 1 funds set out in the first paragraph are further allocated to Key Actions and activities in the fields of education, training and youth as set out in the table below:

Table 1: Funds allocated to Key Actions and activities in the fields of education, training and youth

Field	Key Action	Activity	Amount in Euro
Higher Education	KA1	Mobility of higher education students and staff	9.134.918,00
		Of which minimum 70% (of the initial amount) is to be used for Individual Support and Travel (if applicable) to the mobility of students (excluding Organisational Support)	6.394.442,60
	KA2	Strategic Partnerships	1.160.025,00
		Of which the following maximum amount may be used for Transnational Cooperation Activities between NAs	58.001,25
Total amount			10.294.943,00

Vocational education and training	KA1	Mobility of VET learners and staff ²	4.568.337,00
		Of which a maximum of 85% can be used to fund mobility carried out by beneficiaries under the VET Charter	
		Irrespective of whether the VET mobility is carried out by beneficiaries holding the VET Charter or not, a minimum of 60% (of the initial amount) shall be used for VET learners mobility	2.741.002,20
	KA2	Strategic Partnerships	1.126.100,00
		Of which the following maximum amount may be used for Transnational Cooperation Activities between NAs	56.305,00
Total amount			5.694.437,00

School education	KA1	Mobility of school education staff	997.795,00
	KA2	Strategic Partnerships	1.917.000,50
		Additional amount in accordance with Article I.3.3.3	[to be filled in with amendment following the central clearing]
		Of which the following maximum amount may be used for Transnational Cooperation Activities between NAs	191.700,05
Total amount			2.914.795,50

Adult education	KA1	Mobility of adult education staff	234.497,00
	KA2	Strategic Partnerships	1.292.711,00
		Of which the following maximum amount may be used for Transnational Cooperation Activities between NAs	64.635,55
Total amount			1.527.208,00

² The NAs shall take into account that the Commission has set an indicative target at European level for ErasmusPro activities: using 30% of the overall budget allocated to VET mobility under Key Action 1.

I.3.3.2 Budget transfers within Erasmus+ Heading 1 funds

Without exceeding the maximum amount of Erasmus+ Heading 1 funds set out in the first paragraph of Article I.3.3.1, and without exceeding the initial maximum allocations and decreasing the initial minimum allocations to Activities set out in Table 1 of Article I.3.3.1, the NA may, when managing the Erasmus+ funds, adjust the allocations to the fields as mentioned in Article I.3.3.1, by budget transfers:

- Between higher education, vocational education and training, school education and adult education fields, provided that the adjustments do not reduce the allocation of any field by more than 15% or increase the allocation of any field by more than 25%;
- Between Key Actions within each of the fields of higher education, vocational education and training, school education and adult education, provided that the adjustments do not reduce the allocation of any Key Action within a given field by more than 15% ;
- [Any transfer exceeding the ceilings here above shall be subject to a formal amendment according to Article I.8. Amendment requests for transfers of funds submitted by the NA outside the period fixed in Article I.8.3 shall not be considered by the Commission.

I.3.3.3 Budget modifications in Key Action 2 in School Education

The final budget allocation to activities in Key Action 2 in the school education field shall reflect the results of the central budget clearing procedure as specified in Annex II. These modifications shall be implemented on the basis of Key Action 2 selection results for school education, as confirmed by all Erasmus+ National Agencies concerned, and shall be subject to a formal amendment according to Article I.8.

I.3.3.4 Erasmus+ Transnational Cooperation Activities between NAs

The NA may use part of the funds allocated to Key Action 2 as referred to in Article I.3.3.1 for Transnational Cooperation Activities between NAs as set out in Annex II.

The maximum amount of funds for Transnational Cooperation Activities between NAs set out in Article I.3.3.1 for each field cannot be increased following budget transfers to Key Action 2 as referred to in Article I.3.3.2 or following an amendment to the allocation of funds for grant support to Key Action 2 pursuant to Article I.8.3.

I.3.3.5 Funds for Erasmus+ grant support from Heading 4/European Development Fund (EDF) of the EU budget

The maximum amount of Funds for Erasmus+ grant support from Heading 4/EDF of the EU budget is **1.781.968,00 EUR**, hereafter referred to as "Erasmus+ Heading 4 funds /EDF".

The Erasmus+ Heading 4 funds/EDF shall be used exclusively for the financing of KA1 action grants for Higher Education student credit mobility and staff mobility between Programme and Partner Countries.

The amount referred to in the first paragraph of this article is allocated to the geographical region/country envelope covered by the related financial instrument as set out in the table below:

Table 2: Funds allocated to KA1 action grants for Higher Education student credit mobility and staff mobility between Programme and Partner Countries

Instrument	Region/country envelope	Amount in Euro
European Neighbourhood Instrument (ENI)	South-Mediterranean (ENI South) Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia	343.557,00
	'Tunisia window'	0,00
	'Algeria window'	0,00
	'Juncker North Africa window' Algeria, Egypt, Libya, Morocco, Tunisia	0,00
	Eastern Partnership (ENI East) Armenia, Azerbaijan, Belarus, Georgia, Moldova, Territory of Ukraine as recognised by international law	244.418,00
	'Ukraine window'	p.m.
European Neighbourhood Instrument and Partnership Instrument	Russian federation Territory of Russia as recognised by international law	132.555,00
Development Cooperation Instrument (DCI)	Asia Afghanistan, Bangladesh, Bhutan, Cambodia, China, DPR Korea, India, Indonesia, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam	278.970,00
	Central Asia Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	66.913,00
	Latin America Argentina, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Venezuela	88.786,00

	Middle East Iran, Iraq, Yemen	34.249,00
	South Africa The Republic of South Africa	25.648,00
Instrument for Pre-accession Assistance (IPA2)	Western Balkans Albania, Bosnia and Herzegovina, Kosovo, Montenegro	354.088,00
Partnership Instrument (PI)	Industrialised countries – Americas Canada, Chile, United States of America, Uruguay	75.912,00
	Industrialised countries - Asia Australia, Brunei, Hong Kong, Japan, Republic of Korea, Macao, New Zealand, Singapore, Taiwan	68.913,00
European Development Fund (EDF)	African, Caribbean and Pacific countries Angola, Antigua and Barbuda, Bahamas, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Democratic Republic of the Congo, Cook Islands, Djibouti, Dominica, Dominican Republic, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Ivory Coast, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Marshall Islands, Mauritania, Mauritius, Micronesia- Federated States of, Mozambique, Namibia, Nauru, Niger, Nigeria, Niue, Palau, Papua New Guinea, Rwanda, Saint Kitts And Nevis, Sainte Lucia, Saint Vincent And The Grenadines, Samoa, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Suriname, Swaziland, Timor Leste - Democratic Republic of, Tanzania, Togo, Tonga, Trinidad and Tobago, Tuvalu, Uganda, Vanuatu, Zambia, Zimbabwe	67.959,00
EU Emergency Trust Fund	'Juncker West Africa window' Benin, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, the Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo	0,00
EU Emergency Trust Fund	'Juncker Horn of Africa window' Djibouti, Ethiopia, Eritrea, Kenya, Somalia, South Sudan, Sudan, Tanzania, Uganda	0,00

I.3.3.6 Further budget allocation rules and budget transfers related to Erasmus+ Heading 4/EDF of the EU budget

Additional budget allocation rules and budget transfers related to Erasmus+ Heading 4 funds are described in Annex II of this Agreement.

Article I.4. SUBMISSION AND ASSESSMENT OF REPORTS

I.4.1. General provisions

I.4.1.1 On the reception of any report the Commission shall have 60 calendar days to:

- complete its assessment;
- request the NA to provide supporting documents or any additional information it deems necessary to complete the assessment of the report;
- reject the report and request for the submission of a new report;
- execute the related payment.

I.4.1.2 Requests for supporting documents, additional information or for the submission of a new report shall be notified to the NA in writing. The NA shall have 30 calendar days to submit the information or new documents requested. If additional information or documents are requested, the time limit for assessment shall be extended by the time it takes to obtain the information or documents.

The same procedure shall apply where a report is rejected and a new report is requested.

I.4.1.3 All requests for payments, reports and documents shall be submitted by the NA in the language of the Agreement.

