



Subsidy Contract

Project Code: DRP0200367

Acronym: PilotInnCities

Subsidy Contract
for the implementation of the project

DRP0200367 – PilotInnCities
Pilot-based Innovation Ecosystems for Smart Cities

The following contract between

Ministry of Public Administration and Regional Development hosting the **managing authority and joint secretariat** of the Danube Region Programme (hereinafter referred to as MA/JS),

Official address: 1054 Budapest, Akadémia utca 3. Tax number: 15849272-2-41

- acting as managing authority of the Danube Region Programme

and

Name: Ministry of Industry and Trade of the Czech Republic - Section of European Union and Foreign Trade

Official address: Na Františku 32, 110 15 Prague 1, Czech Republic

Tax number: CZ47609109

Name of bank and address: Česká národní banka (Czech National Bank), Na Příkopě 28, 115 03 Praha 1, Czech Republic

IBAN number: XXXX

SWIFT code: CNBACZPP

Official representative: David Müller

- hereinafter referred to as lead partner (LP), for PilotInnCities project

- hereinafter jointly referred to as Parties -

is concluded on the basis of the legal provisions and documents as listed in Article 1.

Article 1: Legal framework and contractual basis

1. The following legal provisions and documents constitute the contractual basis of the Subsidy Contract and the legal framework for the implementation of the project PilotInnCities:

- The European Structural and Investment Funds Regulations, Delegated and Implementing Acts for the 2021-2027 period, as further specified below;
- The Interreg Programme Danube, approved by the European Commission (hereinafter referred to as 'EC') on 29.11.2022 (Decision No. C(2022)8878) setting the Danube Region Programme (hereinafter referred to as Programme) with the subsequent modifications;
- The laws of Hungary are applicable to this contractual relationship;

2. The following laws and documents constitute the legal framework applicable to the rights and obligations of the parties to this contract:

- Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 966/2012, together with related Delegated or Implementing Acts;
- The European Structural and Investment Funds Regulations, Delegated and Implementing Acts for the 2021-2027 period, especially:
 - Regulation (EU) No 2021/1060 of the European Parliament and of the Council of 24 June 2021, laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund, and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, and repealing Council Regulation (EC) No 1303/2013, and any amendment;
 - Regulation (EU) No 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund, and repealing Regulation (EC) No 1301/2013, and any amendment;
 - Regulation (EU) No 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial goal (Interreg) supported by the European Regional Development Fund and external financing instruments, and repealing Regulation (EC) No 1299/2013, and any amendment;

- Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing directive 95/46/EC (General Data Protection Regulation);
- Articles 107 and 108 of the Treaty on the Functioning of the European Union, Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation - GBER) and its amendment, in particular Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty; Delegated and Implementing acts, as well as all applicable decisions and rulings in the field of state aid;
- All other EU legislation and the underlying principles applicable to the LP and the Project Partners (hereinafter referred to as 'PPs'), including the legislation laying down provisions on competition and entry into the markets, the protection of the environment, and equal opportunities between men and women;
- Financing agreements signed with Serbia on 06.11.2023;
- Project data, comprising but not limited to latest project documentation such as the application form (hereinafter referred to as 'AF') and all project information available in the Programme electronic monitoring system;
- All Programme manuals, guidelines and any other documents relevant for project implementation in their latest version, as published on the Programme website or handed over to the LP directly during the project implementation.

Should the above-mentioned legal norms and documents, and any other documents or data of relevance for the contractual relationship be amended, the latest version shall apply.

Article 2: Award of subsidy and general conditions

1. In accordance with the decision of the monitoring committee (hereinafter referred to as 'MC') of 13.12.2023 an earmarked subsidy is awarded to the LP to finance the implementation of the PilotInnCities project.

2. The LP accepts the awarded co-financing and assumes the responsibility to coordinate the implementation of the project, in due time, according to the provisions of the present contract.
3. The co-financing is awarded exclusively for the project as described by the latest version of the project data available in the Programme electronic monitoring system as referred to in Article 1 of this document.
4. The maximum co-financing is stipulated in the latest version of the project data available in the Programme electronic monitoring system referred to in Article 1 of this co-financing contract.

	<i>Amount, in Euro</i>
Maximum amount of Interreg Funds awarded	<i>1.981.872,00 Euro</i>
Approved Partners' co-financing	<i>495.468,00 Euro</i>
Total project budget	<i>2.477.340,00 Euro</i>

5. The co-financing rates for the contribution from the Interreg Funds per project partners are set in the approved AF. The co-financing rates for the Interreg Funds per PPs cannot exceed 80%.
6. The maximum amount of Interreg Funds awarded for the project cannot be exceeded.
7. Should the total eligible costs after the completion of the project be lower than the budgeted amount, the Interreg Funds reimbursed under the Programme will be correspondingly lower.
8. The co-financing rates and, if relevant, co-financing from other funds or sources will be calculated on the basis of reported eligible expenditure only. The total amount to be paid by the MA/JS to the LP cannot exceed the maximum amounts of co-financing approved.
9. Reimbursement of the Interreg Funds for non-EU partner states of the programme area is under condition that the Financing Agreement between the respective non-EU country, the MA and the European Commission is concluded. As soon as the Financing Agreement is signed, the MA/JS informs the LP of the availability of the related Interreg Funds.

10. The MA/JS may decide to suspend the reimbursement of the contribution from the Interreg Funds if the compliance of the management and control system is not ensured, or system errors are detected by the audits. If the provisions of the Financing Agreements are not respected by the Partner States concerned, the MA/JS may decide to suspend their co-financing. The LP shall be informed on the suspension and also on the end of this suspension.
11. If the EC fails to make the Interreg Funds available due to reasons that are outside the sphere of influence of the Programme, the MA/JS will be entitled to withdraw from this contract. In such a case, any claim by the LP or by the PPs against the MA/JS for whatever reasons is excluded.
12. In case of delays in the availability of the Interreg Funds, the MA/JS can withhold payments until the Interreg Funds are made available by the EC, and cannot be held liable for delays in payments to the project. In this case, any claim by the LP or PPs against the MA/JS is excluded.
13. Should it become evident that the project will not spend the maximum amount of Programme co-financing awarded, the MC, at the proposal of MA/ JS may decide to reduce the Interreg Funds allocated to the project accordingly, following the procedure as specified in the Implementation Manual.
14. In case a project fails to respect the contractual arrangements on timeliness, budget absorption and achievement of outputs and results, as defined in the latest approved version of the AF, the MA/JS - on the basis of an MC decision - may also reduce Interreg Funds allocated to the project or, if necessary, stop the project by terminating the Subsidy Contract.

