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REPUBLICA HRVATSKA  
ŠIBENSKO-KNINSKA ŽUPANIJA  
GRAD DRNIŠ

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**Subsidy Contract Number 2024 HR-BA-ME00341****Project acronym: SUSTOUR**

**Ministry of Regional Development and EU Funds of the Republic of Croatia**, acting as the Managing Authority of Interreg VI-A IPA Programme Croatia-Bosnia and Herzegovina-Montenegro,  
Miramarska cesta 22, 10 000 Zagreb  
Republic of Croatia

represented by **Šime Erlić, Minister**

and

**The City of Drniš**, acting as the Lead Partner

Trg kralja Tomislava 1, 22320 Drniš  
Republic of Croatia

represented by **Josip Begonja, Mayor**

on behalf of the Project Partners as listed in Article 1 hereby conclude the following:

## Legal framework

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

- Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021, laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (Common Provisions Regulation – CPR);
- Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund and Corrigendum to Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (Official Journal of the European Union L 231 of 30 June 2021) (ERDF Regulation);
- Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (Interreg Regulation);
- Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III);
- Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing directive 95/46/EC (General Data Protection Regulation, hereinafter referred to as GDPR);
- Regulation (EU, EURATOM) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union;
- Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC;
- Interreg VI-A IPA Programme Croatia-Bosnia and Herzegovina-Montenegro, Version 1.1., approved by Commission Implementing Decision No C(2022) 8028 from 3 November 2022 (hereinafter referred to as the Programme);
- Financing Agreement for Interreg VI-A IPA Programme Croatia-Bosnia and Herzegovina-Montenegro signed between Bosnia and Herzegovina and European Commission;
- Financing Agreement for Interreg VI-A IPA Programme Croatia-Bosnia and Herzegovina-Montenegro signed between Montenegro and European Commission;
- Programme Manual on Eligibility;
- First Call for Proposals published on 3 May 2023;
- Project Implementation Manual;



- Monitoring Committee Decision No 9 on selection of projects from 23 April 2024;
- Approved Application HR-BA-ME00341 in the Joint electronic monitoring system (Jems);
- National rules applicable to the beneficiaries.

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

## Article 1

### Subject of the Subsidy Contract

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

Project Title	"Sustainable tourism for local development"
Project Acronym	SUSTOUR
Project ID	HR-BA-ME00341
Lead Partner	The City of Drniš (HR)
Project Partners	PP2- County of Šibenik-Knin (HR) PP3 - Tourism organization of Herceg Novi (ME) PP4 - Ministry of Education, Science, Culture and Sport of West Herzegovina Canton (BA)
Start date of the Project	15 September 2024
End date of the Project	14 March 2027
Implementation period	30 months
Programme Priority Axis	Priority Axis 4 - Sustainable and inclusive tourism and culture
Specific Objective	Specific objective 4.6 – Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation

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

## Article 2

### Duration of the Contract

1. The Contract shall enter into force on the day on which the last party signs the Contract.
2. The Contract shall cover the whole implementation period of the Project and shall be valid until all the obligations related to the implementation of the Project are fulfilled between the parties.

## Article 3

### Financing of the Project

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

Total budget	Programme co-financing	National contribution
EUR 1.908.830,30	EUR 1.622.505,74	EUR 286.324,56
100%	Max. 85%	Min. 15%

2. The Managing Authority awards a maximum amount of EUR 1.622.505,74, which represents 85% of the total Project budget.
3. In case the budget in the Jems deviates from the budget in the Contract for less than EUR 100, the Contract shall not be amended and the budget in the Jems shall prevail.
4. The final amount of Programme co-financing will be calculated based on certified expenditures only. The maximum amount paid by the Programme to the Project cannot exceed the amount of Programme co-financing as defined in paragraph 2 of this Article.
5. Funds awarded under this Contract must be used only to finance the Project activities. The Project must not use funds from other programmes co-financed by the European Union to finance the Project activities (no double funding is permissible).
6. Initial pre-financing of maximum 25% of the total budget stated in paragraph 1 of this Article shall be paid by the Accounting Body to the Lead Partner within 10 working days from the receipt of signed Contract by the Managing Authority. For the purposes of the initial pre-financing payment, the signed Contract shall serve as a payment claim.
7. Pre-financing amount shall be deducted from approved Project Progress Reports during the implementation period of the Project, in accordance with the instruction given by the Managing Authority.

