Annex I. of the Subsidy Contract

GENERAL TERMS AND CONDITIONS
governing the use of the EU contribution
received in the frame of the
Subsidy Contract for European Union contribution

Article 1

General Provisions

1. The provisions of the "General Terms and Conditions" shall, as an annex, form an integral part of the Subsidy Contract ("Contract") signed by the Managing Authority of Interreg VI-A NEXT Hungary Slovakia Romania Ukraine 2021-2027 Programme ("Managing Authority") and the Lead Partner.

2. All correspondence with the Managing Authority / Joint Secretariat under the Contract must be in English language, has to indicate the ID and the acronym of the Project and has to be sent to the following address:

   Joint Secretariat of the Interreg VI-A NEXT Hungary-Slovakia-Romania-Ukraine
   Széchenyi Programme Office Limited Liability Company
   H-1053 Budapest, Szép utca 2., 4th floor
   info@next.huskroua-cbc.eu

3. All correspondence with the Lead Partner under the Contract must be in English language and has to indicate the ID and the acronym of the Project.

4. Any change of headquarters and of contact details shall be notified to the other Party within fifteen calendar days following the change of address/contact.

Article 2
Representation of the project partnership, liability and obligations of the Lead Partner

1. The Partnership (represented by Lead Partner) is awarded the subsidy based on the terms and conditions set out in the Contract which consists of the Contract text, the present General Terms and Conditions and the Annexes, which the Lead Partner hereby declares it has all noted and accepted. The Lead Partner accepts the subsidy and undertakes to carry out the Project under its own responsibility.

2. The Lead Partner shall act in partnership with one or more Partner organisation(s) as identified in the description of the Project. Partners take part in the implementation of the Project, and their expenditures incurred are eligible in the same way as those incurred by the Lead Partner.

3. The Lead Partner guarantees that it is entitled to represent all Partners participating in the Project.

4. In order to lay down the arrangements for its relations with the Partners the Lead Partner as defined in the Preamble of the Subsidy Contract for the EU contribution (hereinafter referred to as the Contract) is responsible to conclude a Partnership Agreement with them. In line with Article 26 of the Interreg Regulation the Partnership Agreement shall comprise provisions that, *inter alia*, guarantee the sound financial management of the respective Union funds allocated to the Interreg operation, including the arrangements for recovering amounts unduly paid.

5. The Lead Partner represents the partnership as defined in the Partnership Agreement and is the only direct contact between the Project and the programme management bodies, mainly the Managing Authority, the Joint Secretariat, the Audit Authority. The Lead Partner shall be responsible for ensuring the implementation of the entire Project. To this end, the Lead Partner shall coordinate the implementation of the Project in due time according to the provisions of the Contract and of the national and European legislation, and shall undertake among others:

   a) to co-ordinate the start of the Project as set in Article 3.1 of the Contract;

   b) to co-ordinate the implementation of the Project according to the time schedule agreed upon in the Contract and in the finalised Project Form, and to monitor that the Project is implemented in accordance with the Contract;

   c) to guarantee the sound financial management of the funds allocated to the Project, including the arrangements for recovering amounts unduly paid;

   d) to meet the reporting requirements by using the INTERREG+ system and to ensure any other documentation as well as IT security and data protection related obligations;

   e) to be the intermediary for all communications between the Partners and the Managing Authority; where information from the Partners is required, the Lead Partner shall be responsible for obtaining, verifying and consolidating this information before forwarding it to the Managing Authority; any information provided, as well as any request communicated by the Lead Partner to the Managing Authority shall be deemed to have been forwarded in agreement with all Partners;

   f) to ensure that the expenditure presented by all Partners has been paid in implementing the Project and that it corresponds to the activities agreed between the Partners and indicated in the Project as registered in the INTERREG+ system;

   g) to collect documents and information from the Partners in order to present Project Reports and Applications for Reimbursement;

   h) to inform the Joint Secretariat immediately in written form if the project budget has to be changed, if the Partners, the project objectives or the activity plan on which the present Contract is based on have to be changed, or if one of the reimbursement conditions cannot be fulfilled, or if circumstances arise which entitle the Managing Authority to reduce or recover the EU contribution (entirely or partly);

   i) to comply with EU regulations as referred to in the preamble of the Contract, and with the relevant national legislation for the whole partnership, with special regard to public procurement, State aid, publicity, furthermore rules on sustainable development and equal opportunities;

   j) to be the sole recipient, on behalf of all Partners, of the payments of the Managing Authority;

   k) to transfer the EU contribution to the other Partners correctly and in full, within the timeframe agreed in 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 that amount for the other Partners (i.e. fees of these transactions shall be paid by the Lead Partner); in case of a claim for repayment from the Managing Authority, the Lead Partner cannot exculpate itself with the argument of the transfer of the funds;

l) to maintain separate accounting for project implementation purposes in a manner ensuring the identification of each financial operation within the Project;

m) be responsible in the event of audits, checks, monitoring or evaluations, as described in Article 9 of this General Terms and Conditions, for providing all the necessary documents, including the invoices of the Partners and copies of the relevant supporting documents;

n) to ensure the sustainability of the project results; and

o) to not delegate any of, or part of these tasks to the Partners or other entities;

6. The Lead Partner is liable towards the Managing Authority to ensure that all Partners have a legal status, that they have capacity to manage the operation, that they observe the rules for implementation of the Project. Moreover, the Lead Partner is liable towards the Managing Authority to ensure that all Partners fulfil their obligations under the Contract.