I.4.2. The NA Yearly Report

I.4.2.1 No later than 15 February of each year, the NA shall submit to the Commission, National Authority and the Independent Audit Body its Yearly Report on the previous calendar year. The content and format of the NA Yearly Report shall be in accordance with the requirements specified in para. 4.7.4 of Annex II and the model provided in Annex IV.

I.4.2.2 The NA Yearly Report shall be subject to an Audit Opinion issued by the Independent Audit Body to be sent to the Commission no later than 15 March of each year in accordance with Article 28(6) of the Erasmus+ legal base. The content and format of the Audit Opinion shall be in accordance with the requirements specified in para. 4.7.5 of Annex II.

I.4.2.3 The NA Yearly Report shall be considered as formally received by the Commission upon receipt by the Commission of the corresponding Audit Opinion.

I.4.2.4 By derogation to Article I.4.1.1, the Commission shall have 90 calendar days upon receipt of the Audit Opinion to:

- complete the assessment of the NA Yearly Report and Audit Opinion and determine the final amount of Union contribution as referred to in Article I.5.2;
- request the NA or the Independent Audit Body to provide supporting documents or any additional information it deems necessary to complete the assessment of the Yearly Report or the Audit Opinion;
- reject the NA Yearly Report and/or the Audit Opinion and request the submission of a new Yearly Report and/or Audit Opinion;
- execute the related payment.

I.4.2.5 If the NA fails to submit the document referred to in Article I.4.2.1 or the requested additional information or the supporting documents referred to in Article I.4.2.4 by the set deadline or if the submitted new documents are not properly revised, the Commission reserves the right to suspend payments in accordance with Article II.1.4, to suspend implementation of the entrusted tasks in accordance with Article II.10 or to terminate the Agreement in accordance with Article II.11.

I.4.3. Reporting on interest

I.4.3.1 Interest generated by pre-financing payments shall be used for the implementation of the entrusted tasks, as set out in Annex II.

I.4.3.2 As part of the NA Yearly Report referred to in Article I.4.2, the NA shall report to the Commission on the total amount of interest yielded by the pre-financing received between 1 January and 31 December - both dates included - of the previous year.

I.4.3.3 As part of the NA Yearly Report submitted in the year following the reporting referred to in Article I.4.3.2, the NA shall report to the Commission on the use of the interest yielded by the pre-financing as set out in Article I.4.3.2.

I.4.4. Additional reporting

In order to verify compliance with the Agreement, the Commission reserves the right to request at any time and in the format it requires information, reports or documents that are not expressly provided for under the terms of this Agreement. Unless specified otherwise, the NA shall send the information, reports or documents to the Commission within 30 calendar days of the receipt of the request.

The NA shall also inform the Commission without delay of:

- (a) any substantial changes to its systems, rules or procedures that relate to the implementation of the entrusted tasks;
- (b) any substantial change in its legal, financial, technical, organisational or ownership situation;

- (c) any fraud or irregularity which comes to its attention and any situation which may give rise thereto and the measures taken;
- (d) any event that may harm the Union financial interests or its reputation;
- (e) any event which may delay or jeopardize performance of the tasks entrusted to it under this Agreement.

Article I.5. PAYMENT ARRANGEMENTS

I.5.1. Pre-financing payments

The pre-financing is intended to provide the NA with a float. It remains the property of the EU until the payment of the balance.

I.5.1.1 First pre-financing payment

Within 30 calendar days of the entry into force of this Agreement a pre-financing payment of **16.336.269,05 EUR** representing:

- i. 100% of the maximum amounts specified in Article I.3.1;
- ii. 100% of the maximum amounts specified in Article I.3.2.1;
- iii. 70% of the maximum amounts specified in Articles I.3.3.1 and I.3.3.5 for Erasmus+ (15.549.346,05 EUR) shall be paid to the NA by the Commission, except if the payment is suspended in accordance with Article II.1.4.

I.5.1.2 Second pre-financing payment

The NA may submit a request for a second pre-financing payment that shall specify the amount needed with a maximum of **6.664.005,45 EUR**, equivalent to 30% of the maximum amounts specified in Articles I.3.3.1 and I.3.3.5.

If the amount of funds for grant support awarded to beneficiaries is lower than the maximum amounts specified in Articles I.3.3.1 and I.3.3.5, and if no further grants are awarded, the NA shall limit its request for the second pre-financing payment to the difference between i) the amount of funds for grant support awarded to beneficiaries and ii) the amount of the first pre-financing instalment received in accordance with Article I.5.1.1(iii), to which shall be added the amount of interest yielded by the EU's pre-financing in the previous year.

The request for payment may not be made until the NA has paid to the beneficiaries of the action grants at least 70% of the amount of the first pre-financing instalment received, equivalent to 10.884.542,24 EUR. The request for payment must be accompanied by a financial report generated through the relevant Commission's IT tools, summarising the financial transactions made with the funds for grant support allocated in accordance with the Agreement.

The Commission shall approve the request for payment of the second pre-financing instalment in accordance with Article I.4.1.

The second pre-financing instalment shall be paid to the NA within 60 days of receipt of the request for payment and accompanying documents, except if the payment deadline or the payments are suspended in accordance with Articles II.1.3 and II.1.4.

No further pre-financing payments will be made.

I.5.2. Determination of the final amount of the Union contribution

The final amount of the Union contribution depends on the actual extent to which the entrusted tasks are implemented in accordance with the Agreement.

The final amount is determined by the Commission when the payment of the balance is made and shall correspond to the lower of the following two amounts:

- the maximum Union contribution set out in Article I.3;
- the sum of:
 - (a) the contribution to management costs after applying any financial corrections in accordance with Article II.13;
 - (b) the expenditure incurred in relation with the use of funds for grant support after:
 - i. excluding in full any expenditure not compliant with the conditions set out in Article I.5.4, with the exception of amounts corresponding to outstanding recovery orders;
 - ii. applying any financial corrections in accordance with Article II.13;
 - (c) maximum **90,00%** of the expenditure incurred in relation with the management of the National team of the European Credit System for Vocational Education (ECVET) experts based on the expenditure incurred for the implementation of the entrusted tasks after:
 - i. excluding in full any expenditure not compliant with the conditions set out in Article I.5.4;
 - ii. applying any financial corrections in accordance with Article II.13;

The Commission shall formally notify to the NA the final amount determined before paying the balance.

Before excluding expenditure under points (b)(i), and (c)(i), the Commission shall formally notify its intention to the NA:

- specifying the amount it intends to exclude from Union financing and the reasons for the exclusion; and
- inviting it to submit observations within 30 days of receiving notification.

If the Commission does not receive any observations or decides to consider ineligible the expenditure regardless of the observations it has received, it shall formally notify confirmation together with the amount of financial contribution accepted.

I.5.3. Payment of the balance

The payment of the balance reimburses the remaining part of the financial contribution due for the implementation of the entrusted tasks, with the exception of amounts corresponding to outstanding recovery orders.

The NA shall submit a request for payment of the balance with the NA Yearly Report due by 15 February of the year following the end of the period set out in Article I.2.

The request for payment of the balance shall be accompanied by the documents referred to in Article 1.4.2 and para. 4.7.4 of Annex II.

The amount of the balance shall be determined following approval of the request for payment of the balance and of the accompanying documents by deducting the earlier payments from the final amount of the Union contribution determined in accordance with Article I.5.2.

The amounts corresponding to outstanding recovery orders excepted according to Article I.5.2(b)(i) will be reported annually in the NA Yearly Report, until all these amounts are recovered or waived by the Commission.

Approval of the request for payment of the balance and of the accompanying documents shall not imply recognition of the legality and regularity of the underlying expenditure or of the authenticity, completeness and correctness of the declarations and information they contain. Approval shall be without prejudice to any checks and audits which may be carried out in accordance with Article II.14.

If the balance is negative, the payment of the balance takes the form of recovery according to the procedure outlined in Article II.1.6. If the balance is positive, the Commission shall pay it within 90 days from receiving the request for payment of the balance, except if the payment deadline or the payments are suspended in accordance with Articles II.1.3 and II.1.4.