#### Article 4

##### Responsibilities of the Lead Partner

1. The Lead Partner shall:
  - a) assume the overall legal and financial responsibility for ensuring implementation of the entire Project and ensure the professional management of the Project;
  - b) guarantee that it is entitled to represent the Project Partners participating in the Project by laying down the arrangements with Project Partners in Partnership Agreement comprising provisions that, inter alia, guarantee the sound financial management of the funds allocated to the Project, including the arrangements for recovering amounts unduly paid and comprising distribution of the mutual rights and responsibilities. The Lead Partner is responsible for uploading the signed Partnership Agreement in the Jems within 30 calendar days from the signing of the Contract;
  - c) ensure that all Project Partners have the capacity and resources for implementing the Project and that they fulfil their obligations related to the implementation of the Project observing the legal framework and this Contract;
  - d) coordinate the start, implementation and closure of the Project according to the time schedule as indicated in the latest approved version of the Application;

- e) ensure transparent financial flows of Project funds;
  - f) ensure that all reported expenditure have been incurred for the purpose of Project implementation, and correspond to the activities as indicated in the latest approved version of the Application, and in accordance with this Contract;
  - g) ensure that all expenditure reported within the implementation of the Project have been verified by the designated first level controllers;
  - h) be responsible for transferring the Programme co-financing to the Project Partners participating in the Project at latest 15 working days after the reception of the funds from the Accounting Body (in full and in the respect to the Partnership Agreement). No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce those amounts for the other Project Partners;
  - i) support the Programme in its information, communication and evaluation activities;
  - j) inform the Joint Secretariat/Managing Authority immediately about all circumstances that delay, hinder or make impossible the realisation of the Project, as well as all circumstances that may cause minor and major changes of the Contract (if and when necessary);
  - k) provide any information regarding the implementation of the Project upon request of any of the Programme bodies, or take the necessary steps requested by the Programme bodies within the set deadlines;
  - l) ensure the recovery of funds unduly paid to the Project;
  - m) use Jems for reporting and exchanging information (including the relevant supporting documentation) with Project Partners and Programme bodies.
2. The Lead Partner shall take full responsibility for the damages caused to third parties during the implementation of the Project.
  3. The Managing Authority accepts no liability for any consequences, which may result from unsuccessful implementation of the Project by the beneficiaries, the misuse of the grant, and/or the withdrawal of the grant.

## Article 5

### Responsibilities of the Managing Authority

1. The Managing Authority shall:
  - a) support the Lead Partner by providing the necessary information, trainings and clarifications related to the implementation of the Project;
  - b) ensure that the Lead Partner receives total amount of eligible expenditure due in full and no later than 80 days from the date of submission of the Project Progress Report to the Joint Secretariat/Managing Authority in accordance with Article 74 (1b) of Regulation No 2021/1060;
  - c) inform the Lead Partner regarding the reports, conclusions and recommendations made by the European Commission and other Programme bodies, which may affect the implementation of the Contract and the Project;
  - d) ensure that the beneficiaries have access to the Jems, as well as instructions on usage of the Jems.
2. In case one or more obligations of the Lead Partner are not fulfilled, the Managing Authority reserves the right to suspend the execution of the Contract. If this is the case, the Managing

Authority shall notify the Lead Partner of the suspension, duration of the suspension period, the proposed corrective measures and related financial measures (if applicable). The Managing Authority shall also notify the Lead Partner if the suspension period is cancelled prior to the initially set deadline.

