

**Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and  
Herzegovina-Montenegro 2014-2020**

**Subsidy Contract Number: 2017HR-BA-ME283**

The following Subsidy Contract is concluded between  
**Agency for Regional Development of the Republic of Croatia**, acting as the Managing  
Authority of Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and  
Herzegovina-Montenegro 2014-2020,  
Ulica grada Vukovara 284 (objekt A), 10 000 Zagreb  
Republic of Croatia

represented by Stella Arneri, Acting Director

and

**Općina Velika Kladuša**, acting as the Lead Beneficiary,  
Hamdije Pozderca 3, 77230 Velika Kladuša  
Bosnia and Herzegovina

represented by Fikret Abdić, Mayor

on behalf of the Project Partners as listed in the Partnership Agreement.

The Parties have agreed as follows:

## Legal framework

The provisions of this Subsidy Contract (hereinafter the Contract) are based on the following EU legislation, Programme rules and guidelines and national legislation:

- Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006;
- Regulation (EC) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006;
- Regulation (EC) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial Cooperation goal;
- Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002;
- Regulation (EU, EURATOM) No 547/2014 of the European Parliament and of the Council of 15 May 2014 amending Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union;
- Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II);
- Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II);
- Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes;
- Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union;
- Interreg IPA Cross-border Cooperation Programme Croatia – Bosnia and Herzegovina – Montenegro 2014-2020, approved by the European Commission Decision No C(2015) 8447 of 24 November 2015 (hereinafter referred to as the Programme);
- Programme Rules on Eligibility of Expenditures;
- Programme Visibility Guidelines;

- First Call for Proposals, published on 9 March 2016;
- Project Implementation Manual;
- Joint Monitoring Committee Decision on the approval of the Operation from 31 January 2017;
- the approved Application HR-BA-ME283 in the electronic monitoring system (eMS);
- National rules applicable to the beneficiaries.

In case of amendments of the above mentioned regulations and/or rules, the latest version shall apply.

### Article 1

#### Subject of the Subsidy Contract

1. The purpose of the Subsidy Contract is award of a grant by the Managing Authority to finance the implementation of the following Operation:

|                                     |   |
|-------------------------------------|---|
| <b>Operation Title</b>              | Protection and promotion of chestnut  |
| <b>Operation Acronym</b>            | Chestnut  |
| <b>Operation Number</b>             | HR-BA-ME283   |
| <b>Name of the Lead Beneficiary</b> | Općina Velika Kladuša   |
| <b>Start date of the Operation</b>  | 2017-07-01  |
| <b>End date of the Operation</b>    | 2019-12-31  |
| <b>Programme Priority Axis</b>      | Protecting the environment and nature, improving risk prevention and promoting sustainable energy and energy efficiency |
| <b>Specific Objective</b>           | To promote and improve environment and nature protection and management systems for risk prevention                     |

within Interreg IPA Cross-border Cooperation Programme Croatia-Bosnia and Herzegovina-Montenegro 2014-2020, in accordance with the decision of the Joint Monitoring Committee from 31 January 2017.

2. The Lead Beneficiary accepts the awarded grant and assumes the responsibility to coordinate the implementation of the Operation in due time according to the provisions of the present Contract.

## Article 2

### Duration of the Contract and implementation period of the Operation

1. The Contract shall enter into force on the day on which the last Party signs the Contract.
2. The Contract shall be valid until all the obligations are fulfilled between the Lead Beneficiary and the Managing Authority.
3. The implementation period of the Operation is 30 months.

## Article 3

### Financing of the Operation

1. The total budget of the Operation consists of Programme co-financing and National contribution as presented below:

| Total budget   | Programme co-financing | National contribution |
|----------------|------------------------|-----------------------|
| EUR 589 558.39 | EUR 501 124.61         | EUR 88 433.78         |
| <b>100%</b>    | <b>Max. 85%</b>        | <b>Min. 15%</b>       |

2. The Managing Authority undertakes to finance a maximum amount of EUR 501 124.61, which represents 85% of the total budget of the Operation.
3. The actual Programme co-financing will be calculated on the basis of certified expenditures only. The total amount to be paid by the Managing Authority to the Lead Beneficiary cannot exceed the maximum amount of Programme co-financing as defined in paragraph 2 of this Article.
4. The Operation must not make use of funds from other programmes co-financed by the European Union to finance the present Operation.

