

Primljeno	30.05.2017	
Klasifikacijska oznaka	Org. jed.	
<b>910-04/17-01/6</b>	<b>04-1-2-1</b>	
Urudžbeni broj	Pril.	Vrij.
<b>538-17-88</b>	<b>0</b>	<b>0,00</b>



**THE COOPERATION PROGRAMME BETWEEN SWITZERLAND AND CROATIA**

**PROJECT AGREEMENT**

**BETWEEN**

**THE STATE SECRETARIAT FOR ECONOMIC AFFAIRS**

**AND**

**THE MINISTRY OF REGIONAL DEVELOPMENT AND EU FUNDS  
AS THE NATIONAL COORDINATION UNIT**

**ON**

**THE GRANT FOR  
THE PROJECT**

**“WATER SUPPLY AND WASTEWATER OF THE MUNICIPALITY OF DELNICE”  
TO BE IMPLEMENTED DURING THE PERIOD**

**30.05.2017 – 31.12.2020**

*The State Secretariat for Economic Affairs, hereinafter referred to as "SECO" and*

*The Ministry of Regional Development and EU Funds of the Republic of Croatia, hereinafter referred to as the "NCU",*

*Referring to the Framework Agreement between the Swiss Federal Council and the Government of the Republic of Croatia concerning the implementation of the Swiss-Croatian Cooperation Programme to reduce economic and social disparities within the enlarged European Union, concluded on 30<sup>th</sup> June 2015,*

*Considering the Swiss Grant for the Project "water supply and wastewater of the municipality of Delnice" in the Republic of Croatia,*

*have agreed as follows:*

## **Article 1 Definitions**

In this Project Agreement, unless the context otherwise requires, the following terms shall have the following meaning:

"Framework Agreement" means the Agreement between the Swiss Federal Council and the Government of the Republic of Croatia (hereafter referred to as "Croatia") concerning the implementation of the Swiss-Croatian Cooperation Programme to reduce economic and social disparities within the enlarged European Union (EU), concluded on 30<sup>th</sup> June 2015;

"Contribution" means the non-reimbursable financial contribution granted by Switzerland under the Framework Agreement;

"Project Agreement" means the Agreement between the State Secretariat for Economic Affairs (SECO) and the Ministry of Regional Development and EU Funds of Croatia acting as the National Coordination Unit (NCU) which lays down the rights and obligations between the Parties with respect to the Project;

"Grant" means the non-reimbursable financial contribution granted by Switzerland under this Project Agreement;

"Project" means all activities undertaken under this Project Agreement;

"National Coordination Unit" (NCU) means the Croatian Competent Authority in charge of the coordination of the Swiss-Croatian Cooperation Programme as defined in Art. 9 of the Framework Agreement;

"Intermediate Body" (IB) is the Ministry of Environment and Energy which carries out duties on behalf of the NCU with regard to the Executing Agency implementing the Project, and which is a legal public entity under whose legal framework the Executing Agency acts;

"Executing Agency" is Croatian Waters – *Hrvatske vode* mandated by the Government of the Republic of Croatia in accordance with the Annex I of the Framework Agreement to implement the Project financed under this Project Agreement;

"Paying Authority" means the Croatian Ministry of Finance ensuring on the Croatian side appropriate financial control within the Swiss-Croatian Cooperation Programme as stipulated in Art. 5.4, Annex 2 of the Framework Agreement;

"Parties" of the Project Agreement means the NCU representing the Croatian side and SECO representing the Swiss side;

"Audit Organisation" means an internal or external certified audit organisation which carries out financial audits during and after Project implementation on behalf of the NCU;

"Implementation Agreement" means the Agreement between the NCU, the IB and the Executing Agency approved by the NCU which lays down the rights and obligations of the NCU, the IB and the Executing Agency regarding the implementation of the Project;

"Final Project Proposal" means the project proposal submitted to SECO in view of the final approval of a project to be implemented in the framework of the Swiss-Croatian Cooperation Programme and identified in Annex 1 of the Framework Agreement related to Environment and Infrastructure.

