

# INTERREG-IPA Cross-border Cooperation Programme Hungary-Serbia

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## **Model** Subsidy Contract for EU contribution

<b>PROJECT ID</b>	
<b>PROJECT ACRONYM</b>	
<b>PROJECT TITLE</b>	

**SUBSIDY CONTRACT**

(hereinafter referred to as “the Contract”)  
FOR THE IMPLEMENTATION OF THE PROJECT:

Project ID:  
Project Acronym:  
Project Title:  
(hereinafter referred to as “the Project”)

within the

Interreg – IPA Cross-border Cooperation Programme Hungary – Serbia  
(hereinafter referred to as “the Programme”)

**BETWEEN:** [original language] **PRIME MINISTER’S OFFICE** as the **Managing Authority** of the Programme (hereinafter referred to as “the Managing Authority”)

Address: Kossuth Lajos tér 1-3.  
1055 Budapest  
Hungary  
National tax number: 15775292-2-41  
Represented by: [name and title of the signatory]

**AND:** **[NAME OF LEAD BENEFICIARY ORGANISATION]** in original language and in English] as the **Lead Beneficiary organisation** (hereinafter referred to as “the Lead Beneficiary”)

Address: [street and number  
postal code, town  
Country  
National tax number: national tax number]  
Represented by: [name and title of the signatory]

**jointly referred to as “the Parties”**

**LEGAL FRAMEWORK:**

1. 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;

2. 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;
3. 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);
4. 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) (hereinafter referred to as the IPA Implementing Regulation);
5. 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;
6. 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 (hereinafter referred to as the ETC Regulation);
7. 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 (hereinafter referred to as the Common Provisions Regulation, CPR);
8. 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;
9. COMMISSION REGULATION (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid;
10. COMMISSION DECISION 2011/9380/EC of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest;
11. COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

The following official documents and guidelines have to be also respected in the framework of the present Contract:

12. The Interreg – IPA Cross-border Cooperation Programme Hungary – Serbia Programme (Interreg – IPA CBC Hungary – Serbia), approved by the European Commission on 15 December 2015 by Decision No C(2015) 9488 with Programme reference number CCI 2014TC16I5CB001;
13. Financing Agreement between the Republic of Serbia and European Commission for the Programme;
14. EU rules regarding EU horizontal policies such as the rules for competition and entry into the markets, the protection of the environment, the equal opportunities, equality between men and women and public procurement;
15. Communication from the Commission on the application of the European Union State aid rules to compensation granted for the provision of services of general economic interest (2012/C 8/02).
16. national rules applicable to the Lead Beneficiary and the Beneficiaries;
17. documents of the relevant Call for Proposals of the Programme (HUSRB/1602), published on 03 October 2016 on the Programme website (hereinafter referred to as the Call for Proposals);
18. the Project Implementation Handbook for the Interreg – IPA CBC Hungary – Serbia Programme, laying down the Programme specific rules for the implementation of the projects (hereinafter referred to as the Project Implementation Handbook);
19. Guidelines for Implementing Information and Publicity Requirements for the Projects in the Interreg – IPA CBC Hungary – Serbia Programme, laying down the Programme specific rules on information and publicity measures of the projects;
20. the relevant national level legislation governing the rules of public procurement procedures in Hungary and Serbia.

## **Article 1 Award of Subsidy**

1. The purpose of the present Subsidy Contract for the EU Contribution (hereafter: Contract) is to award a subsidy for the implementation of the project entitled [Project Title] according to the decision of the Joint Monitoring Committee on [date].
2. The Contract is signed between the Managing Authority of the Programme and the Lead Beneficiary of the Project.
3. The Lead Beneficiary will be awarded the funding on the basis of the provisions of the Contract and its Annexes. The Lead Beneficiary declares that it has noted and accepted the provisions of the Contract in its entirety.
4. The EU contribution is awarded solely and exclusively for the implementation of the Project as it is described in the Application Form attached to the present Contract as Annex I (hereafter Annex I). The Lead Beneficiary accepts the EU contribution and takes responsibility for implementation of the project as described in Annex I.

## **Article 2 Amount of Subsidy**

1.

