

GRANT CONTRACT
- EXTERNAL ACTIONS OF THE EUROPEAN COMMUNITY -

HUSKROUA/1001

Grant contract identification number: HUSKROUA/1001/118

The National Development Agency, Wesselényi street 20-22, 1077, Budapest, Hungary as the Joint Managing Authority for the Hungary-Slovakia-Romania-Ukraine ENPI Cross-border Cooperation Programme 2007-2013, acting as the Contracting Authority in terms of PRAG ("the JMA")

of the one part,

and

Town Snina

Registration number: 00323560

Tax number: 2020794666

Strojárska 2060/95, 069 01 Snina

("the Beneficiary")

of the other part,

have agreed as follows:

Special conditions

Article 1 - Purpose

- 1.1 The purpose of this contract is the award of a grant by the JMA for the implementation of the Action entitled: **Snina - Khust - Together Towards the Development of Tourism in the Carpathian Biosphere Area** ("the Action") described in Annex I. The grant is financed from the European Neighbourhood and Partnership Instrument in the framework of the cross-border cooperation programme Hungary-Slovakia-Romania-Ukraine.
- 1.2 The Beneficiary will be awarded the grant on the terms and conditions set out in this contract, which consists of these special conditions ("Special Conditions") and the annexes, which the Beneficiary hereby declares it has noted and accepted.
- 1.3 The Grant Contract is signed in accordance with the decision of the Joint Monitoring Committee from 02 August 2011 to award a grant to the Action.
- 1.4 The Beneficiary accepts the grant and undertakes to carry out the Action under its own responsibility.

Article 2 - Implementation period of the Action

- 2.1 This contract shall enter into force on the date when the last of the two Parties signs. The Beneficiary undertakes to sign the contract within 30 days from the date of its reception from the JMA.
- 2.2 Implementation of the Action shall begin on: 1 August 2012
- 2.3 The Action's implementation period, as laid down in Annex I, is **21 months**.
- 2.4 The execution period of this contract will end at the moment when final payment is paid by the JMA and in any case at the latest 18 months as from the end of the implementation period as stipulated in art 2.3 above.

Article 3 - Financing the Action

- 3.1 The total cost of the Action is estimated at 545,544.42 EURO (five hundred and forty five thousand five hundred and forty four Euro forty two eurocents), as set out in Annex III.
- 3.2 The JMA undertakes to finance a maximum of 490,989.97 EURO (four hundred and ninety thousand nine hundred and eighty nine Euro ninety seven eurocents), equivalent to 90% of the estimated total eligible cost of the Action.; the final amount of the eligible costs shall be established in accordance with Articles 14 and 17 of Annex II.
- 3.3 Pursuant to Article 14.4 of the Annex II, 3,33% (*maximum 7%*) of the final amount of direct eligible costs of the Action established in accordance with Articles 14 and 17 of the Annex II, may be claimed by the beneficiary as indirect costs.
- 3.4 Pursuant to Article 14.6 of Annex II, the Regulation under which this contract is financed authorises payment of taxes, including VAT, in the case the Beneficiary can show it cannot reclaim.

Article 4 - Narrative and financial reporting and payment arrangements

- 4.1 Narrative and financial reports shall be produced in support of payment requests, in compliance with Articles 2 and 15.1 of Annex II.
- 4.2 Payment will be made in accordance with Article 15 of Annex II. Referred to Article 15.1 regardless of the amount of the grant and the duration of the operation the following will apply:

First instalment of pre-financing (80% of the part of the forecast budget for the first 12 months of implementation financed by the JMA): 342,615.47 EURO (three hundred and forty two thousand six hundred and fifteen Euro forty seven eurocents)

Forecast further instalment(s) of pre-financing: 99,275.50 EURO (ninety nine thousand two hundred and seventy five Euro fifty eurocents) (subject to the provisions of Annex II)

Forecast final payment (subject to the provisions of Annex II): 49,099.00 EURO (forty nine thousand ninety nine Euro)
- 4.3 In case where the pre-financing instalments are to be paid by the JMA, the first instalment of pre-financing will be paid to the Beneficiary within 45 days, as from the date of reception by the JMA of signed contract accompanied by the financial guarantee if required in accordance with article 15.7 of the General Conditions.
- 4.4 The Beneficiary shall transfer the corresponding amounts of the Grant to its partners without delay as from the date of receipt of the instalment of Grant, proportionally to each partner's contribution to the Action, without making any deduction, retention or further specific charge, and shall submit the proof of transfer to JMA within 10 days.