7. The Lead Partner takes full responsibility for the damages caused to third parties from its own fault during the implementation of the Project. The Managing Authority has no responsibility for the damages caused to third parties as a result of executing the Contract, therefore the Managing Authority cannot accept any claim for compensation or increases in payment in connection to such damages.

8. The Lead Partner is liable towards the Managing Authority for ensuring that the Partners fulfil their obligations under the Contract. It is also liable towards the Managing Authority for any breach of obligations under this Project by its Partners, in the same way as for its own conduct.

Article 3
Rights and obligations of the Managing Authority

1. The Managing Authority has the obligation to support the Lead Partner by providing necessary information and clarifications for the implementation of the Project.

2. The Managing Authority has the obligation to inform the Lead Partner regarding the reports, conclusions and recommendations made by the European Commission which may affect the implementation of the Contract.

3. In addition and without prejudice to its right to terminate the Contract pursuant to Article 11 of the General Terms and Conditions, if the Project is implemented poorly or partially – and therefore not in accordance with the description of the Project in Annex II – or is implemented late, the Managing Authority may, by a duly reasoned decision and after allowing the Lead Partner to submit its observations, reduce the initial amount of subsidy in line with the actual implementation of the Project and in accordance with the terms of the Contract. This applies as well with regards to the compliance with the visibility obligations set out in Article 7 of the General Terms and Conditions.

4. In case the European Commission decommits any amount in the programme according to Article 105 of Regulation (EU) 2021/1060 resulting from underspending compared to the spending forecast, the Managing Authority is entitled to decommit the Project by reducing the original project budget and the corresponding EU contribution. In case of a decision on the decommitment of the Project, the Managing Authority initiates the amendment of the Contract. The modification of the Contract in case of decommitment at project level shall take the form of a decision of the Managing Authority, which will be notified to the Lead Partner, and which becomes part of the Contract. In case of a decision on the decommitment of the Project, the Lead Partner shall submit a revised budget and application, reflecting the decommitment, within two weeks following the receipt of the notification from the Managing Authority. In case of failure to respect the deadline, the decommitment shall be applied proportionally to all budgetary lines.

5. In case one of the obligations of the Lead Partner is not fulfilled, the Managing Authority may suspend the execution of the Contract.

6. In case of suspending the Contract, the Managing Authority shall notify the Lead Partner regarding this decision, the duration of the suspension period, the proposed corrective measures and the related financial measures. The Managing Authority shall also notify the Lead Partner if the suspension period is cancelled prior to the initially set deadline.

7. The Managing Authority may compensate the amount of reclaim of the same Partner receiving financial support in different projects during reimbursement.

Article 4
Project Reports and Applications for Reimbursement

1. The Lead Partner receives the reimbursement based on the submitted and approved Application for Reimbursement.

2. The Lead Partner can only submit an Application for Reimbursement to the Joint Secretariat if it is accompanied by proof of progress of the Project. Therefore, the Lead Partner has to submit a Report (meaning Project Report or Final Project Report) alongside each Application for Reimbursement, consisting of the description of the activities carried out and their outputs and results during the reporting period, further consisting of a financial report presenting the financial progress of the Project compared to the finalised Project Form. Even if no expenditures were incurred in a reporting period, the Project Report (and the Final Project Report) shall be submitted in due time to the Joint Secretariat.

3. The Lead Partner has to submit the Project Report and the Application for Reimbursement for each four-month reporting period from the project starting date indicated in Article 3.1 of the Contract. The Reports and the Applications for Reimbursement have to be submitted to the Joint Secretariat within 90 calendar days from the end date of each reporting period (and 100 calendar days from the end date of the final reporting period), as detailed in the Project Implementation Manual. The Project Report and the Application for Reimbursement together with the supporting documents shall be submitted electronically, via the INTERREG+ system.

4. The reporting periods and the actual deadlines for submission are indicated in Article 5.1 of the Subsidy Contract. In case a modification is needed in the reporting periods, it is not necessary to modify the Contract, but the Lead Partner shall submit a notification to the Joint Secretariat with justification after consultation with the project partnership. Detailed rules regarding the modification of reporting deadlines are described in the Project Implementation Manual. Additional obligatory deadlines to submit an Application for Reimbursement may be set by the Managing Authority in order to avoid decommitment of EU contribution at programme level.

5. As general rule, the First Project Report and Application for Reimbursement have to cover the preparation costs[1] of the Project, as well as the first reporting period as indicated in Article 5.1 of the Subsidy Contract. As a general rule, only budget headings foreseen in the finalised Project Form and only Partners involved according to the finalised Project Form[2] can be considered for Application for Reimbursement[3].