## Article 6

### Reporting obligations

1. In order to receive the reimbursement of funds, the beneficiaries shall submit a Partner Progress Report declaring the expenditure for the relevant reporting period to the national Control Body. Partner Progress Report shall be generated through Jems.
2. Partner Progress Reports shall be submitted to the Control Bodies within 15 calendar days from the end of the relevant reporting period or, in case of Final Partner report within 1 month from the project end date.
3. In accordance with Article 46(6) of Regulation (EU) No 2021/1059, the Control Body shall issue FLC Certificates on the eligible and validated expenditures to the beneficiaries within 80 calendar days after the submission of the Partner Progress Report.
4. The Lead Partner is responsible for submission of the Project Progress Report to the Joint Secretariat/Managing Authority within 15 calendar days after all Partner Reports have been submitted to the Control Bodies, but not later than one month from the end of the relevant reporting period.
5. The Project Progress Reports shall be generated through Jems and its purpose is to ensure monitoring the implementation of Project activities and achievement of Project specific objective(s), outputs and results, as described in the Application. The Project Progress Report shall serve as a payment claim.
6. After the Project Progress Report has been submitted the Joint Secretariat/Managing Authority shall perform the verification of the Report.
7. Project Progress Report can be approved by the Joint Secretariat/Managing Authority only after FLC certificates are issued for all partners (Partner Reports).
8. Following the approval of the Project Progress Report, the Managing Authority shall forward the Report and payment claim to the Accounting Body for payment to the Lead Partner.
9. The Lead Partner shall receive total amount of eligible expenditure due in full within 80 days from the date of submission of the Project Progress Report/payment claim to the Joint Secretariat/Managing Authority.
10. Based on the fact that payments by the European Commission to the Programme shall only be made in accordance with the corresponding budget commitments in line with Article 109 of Regulation (EU) No 2021/1060, the Lead Partner must request payments in accordance with the latest approved budget in the Application.
11. Specific details regarding preparation, content of the reports and other reporting obligations are given in Project Implementation Manual.

## Article 7

### Payment arrangements and use of euro

1. Reimbursement of funds shall be made under the condition that the management verifications in line with Article 74(1) of Regulation (EU) No 2021/1060, have been carried out adequately.
2. For reporting purposes all expenditure incurred and paid in currency other than EUR shall be converted to EUR within Jems by using the monthly accounting exchange rate of the Commission (*Inforeuro* exchange rate) in the month during which that expenditure was submitted for verification to the Control Body.
3. All payments by the Accounting Body to the Lead Partner shall be made in EUR and transferred to the account indicated in the Application, in line with applicable national legislation.
4. In case the EUR becomes the currency of the participating country, the conversion procedure described above shall continue to apply to all expenditure recorded in the accounts before the date of entry into force of the fixed conversion rate between the national currency and the euro.
5. In case of any delay in the repayment, the amount to be paid shall be subject to interest on late payment, starting on the due date and ending on the actual date of repayment. The rate of such interest shall be calculated following the national rules applicable for the Republic of Croatia.

## Article 8

### Suspension of payments

1. Any unjustified delay in reporting or in the clarification process of the Partner and/or Project Progress Report may lead to suspension of payments or financial corrections.
2. The payment deadline may be interrupted by the Managing Authority in either of the following duly justified cases:
  - a) information submitted by the beneficiary does not allow the Managing Authority to establish whether the amount is due;
  - b) an investigation has been initiated in relation to a possible irregularity affecting the expenditure concerned.