Article 3: Duration of the project and eligibility of expenditure

1. Date of approval of project: 13.12.2023

Project starting date: 01.01.2024

Project end date: 30.06.2026

Deadline for payment of the costs reported in the last reporting period: 29.08.2026

2. The project activities have to be carried out and finalized within the project period.

3. As a general rule, eligible project expenditure has to be actually incurred and paid between the starting date of the project and the project end date as defined in Article 3(1), with exception of the followings:

- a) Preparation costs reimbursed in form of a lump sum;
- b) Expenditure calculated on flat rate basis (which shall relate only to costs incurred within the project period);

- c) Real costs reported in the last reporting period and incurred before the end date of the project, as well as the control costs, where the case, related to the last project progress report (hereinafter referred to as 'PPR') and application for reimbursement (hereinafter referred to as 'AfR') have to be paid within 60 calendar days from the end date of the project. The deadline for payments is defined in Article 3(1).

4. In order to be co-financed by the Programme, project expenditure has to comply with the methods for determining the costs of the project (real costs or simplified cost options) for each cost category as defined in the Implementation Manual (Annex - Manual on eligibility of expenditure) and project data.

Article 4: Object of use

1. The contribution from the Interreg Funds is awarded exclusively for the implementation of the project as it is described in the latest version of the AF in accordance with the conditions set out by the MC. The AF and its annexes as approved by the MC and the Partnership Agreement signed between the PPs form an integral part of this contract.
2. Project expenditure, including preparation costs, which qualifies for the contribution from the Interreg Funds awarded according to Article 2(1), consists exclusively of project expenditure related to the project activities listed in the AF approved by the MC.

Article 5: Reporting obligations and payment

1. The LP may request payments on behalf of the project in compliance with the principle of sound financial management (i.e. the principles of economy, efficiency and effectiveness). To this purpose the LP has to present evidence of project progress towards the achievement of outputs and results set in the approved AF, by following procedures set in the Implementation Manual.
2. The LP has to submit a project progress report together with each application for reimbursement consisting of an activity report which contains the description of the activities carried out and their outputs and results during the reporting period and of a financial report presenting the financial progress of the project in accordance with the approved AF.
3. The LP has to submit the PPR and the AfR on a six-month basis reporting period starting from month of the approval date of the project (Article 3(1)) except the first and the last reporting period that can be different than 6 months. The PPR

and the AfR (including the last PPR and AfR) have to be submitted to the MAJS within 3 months started from the end date of each reporting period and ended at the deadline indicated in Article 5(4).

4. The reporting periods and the deadlines for submission of the PPR and AfR of the project are the following:

Period ID	Reporting period (dd/mm/yyyy-dd/mm/yyyy)	Deadline for submission of the Project Progress Report and Application for Reimbursement (dd/mm/yyyy)	Spending forecast ¹ EUR
period 1	01/01/2024 - 30/06/2024	01/10/2024	353.157,50
period 2	01/07/2024 - 31/12/2024	01/04/2025	364.616,50
period 3	01/01/2025 - 30/06/2025	01/10/2025	465.527,50
period 4	01/07/2025 - 31/12/2025	01/04/2026	866.971,50
period 5	01/01/2026 - 30/06/2026	01/10/2026	427.067,00
Total project budget			2.477.340,00

5. Additional obligatory reporting deadlines to submit PPR and AfR may be set by the MAJS in order to avoid de-commitment of Interreg Funds at Programme level. The additional deadlines, if relevant, will be communicated in advance to the LPs by the MAJS.
6. The LP shall respect the reporting deadlines set in Article 5(4). In case of any delays, the MAJS shall be notified in written form on the reasons and on the timeline of the delay. The timeframe for the prolongation to the reporting deadlines shall be confirmed by the MAJS in each case.
7. As general rule, PPRs and AfRs have to cover the expenditure incurred in the eligible project period and paid until the end date of the given reporting period and the costs calculated as flat rate related to the given reporting period respectively, with the exceptions described in Article 5(8) and 5(9).
8. The first PPR and AfR have to cover the preparation costs in form of lump sum and the project expenditure incurred and paid within the starting date of the project and the end date of the first reporting period.
9. The final report includes the last PPR and AfR and summarizes the project activities for the whole project period. The expenditure incurred by the end date of the last

¹ Validated expenditure at project level including expenditure of the PPs.

reporting period and the control costs related to the last PPR and the AfR shall be paid within the deadline set in Article 3(3)c).

10. The transmission of documents and data between the MA/JS and the LP shall be carried out by using the Programme electronic monitoring system. The MA/JS shall adopt rules for the use of Programme electronic monitoring system and its access shall only be permitted by means of an individual username and password. In case of unavailability of Programme electronic monitoring system, the MA/JS will inform the LP on how to process the transmission of project data accordingly.
11. The MA/JS reserves the right not to accept – in part or in full – certificates of expenditure as described in Article 6 of this contract if due to the results of its own checks and/or controls or audits performed by another authority such a certificate or the facts stated therein prove to be incorrect or if the underlying activities are not in line with the legal framework as set out in Article 1 of this document. In such a case, the MA/JS will either reduce the claimed certified amount, demand repayment of Interreg Funds already paid out unduly or set them off against the next payment claim submitted by the LP, if possible. In compliance with Article 74 (1) (b) of the CPR, payments to the project can be suspended partially or in full in cases of suspicion of an irregularity. The MA/JS is entitled to withhold any payment from the Interreg Funds to a particular beneficiary (LP or PP) or the project as a whole.
12. The language of reporting is English. The reporting forms are defined by the Programme in the Programme electronic monitoring system and are obligatory to use.
13. Further rules on reporting – including the documents to be submitted with the PPR – are set in the Implementation Manual.