5. Initial pre-financing of maximum 10% of the total budget stated in the paragraph 1 of this Article shall be made by the Certifying Authority to the Lead Beneficiary within 30 calendar days from the start date of the Operation as indicated in Article 1. For the purposes of the initial pre-financing payment, the signed Contract shall serve as a payment claim.
6. Received initial pre-financing shall be deducted from certified Progress Reports proportionally during the implementation period of the Operation.

#### **Article 4**

##### **Responsibilities of the Lead Beneficiary**

1. The Lead Beneficiary shall:

- a. assume the overall legal and financial responsibility for ensuring implementation of the entire Operation and ensure the professional management of the Operation;
- b. guarantee that it is entitled to represent the Project Partners participating in the Operation by laying down the arrangements with Project Partners in Partnership Agreement comprising provisions that, inter alia, guarantee the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid and comprising distributions of the mutual rights and responsibilities;
- c. ensure that all Project Partners have the capacity and resources for managing the Operation and that they fulfil their obligations related to the implementation of the Operation observing the legal framework and this Contract;
- d. coordinate the start, implementation and closure of the Operation according to the time schedule as indicated in the final version of the Application;
- e. ensure transparent financial flows of Operation funds (open separate (sub)account);
- f. ensure that all reported expenditure have been incurred during Operation implementation and correspond to the activities as indicated in the final version of the Application, and in accordance with this Contract;
- g. ensure that all expenditure reported within the implementation of the Operation have been verified by the designated first level controllers;
- h. be responsible for transferring the Programme co-financing to the Project Partners participating in the Operation at latest 10 working days after the reception of the funds from the Certifying Authority (in full and in the respect to the Partnership Agreement). No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce those amounts for the other Project Partners;
- i. inform the Joint Secretariat/Managing Authority immediately about all circumstances that delay, hinder or make impossible the realisation of the Operation, as well as all circumstances that may cause minor and major changes of the Contract (if and when necessary);

- j. provide any information regarding the implementation of the Operation upon request of any of the Programme bodies, or take the necessary steps requested by the Programme bodies within the set deadlines;
  - k. use relevant electronic monitoring system (hereinafter eMS) for reporting and exchanging information (including the relevant supporting documentation) between the beneficiaries and Programme bodies.
2. The Lead Beneficiary shall take full responsibility for the damages caused to third parties during the implementation of the Operation.
  3. The Managing Authority accepts no liability for any consequences which may result from unsuccessful implementation of the Operation by the beneficiaries, the misuse of the grant, and/or the withdrawal of the grant.

## **Article 5**

### **Responsibilities of the Managing Authority**

1. The Managing Authority shall:
  - a. support the Lead Beneficiary by providing the necessary information and clarifications related to the implementation of the Operation;
  - b. inform the Lead Beneficiary regarding the reports, conclusions and recommendations made by the European Commission and other Programme bodies, which may affect the implementation of the Contract and the Operation;
  - c. ensure that the beneficiaries have access to the eMS, as well as instructions on usage of the eMS.
2. In case one or more obligations of the Lead Beneficiary are not fulfilled, the Managing Authority reserves the right to suspend the execution of the Contract. If this is the case, the Managing Authority shall notify the Lead Beneficiary of the suspension, duration of the suspension period, the proposed corrective measures and related financial measures (if applicable). The Managing Authority shall also notify the Lead Beneficiary if the suspension period is cancelled prior to the initially set deadline.