## **Article 2**

### **Objectives and Scope of the Project**

- 2.1 The objective of the Project is to improve the wastewater collection and treatment as well as the water supply infrastructure in the surrounding area of Delnice. The Project shall contribute to the environmental protection of the groundwater and surface water in the Danube River basin and to sustainable economic development by ensuring better and more reliable water service quality in Delnice.
- 2.2 The Final Project Proposal and the feasibility study, both as of 31<sup>st</sup> January 2017, define the scope of the Project. The SECO Project Decision Letter of 9<sup>th</sup> March 2017 lays down conditions and modalities related to the financing decision.
- 2.3 The Project has to be implemented in accordance with the following documents, listed by order of legal applicability:
  - the Framework Agreement and its Annexes
  - the Project Agreement and its Annexes:
    - Annex 1: SECO Project Decision Letter dated 9<sup>th</sup> March 2017 with modalities and conditions related to the financing decision;
    - Annex 2: Budget;

**Article 3**  
**Amount and Utilization**

- 3.1 Switzerland shall provide to Croatia a Grant in **Swiss Francs amounting to maximum 9'619'614.65** (nine million six hundred nineteen thousand six hundred fourteen Swiss Francs sixty-five centimes) for the implementation of the Project defined in Art. 2 of this Project Agreement.
- 3.2 The Grant shall cover a **maximum of 85%** of the total eligible costs of the Project in Swiss Francs. This percentage shall never be exceeded during the Project implementation. The NCU shall ensure the timely provision of the co-financing of a **minimum of 15%** of the total eligible costs of the Project in Swiss Francs by domestic sources.
- 3.3 As stipulated in Art. 7.1 of the Framework Agreement, the value added tax (VAT) shall be considered as an eligible cost only if it is genuinely and definitively borne by the Executing Agency. VAT, which is recoverable, by whatever means, shall not be considered eligible even if it is not actually recovered by the Executing Agency or by the final recipient.
- 3.4 As stipulated in Art. 7.2 of the Framework Agreement, other levies, taxes or charges, in particular direct taxes and social security contributions on eligible salaries and wages, shall constitute eligible costs only if they are genuinely and definitively borne by the Executing Agency.
- 3.5 In addition to Art. 3.3 and 3.4, the following costs shall not be eligible for grant support: expenditures incurred before the signing of this Project Agreement by the Parties, interests on debt and the purchase of real estate.
- 3.6 The final date of eligibility of costs for activities related to the Project corresponds to the end date in Art. 23.2. Eligibility of costs for reporting, auditing and evaluation ends six months after the end date in Art 23.2 but not later than 10 December 2024. The last Reimbursement Requests must have been received by SECO not later than four months after the final date of eligibility of costs.
- 3.7 During the Project implementation, the Parties shall mutually agree on the use of the unutilised portion of the Grant and on the respective co-financing.

**Article 4**  
**Reimbursement Procedures**

- 4.1 The Grant shall be disbursed in accordance with Annex 2, Art. 4 of the Framework Agreement.

- 4.2 Disbursements shall be made by SECO based on Reimbursement Requests submitted by the Paying Authority as well as on Interim Reports pursuant to Art. 10, verified and certified by the IB and the Paying Authority and submitted to SECO by the NCU within four months after the end of the respective reporting period, in the form of reimbursements of up to 85% of the eligible costs incurred within the Project. The eligible costs shall be pre-financed by the Executing Agency.
- 4.3 Disbursements by SECO shall be made upon approval of the respective Interim Report and the corresponding Reimbursement Request within a period of 30 calendar days from the date of approval. Exception of this provision is Art. 4.5.
- 4.4 The Reimbursement Requests sent to SECO by the NCU shall be in Swiss Francs, whereas the Paying Authority shall convert the local currency into Swiss Francs at the daily middle exchange rate of the Croatian National Bank prevailing at the last working day of the reporting period.
- 4.5 A final disbursement shall be made by SECO after the fulfilment of all contractual obligations of Croatia, after the submission and upon approval by SECO of the last Reimbursement Request and the corresponding last Interim Report, the Project Completion Report and the Final Financial Audit Report.
- 4.6 All disbursements related to this Project Agreement shall be made in Swiss Francs by Switzerland to the single bank Treasury account of the Paying Authority.
- 4.7 For payments above CHF 1 million transferred by Switzerland, the Paying Authority shall confirm their receipt to SECO.