Article 6: Verification of expenditure

1. The LP and each PP shall submit the partner report (hereinafter referred to as 'PR') for verification of the expenditures to the responsible controller online, through the Programme electronic monitoring system.
2. The PRs prepared by the PPs and the control certificate(s) issued by the controllers will be available for the LP by means of the Programme electronic monitoring system.
3. The LP shall ensure that the expenditure presented by the PPs participating in the project have been incurred for the purpose of implementing the project and correspond to the activities agreed between those partners in accordance with the approved AF.

4. The PPR and the AfR shall be submitted by the LP to the MAJS online through the Programme electronic monitoring system and shall contain only validated expenditure supported by the control certificates, issued by national controllers both at LP and PPs level, as referred to in Art. 46 (3) of the Regulation (EU) No. 2021/1059 according to the system set up by each Partner State and in compliance with the requirements set by the legal framework listed in Article 1 of this contract. The designated controllers and the national level control requirements for each Partner State are available at the Programme's website: www.interreg-danube.eu.
5. In case the PRs and control certificates are not received by the LP from each PP for a given reporting period within the reporting deadline indicated in Article 5(4) through the Programme electronic monitoring system, the LP shall submit the AfR on the basis of the PRs and control certificates available until the end of the reporting deadline. The expenditure of the PPs not validated for the given reporting period within the reporting deadline shall be requested in the earliest possible next AfR to the reporting period concerned.
6. All expenditure shall be reported in Euro; therefore the AfR and control certificates shall be issued in Euro.
7. Expenditure incurred by PPs in a currency other than the Euro shall be converted into Euro by using the monthly accounting exchange rate of the EC² in the month during which expenditure was submitted for verification to the controller. This method shall be applicable to all PPs coming from countries which have not adopted EURO.
8. The conversion shall be verified by the controller in the Partner State in which the respective PP is located. The date of submission for verification to the controller is the day in which the PP submitted for the first time the PR online through the Programme electronic monitoring system to the controller.
9. The exchange rate risk is borne by the PP concerned.

Article 7: Reimbursement of the Interreg Funds to the LP

1. The Interreg Funds requested in a PPR and AfR will be reimbursed to the LP within 80 days from the first online submission date of the PPR and AfR,
2. This payment deadline can be interrupted by the MAJS requesting completion of the PPR and AfR in case appropriate supporting documents or clarification have not been provided for an expenditure included in the PPR and AfR or an investigation has been initiated in relation to a possible irregularity affecting the expenditure concerned. The requested completions and clarifications shall be provided by the LP

² http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm

within the deadlines set by the MA/JS in the completion letter(s). The interruption is terminated after the requested completion has been fulfilled or the irregularity procedure has been ended.

3. In case of two unsuccessful completions by the LP concerning the expenditure included in the AfR, the MA/JS is entitled to deduct the total amount of the control certificate(s) containing the expenditure still not acceptable. All control certificates excluded from the AfR concerned shall be re-submitted in the earliest possible next AfR.
4. In case of two unsuccessful completion of the PPR by the LP, the PPR might be rejected by the MA/JS in case it is still not possible to gain appropriate information from the PPR as a whole on the followings:
 - a) the activities carried out and the quality of the outputs delivered by the project partnership in the given period;
 - b) the progress of the project implementation in the given period;
 - c) clear and justifiable relation of the reported activities and outputs to the validated and reported expenditure of the partners.
5. In case a PPR is rejected due to reasons listed in Article 7(4), the related AfR cannot be paid to the LP, and without the acceptance of the AfR the PPR will not be approved. The PPR and the AfR concerned shall be re-submitted before the next reporting deadline following the reporting period concerned.
6. In case of expenditure of the last PPR and AfR, the MA/JS is entitled to deduct the total amount of the control certificate(s) for which the reported expenditure has not been proved within 6 months from the first online submission date of the last PPR and AfR.
7. After approval of the PPR and AfR by the MA/JS, the reimbursement of Interreg Funds will be eventually executed by the certifying authority (hereinafter referred to as 'CA'). In case the Programme bank account does not cover the total amount of contribution from the Interreg Funds to be reimbursed to the LP regarding the concerned AfR, the CA will temporarily suspend the reimbursement process until the Interreg Funds from the EC have been transferred to the programme bank account. The LP will be informed on the suspension.
8. The contribution from the Interreg Funds will be reimbursed to the LP in Euro.
9. The LP shall ensure that all financial transfers related to the project can be identified, tracked and reported on the EUR bank account indicated by the LP as project bank account, either by opening a separate EUR bank account or by setting up a sub-account under the existing EUR bank account or by identifying a technical accounting code for the project purposes.

10. The LP has to notify officially the MAJS in written form in case of change of the project bank account at the very latest before the submission of the AfR affected. In case the LP fails to properly inform the MAJS on the details of its project bank account, all consequences, including those of financial nature shall be borne by the LP.
11. In accordance with Article 26 (2) of the Regulation (EU) No. 2021/1059, the LP shall ensure that the other PPs receive the total amount of the contribution from the Interreg Funds according to the approved AfR in full and within a timeframe agreed by all partners and following the procedure specified in the Partnership Agreement. No amount shall be deducted or withheld and no specific charge shall be levied that would reduce the amount to be transferred to the PPs.
12. The LP shall provide evidence to the MAJS in the next PPR that the transfer of the Interreg Funds approved in the AfR was executed within the timeframe set in the Partnership Agreement to each PP concerned. In case of the last AfR, the proof of transfers shall be submitted to the MAJS within 30 days from the date of transfer of the Interreg Funds of the last AfR to the PPs for the financial closure of the project by the MAJS. In case the LP does not transfer the Interreg Funds, an irregularity procedure could be initiated by the MAJS.