I.5.4. Conditions for acceptance of expenditure

I.5.4.1 The Commission shall accept expenditure which meets the following criteria:

- a) it is actually incurred by the NA. Amounts corresponding to outstanding recovery orders, in accordance with Article II.1.7, shall not be considered as actually incurred;
- b) it is incurred in the period set out in Article I.2:
 - (i) expenditure related to grants is acceptable in the framework of the contribution for grant support if it is implemented during the period set out in Article I.3(ii);
 - (ii) expenditure related to contracts is acceptable in the framework of the contribution to networks if the service, supply or work is provided during the period set out in Article I.3(iii).

- c) it is indicated in the budget as set out in Article I.3 and Annex III;
- d) it is directly linked to the implementation of the entrusted tasks:
 - (i) funding in the form of grants awarded in accordance with Annex II;
 - (ii) Costs of the personnel of the NA directly carrying out tasks in relation with the management of the National team of the European Credit System for Vocational Education (ECVET) experts (excluding personnel assigned to the management of the funding referred to in point (i)). Costs of personnel shall correspond to salaries, social security charges and other statutory costs included in their remuneration and provided in accordance with the NA remuneration policy. Only the portion of the costs of personnel corresponding to the actual time spent on the tasks in relation with the management of the National team of the European Credit System for Vocational Education (ECVET) experts shall be taken into account;
 - (iii) Costs of travel and subsistence allowances by the personnel referred to in point (ii), provided that they are in line with the NA usual policy on travel;
 - (iv) Costs of daily rates, travel and subsistence for ECVET experts participating in national and international seminars;
 - (v) Cost of equipment and materials;
 - (vi) Cost of sub-contracting, consultancy and other external services;
 - (vii) Cost of conferences and seminars;
 - (viii) Other direct costs.
- e) it is identifiable and verifiable, in particular being recorded in the accounts of the NA and determined according to the usual cost accounting practices of the NA;
- f) it complies with the requirements of applicable tax and social legislation;
- g) it is reasonable, justified and complies with the principles of sound financial management.

I.5.4.2 The Commission shall not accept the following as expenditure incurred for the implementation of entrusted tasks:

- a) Costs not compliant with Article I.5.4.1, in particular:
 - (i) Debt and debt service charges (interest);
 - (ii) Provisions for future losses and debts;
 - (iii) Exchange losses;
 - (iv) Bank costs charged by the NA's bank for the transfers from the Commission;
 - (v) Expenditure resulting from commitments made during suspension of the implementation of the Agreement;
 - (vi) Deductible VAT;
 - (vii) Contributions in kind.
- b) Expenditure declared under another Union or Euratom funding instrument.

I.5.4.3 The provisions of Article I.5.4.2 do not apply to the contribution to management costs referred to in Article I.3.1.

Article I.6. BANK ACCOUNTS

I.6.1. The NA shall manage its bank accounts in compliance with the rules for bank accounts set out in the para. 4.3.2 of Annex II.

I.6.2. Payments of the contribution to management costs shall be made to the NA's bank account as indicated below:

Name of the bank:	TREASURY OF THE REPUBLIC OF LATVIA
Account holder:	VIAA
IBAN code of the account:	LV39TREL215020309000B

I.6.3. Payments of the contribution to networks and funds for grant support shall be made to the NA's bank account as indicated below:

Name of the bank:	TREASURY OF THE REPUBLIC OF LATVIA
Account holder:	VIAA
IBAN code of the account:	LV87TREL215020309100B

I.6.4. The bank account mentioned above in I.6.3 should allow the related interest yielded to be identified. Otherwise, the accounting methods of the NA must make it possible to identify the funds paid by the Union and the interest or other benefits yielded by those funds.

Article I.7. GENERAL ADMINISTRATIVE PROVISIONS

Any communication in connection with this Agreement or to the implementation of the entrusted tasks shall be in writing, indicating the reference number of the Agreement.

All communication shall be sent to the following addresses:

For the Commission:

For communications sent by ordinary mail service:

Ms Sophie Beernaerts

Head of Unit

European Commission

Directorate-General for Education, Youth, Sport and Culture

Unit EAC.B.4

B-1049 Brussels

Belgium

For communication sent by electronic mail:
EAC-NA-coordination@ec.europa.eu

For the NA:

For communication sent by ordinary mail service:
Ms Dita Traidás
VALSTS IZGLITIBAS ATTISTIBAS AGENTURA
Valnu Iela 1
LV - 1050 RIGA

Electronic communications shall be confirmed by an original signed paper version of that communication if requested by any of the parties provided that this request is submitted without unjustified delay. The sender shall send the original signed paper version without unjustified delay.

Formal notification shall be made by registered mail with return receipt or equivalent, or by equivalent electronic means.

Any communication is deemed to have been made when it is received by the receiving party, unless the Agreement refers to the date when the communication was sent.

Electronic communication is deemed to have been received by the receiving party on the day of successful dispatch of that communication, provided that it is sent to the addressees listed above. Dispatch shall be deemed unsuccessful if the sending party receives a message of non-delivery. In this case, the sending party shall immediately send again such communication to any of the other addresses listed above. In case of unsuccessful dispatch, the sending party shall not be held in breach of its obligation to send such communication within a specified deadline.

Ordinary mail shall be considered to have been received by the Commission on the date on which it is formally registered by the department identified above. Communication not indicating the reference number of the Agreement shall not be considered.

Mail sent to the Commission using the postal services is considered to have been received by the Commission on the date on which it is registered by the department identified above.

Formal notifications made by registered mail with return receipt or equivalent, or by equivalent electronic means, shall be considered to have been received by the receiving party on the date of receipt indicated on the return receipt or equivalent.

The Commission shall use the NAconnECt platform for the distribution of reference documents and formal information in relation to this Agreement. Documents published by the Commission on the NAconnECt platform shall be considered as received by the NA on the date of their publication on the NAconnECt platform.

Article I.8. AMENDMENTS TO THE AGREEMENT

I.8.1. Any amendment to the Agreement shall be made in writing.

- I.8.2. An amendment may not have the purpose or the effect of making changes to the Agreement which would call into question the outcome of the assessment by the Commission of NA's rules and procedures or acceptance of its designation by the Commission as the National Agency for the Erasmus+ programme. Any request for amendment shall be duly justified and shall be sent to the other party in due time before it is due to take effect, except in cases duly substantiated by the party requesting the amendment and accepted by the other party.
- I.8.3. By virtue of Article I.8.2, the NA shall submit any amendment request with regard to:
- a) the NA Work Programme for Erasmus+ at the latest on 15 October 2019, except for Erasmus+ Transnational Cooperation Activities between NAs;
 - b) Erasmus+ Transnational Cooperation Activities between NAs at the latest on 31 December 2019;
 - c) requests for budget transfers exceeding the ceilings specified in Article I.3.3.2 in the fields of higher education, vocational education and training, school education and adult education fields and Key Actions between 1 October and 15 October 2019. In accordance with Annex I, the NAs organising an additional selection round in vocational education and training, school education or adult education fields shall submit their amendment request between 1 and 31 October 2019. Earlier requests will be considered as submitted on 1 October 2019;
 - d) requests for budget transfers exceeding the ceilings specified in Article I.3.3.2 to Key Actions 1 and 2 in the youth field between 1 November and 15 December 2019. Earlier requests will be considered as submitted on 1 November 2019;
 - e) the allocation of the Erasmus+ Heading 1 funds specified in Article I.3.3.1 and Heading 4/EDF funds specified in Article I.3.3.5 between NAs in a Programme Country designated for higher education, vocational education and training, school education and adult education fields, as applicable, between 1 October and 15 October 2019. Earlier requests will be considered as submitted on 1 October 2019;
 - f) the allocation of the Erasmus+ Heading 1 funds specified in Articles I.3.3.1 between NAs in a Programme Country designated for the youth field at the latest on 31 October 2019.
- I.8.4. By derogation to Articles I.8.2 and I.8.3, amendment requests with regard to an extension of the period set out in Article I.3(iii) for the use of the contribution to networks will be disregarded.
- I.8.5. Amendment shall enter into force on the date on which the last party signs or on the date of approval of the request for amendment.
- I.8.6. Amendment shall take effect on a date agreed by the parties or, in the absence of such an agreed date, on the date on which the amendment enters into force.