Total project budget:	
Maximum EU contribution:	
EU contribution advance:	

2. The amount of reimbursed EU contribution for the Project cannot exceed the maximum EU contribution specified in the Article 2.1.
3. The EU co-financing rate per Beneficiaries cannot exceed 85% of the eligible expenditures. The EU co-financing rates per Beneficiary are set in Annex I.
4. The obligation of the Beneficiaries is to finance their respective own contribution as stipulated in Annex I.
5. Should the total eligible costs after the completion of the Project be lower than the budgeted amount, the awarded EU contribution will be correspondingly reduced according to the EU co-financing rates per Beneficiary set in Annex I.
6. The payment of EU contribution to the Lead Beneficiary will be authorised by the Certifying Authority. In case the Programme single bank account handled by the Certifying Authority does not contain the sufficient funds for the transfer of the payment to the Lead Beneficiary,

the payment will be suspended until the EU funding transferred from the European Commission is available on the Programme single bank account.

7. If the European Commission fails to make the EU funding available or if the Memorandum of Understanding signed by the Participating Countries is no longer in force, the Managing Authority is entitled to withdraw from the Contract.
8. Subject to availability of funds as specified in the Article 2.6, the amount of the advance specified in Article 2.1. is transferred to the Lead Beneficiary's separate bank account within 60 (sixty) calendar days from the date of registration of the signed Contract in the electronic monitoring system.
9. **Only if applicable:** Note, that certain amount of the subsidy to be received for the implementation of the Project qualifies as 'De minimis aid', as detailed in Annex V.
10. In line with Article 43(4) of the IPA Implementing Regulation that refers to Article 61 of the CPR, potential net revenue of the Project shall be determined in advance by the method defined in the Call for Proposals. The eligible expenditure of the Project to be co-financed from the Programme shall be reduced by the net revenue not taken into account at the time of approval of the Project directly generated only during its implementation, not later than at the Final Application for Reimbursement submitted by the Lead Beneficiary. Where not all the costs are eligible for co-financing, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the cost. In case net revenue is generated by the Project after its completion Article 61 of the CPR shall apply.

### **Article 3**

#### **Project implementation period**

1. Project start date: **[dd/mm/yyyy]**
2. Project end date: **[dd/mm/yyyy]**
3. The project activities have to be carried out and finalised within the Project implementation period as defined in the Articles 3.1 and 3.2.

### **Article 4**

#### **Eligible Expenditures**

1. Project expenditure which qualifies for the EU contribution consists exclusively of project expenditure related to the project activities approved by the Joint Monitoring Committee.
2. The expenditures related to the Project are eligible, only if they are in compliance with the applicable European and national legislation in force and if they observe the terms and conditions stipulated in the Contract.
3. Activities and related costs for the operation are eligible if they are stipulated in the budget (Annex I), provided that they are necessary for the project implementation, are carried out during the implementation period of the project and are paid. In case of the final payment,

the expenditures are eligible if they incurred during the respective reporting period and are paid not later than 30 (thirty) calendar days after the end date of the implementation period.

4. Project preparation costs are eligible from 1st January 2014 the earliest for the Beneficiaries from Hungary and 6th May 2015 for the Beneficiaries from the Republic of Serbia until the project start date as specified in Article 3.1.
5. The project preparation costs can be validated and requested only in the first reporting period (the first Application for Reimbursement).
6. The Beneficiaries must observe the rules set in the 'Guidelines for Applicants', the 'Eligibility Rules' and national eligibility guidelines.

### **Article 5**

#### **Reporting and Applications for Reimbursement**

1. The Lead Beneficiary receives the reimbursement based on the submitted and approved Application for Reimbursement.
2. The Application for Reimbursement must be accompanied by a Project Report which contains proof of progress of the Project. Project Report must contain the description of the implemented activities and their outputs and results and must also contain information about financial progress of the Project. The Lead Beneficiary submits the Project Report even if no expenditures incurred in a reporting period. The Project Report and the Application for Reimbursement together with supporting documents shall be submitted electronically via the Monitoring System of the Programme or, upon request, in printed version to the Joint Secretariat.
3. The Lead Beneficiary submits the Project Report, including the Final Report, and the Application for Reimbursement within 90 (ninety) calendar days from the end date of each reporting period. The reporting periods and the deadlines for submission of Project Reports and Applications for Reimbursement are defined in Annex I.
4. The Lead Beneficiary has the possibility to deviate from the indicative spending forecast considering that in case of n+3 decommitment resulting from underspending compared to the spending forecast specified in Annex I., the Managing Authority is entitled to decommit the Project by reducing the original project budget and the corresponding EU contribution. In that case, the Managing Authority initiates the amendment of the present Contract. The Addendum to the Subsidy Contract has to be signed by both Parties.
5. The Managing Authority may set additional obligatory deadlines for submission of an Application for Reimbursement in order to avoid decommitment of EU contribution at Programme level.
6. The applicable template of the Project Report, Application for Reimbursement and the Declaration on validation of expenditure are defined for the Programme and are obligatory to use. The Lead Beneficiary has to complete and submit the Project Report and the Application for Reimbursement online through the electronic monitoring and information system of the Programme, in English language.

