



Subsidy contract
under Instrument for Pre-accession Assistance (IPA)
No...../.....

The following subsidy contract, hereinafter referred to as “Contract”, **between**

Directorate General “Territorial Cooperation Management” within the Ministry of Regional Development and Public Works (MRDPW)

17-19 Sv. Sv. Kiril and Metodiy Street, Sofia 1202, Bulgaria

acting as **Managing Authority for the Bulgaria-Turkey IPA Cross-Border Programme**, hereinafter referred to as Managing Authority (MA),

represented by

1. Mr. Nikolay Nankov, Deputy Minister of Regional Development and Public Works, Head of Managing Authority under the Bulgaria-Turkey IPA Cross-Border Programme

2. Mr Biser Mladenov, Head of Financial Management and Control Department, Directorate General “Territorial Cooperation Management” of the one part,

and

[Name and 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 no [MIS code], having as legal basis:

- Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-accession Assistance;
- Regulation (EU) No. 540/2010 of the European Parliament and of the Council of 16 June 2010, amending Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance;
- Commission Regulation (EC) No 718/2007 of 12 June 2007, implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance;
- Commission Regulation (EU) No 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance;
- The Bulgaria – Turkey IPA Cross-Border Programme 2007-2013, approved by the European Commission by Decision C(2007) 6477 from 20.12.2007, amended with Decision C(2010) 3777 from 22.06.2010 and Decision C(2012) 4940 from 17.07.2012;
- Financing Agreements between the Republic of Turkey and European Commission



for the Programme, signed respectively on 26.05.2009, 07.06.2011 (entered into force on 04.04.2012) and (entered into force on);
and in compliance with:

- Third Call for Proposal and the respective Guidelines for Applicants' Package.

Article 1 Award of subsidy

- 1) The purpose of the 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 decision of the Joint Monitoring Committee (JMC) on
- 2) The LP shall be awarded the funding on the basis of the provisions of the Contract, which consists of the subsidy contract and its annexes. The LP declares that has noted and accepted the provisions of the contract.
- 3) 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 national and European legislation.

Article 2 Duration of the contract

- 1) The Contract shall enter into force on the date of its registration in the Registry system of MA, following the signing by both parties.
- 2) The implementation period of the operation starts on the following the date the Contract enters into force.
- 3) The implementation period of the operation is months.
- 4) The LP has 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 3 (three) years, after the official closure of the Bulgaria-Turkey IPA Cross-border Programme, to preserve and to present to the Joint Technical Secretariat (JTS), MA, Certifying Authority (CA) within the Bulgarian Ministry of Finance, Audit Authority (AA) within the Bulgarian Ministry of Finance, 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 Contract shall end 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 (Application form, including Budget of the operation)*, is estimated at EUR ... [amount in letters], out of which:



IPA funds	National public contribution	Own voluntary contribution	Total
EUR	EUR	EUR	EUR
%	%	%	%

Article 4 Amount of the contract

1) The total amount of the Contract (the subsidy) is estimated at EUR ... [amount in letters], representing the maximum total amount of IPA and National public contribution (equal from both countries). The MA commits itself to transfer these funds to the LP.

2) The MA makes the transfers in the limit of the available balance. In case of insufficient funds, payment process is suspended until the Certifying Authority (CA) credits the Programme's bank account with the necessary amounts.

3) The LP commits itself to support its own contribution (if any) and the non-eligible expenditures.

4) If 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 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 or 5 (five) years after its completion, the total eligible value of the operation will be diminished accordingly with the value of the revenues generated within that period. Revenue shall be defined as a surplus of actual receipts over the actual costs of the operation in question when the request is made for payment of the balance.

Article 5 Eligible expenditures

1) Activities and related costs for the operation are eligible if they are carried out during the implementation period of the operation, provided that they are necessary for the operation, are paid and are stipulated in the budget of the operation (*Annex 1*).

2) The expenditures related to the operation are eligible, provided that they are in compliance with the applicable European and national legislation in force; they are stipulated in *Annex 1* and provided that they observe the terms and conditions, stipulated in the Contract.