## Article 6 Reporting obligations

1. In order to receive the reimbursement of funds, the beneficiaries shall submit a Partner Progress Report including a statement of expenditure (and relevant supporting documents) declaring the expenditure for the relevant reporting period to the designated first level controller. Partner Progress Report and statement of expenditure shall be generated through eMS.
2. Partner Progress Reports shall be submitted respecting the following schedule:

| Period Number | Duration in months | Start Date | End Date   | Reporting deadline |
|---------------|--------------------|------------|------------|--------------------|
| 1             | 3                  | 2017-07-01 | 2017-09-30 | 2017-10-15         |
| 2             | 6                  | 2017-10-01 | 2018-03-31 | 2018-04-15         |
| 3             | 6                  | 2018-04-01 | 2018-09-30 | 2018-10-15         |
| 4             | 6                  | 2018-10-01 | 2019-03-31 | 2019-04-15         |
| 5             | 6                  | 2019-04-01 | 2019-09-30 | 2019-10-15         |
| 6             | 3                  | 2019-10-01 | 2019-12-31 | 2020-01-31         |

3. In accordance with Article 23(4) of Regulation (EU) No 1299/2013, the first level controller shall submit a signed FLC Certificate on the eligible and validated expenditures to the beneficiaries within 3 months after the submission of the Partner Progress Report and statement of expenditure.
4. The Lead Beneficiary is responsible for submission of the Project Progress Report to the Joint Secretariat/Managing Authority within one month from submission of the FLC certificate for the relevant reporting period to the last Project Partner.
5. The Project Progress Report shall be generated through eMS and consists of activity part and financial part. The activity part of the report is laid out in such a way to allow

monitoring the implementation of Operation activities and achievement of Operation specific objective(s), main outputs and the execution of budget per Workpackage, as described in the Application. The financial part of the Project Progress Report shall serve as a payment claim.

6. After the Project Progress Report has been submitted in due time to the Joint Secretariat/Managing Authority, the Joint Secretariat shall perform the verification of the Project Progress Report. The Managing Authority shall perform additional checks of the Project Progress Report and approve the report.
7. Following the approval of the Project Progress Report, the Managing Authority shall forward the report and Payment Order to the Certifying Authority for final approval and payment to the Lead Beneficiary.
8. The Managing Authority will ensure that the Lead Beneficiary receives total amount of eligible expenditure due in full and no later than 90 days from the date of submission of the Project Progress Report to the Joint Secretariat/Managing Authority.
9. Based on the fact that payments by the European Commission to the Certifying Authority shall only be made in accordance with the corresponding budget commitments in line with Article 136 of Regulation (EU) No 1303/2013, the Lead Beneficiary must request payments in accordance with the final approved budget in the Application.
10. Specific details regarding preparation, content of the reports and other reporting obligations shall be given within Project Implementation Manual.

## **Article 7**

### **Payment arrangements and use of euro**

1. Disbursement of the Contract will be made under the condition that the management verifications in line with Article 125(4) of Regulation (EU) No 1303/2013, as well as the certification by the Certifying Authority, have been carried out adequately.
2. For reporting purposes all expenditure incurred (during the Operation implementation) in currency other than EUR shall be converted within the eMS to EUR using the monthly accounting exchange rate of the Commission (Inforeuro exchange rate) in the month during which that expenditure was submitted for verification to the designated first level controller.
3. In case the EUR becomes the currency of the participating country, the conversion procedure described above shall continue to apply to all expenditure recorded in the accounts by the Certifying Authority before the date of entry into force of the fixed conversion rate between the national currency and the euro.
4. All payments by the Certifying Authority to Lead Beneficiary shall be made in EUR and transferred to the account indicated in the Application, in line with applicable national legislation.
5. In case of any delay in the repayment, the amount to be paid shall be subject to interest on late payment, starting on the due date and ending on the actual date of repayment. The rate of such interest shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing operations on the first working day of the month in which the due date falls.



## Article 8

### Suspension of payments

1. Any unjustified delay in reporting or in the clarification process of the Partner and/or Project Progress Report may lead to suspension of payment.
2. In accordance with Article 132 of Regulation (EU) No 1303/2013, the payment deadline may be interrupted by the Managing Authority in either of the following duly justified cases:
  - a. the amount of the payment claim is not due or the appropriate supporting documents, including the documents necessary for management verifications under point (a) of the first subparagraph of Article 125(4) of Regulation (EU) No 1303/2013, have not been provided;
  - b. an investigation has been initiated in relation to a possible irregularity affecting the expenditure concerned.