7. The Lead Beneficiary ensures that the expenditure presented by the Beneficiaries is incurred for the purpose of implementing the Project and that it corresponds to the activities defined and described in Annex I. The Lead Beneficiary ensures that the submitted Application for Reimbursement contains only validated expenditures supported by the Declarations on validation of expenditure issued by the designated Control Bodies. The designated Control Bodies and the national level control requirements for each Participating Country are defined and regulated in the respective national eligibility guidelines.
8. The Lead Beneficiary shall not submit the Project Report unless they have collected the Declaration on validation of expenditures of each Beneficiary, or at least a document proving that a Beneficiary did not have any costs validated for the given reporting period (the document can be 'The rejection of late submitted documents', 'ZERO DOVE', 'Notification about the Beneficiary Report closure without declaration', or similar) issued by the designated Control Bodies.
9. The Lead Beneficiary submits the Application for Reimbursement in Euros, based on the Euro amounts verified in the Declarations on validation of expenditure issued by the designated Control Bodies.
10. The expenditures must be converted into Euro using the monthly accounting exchange rate in force of the European Commission in the month in which the Beneficiary submits the expenditure for validation to the Control Body. Procedure is specified in the national eligibility guidelines.
11. The exchange rate risk is borne by the Beneficiaries.
12. The Lead Beneficiary has to immediately inform the Joint Secretariat about circumstances which delay, hinder or make impossible the implementation of the Project, as well as circumstances which represent a change of the reimbursement conditions and frameworks as laid down in the present Contract or which entitle the Managing Authority to reduce or demand repayment of the EU contribution entirely or in part.
13. The project is considered as fully implemented if the planned activities are carried out and finalized and 80% of the total sum of all planned quantifiable outputs of the project is reached and the planned results are achieved. In case the Project has not been or cannot be fully implemented or if the Project cannot or could not be implemented in due time, the Lead Beneficiary has to immediately inform the Joint Secretariat. The deviations from any aspect of project implementation defined in Annex I have to be immediately reported to the Joint Secretariat in order to seek written approval for changes. The request for approval does not imply the approval. The Lead Beneficiary has to adhere to the rules and procedures for requesting project changes which are defined in in the Project Implementation Handbook.
14. The Lead Beneficiary upon request by the Joint Secretariat shall submit Project Follow-up Reports, proving the sustenance of the project outputs. Follow-up Reports cover 12 (twelve)-month periods. Details about the content and submission of Follow-up Reports are regulated in the Project Implementation Handbook valid for the given Call for Proposals. Lead Beneficiary has to adhere to the rules, procedures and fully observe the list of documents as well as supporting documents for reporting which are defined in the Project Implementation Handbook.



## **Article 6**

### **Reimbursement of EU contribution to the Lead Beneficiary**

1. The reimbursement of EU contribution to the Lead Beneficiary will be initiated only after the verification and approval of the Project Report and its annexes, the Application for Reimbursement and the Declarations on validation of expenditure.
2. Subject to the availability of funding specified in Article 2.6, the Lead Beneficiary receives the requested EU contribution based on the amount of the expenditures verified in the Application for Reimbursement due in full and no later than 90 (ninety) calendar days from the date of submission of the Application for Reimbursement to the Joint Secretariat. The reimbursement of EU contribution will be authorised by the Certifying Authority. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce amounts due to Beneficiaries.
3. The payment deadline referred to in Article 6.2 may be interrupted in either of the following duly justified cases:
  1. the amount of the payment claim is not due or the appropriate supporting documents are incomplete or have not been provided;
  2. an investigation has been initiated in relation to a possible irregularity affecting the expenditure concerned.
4. During the verification process, the Joint Secretariat may request from the Lead Beneficiary a completion of the Project Report and of the Application for Reimbursement. After the second unsuccessful request for completion, the Project Report and the Application for Reimbursement may be rejected. A rejected Application for Reimbursement can be re-submitted only once and only for the subsequent reporting period. If the Project Report contains ineligible expenditures the amount of the ineligible expenditures will be deducted from the Application for Reimbursement. In this case the Lead Beneficiary shall re-compile and re-submit the Application for Reimbursement to the Joint Secretariat. In case of the Final Report and the Application for Reimbursement being rejected the Lead Beneficiary shall be informed about the possible/applied sanctions (e.g. suspension of the last payment, repayment of subsidy, withdrawal from the Contract).
5. The approved amount of the EU contribution will be transferred in two forms. One form is advance payment which is 15% of the EU contribution. The other form is reimbursement based on the approval of the joint Project Report(s) and Application(s) for Reimbursement. Once the reimbursed amount reaches the 60% of the total EU contribution of the Beneficiary the Programme starts to recover the advance payment. The amount of recovery will appear on the Application(s) for Reimbursement, in which the reimbursement of 60% of the total EU contribution is exceeded. Therefore, when approving these Report(s) and Application(s) for Reimbursement the amount of transferable EU contribution will be calculated with the consideration of recovered amount of advance payment. The total amount of the advance payment is settled if the amount of eligible expenditures reimbursed in the Application(s) for Reimbursement reach the 75% of the total EU contribution of a Beneficiary.

