

**Subsidy contract
under the Instrument for Pre-accession Assistance II**

No...../.....

Today, 201.., between the **Ministry of Regional Development and Public Works (MRDPW)**, 17-19 Sv. Sv. Kiril and Metodiy Street, Sofia 1202, Bulstat 831661388, Directorate General “Territorial Cooperation Management” - Managing Authority for the Interreg - IPA CBC Bulgaria – the former Yugoslav Republic of Macedonia Programme 2014 – 2020 with CCI Number: 2014TC16I5CB006 (Programme), represented by Mrs./Mr..... according to Order No of the Minister of Regional Development and Public Works, hereinafter referred to as Managing Authority (MA), of the one part,
and

.....
(full official name of the organization)
address:,
registration number:
represented by,,

hereinafter referred to as **Lead Partner (LP)**, of the other part,

is concluded on the basis of the approved Application form No [MIS code],
having as legal basis:

- 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 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);
- Regulation (EU) 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;
- 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;

- Regulation (EU) 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 and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006;
- Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action;
- Council 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) 2015/1929 of the European Parliament and of the council of 28 October 2015 amending Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union;
- 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;
- Commission Delegated Regulation (EU) 2015/2462 of 30 October 2015 amending Delegated Regulation (EU) No 1268/2012 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 CBC Bulgaria – the former Yugoslav Republic of Macedonia Programme, approved by the European Commission by Decision No (2015) 5653/05.08.2015 with programme reference number CCI 2014TC16I5CB006, amended with Decision C(2016) 2851 from 4.5.2016 and Decision C(2016) 8627 from 13.12.2016;
- Financing Agreement between the European Commission and the Government of the former Yugoslav Republic of Macedonia;
- Memorandum on Implementation of Interreg – IPA Cross-Border Cooperation Programme CCI Number: 2014TC16I5CB006 between the Government of the Republic of Bulgaria and the Government of the Republic of Macedonia;
- Decision No 156 of 21 March 2014 of the Council of Ministers of the Republic of Bulgaria for designation of the Managing Authority, the Audit Authority and the Certifying Authority and Decision No 679 of 11 August 2016 of the Council of Ministers of the Republic of Bulgaria for designation of the Managing Authority and the Certifying Authority;

and in compliance with:

- Second Call for Proposals and the respective Guidelines for Applicants' Package

Article 1 Award of subsidy

1) The purpose of this contract is to award a subsidy by the MA for the implementation of the operation entitled „**title of the operation**„, hereinafter referred to as “operation”, according to the decisions of the Joint Monitoring Committee (JMC) on the

2) The LP accepts the funding and takes responsibility for implementation of the operation as described in the Application form (*Annex 1*) within the prescribed period of time according to the terms of the present contract subject to the provisions of the applicable law.

3) The LP undertakes the obligation to implement the project in cooperation with the following partners:

Partner 2: <name and address of the institution>

Partner n: < name and address of the institution>

Article 2 Duration of the contract

1) The subsidy contract enters into force on the date of its registration in the Registry system of the MA, following the signing by both parties.

2) The implementation period of the operation starts on the date following the date the contract enters into force.

3) The implementation period of the operation is (**in letters**) months.

4) The LP and its partner/s have the obligation during the implementation period of the operation, as well as after the end of the implementation period of the operation, for a period of 5 (five) years after the date of the notification by the MA for verified amounts under the request for final payment, to preserve and to present to the Joint Secretariat (JS), MA, Certifying Authority (CA), Audit Authority (AA), Group of Auditors, European Commission (EC) and any other body designated to perform controls on the use of the financing, all documents regarding the implementation of the operation (including the inventory for the actives gained as a result of using the funds).

5) The subsidy contract ends in 5 (five) years after the end date of the implementation period of the operation, stipulated in paragraph 3 of this article.

Article 3 Budget of the operation

The total eligible amount of the operation, according to *Annex 1 (Approved application form, including Budget of the operation)*, is estimated at EUR (**amount in letters**), out of which:

IPA funds	National public contribution BG	National public contribution MK	Own voluntary contribution	Total
0,00 EUR	0,00 EUR	0,00 EUR	0,00 EUR	0,00 EUR

Article 4 Amount of the contract

- 1) The total amount of the present contract (subsidy) is estimated at **EUR** (*amount in letters*), representing the maximum total amount of IPA and Bulgarian national public contribution.
- 2) The MA commits itself to transfer these funds to the LP in the limit of the available balance. In case of insufficient funds, payment process is suspended until the CA credits the Programme's bank accounts with the necessary amounts. The Macedonian national public contribution shall be transferred by the National Authority to the Macedonian project partner/s.
- 3) The LP commits itself to support project own contribution (if any) and the non-eligible expenditures.
- 4) In case that, after the end of the implementation period of the operation, the total eligible expenditures are less than the estimated total eligible amount stipulated in article 3 of the present contract, the amount granted by the MA shall be reduced accordingly to the certified amounts and taking into account its distribution between the project partners.
- 5) If any revenues shall be generated by the operation during its implementation, the total eligible value of the operation will be diminished accordingly with the value of the revenues generated within that period.