- I.8.7. In case of an amendment to the distribution of Erasmus+ Heading 1 funds set out in Article I.3.3.1 following a request from the NA, the flexibility provided for in Article I.3.3.2 will no longer apply.

Amendment to the allocation of the Erasmus+ Heading 1 funds based on a request as specified in Articles I.8.3(c) has no effect on the flexibility provided for in Article I.3.3.2 between Key Actions 1 and 2 in the youth field.

- I.8.8. By derogation to Articles I.8.2 and I.8.5, amendments to the Annexes I, II and IV of this Agreement may be introduced unilaterally by the Commission on the condition that they do not call into question the effective capacity of the NA to implement the entrusted tasks and that the NA has been previously consulted on these changes. These amendments enter into force on the date on which they are notified by the Commission to the NA.

Article I.9. DATA CONTROLLER

The entity acting as a data controller according to Article II.6 shall be:

Ms Sophie Beernaerts
Head of Unit
European Commission
Directorate-General for Education, Youth, Sport and Culture
Unit EAC.B.4
B-1049 Brussels
Belgium

Article I.10. LICENCES FOR ONLINE LINGUISTIC SUPPORT

- I.10.1. The NA is awarded a number of licences for OLS language assessments and OLS language courses, to be distributed to beneficiaries for projects implemented under the Erasmus+ call. The licences cover the following languages: Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Italian, Latvian, Lithuanian, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish, Swedish, Irish Gaelic and Maltese for language assessments; as well as additional languages once they become available in the Online Linguistic Support (OLS) tool.
- I.10.2. The NA shall distribute and manage the licences in accordance with the requirements set out in the para. 4.5.11 of Annex II and its annexes.

II GENERAL CONDITIONS

Article II.1. GENERAL PROVISIONS ON PAYMENTS AND RECOVERIES

II.1.1. Payments shall be made by the Commission in euro. The reports, documents and the requests for payments referred to in Article I.4 shall be submitted in euro.

Where the NA keeps its accounts in a currency other than the euro, it shall convert expenditure incurred in another currency into euro at the average of the daily exchange rates published in the C series of the *Official Journal of the European Union* (<https://www.ecb.int/stats/exchange/eurofxref/html/index.en.html>), determined over the corresponding reporting period.

Where no daily euro exchange rate is published in the *Official Journal of the European Union* for the currency in question, conversion shall be made at the average of the monthly accounting rates established by the Commission and published on its website (http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm), determined over the corresponding reporting period.

Where the NA keeps its accounts in euro, it shall convert expenditure incurred in another currency into euro according to its usual accounting practices.

II.1.2. Payments by the Commission shall be deemed to be effected on the date when they are debited to the Commission's account.

II.1.3. Suspension of the payment deadlines

The Commission may suspend the payment deadlines specified in Articles I.5.1.1, I.5.1.2 and I.5.1.3 at any time by formally notifying the NA that its request for payment cannot be met, either because

- (a) it does not comply with the provisions of this Agreement;
- (b) the appropriate documents as referred to in Article I.4, I.5.1.2 and I.5.1.3 have not been produced;
- (c) there is doubt about the acceptability of the underlying expenditure; or
- (d) information comes to the attention of the Commission indicating a significant deficiency in the functioning of the internal control system of the NA or that the expenditure certified by the NA is linked to a serious irregularity and has not been corrected. In this case, the Commission may suspend the payment deadline only if it is necessary to prevent significant damage to the financial interests of the Union.

The NA shall be notified as soon as possible of any such suspension, together with the reasons thereof.

Suspension shall take effect on the date when notification is sent by the Commission. The remaining payment period shall start to run again from the date on which the requested information or revised documents are received or the necessary further checks, including on-the-spot checks, are carried out. Where the suspension exceeds two months, the NA may request a decision by the Commission on whether the suspension is to be continued.

II.1.4. Suspension of payments

The Commission may suspend payments:

- a) if it has evidence that the NA has committed substantial errors, irregularities or fraud during the assessment by the Commission of its rules and procedures, the process of its designation as the National Agency for the Erasmus+ programme or the implementation of the entrusted tasks, or if the NA fails to comply with its obligations under the Agreement;
- b) if it has evidence that the NA has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under the present or other agreements funded by Union funds which call into question the reliability of its internal control system or the legality and regularity of the underlying expenditure;
- c) if it suspects substantial errors, irregularities, fraud or breach of obligations committed by the NA in the process of its designation by the Commission as the National Agency for the Erasmus+ programme or the implementation of the entrusted tasks and needs to verify whether they have occurred.

Before suspending payments, the Commission shall formally notify the NA of its intention to suspend payments, specifying the reasons thereof and, in the cases referred to in points (a) and (b) of the first paragraph, the necessary conditions for resuming payments. The NA shall be invited to make any observations within 30 calendar days from receipt of this notification.

If, after examination of the observations submitted by the NA, the Commission decides to stop the procedure of payment suspension, the Commission shall formally notify the NA thereof.

If no observations have been submitted or if, despite the observations submitted by the NA, the Commission decides to pursue the procedure of payment suspension, it may suspend payments by formally notifying the NA, specifying the reasons for the suspension and, in the cases referred to in points (a) and (b) of the first paragraph, the definitive conditions for resuming payments or, in the case referred to in point (c) of the first paragraph, the indicative date of completion of the necessary checks.

The suspension of payments shall take effect on the date when the notification is sent by the Commission.

In order to resume payments, the NA shall endeavour to meet the notified conditions as soon as possible and shall inform the Commission of any progress made in this respect.

The Commission shall, as soon as it considers that the conditions for resuming payments have been met or the necessary checks, including on-the-spot checks, have been carried out, formally notify the NA thereof.

During the period of suspension of payments and without prejudice to the right to suspend the implementation in accordance with Article II.10.1 or to terminate the Agreement in accordance with Article II.11.1, the NA is not entitled to submit any requests for payments and supporting documents referred to in Articles I.5.1.2 and I.5.1.3.

The corresponding requests for payments and supporting documents may be submitted as soon as possible after resumption of payments or may be included in the first request for payment due following resumption of payments.

II.1.5. Late-payment interest

If the Commission does not pay within the payment deadlines, the NA is entitled to interest on the late payment at the rate applied by the European Central Bank for its main refinancing operations in euros ("the reference rate"), plus three and a half points. The reference rate is the rate in force on the first day of the month in which the payment deadline expires, as published in the C series of the Official Journal of the European Union. This provision shall not apply where the NA is a public body acting on behalf of a Member State for the purpose of this Agreement.

The suspension of the payment deadline in accordance with Article II.1.3 or of payments by the Commission in accordance with Article II.1.4 may not be considered as late payment.

Interest on late payment shall cover the period running from the day following the due date for payment, up to and including the date of payment.

Late-payment interest is not considered for the purposes of determining the final amount of the Union contribution.

If the late-payment interest is lower than or equal to EUR 200, it will be paid to the NA only upon request submitted within two months of receiving the late payment.

II.1.6. Recovery by the Commission

If any amount is to be recovered under the terms of this Agreement, the NA shall repay the Commission the amount in question.

Before recovery, the Commission shall formally notify the NA of its intention to recover the amount unduly paid, specifying the amount due and the reasons for recovery and inviting the NA to make any observations within 15 calendar days from receipt of the pre-information letter. If the amount to be recovered as calculated by the Commission equals the amount declared in the NA Yearly Report or results from an audit report that has already been subject to an adversary procedure, the Commission will issue the debit note without an additional pre-information letter to the NA.

If no observations have been submitted or if, despite the observations submitted by the NA, the Commission decides to pursue the recovery procedure, the Commission shall confirm recovery by formally notifying to the NA a debit note ("debit note"), specifying the terms and the date for payment.

If payment has not been made by the date specified in the debit note, the Commission shall recover the amount due:

- a) by offsetting it against any amounts owed to the NA by the Union or the European Atomic Energy Community (Euratom) ("offsetting"); in exceptional circumstances, justified by the necessity to safeguard the financial interests of the Union, the Commission may recover by offsetting before the due date; the NA's prior consent shall not be required; an action may be brought against such offsetting before the General Court of the European Union pursuant to Article 263 TFEU;
- b) by taking legal action in accordance with Article II.2.