## **Article 5 Procurement**

- 5.1 Procurement under the Project is to be made by the Executing Agency in compliance with the respective national law and regulations, with the respective EU directives and with the Framework Agreement, Annex 2, Art. 3.3.
- 5.2 Tender documents shall contain an integrity clause in order to assure transparency and to prevent corruption.
- 5.3 The Executing Agency is responsible for the publication of all tenders. The IB shall ensure that the Executing Agency provides to the NCU a copy of the tender announcement no later than five days before publication on the homepage of the Electronic Public Procurement Classifieds of the Republic of Croatia. The NCU shall immediately inform SECO about the tender announcement so that the tender can be published on the relevant Swiss homepage and in the Swiss national gazette.
- 5.4 This announcement contains the information as requested according to the respective national and European regulations, establishing standard forms for the publication of notices in the framework of public procurement procedures. The corresponding tender announcement shall be disclosed simultaneously in Croatia and Switzerland.

- 5.5 For public tenders within the scope of the relevant EU directives on public procurement, an English translation of the tender final evaluation report shall be provided by the Executing Agency to the NCU and SECO for information at the latest 30 calendar days after the award of the contract. The Executing Agency shall ensure the English translation of the final evaluation report of the tender.
- 5.6 SECO requests a copy of the draft tender documents for tenders above the threshold of CHF 500'000 for non-objection prior to the publication. The following documents are requested in English:
- a) Terms of reference;
  - b) Technical specifications;
  - c) Selection and award criteria;
  - d) Draft contract.

The NCU shall ensure the availability of the requested documents at the latest 30 calendar days before the planned commencement of tendering.

- 5.7 SECO will analyse the tender documents and give its non-objection as soon as possible. Failure to reply within 25 calendar days is considered as a non-objection. If an objection has been made, the tender documents shall be amended accordingly within 25 calendar days and submitted for non-objection again.
- 5.8 In addition to the requirements of Art. 5.6, for tenders above the threshold of CHF 500'000, the following shall apply:
- a) An English translation of the listed documents in Art. 5.6 shall be made available to bidders and contractors on the website where the tender documents are published;
  - b) Staff members of SECO or of the Swiss Embassy or other representatives nominated and acting on behalf of SECO shall have the right to participate in the tender evaluation committee as observers without voting right. The NCU shall invite SECO and the Swiss Embassy at the latest 7 days prior to the meeting of the tender evaluation committee;
  - c) SECO shall receive copies of all contracts for information at the latest 30 calendar days after signing the contracts;
  - d) Possible translation costs under the above procurement procedure could be borne by the Project and financed under the Contribution.
- 5.9 In line with Art. 6.5 of the Framework Agreement, the Parties agree to provide all such information pertaining to the tender process and beyond the documents listed above that the other Party may reasonably request. The request and the provision of information has to be in line with the respective Croatian law.
- 5.10 Switzerland shall have the right to conduct an audit of the procurement process and procedures.

- 5.11 If, according to the respective national law and EU directives, the public procurement law does not apply to the contracts concluded under the Project, the Executing Agency and the IB shall ensure fair competition and equal treatment of potential contractors.
- 5.12 The tenders shall follow a competitive and transparent procurement process. In order to ensure high quality of the tendered products and services, the economically most favourable offers shall be selected. Therefore, a multi-criteria selection approach shall be applied taking into account also qualitative selection criteria, and not only the lowest price criterion.