Article 5 Eligible expenditures

- 1) Activities and related costs for the operation are eligible if they are stipulated in the budget of the operation (*Annex I*), provided that they are necessary for the operation, are carried out during the implementation period of the operation and are paid. In case of interim payment, the expenditures are eligible if they are carried out during the respective reporting period and are paid before their validation by the controller. In case of final payment, the expenditures are eligible if they are carried out during the respective reporting period and are paid no later than 45 calendar days after the end date of the implementation period of the operation. Expenditures which are not carried out during the respective reporting period could be eligible if a necessary justification is provided.
- 2) The expenditures related to the operation are eligible, provided that they are in compliance with the applicable European and national legislation in force and provided that they observe the terms and conditions, stipulated in the present contract.

3) As an exception from the provisions of paragraph 1, project preparation costs are eligible if they are carried out on the date of submission of the project proposal at the latest. The starting date for eligibility of project preparation expenditures for the Bulgarian beneficiaries is the starting date of the programme period, namely 1st of January 2014. For the beneficiaries from the former Yugoslav Republic of Macedonia the starting date for the eligibility of expenses for project preparation is the date after the date of submission of the Programme (22nd of September 2014) to the EC. The project preparation expenditures should be incurred before or on the date of submission of the project proposal at the latest. The project preparation costs should be requested for verification and reimbursement only in the first request for reimbursement (first reporting period) of the respective project partner (*in a model for Request for payment annexed to the Project Implementation Manual*).

Article 6 State aid

1) The provisions of Article 6 are applicable to the partner/s legally established on the territory of the Republic of Bulgaria.

2) According to Article 107 (ex. Article 87) of the Treaty on the Functioning of the European Union, state aid is any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods, therefore affecting trade between Member States. Within the Interreg-IPA Cross-border Cooperation Programme Bulgaria - the former Yugoslav Republic of Macedonia no state aid is granted. Public support given by the Programme to undertakings for activities of economic character is granted under the de minimis rule.

3) The Lead partner and the project partners have to ensure that the activities are set up and implemented in compliance with the applicable law related to competition. To this end, the Lead partner and the project partners shall ensure publicity and transparency of the activities and project outputs and results, which can create an economic advantage to an economic operator.

4) In case the situation of distorting competition by favoring certain undertakings arises during the implementation period of the operation, the Lead partner shall immediately notify the MA.

5)

Without prejudice to paragraphs 3 and 4 of Article 6, EUR ... out of the total amount of the contract as per Article 4 is granted in the form of de minimis aid to Partner ... - ... for implementation of activity “...”.

Without prejudice to paragraphs 3 and 4 of Article 6, up to EUR ... out of the total amount of the contract as per Article 4 is granted in the form of de minimis aid for implementation of activity “...” by Partner ... - The LP is obliged to officially notify the MA about any undertaking, which is a final user of the aid, immediately but not later than the day following the date, when the legal right to receive the aid is conferred on the respective undertaking. The notification shall include as a minimum the name and national identification number of the undertaking, the exact amount of the aid, the date the aid was conferred, and a copy of the document governing the receipt of aid.

6) In case the Programme bodies find out that the Lead partner or any project partner has infringed the state aid rules, including false declarations regarding state aid, the MA is entitled to terminate the subsidy contract, in whole or in part, and to demand repayment of the amounts already paid.

7) The partner/s legally established on the territory of the Republic of Macedonia shall follow the applicable national regulations regarding state aid.

Article 7 Reporting

1) The LP submits project progress reports to the JS on a quarterly basis from the starting date of the project implementation period defined in Article 2.

2) The project progress reports include description of the implementation of the activities (*a model for Progress report is annexed to the Project Implementation Manual*) and have to be presented not later than 10 (ten) working days after the end of each quarter, even though no expenditures were incurred during the reporting period.

3) The final project progress report shall be submitted within 20 (twenty) working days after the completion of the operation.

4) In case of request for clarifications and/or additional information, concerning submitted progress report, the LP is obliged to provide the requested information within 10 (ten) working days after receiving of the request.