If payment has not been made by the date set out in the debit note, the amount due shall bear interest at the rate established in Article II.1.5 Interest on late payment shall cover the period running from the day following the due date for payment, up to and including the date when the Commission actually receives payment in full of the outstanding amount.

Any partial payment shall first be appropriated against charges and interest on late payment and then against the principal.

Bank charges incurred in connection with the recovery of the sums owed to the Commission shall be borne by the NA, except where Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC applies.

The Commission may only waive recovery of all or part of amounts to be repaid by the NA if the conditions set out in Article 101 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council³ are met.

³ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

II.1.7. Recovery by the NA

NA shall recover from contractors and beneficiaries any amount that was paid to them but is not due under the terms of the contracts or grant agreements. NA shall take any necessary legal actions for that purpose.

II.1.8. Costs of the payment transfers

Costs of the payment transfers shall be borne in the following way:

- a) costs of transfer charged by the bank of the Commission shall be borne by the Commission;
- b) costs of transfer charged by the bank of the NA shall be borne by the NA;
- c) all costs of repeated transfers caused by one of the parties shall be borne by the party which caused the repetition of the transfer.

Article II.2. LAW APPLICABLE AND SETTLEMENT OF DISPUTES

The Agreement is governed by the applicable Union law complemented, where necessary, by the law of Belgium.

The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or validity of the Agreement.

Any dispute which cannot be settled amicably shall be submitted to the jurisdiction of the General Court or, on appeal, the Court of Justice of the European Union.

Article II.3. LIABILITY

II.3.1. The Commission shall not, in any circumstances be held liable for any damage caused or sustained by the NA, including any damage caused to third parties as a consequence of or during the implementation of the entrusted tasks or by the implementation of the activities financed by the funds for grant support.

II.3.2. Except in cases of force majeure, the NA shall compensate the Commission for any damage sustained by it as a result of the implementation of the entrusted tasks.

Article II.4. CONFLICT OF INTERESTS

II.4.1. The NA shall take all necessary measures to prevent any situation where the impartial and objective implementation of the entrusted tasks is compromised for reasons involving economic interest, political or national affinity, family or emotional life or any other shared interest (“conflict of interests”).

- II.4.2. Any situation constituting or likely to lead to a conflict of interests during the implementation of the Agreement shall be notified to the Commission, in writing, without delay. The NA shall immediately take all the necessary steps to rectify this situation. The Commission reserves the right to verify that the measures taken are appropriate and may require additional measures to be taken within a specified deadline.

Article II.5. CONFIDENTIALITY

- II.5.1. The Commission and the NA shall preserve the confidentiality of any information and documents, in any form, which are disclosed in writing or orally in relation to the implementation of the entrusted tasks and which are explicitly indicated in writing as confidential.
- II.5.2. The NA shall not use confidential information and documents for any reason other than fulfilling its obligations under the Agreement, unless otherwise agreed with the Commission in writing.
- II.5.3. The parties shall be bound by the obligations referred to in the above paragraph during the implementation of the Agreement and for a period of five years starting from the date of its termination, unless:
- a) the concerned party agrees to release the other party from the confidentiality obligations earlier;
 - b) the confidential information becomes public through other means than in breach of the confidentiality obligation through disclosure by the party bound by that obligation;
 - c) the disclosure of the confidential information is required by law.

Article II.6. PROCESSING OF PERSONAL DATA

II.6.1. Processing of personal data by the Commission

Any personal data included in the Agreement shall be processed by the Commission pursuant to Regulation (EU) 2018/1725.

Such data shall be processed by the data controller identified in Article I.9 solely for the purposes of the implementation, management, monitoring and evaluation of the Erasmus+ programme, without prejudice to possible transmission to the bodies charged with the monitoring or inspection tasks in application of Union law.

The NA shall have the right of access to its personal data and the right to rectify any such data. Should it have any queries concerning the processing of its personal data, it shall address them to the data controller.

II.6.2. The NA shall have the right of recourse at any time to the European Data Protection Supervisor. Processing of personal data by the NA

Where the implementation of the entrusted tasks requires the processing of personal data by the NA, the NA will be processor in the sense and under the conditions of Regulation (EU) 2018/1725.

Such data shall be processed solely for the purposes of the implementation, management, monitoring and evaluation of the Erasmus+ Programme, without prejudice to possible transmission to the bodies charged with the monitoring or inspection tasks in application of the applicable rules.

The programme applicants, contractors and beneficiaries shall have the right of access to their personal data and the right to rectify any such data. Should they have any queries concerning the processing of their personal data, they shall address them to the data controller.

The data controller referred to in Article I.9 shall also supervise the processing of personal data of programme applicants, contractors and beneficiaries by the NA, if the management of the programme requires the processing of personal data by the NA.

The NA shall act as data controller, in accordance with the Regulation (EU) 2016/679 of the European Parliament and of the Council⁴, when the performance of activities implying data processing falls outside of the scope of the Agreement.

The programme applicants, contractors and beneficiaries shall have the right of recourse at any time to the European Data Protection Supervisor.

The NA shall ensure that the following conditions are applicable to contractors and beneficiaries receiving funding under the Agreement when they process personal data included in the corresponding contracts or grant agreements.

The contractors and beneficiaries must process personal data under the contract or the grant agreement with the NA in compliance with Regulation (EU) 2018/1725 (including authorisations or notification requirements).

The contractors and beneficiaries may grant their personnel access only to data that is strictly necessary for implementing, managing and monitoring the contract or the grant agreement.

The contractors and beneficiaries must inform the personnel whose personal data are collected and processed by the NA and by the Commission.

⁴ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).

Article II.7. VISIBILITY OF UNION FUNDING

II.7.1. Information on Union funding and use of European Union emblem

Unless the Commission requests or agrees otherwise, any communication or publication related to the entrusted tasks, made by the NA, including at conferences, seminars or in any information or promotional materials (such as brochures, leaflets, posters, presentations, etc.), shall display the name of the Programme and the European Union emblem.

When displayed in association with another logo, the European Union emblem must have appropriate prominence.

The obligation to display the European Union emblem does not confer to the NA a right of exclusive use. The NA shall not appropriate the European Union emblem or any similar trademark or logo, either by registration or by any other means.

For the purposes of the first, second and third subparagraphs and under the conditions specified therein, the NA is authorised to use the European Union emblem without prior permission from the Commission.

II.7.2. Disclaimers excluding Commission responsibility

Any communication or publication related to the entrusted tasks, made by the NA in any form and using any means, shall indicate that it reflects only the author's view and that the Commission is not responsible for any use that may be made of the information it contains.

Article II.8. EVALUATION, STUDIES AND ANALYSES

Whenever the Commission carries out an evaluation, study or analysis of the entrusted tasks or the implementation of the programme, the NA undertakes to make available to the Commission and/or persons authorised by it all such documents or information that will allow the evaluation, study or analysis to be successfully completed and to give them the rights of access specified in Article II.14.

If the NA carries out or commissions an evaluation of the impact of the implementation of the entrusted tasks, it shall provide the Commission with a copy of the evaluation report.

Article II.9. FORCE MAJEURE

II.9.1. "Force majeure" shall mean any unforeseeable exceptional situation or event beyond the parties' control, which prevents either of them from fulfilling any of their obligations under the Agreement, which was not attributable to error or negligence on their part or on the part of any third parties and which proves to be inevitable in spite of exercising all due diligence. Any default of a service, defect in equipment or material or delays in making them available, unless they stem directly from a relevant case of force majeure, as well as labour disputes, strikes or financial difficulties cannot be invoked as force majeure.

- II.9.2. A party faced with force majeure shall formally notify the other party without delay, stating the nature, likely duration and foreseeable effects.
- II.9.3. The parties shall take the necessary measures to limit any damage due to force majeure. They shall do their best to resume the implementation of the entrusted tasks as soon as possible.
- II.9.4. The party faced with force majeure shall not be held to be in breach of its obligations under the Agreement if it has been prevented from fulfilling them by force majeure.