## **Article 6**

### **Responsibilities of the NCU**

- 6.1 The NCU is responsible for the implementation, control, monitoring and review of the Project in line with the Framework Agreement and this Project Agreement. The NCU ensures the compliance of all actions by both the Executing Agency and the IB under the Project with the Project Agreement as well as with the Framework Agreement.
- 6.2 The main tasks of the NCU include:
- a) Supervision and steering of the general implementation of the Project in accordance with this Project Agreement;
  - b) Assurance of the efficient and correct use of the Grant;
  - c) Assurance of the timely reporting to SECO on the implementation of the Project according to Art. 10;
  - d) Assurance of the timely submission of results and the proposed recommendations of the financial audits of the Project to SECO according to Art. 11;
- 6.3 The NCU shall ensure that an Implementation Agreement is signed between the NCU, the IB and the Executing Agency. This Implementation Agreement shall comply with the Project Agreement and with the Framework Agreement.
- 6.4 The NCU undertakes to support, consult and inform SECO with regard to project-related issues. The NCU undertakes to notify SECO immediately in writing about any developments that could seriously jeopardise the implementation of the Project. In the event of a threat of any irreparable disadvantage, the NCU shall immediately apply the requisite precautions.
- 6.5 The NCU will at all-time clearly state that it is acting within the framework of the Swiss-Croatian Cooperation Programme to reduce economic and social disparities within the enlarged EU. All publications must refer to the Project as a "Swiss-Croatian Project". The general public in Croatia will be informed adequately about the Project and the support provided by Switzerland.
- 6.6 All communications to SECO with regard to this Project Agreement shall be directed to the Swiss Embassy in Zagreb which generally represents SECO towards the NCU.



- 6.7 The NCU shall take or delegate partially or entirely actions within its field of competences and responsibilities.

## **Article 7**

### **Responsibilities of the IB**

- 7.1 The main tasks of the IB include but are not limited to:
- a) Check of the payment claims received from the Executing Agency, including the underlying invoices or the documents of equivalent value, and verification of their authenticity, correctness and eligibility;
  - b) Confirmation of the completeness and the eligibility of the submitted invoices and documents of equivalent value to the NCU and the Paying Authority;
  - c) Submission of the verified payment claims to the Paying Authority;
  - d) Assurance of the timely provision to the Project of the co-financing of a minimum of 15% of the total eligible costs from national domestic sources;
  - e) Assurance that the appropriate provisions are included in the national budget in order to safeguard that the Executing Agency has the necessary funds available for the Project implementation;
  - f) Assurance of the financial control of the Project, including full and adequate audit trails;
  - g) Check that there is no double-financing of any part of the Grant by any other source of funds and respective confirmation to the NCU;
  - h) Supervision and steering of the implementation of the Project in accordance with the Project Agreement and the Implementation Agreement and execution of the necessary controls;
  - i) Supervision and assurance that the Executing Agency is reporting adequately on the implementation process of the Project;
  - j) Reporting to the NCU on the progress of the Project implementation on a regular basis;
  - k) Monitoring of the achievement of the Project objectives and results;
  - l) Submission of Interim Reports to the Paying Authority and the NCU;
  - m) Submission of Annual Project Reports and the Project Completion Report to the NCU;
  - n) Submission of all audit reports of the Project, referred to in Art. 11, to the NCU;
  - o) Check that the Executing Agency ensures legality and compliance of procurement procedures with Art. 5 of this Project Agreement;

- p) Performance of preliminary and ex-ante controls on the tendering procedures and on the respective documents;
  - q) Verification whether the VAT is recoverable by the Executing Agency and notification to the NCU accordingly in the form of a signed declaration as part of the Project documentation;
  - r) Confirmation of the compliance of any actions with the state aid rules and notification to the NCU accordingly in writing;
  - s) Check for irregularities as referred to in Art. 15 and reporting to the NCU on a regular basis;
  - t) Assurance of the archiving duties laid down in Art. 16.3;
  - u) Ensuring information and publicity on the progress and achievements of the Project and the Swiss-Croatian Cooperation Programme.
- 7.2 The IB and the Executing Agency will at all-time clearly state that they are acting within the framework of the Swiss-Croatian Cooperation Programme to reduce economic and social disparities within the enlarged EU. All publications must refer to the Project as a "Swiss-Croatian Project". The general public in Croatia will be informed adequately about the Project and the support provided by Switzerland.