Article 5 - Contact addresses

- 5.1 Any communication relating to this contract, including payment requests and attached reports, requests for changes to bank account arrangements must be in writing, state the number and title of the Action and be sent to the following addresses:

For the Joint Technical Secretariat (on behalf of the Joint Managing Authority)

Hungary, H-1016, Budapest, Gellérthegey u. 30-32.

For the Beneficiary

Town Snina Strojárska 2060/95, 069 01 Snina, Slovakia

- 5.2 The national control body/audit firm which will carry out the verification(s) referred to in Article 15.6 of Annex II is Jakub Novotný, Director of Control Department of Cross-border Cooperation Programmes at the Ministry of Agriculture and Rural Development of SR, Prievozská 2/B, 825 25 Bratislava 26, Slovakia, tel: +421258317442, fax: +421258317584.

- First sentence and point d) of Article 12.2
- Article 15.5

7.1.4 Where the 'Contracting Authority' is mentioned in Article 10 and Article 12.3 it refers to the Joint Monitoring Committee.

7.1.5 Article 1.3 of the General Conditions shall be replaced as follows:

The Beneficiary shall in partnership with one or more **Project Partners** identified in the Description of the Action. **The Beneficiary and its partners** may subcontract a limited portion of the Action to **third parties**. The bulk of the Action must, however, be undertaken by the Beneficiary and, where applicable, his partners.

Partners take part in the implementation of the Action, and the costs they incur are eligible in the same way as those incurred by the Beneficiary.

If the Beneficiary concludes the contracts in order to implement the Action as referred to in the first paragraph, the Beneficiary shall respect the contract-award procedures and rules of nationality and origin set out in Annex IV of this Contract.

The Beneficiary alone shall be accountable to the Joint Managing Authority for the implementation of the Action. It shall undertake that the conditions applicable to it under Articles 1, 3, 4, 5, 6, 7, 8, 10, 12.2, 12.3, 14, 16 and 17 shall also apply to its partners, and those applicable under Articles 1, 3, 4, 5, 6, 7, 8, 10 and 16 to all its subcontractors. **In particular, the Beneficiary should undertake that the conditions applicable to it under Article 18.5 on the recovery procedure by the EU Member States and the Commission shall also apply to its partners.** It shall include provisions to that effect as appropriate in its contracts with them.

7.1.6 Article 1 of the General Conditions shall be supplemented as follows:

1.4 The Beneficiary and the JMA are the only parties (the "Parties") to this Contract. The European Commission is not Party to this Contract, which confers on it only the rights and obligations explicitly mentioned therein. Nevertheless the JMA's grant is financed from the European Communities' budget, and the provisions in this Contract on visibility shall apply accordingly.

7.1.7 Article 2.5 of the General Conditions shall be replaced as follows:

2.5 If the Beneficiary fails to supply the **Joint Technical Secretariat** with a final report by the final report deadline laid down in Article 2.3 and fails to furnish an acceptable and sufficient written explanation of the reasons why it is unable to comply with this obligation, the **JMA** may terminate the Contract in accordance with Article 12.2 a) and recover the amounts already paid and not substantiated.

Furthermore, where the Beneficiary fails to present an interim report and a request for payment no later than 3 months by the end of each twelve month period of the Action, the Beneficiary must inform the **Joint Technical Secretariat** of the reasons why it is unable to do so, and provide a summary of progress in the Action. If the Beneficiary fails to comply with this obligation, the **JMA** may terminate the Contract in accordance with Article 12.2 a) and recover the amounts already paid and not substantiated.

7.1.8 Article 6.1 of the General Conditions shall be replaced as follows:

Unless the European Commission agrees or requests otherwise, the Beneficiary must take all necessary steps to publicise the fact that the European Union has financed or co-financed the Action. Such measures must comply with the Communication and Visibility Manual for EU External Actions laid down and published by the Commission **and with the provisions of the Hungary-Slovakia-Romania-Ukraine Cross-border Cooperation Programme 2007-2013.**

7.1.9 Article 7 of the General Conditions shall be supplemented as follows:

7.4. The Beneficiary and its partners are responsible for purposeful use of equipment in the eligible area after the receiving it on the balance of their organisations. In all cases the ownership and use of project's results and outcome must be stated in the Partnership Agreement.