Article II.10. SUSPENSION OF THE IMPLEMENTATION OF THE ENTRUSTED TASKS

II.10.1. Suspension of the implementation of the entrusted tasks by the NA

The NA may suspend the implementation of all or part of the entrusted tasks if exceptional circumstances make such implementation impossible or excessively difficult, in particular in the event of *force majeure*. The NA shall inform the Commission without delay, giving all the necessary reasons and details and the foreseeable date of resumption.

Unless the Agreement is terminated in accordance with Article II.11, the NA shall, once the circumstances allow resuming the implementation of the entrusted tasks, inform the Commission immediately.

II.10.2. Suspension of the implementation of the entrusted tasks by the Commission

The Commission may suspend the implementation of the entrusted tasks in full or in part if:

- (a) it has evidence that the NA has committed substantial errors, irregularities or fraud during the assessment by the Commission of its rules and procedures, the process of its designation as the National Agency for the Erasmus+ programme or the implementation of the entrusted tasks or if the NA fails to comply with its obligations under the Agreement;
- (b) it has evidence that the NA has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under the present or other agreements funded by Union funds which call into question the reliability of its internal control system or the legality and regularity of the underlying expenditure;
- (c) it suspects substantial errors, irregularities, fraud or breach of obligations committed by the NA in the process of its designation as the National Agency for the Erasmus+ programme or the implementation of the entrusted tasks and needs to check whether they have occurred.

Before suspending the implementation the Commission shall formally notify the NA of its intention to suspend, specifying the reasons thereof, and, in the cases referred to in points (a) and (b) of the first paragraph, the necessary conditions for resuming the implementation. The NA shall be invited to submit observations within 30 calendar days from receipt of this notification.

If, after examination of the observations submitted by the NA, the Commission decides to stop the suspension procedure, it shall formally notify the NA thereof.

If no observations have been submitted or if, despite the observations submitted by the NA, the Commission decides to pursue the suspension procedure, it may suspend the implementation by formally notifying the NA thereof, specifying the reasons for the suspension and, in the cases referred to in points (a) and (b) of the first paragraph, the definitive conditions for resuming the implementation or, in the case referred to in point (c) of the first paragraph, the indicative date of completion of the necessary checks.

The suspension shall take effect on the day of the receipt of the notification by the NA or on a later date, where the notification so provides.

In order to resume the implementation, the NA shall endeavour to meet the notified conditions as soon as possible and shall inform the Commission of any progress made in this respect.

Unless the Agreement is terminated in accordance with Article II.11, the Commission shall, as soon as it considers that the conditions for resuming the implementation have been met or the necessary checks, including on-the-spot checks, have been carried out, formally notify the NA thereof.

Any expenditure resulting from the commitments made by the NA during the period of suspension shall not be reimbursed.

Article II.11. TERMINATION OF THE AGREEMENT

II.11.1. Termination by the Commission

The Commission may terminate the Agreement in the following circumstances:

- (a) the NA has undergone changes in its legal, financial, technical, organisational or ownership situation or in its systems, rules or procedures which are likely to affect substantially the implementation of the entrusted tasks or call into question the assessment by the Commission of its rules and procedures or the acceptance of its designation by the Commission as the National Agency for the Erasmus+ programme;
- (b) if the NA failed to comply with its obligations under the Agreement;

- (c) in the event of force majeure, notified in accordance with Article II.9, or in the event of suspension of the implementation of the entrusted tasks by the NA, where resuming the implementation is impossible or would call into question the assessment by the Commission of its rules and procedures or the acceptance of its designation by the Commission as the National Agency for the Erasmus+ programme;
- (d) if the NA is declared bankrupt, is being wound up, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject of any other similar proceedings concerning those matters, or is in an analogous situation arising from a similar procedure provided for in national legislation or regulation;
- (e) if the NA or any related person has been found guilty of professional misconduct proven by any means;
- (f) if the Commission has evidence that the NA or any related person has committed fraud, corruption, or is involved in a criminal organisation, money laundering or any other illegal activity detrimental to the Union's financial interests;
- (g) if the Commission has evidence that the NA or any related person has committed substantial errors, irregularities or fraud in the implementation of the entrusted tasks including in the event of submission of false information during the assessment by the Commission of its rules and procedures or the process of its designation as the National Agency for the Erasmus+ programme, or
- (h) if the Commission has evidence that the NA has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under other agreements funded by Union funds which call into question the reliability of its internal control system or the legality and regularity of the underlying expenditure;
- (i) if the National Authority of the participating country revokes the designation in accordance with Article 27(14) of the Erasmus+ Legal Base.

For the purposes of points (e), (f) and (g) any related person shall mean any natural person who has the power to represent the NA or to take decisions on its behalf.

II.11.2. Before terminating the Agreement, the Commission shall formally notify the NA of its intention to terminate, specifying the reasons thereof and inviting the NA, within 45 calendar days from receipt of the notification, to submit observations and, in the case of point (b) of Article II.11.1, to inform the Commission about the measures taken to ensure that it continues to fulfil its obligations under the Agreement concerned.

If, after examination of the observations submitted by the NA, the Commission decides to stop the termination procedure, it shall formally notify the NA thereof. If no observations have been submitted or if, despite the observations submitted by the NA, the Commission decides to pursue the termination procedure, it may terminate the Agreement by formally notifying the NA thereof, specifying the reasons for the termination. In the cases referred to in points (a), (b), (d) and (i) of Article II.11.1, the formal notification shall specify the date on which the termination takes effect.

In the cases referred to in points (c), (e), (f), (g) and (h) of Article II.11.1, the termination shall take effect on the day following the date on which the formal notification was received by the NA.

When the Commission terminates this Agreement it undertakes to honour the legal obligations arising from the implementation of the Agreement whose entry into force precedes the date on which the termination of the Agreement takes effect.

II.11.3. Effects of termination

From the date when termination takes effect, the NA shall have 60 calendar days to submit to the Commission and to the National Authority a report that will contain the same elements as the NA Yearly Report referred to in Article I.4.2 and para. 4.7.4 of Annex II. The report shall be duly supported by an Audit Opinion issued by the Independent Audit Body.

On that basis, the Commission shall determine the final amount of the Union contribution in accordance with Article I.5.2. The Commission shall not accept expenditure relating to contracts and grant agreements which are not completed at the date of termination, unless the NA cannot reasonably terminate them on legal grounds. The final amount of the contribution to management costs will be determined by multiplying 1/12 of the amount set out in Article 1.3.1 by the number of completed months before the date when the termination takes effect.

If no report is received by the date specified in the first paragraph, the Commission shall not take account of expenditure not included in accounts submitted in accordance with Article I.4.

Neither party shall be entitled to claim compensation by the other party on account of a termination of the Agreement.

Article II.12. ASSIGNMENT OF CLAIMS FOR PAYMENTS TO THIRD PARTIES

II.12.1. Claims for payments of the NA against the Commission may not be assigned to third parties, except in duly justified cases where the situation warrants it.

The assignment shall only be enforceable against the Commission if it has accepted the assignment on the basis of a written and reasoned request to that effect made by the NA. In the absence of such an acceptance, or in the event of failure to observe the terms thereof, the assignment shall have no effect on the Commission.

II.12.2. In no circumstances shall such an assignment release the NA from its obligations towards the Commission.

Article II.13. FINANCIAL CORRECTIONS

II.13.1. If the NA has breached any of its obligations under the Agreement, the Commission may apply financial corrections by excluding expenditure from Union financing, reducing the contribution to management costs, the contribution to networks or the funds for grant support, in proportion to the seriousness of the breach.

II.13.2. The Commission shall apply financial correction where appropriate on the basis of the information provided in the NA Yearly Report, by the National Authority or the Independent Audit Body or as a result of checks or audits carried out in application of Article II.14. These corrections will be applied following the rules described in Annex V of this Agreement.

II.13.3. Once the irregularity and deficiency has been identified, the Commission shall formally notify the NA of its intention to apply financial corrections, specifying the corrections it intends to apply and the reasons thereof. The NA shall be invited to submit observations within 30 calendar days from receipt of this notification.

If the Commission does not receive any observations or if, despite the observations submitted by the NA, the Commission decides to apply the financial corrections, it shall formally notify the NA the confirmation of the corrections.