3) As an exception from the provisions of paragraph 1, preparation costs are eligible if they are incurred not earlier than 1 year before the date of publication of the Call for Proposals and at the latest on the day before the signature of the Contract.

4) All preparation costs shall be requested for reimbursement only in the first interim request for payment under the project (*in a model for Request for payment annexed to the Project Implementation Manual*).

Article 6 Reporting



- 1) The LP submits project progress reports in both electronic and paper copy (duly signed and stamped by the LP) to the Joint Technical Secretariat (JTS) 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 20 (twenty) 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 1 month after the completion of the operation.
- 4) The MA may request additional information at any time. In case of request for clarifications and/or additional information, concerning submitted progress reports, the LP is obliged to provide the requested information within 10 (ten) working days after receiving of the request.

Article 7 Verification of expenditures by the First level controller

- 1) The reimbursement of expenditures for execution of the operation is based on verifications by the First level controllers. The verification of the relevant documents related to expenses is performed by the First level controllers before submission of the reimbursement claim.
- 2) The LP may request First level control on a six months basis after the starting date of the project implementation period.
- 3) As an exception from the provisions of paragraph 2 the LP may request First level control 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 partners 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 7, paragraph 4).
- 4) The LP must submit to the MA information for expenditures, subject to verification, in due format, and request for designation of First level controller/s (*in a model annexed to the Project Implementation Manual*), not later than 5 (five) days after the end of the reporting period. By way of exception, the request for designation of the First level controller for the last reporting period can be submitted not later than 45 (forty five) days after the end of the project implementation period.
- 5) The LP presents all documents to the designated First level controller and makes sure that all partners present their documents to the respective First level controller, in order to be verified, before drafting and forwarding the reimbursement claims. The controller shall verify that the declared VAT is eligible on a case by case basis. Only VAT, included in the *Annex 1 Approved application form including Budget of the operation*, will be subject of verification.



Article 8 Requests for payment and reimbursement of the expenditures

1) Advance payment

1.1) The LP may request advance payment (optional) at the rate of 20 % of the total amount of the 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*).

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 45 (forty-five) days after receiving of the request.

2) Interim and final payments

2.1) The LP may request interim payments on six months basis after the starting date of the project implementation period provided that the respective expenditures are verified by a First level 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 7, paragraph 3).

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 JTS in accordance with the requirements of Article 6.

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) days from the date of receipt of the documents proving verification of expenditures by the First level controller/s from the project partner/s for which the First level controller is designated for the reporting period.

2.5) The MA should verify the expenditures and transfer the established amount in 60 (sixty) days after receiving the request for payment in accordance with article 4, paragraph 2). The expenditures resulted from the exchange rate risk are non-eligible expenditures for the operation. 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 resumed - 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 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 and national co-financing to all partners within 5 (five) working days/or within the period specified in *Partnership agreement (Annex 2)* as



of cashing in 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 9 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 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.

3) The LP lays down the arrangements for its relations with the partners participating in the operation in a *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.

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

1. 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;

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

3. know, observe and make sure that the partners observe the provisions of the Project Implementation Manual (published on the Programme website (<http://www.ipacbc-bgtr.eu>));

4. observe and make sure that all partners observe the national and European legislation on state aid, equal opportunities, sustainable development, environmental protection;

5. ensure that the Practical Guide to Contract Procedures for EU External Actions is strictly followed, when the LP or project partners have to conclude contracts in order to carry out the operation;

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

7. present and ensure that the partners present their expenditures to the First level controllers for verification (as per Article 7, paragraph 5);

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

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 the capacity to manage the operation, that they observe the rules for implementation of the project. 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, JTS 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 takes 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 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) 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 his partners, as the case may be.

12) The LP 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 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 JTS and/or National Authority and therefore the LP agrees to cooperate with the JTS and/or National Authority in the same way as with the MA.

15) The LP must have a separate bank account for the operation, according to the national legislation.