In case the amount of eligible expenditures reimbursed in the Application(s) for Reimbursement does not reach the 75% of the total EU contribution of a Beneficiary by the end of the project implementation, the unsettled amount of the advance payment will be recovered by the Programme with (and – if necessary – after) the approval of the Final Report. Lead Beneficiary is obliged to secure repayments from the Beneficiaries concerned and has to repay the amount specified by the Managing Authority before the due date. In case of any delay in the repayment, the amount to be recovered shall be subject to interest on late payment.

6. For receiving the reimbursement of EU contribution and for the transfers of EU contribution to the Beneficiaries, the Lead Beneficiary has to open and use a separate Euro bank account exclusively for the Project. The EU contribution will be reimbursed in Euro exclusively and will be transferred to the following separate project bank account held by the Lead Beneficiary:

IBAN account number:	
SWIFT Code:	
Bank name:	

7. The Lead Beneficiary has to notify the Joint Secretariat in writing in case of a change of the separate project bank account within 15 (fifteen) calendar days or with the submission of the Application for Reimbursement at the latest. In case the Lead Beneficiary fails to properly inform the Joint Secretariat on the details of its bank account, all consequences, including those of financial nature will be borne by the Lead Beneficiary.
8. The Lead Beneficiary is responsible for transferring the EU contribution to the Beneficiaries according to the approved Application for Reimbursement, within the timeframe agreed in the Annex II of the Subsidy Contract (hereinafter referred to as “the Partnership Agreement”).
9. Bank statements proving the management of the separate project bank account and the transfer of the EU contribution from the Lead Beneficiary to Beneficiaries have to be submitted to the Joint Secretariat in the subsequent Project Report, otherwise the Joint Secretariat cannot issue the approval of that report. Bank statement proving that the Lead Beneficiary transferred the EU contribution approved in the Final Project Report to the Beneficiary(ies) must be submitted to the Joint Secretariat within 5 (five) working days from the transfer.

**Article 7**  
**Representation of the Beneficiaries,**  
**liability and additional obligations of the Lead Beneficiary**

1. The Lead Beneficiary guarantees that it is entitled to represent all Beneficiaries participating in the Project.
2. In order to lay down the arrangements within the partnership the Beneficiaries conclude a Partnership Agreement comprising, inter alia, provisions guaranteeing the sound

management of the allocated funds, including the arrangements for recovering amounts unduly paid.