Article 8: Responsibilities and obligations of the LP

1. The LP represents the partnership as defined in the Partnership Agreement and is the only direct contact between the project and the Programme management bodies (MAJS, CA and audit authority) and takes all obligations and responsibilities that are specified in the Partnership Agreement towards the MAJS.
2. The LP guarantees furthermore that it has complied with the body of rules and legal framework (including any amendments made to these rules and regulations) according to Article 1 of this contract and with all the relevant legal and other requirements under the law which applies to it and to the PPs and their activities and that all necessary approvals (e.g. building permissions, environmental impact assessment statements) have been obtained. The LP is obliged to contractually forward Article 1 of this contract in its entirety to the PPs and to include all obligations as set out in this document into the partnership agreement.
3. The LP shall provide the PPs with all information and documents needed for a sound and legally correct project implementation, including requirements related to branding.
4. In accordance with Article 26(1) (b) of the Interreg Regulation, the LP bears the overall financial and legal responsibility for the entire project and for the PPs. It will be held liable if obligations as laid out in this contract or in applicable EU's or national laws are not fulfilled by the project partnership.

5. The LP shall coordinate the start, the implementation – including reporting according to the deadlines and requesting project modifications – and the closure of the project according to the AF approved by the MC.
6. The LP shall inform the MAJS immediately in written form if the project budget has to be changed, if the partners, the project objectives, outputs and results, the activity plan, on which this contract is based need to be changed, or any of the reimbursement conditions cannot be fulfilled, or circumstances arise.
7. The LP shall be responsible that the project respects its time schedule including the financial performance in relation to the project implementation, as well as the achievement of outputs and results. The LP is furthermore liable towards the MAJS for ensuring that all PPs fulfil their obligations. It is also liable towards the MAJS for infringements by the PPs of obligations under this contract in the same way as for its own conduct.
8. In case force majeure impedes the implementation of the project the LP must immediately inform the MAJS in order to find solution to the problem.
9. The LP undertakes to inform the MAJS immediately about any circumstances that delay, hinder or make impossible the realisation of the project, as well as all circumstances that mean a change of the disbursement conditions, or which would entitle the MAJS to terminate this Subsidy Contract, to discontinue payments or to demand repayment of the co-financing, in full or in part.
10. The LP shall ensure the sound financial management of the project according to the programme rules and in line with the EU Regulations including arrangements for recovering amount unduly paid.
11. The LP shall ensure that separate accounting system or adequate accounting code is set for the project. All expenditure, as well as the Interreg Funds reimbursed to the LP or repaid to the Programme within this project shall be clearly identified.
12. The LP shall ensure that expenditure submitted to the programme is not supported by any other EU-funded programme or national funds (according to Article 63(9) of the Regulation 2021/1060).
13. The LP ensures that, in case of ERDF granted under State aid, the LP and its PPs will respect all necessary requirements provided in the relevant regulations, as listed under § 1. State aid relevant activities are not considered eligible in the project if LP or PPs receive additional national co-financing for that particular project activity. The LP is obliged to contractually forward this clause in its entirety to the PPs.

Article 9: Information and Publicity

1. The LP undertakes to fulfil the information and publicity measures set out in the Regulation (EU) No. 2021/1060, and in the information and publicity guidelines

included the Implementation Manual, the Visual Identity Manual for projects and the Communication toolkit of the programme with the aim to promote the fact that financing is provided from the Interreg Funds in the framework of the Programme and to ensure the adequate promotion of the project.

2. The LP shall ensure that all project official communications (e.g. any notice, publication, material or project event, including conferences or seminars) specify that the project has received contribution from the Interreg Funds, within the framework of the programme, by proper display of the programme logo including the project acronym and the EU emblem.
3. The LP shall develop and implement the following mandatory outputs:
 - a) setting up of a project webpage within the programme website (whereby the respective activities shall start before the submission of the first PPR) and keeping it constantly updated during the whole project implementation;
 - b) production of a poster within six months after the project approval. Each PP has to place at least one poster with information about the project, and the financial support from the EU, at a location visible to the public during the whole project implementation;
 - c) a short description of the Interreg project, proportionate to the level of support provided by an Interreg fund, including its aims and results, and highlighting the financial support from the Interreg fund on the partner's official website or social media sites, where such sites exist.
4. The LP shall ensure the proper means of communication between the project and the Programme, including:
 - a) participation, whenever requested, in LP trainings organised by the MAJS;
 - b) participation, whenever requested, in other events organised by the Programme with the purpose of presenting/discussing/developing/sharing project results and creating synergies with other projects and relevant organisations.
5. Any notice or publication by the LP or the PPs, in whatever form and on or by whatever medium, including the Internet, must specify that it reflects the author's views and that the MAJS is not liable for any use that may be made of the information contained therein.
6. The MAJS, as well as the National Authorities of the Partner States of the programme – including National Contact Points – shall be authorised to publish, in any kind of form and on or by any kind of medium, including the Internet, the following information:
 - a) the name of the project;

- b) the name of the LP and its PPs;
 - c) the amounts granted from contribution from Interreg Funds and the total budget of the project;
 - d) the objective of the contribution from Interreg Funds and the project;
 - e) the geographical location of the project implementation;
 - f) summary of project activities, including abstracts from PPRs/final report; project results, evaluations and summaries;
 - g) other information about the project, if considered relevant.
7. The MAJS, as well as the National Authorities of the Partner States of the Programme – including National Contact Points – are entitled to furthermore use the data for information and communication purposes as listed in Article 49 of the Regulation (EU) No 2021/1060.
 8. The MAJS is entitled to use the outputs of the project in order to guarantee a wide spread of the project deliverables, outputs and results, and to make them available to the public. The LP agrees that the outputs are forwarded by the MAJS to other Programme authorities, as well as the countries participating in the Programme, to use this material to showcase how the co-financing is used.
 9. Any communication campaign, media appearance or other publicity of the project shall be communicated to the MAJS for dissemination purposes, potential website updates or showcases.
 10. In the spirit of cooperation and exchange, the LP and the PPs shall ensure that all the outputs and results produced as a result of the project are in the public interest and publicly available. They should be accessible and available to the general public in a usable format. The MAJS and any other relevant Programme, EU and national body can use them for information and communication purposes in the framework of the Programme.
 11. The LP shall inform the MAJS if there is any sensitive or confidential information, or any pre-existing intellectual property rights related to the project that must be respected.
 12. The LP furthermore authorises the relevant Programme body/ies to forward any communication and visibility materials to Programme promoters at national level, as well as to Union institutions, bodies, offices or agencies. For this purpose, the LP ensures that a royalty-free, non-exclusive and irrevocable licence to use such material and any pre-existing rights attached to it is granted to the Programme and Union bodies in accordance with Annex IX of (EU) 2021/ 1060 and further specified in the Implementation manual.

