Annex A.4

PARTNERSHIP AGREEMENT
within the Bulgaria – Serbia IPA Cross-border Programme

concluded in Kyustendil dated .....................
by and between:
Textile and Clothes Branch Organization, 168, Tsar Osvoboditel St, floor 3,
Kyustendil, hereinafter referred to as the "Lead Partner",
represented by:
Vanyo Kostadinov – Member of Managing Board

and
City of Leskovac, 9-11 Pana Djukica St, Leskovac, Serbia
represented by:
Dr Goran Cvetanovic - Mayor

and
Bulgarian Chamber of Commerce and Industry, 9 Iskar St, Sofia,
represented by:
Tsvetan Simeonov - Chairman,
hereinafter referred to as the "Parties",

Having regard to:
• the European Community legislation, in particular:

     Instrument for Pre-Accession Assistance;

     instrument for pre-accession assistance;

• And:
  1. Bulgaria – Serbia IPA Cross-border Programme approved by the
     March 2008 (hereinafter referred to as Programme);
  2. Application Form, that will be jointly submitted within the Bulgaria –
     Serbia IPA Cross-border Programme;
  3. Guidelines for Applicants adopted by JMC on 10 November 2011;

The Parties agree:

§ 1. Definitions

1. Whenever this agreement mentions:

   1) Fund – European and National Funds;
2) Programme – this shall mean Bulgaria – Serbia IPA Cross-border Programme;
3) Application Form (AF) – this shall mean the Application Form for funding/co-financing from the Programme together with all Annexes;
4) Project – this shall mean the operation defined in the Application Form;
5) Controllers - shall be understood the controllers designated in both countries according to the Article 108 of the Commission Regulation (EC) No 718/2007;
6) Partners – this shall mean the bodies indicated in the Application Form participating in the Project implementation;
7) Subsidy – shall be understood as European and National Funds transferred to the bank account of the Lead Partner;
8) Eligible expenditures – shall be understood as expenditures qualified as eligible according to the Commission Regulation (EC) No 718/2007, the Programme documents, and Applicant’s guidelines;
9) Progress Report – shall be understood as report submitted by the Lead Partner to the Joint Technical Secretariat, stating entire project implementation progress;
10) Managing Authority – shall be understood as the authority appointed in accordance with the Article 102 of the Commission Regulation (EC) No 718/2007, and constituted in the Programme;
11) Joint Technical Secretariat – this shall mean the body designated according to resolutions of the Programme, in order to assist the appropriate authorities, in particular Managing Authority, in carrying out their respective duties;
12) Subsidy Contract – shall be understood as the agreement between the Lead Partner and the Managing Authority, specifying the conditions upon which the Managing Authority transfers subsidy for the Project implementation;
13) Lead Partner bank account – shall be understood as account in EUR, established for the purposes of project implementation.
14) Partner’s bank account – shall be understood as bank account in EUR, established for the purposes of project implementation.
15) The "force majeure" represents any unpredictable and insurmountable event, occurred after the signing of the present agreement and that prevents the total or the partial execution of the agreement;
16) PRAG - Practical Guide for Contract Procedures financed from the general budget of the European Communities in the context of external actions.

§ 2. Subject of the agreement
1. The subject of this agreement is establishing cooperation principles and procedures as well as mutual obligations of the Parties within the cross-border partnership created in order to implement the project within the Programme.
2. Moreover, the agreement specifies the requirements for the Parties for correct management of the subsidy granted for project implementation, as well as rules governing recovery by the Lead Partner of the amounts incorrectly spent.
§ 3. Duration of the Partnership Agreement
1. The Partnership Agreement enters into force on the day of signing by all Parties.
2. The real implementation of the Partnership Agreement begins on the date of the implementation of the operation (the day after the starting date of the Subsidy contract).
3. The implementation period of the operation is 12 months. The present Agreement shall continue until fulfilling of all obligations of the Lead Partner as written in the Subsidy Contract. The agreement is valid for 5 years from the ending date of the project.

§ 4. Rights and obligations of the Lead Partner
1. The Lead Partner is responsible before the Managing Authority for general coordination, management and implementation of the Project. In particular, it is responsible for provision of correct management of subsidy granted for the implementation of the Project by all Partners implementing the Project.
2. The Lead Partner is the only body entitled to contact the Managing Authority. The Lead Partner is obliged to make available to the other Partners, both in paper and electronic form, documents and information received from the Managing Authority and useful in implementation of their actions.
3. The Lead Partner will ensure timely start of the project implementation and implementation of all actions written in the project in accordance with the Application Form elaborated jointly with the other Partners and annexed to the Subsidy Contract. If necessary, the Lead Partner is obliged to take actions in order to update the timetable.
4. The Lead Partner is obliged:
   1) to ensure correct implementation of actions within the Project and promptly inform the Partners, as well as the Managing Authority, on all circumstances that may have negative impact on dates and scope of actions established in the Application Form;
   2) to monitor the progress of Project output indicators implementation and progress of Project results implementation;
   3) to take all actions necessary for timely reception of subsidy, as well as prompt transfer of relevant parts of subsidy to Partners’ bank account, within 5 working days from the date the subsidy was accounted on the Lead Partner account. In particular, the Lead Partner should collect all information and documents in accordance with the Managing Authority’s monitoring and reporting principles;
   4) to report to the Joint Technical Secretariat the project progress and apply for reimbursement of the Project eligible expenditures, on the basis of Progress Report and within periods specified in the Subsidy Contract;
   5) to ensure audit trail allowing for identification of each financial operation;
   6) to return the amounts unduly paid, within the period and upon conditions specified by the Managing Authority in the Subsidy Contract;
   7) to coordinate the information measures implemented by particular partners, resulting from arrangements written in the Application Form;
8) to provide appropriate number of competent staff and technical resources necessary for effective meeting of obligations resulting from fulfilling the function of the Lead Partner;
9) to implement the project activities according to the Application Form;
10) to inform the Managing Authority for any modifications of the Partnership Agreement.