3. The Lead Beneficiary represents the partnership as defined in the Partnership Agreement and is the only direct contact between the Project and the Managing Authority and the Joint Secretariat. The Lead Beneficiary answers to all written requests from the Managing Authority and Joint Secretariat or other bodies involved in the implementation of the Programme, within the deadline stipulated in the respective request.
4. Lead Beneficiary is liable towards the Managing Authority to ensure that all Beneficiaries have a legal status, that they have capacity to manage the operation, that they observe the rules for implementation of the Project. Moreover the Lead Beneficiary is liable towards the Managing Authority to ensure that all Beneficiaries fulfil their obligations under this Contract.
5. The Lead Beneficiary bears responsibility for the activities of the Beneficiaries and the sub-contractors like its own activities.
6. The Lead Beneficiary takes full responsibility for the damages caused to third parties from its own fault during the implementation of the Project. The Managing Authority has no responsibility for the damages caused to third parties as a result of executing the Contract.
7. The Lead Beneficiary shall be responsible for ensuring the implementation of the entire Project. To this end, the Lead Beneficiary shall undertake:
  - a) to co-ordinate the start of the Project as set in Article 3.1;
  - b) to co-ordinate the implementation of the Project according to the time schedule agreed upon in Annex I;
  - c) to guarantee the sound financial management of EU contribution allocated to the Project, including the arrangements for recovering amounts unduly paid;
  - d) to ensure that the expenditure presented by the Beneficiaries has been paid for the purpose of implementing the Project and to ensure that it corresponds to the activities agreed between the members of the partnership;
  - e) to verify that the expenditure presented by the Beneficiaries has been validated by the Control Bodies;
  - f) to inform the Joint Secretariat immediately in written form if the project budget has to be changed, if the Beneficiaries, the project objectives or the activity plan on which the present Contract is based on have to be changed, or if one of the reimbursement conditions cannot be fulfilled, or if circumstances arise which entitle the Managing Authority to reduce or demand repayment of the EU contribution (entirely or partly);
  - g) to comply with European Union regulations, as referred to in the preamble of the present Contract, and with the relevant national legislation for the whole partnership;
  - h) to transfer the EU contribution (including the advance specified in Annex I) correctly and within the timeframe agreed in the Partnership Agreement to other Beneficiaries in full, no specific charge or other charge with equivalent effect shall be levied which would reduce these amounts for the Beneficiaries; in case of a claim for repayment from the Managing Authority, the Lead Beneficiary cannot exculpate itself with the argument of the transfer of the funds;

- i) to maintain separate accounting for project implementation purposes in a manner ensuring the identification of each financial operation within the Project.
8. The Beneficiaries 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 Lead Beneficiary should inform the Managing Authority 5 (five) calendar days from obtaining information about this circumstance.

### **Article 8** **Rights and Obligations of the Managing Authority**

1. The Managing Authority has the obligation to support the Lead Beneficiary by providing necessary information and clarifications for the implementation of the Project.
2. The Managing Authority has the obligation to inform the Lead Beneficiary regarding the reports, conclusions and recommendations made by the European Commission, which may affect the implementation of the Contract.
3. In case one of the obligations of the Lead Beneficiary is not fulfilled, the MA may suspend the execution of the Contract.
4. In case of suspending the Contract, the Managing Authority shall notify the Lead Beneficiary regarding this decision, duration of the suspension period, the proposed corrective measures and the related financial measures. The Managing Authority shall also notify the Lead Beneficiary if the suspension period is cancelled prior to the initially set deadline.

### **Article 9** **Amendments to the Subsidy Contract and other project changes**

1. The deviations from any aspect of project implementation defined in the present Contract and its Annexes have to be reported to the Joint Secretariat in order to seek written approval for changes.
2. The following modifications are not possible:
  1. Modifications which affect the basic purpose of the Project as approved by the Joint Monitoring Committee;
  2. Change of Lead Beneficiary (unless it is necessary by law);
  3. Budget reallocations between Beneficiaries;
  4. Reallocation to the budget line which did not contain allocated amounts in the approved budget or to those which were decreased according to the decision of the JMC;
  5. Reallocation to the Budget Heading 1. Preparation Costs.
3. The following modifications can be requested:
  1. Change of the Beneficiaries;

2. Substantial changes in the overall project objectives;
3. Prolongation of the duration of the project;
4. Change of value of indicators;
5. Budget reallocation;
6. Change of activities (either introducing new activities or replacing old ones);
7. Project team modifications;

In those cases where the modification requires approval of the Joint Monitoring Committee or the Managing Authority, the modification is a Subsidy Contract Modification and requires an Addendum to the Subsidy Contract.

In cases where the modification requires approval of the Joint Secretariat, the modification is an Other Project Change.

Administrative changes also need to be reported to the Joint Secretariat, but do not require formal approval.

4. The Lead Beneficiary and Beneficiaries have to adhere to the rules and procedures for requesting project changes which are defined in detail in the Project Implementation Handbook.

#### **Article 10** **Procurement rules**

1. For the award of service, supply and work contracts, by 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 IPA II beneficiary/ies' territory.
2. Beneficiaries shall follow all procurement rules defined in detail in the Project Implementation Handbook.

#### **Article 11** **Information and publicity**

1. The Lead Beneficiary undertakes the responsibility to fulfil the information and publicity measures set out in the Guidelines for Implementing Information and Publicity Requirements for the Projects in the Interreg – IPA CBC Hungary – Serbia Programme, with the aim of promoting the co-financing provided from EU contribution available under the Interreg - IPA CBC Hungary – Serbia Programme, and ensuring the adequate promotion of the Project.