6. The Final Project Report and Application for Reimbursement have to be submitted to the Joint Secretariat within 100 calendar days after the end date of the Project as indicated in Article 3.2 of the Contract.

7. The language of each Project Report, including the Final Report, is English. The forms and tools of the Report, Application for Reimbursement and the Declaration on Verification of Expenditure are defined for the Programme and are obligatory to use. The Lead Partner has to complete and submit the Project Reports and the Application for Reimbursement online, through the INTERREG+ system used for the Programme. Access to the system is only permitted by means of an individual user name and password. Further rules on reporting are set in the Project Implementation Manual.

8. The Application for Reimbursement submitted by the Lead Partner shall contain only verified expenditure and shall be supported by the Declarations on Verification of Expenditure issued by the identified Control Bodies. Therefore, each Partner receiving financial support has the obligation to ensure that its expenditures are checked and verified by the Control Body from the state on whose territory it is located, before the Application for Reimbursement is submitted. The Lead Partner shall ensure that the expenditure presented by the Partners has been incurred for the purpose of implementing the Project and that it corresponds to the activities agreed between the Partners as described in the finalised Project Form. Partners receiving financial support shall submit a Project Partner Report also in case there were no costs incurred in their project part in a given reporting period. The Lead Partner shall report on activities performed by the Partners without budget (if any) in the Project Report.

9. In case the Declarations on Verification of Expenditure are not available for each Partner for a given reporting period, the Lead Partner shall submit the Application for Reimbursement on the basis of the Declarations on Verification of Expenditure available for the reporting deadline. The

[1] Preparation costs are reimbursed as real costs.

[2] Parties agree that certain activities will be implemented by the mayor's office as being the executive organ of the Partner in accordance with Article 41 (1) and 41 (2) of Act No. CLXXXIX of 2011 on Local Governments in Hungary, as well as paragraph 1 of Article 6/C of Act No. CXCV of 2011 on Public Finance, so that the costs reimbursed by the mayor's office are eligible for support.

[3] Only in duly justified cases and with prior acceptance of the Managing Authority can additional budget headings or Partners be considered for an Application for Reimbursement.

Application for Reimbursement shall contain also those Declarations on Verification of Expenditure, which have zero amount. The expenditures of the Partners receiving financial support not verified for the given reporting period within the deadline can be reported in a further reporting period [4].

10. The Lead Partner shall submit the Application for Reimbursement in EUR, based on the Declarations on Verification of Expenditure issued in EUR by the identified Control Bodies of the Partners.

11. Partners from Partner Countries which have not adopted the EUR as their currency shall convert into EUR the amounts of expenditure incurred in national currency before submission for verification to the responsible Control Body of the Partner Countries. The expenditures shall be converted into EUR using the monthly accounting exchange rate of the European Commission (INFOREURO) in force in the month in which the expenditure is submitted by the Partner to the Control Body[5].

12. The exchange rate risk is borne by the Lead Partner or Partner concerned.

13. In order to monitor the progress of the Project, the Lead Partner has to provide an updated spending forecast of the Project when requested by the Joint Secretariat or by the Managing Authority.

14. The Lead Partner, upon request by the Joint Secretariat, shall submit Project Follow-up Reports proving the sustenance of the project outputs. Details about the content and submission of Follow-up Reports are regulated in the Project Implementation Manual.

15. The Lead Partner has to provide immediate information to the Joint Secretariat about circumstances which delay, hinder or make impossible the implementation of the Project, as well as about any circumstances which represent a change of the reimbursement conditions and frameworks as laid down in the Contract or which entitle the Managing Authority to reduce or recover the EU contribution entirely or in part. Immediate information shall also be provided in case the Project has not been or cannot be fully implemented by carrying out the planned activities and results moreover by achieving at least 80 per cent of the quantifiable outputs, or if the Project cannot or could not be implemented in due time. As a general rule, however, the Lead Partner has to adhere to the rules and procedures for requesting project changes, which are defined in the Project Implementation Manual.

16. In case the Project cannot be implemented in line with the time schedule determined in the finalised Project Form contained in Annex II of the Contract, as well as in line with the spending forecast specified in Point 13 of the present Article, the fact has to be reported immediately to the Joint Secretariat. At the same time the underspending does not exempt the Project from possible n+3 decommitment consequences.

Article 5

[4] See exception related to preparation costs in point 5.

[5] The monthly exchange rates of the European Commission are available at the website of the European Commission: http://ec.europa.eu/budget/inforeuro.

Payment of the EU contribution to the Lead Partner

1. As a general rule, the payment of EU contribution to the Lead Partner will be initiated after the verification and acceptance of the Project Report and of its annexes, the Application for Reimbursement and the Declarations on Verification of Expenditure. An exception from the above-mentioned rule is the EU advance, which is paid according to the Subsidy Contract.