Article 8 Verification of expenditures by the controller

1) The reimbursement of expenditures for execution of the operation is based on verifications by controllers. The verification of the relevant documents related to expenses is performed by the controllers before submission of the aggregated Request for payment by the LP (*in a model for Request for payment annexed to the Project Implementation Manual*).

2) The LP may request verification of expenditures on a six-month basis after the starting date of the project implementation period.

3) As an exception from the provisions of paragraph 2, the LP may request verification of expenditures on a quarterly basis after the starting date of the project implementation period, provided that at least one of the following conditions is satisfied: the total amount of the expenditures made during the quarter is at least 15 % of the total amount of the operation as stipulated in article 3, or the total amount of the expenditures made during the quarter by some of the project partner/s is at least 15 % of the total amount of the budget of the respective project partner/s as per *Annex 1*. The information concerning the expenditures made is provided by the LP in accordance with article 8, paragraph 4.

4) The LP must submit to the MA information for expenditures, subject to verification, in due format, and request for designation of controller/s (*in a model annexed to the Project Implementation Manual*) for all or for some of the project partners, not later than 5 (five) working days after the end of the reporting period. By way of exception, the request for verification of expenditures for the last reporting period can be submitted not later than 45 (forty five) calendar days after the end of the project implementation period. If some of the project partners have not made any expenditure during the respective reporting period they should declare that to the LP in writing. The LP submits this declaration to the MA together with the request for designation of controller/s.

5) The LP presents all documents to the designated controller and makes sure that all partners present their documents, in order to be verified before drafting and forwarding the Request for payment.

Article 9 Requests for payment and reimbursement of the expenditures

1) Advance payment

For soft projects

1.1) The LP may request advance payment at the rate of 20 % of the total amount of the subsidy contract as per article 4, paragraph 1. In order to receive an advance payment, the LP must send a request for an advance payment to the MA (*in a model for Request for payment annexed to the Project Implementation Manual*) no later than 45 (forty five) calendar days after the subsidy contract enters into force.

For investment projects

1.1) The LP may request advance payment in two installments.

1.1.1) The LP may request the first installment of the advance payment at the rate of 10 % of the total amount of the subsidy contract as per article 4, paragraph 1 after the contract enters into force. In order to receive the first installment of the advance payment, the LP must send a request for advance payment to the MA (*in a model for Request for payment annexed to the Project Implementation Manual*) no later than 45 (forty five) calendar days after the subsidy contract enters into force.

1.1.2) The LP may request the second installment of the advance payment at the rate of 10% of the total amount of the subsidy contract as per article 4, paragraph 1 after one of the project partners awarded a sub-contract for investment activity. In order to receive the second installment of the advance payment, the LP must send a request for advance payment to the MA (*in a model for Request for payment annexed to the Project Implementation Manual*) and a copy of the notification letter to the successful tenderer.

1.2) Following the approval of the request for an advance payment and in accordance with article 4, paragraph 2, the MA should transfer the amount in 20 (twenty) calendar days after receiving of the request.

2) Interim and final payments

2.1) The LP may request interim payments on six-month basis after the starting date of the project implementation period provided that the respective expenditures are verified by controller/s.

2.2) As an exception from the provisions of paragraph 2.1 the LP may request interim payments on quarterly basis after the starting date of the project implementation period in accordance with article 8, paragraph 3 provided that the respective expenditures are verified by controller/s.

2.3) The LP may only request payments by providing proof of progress of the operation, as described in the *Annex 1*, through Progress reports submitted to the JS in accordance with the requirements of article 7.

2.4) The LP must submit to the MA the aggregated request for payment (*in a model for Request for payment annexed to the Project Implementation Manual*) and all supporting documents, not later than 5 (five) working days from the date of receipt of the documents proving verification of expenditures by controller/s.

2.5) The MA should verify the expenditures and transfer the established amount in 45 (forty five) calendar days after receiving the request for payment in accordance with article 4, paragraph 2. In case of Appeal declaration, submitted by the LP with the request for payment, the process of reimbursement of funds for the total operation is to be suspended for further clarifications and taking of final decision by the MA.

2.6) The MA may suspend the period for payment in case a need for clarifications and/or additional information and documents arises. Suspension shall take effect on the date when the request is sent by the MA. The MA may send the request for clarifications and/or additional information and documents through the electronic data exchange system of the Programme, by post or by e-mail. The remaining payment period shall start to run again from the date when the clarifications and/or additional information and documents are received.