§ 5. Rights and obligations of the Partners
1. Each Partner is obliged:
   1) to fulfil its obligations resulting from the documents governing implementation of the Programme, defined in the preamble to this agreement;
   2) to undertake all actions necessary for timely and full implementation of its part of the project;
   3) to take all necessary actions in order to allow the Lead Partner to meet the obligations provided in the Subsidy Contract. With respect of the above, each Partner is obliged to transfer all documents and information required by the Lead Partner by dates allowing it to implement the obligations towards the Managing Authority as specified in the Subsidy Contract, in particular to prepare Progress Reports and other documents in accordance with the provisions of the Subsidy Contract.
2. The Partner is entirely and solely responsible for implementation of its tasks, in accordance with the description contained in the Application Form.
3. Each Partner should promptly inform the Lead Partner on relevant circumstances having impact on correctness, timeliness, effectiveness and completeness of its actions.
4. Each Partner has the right to receive via Lead Partner subsidy from the Programme, in accordance with the project budget contained in the Application Form, subject to fulfilment of its obligations resulting from this agreement and the documents governing implementation of the Programme.
5. Every Partner is obliged to provide quarterly Progress Report pertaining to the tasks provided for the Partner in the Application Form as well as certificate of expenditures issued by the national controller in accordance with the procedures specified within 10 working\(^1\) days.
6. In order to provide audit trail allowing for identification of each financial operation, each partner is obliged to have separate accounting for project implementation so as to allow for identification of each financial operation within the whole Project.
7. Every Partner is liable for any irregularities found in implementation of the Project tasks specified for a given Partner in the Application Form.
8. Every Partner agrees for processing its personal data for monitoring, control, promotion and evaluation of the Project.
9. Every Partner is liable towards other partners for any damages resulting from the project and consequences of damages, resulting from the tasks and obligations.

\(^1\) The date established by the project partners.
delegated to the Partner within the Project in accordance with § 6 of this Partnership Agreement.

10. At any time, the Partners may apply to the Lead Partner for requesting the Managing Authority for information necessary for correct implementation of their part of the Project. In such case the Partner/s is obliged to simultaneously transmit to the Lead Partner all relevant information and documents necessary for preparation of request.

11. The reports, advance and reimbursement claims, as any other official document submitted for the implementation of the operation must be signed by the legal representative of the Partner or by its mandate.

§ 6. Division of tasks between the Partners
Activities to be implemented by the Lead Partner and particular Partners are specified in the Application Form annexed to this Partnership Agreement.

§ 7. Cooperation with external for the project bodies
1. In case of cooperation with external bodies, including subcontractors, the Partner is solely responsible before the Lead Partner for compliance of activities of the external body acting in its name and on its behalf, with provisions of the Partnership Agreement. The Lead Partner should be promptly informed on the subject and scope of the agreement concluded with the external for the project body.

2. Rights and obligations resulting from the agreement may not be transferred, neither in part nor in whole, to other body without prior consent of other Partners and the Managing Authority.

3. Outsourcing implementation of either part of tasks assigned to a given Partner should take place in accordance with appropriate Community and national regulations, Application Form and procurement rules under PRAG.

§ 8. Budget and Payments
1. Financial share of particular partner in the Project costs as well as the maximum amount of co-financing from Programme funds for particular Partner are established in the project budget defined in the Application Form and in the Co-financing Statement, annexed to the Application Form.

2. The Lead Partner transfers the funds to the accounts of the Partners in appropriate amount and proportionally according to the Progress Report approved by the Managing Authority. The basis for preparation of the Progress Report is a list of expenditures incurred in a given reporting period. Acceptance of particular expenditures in the list depends on their certification by independent National Controllers. Subject to reimbursement are only the expenditures that may be qualified as eligible according to provisions of Programme documents and in accordance with the Applicant’s guidelines.

3. The funds will be promptly transferred by the Lead Partner in EURO to the bank account of particular partners specified and annexed to this agreement.

4. The transfer of funds by the Lead Partner to the Partners depends on fulfilment of obligations resulting from this Partnership Agreement, approval of the Progress
Report by the Managing Authority and making transfer to the bank account of the Lead Partner in accordance with the Subsidy Contract.