2. The Lead Partner may be requested a completion of the Project Report and of the Application for Reimbursement during the approval process by the Joint Secretariat. After the second unsuccessful request/notice for completion, the Project Report and the Application for Reimbursement may be rejected.

3. In case the Final Project Report and the Application for Reimbursement are rejected, the Lead Partner shall be informed about the possible/applied sanctions (e.g. suspension of the last payment, repayment of subsidy, withdrawal from the Contract).

4. If the Project Report contains ineligible expenditure, the amount of these shall be deducted from the Application for Reimbursement. In this case, as a general rule, the Lead Partner shall re-compile and re-submit the Application for Reimbursement to the Joint Secretariat. For this reason, as a general rule, the relevant Declarations on Verification of Expenditure may be modified by the relevant Control Body.

5. Following the approval of the Final Project Report and after the last payment of EU contribution the Joint Secretariat initiates the financial closing of the Project in the INTERREG+ system. Financial closing cannot be initiated in case other processes related to the Project are not closed, such as irregularity and recovery procedures.

6. After the final payment to the Lead Partner, the Project is considered closed and the Lead Partner is informed about the closure. While the Project is considered closed, audits might be carried out during the programme period and/or within the timeframe stipulated in Article 82 (1) of the CPR and further detailed in the Project Implementation Manual. During this period, irregularity procedures and repayments can be initiated related to the Project.

7. The payment of EU contribution will be transferred by the Managing Authority in the timeframe mentioned in point 1.b of Article 74 of the CPR. In case the EU contribution balance of the programme single bank account handled by the Managing Authority does not cover the amount to be paid, the payment process will be suspended until the transfer of the EU contribution from the European Commission is credited to the programme single bank account.

8. The Lead Partner has to officially notify the Joint Secretariat in written form in case of a change of the separate project bank account within 15 calendar days or with the submission of the Application for Reimbursement at the latest. In case the Lead Partner fails to properly inform the Joint Secretariat on the details of its separate bank account, all consequences, including those of financial nature, shall be borne by the Lead Partner.

9. The Lead Partner is responsible for transferring the EU contribution to those Partners which receive financial support according to the approved Application for Reimbursement, within the timeframe agreed in the signed Partnership Agreement, and without any deduction, retention or further specific charge from the EU contribution amounts due.

10. Bank statements proving the management of the separate project bank account and the transfer of funds from the Lead Partner to those Partners which receive financial support have to be presented to the Joint Secretariat attached to the subsequent Project Report. Bank statements proving that the Lead Partner has transferred to the Partners(s) the EU contribution approved in the Final Project Report must be submitted to the Joint Secretariat within 14 calendar days from the transfer.

Article 6
Procurement rules

1. The projects contracted under the Programme have to manage the procurement of services, supplies / goods / equipment and works in accordance with procurement rules. These rules are different, depending on the location of the affected partners.

   In case of the partners from Member State the main rules are the followings:

   - the selection procedure must be in line with latest EU, Programme or national public procurement rules, depending on the type of entities and net amount contracted.
   - For expenditures where no public procurement procedure is required the rules of the relevant chapter of the Eligibility of expenditures has to be followed.

   In case of Ukrainian partners rules mentioned in Appendix A of Eligibility of expenditures are relevant.

   In both cases, the documents relating to the implemented procurements have to be submitted to the relevant Control Body for check in the frame of the Project Partner Report.

2. Documents which should be submitted to support the verification of costs related to procurements are listed in the Project Implementation Manual / Eligibility of expenditures and in relevant national guidelines on Reporting (if any).

3. Lead Partners / Partners shall also follow all procurement rules defined in detail in the Project Implementation Manual, in the Eligibility of expenditures and in the manuals relating to national level procedures.

Article 7
Information and publicity

1. With respect to Article 36 (4) of the Interreg Regulation, the Lead Partner undertakes to fulfil the information and publicity measures set out in the Visibility Manual, with the aim of promoting the fact that co-financing is provided from EU contribution available under the Interreg VI-A NEXT Hungary Slovakia Romania Ukraine 2021-2027 Programme, furthermore it undertakes to ensure the adequate promotion of the Project.

2. The Lead Partner shall ensure that all project official communication (e.g. any notice, publication, website or project event, including conferences or seminars) specifies that the Project has received funding from the EU within the framework of the Interreg VI-A NEXT Hungary Slovakia Romania Ukraine 2021-2027 Programme, by following the instructions detailed in the Visibility Manual.

3. The Managing Authority / Joint Secretariat shall be authorised to publish, in any kind of form and on or by any kind of medium the following pieces of information:
   a) the title and the acronym of the Project;
   b) the name of the Lead Partner and of the Partners;
   c) the total budget of the Project, the amount of subsidy and the EU co-financing rate;
   d) the name of the fund, the specific objective concerned and the type of intervention;
   e) the purpose of the EU contribution (i.e. the overall objective of the Project) and the expected or actual achievements;
   f) start date and (excepted or actual) date of completion;
   g) the geographical location of the Project and/or the location of the Lead Partner and the Partners;
   h) project results, evaluations and summaries;
   i) other information about the Project, if considered relevant, and all publicity material of the Project such as photographic and video content, news announcements etc.