The Lead Beneficiary shall be informed in writing of the interruption.

3. In case of observations and/or reservations raised by the European Commission on the Programme management and control system or in case of a system error detected, the Managing Authority has the right to temporarily suspend payments to the Operation. Payment suspension shall be lifted as soon as observations and/or reservations raised by the European Commission have been withdrawn.
4. In addition, the Managing Authority/Certifying Authority may also suspend payments as a precautionary measure without prior notice, prior to, or instead of, terminating this Contract as indicated in Article 20 of this Contract.

## Article 9

### Underspending of funds and de-commitment

1. The Lead Beneficiary is responsible for ensuring that minimum 80% of the total budget planned for the entire Operation is reported to the Managing Authority/Certifying Authority.
2. In case of underspending (less than 60% of the total budget of the Operation planned for the specific reporting period), the Managing Authority may reduce the total Operation budget (except in cases where individual expenditures have been delayed due to "force majeure") as follows:
  - a. budget may be reduced by maximum 20% for the beneficiaries who have reported less than 40% of the initially planned amounts to the first level control for the specific reporting period.
  - b. budget may be reduced by maximum 10% for the beneficiaries who have reported between 40% and 60% of the initially planned amounts to the first level control for the specific reporting period.

3. If Union funds of the Programme are being automatically de-committed by the European Commission in the event of non-use and/or underspending compared to the foreseen budget, timetable, expected outputs and results, the Managing Authority, after receiving an official communication, reserves the right to pass on the reduction on the Operation reporting underspending.
4. In any of the abovementioned cases the Managing Authority shall issue a request for modification of the Application specifying the details of the modification. The Lead Beneficiary shall be obliged to implement the modification within 30 calendar days from the Managing Authority's request. In case of failure to respect the set deadline, the de-commitment shall be applied proportionally to all expenditure categories.

## **Article 10**

### **Eligibility of expenditures**

1. The expenditures related to the Operation are eligible only if they are in accordance with the relevant EU legislation, Programme rules and national legislation, and if they observe the terms and conditions stipulated in the Contract.
2. Eligible costs are costs actually incurred and paid by the beneficiaries, which meet all of the following criteria:
  - a. they are incurred during the implementation period of the Operation, with the exception of preparatory costs and closure costs;
  - b. they are indicated in the estimated total budget of the Operation;
  - c. they are necessary for the implementation of the Operation;
  - d. they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiaries are established and according to the usual cost accounting practices of the beneficiaries;
  - e. they comply with the requirements of applicable tax and social security legislation;
  - f. they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;
  - g. they are not listed as ineligible expenditure in the Programme Rules on Eligibility of Expenditure and in the call specific documents;
  - h. they are not co-financed from other sources under the Union Funds or other (national) Funds.
3. In line with the Application, the Lead Beneficiary is entitled to receive the reimbursement of preparatory and closure costs on behalf of the partnership for the Operation in the form of a lump sum based on the approved Project Progress Report for period 0.

## Article 11

### Public procurement

1. For the award of service, supply and work contracts by the beneficiaries, the procurement procedures shall follow the provisions of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012 and of Chapter 3 of Title II of Part Two of Delegated Regulation (EU) No 1268/2012 which apply in the whole Programme area, both on the Member State and on the IPAII beneficiary/ies' territory.
2. Beneficiaries shall follow the procurement rules as defined in the Project Implementation Manual.

## Article 12

### Irregularities and recoveries

1. Irregularities may be detected (during implementation and after Operation closure) by any authority/person involved in Programme management and/or implementation, whistle-blowers or other bodies and individuals, including anonymous ones.
2. If the irregularity is confirmed during the Operation implementation, the irregular amount will be deducted from the next payment claim(s).
3. If the irregularity is confirmed after the final payment has been made to the Operation, the Managing Authority shall request the recovery of amounts unduly paid from the Lead Beneficiary.
4. The Lead Beneficiary is obliged to ensure the recovery of the amounts unduly paid to the Operation within 30 calendar days upon receipt of the request for recovery by the Managing Authority.
5. If the irregularity is committed by the Project Partner(s), the Lead Beneficiary shall be obliged to request the concerned Partner to recover the amount unduly paid to the account indicated by the Lead Beneficiary (in accordance with the provisions stipulated in Partnership agreement). The Lead Beneficiary shall transfer the amount unduly paid to the Certifying Authority.
6. If the amount unduly paid cannot be recovered from the concerned Project Partner(s), the Lead Beneficiary is obliged to notify the Managing Authority without delay.
7. In case of delay in the recovery of amounts unduly paid by the Lead Beneficiary, the Managing Authority may claim interest, in line with Article 7, paragraph 5 of this Contract.