§ 9. Recovery of funds
1. When on the basis of the Progress Reports, financial controls conducted by authorised bodies or any other sources is found that the Partner:
   • used the whole or a part of the Subsidy granted not as intended, without adhering to the applicable procedures
   • took funds in an undue manner or in excessive amounts, the Partner shall be obliged to reimburse these funds, respectively in part or in whole, together with interest, on terms and in the deadlines and to the account indicated by the Lead Partner.
2. In case the Partner did not perform the reimbursement when due, as referred to in item 1, the Lead Partner shall undertake actions aiming to recover the subsidy, including initiating the legal proceeding. The costs of actions aimed to recover the subsidy shall be borne by the Partner.
3. The interest referred to in item 1 shall be calculated as those for tax liabilities and charged from the day the subsidy transfer referred in item 1 was transferred to the Partner account.

§ 10. Control and Audit
1. For the purposes of control and audit the Lead Partner and the other Partners undertake to:
   1) provide all necessary documents for first level control activities;
   2) retain documentation and data pertaining to the implemented project for the period specified in §3, in particular documents pertaining to expenditures and controls required for provision of appropriate audit trail. All documents should be in original copies or copies authenticated by a person authorized to represent the Partner (in particular of invoices or other documents with equivalent value of proof);
   3) allow the Managing Authority and other competent bodies to perform post-control activities pertaining to correctness of implementation of the Project;
   4) timely transmit to the competent institutions, referred to in item 3, the information required by them, making accessible to them the account books, financial documents, and other documents related to the Project.

§ 11. Information and Promotion
1. All Partners should actively participate in distribution of information related to implementation of the project and its co-financing from the European Union.
2. Any document, publication, informational board, conference or training related to the Project must contain information on EU co-financing within the Programme. While implementing the information and promotion tasks the Partners are obliged each time to use the relevant provisions of the Communication and Visibility Manual for EU External Actions.
3. The Partners agree for publication in any form and media, including Internet, by the Joint Technical Secretariat of the Programme, of the following information:
   1) name of the Lead Partner and the Partners institutions;
   2) project purpose;
   3) project amount including EU and national co-financing;
   4) project implementation area;
   5) project implementation report and the final report;
   6) was information on the project published, and how.

§ 12. Intellectual Property Rights
All Partners should strive for all the products of the Project to be free of limitations resulting from protection of these rights - within the limits of the national law pertaining to intellectual property. All project outputs, results and other products shall be made available for free to all interested individual or legal persons, in a non-discriminatory way. Making the above available only for certain individual/s or legal person/s is strictly forbidden.

§ 13. Confidentiality Clause
1. All information obtained during implementation of the Project not a matter of information and promotion, should be treated as confidential.
2. The partners undertake to preserve the confidentiality of any document, information or other material communicated to them in confidence until at least five years from the official closure of the programme.
3. Failing to respect the confidentiality obligation gives the damaged party the right to claim compensations from the damaging party.

§ 14. Conflict of interests
1. In the present Agreement, the conflict of interests represents any circumstances that have affected or may affect the execution of the Agreement by the parties, in an objective and impartial manner. Such circumstances may result from economic interests, political or national preferences or family connections.
2. The parties are obliged to take all necessary measures in order to avoid any conflict of interests and to keep each other informed, in up to 5 (five) days from finding out, on any circumstances that have generated or may generate such a conflict. Any conflict of interests that arises during the implementation of the contract shall be immediately notified by the Lead Partner to the JTS and MA/NA, which reserve the right to verify such circumstances and take the appropriate measures, where necessary.

§ 15. Modifications
1. Any modifications to this Partnership Agreement can be made only in the following cases:
   • Modification in the Application Form in the process of selection for funding;
   • Modification during the project implementation period
2. Any modifications to this Partnership Agreement can be made only in the form of an addendum, accepted and signed by all parties of this Partnership Agreement.

3. The Lead Partner and the remaining Partners undertake to implement the Project, unless circumstances appear making withdrawal inevitable. If one of the Partners in case of “force majeure” withdraws from further implementation of the Project, the remaining Partners, will act for full implementation of the Project targets. The Partners remaining should be at least one on each side of border.

§ 16. Governing Law and Dispute Resolution

1. The governing law for this Agreement is the national law of the Lead Partner.

2. In case of disputes between the parties related to interpretation or implementation of the present Partnership Agreement, they will try to resolve them by mediations. To this aim each Partner will appoint one independent mediator. The tasks of the mediators team will include preparation within one month from creation of the team a solution to the dispute.

3. If the solution proposed by the mediators is not accepted by all Partners, the dispute will be subject to the general court competent for the office of the Lead Partner.

§ 17. Final Regulations

1. The agreement is made in 5 copies in English. Each party receives one copy of the Partnership Agreement.

2. All communication within the Partnership will take place in English.

Lead Partner:
Textile and Clothes Branch Organization
Vanyo Kostadinov – Member of Managing Board

Partners:
City of Leskovac
Dr Goran Cvetanovic – Mayor

Bulgarian Chamber of Commerce and Industry
Tsvetan Simeonov – Chairman

Annex: Application Form – part 1, part 2 and part 3