4. The Lead Partner shall ensure the proper means of communication between the Project and the Programme, including:
   a) participation, whenever requested, in Lead Partner trainings organised by the Joint Secretariat;
   b) participation, whenever requested, in other events organised by the programme management bodies with the purpose of presenting / discussing / developing / sharing project results and creating synergies with other projects and relevant organisations;
   c) providing a visible link on the Project's website (if any), on the own official website (if any) and on the Partners' official websites (if any) to the official Programme website.

Article 8
Ownership/use of results

1. Based on Article 65 of the CPR, an operation comprising investment in infrastructure or productive investment shall repay the contribution from the funds if within five years of the final payment to the Partner(s), or within the period of time set out in State aid rules where applicable, the operation is subject to any of the following:
   a) a cessation or transfer of a productive activity outside the NUTS level 2 region in which it received support;
   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.

In line with Article 65 of the CPR repayment due to non-compliance with this Point shall be made in proportion to the period of non-compliance.

2. The Lead Partner is obliged to notify the Joint Secretariat of any such changes described beforehand.

3. Any results or rights related to the Project, 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 Lead Partner and the Partners, as the case may be.

4. The Lead Partner and the Partners cannot mortgage or impose any other form of bank guarantee on the goods purchased from the financing throughout the implementation period of the Project and five years after the date of the final payment to the Lead Partner.

5. Ownership, title and industrial and intellectual property rights in the outputs of the Project and the reports and other documents relating to it shall vest in the Partners. Leasing, handing over or transferring the rights of use of the outputs of the Project is only possible with the prior written consent of the Managing Authority and only in case if all the rights and obligations following from the Contract and connected to the subject of matter will be transferred to the new party.

6. The use of the results of the Project can be checked by the Managing Authority / Joint Secretariat. Widespread publicity of such results shall be ensured by the Lead Partner in order to make them available to the public.

7. Without prejudice to Point 6 above, the Lead Partner grants the Managing Authority (and the European Commission) the right to use freely and as it sees fit, and in particular, to store, modify, translate, display, reproduce by any technical procedure, publish or communicate by any medium all documents deriving from the Project whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.

Article 9
Audit rights

1. The responsible auditing bodies of the EU and, within their responsibility, the auditing bodies of the Partner Countries, as well as the Audit Authority, the Managing Authority, the Joint Secretariat of the Programme are entitled to audit the proper use of funds by the Lead Partner and by the Partners or to arrange for such an audit to be carried out by authorised persons.

2. The Lead Partner shall produce all documents required for the audit, provide necessary information and give access to its business premises. The Lead Partner is obliged to retain for audit purposes all files, documents and data about the Project for at least until the time as specified in Article 82 (1) of the CPR and further detailed in the Project Implementation Manual. Documents to be retained are listed in Annex IV of the Subsidy Contract.

3. The identified Control Bodies are entitled to carry out on-the-spot checks as part of their verification activities, while the Joint Secretariat or the Managing Authority are entitled to carry out monitoring visits in order to inspect the progress of the Project from a professional point of view, both at the premises of the Lead Partner and of the Partners, and at the location of the project activities.

4. The Lead Partner is obliged to guarantee the fulfilment of the above stipulated duties in relation to all other Partners as well.

5. Observing the recommendations received after an audit must be ensured by the Lead Partner and the Partners, otherwise the Managing Authority has the right to terminate the Subsidy Contract.

6. The Lead Partner shall keep accurate and regular accounts of the implementation of the Project using an appropriate accounting and double-entry book-keeping system. The accounts:
   a) may be an integrated part of or an adjunct to the organisation's regular system;
   b) shall comply with the accounting and bookkeeping policies and rules that apply in the country concerned;
   c) shall enable income and expenditure relating to the Project to be easily traced, identified and verified.

7. The Lead Partner shall ensure that the financial section of any Project Report as required in the Project Implementation Manual of the Programme can be properly and easily reconciled to the accounting and bookkeeping system and to the underlying accounting and other relevant records. For this purpose, the Lead Partner shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.

8. The Lead Partner shall allow verifications/audits to be carried out by the Managing Authority, the National Authority, the Audit Authority and members of the Group of Auditors, the European Commission, the European Anti-Fraud Office, the AFCOS in Member States and the anti-fraud body identified by Ukraine, the European Court of Auditors and any external auditor authorised by any of these bodies. The Lead Partner has to take all steps to facilitate their work.

9. The Lead Partner shall allow the above entities to:
   a) access the sites and locations at which the Project is implemented;
   b) examine its accounting and information systems, documents and databases concerning the technical and financial management of the Project;
   c) take copies of documents;
   d) carry out on the-spot-checks;
   e) conduct a full audit on the basis of all accounting documents and any other document relevant to the financing of the Project.