## Article 13

### Visibility, communication and use of Operation results

1. The outcomes and results of the Operation have to be made available to the general public free of charge. In that respect the Lead Beneficiary agrees that the operation data and operation results can be freely used and as it sees fit, and in particular, store, modify, translate, display, reproduce by any technical procedure, publish or communicate by any medium all documents deriving from the Operation whatever their form, in order to ensure

a widespread publicity of the operation results and in order to make them available for the public.

2. The beneficiaries shall respect the information and publicity measures set out in the Programme Visibility Guidelines.
3. The beneficiaries shall ensure that all Operation official communication (e.g. any information to final recipients, notice, publication, internal and annual report, website, operation event, including conferences or seminars) clearly states that the operation received funding from the European Union within the framework of Interreg IPA Cross-Border Cooperation Programme Croatia - Bosnia and Herzegovina - Montenegro 2014-2020. The European Union logo and the Programme logo shall be appropriately displayed.
4. Any notice or publication by the beneficiaries, in whatever form and whatever medium, including the Internet, shall specify that it is the sole responsibility of its author and that the Managing Authority and the European Union are not liable for any use that may be made of the information contained therein.
5. The Managing Authority shall be authorised to publish, in whatever form and on or by whatever medium, including the Internet, the following information:
  - a. the name of the Lead Beneficiary and the Project Partners;
  - b. the objectives and Operation's outputs (i.e. the Operation's overall objective);
  - c. the total Budget of the Operation and the EU co-financing rate;
  - d. the geographical location of the Operation;
  - e. information and communication materials (operation results, evaluations and summaries);
  - f. any other relevant information about the Operation.
6. The Lead Beneficiary shall ensure that it has all rights to use any pre-existing intellectual property rights if necessary for the Operation implementation.

#### **Article 14**

##### **Revenues and interest**

1. In the case the Operations generated net revenue during implementation, the beneficiaries shall respect the provisions of Article 65(8) of Regulation (EU) No 1303/2013.
2. Revenues generated by Operation during the implementation shall be deducted from the eligible costs claimed in statement of expenditure within each Partner Progress Report.
3. The revenue arising from interest on pre-financing payments shall be recovered or deducted from the final payment.

4. If an Operation exceeding EUR 1.000.000 of total eligible costs expects to generate any net revenue after the Operation closure and within three years after the closure of the Programme, the beneficiaries shall respect the provisions of Article 61(1-6) of Regulation (EU) No 1303/2013.

## **Article 15**

### **Audits and audit trail**

1. The responsible EU audit bodies and, within their responsibility, the audit bodies of the Participating Countries, as well as the Audit Authority, the Managing Authority, the Joint Secretariat and the Certifying Authority of the Programme are entitled to audit the use of funds by the beneficiaries or to arrange for such an audit to be carried out by authorised persons.
2. The Lead Beneficiary must provide all documents required for the audit, as well as all necessary information and give access to its business premises.
3. The Lead Beneficiary is obliged to ensure that all files, documents and data related to the Operation are retained for audit purposes for a two year period from 31 December following the submission of the accounts in which the final expenditure of the completed Operation is included. The documents shall be kept either in a form of the originals, or certified true copies of the originals, or in commonly accepted electronic versions.
4. The Managing Authority shall inform beneficiaries of the start date of the period for record-keeping.

## **Article 16**

### **State Aid and de minimis**

1. The beneficiaries receiving State Aid/de minimis after signing this Contract are obliged to:
  - a. immediately inform the Managing Authority of any grants of public funding received,
  - b. keep all Operation records for a minimum of 10 years after receiving the final payment.