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

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

## Article 9

### Project performance and corrective measures

1. As a general rule, the Managing Authority may apply a financial correction to the Project/Partner in case one or more obligation stated in this Contract is not respected by the Lead Partner or Project Partners.
2. In addition, when claimed staff costs are not adequate in quality and/or quantity in relation to realized Project deliverables and outputs, as listed in the approved Application, a flat rate correction may be applied by Joint Secretariat/Managing Authority to the specific Lead/Project Partner following the principle of proportionality.
3. The Lead Partner is responsible for ensuring that minimal 80% of the total Project budget is reported to the Managing Authority.
4. In case of underspending (less than 80% of the total budget of the Project planned for the specific reporting period), the Managing Authority may reduce the total Project budget (except in cases where activities are delayed due to “force majeure”) as follows:
  - a) budget may be reduced by maximum 20% if the beneficiaries have reported between 50% and 80% of the initially planned amounts to the first level control for the specific reporting period.
  - b) budget may be reduced by maximum 40% if the beneficiaries have reported less than 50% of the initially planned amounts to the first level control for the specific reporting period.
5. The Lead Partner is responsible for ensuring that project outputs, deliverables and results are achieved as planned in the Application and reported to the Managing Authority.
6. For the achievement of project result indicators, that shall be reported up to one year after Project completion, 5% of total eligible Project budget will be retained by the Managing Authority until the result indicator is reported and achieved as planned.
7. In case the Project fails to achieve one or more planned outputs and/or result contributing to Programme indicators (i.e., following the completion of all activities related to specific project output/result, the project output/result reported value is under 65% of planned target value), the Managing Authority reserves the right to apply a financial correction to the Project.
8. In case the Project fails to achieve one or more planned deliverables, the Managing Authority reserves the right to apply a financial correction to the Project by reducing the Project budget by maximum 10%.

## Article 10

### De-committment

1. If Union funds of the Programme are being automatically de-committed by the European Commission in the event of non-use and/or underspending compared to the foreseen budget, timetable, expected outputs and results, the Managing Authority, after receiving an official communication, reserves the right to pass on the reduction on the Project reporting underspending.
2. In any of the abovementioned cases the Managing Authority shall issue a request for modification of the Project specifying the details of the modification. The Lead Partner shall be obliged to implement the modification within 30 calendar days from the Managing

Authority's request. In case of failure to respect the set deadline, the de-commitment shall be applied proportionally to all expenditure categories.

## Article 11

### Eligibility of expenditures

1. The expenditures related to the Project are eligible only if they are in accordance with the relevant EU legislation, Programme rules, national legislation and other relevant documents (e.g., Financing Agreement), and if they are in line with the terms and conditions stipulated in the Contract.
2. Eligible expenditures must fulfill all the following criteria as listed below:
  - a) they are incurred by the Lead Partner/Project Partner/s of a grant and paid solely by the Lead Partner/Project Partner/s, with the exception of costs calculated as flat rates or lump sums;
  - b) they incurred during the implementation period of the Project, with the exception of preparatory and contracting costs and closure costs;
  - c) they are indicated in the estimated overall budget of the Project;
  - d) they are necessary for the implementation of the Project which is the subject of the grant;
  - e) they are identifiable, verifiable and documented (e.g. contract, invoice, order form), in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is located and according to the usual cost accounting practices of the beneficiary;
  - f) they comply with the requirements of applicable tax and social security legislation;
  - g) they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;
  - h) they are incurred in accordance with the relevant EU legislation, Programme rules, and when applicable national legislation;
  - i) they are not listed as an ineligible expenditure;
  - j) they are not double funded (i.e. they are not financed from other sources under the Union Funds or other (national) Funds);
  - k) one expenditure item (e.g., one cost) cannot be declared twice;
  - l) in case when one expenditure/invoice/procurement contains more items, they can be reported under different cost categories/budget lines, depending on the type of item;
  - m) amounts declared in Partner Progress Report do not exceed amounts in the latest approved Application (in line with the provisions of the Contract/Addendum/accepted modifications).
3. Co-financing rate (as stipulated in Article 3) shall be applied to each eligible cost under all cost categories.
4. In line with the Application, the Lead Partner is entitled to receive the reimbursement of preparatory and contracting costs on behalf of the partnership in the form of a lump sum.

5. In line with the Application, the Lead Partner is entitled to receive the reimbursement of closure costs on behalf of the partnership in the form of a lump sum based on the approved Final Project Progress Report.