13. The MA/JS shall be authorised to publish, in whatever form and on or by whatever medium, including the Internet, (parts of) the project data in order to fulfil its own reporting, communication and visibility obligations arising from the body of rules and regulations listed in Article 1. Personal data shall be processed in line with the General Data Protection Regulation.

Article 10: Amendments of the Subsidy Contract and other project changes

1. The LP has to request the modification of the Subsidy Contract in case of substantial changes in the project, which are the followings:
 - a) changes in the partnership;
 - b) substantial changes in the content of the project (e.g. modification/ deletion of activities content; modification of the content, scope of outputs; modification of project objectives etc.);
 - c) budget reallocation between PPs not related to changes in the partnership;
 - d) prolongation of the project duration.
2. Further detailed rules describing each case of the modification of the Subsidy Contract included in Article 10(1), as well as other project changes not listed above not requiring amendment of the Subsidy Contract are set in the Implementation Manual.
3. Any request for modification of the Subsidy Contract described in Article 10(1) has to be justified and submitted by the LP to the MA/JS immediately when such need for the above-mentioned amendments occurs, as regulated in the Implementation Manual. The MA/JS will review the request of modification. The MA/JS decides on the modification requested according to the rules laid down in the Implementation Manual. The project modification process will be completed through the Programme electronic monitoring system.
4. The last request for modification of the Subsidy Contract shall be submitted not later than three months before the end date of the project.
5. The LP can request amendment of the spending forecasts set in Article 5(4) only in relation to substantial changes in the project (as referred in Article 10(1)) affecting the project budget, otherwise amendment of the spending forecast cannot be requested.
6. In the event of decommitment/reduction of the project budget based on an MC or MA/JS decision (in accordance with Article 14(1)), the amendment of the Subsidy Contract will be initiated by the MA/JS.

Article 11: Assignment and legal succession

1. The MAJS is entitled at any time to assign its rights under this contract. In case of assignment the MAJS will inform the LP without delay.
2. The LP shall not have the right to assign its duties and rights under this contract without the prior decision of the MC and written consent of the MAJS.
3. In case of legal succession, for instance where the LP changes its legal form, the LP is obliged to transfer all duties under this contract to the legal successor. The LP shall notify the MAJS about any change beforehand. The legal successor takes all responsibilities of the activities fulfilled by the legal predecessor and be financially responsible for any amount unduly paid to the legal predecessor.

Article 12: Document keeping, audit and evaluation

1. The EC, the European Anti-Fraud Office (OLAF), the European Court of Auditors (ECA) and, within their responsibility, the auditing bodies of the participating Partner States or other national public auditing bodies as well as the Programme audit authority (hereinafter referred to as 'AA'), the MAJS are entitled to audit the proper use of Interreg Funds by the LP or by its PPs or to arrange such an audit to be carried out by authorised persons. The LP and PPs will be notified in due time about any audit to be carried out.
2. The LP must provide all documents required for the audit, as well as all necessary information, and give access to its business premises and project-related locations.
3. The LP is obliged to ensure that all files, documents and data related to the project are retained for audit purposes. The documents shall be kept for at least a 5-year retention period from 31 December of the year in which the last payment by the MA to the project is made. Longer retention periods may apply in case of state aid or in accordance with national rules.
4. The LP is obliged to guarantee fulfilment of the above stipulated duties in relation to all other PPs of the project.
5. The LP shall promptly inform the MAJS about any audits that have been carried out by the bodies mentioned in Article 12(1), as well as about the results of the audits.
6. If, as a result of the audits any expenditure is considered ineligible according to the legal framework of this contract, the procedure described in Article 7(2) and Article 13 shall apply.

7. The MAJS has the right to withhold the payments to the LP until all required information and documentation has been delivered or made available otherwise in the required way.
8. The MAJS has the right to conduct sample checks in addition to the national financial control bodies' checks.
9. The MAJS has the right to suspend payments should the project become subject to controls or audits by the MAJS, AA or relevant EU bodies until these controls or audits have been completed. Should the AA issue statements on the national control systems and identify problems of a systemic character, the MAJS has the right to suspend payments to the LP until the case has been resolved.
10. The LP must also provide all necessary information and access to documents for the purpose of carrying out Programme or project evaluations to any authorised evaluator.
11. Should this Subsidy Contract have been terminated, the rights and duties stipulated in this article shall, however, persist.

Article 13: Irregularities and repayments

1. In case of irregularities identified during the project implementation the MAJS is entitled to claim the repayment of contribution from the Interreg Funds in full or in part from the LP based on the irregularity report sent to the MAJS.
2. Therefore, in accordance with Article 26(1) a) of the Regulation (EU) 1059/2021 the LP is always responsible for securing repayment of the Interreg Funds unduly paid to the project.
3. If the MAJS sends a request for repayment of the amount of Interreg Funds unduly paid, the LP is obliged to secure repayments from the PPs concerned and repay the amount specified by the MAJS within two months from the sending date of the request for repayment. The due date for the repayment will be explicitly given in the request for repayment. The receipt date of the request for repayment shall be the date of sending the email, regardless of the date of receiving any official letter in hardcopy version.
4. If the LP cannot recover the Interreg Funds unduly paid to a PP on the basis of the Partnership Agreement existing between them, the LP shall inform the MAJS in written form within the deadline for the repayment according to Article 13(3).
5. The MAJS has the right under this contract to impose interest on late payment on the amount paid back by the LP belatedly. In case of any delay in the repayment, the amount to be recovered shall be subject to interest on late payment, starting on the calendar day following the due date and ending on the actual date of

repayment. The rate of interest on late payment shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing projects on the due date.