Article 10 Rights and duties of the MA

- 1) The MA shall make available the information regarding the official end date of the Bulgaria-Turkey IPA Cross-border Programme to the LP, within 10 (ten) working days from the date of the receipt of the Commission's official notification in this respect.
- 2) The MA has the right to decide on the eligibility of expenditure, related to the aggregated request for payment.
- 3) The MA has the obligation to support the LP by providing necessary information and clarifications for the implementation of the operation.
- 4) The MA has the obligation to reply to any written solicitation from the LP, within 30 (thirty) days from the date of receiving the request.
- 5) The MA ensures the technical and financial monitoring of the operation.
- 6) The MA shall officially authorize all eligible expenditures related to the aggregated request for payment, submitted by the LP.
- 7) The MA has the obligation to inform the LP regarding the reports, conclusions and recommendations, made by the European Commission, which may affect the implementation of the Contract.
- 8) The MA shall reimburse the expenditures, according to the provision in official rules, issued by the CA.
- 9) In case one of the obligations of the LP is not fulfilled, the MA may suspend the execution of the Contract.
- 10) 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.
- 11) The MA may delegate rights to the JTS and/or National Authority, therefore the JTS and/or National Authority may act in the name and on behalf of MA.

Article 11 Publicity

- 1) The LP informs and ensures that all partners inform the public, by means of the measures laid down in Article 8 of Regulation 1828/2006, concerning the financial assistance obtained from the Funds.
- 2) The LP is responsible for the implementation of the information and publicity activities, related to the financial assistance, received under the Programme.
- 3) 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 12 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 1*, 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 are 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 partially or fully recover amount granted, based on the damages and omissions occurred.

Article 13 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 funds shall not be considered as having confidential status.
- 3) Releasing any information to persons, involved in implementing / verifying / controlling / auditing the operations shall be performed on confidential basis and shall only cover the information, that is necessary for implementing of the operations.
- 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 14 Conflict of interest



1) In the Contract, the conflict of interests in the meaning of Article 52 of Regulation 1605/2002, 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, in up to 5 (five) days from finding out, on any circumstances that have generated or may generate such a conflict. Any conflict of interest that arises during the implementation of the Contract shall be immediately reported to the MA. The MA reserves the right to verify such circumstances and take appropriate measures, where necessary.

Article 15 Irregularities, fraud and reimbursement of the funding

1) “Irregularity”, according to the Contract, is any failure to observe the law, regulation and compliance with the provisions of the memoranda of understanding, financing agreements regarding the Community funds and related co-financing, as well as with the provisions of the contracts concluded according to these memoranda / agreements, which by an ineligible expenditure prejudices the general budget of the European Communities or the budgets managed in their name and/or the budgets granting the related co-financing.

2) In case of irregularity, the MA may impose to the LP, in written, within 5 (five) working days from the discovery of the irregularity, all the necessary measures for the elimination or diminishing of the consequences on the implementation of the operation.

3) The MA may suspend or terminate the Contract in the case the partners fail to take the measures imposed.

4) In case an irregularity is committed, the LP is responsible for reimbursing the entire amount to the MA, 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.

5) Fraud is an intentional irregularity and for the sake of the Contract shall be considered as 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.

6) The MA takes the decision for suspending/terminating the contract, after verifying the reasons presented by the LP and/or JTS and the related documents.

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) days as of the receiving date of the notification, the LP shall return the amounts that the notification refers to, including the accrued interest on the received payments.

8) Any extra payment done by the MA is considered unduly paid amount, and the LP has to repay the respective amounts within 30 (thirty) days as of the receiving date of the notification from the MA.

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) days as of the receiving date of the notification.

11) Starting the 31st day as of the expiry of the deadlines stipulated at paragraphs 7, 8, 10 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.

12) The LP shall pay the bank charges resulted from the reimbursing of the amounts to the MA.

13) The MA has the right to apply financial corrections in accordance with *Financial corrections guidelines applicable to procurement rules infringements (Annex 4)* in case when the LP /project partner/s failed to comply with the procurement rules stipulated in Practical Guide to contract procedures for EU External Actions.