10. Additionally the European Anti-Fraud Office and the other above-mentioned anti-fraud agencies shall be allowed to carry out on-the-spot checks and inspections in accordance with the procedures laid down by the European Union legislation for the protection of the financial interests of the European Union against fraud and other irregularities, as well as the Financing

Agreement between the European Commission, Hungary and Ukraine. Where appropriate, the findings may lead to recovery by the European Commission.

11. Access given to agents/employees/subcontractors of the above-mentioned bodies carrying out verifications/audits as provided for by this Article shall be on the basis of confidentiality with respect to third parties, without prejudice to the obligations of public law to which they are subject.

12. Each Partner receiving financial support shall keep all records, accounting and supporting documents related to the Contract for five years following 31 December of the year in which the last payment is made to the Lead Partner, and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim has been disposed of.

13. The records, accounting and supporting documents shall be easily accessible and filed so as to facilitate their examination.

14. All the supporting documents shall be available either in the original form, including in electronic form, or in duly justified cases as a copy.

15. If the Managing Authority or the European Commission carries out an interim or ex post evaluation or a monitoring mission, the Lead Partner shall undertake to provide it and/or the persons authorised by it with the documents or information necessary for the evaluation or monitoring mission.

16. Failure to comply with the obligations set forth in this Article constitutes a case of breach of a substantial obligation under this Contract. In this case, the Managing Authority may in particular suspend the Contract, approval of a Project Report, payments or the time-limit for a payment, terminate the Contract and reduce the subsidy.

Article 10
Irregularities

1. The Managing Authority shall show zero tolerance to any suspected cases of fraud and shall take all necessary measures to prevent and correct such cases.

2. In case of irregularities identified during project implementation the Managing Authority reserves the right to claim the repayment of the EU contribution in full or in part from the Lead Partner, and has the right to reduce the amount of the EU contribution awarded. In case an irregularity is committed, the Managing Authority shall impose on the Lead Partner all the necessary measures for the elimination or diminishing of the consequences on the implementation of the Project.

3. Based on the above, the Lead Partner is always responsible for securing the repayment of the EU contribution unduly paid to the Project, even if the irregularity was committed by one of the other Partners.

4. If another Partner, receiving financial support, commits an irregularity, the Lead Partner – after having received the notice on repayment – is obliged to request the amount unduly paid from the Partner concerned and has to repay it to the Managing Authority within the deadline for the

repayment set in Article 11.3 of the General Terms and Conditions. The Lead Partner shall exercise due diligence to ensure repayment.

5. If the Lead Partner does not succeed in securing the repayment from the Partner(s), within five calendar days from the end of the provided deadline the Lead Partner has to notify the Joint Secretariat and the Managing Authority and has to send proof of steps taken towards the Partner(s).

6. When the amount unduly paid has not been recovered by the Lead Partner – except the case when the Lead Partner makes all efforts to recover the amount from the affected Partner –, the Lead Partner shall remain responsible for the repayment.

Article 11
Right of withdrawal, cancellation, repayment and suspension of reimbursement

1. The Managing Authority is entitled to withdraw from the Contract and to demand the repayment of the EU contribution in full or in part if:

   a) the Lead Partner has obtained the EU contribution through false or incomplete statements to bodies/appointees of the European Commission, the Managing Authority or any other authorities involved in the implementation of the Programme; or if

   b) a precondition for the approval of the Project is no longer given, in particular if the compulsory cross-border Partner resigns from the Project and is not replaced in line with the provisions of Article 13 of the General Terms and Conditions; or if

   c) the Partnership Agreement concluded between the Partner organisations is no longer in force; or if

   d) the Lead Partner becomes insolvent or subject to bankruptcy proceedings; or if

   e) the Lead Partner is convicted of an offence concerning its professional conduct by a judgment which has the force of *'res iudicata'*, further if it is guilty of grave professional misconduct proven by any means which the Managing Authority/National Authority can justify; or if

   f) the Lead Partner does not fulfil its obligations relating to the payment of social security contributions and the payment of taxes in accordance with the national legal provisions; or if

   g) the Lead Partner becomes the subject of a judgment which has the force of *'res iudicata'* for fraud, for corruption, for severe breach of contract in connection to obligations stemming from public procurement rules or from rules governing the use of EU funding or national subsidies, for involvement in a criminal organisation or for any other illegal activity detrimental to the EU's financial interests; or if

   h) the Lead Partner becomes guilty of misrepresentation in supplying the information required by the Managing Authority or in failing to provide requested information; or

   i) in case of established irregularities; or if

   j) the Lead Partner fails to fulfil a condition or an obligation resulting from the Contract, in particular if

k) the Lead Partner fails to submit a Project Report and Application for Reimbursement within the reporting deadline;

l) the Lead Partner repeatedly fails to submit Project Follow-up Reports, if applicable; or if

m) the Lead Partner fails to sustain the results of the Project as defined in Article 8 of the General Terms and Conditions; or if

n) the Project has not been or cannot be fully implemented by carrying out the planned activities and results moreover by achieving at least 80 per cent of the quantifiable outputs, or if the Project cannot or could not be implemented in due time; or if