2.7) The LP transfers the received IPA co-financing to the respective partner/s and the Bulgarian national co-financing to the respective Bulgarian partner/s within 5 (five) working days/or within the period specified in *Project Partnership agreement (Annex 2)* as of receiving the amounts from the MA.

2.8) Total amount of the advance payment and interim payments cannot exceed 80 % of the total value of the subsidy.

2.9) The request for a final (balance) payment should be made by the LP after the project completion. In the request for final (balance) payment the LP should request for reimbursement the expenditures made for the remaining period to the end of the project implementation period as deducting the amount of the received advance payment.

Article 10 Rights and duties of the LP

1) The LP guarantees that it is entitled to represent all partners participating in the operation and that it will strive towards establishing with the partners the division of the responsibilities regarding the operation in the form of agreement.

2) The LP lays down the arrangements for its relations with the partners participating in the operation in a *Project Partnership agreement (Annex 2)* comprising, inter alia, provisions guaranteeing the sound management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid.

3) The LP guarantees furthermore, that itself and all its partners have complied with all legal requirements and that all necessary approvals for the correct implementation of the operation have been obtained.

4) The LP ensures the implementation of the entire operation and shall:

1. ensure compliance of the operation with the regulations referred to in the introduction to this contract, as well as with relevant European and national legislation;

2. ensure that the expenditure presented by the partners participating in the operation has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the partners participating in the operation;

3. transfer the relevant budget amount to the partners participating in the operation according to the *Project Partnership agreement (Annex 2)* and verified costs;

4. inform the MA within 5 (five) working days from the occurrence of such circumstances, if one of the disbursement conditions ceases to be met, or circumstances arise which entitle the MA to reduce payment or to demand repayment of the subsidy in whole or in part;

5. inform the MA within 5 (five) working days from the occurrence of circumstances that may prevent implementation of the contract;

6. ensure compliance of operations with the Union policies (such as those related to partnership and multi-level governance, promotion of equality between men and women, non-discrimination, accessibility for persons with disabilities, sustainable development, public procurement, state aid and environment rules);

7. ensure that 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 are strictly followed, when the LP or project partners have to conclude contracts in order to carry out the operation;

8. ensure that all the partners select the final beneficiaries of the operation (representatives of target groups) by a transparent procedure;

9. present and ensure that the partners present their expenditures to the controllers for verification (as per article 8, paragraph 5);

10. ensure that all partners have a proper analytical accounting system; the accounting system must be in line with the national legislation;

11. observe and make sure that all partners observe the provisions of the Project Implementation Manual (published on the Programme website).

- 5) The LP ensures that the controllers have verified the expenditures presented by the partners, participating in the operation.
- 6) The aggregated request for payment and the progress report contain information consolidated by the LP at operation level; thus, the LP presents aggregated request for payment and project progress reports, being responsible for collecting documents and information from each partner.
- 7) LP is liable towards the MA to ensure that all of its partners have a legal status, that they have capacity to manage the operation, that they observe the rules for implementation of the operation. Moreover the LP is liable towards the MA to ensure that its partners fulfill their obligations under this contract. The LP is also liable towards the MA for all irregularities, even those committed by the partners.
- 8) The LP answers to all written requests from the MA, JS or other bodies involved in the implementation of the Programme, within the deadline stipulated in the respective request. In case such request refers to additional implementation reports, the LP is responsible for gathering the information from all partners in due time.
- 9) The LP and its partner/s take full responsibility for the damages, caused to third parties from its own fault, during the implementation of the operation. The MA has no responsibility for the damages, caused to third parties, as a result of executing the contract.
- 10) The Lead Partner and its partner/s must not receive or have received money from other Programmes or public financing for the same operation (double financing). If in the process of the project implementation it becomes clear that the operation has been financed by any other source of financing, the LP should inform the MA within 5 (five) calendar days since the circumstance had been come to know.
- 11) Any results or rights, related to the operation, including author's rights and/or any other intellectual or industrial property rights, obtained from the implementation or as a result of the implementation of the contract, except the cases where such rights exist before the contract, shall represent the property of the LP and its partners, as the case may be.
- 12) The LP and its partner/s cannot mortgage or impose any other form of bank guarantee on the goods, purchased from the financing throughout the implementation period of the operation and 5 (five) years after the end date of the implementation.
- 13) The LP and its partner/s cannot sell or otherwise transfer in any form the goods, purchased from the financing, throughout the period as mentioned in article 2, paragraph 5 or throughout their life period, as it is stipulated by the national legislation, if this period is shorter than the implementation period of the operation.
- 14) The LP understands and agrees that the MA may delegate rights to the JS and/or National Authority (NA) and therefore the LP agrees to cooperate with the JS and/or NA in the same way as with the MA.
- 15) The LP must have a separate bank account in Euro for the operation.