7.1.10 Article 8 of the General Conditions shall be replaced as follows:

If **the Joint Managing Authority JMA/Joint Technical Secretariat** or the Commission carries out an interim or ex post evaluation or a monitoring mission, the Beneficiary shall undertake to provide it and/or the persons authorised by it with any document or information which will assist with the evaluation or monitoring mission, and grant them the access rights described in Article 16.2.

7.1.11 Article 12.7 of the General Conditions shall be replaced as follows:

This Contract shall be terminated automatically if it has not given rise to any payment by the Joint Managing Authority within three years of its signature **and the Joint Monitoring Committee will be notified by the JMA concerning eventual decisions to terminate a contract.**

7.1.12 Article 13.1 of the General Conditions shall be modified as follows:

This Contract shall be governed by the **Hungarian law, which is the seat of the JMA.**

7.1.13 Article 15.8 of the General Conditions shall be replaced as follows:

The Contracting Authority shall make payments in euro, in accordance with the Special Conditions. In the latter case, any conversion into euro of the real costs borne in other currencies shall be done at the rate made up by the average of the rates published in InforEuro for the months covered by the relevant report, unless otherwise provided in the Special Conditions. In the event of an exceptional exchange-rate fluctuation, the Parties shall consult each other with a view to restructuring the Action in order to lessen the impact of such a fluctuation. Where necessary, the Contracting Authority may take additional measures.

7.1.14 In Article 16.2 where Article 15.6 is mentioned it refers as well to Article 37 of the Commission Regulation (EC) No 951/2007.

7.1.15 Article 16.2 of the General Conditions shall be supplemented with the following paragraph:

In case of irregularities identified following a control or an audit within the timeframe defined above in paragraph 1, the JMA will make out recovery orders to the beneficiaries.

7.1.16 Article 18 of the General Conditions shall be supplemented as follows:

18.5 Where the Joint Managing Authority is unable to recover the debt within one year of issuing the recovery order and the recovery relates to a claim against a beneficiary or partner established in an EU Member State, the EU Member State in which the beneficiary or partner is established shall pay the amount owing to the Joint Managing Authority and claim it back from the beneficiary or partner.

Where the Joint Managing Authority is unable to recover the debt within one year of issuing the recovery order and the recovery relates to a claim against a beneficiary or partner established in a partner country the Joint Managing Authority shall refer the case to the European Commission, which, on the basis of a complete file, shall take over the task of recovering the amounts owing from the beneficiary or partner established on the partner country or directly from the national authorities of that country.

7.1.17 The first paragraph of Article 1.3 of the General Conditions shall be supplemented as follows:

In duly justified cases, the subcontracting limit does not apply to Actions focused on investment activities, notably to Large Scale Projects.

7.1.18 The Article 9.2 of the General Conditions shall be supplemented with the following paragraph:

In case the Beneficiary fails to properly inform the JTS on the details of its bank account opened specifically for the project, all consequences including those of financial nature shall be borne by the Beneficiary.

7.2 The following derogations from the General Conditions shall apply:

7.2.1 By derogation from Article 2.3 the paragraph shall be modified as follows:

2.3 The reports shall be drafted in the language of the Contract. They shall be submitted to the Joint Technical Secretariat at the following intervals:

- interim report (consisting of both narrative and financial section) conforming to the model in Annex VI must accompany every request for payment;
- interim report (consisting of both narrative and financial section) conforming to the model in Annex VI shall be submitted no later than 3 months after the end of each six month even in the absence of request for payment;
- the final report shall be forwarded no later than 3 months after the implementation period as defined in Article 2 of the Special Conditions.

7.2.2 By derogation from the General Conditions Article 3 shall be supplemented as follows:

3.3 The Beneficiary is liable towards the JMA for ensuring that all its Project Partners fulfil their obligations under this Action. It is also liable towards the JMA for any irregularities of obligations under this Action by its Project Partners in the same way as for its own conduct.