6. The MAJS has the right to recover the amounts specified in the request for repayment by deducting them from the AfR submitted by the LP. In case of compensation, the MAJS informs the LP on the amount deducted from the AfR concerned.
7. The MAJS shall be informed by the LP in case an investigation on irregularity is ongoing for the project before its end date. In case the decision on irregularity is not available at the time of the submission of the final PPR, the financial closure of the project might be suspended by the MAJS for a maximum of 6 months from the deadline of submission of the final report, considering the Programme closure deadlines as well.
8. Expenditure found eligible as a result of the irregularity procedure can be claimed only before the final payment to the project is approved by the MAJS. After the financial closure of the project, any claim for reimbursement of expenditure found eligible related to investigations at national level shall be covered by the Partner State concerned.

Article 14: Decommitment of project budget and right of withdrawal

1. The MAJS is entitled to reduce the project budget and the corresponding contribution from the Interreg Funds – on the basis of the decision of the MC – in case of any of the following circumstances:
 - a) in case the LP submits the PPR and the AfR or the project modification request with unjustified delays, or more than two completions of the same PPR and AfR are attributable to the LP, the MAJS is entitled to apply a proportional reduction related to the total project budget up to 5%;
 - b) in case the LP does not report validated eligible expenditure according to the approved spending forecast in Article 5(4), the MAJS will assess the level of under-spending and the reasons for the lower financial performance; in such a case, the MAJS is entitled to decommit the project by reducing the project budget and the corresponding contribution from the Interreg Funds.
2. The MAJS is entitled to withdraw from this contract and to demand repayment of the Interreg Funds in full or in part – on the basis of the decision of the MC – and to exclude any claim by the LP or by the PPs against the MAJS for whatever reason (unless such reason is firmly based on an express mandatory provision of the EU level legal framework referred in Article 1(2)) in case of any of the following circumstances:

- a) the LP has obtained the contribution from Interreg Funds through false or incomplete statements or through forged documents;
- b) the LP and its PPs receive additional funding from the EU or national or other funds for all or part of the project expenditure reported under the Programme during the period of the implementation of the project;
- c) the partners, or any related person, have committed fraud or are involved in any illegal activity detrimental to the EU's financial interests;

- d) a precondition for the approval of the project is not ensured anymore;
- e) the LP is being wound up, or the court ruling ordering the opening of bankruptcy proceedings has been published or if undergoing liquidation proceedings by final decision;
- f) in case of identified irregularities affecting the entirety of the project;
- g) the LP fails to fulfil a condition or an obligation resulting from this contract;
- h) the LP fails to provide immediate information about circumstances that delay, hinder or make impossible the realisation of the project, as well as about any circumstances that mean a change of the reimbursement conditions and frameworks as laid down in this contract;
- i) the regulations of the EU and national law including provisions of procurement rules, state aid rules, publicity, rules on environmental protection, and rules on equal opportunities, have been violated;
- j) the LP has impeded or prevented the auditing of the project as referred to in Article 12, or failed to retain the project documentation required for the audit;
- k) the contribution from the Interreg Funds awarded has been partially or entirely misapplied for purposes other than those agreed upon;
- l) the project has not been or cannot be fully implemented by carrying out the planned activities, the planned outputs and results as planned in the latest approved AF and by achieving at least 75% spending of the total project budget, or the project cannot or could not be realised in due time, when the MA/JS receives information about it;
- m) it has been impossible to verify that the PPR/final report is correct and thus the eligibility of the project;
- n) after the reduction mentioned in Article 14 (1)a) the LP still fails to submit PPRs and AfRs within the reporting deadlines – even if the delay was not caused by the activity of the LP itself – or to supply necessary information, provided that the LP has received a written reminder setting adequate deadline and explicitly specifying the legal consequences of a failure to comply with requirements and has failed to comply with this deadline;

- o) after the reduction mentioned in Article 14 (1)b) the LP still fails to report validated eligible expenditure according to the approved spending forecast in Article 5(4).
 - p) the LP and/or any of the PPs is in the situation of undertaking in difficulty, within the meaning of point (18) of Article 2 of Regulation (EU) No 651/2014 as well as in compliance with Article 7 (1) (d) of Regulation (EU) 2021/1058;
 - q) the LP has failed to fulfil any other conditions or requirements for assistance stipulated in this contract and the provisions it is based on, notably if these conditions or requirements are meant to guarantee the successful achievement of the Programme objectives.
3. The LP is entitled to exercise the right of withdrawal if implementation of the project becomes impossible caused by circumstances independent from the LP. In case of withdrawal by the LP, the LP shall repay the whole amount of Interreg Funds at the same time when the notification of withdrawal has been sent to the MAJS by the LP.
 4. If the MAJS exercises its right of termination and the LP is demanded full or partial repayment of amounts already paid, the LP is obliged to transfer the repayment amount to the MAJS. The repayment amount is due within one month following the date of the letter by which the MAJS asserts the repayment claim; the due date will be stated explicitly in the order for recovery.
 5. If any Programme body, national body or any relevant EU body detect any amount of Interreg Funds unduly paid, or should the MAJS be notified of such cases, the MAJS shall, demand repayment of the co-financing in whole or in part from the LP, if necessary in consultation with the relevant national bodies of the participating countries concerned, and by informing the relevant Programme bodies.
 6. The LP shall ensure that, if applicable, the PP concerned repays the LP any amounts unduly paid in accordance with the Partnership Agreement and the Implementation Manual. The amount to be repaid can be deducted from the next payment to the LP or, where applicable, remaining payments can be suspended. In the case of closed projects or upon request by the MAJS for ongoing projects, the LP is obliged to transfer the unduly paid funds to the MAJS.
 7. If a LP or PP fails to reimburse unduly paid Interreg Funds in another project funded by the Programme, the MAJS has the right to deduct the corresponding Interreg Fund from any open payment in this project.
 8. If the MAJS exercises its right of termination and the LP is demanded full or partial repayment of amounts already paid, any delay in effecting repayment shall give rise to interest on account of late payment, starting on the due date and ending on the date of actual payment. The rate of the late interest applied to the amount to be recovered will be calculated in accordance with Article 88 of the CPR.