o) the Lead Partner fails to, within seven calendar days, provide information about circumstances that delay, hinder or make impossible the implementation of the Project, as well as about any circumstances that represent a change of the reimbursement conditions and frameworks as laid down in the present Contract or which entitle the Managing Authority to reduce or demand repayment of the EU contribution entirely or in part; or if

p) the regulations of EU- and national law (including provisions concerning public procurement rules, State aid rules, publicity rules, rules on environmental protection and rules on equal opportunities) have been infringed; or if

q) the Lead Partner has impeded or prevented the auditing of the Project or failed to retain the project documentation as referred to in Article 9 of the General Terms and Conditions; or if

r) the EU contribution awarded has been partially or entirely misapplied for purposes other than those agreed upon; or if

s) it has been impossible to verify that the Final Project Report is correct and thus the eligibility of the Project for funding from the Programme cannot be verified.

2. Based on Article 36 (6) of the Interreg Regulation, The Managing Authority may, taking into account the principle of proportionality, cancel up to 2 per cent of the EU contribution in case a Partner, including the Lead Partner, does not comply with its information and publicity obligations under Article 47 of the CPR or Article 36 (4) and (5) of the Interreg Regulation.

3. If the Managing Authority sends a request for repayment for the amount of EU contribution paid unduly, the Lead Partner is obliged to secure repayments from the Partner(s) concerned and has to repay the amount specified by the Managing Authority before the due date. The repayment by the Lead Partner is due within 60 calendar days following the receipt date of the request for repayment. Any delay in effecting repayment may give rise to interest on late payment, starting on the due date and ending on the date of actual payment. The rate of the interest shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing operations on the first working day of the month in which the due date falls.

4. The Managing Authority has the right to recover the amounts specified in the request for repayment by deducting them from the transferable amount of the approved Application for Reimbursement.

5. Bank charges incurred by the repayment of amounts due to the Managing Authority shall be borne entirely by the Lead Partner and/or the Partners.

6. The Lead Partner is entitled to exercise the right of withdrawal if the implementation of the Project becomes impossible due to circumstances independent from the Lead Partner. In this

case, the Lead Partner shall repay the whole amount of EU contribution transferred within two months from the date of notifying the Managing Authority on the withdrawal from the Contract. In case of late payment, interest on late payment may be charged according to Point 3 above.

7. The Managing Authority may decide to suspend the reimbursement of the EU contribution if the provisions laid down in the Memorandum of Understanding are not respected by the Partner States. The Lead Partner shall be informed on the suspension.

8. In case of observations and/or reservations raised by the European Commission regarding the Description of the Management and Control System of the Interreg VI-A NEXT Hungary Slovakia Romania Ukraine 2021-2027 Programme or in case of a system error detected, the Managing Authority has the right to temporarily withhold payments to a particular Partners or the Project as a whole. Payment suspension(s) shall be lifted as soon as observations and/or reservations raised by the European Commission have been withdrawn and the Managing Authority has received sufficient evidence on the solution of the systemic error(s) detected. In case the European Commission takes the decision of interrupting or totally suspending the funds, the Managing Authority may terminate the Contract.

9. Any breach of the provisions of the Contract may result in the termination of the Contract by the Managing Authority.

10. The present Contract may also be terminated by written mutual agreement of the Parties.

11. The Managing Authority has the right to terminate the Contract, without any notice, if the European Commission withdraws the financing of the Project. In this case Managing Authority is not obliged to pay any compensation to Lead Partner.

12. If termination takes effect before the entire amount of the subsidy is paid to the Lead Partner, the payments will cease and the Managing Authority will not consider further requests from the Lead Partner for payment of the remaining part of the amount.

13. A contracting Party should notify the other Party fifteen calendar days after the decision on terminating the Contract is taken. The notification should be in writing and should contain the reasons and justifications for the decision.

14. In exceptional and duly justified cases, including the occurrence of force majeure, the Managing Authority may decide on terminating the Contract by a written notification.

Article 12
Assignment, legal succession

1. The Managing Authority is entitled at any time to assign its rights under the Contract. In case of assignment the Managing Authority will inform the Lead Partner without delay.

2. The Lead Partner is allowed to assign its duties and rights under the Contract only after prior decision of the Monitoring Committee and written consent of the Managing Authority.

3. In case of legal succession the Parties are obliged to transfer all duties under the Contract to the legal successor. The Parties shall notify each other about any change beforehand. In case of legal succession affecting the Lead Partner or a Partner, the Lead Partner shall notify the Joint Secretariat beforehand. In case of legal succession – as all duties under the present Contract are transferred to the legal successor – the Contract shall be modified.

Article 13
Amendments to the Contract and other project changes

1. Deviations from any aspect of project implementation defined in the Contract and its Annexes have to be reported by the Lead Partner to the Joint Secretariat in order to seek written approval for changes. Modifications to the Project can also be initiated by the Managing Authority / Joint Secretariat, if deemed necessary.