7.2.3 By derogation from the General Conditions Article 11.1 shall be replaced as follows:

The implementation period of the Action is laid down in Article 2 of the Special Conditions. The Beneficiary must inform the Joint Technical Secretariat without delay of any circumstances likely to hamper or delay the implementation of the Action. **In exceptional and justified cases** the Beneficiary may request an extension of the Action's implementation period no later than one month before it ends. **The request must be accompanied by all the supporting evidence needed for its appraisal. Final decision on such requests is a subject of approval by the Joint Monitoring Committee.**

7.2.4 By derogation from the General Conditions Article 12.1 shall be replaced as follows:

If a Party believes that the Contract can no longer be executed effectively or appropriately, **because of unforeseeable change in substantial circumstances, for which the Party is not responsible**, it shall consult the other Party. Failing agreement on a solution, either Party may terminate the Contract by serving two months' written notice, without being required to pay compensation.

7.2.5 By derogation from the General Conditions Article 15.1 shall be modified as follows:

15.1 Payment procedures are set out in Article 4 of the Special Conditions and regardless of the amount of the grant and the duration of the operation the following will apply. The Joint Managing Authority shall pay the grant to the Beneficiary in the following manner:

- an initial pre-financing instalment of 80% of that part of the estimated budget for the first 12 months financed by the Joint Managing Authority, as specified in Article 4 of the Special Conditions, following the provisions in Article 4.3 of the Special Conditions.
- further pre-financing instalments of the amount specified in Article 4 of the Special Conditions and designed to normally cover the Beneficiary's financing needs for each twelve month period of implementation of the Action, within 45 days of the Joint Technical Secretariat approving an interim report in accordance with Article 15.2, accompanied by:
 - a request for payment conforming to the model in Annex V,
 - an expenditure verification report under Article 15.6 conforming to the model in Annex VII,
 - a financial guarantee if required under Article 15.7 conforming to the model in Annex VIII;
- the balance within 45 days of the Joint Technical Secretariat approving the final report in accordance with Article 15.2, accompanied by:

- a request for payment of the balance conforming to the model in Annex V,
- an expenditure verification report required under Article 15.6.

Further pre-financing may only be given if the part of the expenditure actually incurred which is financed by the Joint Managing Authority (by applying the percentage set out in Article 3.2 of the Special Conditions) stands at 70% at least of the previous payment (and at 100% of any previous payments) as supported by the corresponding interim report and, by an expenditure verification report as specified in Article 15.6.

Where the consumption of the previous pre-financing is less than 70%, the amount of the new pre-financing payment shall be reduced by the unused amounts of the previous pre-financing payment.

The total sum of pre-financing under the Contract may not exceed 90% of the amount referred to in Article 3.2 of the Special Conditions.

7.2.6 By derogation from the General Conditions Article 15.6 shall be replaced as follows:

A report on the verification of the Action's expenditure conforming to the model in Annex VII (Annex 3A), produced by the designated national controller (in case of a Beneficiary or partners located in Member State) or an approved Auditor (in case of a Beneficiary or partners located in a Partner Country) who meets the specific conditions of the Terms of Reference for the expenditure verification, shall be attached to

- any request for pre-financing payments
- any final report

The Beneficiary and its partners may have different auditors/controllers for each partner. Thus the Beneficiary will submit to the JMA the report for a consolidated expenditure verification with all the factual findings from all auditors/controllers, conforming to the model in Annex VII (Annex 3B). Each individual report will be attached to it as an annex.

The national controller/Auditor examines whether the costs declared by the Beneficiary are real, accurately recorded and eligible in accordance with the Contract, as well as the revenue of the Action and issues an expenditure verification report conforming to the model in Annex VII.

The Beneficiary grants the national controller/Auditor all access rights mentioned in Article 16.2.

The expenditure verification report accompanying a request for payment of the balance covers all expenditures not covered by any previous expenditure verification report. Based on the consolidated expenditure verification report conforming to the model in Annex VII (Annex 3B) the JMA/JTS determines the total amount of eligible expenditure which may be deducted from the total sum of pre-financing under the Contract (clearance)

Done in English in five originals, one original being for the JMA, one original being for the Joint Technical Secretariat and three original being for the Beneficiary.

For the Beneficiary

Name Štefan Milovčík

Title Mayor

Signature

Date 16.7.2012



For the Joint Managing Authority

Name Balázs Simó

Title Head of JMA

Signature

Date

05/07/2012