Article II.14. CHECKS, AUDITS AND EVALUATIONS

II.14.1. Technical and financial checks and evaluations

The Commission may carry out technical and financial checks and audits in relation to the use of the contribution to networks and the management of funds for grant support. Information and documents provided in the framework of checks or audits shall be treated on a confidential basis.

Checks and audits made by the Commission may be carried out either directly by its own staff or by any other outside body authorised to do so on its behalf.

Such checks and audits may be initiated during the implementation of the Agreement and for a period of five years starting from the date of payment of the balance.

In addition, the Commission may carry out interim or final evaluation of the impact of the implementation of the entrusted tasks measures against the objectives of the Erasmus+ programme.

The check, audit or evaluation procedure shall be deemed to be initiated on the date of receipt of the letter of the Commission announcing it.

II.14.2. Duty to keep documents

The NA shall keep all original documents, especially accounting and tax records, stored on any appropriate medium, including digitalised originals when they are authorised by its national law and under the conditions laid down therein, for a period of five years starting from the date of payment of the balance.

The period set out in the first paragraph shall be longer if there are on-going audits, appeals, litigation or pursuit of claims concerning the Agreement. In such cases, the NA shall keep the documents until such audits, appeals, litigation or pursuit of claims are closed.

II.14.3. Obligation to provide information

The NA shall provide any information, including information in electronic format, requested by the Commission, or by any other outside body authorised by it, in the context of checks, audits or evaluations as referred to in Article II.14.1 in order to verify compliance with the Agreement.

In case the NA does not comply with the obligation set out in the first paragraph, the Commission may consider any expenditure related to the use of funds for grant support or related to the contribution to networks insufficiently substantiated by information provided by the NA as unacceptable.

II.14.4. On-the-spot visits

During an on-the-spot visit, the NA shall grant Commission staff and outside persons authorised by it access to its sites and premises and to all the necessary information, including information in electronic format. It shall ensure that the information is readily available at the moment of the on-the-spot visit and that information requested is handed over in an appropriate form.

In case the NA refuses to provide access to the sites, premises and information in accordance with the first and second paragraphs, the Commission may consider any expenditure related to the use of funds for grant support or related to the contribution to networks insufficiently substantiated by information provided by the NA as unacceptable.

II.14.5. Contradictory audit procedure

On the basis of the audit findings, a provisional report ("draft audit report") shall be drawn up. It shall be sent by the Commission or its authorised representative to the NA, which shall have 30 days from the date of receipt to submit observations. The final report ("final audit report") shall be sent to the NA within 60 days of expiry of the time limit for submission of observations.

II.14.6. Effects of audit findings

On the basis of the final audit findings, the Commission may take the measures which it considers necessary, including financial correction and recovery of all or part of the payments made by it, in accordance with Article II.1.6.

In the case of final audit findings made after the payment of the balance, the amount to be recovered shall correspond to the difference between the final amount of the contribution determined in accordance with Article I.5.2, and the total amounts paid to the NA in accordance with Articles I.5.1 and I.5.3.

II.14.7. Checks and inspections by OLAF

The European Anti-Fraud Office (OLAF) shall have the same rights as the Commission, notably right of access, for the purpose of carrying out on-the-spot checks and inspections.

OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with the implementation of the entrusted tasks.

Where appropriate, OLAF findings may lead to financial corrections and recovery by the Commission.

The NA shall designate a contact point which shall have the appropriate powers to cooperate directly with OLAF in order to facilitate the latter's operational activities. It shall inform the Commission of the designated contact point within one month from the entry into force of the Agreement. The NA shall inform without delay of any changes of the above mentioned contact point.

II.14.8. Checks and audits by the European Court of Auditors

The European Court of Auditors shall have the same rights as the Commission, notably right of access, for the purpose audits.

Article II.15. PUBLICATION OF INFORMATION ON THE RECIPIENTS OF UNION FUNDING

II.15.1. The NA shall publish annually on its website information on the recipients of Union funds in the form of:

- a) grants, with the exception of scholarships paid to natural persons and other direct support paid to natural persons in most need in accordance with para. 3.7.10 of Annex II;
- b) contracts with a value equal to or higher than EUR 15 000.

The following information shall be published with due observance of the requirements of confidentiality and security in particular the protection of personal data:

- a) the name of the recipient;
- b) the locality of the recipient;
- c) the amount awarded;
- d) the nature and purpose of the measure.

For the purpose of point (b) the term 'locality' shall mean:

- (i) when the recipient is a legal person, its address;
- (ii) when the recipient is a natural person, the region at NUTS 2 level or, in the case of third countries, the equivalent to the region at NUTS 2 level.

II.15.2. As far as personal data referring to natural persons are concerned, the information published shall be removed two years after the end of the financial year in which the funds were awarded. The same shall apply to personal data referring to legal persons for whom the official title identifies one or more natural persons.

II.15.3. The publication shall be waived if such disclosure risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union or would harm the commercial interests of the recipients.

II.15.4. The NA shall provide the Commission with the address of the website where this information can be found.

Article II.16. PROCUREMENT RULES AND PROCEDURES

II.16.1. All the contracts awarded as a result of the implementation of the entrusted tasks shall be awarded in accordance with para. 4.4 of Annex II and shall be signed before the date set out in Article I.2.

II.16.2. The NA shall apply the national legislation on public procurement of **Latvia** and ensure compliance with the requirements laid down in Directive 2014/24/EU ⁵ for the award of such contracts.

II.16.3. The NA shall ensure that the conditions applicable to it under Articles II.3, II.4, II.5, II.7, II.14 are also applicable to contractors receiving funding under the Agreement.

Article II.17. GRANT RULES AND PROCEDURES

II.17.1. All the agreements for the grants awarded as a result of the implementation of the entrusted tasks shall be awarded in accordance with para. 3.7 of Annex II and shall be signed by the date set out in Annex I.

II.17.2. The NA shall ensure that the conditions applicable to it under Articles II.3, II.4, II.5, II.7, II.14 are also applicable to beneficiaries receiving funding under the Agreement.

Article II.18. CONTROLS BY THE NA

II.18.1. The NA shall carry out, in accordance with para. 3.11 of Annex II, ex ante and ex post controls including, where appropriate, on-the-spot checks on representative samples of transactions to ensure that underlying transactions are legal and regular and that actions financed from the Union budget are effectively carried out and implemented correctly.

II.18.2. The NA shall take account of risk and cost-efficiency considerations when designing its control approach. The sample of transactions shall include a risk-based part and a random part. The random part shall be representative. The sample of on-the-spot checks shall be large enough in order to provide reasonable assurance as to the legality and regularity and sound financial management of the underlying transactions.

Article II.19. INTELLECTUAL PROPERTY RIGHTS

II.19.1. In the case of funding by the NA in the form of contracts, ownership title and industrial and intellectual property rights of the results of the contract and the reports and other documents relating to it shall vest in the NA, unless otherwise agreed by the NA.

II.19.2. In the case of funding by the NA in the form of grants, ownership title and industrial and intellectual property rights of the results of the grant and the reports and other documents relating to it shall vest in the grant beneficiaries.

⁵ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65).

II.19.3. The NA shall ensure that it, its contractors and beneficiaries have all rights to use any pre-existing industrial and intellectual property rights including rights of third parties ("pre-existing rights") in the results.

Notwithstanding the provisions of the first paragraph and subject to Article II.5, the NA shall grant and ensure that the contractor or grant beneficiary grants the Commission the right to use free of charge all results of the contract or grant, whatever their form. The Commission shall also have the right to use under the same conditions any pre-existing industrial and intellectual property rights, which have been included in the results.

Article II.20. EARLY-DETECTION AND EXCLUSION SYSTEM

II.20.1. The NA shall designate a person responsible for relations with the Commission as regards all issues related to the early-detection and exclusion system (EDES).

II.20.2. The Commission shall provide the NA, through the designated person, with access to the information contained in the early-detection and exclusion system for the purpose of implementing the entrusted funds.

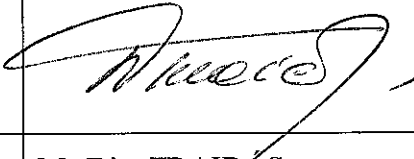
II.20.3. The NA shall, through the designated person, communicate to the Commission information on candidates, tenderers, and applicants if they, or persons having powers of representation, decision-making or control over them, have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such conduct was detrimental to the Union's financial interests.