2. Amendments to the Contract, including its Annexes, must be in written form.

3. The amendment may not have the purpose or the effect of making changes to the Contract which would call into question the subsidy award decision or be contrary to the equal treatment of applicants.

4. Any amendment to the Contract has to respect the detailed rules laid down in the Project Implementation Manual in force regarding each case of contract modification or other changes in the Project.

5. Any request for a modification of the Contract (except for the decommitment decision of the Managing Authority or legal succession of the Managing Authority) has to be justified and submitted by the Lead Partner to the Joint Secretariat in a written form, as regulated in the Project Implementation Manual. The Joint Secretariat will process the request for modification and will submit it for approval to the Managing Authority or the Monitoring Committee, according to the type of modification requested. The Lead Partner can be contacted if any further clarification of the submitted modification request or change in the Project is necessary.

6. The Addendum to the Subsidy Contract has to be signed by both Parties according to the approval of the Managing Authority / Monitoring Committee.

7. The Addendum to the Subsidy Contract enters into force on the date of signature by the last of the Parties. The date from which the changes contained in the Addendum shall be effective is to be explicitly identified in the text of the Addendum.

Article 14
Force majeure

1. Force majeure is any external event, unforeseeable, absolutely invincible and inevitable, occurred after the conclusion of present Contract, which prevents the execution of all or part of this 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 of the Contract. Force majeure, established under the law, exonerates the

Parties in case of failure to execute totally or partially the obligations under this Contract, as long as the force majeure is in force, and only if the other Party has been duly notified.

2. It is not considered to be force majeure if there is an event similar to those listed in Point 1 above that, without creating an impossibility of execution, makes the execution of the obligations very difficult for one of the Parties.

3. The Parties shall take all measures at their disposal to limit the consequences of force majeure.

4. The execution of the Contract may be suspended, from the occurrence of force majeure during the whole period of its duration.

5. The Party stating that there is a case of force majeure has the obligation to notify the other Party in five calendar days from the date of the case of force majeure, and has to prove the existence of the reality of this situation in fifteen calendar days. In case the force majeure situation discontinues, this fact must be notified to the other Party in five calendar days. The responsible Party will take all costs if the notification procedure is not observed.

6. In case the Contract must be suspended under this reason for a period longer than three months, the Managing Authority has the right to decide on the continuation / modification / termination of the Contract.

Article 15
Conflict of interests and good conduct

1. The Lead Partner shall take all necessary measures to prevent or end any situation that could compromise the impartial and objective performance of the Contract. Such conflict of interests may arise in particular as a result of economic interest, political or national affinity, family or emotional ties, or any other relevant connection or shared interest.

2. Any conflict of interests which may arise during the performance of the Contract must be notified in writing to the Joint Secretariat without delay. In the event of such conflict, the Lead Partner shall immediately take all necessary steps to resolve it. The Joint Secretariat reserves the right to verify that the measures taken are appropriate, and may require additional measures to be taken if necessary.

3. The Lead Partner shall ensure that its staff, including its management, is not placed in a situation which could give rise to conflict of interests. Without prejudice to its obligation under the Contract, the Lead Partner shall replace, immediately and without compensation from the Managing Authority, any member of its staff in such a situation.

4. The Lead Partner shall respect human rights and applicable environmental legislation, including multilateral environmental agreements, as well as internationally agreed core labour standards.

Article 16
Confidentiality, data protection

1. The Managing Authority and the Lead Partner undertake to preserve the confidentiality of any information, notwithstanding its form, disclosed in writing or orally in relation to the implementation of the Contract and identified in writing as confidential until at least the end of the timeframe mentioned in Article 82 (1) of the CPR.

2. The Lead Partner shall not use confidential information for any aim other than fulfilling their obligations under the Contract, unless otherwise agreed with the Managing Authority.

3. The European Commission shall have access to all documents communicated to the Managing Authority and shall maintain the same level of confidentiality.

4. Any personal data will be processed in accordance with applicable national legislation solely for the purposes of the performance, management, monitoring and control of the Contract by the Managing Authority and the Joint Secretariat, and may also be passed to the bodies charged with monitoring or inspection tasks under European Union law.

5. The Lead Partner declares that it has informed the contact person of the Contract and all the employees affected by the procession of their personal data required for the performance of the Contract and of their rights under the General Data Protection Regulation, prior to the transfer of their personal data to the Managing Authority / Joint Secretariat. The Lead Partner shall ensure that the contact persons and all affected employees of the Project Partners have also been informed of the above. General information on data protection is available on the website of the Programme.

6. The Lead Partner shall limit access and use of personal data to that strictly necessary for the performance, management, monitoring and control of the Contract and shall adopt all appropriate technical and organisational security measures necessary to preserve the strictest confidentiality of and to limit access to this data.

7. In case natural, recognizable persons are depicted in a photograph or film produced in connection to the Project, the Lead Partner shall in the Final Project Report submit a statement of these persons giving their permissions for the use of their image. The above does not refer to neither photographs taken nor films shot in public places where random members of the public are identifiable only hypothetically, nor to public persons acting in their public activities.