## Article 12

### Public procurement

1. For the award of service, supply and work contracts, a beneficiary from the Republic of Croatia, who is a subject to the Public Procurement Law, shall apply national law, regulations and administrative provisions. A beneficiary from the Republic of Croatia, who is not a subject to the Public Procurement Law, shall apply procurement procedures according to the rules given in the Project Implementation Manual.
2. Where the implementation of an operation requires procurement of service, supply or works contracts, a beneficiary from Bosnia and Herzegovina and/or Montenegro shall apply the procurement procedures provided for in Articles 178 and 179 of the Financial Regulation and points 36 to 41 of Chapter 3 of Annex I to that Regulation and additionally set out in Annex II of Financing Agreement/s.
3. Public procurement rules are given in the Project Implementation Manual.

## Article 13

### Irregularities and recoveries

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

## Article 14

### Visibility, communication and use of Project results

1. The Lead Partner shall ensure that the emblem of the Union is used in accordance with Annex IX of Regulation (EU) No 1060/2021 when carrying out visibility, transparency and communication activities.
2. The Lead Partner shall ensure that the project partnership complies with all publicity, communication and branding obligations (e.g. on the use of the programme logo, information requirements, organisation of events) as further specified in the Project Implementation Manual and/or any other instructions issued by the Programme.
3. Any notice or publication by the beneficiaries, in whatever form and whatever medium, including the Internet, shall specify that it is the sole responsibility of its author and that the Managing Authority and the European Union are not liable for any use that may be made of the information contained therein.
4. In line with Article 49 (3) of Regulation (EU) 1060/2021, the Managing Authority shall be authorised to publish, in whatever form and on or by whatever medium, including the Internet, the following information:
  - (a) name of the Lead Partner and Project Partners;
  - (b) name of the Project;
  - (c) the project summary including project purposes and its expected achievements;
  - (d) abstract of progress reports with the project actual achievements;
  - (e) start date of the project and expected or actual date of completion of the project;
  - (g) the IPA III funding and the total cost of the project and the Union co-financing;
  - (h) the programme specific objective concerned;
  - (i) the location indicator or geolocation for the project and the countries concerned;
  - (j) the location of the Lead Partner and its Project Partners;
  - (k) the type of intervention for the project.
5. In accordance with Article 50 (3) of Regulation (EU) 1060/2021, where the beneficiary does not comply with its obligations under Article 47 of the same Regulation, or paragraphs 1 and 2 of this Article, and where remedial actions have not been put into place, the Managing Authority shall apply measures, taking into account the principle of proportionality, by cancelling up to 2 % of the support from the Funds to the operation concerned.
6. The outcomes and results of the Project have to be made available to the general public free of charge. In that respect the Lead Partner agrees that the Project data and Project outputs and results can be freely used and as it sees fit, and in particular, store, modify, translate, display, reproduce by any technical procedure, publish or communicate by any medium all documents deriving from the Project whatever their form, in order to ensure a widespread publicity of the Project results and in order to make them available for the public.
7. The Lead Partner shall ensure that it has all rights to use any pre-existing intellectual property rights if necessary for the Project implementation.

## Article 15

### Audits and audit trail

1. The responsible EU audit bodies and, within their responsibility, the audit bodies of the Participating Countries, as well as the Audit Authority, the Managing Authority and the Joint Secretariat are entitled to audit the use of funds by the beneficiaries or to arrange for such an audit to be carried out by authorised persons.
2. The Lead Partner must provide all documents required for the audit, as well as all necessary information and give access to its business premises.
3. The Lead Partner is obliged to ensure that all files, documents and data related to the Project are retained for audit purposes for a five-year period from 31 December of the year in which the last payment by the Managing Authority to the Partner is made.
4. Documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only. Where electronic versions exist, no originals shall be required where such documents meet the applicable legal requirements in order to be considered as equivalent to originals and to be relied on for audit purposes.
5. The Managing Authority shall inform beneficiaries of the period for record-keeping.