## **Article 8**

### **Project Organisation**

- 8.1 The NCU and the IB supervise and steer the implementation of the Project and establish an adequate monitoring system and audit trail.
- 8.2 The NCU shall ensure the establishment of a Steering Committee. The Steering Committee shall have at least one meeting per year. If deemed necessary by one of the voting members of the Steering Committee, additional meetings or writing procedures are to be held. The meetings or relevant writing procedures shall be organised by the Executing Agency, which acts as a secretariat of the Steering Committee.
- 8.3 The following parties are represented with a voting member in the Steering Committee:
- NCU as a Chair;
  - IB as a Deputy Chair;
  - Executing Agency;
  - Paying Authority;
  - The operator and owner of the goods procured under the Project.

- 8.4 Staff members of SECO or of the Swiss Embassy or other representatives nominated and acting on behalf of SECO shall be invited to participate in the Steering Committee as observers without voting right. Invitations to Steering Committee meetings including the agenda shall be sent by the NCU to SECO at the latest 14 calendar days prior to the meeting.
- 8.5 The Steering Committee shall:
- a) Decide on modifications of the budget of the Project;
  - b) Propose and approve strategic amendments;
  - c) Oversee the Project progress and make suggestions in order to improve the Project implementation, taking into consideration the course of implementation of other projects in implementation of the same funding guideline of the Swiss-Croatian Cooperation Programme;
  - d) Propose additional measures to address the full achievement of the planned objectives.

#### **Article 9 Monitoring and Review**

- 9.1 The NCU and the IB shall ensure the establishment of a monitoring system that allows periodically assessing the achievement of the proposed objectives. The project reports under Art. 10 and the periodical assessment of the Project results by the NCU and the IB shall be the base of the annual programme report on the Swiss-Croatian Cooperation Programme as stipulated in Art. 8 of the Framework Agreement.
- 9.2 The IB will monitor the Project implementation in addition to and independently of the monitoring of the Executing Agency, including on-the-spot-check monitoring, during the whole Project duration. The IB will report to the NCU accordingly.
- 9.3 In consultation with the NCU, SECO shall have the right to conduct monitoring visits to observe the Project implementation and to involve external advisors for this purpose.
- 9.4 SECO and the NCU may decide to conduct a mid-term review. The purpose is to monitor the Project implementation and to decide about possible actions to correct eventual weaknesses. For this purpose, SECO can appoint external advisors.

#### **Article 10 Reporting**

- 10.1 Reports shall meet the requirements mentioned in Art. 3.5 of Annex 2 of the Framework Agreement.

- 10.2 With the exception of the first Interim Report, Interim Reports shall cover a period of up to six months and are due to SECO not later than four months after the end of the respective reporting period. The first Interim Report covers the period starting on the signing day of this Project Agreement until the 31<sup>st</sup> December 2017 and is due not later than four months after end of the period. The Interim Reports support payment claims of the Executing Agency and have to be presented to SECO with the corresponding Reimbursement Request (c.f. Art. 4.2). Interim Reports include information on the financial and physical progress for the respective reporting period, compare the actual with the planned expenses and provide an update on the progress, while confirming the co-financing. Any deviation has to be justified and respective measures have to be suggested. Interim Reports might be consulted with SECO before the formal submission by the NCU.
- 10.3 Annual Project Reports are due to SECO not later than four months after the end of the calendar year. Annual Project Reports have an operational part that describes as a continuous text the implementation progress in the respective reporting period and a financial part (financial report). The financial report provides a summary data on the financial progress made during the reporting year as well as cumulative data up to the date. Annual Project Reports compare actual with planned expenditures and progress, based on the quantified targets for output and where possible outcome indicators on the basis of the Logframe (Annex 3). Any deviation has to be justified. Annual Project Reports are not linked to Reimbursement Requests.
- 10.4 The Project Completion Report covers the whole period starting from the signing day of the Project Agreement and until the end date as defined in Art. 23.2. The Project Completion Report together with the last Interim Report and the conclusions of the Final Financial Audit are the base for the payment of the final reimbursement. The Project Completion Report has an operational part that describes as a continuous text and comments the overall achievement of the outputs and outcomes against the originally planned ones in the Logframe (Annex 3). It describes the compliance with principles, such as the cross cutting ones, and the sustainability, and suggests lessons learned and conclusions. The Project Completion Report contains also a financial part, which includes a summary of the financial data of the whole Project and compares actual with planned expenditures.
- 10.5 The financial parts of the Interim Reports, Annual Project Reports and of the Project Completion Report, based on invoices or documents of equivalent value, have to be presented in local currency.