9. Upon termination of this contract by the MAJS, the LP shall receive a written notice with necessary instruction regarding the closure of the project. Where termination of the contract is based on paragraph 2 of this article, the MAJS may request full or partial repayment of amounts already paid from the co-financing, in proportion to the gravity of the irregularity in question, after allowing the LP to submit its clarification. The MAJS shall inform the LP by giving a 30-day written notice and without paying compensation of any kind.
10. In the case of force majeure; i.e., if exceptional circumstances make implementation of the project excessively difficult or dangerous, and if the Subsidy Contract can no longer be executed effectively and appropriately, the parties may terminate the Subsidy Contract by serving a 60-day written notice, without being required to pay indemnity. The MAJS may reimburse the unavoidable residual expenditures incurred during the notice period (but only for activities and expenditures that have been properly executed).
11. The LP shall be entitled to request payments from the Programme only for the part of the project carried out and activities executed before the termination of the contract.
12. Should factors behind the recovery procedure show a violation of the Subsidy Contract, the MAJS will consider the termination of the contract as a last resort. The partnership will be heard before taking a final decision on the termination of the contract.
13. The contract may be terminated by written mutual agreement between the LP and MAJS.

Article 15: Force majeure

1. Force majeure shall mean any unforeseeable and exceptional event affecting the fulfilment of any obligation under this Subsidy Contract, which is beyond the control of the LP and PPs and cannot be overcome despite their reasonable endeavours (e.g. substantial changes due to changes in political or financial terms). Any default of a product or service or delays in making them available for the purpose of performing this contract and affecting the project performance, including, for instance, anomalies in the functioning or performance of product or services, labour disputes, strikes or financial difficulties do not constitute force majeure.
2. If the LP or PPs are subject to force majeure liable to affect the fulfilment of its/their obligations under this Subsidy Contract, the LP shall notify the MAJS without delay, stating the nature, likely duration and foreseeable effects.
3. MAJS may suspend the implementation of the project part concerned and decide on the suspension of payment to the project participant that is subject to force majeure until it cannot fulfil its obligations under this Subsidy Contract. In this case

LP shall initiate the modification of the Partnership Agreement. In case force majeure no longer exists, LP shall notify MA/JS without delay about the change and make sure that the Partnership Agreement is duly modified in order that the project partner concerned can resume the implementation of its project part.

4. If the MA/JS is subject to force majeure liable to affect the fulfilment of its obligations within the framework of this contract, it shall notify it to the LP without delay, stating the nature, likely duration and foreseeable effects.
5. Neither the MA/JS nor the LP or the PPs shall be considered to be in breach of their obligations to execute the project if it has been prevented from being implemented due to force majeure. Where LP or PPs cannot fulfil their obligations to execute the project due to force majeure, only eligible expenditure for those activities which have actually been implemented to the date of the event identified as force majeure may be reimbursed. All necessary measures shall be taken to limit damages to the minimum.

Article 16: Durability of projects, ownership and use of outputs and results

1. According to Article 65 of the Regulation (EU) 2021/1060, the project comprising investment in infrastructure or productive investment shall repay the contribution from the Interreg Funds if within five years of the final payment to the beneficiary, it is subject to any of the following:
 - a) a cessation or relocation of the productive activity outside the Programme area;
 - b) a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
 - c) a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.
2. Ownership, title and industrial and intellectual property rights in the deliverables and outputs of the project and the reports and other documents relating to it shall be vested to the LP and/or PPs to the extent allowed by the national law of the LP/PP concerned.
3. Concerning the use of the outputs and results of the project the LP shall guarantee a widespread publicity of such outputs and results and to make them available to the public in line with the relevant national law.
4. Within five years of the final payment to the beneficiary, the LP and/or PPs
 - a) shall be obliged to provide the right of use of industrial and intellectual property resulting from the project free of charge.

b) are not entitled to exercise the right of use in a commercial manner, so the use may not indirectly serve the purpose of income generation or increase of income for the LP and/or PPs.

Article 17: Data management and data protection

1. Any personal data under the Subsidy Contract shall be processed by the MA/ JS or other relevant Programme bodies in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural person with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation).
2. In accordance with Article 4 of (EU) 1060/2021, the MA/JS, other Programme bodies and the Commission shall be allowed to process personal data where necessary for the purpose of carrying out their respective obligations under the body of rules and regulations referred to in Article 1, in particular for monitoring, reporting, communication, publication, evaluation, financial management, verifications and audits and, where applicable, for determining the eligibility of participants.
3. The MA/JS may transfer project and/or personal data to relevant Programme bodies and national authorities for the same purposes as listed in paragraph 2 of this article.
4. With regard to processing personal data, PPs as data subjects possesses the rights listed in Chapter III and VIII of GDPR.

Article 18: Concluding provisions

1. If any provision in this contract is wholly or partly ineffective, the remaining provisions remain binding for the Parties. In this case the Parties undertake to replace the ineffective provision by an effective one which comes as close as possible to the purpose of the ineffective one.
2. Amendments and supplements to this contract must be in written form.
3. All correspondence with the MA/JS under this contract must be in English language and in electronic form (i.e. through the Programme electronic monitoring system), including written notifications, information defined by this contract. All declarations made through the Programme electronic monitoring system shall be deemed legally effective and binding.
4. In case of force majeure or malfunctioning of the developed Programme electronic monitoring system allowing electronic exchange of information, the LP and each PP shall act in accordance with the information timely provided by the MA/JS. As

soon as the Programme electronic monitoring system becomes operational, all relevant documents and data shall be integrated into its database.

5. The official address of the MA/JS in case documents are requested in original:

Ministry of Public Administration and Regional Development
1358 Budapest, Pf: 19.
Hungary

This contract is concluded in English. In case of translation of this contract and its annexes into other language, the English version shall prevail.

6. This contract is governed by Hungarian law and all matters not regulated in this contract are subject to the legal understanding laid down in the Hungarian Civil Code (Act No. V. of 2013.). In case of differences that are not ruled by this contract, the Parties agree to find an amicable and mutually acceptable solution. If the Parties fail to do so, all disputes arising in connection with this contract shall be settled by the Pest Central District Court or the Budapest Capital Regional Court of Appeal.
7. The Subsidy Contract is signed in two original copies, of which one remains at the LP and the other original copy has to be returned to the MA/JS.
8. The contract enters into force on the date of signature by the last of both Parties.
9. The contract shall remain in force until the LP has discharged in full its obligations arising from the Subsidy Contract towards the MA/JS. All relevant provisions of this contract necessary for the fulfilment of the archiving and audit obligations shall remain in force until the end a 5-year period started from 31 December following the submission of the accounts by the CA to the EC in which the final expenditure of the completed project is included. The MA/JS will inform the LP about the beginning of the mentioned two year period.