## Article 16

### State Aid and de minimis

1. The Lead Partner is responsible for ensuring that beneficiaries comply with the following rules:
  - a) immediately inform the Managing Authority of any grants of public funding received,
  - b) keep all Project records for a minimum of 10 years after the last aid is granted, if applicable.

## Article 17

### Durability of operations

1. A Project comprising investment in infrastructure or productive investment shall repay the Programme co-financing if within five (5) years of the final payment to the Lead Partner, it is subject to any of the following:
  - a. a cessation or transfer of a productive activity outside the NUTS 2 Region / Programme area;
  - b. a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
  - c. a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.
2. To ensure the compliance with the above-mentioned requirements, the Lead Partner shall be obliged to sign the Durability statement following the receipt of the final payment.

## Article 18

### Conflict of interests

1. In accordance with Article 61 of the Regulation 2018/1046, the beneficiaries shall not take any action which may bring their own interests into conflict with those of the Union.
2. The Lead Partner shall ensure that the staff, including their management is not placed in any situation which could lead to conflict of interests. It shall ensure that any member of its staff in such a situation will be replaced immediately and without compensation from the Managing Authority.
3. If any conflict of interests arises or may arise during the Project implementation, the Lead Partner shall immediately take all necessary steps to resolve it and notify the Managing Authority in writing.
4. The Managing Authority may verify the measures taken to resolve conflict of interests and may require additional measures to be taken, if necessary. In case the Managing Authority establishes that the proposed measures have not been implemented, the Managing Authority reserves the right to terminate the Contract in line with Article 20 of this Contract.

## Article 19

### Modifications of the Project

1. Any modification of the Project shall be submitted to the Joint Secretariat/Managing Authority by the Lead Partner via Jems. The Project can be modified only during its implementation period.
2. The modifications of the Project cannot affect the basic purpose of the Project, the grant award decision or be contrary to the equal treatment of beneficiaries.
3. The following modifications are considered as major modifications of the Project and require a written approval by the Managing Authority and/or Monitoring Committee (if necessary):
  - a) changes in the composition of the partnership;
  - b) budget reallocations between project partners;
  - c) prolongation of the Project implementation period;
  - d) changes related to indicators;
  - e) changes related to location of investment and/or type of investment.
4. Detailed procedure and deadlines for Project modifications are given in Project Implementation Manual.
5. In case of Project modifications affecting the content of the Contract an Addendum to the Contract shall be issued.

## Article 20

**Termination of the Contract**

1. The Managing Authority may terminate the Contract and demand the repayment of Programme co-financing in full or in part, by giving a 30-day written notice and without paying compensation of any kind, if:
  - a) the beneficiaries provide false or incomplete information required in the assessment and selection procedure, negotiation phase or in the implementation of the Project;
  - b) the Lead Partner fails to fulfil any condition or obligation resulting from the Contract;
  - c) the Partner becomes insolvent, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject to bankruptcy proceedings or proceedings concerning those matters or is in any other analogous situation;
  - d) the beneficiaries, or any related person<sup>1</sup>, have committed fraud or are involved in any illegal activity detrimental to the European Union's financial interests;
  - e) the termination of the participation of a Project Partner or a change in Project Partner's status which substantially affects the implementation of the Project or puts into question the award decision;
  - f) the Project has not been or cannot be fully implemented, or it has not been or cannot be implemented in due time;
  - g) the Project significantly failed to reach objectives, results and outputs planned in the Application, unless duly justified;
  - h) the Lead Partner has failed to submit required reports, proofs, or necessary information requested by the Programme bodies within the set deadline, provided that the Lead Partner has received at least one written reminder setting the deadline and specifying the legal consequences of a failure to comply with the requirements;
  - i) the Programme co-financing has been partially or entirely misapplied for purposes other than those agreed upon;
  - j) the Lead Partner has impeded or prevented the auditing of the Project or failed to retain the Project documentation required for the audit;
  - k) the Lead Partner has failed to immediately report events delaying or preventing the implementation of the Project, or any circumstances leading to its modification;
  - l) EU legislation and/or national legislation has been violated;
  - m) in case the Partnership Agreement has been suspended for a period longer than three months;
  - n) if the Contract has not given rise to any payment within one year of its signature.
2. Upon termination of this Contract by the Managing Authority, the Lead Partner shall receive a written notice with necessary instructions regarding the closure of the Project.
3. In cases of termination of the Contract specified in points a), d), e), i) and l) of paragraph 1 of this Article, the Managing Authority may request full or partial repayment of amounts already paid from the grant, in proportion to the gravity of the irregularity in question after allowing the Lead Partner to submit its clarification.