2. The above-mentioned *Guidelines* sets the following obligatory information and publicity measures for the Beneficiaries:
  1. Obligatory usage of the EU logo, the EU co-financing statement, and the Programme logo;
  2. Obligatory Communication Strategy of the Project;
  3. Obligatory Communication Tools;
  4. Obligatory Design Templates;
  5. Obligatory reporting to the Joint Secretariat;
  6. Obligatory recording and archiving.
3. As indicated in the above-mentioned Guidelines, The Managing Authority/Joint Secretariat of the Programme reserves the right to use by any medium and for all Programme-related purposes all Project-related material, including but not limiting to the following:
  1. the title of the Project;
  2. the name of the Lead Beneficiary and of the Beneficiaries;
  3. the amount of EU contribution and the EU co-financing rate;
  4. the purpose of the EU contribution (e.g. the Project's overall objective);
  5. the geographical location of the Project;
  6. the Project results, evaluations and summaries;
  7. all publicity material of the Project, such as photography and video content, news announcements, etc.

Detailed descriptions of the information and publicity measures are provided in the Guidelines for Implementing Information and Publicity Requirements for the Projects in the Interreg - IPA CBC Hungary - Serbia Programme.

## **Article 12** **Assignment, legal succession**

1. The Managing Authority is entitled at any time to assign its rights under the present Contract. In case of assignment the Managing Authority will inform the Lead Beneficiary without delay.
2. The Lead Beneficiary is allowed to assign its duties and rights under the present Contract only after prior written consent of the Managing Authority.

3. In case of legal succession the Parties are obliged to transfer all duties under the present Contract to the legal successor. The Parties shall notify each other about any change beforehand. In case of legal succession affecting the Lead Beneficiary or the Beneficiaries, the Lead Beneficiary shall notify the Joint Secretariat without delay.

### **Article 13**

#### **Audit rights**

1. The responsible auditing bodies of the EU and, within their responsibility, the auditing 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 Lead Beneficiary and 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. The Lead Beneficiary is obliged to retain for audit purposes all files, documents and data about the Project for at least until the time as specified in Article 140(1) of the CPR.
3. The designated Control Bodies are entitled to carry out on-the-spot checks as part of their verification activities while the Joint Secretariat or the Managing Authority are entitled to carry out monitoring visits in order to check the progress of the Project from a professional point of view, at the premises of the Lead Beneficiary and of the Beneficiaries.
4. The Lead Beneficiary is obliged to guarantee the fulfilment of the above stipulated duties in relation to all other Beneficiaries.
5. Observing the recommendations received after an audit must be ensured; otherwise the Managing Authority has the right to withdraw from the Subsidy Contract.

### **Article 14**

#### **Irregularities**

1. In case of irregularities identified during project implementation the Managing Authority reserves the right to claim the repayment of the EU contribution in full or in part from the Lead Beneficiary and has the right to reduce the amount of the EU contribution awarded.
2. Based on the above, the Lead Beneficiary is always responsible for securing the repayment of the EU contribution unduly paid to the Project, even if the irregularity was committed by one of the Beneficiaries.
3. If a Beneficiary commits an irregularity, the Lead Beneficiary – after having received the notice on repayment – is obliged to request the amount unduly paid and the corresponding interest chargeable from the Beneficiary concerned and repay it to the Managing Authority within the deadline for the repayment set in Article 15.2. The Lead Beneficiary shall exercise due diligence to ensure repayment.

4. If the Lead Beneficiary does not succeed in securing the repayment from the Beneficiary(ies), within 5 (five) working days from the end of the deadline given the Lead Beneficiary has to notify the Joint Secretariat and has to send proof of steps taken by the Lead Beneficiary towards the Beneficiary(ies).
5. When the amount unduly paid has not been recovered due to negligence of the Lead Beneficiary, the Lead Beneficiary shall remain responsible for the repayment.