## **Article 17**

### **Durability of operations**

1. An operation comprising investment in infrastructure or productive investment shall repay the Programme co-financing if within five (5) years of the final payment to the Lead Beneficiary, it is subject to any of the following:
  - a. a cessation or relocation of a productive activity outside the Programme area;

- b. a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
  - c. a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.
2. An operation comprising investment in infrastructure or productive investment shall repay the Programme co-financing if within ten (10) years of the final payment to the Lead Beneficiary the productive activity is subject to relocation outside the Union.
3. To ensure the compliance with the above mentioned requirements, the Lead Beneficiary shall be obliged to sign the Durability statement following the receipt of the final payment.

## **Article 18**

### **Conflict of interests**

1. In accordance with Article 57 of the EU Regulation 966/2012, the beneficiaries shall not take any action which may bring their own interests into conflict with those of the Union.
2. The Lead Beneficiary shall ensure that the staff, including their management is not placed in any situation which could lead to conflict of interests. It shall ensure that any member of its staff in such a situation will be replaced immediately and without compensation from the Managing Authority.
3. If any conflict of interests arises or may arise during the Operation implementation, the Lead Beneficiary shall immediately take all necessary steps to resolve it and notify the Managing Authority in writing.
4. The Managing Authority may verify the measures taken to resolve conflict of interests and may require additional measures to be taken, if necessary. In case the Managing Authority establishes that the proposed measures have not been implemented, the Managing Authority reserves the right to terminate the Contract in line with Article 20 of this Contract.

## **Article 19**

### **Modifications of the Operation**

1. Any modification of the Operation shall be requested by the Lead Beneficiary via eMS. The Operation can be modified only during its implementation period.
2. The modification of the Operation cannot affect the basic purpose of the Operation, the grant award decision or be contrary to the equal treatment of beneficiaries.
3. The following modifications are considered as major modifications of the Operation:
  - a. changes in the composition of the partnership;
  - b. budget reallocations between main expenditure categories exceeding 25% of the amount originally budgeted in relation to each concerned main category;

- c. substantial changes of the Operation activities, objectives and outputs;
  - d. prolongation of the Operation implementation period (not exceeding the maximum implementation period as defined in the Call for Proposals).
4. In case of major Operation modifications, the Lead Beneficiary shall submit the request for the modification to the Joint Secretariat/Managing Authority at the latest two months before the end of the implementation period. Following the approval of the modification request by the Managing Authority/Joint Monitoring Committee, an Addendum to the Subsidy Contract may be issued (if applicable).
5. In case of minor changes of the Operation (e.g. budget reallocation, increases or reductions not exceeding 25% of the amount originally budgeted, changes of contact points, bank account and other administrative changes, etc.), the Lead Beneficiary shall notify the Joint Secretariat via eMS without delay.

## Article 20

### Termination of the Contract

1. The Managing Authority may terminate the Contract and demand the repayment of Programme co-financing in full or in part, by giving a 30 day written notice and without paying compensation of any kind; if:
- a. the beneficiaries provide false or incomplete information required in the assessment and selection procedure, negotiation phase or in the implementation of the Operation;
  - b. the Lead Beneficiary fails to fulfil any condition or obligation resulting from the Contract;
  - c. the beneficiary becomes insolvent, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject to bankruptcy proceedings or proceedings concerning those matters or is in any other analogous situation;
  - d. the beneficiaries, or any related person, have committed fraud, corruption, or are involved in any illegal activity detrimental to the European Union's financial interests;
  - e. the termination of the participation of a Project Partner or a change in Project Partner's status which substantially affects the implementation of the Operation or puts into question the award decision;
  - f. the Operation has not been or cannot be fully implemented, or it has not been or cannot be implemented in due time;
  - g. the Operation significantly failed to reach outputs and results planned in the approved Application, unless duly justified;
  - h. the Lead Beneficiary has failed to submit required reports, proofs, or necessary information requested by the Programme bodies within the set deadline, provided that the Lead Beneficiary has received at least one written reminder setting the deadline and specifying the legal consequences of a failure to comply with the requirements;