## **Article 11**

### **Audit**

- 11.1 On behalf of the NCU and the IB, an Audit Organisation shall perform controls and audits in accordance with the terms of reference, the International Standards on Auditing (ISA) and the respective national law. In doing so, it shall verify the correct use of funds, make recommendations to strengthen the control system and report to the NCU on any actual or alleged fraud or irregularity. The NCU shall immediately notify SECO of the audit findings.

- 11.2 The NCU confirms that the selected Audit Organisation is a public institution or an external certified company with recognised professional reputation and in line with the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants. The costs for the external audit organisation are eligible for reimbursement and are included in the Project Budget (Annex 2).
- 11.3 The objective of the financial audits of the Project is to enable the Audit Organisation to express an opinion whether the financial statements are prepared in all material respects, in accordance with an applicable financial reporting framework. Thus, financial statements need to be prepared in accordance with one, or a combination of the international accounting standards, the national accounting standards or another authoritative and comprehensive financial reporting framework which has been designed for the use in financial reporting and is identified in the financial statements. The Audit Organisation shall conduct the financial audits in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. Results of any previous audits shall be taken into consideration. The Audit Organisation shall take into account additional requirements that may be suggested by the NCU, the IB or by SECO.
- 11.4 In addition to the Audit Organisation's report on the financial statements, the Audit Organisation is expected to provide the Executing Agency with a management letter concerning any material weaknesses in accounting and internal control systems detected by the Audit Organisation and to formulate appropriate corrective measures. The copy of the management letter shall be presented to the NCU and the IB. The audit arrangements with the Audit Organisation shall be effective for the whole Project implementation period, unless it is terminated, amended or superseded with appropriate justifications.
- 11.5 The NCU and the IB shall comment on the results of the financial audits and on any proposed recommendations made by the Audit Organisation and, if appropriate, formulate correcting measures. Furthermore, the NCU shall transmit to SECO the results and the proposed recommendations of the respective Intermediary Financial Audit and of the Final Financial Audit together with the respective audit report.
- 11.6 The NCU and the IB shall ensure that the Audit Organisation has access to the documentation resulting from their control and audits carried out within the Swiss-Croatian Cooperation Programme.
- 11.7 As stipulated in Art. 3.6.1 of Annex 2 to the Framework Agreement, an Audit Organisation will carry out:
- a) An Intermediary Financial Audit, which shall cover the period from the signing date of this Project Agreement until the end of the second calendar year of the implementation. If deemed appropriate, the Parties can, by mutual written agreement (e.g. confirmed in the minutes of meetings or by correspondence), refrain from an Intermediary Financial Audit.

- b) The Audit Organisation shall submit an Intermediary Financial Audit Report with conclusions and recommendations to the NCU. The NCU shall transmit corresponding conclusions and recommendations to SECO at the latest four months after the end of the period in question;
- c) A Final Financial Audit at the end of the Project as defined in Art. 23.2. The scope of the Final Financial Audit shall be for the entire Project implementation period. The conclusions and recommendations shall be transmitted by the NCU to SECO together with the Project Completion Report at the latest four months after the end date.

11.8 SECO shall have the right to request additional external financial audits. The costs of such financial audits shall be borne by Switzerland.