Article 11 Rights and duties of the MA

- 1) The MA has the obligation to support the LP by providing necessary information and clarifications for the implementation of the operation.
- 2) The MA has the obligation to reply to any written solicitation from the LP within 30 (thirty) calendar days from the date of receiving the request.
- 3) The MA ensures the technical and financial monitoring of the operation.
- 4) The MA has the right to decide on the eligibility of expenditure, related to the aggregated request for payment.
- 5) The MA shall officially authorize all eligible expenditures related to the aggregated request for payment, submitted by the LP.
- 6) The MA has the obligation to inform the LP regarding the reports, conclusions and recommendations, made by the EC, which may affect the implementation of the present contract.
- 7) The MA shall reimburse the expenditures, according to the provisions in official rules, issued by the CA.
- 8) In case one of the obligations of the LP is not fulfilled, the MA may suspend the execution of the contract. The contract may be also suspended by the MA at the request of the LP in case of unfavorable or emergency situations, which prevent execution of the contract or make it very difficult.
- 9) In case of suspending the contract, the MA shall notify the LP regarding this decision, duration of the suspension period, the proposed corrective measures and the related financial measures. The MA shall also notify the LP if the suspension period is cancelled prior to the initially set deadline. Project activities shall not be carried out during the suspension period. The related expenditures for activities implemented during the suspension period are not eligible for verification and reimbursement from the subsidy.
- 10) The MA may delegate rights to the JS and/or NA, therefore the JS and/or NA may act in the name and on behalf of MA.

Article 12 Publicity

- 1) The LP is responsible for the implementation of the information and publicity activities related to the financial assistance, received under the Programme, and ensures that all partners inform the public, by means of the measures laid down in annex XII of Regulation 1303/2013, concerning the financial assistance obtained from the Funds.
- 2) The LP ensures that all partners observe the rules of publicity, laid down in the Project Implementation Manual. All partners have obligation to provide correct information for the implementation of all visualization and publicity activities.

Article 13 Ownership/use of results and assets

- 1) Ownership of, and title and intellectual and industrial property rights to, the project's results, reports and other documents relating to it shall be vested in the LP and project partners.
- 2) Without prejudice to paragraph 1, the LP grants the MA the right to use the results of the operation as it deems fit, provided it does not breach their confidentiality obligations or intellectual and industrial property rights.
- 3) The LP and project partners have an obligation to ensure the sustainability of the operation results in conditions and ownership as per the conditions in *Annex I*, but not less than 5 (five) years after completion of the implementation period of the operation in terms for investment support projects and not less than 2 (two) years after completion of the implementation period of the operation in terms for soft measures projects.

4) Without prejudicing the right of MA to act accordingly if lack of sustainability of results achieved and/or assets gained is detected by a competent authority, in a time following completion of the action, but not later than 5 (five) years for investment support projects and 2 (two) years for soft measures project of its ending, MA may request partially or fully recovery of the amount granted, based on the damages and omissions occurred.

Article 14 Confidentiality

- 1) The MA and the LP undertake to preserve the confidentiality of any document, information or other material communicated to them in confidence until at least 5 (five) years after the official end date of the Programme.
- 2) As an exception from the rules, provided in the previous paragraph, the data used for publicity purposes for informing on and promoting the use of IPA II funds shall not be considered as having confidential status.
- 3) Releasing any information to persons, involved in implementing / verifying / controlling / auditing the operation shall be performed on confidential basis and shall only cover the information, that is necessary for implementing of the operation.
- 4) The contracting party shall bear no responsibility for releasing information on the contract in case:
 - a. the information was released with the written agreement of the other contracting party; or
 - b. the contracting party has legal obligation to release the information.
- 5) Failing to observe the confidentiality obligation gives the non-breaching party the right to claim compensations from the breaching party.

Article 15 Conflict of interest

- 1) In the present subsidy contract, the conflict of interests in the meaning of Article 57 of Regulation 966/2012 represents any impartial and objective exercise of the functions of any person under the project compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person.
- 2) The parties take upon themselves to take all necessary measures in order to avoid any conflict of interest and to keep each other informed on any circumstances that have generated or may generate such a conflict. Any precondition or suspicion of conflict of interest that arises during the implementation of the contract shall be immediately reported to the MA.