Signatures

place and date	place and date
Signature:	Signature:
Ministry of Industry and Trade of the Czech Republic - Section of European Union and Foreign Trade (Lead Partner)	Ministry of Public Administration and Regional Development (Managing authority/joint secretariat)

Represented by Mr David Müller	Represented by Imre Csalagovits
Directorate General	Head of managing authority

ANNEXES to the Subsidy Contract

1. List of abbreviations
2. The latest approved version of the AF and budget table
3. Partnership Agreement and its amendments
4. List of documents to be retained
5. Rules of use of the electronic data exchange system

Annex 1

List of abbreviations:

Programme – Danube Region Programme

AA – Audit authority

AF – Application form

AfR – Application for reimbursement

CA – Certifying authority

EC - European Commission

EU – European Union

MA/JS - Managing authority and joint secretariat

LP - Lead partner

MC – Monitoring committee

PP - Project partner

PPR – Project progress report

PR – Partner report

Annex 4

List of documents to be retained

No.	Document
1.	Approved Application Form
2.	Partnership Agreement (and its amendments)
3.	Subsidy Contract
4.	Amendments of the subsidy contract
5.	Progress Reports (including quality reports)
6.	Final Report
7.	Applications for Reimbursements
8.	Partner Reports
9.	Control Certificates
10.	Each invoice and accounting document of probative value related to project expenditure (originals to be retained at the premises of the project partner concerned)
11.	All supporting documents related to project expenditure (e.g. payslips, bank statements, public procurement documents, etc.) to be retained at the premises of the project partner concerned
12.	All project deliverables/ outputs/ results (materials produced during the project period, including project communication related documents and materials)
13.	If relevant, documentation related to on the spot checks of the controllers (to be retained at the premises of the project partner concerned)
14.	If relevant, documentation of monitoring visits of the MA/JS
15.	If relevant, documentation related to audits reports

Annex 5

Rules of use of the electronic data exchange system

These provisions lay down the requirements of secure application of the electronic data exchange system.

1. General rules

The User - including all system users acting on behalf of or under the control of the LP and PPs within the electronic data exchange system - is obliged to learn the rules of the proper use of the system and to apply the system according to the Guideline for reporting.

The User is only allowed to complete tasks in line with his/her user role within the system and can access to data in line with his/her competency authorized by the LP.

The User is obliged to cooperate with the MAJS in case any examination related to system events becomes necessary.

The LP is responsible for the data quality of the data entered by the User into the system and all the User actions within the system.

The LP is responsible for providing necessary information, infrastructure or other personal or technical assistance to the User in order to enable the User to comply with the provisions laid down in this contract.

2. Credibility of data and documents

The Parties agree to accept all data and documents in the electronic data exchange system as official and credible data and documents of the Parties. If similar documents or data in subject exists in hard copy version or in different electronic system (e.g. in e-mail) Parties agree to accept the ones stored in the electronic data exchange system as primary ones.

The Parties accept the date and time values in the corresponding logs of the electronic data exchange system as official event dates of the activities (e.g. submission date and time of the submitted documents).

All decisions during the subsidy management procedures are drawn solely on the basis of the data stored in proper form in the electronic data exchange system. In case data can be set and stored in multiple form in the electronic data exchange system, the Parties agree to accept the data as credible which are set and stored in structured form. For the purposes of this Contract, data stored in structured form are data which are stored in a form directly available for automatic data-processing by the electronic data exchange system. For the consequences deriving from data-discrepancies the responsibility is attributed to the person (and the organization on behalf the person is acting) carrying out the data entry in structured form.

With prejudice to the provisions in the previous paragraph, underlying documents not stored in the electronic data exchange system may be exceptionally used during the subsidy management procedures. For the consequences deriving from data-discrepancies, the responsibility is attributed to the person (and the organisation on behalf the person is acting) evaluating and/or processing the data stored in hard copy form.

The Parties agree to accept that calculations made in the electronic data exchange system may result different values based on the different rounding rules and decimals applied compared to other systems.

In case of obvious errors, the MAJS can correct the data without notice. For the purposes of this Contract, obvious errors are data errors stemming from any incompleteness, inconsistency, miscalculation or other kind of clerical errors which can be resolved from other data or documents attached undoubtedly.

For the purposes of the initiation of the electronic subsidy management procedures, MAJS is entitled to pre-enter the data of the applications into the electronic data exchange system on behalf of applicants. The applicants shall examine the correctness of the data entry and should report any discrepancies found till the time of the data entry of the 1st progress report. In case such error report is not sent in due time, Parties agree to accept the pre-entered data as the correct and credible application data.

3. Security rules

It is prohibited to use any programmes, applications or devices that may affect the operation of the system.

The User is responsible for the secure use of the system.

In order to guarantee the safe operation of the system the User is obliged to use a client computer that is sufficiently protected: equipped with central or local firewall, regularly updated antivirus system and well-protected user accounts for the workstation.

The User is obliged to use a complex password that is kept confidential. The User has to select a password with a length of at least 8 characters, containing lower case letters, capital letters and digits as well. The password shall be changed regularly.

In case of any activity that endangers the safe operation of the system the access of the affected User will be suspended and IT security examination will be started.

4. Rules for suspicion of misuse

In case of unauthorised usage the owner of the user name has to take the responsibility.

In case of reasonable suspicion of unauthorized usage all the tasks accomplished by the User in the system can be examined during the security examination without preliminary notification.

In case of a suspicion that the password could be learned by another unauthorized person the User has to change it immediately and he/she has to inform the MAJS about this event.

If the client computer used for accessing the system is infected by a virus the User is not allowed to log into the system until the infection is eliminated. The MAJS shall be informed of the virus infection immediately in order to eliminate the virus infection of files uploaded.

It is prohibited to provide information on any system error or vulnerability to third persons; these issues shall be reported immediately to the MAJS.