## **Article 12**

### **Right of Examination**

Switzerland, as well as any third party appointed by it, shall have the right to visit the Project, conduct a comprehensive assessment or evaluation, and shall be granted full access to all documents and information related to this Project Agreement, during its implementation and until five years after the Project implementation period. The NCU shall, upon request, ensure that the above-mentioned authorised representatives are accompanied by the relevant personnel and are provided with the necessary assistance, the costs of which shall be borne by Switzerland. In case the terms defined in this Project Agreement or in the Framework Agreement are not met anymore, Switzerland has the right to take corrective action, including claiming the reimbursements of the Grant. In any case, Switzerland shall submit an assessment or evaluation report to the NCU.

## **Article 13**

### **Project Assets**

13.1 For the implementation period of the Project, goods procured under the Project shall remain at the unrestricted disposal of the Project and shall not be diverted without prior written approval of SECO. No ownership transfer is allowed within five years after the end date of the Project as defined in Art 23.2, unless the Parties agree otherwise. Switzerland shall assume no liability whatsoever in connection with the above-mentioned goods.

13.2 At the end of the Project, the Parties shall decide in time about property and use of the goods. Switzerland shall assume no liability whatsoever in connection with the above-mentioned goods.

13.3 If for any reason the Project should have to be discontinued, the Parties shall decide in writing upon the use and property of the goods procured under the Project.

**Article 14**  
**Common Concern**

The Parties share a common concern in the fight against corruption, which jeopardises good governance and the proper use of resources needed for development, and, in addition, endangers fair and open competition based upon price and quality. They declare, therefore, their intention of combining their efforts to fight corruption and, in particular, declare that any offer, gift, payment, remuneration or benefit of any kind whatsoever, made to whomsoever, directly or indirectly, with a view to being awarded a mandate or contract within the framework of this Project Agreement, or during its execution, will be construed as an illegal act or corrupt practice. Any act of this kind constitutes sufficient grounds to justify termination of this Project Agreement, the annulment of the procurement or resulting award, or for taking any other corrective measure laid down by Croatian law. The Parties shall promptly inform each other in case of any relating well-founded suspicion of an illegal act or corrupt practice.

**Article 15**  
**Irregularities Clause**

- 15.1 Irregularity means any breach of the Croatian law, the Framework Agreement, this Project Agreement and/or related contracts as a result of an act or omission, which has led or could lead to prejudicing the general budget of the Swiss-Croatian Cooperation Programme through unjustified expenditure. Irregularities are notably considered to be all actions or non-actions that are aimed at the illegitimate obtainment and/or usage of the Contribution - notably fraud, misappropriation, misrepresentation, breach of contractual duties, breach of duty of care and the like.
- 15.2 The NCU shall ensure efficient and prompt investigation of any suspected and actual cases of fraud and irregularity. The NCU shall immediately report to the Swiss authorities all suspected and actual cases of fraud and irregularity as well as all measures related thereto, taken by the competent national authorities.
- 15.3 If either Party suspects an irregularity regarding the execution of the Project Agreement and the Annexes hereto, it reserves the right to conduct an external, independent audit. Furthermore, Switzerland is entitled to stop disbursements related to the Project immediately and/or instruct the NCU to stop payments related to the Project from the Contribution.
- 15.4 In duly substantiated cases, based on the findings of the external, independent audit (Art. 15.3), Switzerland can ask repayment of illegitimately paid disbursements related to the Project at any given stage of the Project, giving the NCU written notice on the grounds.
- 15.5 In any case, prior to evoking a decision on Art. 15.3, SECO shall enter into dialogue with the NCU to ensure that the decision is based on accurate and correct facts.
- 15.6 SECO shall immediately and in written form communicate the reasons for their respective instructions to the NCU and the other actors involved.

15.7 When proper corrective measures have been accepted by SECO, the cooperation in the frame of the Project Agreement shall return to normality.

## **Article 16 Post-Completion Obligations**

- 16.1 The NCU shall ensure that the outputs of the Project are operational for at least five years after the Project implementation period.
- 16.2 Switzerland has neither responsibility for nor obligation to ensure the maintenance, the repair or the undertaking of any measures for ensuring the safety and protection of persons, equipment, installations, of all objects on site or in the vicinity.
- 16.3 The Parties shall keep all documents concerning this Agreement and its implementation for 10 years after the end date (c.f. Art. 23.2).