Article 16 Irregularities, fraud and reimbursement of the funding

- 1) “Irregularity”, according to Article 2, paragraph 36 of the Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 means any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union.
- 2) “Suspected fraud” is an irregularity giving rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of intentional behavior, in particular fraud, as referred to in point (a) of Article 1(1) of the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests and represent any intentional act or omission relating to:
 - the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities;
 - non-disclosure of information in violation of a specific obligation, with the same effect;
 - the misapplication of such funds for purposes other than those for which they were originally granted.
- 3) In case of irregularity, the MA may impose to the LP, in written, all the necessary measures for the elimination or diminishing of the consequences on the implementation of the operation.
- 4) The MA may suspend or terminate the contract in case the partners fail to take the measures imposed.
- 5) The MA takes the decision for suspending/terminating the contract, after verifying the reasons presented by the LP and/or JS and the related documents.
- 6) In case an irregularity is committed, the LP is responsible for reimbursing the entire amount to the MA (including the charged interest, if any), even if the irregularity was committed by one of the partners. For the irregularities committed by a partner, the LP is entitled to request these amounts from the responsible partner in order to pay them to the MA.
- 7) In case the contract shall be terminated, the MA notifies the LP regarding this decision and the related financial measures. In this case, the MA will request that within 30 (thirty) calendar days as of the receiving date of the notification, the LP has the obligation to return the amounts that the notification refers to, including the accrued interest on the received payments.

- 8) If the LP does not manage to recover the unduly paid amount from the partner/s, it will inform the MA and will send all necessary documents for the MA to be able to take all necessary measures stipulated by the legislation in force. In case the respective partner/s are located on the territory of the Republic of Macedonia, the National Authority is entitled to initiate the respective procedure according to the national legislation for recovery of the unduly paid amounts.
- 9) In case the irregularity is discovered before the final payment, the MA may decide to diminish the reimbursable amount starting with the next payment until the total recovery of the debt.
- 10) In case the irregularity resulting in an unduly paid amount is discovered after the final payment or the debt was not entirely recovered, the MA shall notify the LP regarding the unduly paid amount, and the LP has the obligation to return the amount, within 30 (thirty) calendar days as of the receiving date of the notification.
- 11) Any extra payment done by the MA is considered unduly paid amount, and the LP has to repay the respective amounts within 30 (thirty) calendar days as of the receiving date of the notification from the MA.
- 12) Starting the 31st day as of the expiry of the deadlines stipulated at paragraphs 7, 10, 11 an interest rate bigger with two points than the rate applied by the European Central Bank as in force on the first working day from the month of the deadline date shall be applied to the owned amounts.
- 13) The LP shall pay the bank charges resulted from the reimbursing of the amounts to the MA.
- 14) The MA has the right to apply financial corrections in case when the LP /project partner/s failed to comply with the respective procurement rules.

Article 17 Audit, control and evaluation of the operation

- 1) The responsible auditing bodies of the EU and the two partner states and, within their responsibility, the Audit Authority and the Group of auditors as well as the MA are entitled to audit the proper use of funds by the LP or by its partners or arrange for such an audit to be carried out by authorized persons.
- 2) A system for verification of expenditures by controllers has been established both in Bulgaria and the former Yugoslav Republic of Macedonia in order to check the expenditure made by the project partners from each country. Therefore, each partner country has the obligation to ensure that expenditures are checked and validated by a controller from the country on whose territory the project partner is located, so the aggregated request for payment to be submitted by the LP to the MA in due time.

3) The MA is entitled to verify and to control the proper use of funds by the LP or by its partners. The verifications to be carried out by the MA shall cover administrative, financial, technical and physical aspects of operations, as appropriate. The MA shall be responsible for the control of the proper use of funds by the LP or by its partners, in particular through preventing, detecting and correcting irregularities and recovering amounts unduly paid together with interest on late payments where appropriate.

4) The LP will provide all documents required for the audit, control or evaluation, provide necessary information and give access to its premises. The LP and its partners are at all times obliged to retain for audit and control purposes all files, documents and data about the operation for the period specified in article 2, paragraph 4. The documents must be properly archived.

5) For all information and publicity actions, developed by the partners, the LP must ensure that they archive in a single place (hard copy and/or electronically) the documents, related to these activities (including information and publicity materials they produced: printed materials, audio-video materials, etc.).

6) The LP and all of the partners are obligated to respect the recommendations, received as result of inspections by the control authorities; otherwise the MA has the right to terminate the contract.

Article 18 Assignment, legal succession

1) The LP cannot renounce totally or partially the rights and obligations resulted from the present contract unless it has the clear agreement of the MA and of the Joint Monitoring Committee.

2) In case of legal succession the LP shall notify the MA about any change with 15 working days beforehand.