II.20.4. The designated person shall transmit the information within three months of the issue of the judgment. Copy of the definitive judgement shall also be provided.

The designated person shall inform the Commission, without delay, whenever information transmitted needs to be modified or updated.

We, the undersigned declare that we have read and accepted the terms and conditions of this Agreement, including all Annexes.

SIGNATURES

For the Commission:	For the National Agency:
	
Ms Sophia ERIKSSON-WATERSCHOOT	Ms Dita TRAIÐAS
Director	Director
Done at Brussels, Date:	Done at <i>Riga</i> , Date: <i>17.05.2018</i> .

2019 CALENDAR FOR THE USE OF FUNDS

The 2019 Calendar for the use of funds for grant support for Erasmus+ is located in
NAconnECt, Horizontal Library:

2019 GUIDE FOR NATIONAL AGENCIES

The 2019 Guide for National Agencies is located in the NAconnECt Horizontal Library

2019 NATIONAL AGENCY WORK PROGRAMME

The 2019 Erasmus+ Work Programme of the NA is located in LifeCard

2019 YEARLY NA REPORT MODEL

The 2019 Yearly NA Report model is located in LifeCard

The Terms of Reference for the 2019 Yearly NA Report are located in the NAconnECt
Horizontal Library

RULES ON THE APPLICATION OF FINANCIAL CORRECTIONS

Article 1. Types of corrections

- 1.1. Real cost correction shall be applied when the financial correction can be determined on the basis of isolated individual cases. In such case the correction is equal to the amount of expenditure unduly charged to the EU budget.
- 1.2. Flat rate correction shall be applied when there is evidence of individual breaches or systemic cases of non-compliance, but where the financial impact on the EU budget is not precisely quantifiable.
- 1.3. Extrapolated correction shall be applied when irregularities have occurred in a large number of operations throughout the programme, but it is not cost-effective to verify the regularity of operations not included in the tested sample. The amount of the financial correction is calculated by applying to the population at risk a percentage resulting from dividing the errors detected by the value of the sample tested. The correction is only applied to the population at risk and not to the total value of the action grants.

Article 2. Proportionality

- 2.1. When deciding upon the level of a financial correction the Commission takes into account the nature and gravity of the irregularities and the extent and financial impact of the identified system deficiencies. In this regard the following shall apply:
 - if the applicable rules are respected and all reasonable measures are taken to prevent, detect, report and correct fraud and irregularities, no financial corrections will be required;
 - if the applicable rules are respected but the management and control systems need only minor improvement there should be pertinent recommendations, but no financial corrections need be envisaged;
 - if an irregularity is established in an individual operation, a financial correction should always be made;
 - if there are serious deficiencies in the management or control systems which led or could lead to systemic irregularities, in particular, failures to respect the applicable rules, financial corrections should always be made.

- 2.2. The Commission shall not apply financial corrections for irregularities, errors or system deficiencies detected through controls carried out by the NA or by the Independent Audit Body when such irregularities, errors or system deficiencies have been disclosed in the NA Yearly Report or in the Audit Opinion and the NA is committed to take appropriate corrective measures by commonly agreed deadlines.

Article 3. Financial corrections applicable to funds for grant support

A real cost or flat rate or extrapolated financial correction shall be applied to the following non-exhaustive list of key obligations, as referred to in Annex II:

- a. Checks and controls on the grant award procedure;
- b. Checks on grant beneficiaries;
- c. Controls on recoveries;
- d. Follow-up of cases of irregularity and fraud.

Article 4. Financial corrections applicable to contribution to management costs

A flat rate financial correction shall be applied to the following non exhaustive list of cases:

- a. Non-realisation of the NA Work Programme in accordance with the minima set out in Annex I;
- b. Non-respect of reporting obligations towards the Commission;
- c. Non-respect of time limits with regard to the management of the project life cycle, in particular relating to the grant award procedure, issuing of grant agreements, grant payments and checks on grant beneficiaries as referred to in the para. 3 of Annex II;
- d. Infringement of public procurement rules as referred to in the para. 4.4 of Annex II;
- e. Non-respect of the guidelines on financial management as referred to in the para. 2.6 and 4.3 of Annex II;
- f. Insufficient monitoring and support to beneficiaries as referred to in the para. 3.11 of Annex II;
- g. Insufficient segregation of duties as referred to in the para. 2.3.2 of Annex II.

Article 5. Financial corrections applicable to contribution to networks

A real cost or flat rate financial correction shall be applied to the following non exhaustive list of cases:

- a. Non-realisation of the NA Work Programme in accordance with the minima set out in the Annex I;
- b. Non-respect of reporting obligations towards the Commission;
- c. Infringement of public procurement rules as referred to in the para. 4.4 of Annex II;
- d. Non-respect of the guidelines on financial management as referred to in the para. 2.6 and 4.3 of Annex II.

Article 6. Level of flat rate corrections

6.1 The Commission shall apply proportionate levels of flat rate corrections depending on nature and gravity of the irregularities and the extent and financial impact of the identified system deficiencies. The Commission may apply flat rate corrections amounting to 5%, 10%, 25% or 100% of the amount of funds for grant support referred to in Articles I.3.3.1, I.3.3.5 and I.3.3.7, of the contribution to management costs referred to in Article I.3.1.1 or of the contribution to networks referred to in Article I.3.2.

6.2 When the deficiencies in the NA's management and control system are, or an irregularity is, so serious as to constitute a complete failure to comply with the rules, so rendering all the relevant payments irregular. In the case of fraud or where the NA has been negligent, the Commission may apply a net financial correction of 100%.

6.3 When the management and control system is gravely deficient and there is evidence of widespread irregularity and negligence in countering irregular or fraudulent practices, a correction of 25% is justified, as it can then reasonably be assumed that the freedom to submit irregular claims with impunity will result in exceptionally high losses to the EU budget.

A correction at this rate is also appropriate for irregularities in an individual case which are serious but do not invalidate the whole operation.

6.4 When the management and control system does not function or functions so poorly or so infrequently that it is completely ineffective in determining the eligibility of the claim or preventing irregularity, a correction of 10% is justified, as it can reasonably be concluded that there was a high risk of widespread loss to the EU budget.

This rate of correction is also appropriate for individual or systemic irregularities of moderate seriousness.

- 6.5 When the management and control system functions but not with the consistency, frequency or depth required by the EU rules, then a correction of 5% is justified, as it can reasonably be concluded that it does not provide a sufficient level of assurance of the regularity of claims, and that the risk to the EU budget was significant.

A 5% correction can also be appropriate for less serious individual or systemic irregularities in individual operations.

- 6.6 The fact that the way in which a system operates is perfectible is not in itself sufficient grounds for a financial correction. There must be a serious deficiency of compliance with the EU rules and the deficiency must expose the programme funds to a real risk of loss or irregularity.
- 6.7 In accordance with the principle of proportionality, the correction rate may be reduced to between 2% and 5% where the nature and gravity of the deficiency, either individual or systemic, although serious, is not considered to justify a 5% correction rate.

Article 7. Repeated breaches

The Commission may increase the flat rate corrections if the same deficiency is established in relation to expenditure after the date of the first correction imposed and the NA has failed to take adequate corrective measures for the part of the system at fault after the first correction.

Article 8. Borderline cases

Where the correction resulting from a strict application of the flat rates of 100%, 25% or 10% would be clearly disproportionate, the Commission may apply a lower level of flat rate correction.

Article 9. Basis of assessment

- 9.1 The rate of correction shall be applied to that part of the expenditure placed at risk at programme level and for the period affected, taking full account of the proportionality principle.
- 9.2 When several deficiencies are found in the same system, the flat rates of correction are not cumulated, the most serious deficiency being taken as an indication of the risk presented by the management and control system as a whole.
- 9.3 Flat rate corrections are applied to the expenditure remaining after the deduction of the amounts corrected with regard to individual cases.
- 9.4 In so far as the deficiencies found affect several financial agreements signed between the Commission and the NA, the Commission may extend the same flat rate correction to all financial agreements affected by the same deficiencies.