### **Article 15**

#### **Right of withdrawal – Repayment – Suspension of reimbursement**

1. The Managing Authority is entitled to withdraw from the present Contract and to demand the repayment of EU contribution in full or in part if:
  - a) the Lead Beneficiary has obtained the EU contribution through false or incomplete statements to bodies/appointees of the European Commission, the Managing Authority or any other authorities involved in the implementation of the Programme; or if
  - b) a precondition for the approval of the Project is no longer given, e.g. the compulsory cross-border Beneficiary resigns from the Project and is not replaced in line with the provisions of Article 9; or if
  - c) the Partnership Agreement concluded between the Beneficiaries is no longer in force; or if
  - d) the Lead Beneficiary becomes insolvent or subject to bankruptcy proceedings; or if
  - e) the Lead Beneficiary is convicted of an offence concerning its professional conduct by a judgment which has the force of 'res iudicata', further if it is guilty of grave professional misconduct proven by any means which the Managing Authority/National Authority can justify; or if
  - f) the Lead Beneficiary does not fulfil its obligations relating to the payment of social security contributions and the payment of taxes in accordance with the national legal provisions; or if
  - g) the Lead Beneficiary becomes the subject of a judgment which has the force of 'res iudicata' for fraud, for corruption, for severe breach of contract in connection to obligations stemming from public procurement rules or from rules governing the use of EU funding or national subsidies, for involvement in a criminal organisation or for any other illegal activity detrimental to the EU's financial interests, or if
  - h) the Lead Beneficiary becomes guilty of misrepresentation in supplying the information required by the Managing Authority or in failing to supply requested information; or
  - i) in case of identified irregularities; or if
  - j) the Lead Beneficiary fails to fulfil a condition or an obligation resulting from the present Contract, in particular if
    1. the Lead Beneficiary fails to submit a Project Report and Application for Reimbursement within the reporting deadline;
    2. the Lead Beneficiary repeatedly fails to submit Project Follow-up Reports, if applicable; or if



3. the Lead Beneficiary fails to sustain the results of the Project as defined in Article 16; or if
  4. the Project has not been or cannot be fully implemented by carrying out the planned activities, the planned outputs and results and by achieving at least 80% of the quantifiable outputs, or if the Project cannot or could not be implemented in due time; or if
  5. the Lead Beneficiary fails to, within 7 (seven) calendar days, provide information about circumstances that delay, hinder or make impossible the implementation of the Project, as well as about any circumstances that represent a change of the reimbursement conditions and frameworks as laid down in the present Contract or which entitle the Managing Authority to reduce or demand repayment of the EU contribution entirely or in part; or if
  6. the regulations of EU and national law (including provisions concerning public procurement rules, State aid rules, publicity rules, rules on environmental protection and rules on equal opportunities) have been infringed; or if
  7. the Lead Beneficiary has impeded or prevented the auditing of the Project or failed to retain the project documentation referred to in Article 13; or if
  8. the EU contribution awarded has been partially or entirely misapplied for purposes other than those agreed upon; or if
  9. it has been impossible to verify that the Final Project Report is correct and thus the eligibility of the Project for funding from the Programme cannot be verified.
2. If the Joint Secretariat, on behalf of Managing Authority, sends a request for repayment for the amount of unsettled advance payment or EU contribution unduly paid and the corresponding interest chargeable, the Lead Beneficiary is obliged to secure repayments from the Beneficiaries concerned and has to repay the amount specified by the Managing Authority before the due date. The repayment by the Lead Beneficiary is due within two months following the receipt date of the request for repayment. Any delay in effecting repayment shall give rise to interest on account of late payment, starting on the due date and ending on the date of actual payment. 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.
  3. The Managing Authority has the right to recover the amounts specified in the request for repayment by deducting them from the Application for Reimbursement submitted by the Lead Beneficiary.
  4. The Lead Beneficiary is entitled to exercise the right of withdrawal if the implementation of the Project becomes impossible due to circumstances independent from the Lead Beneficiary. In this case, the Lead Beneficiary shall repay the whole amount of EU contribution reimbursed with the interest chargeable within two months from the date of notifying the Managing Authority on the withdrawal from the Contract. The rate of interest shall be the rate applied by the European Central Bank in its main refinancing operations on

the date of notifying the Managing Authority on the withdrawal from the Contract. In case of late payment, interest on late payment shall be charged according to Article 15. 2.