Article 19 Amendment

1) Modifications to the present contract must be duly justified and shall be subject to approval by the Joint Monitoring Committee and will be operated by an addendum to the present contract. In this case, the MA may decide to suspend the implementation of the operation until the JMC decision is taken.

2) Modifications of the contract or of the operation, that were agreed by both parties, cannot, under any circumstance, lead to the increase of the subsidy and/or of the percent it represents from the total eligible amount of the operation specified in article 3 of the present contract.

3) Addenda become effective in the day of their registration in the Registry system of MA, following the signing by both parties, except in the case the addendum confirms modifications in the European/national applicable legislation with impact on the implementation of the contract, when the modifications become effective from the specific date.

- 4) As an exception from the provisions of paragraph 1, the LP may make the following changes with previous approval of the MA:
1. budget changes inside a budget line, between budget sub-lines, with request to the MA, before the expenditures to be made and as long as the total amount of the budget line remains unchanged and the major issues of the operation are not affected;
 2. budget changes between budget lines in a limit of 20% of the smaller budget line, with request to the MA before the expenditures to be made and as long as the total amount of the budget of the respective partner remains unchanged and the major issues of the operation are not affected.
- 5) As an exception from the provisions of paragraph 1, the LP may make the following changes by notification:
1. changes in the project content (*Annex I*) which do not affect the objectives and outputs of the operation;
 2. changes of address, contact details, bank account.
- 6) The parties inform on the initiation to amend the present contract with minimum 30 (thirty) calendar days before the amendment is intended to enter into force.

Article 20 Termination

- 1) The present contract may be terminated by written mutual agreement of the parties.
- 2) Any breach of the provisions of the present contract may result in the termination of the contract by the MA and in reimbursement of the financing and repayment of unduly paid amounts from the LP.
- 3) The MA is entitled to terminate this contract, without any other formality, and to demand repayment of the amounts already paid, if:
 1. The MA finds an inconsistency between the reality and the declarations of the LP in the application form, regarding the financing of the operation from European or national public funds, or regarding the financing from other national or European Programmes; or
 2. The MA finds that the subsidy awarded has been partially or entirely misapplied for purposes other than those agreed upon herein; or
 3. The MA finds that insolvency proceedings are instituted against LP, provided that this appears to prevent or risk the implementation of the operation, or
 4. The LP closes down; or
 5. In case of legal succession the legal successor does not comply with the eligibility criteria laid down for the LP; or
 6. The MA finds that, during the implementation period of the operation, including 5 (five) years after the closing of the implementation period, the LP or any project partner wholly or partly sells, leases or lets the operation/goods purchased from the financing granted herein to a third party; or
 7. The MA decides that the operation is no longer eligible, if during its implementation, including 5 (five) years for investment support projects/2 (two) years for soft measures project after the closing of the implementation period, some modifications appear that affect the implementation conditions / create for a third party an unjustified advantage, and the modification is the result of a change in the nature of the property/ ceasing/ change of the location of the operation; or
 8. The MA finds that the LP made false declarations regarding the VAT eligibility; or

9. The MA finds that the LP failed to notify the MA in the deadline on a case of double financing or conflict of interests or the necessary measures for correction / ending such a situation were not taken; or

10. The MA finds out that the Lead partner or any project partner has infringed the state aid rules, including false declarations regarding state aid.

4) The MA is entitled to terminate the contract, after a previous conciliation procedure failed, and to demand repayment of the amounts already paid, if:

1. The operation has not been or cannot be implemented in a manner that the MA considers appropriate with the goal of the operation; or

2. The LP has failed to submit within the deadlines required reports or proofs, or to supply necessary information within the set deadline and has not justified these delays; or

3. The LP or the partners has/have impeded or prevented the auditing or control; or the recommendations resulted from the audit and control missions are not observed; or

4. An irregularity is discovered at the LP /partner level; or

5. The LP has failed to meet any other conditions or requirements, stipulated in this contract; or

6. The LP did not submit Progress report or Request for payment for two consecutive deadlines.

5) The Subsidy contract may be terminated by request from the LP, in case it falls in situation in which the procedure for withdrawal of project partner cannot be followed or any other obstacles for the proper implementation of the operation occurred. In this case the LP must inform the MA immediately after the situation occurred.

6) MA has the right to terminate the contract, without any notice, if the European Commission withdraws the financing of the project. In this case MA is not obliged to pay any compensation to LP.

7) If termination takes effect before the entire amount of the subsidy is paid to the LP, the payments will cease and the MA will not consider further requests from the LP for reimbursement of the remaining part of the amount.