## **Article 17 Language**

All correspondence with Switzerland, including operational, financial and audit reports, as well as project documents and any other documents related to the Project, shall be in English.

## **Article 18 Annexes**

The following Annexes, listed by order of precedence in terms of legal applicability, form an integral part of this Project Agreement:

- Annex 1: SECO Project Decision Letter dated 9<sup>th</sup> March 2017 with modalities and conditions related to the Decision on the Final Project Proposal;
- Annex 2: Budget;
- Annex 3: Logframe.

## **Article 19 Competent Authorities**

19.1 National Coordination Unit, with full contact:

Ministry of Regional Development and EU Funds  
Miramarska 22  
10000 Zagreb  
Croatia



19.2 Intermediate Body, with full contact:

Ministry of Environment and Energy  
Ulica grada Vukovara 78  
10000 Zagreb  
Croatia

19.3 For the Swiss Government:

State Secretariat for Economic Affairs (SECO)  
Holzikofenweg 36  
3003 Bern  
Switzerland

Embassy of Switzerland  
Augusta Cesarca 10  
10000 Zagreb  
Croatia

## **Article 20 Settlement of Disputes**

If any dispute from the application of this Project Agreement arises, Art.11.2 of the Framework Agreement shall be applied.

## **Article 21 Project Modifications and Amendments to the Project Agreement**

- 21.1 Any modification and/or amendment to this Project Agreement and its Annexes shall be made in writing with the mutual agreement of the Parties and according to their respective procedures.
- 21.2 Any increase of the budget, any significant changes within the budget (e.g. reallocation of more than 15% of a budget item to another with a value of more than CHF 50'000.00 (fifty thousand Swiss francs) as well as any strategic changes or conceptual adjustments to the Project shall be discussed with and approved by SECO.
- 21.3 All changes that do not fall under the provisions of Art. 21.2 can be taken by the Steering Committee and reported to SECO in the Interim Reports.

**Article 22**  
**Termination, Suspension**

- 22.1 This Project Agreement can be terminated at any time by one of the Parties upon a six-month prior written notice containing its justification. Prior to making such a decision, the Parties shall enter into a dialogue to ensure that the decision is based on accurate and correct facts. The Parties shall decide by mutual agreement on any consequences of the termination.
- 22.2 If either Party considers that the aims of the Project Agreement can no longer be achieved or that the other Party is not meeting its obligations, it shall have the right to suspend immediately the application of this Project Agreement by giving the other Party a written notice on the grounds.
- 22.3 Unused balances of the Grant remaining after the final disbursement as laid down in Art. 4.5 can be reallocated to the project "water supply and wastewater of the municipality of Brod Moravice", until the maximum Swiss co-financing rate of 85% of the budget is reached or all unused balances of the Grant have been reallocated. The Parties shall take such a decision by mutual written agreement (e.g. confirmed in the minutes of meetings or by correspondence).
- 22.4 If deemed necessary, unused balances of the Grant remaining after the final disbursement as laid down in Art. 4.5 can be transferred to the project "Demining and Social Integration". The Parties shall take such a decision by mutual written agreement (e.g. confirmed in the minutes of meetings or by correspondence).

**Article 23**  
**Entry into Force, Duration**

- 23.1 This Project Agreement shall enter into force on the date of its signing by the Parties and shall remain in force until all obligations under it has been fulfilled.
- 23.2 The Project implementation period shall start on 30 May 2017 and end on 31 December 2020. The end date for reporting, auditing and evaluation is 30<sup>th</sup> June 2021.

Done in Zagreb, Croatia on 30 May 2017, in two authentic copies in the English language.

ON BEHALF OF THE STATE SECRETARIAT  
FOR ECONOMIC AFFAIRS

THE AMBASSADOR OF EMBASSY OF  
SWITZERLAND



Stefan Estermann

ON BEHALF OF THE NATIONAL  
COORDINATION UNIT

MINISTER OF REGIONAL DEVELOPMENT  
AND EU FUNDS



Gabrijela Žalac