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<sup>1</sup> Any related person means any physical person with powers of representation, decision-making or control in relation to the beneficiaries.

4. In the cases of force majeure, i.e., if the exceptional circumstances make implementation of the Project excessively difficult or dangerous, and if the Contract can no longer be executed effectively and appropriately, the Parties may terminate the Contract by serving a 30-day written notice, without being required to pay indemnity. The Managing Authority may reimburse the unavoidable residual expenditures incurred during the notice period (only for activities and expenditures that have been properly executed).
5. The Lead Partner shall be entitled to request payments from the Programme only for the part of the Project carried out and activities completed before termination of the Contract that contribute to Programme indicators.
6. If the European Commission fails to make the funds available or takes the decision of interrupting or totally suspending the funds, the Managing Authority is entitled to terminate the Contract. In this case the Managing Authority is not obliged to pay any indemnity to the Lead Partner.
7. The Contract may be terminated by written mutual agreement between the Lead Partner and Managing Authority.

## Article 21

### Complaints

1. The Lead Partner is entitled to file a formal complaint on behalf of the partnership against any act and/or decision by the Joint Secretariat/Managing Authority related to the execution of the Contract.
2. The complaint shall be filed to the Managing Authority within 14 calendar days from the receipt and/or knowledge of the concerned decision and/or act.
3. The complaint has to be submitted in writing and consist of with the following elements:
  - indication of the subject: “Žalba na odluku/postupanje Upravljačkog tijela/Zajedničkog tajništva”,
  - the name and address of the Lead Partner,
  - the reference number of the Project in question (Project ID and acronym),
  - reasons for the complaint,
  - signature of the legal representative of the Lead Partner.
4. The Lead Partner may submit any other supporting documents that may be considered relevant.
5. If a complaint does not contain the above stated elements or includes an incomplete description of a case that does not allow the Managing Authority to perform a thorough assessment of a complaint, the Managing Authority may request further information from the Lead Partner at any time of the procedure. If the information requested is not provided within the period of time as specified by the Managing Authority, the Managing Authority shall close the case without further investigation.

### Final Provisions

1. All official correspondence between the Lead Partner and the Programme bodies shall be in writing and in English language.
2. In case of legal succession any of the Parties, the Party involved is obliged to transfer all the obligations under this Contract to its legal successor.
3. This Contract shall be governed in accordance with the laws of the Republic of Croatia. In case of differences that are not ruled by this Contract, the Parties agree to find an amicable and mutually acceptable solution. In the absence of amicable settlement, the Parties will submit themselves to the exclusive competence of the Permanent Arbitration Court of the Croatian Chamber of Commerce.
4. If a provision of this Contract is or becomes invalid or if this Contract contains unintentional gaps or misprints, this will not affect the validity of the other provisions of this Contract. The Parties will replace any invalid provision by a valid provision that is as close as possible to the purpose and intent of the invalid provision. The Parties will fill any unintentional gap or misprint by a provision that better suits the purpose and intent of this Contract, in compliance with the rules applicable.
5. The Contract shall be signed in two (2) original copies. One copy shall be kept by the Lead Partner and one copy shall be returned to the Managing Authority.

For the Managing Authority	For the Lead Partner
Name: Šime Erlić	Name: Josip Begonja
Title: Minister	Title: Mayor
Signature: 	Signature: 
Date: 13 September 2024	Date: 13 September 2024