- i. the Programme co-financing has been partially or entirely misapplied for purposes other than those agreed upon;
  - j. the Lead Beneficiary has impeded or prevented the auditing of the Operation or failed to retain the operation documentation required for the audit;
  - k. the Lead Beneficiary has failed to immediately report events delaying or preventing the implementation of the Operation, or any circumstances leading to its modification;
  - l. EU legislation and/or national legislation has been violated;
  - m. in case the Partnership Agreement has been suspended for a period longer than three months;
  - n. if the Contract has not given rise to any payment within two years of its signature.
2. Upon termination of this Contract by the Managing Authority, the Lead Beneficiary shall receive a written notice with necessary instruction regarding the closure of the Operation.
  3. The Lead Beneficiary shall be entitled to payment only for the part of the Operation carried out and activities executed before termination of the Contract.
  4. In cases of termination of the Contract specified in points a), d), e), i) and l) of paragraph 1 of this Article, the Managing Authority may request full or partial repayment of amounts already paid from the grant, in proportion to the gravity of the irregularity in question after allowing the Lead Beneficiary to submit its clarification.
  5. In the cases of force majeure, i.e. if the exceptional circumstances make implementation of the operation excessively difficult or dangerous, and if the Contract can no longer be executed effectively and appropriately, the Lead Beneficiary or the Managing Authority may terminate the Contract by serving a 30 day written notice, without being required to pay indemnity. The Managing Authority may reimburse the unavoidable residual expenditures incurred during the notice period (only for activities and expenditures that have been properly executed).
  6. If the European Commission fails to make the funds available or takes the decision of interrupting or totally suspending the funds, the Managing Authority is entitled to terminate the Contract. In this case the Managing Authority is not obliged to pay any indemnity to the Lead Beneficiary.
  7. The Contract may be terminated by written mutual agreement between the Lead Beneficiary and Managing Authority.

## **Article 21**

### **Complaints**



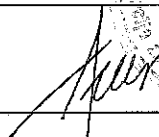

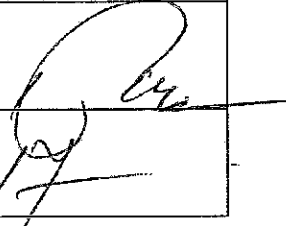
1. The Lead Beneficiary is entitled to file a formal complaint on behalf of the partnership against any act and/or decision by the Joint Secretariat/Managing Authority/Certifying Authority related to the execution of the Contract.



- The complaint shall be filed to the Managing Authority within 10 working days from the receipt and/or knowledge of the concerned decision and/or act.

### Final Provisions

- All official correspondence between the Lead Beneficiary and the Programme bodies shall be in writing and in English language.
- In case of legal succession any of the Parties, the Party involved is obliged to transfer all the obligations under this Contract to its legal successor.
- This Contract shall be governed in accordance with the laws of the Republic of Croatia. In case of differences that are not ruled by this Contract, the Parties agree to find an amicable and mutually acceptable solution. In the absence of amicable settlement, the Parties will submit themselves to the exclusive competence of the Permanent Arbitration Court of the Croatian Chamber of Commerce.
- If a provision of this Contract is or becomes invalid or if this Contract contains unintentional gaps or misprints, this will not affect the validity of the other provisions of this Contract. The Parties will replace any invalid provision by a valid provision that is as close as possible to the purpose and intent of the invalid provision. The Parties will fill any unintentional gap or misprint by a provision that better suits the purpose and intent of this Contract, in compliance with the rules applicable.
- The Lead Beneficiary is obliged to upload the signed Partnership Agreement in the eMS within 15 calendar days from the request by the Managing Authority.
- The Contract shall be signed in three original copies. One copy shall remain by the Lead Beneficiary and two copies shall be returned to the Managing Authority.

| For the Managing Authority   | For the Lead Beneficiary  |
|--|---|
| Name: Stella Arneri  | Name:              |
| Title: Acting Director   | Title:             |
| Signature:  | Signature:        |
| Date: 20. lipnja 2017.   | Date: 20.6.2017  |