5. The Managing Authority may decide to suspend the reimbursement of the EU contribution if the provisions laid down in the Memorandum of Understanding are not respected by the Participating Countries concerned. The Lead Beneficiary shall be informed on the suspension.
6. The present contract may be terminated by written mutual agreement of the parties.
7. Any breach of the provisions of the Contract may result in the termination of the Contract by the Managing Authority.
8. Managing Authority has the right to terminate the contract, without any notice, if the European Commission withdraws the financing of the project. In this case Managing Authority is not obliged to pay any compensation to Lead Beneficiary.
9. If termination takes effect before the entire amount of the subsidy is paid to the Lead Beneficiary, the payments will cease and the Managing Authority will not consider further requests from the Lead Beneficiary for reimbursement of the remaining part of the amount.
10. A contracting party should notify the other contracting party 15 (fifteen) calendar days after the decision on terminating the contract is taken. The notification should be in writing and should contain the reasons and justifications for the decision.
11. In exceptional and duly justified cases, including the occurrence of "force majeure", the Managing Authority 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 16** **Ownership/use of results**

1. In line with Article 71 of the CPR, the Project shall retain the EU contribution only if it does not, within five years from the date of the final payment to the Lead Beneficiary - except where State aid rules provide for a different period - undergo a substantial modification:
  1. a cessation or relocation of a productive activity outside the Programme area;
  2. a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
  3. a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.
2. The Lead Beneficiary is obliged to notify the Joint Secretariat of any such changes described beforehand.
3. 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 Beneficiaries, as the case may be.

4. The Beneficiaries 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 date of the final payment to the Lead Beneficiary.
5. Ownership, title and industrial and intellectual property rights in the outputs of the Project and the reports and other documents relating to it shall vest in the Lead Beneficiary and the Beneficiaries. Leasing, handing over/selling or transferring the rights of use of the outputs of the Project is only possible with the prior written consent of the Managing Authority and only in case if all the rights and obligations following from the present Contract and connected to the subject of matter will be transferred to the new party.
6. The use of the results of the Project shall be agreed upon by the Lead Beneficiary and the Managing Authority in order to guarantee a widespread publicity of such results and in order to make them available to the public.
7. The Lead Beneficiary shall find individual arrangements in those cases where intellectual property rights (such as for data acquired for the Project which do not belong to public domain) already exist.
8. Beneficiaries implementing works/investments as part of the project must possess the relevant legal relation to the real estate(s) concerned. The type of the right (e.g. long-term rental, ownership, usage right) has to be in line with the rules of the given Call for Proposals.

### **Article 17** **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 Contract. The "force majeure" exonerates the parties of the responsibility for not executing partially or totally the obligations stipulated in the 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) 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 Managing Authority has the right to decide on the continuation / modification / termination of the contract.

## **Article 18 Correspondence**

1. To the effect of this Contract, the Parties 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

[official address]

Joint Secretariat

[official address]

Lead Beneficiary

[name, address, telephone, email address]

2. All official correspondence between the Managing Authority/Joint Secretariat and Lead Beneficiary shall be done in English.
3. 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 19 Concluding provisions**

1. Should any provision in the present Contract be entirely or partly ineffective, all other provisions remain binding for the Parties. The Parties undertake to replace the ineffective provision by an effective one which comes as close as possible to the purpose of the ineffective provision.
2. Any amendments and supplements to the present Contract must be in written form.
3. The present Contract is concluded in English language. In case of translation of the Contract and of its Annexes into another language, the English version shall prevail.
4. The Annexes to this Contract are binding and form an integral part of it.
5. In case of conflict between the provisions of the Annexes and those of the Contract, the provisions of the Contract shall take precedence. In case of conflict between the provisions of Annex I and those of the other Annexes, those of Annex I shall take precedence.
6. The present Contract is governed by Hungarian law and all matters not regulated in the Contract are subject to the legal understanding laid down in the Hungarian Civil Code (Act V. of 2013). In case of differences that are not ruled by the present Contract, the Parties agree to find an amicable and mutually acceptable solution. If the Parties fail to do so, all disputes arising in connection with the Contract shall be settled by the Buda Central District Court.
7. The present Contract is signed in three originals of which one remains at the Lead Beneficiary and two originals are returned to the Joint Secretariat.

8. The Lead Beneficiary shall provide a copy of the Contract and its Annexes to each Beneficiary.
9. The present Contract enters into force on the date of signature by the last of the Parties.
10. The present Contract shall remain in force until the Lead Beneficiary has fulfilled its obligations arising from the Contract towards the Managing Authority, i.e. as long as any duties linked to the EU contribution might be claimed.

Place and date:

Place and date:

Lead Beneficiary represented by

Managing Authority represented by

.....

[Name]

[Title]

.....

[Name]

Head of the Managing Authority

.....

[Name and title of counter-signatory.

*Please, delete if not applicable]*

## **ANNEXES TO THE SUBSIDY CONTRACT**

- I      Application Form**
- II     Partnership Agreement**
- III    List of documents to be retained**
- IV    Applicable project specific 'de minimis aid' rules**