8) In case of termination of the contract, the LP is obliged to transfer the repayment amount to the MA. The repayment amount is due within 30 (thirty) calendar days, following the date of the letter by which the MA asserts the repayment claim; the due date will be stated explicitly in the order for recovery. In case of non-payment at the due date, the MA imposes penalties one and a half point above the rate applied by the European Central Bank from the first working day from the month of the deadline date to the owed amounts. These penalties will not be supported from the contract value (they are non-eligible expenditure). The provisions stipulated in Article 16, paragraph 8 apply for the reimbursement. The contract can be formally terminated after the repayment amount is transferred to the MA.

9) In exceptional and duly justified cases, including the occurrence of “force majeure”, the MA may decide on terminating the contract by a written notification, without requesting the reimbursement of the already paid amounts or a part of them.

Article 21 Force majeure

- 1) According to the present subsidy contract, the “force majeure” represents any unpredictable and insurmountable event, occurred after the signing of the present contract and that prevents the total or the partial execution of the contract. There are considered cases of “force majeure”: wars, natural calamities, general strikes, insurrections, revolts, epidemics, earthquakes, floods and other similar events that cannot be attributed to any party /bonded by /of/ the present contract. The “force majeure” exonerates the parties of the responsibility for not executing partially or totally the obligations stipulated in the present contract during the period they appear and only if the events were properly notified. It is not considered to be “force majeure” an event similar to those presented above, that, without creating an impossibility of execution, makes the execution of the obligations very difficult for one of the parties.
- 2) The party, stating that there is a case of “force majeure”, has the obligation to notify the other party in 5 (five) calendar days from the date of the case of “force majeure” and to prove the existence of the reality of this situation in 15 (fifteen) calendar days. In case the “force majeure” discontinue, this fact must be notified to the other party in 5 (five) calendar days.
- 3) The responsible party will take all costs, if the notification procedure is not observed.
- 4) The execution of the contract is suspended during the period of “force majeure”.
- 5) In case the contract must be suspended under this reason, for a period longer than 3 (three) months, the MA has the right to decide the continuation / modification / termination of the contract.

Article 22 Correspondence

- 1) To the effect of this contract, the partners shall choose headquarters at the addresses mentioned below, where any official notifications can be lawfully delivered. Any communication relating to the contract shall be in writing, state the number and title of the operation and be sent to the following addresses:

Managing Authority

*Directorate General “Territorial Cooperation Management”
Ministry of Regional Development and Public Works
17-19, “Kiril and Metodiy” Str.
1202 Sofia, Republic of Bulgaria
Phone: +359 2 9405 487
Fax: + 359 2 987 07 37*

Joint Secretariat

*Joint Secretariat under Interreg - IPA CBC Bulgaria – the former Yugoslav Republic of Macedonia Programme
7 “Marin Drinov” str.
2500 Kyustendil, Republic of Bulgaria
Phone: +359 78 55 11 85/3
Phone/Fax: + 359 78 55 11 85*

Lead Partner

[Name, address, telephone, fax, email address]

- 2) All correspondence between the MA/JS and the LP shall be done in English.
- 3) The official correspondence between the parties shall be done through the electronic data exchange system of the Programme, regular mail, fax or email. The parties agree that the documents submitted by any of the above means are regarded officially sent.
- 4) Notification for any change of headquarters shall be forwarded to the other party of this contract within 15 (fifteen) calendar days following the change of address.

Article 23 Final provisions

- 1) In case a dispute arises between the MA and the LP regarding implementation of the present contract, a friendly conciliation shall be attempted. The competent legal authorities of Republic of Bulgaria shall solve the dispute in case no mutual agreement can be reached.
- 2) The present contract is governed by the Bulgarian law.
- 3) The present contract forces the parties to observe in whole and with good faith every provision, according to the principle of the bindery legal force of the contract between parties.

Article 24 Signatures

- 1) This Subsidy contract is issued in four copies, in English language, one for the LP, two for the MA and one for the JS, and one copy in Bulgarian language for the MA.
- 2) In the event of conflict between the provisions of the English version and those of the Bulgarian version, the provisions of the English version will take precedence.

- 3) The LP shall provide a copy of the contract and its annexes to each partner.
- 4) The following annexes are integral part of the contract:
Annex 1: Approved application form including Budget of the operation
Annex 2: Signed Project Partnership Agreement
Annex 3: Financial identification form
Annex 4: Others (including clarifications during pre-contracting procedures)

Managing Authority

Lead Partner

1. Name:
Signature
Date
...Stamp

Name:
Signature
Date
Stamp

2. Name:
Signature
Date