Article 16 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 from Bulgaria 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 first level control system has been established both in Bulgaria and Turkey 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 a minimum period of 3 (three) years after the closure of the Bulgaria-Turkey IPA Cross-border Programme. The documents must be properly archived. Also, the MA must be informed on the location of these documents.

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).

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 17 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, e.g. where the LP changes its legal form, the LP is obliged to transfer all rights and duties under the Contract to the legal successor. The LP shall notify the MA about any change with 15 working days beforehand.

Article 18 Amendment

1) Any modification to the Contract must be duly justified and shall be subject to the Joint Monitoring Committee's approval and will be operated by an addendum to the 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 (IPA and national co-financing) and/or of the percent it represents from the total eligible amount of the operation specified in article 3 of the 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 national/European 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 the previous approval of the MA:

1. changes inside a budget line, between budget sub-lines, with the notification of 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. changes between budget lines in a limit of 10% of the smaller budget line, with the previous notification of the MA before the expenditures to be made and as long as the total amount of the subsidy as per Article 4 remains unchanged and the major issues of the operation are not affected.

3. changes in the project team with the previous notification of the MA before replacement to become effective.

5) As an exception from the provisions of paragraph 1, the LP may make the following changes with the notification of the MA:

1. changes in the project content (*Annex 1*) which do not affect the objectives, outputs and results of the operation;

2. changes of address, contact details, bank account; information shall be forwarded to the MA within 15 (fifteen) days following the change.

6) The parties have the obligation to inform on the initiation to amend the present Contract with minimum 30 (thirty) days before the addendum is intended to enter into force.

Article 19 Termination

1) The present contract may be terminated by written mutual agreement of the parties.

2) Any breach of the provisions of the Contract may result in termination of the Contract by the MA and in the reimbursement of the financing and the repayment of unduly paid amounts from the LP.

3) 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.

4) The MA is entitled to terminate the 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 national or European 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/2 (two) years 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.

5) If any of the circumstances stipulated at paragraph 4 appear 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 the reimbursement of the remaining part of the amount.

6) 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 missions are not observed; or

4. In cases referred to art. 15.3; or

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

6. The LP did not submit a reimbursement claim for two consecutive deadlines.

7) The Contract may be terminated by request from the LP, in case it falls in situation in which the procedure for withdrawal of project partner can not 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.

8) If the MA exercises its right of termination under par. 3 and 5, as well as in cases described in the paragraph 6 above), the LP is obliged to transfer the repayment amount to the MA. The repayment amount is due within 30 (thirty) 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, interests 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 shall be applied to the owed amounts. These interests will not be supported from the contract value (they are non-eligible expenditure).

9) 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.

Article 20 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) 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) 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 21 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
Floor 5, room 525
17-19, “Kiril and Metodiy” Str.
1202 Sofia
Bulgaria
Phone: +359 2 9405 487
Fax: + 359 2 987 07 37*

JTS

*Joint Technical Secretariat under Bulgaria – Turkey IPA Cross-border Programme
2 Patriarh Evtimiy Str., 3rd floor, offices (88,89,90,91,
6300 Haskovo
Bulgaria
Tel: +359 38 663 888
Fax: +359 38 663 888*

Lead Partner

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



- 2) All correspondence between the MA/JTS and the LP 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) days following the change of address.

Article 22 Final provisions

- 1) In case a dispute arises between the MA and the LP regarding the implementation of the 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 Contract is governed by the Bulgarian law.
- 3) The 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 23 Signatures

This Subsidy contract is issued in four copies, in English language, one for the LP, two for the MA and one for the JTS, and one copy in Bulgarian language for the MA.

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.

The following annexes are integral part of the Contract:

Annex 1: Approved application form including Budget of the operation

Annex 2: Signed Partnership Agreement

Annex 3: Financial identification form

Annex 4: Financial corrections guidelines applicable to procurement rules infringements

Annex 5: Others

Managing Authority

1. Name: NIKOLAY NANKOV

Signature

Date

2. Name: BISER MLADENOV

Signature

Date

Lead Partner

Name:

Signature

Date