

## MEMORANDUM OF UNDERSTANDING

**between**  
**the Republic of Slovenia and the Republic of Croatia,**  
**and**  
**the Managing Authority, the Certifying Authority, the Audit Authority**  
**on the Implementation of the Cooperation Programme**  
**Interreg V-A Slovenia-Croatia**

In accordance with the bellow stated legal basis and their subsequent amendments or modifications

- The EU regulations laying down provisions on the European Structural and Investment Funds, in particular Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 (hereinafter referred to as the **Common Provisions Regulation**), Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 (hereinafter referred to as the **ERDF Regulation**), Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 (hereinafter referred to as the **ETC Regulation**);
- Pre-agreement on the content of the Cross-Border Cooperation Programme Interreg V-A Slovenia – Croatia 2014-2020 and confirmation of national co-financing according to Article 8 (9) of ETC Regulation;
- Cooperation Programme Interreg V-A Slovenia-Croatia as approved by Commission Decision No. C(2015) 6775 as of 30 September 2015;
- Decree on the implementation of procedures for the use of funds of the European Territorial Cooperation Programmes in the Republic of Slovenia in the programming period 2014 - 2020, Official Gazette of the Republic of Slovenia No 52/16, dated 29 July 2016 (hereinafter referred to as Decree);
- Act on the Establishment of Institutional Framework for the Use of European Structural and Investment Funds in Croatia in the financial period 2014-2020, Official Gazette of the Republic of Croatia No 92/14, dated 15 July 2014;
- Government Regulation on the bodies within the management and control systems for implementation of programmes supporting the goal “European Territorial Cooperation” in the financing period 2014 – 2020, Official Gazette of the Republic of Croatia No 120/2014, dated 9 October 2014

**the Parties of Memorandum** (hereinafter referred to as **PoM**)

- The **Republic of Slovenia**, represented by the Government Office for Development and European Cohesion Policy (hereinafter referred to as **GODC**) acting as Member State (hereinafter referred to as **MS**). In line with the Decree, European Territorial Cooperation Division of GODC, acting as National Authority (hereinafter referred to as **NA**); and

- The **Republic of Croatia**, represented by the Ministry of Regional Development and EU Funds (hereinafter referred to as MRDEUF) acting as MS. Directorate for Regional Development, Sector for Regional Development Policy, Service for International Territorial Cooperation of MRDEUF, acting as National Authority (hereinafter referred to as **NA**), which delegates to Agency for Regional Development of the Republic of Croatia and its Directorate for FLC Service for CBC programmes, Department for HU-HR and SI-HR programmes, responsibilities of the first level control and to Directorate for Managing Cooperation Programmes and Regional Development, Service for Regional Development and Joint Secretariats with EU member states responsibilities related to employment of Joint Secretariat Branch Offices personnel.

and the **programme authorities**, represented by

- The Government Office for Development and European Cohesion Policy, Cross-border Programmes Management Division (Slovenia) acting as the Managing Authority (hereinafter referred to as **MA**);
- The Ministry of Finance, Budget Supervision Office of the Republic of Slovenia (Slovenia) acting as the Audit Authority (hereinafter referred to as **AA**) in cooperation with Agency for the Audit of EU Programmes Implementation System (Croatia) acting as Audit Body (hereinafter referred to as **AB**);
- Public Fund of the Republic of Slovenia for Regional Development and Development of Rural Areas (Slovenia) acting as the Certifying Authority (hereinafter referred to as **CA**);

have agreed on the good governance of the Cooperation Programme Interreg V-A Slovenia-Croatia (hereinafter referred to as CP), approved by the Commission Decision No. C(2015) 6775 as of 30 September 2015, on the implementation of the CP and regulating especially financial control procedures, financial responsibilities and financial flows.

### **Article 1** **ERDF funding appropriations**

1. The CA administers the ERDF funding in its own name and for the account of the Member States. ERDF payments will be made by the European Commission (hereinafter referred to as **EC**) to a sub-account of the GODC. The CA shall issue a request for payment to the GODC, on the basis of which the GODC shall issue an order to transfer the funds to a single programme account of the CA. The CA shall bear overall responsibility for the above mentioned funds credited on the cited account. Any interest income earned must be spent for the programme in accordance with the decisions of the Monitoring Committee (hereinafter referred to as MC).

### **Article 2** **National co-financing**

1. Both MS are committed to provide the national co-financing necessary to implement the CP. Depending on the MS, the national co-financing can be provided from national, regional, local level or private sources.



- The implementation of the Technical Assistance (hereinafter referred to as **TA**) projects is to be co-financed by the ERDF funds and national co-financing. In general, there shall be four types of TA projects: (TA-1) MA/Joint Secretariat (hereinafter referred to as **JS**) core management of the CP, (TA-2) CA activities and (TA-3) support activities of the NAs and activities of FLC and (TA-4) AA and Group of Auditors activities. For the provision of the national co-financing for the MA/JS core management activities and CA activities the Republic of Croatia shall transfer their national contribution to the account notified by the MA.

The maximum per cent and indicative amount of national co-financing for TA-1 and TA-2 by the Croatian and Slovenian NA is as follows:

| Maximum per cent of national co-financing of TA-1 and TA-2 | Slovenia                            | Croatia                             |
|--|-------------------------------------|-------------------------------------|
| <b>TOTAL</b>   | <b>50%</b><br><b>588.230,00 EUR</b> | <b>50%</b><br><b>588.230,00 EUR</b> |

The amount of actual payments will depend on realisation of TA activities and reported expenditure and will be reduced for the amount already co-financed by the Agency for Regional Development of the Republic of Croatia for TA-1 activities.

- The payments from Croatian NA shall be made each year upon payment request of the MA. The payment request for national co-financing of TA-1 and TA-2 shall be made each year by 31<sup>st</sup> March for the expenditures incurred in the previous year. The first payment request in the programming period 2014-2020 shall take into account any over-payments for the national co-financing of TA projects under the Operational programme CBC Slovenia-Croatia 2007-2013 and shall be decreased, as appropriate (if applicable).

Payments shall be carried out within 30 days from the receipt of payment request.

### Article 3

#### Agreement on general procedures in case of n+3 losses

- In case of decommitment of EU funds in the meaning of Articles 86 and 136 of the Common Provisions Regulation, the ERDF will be reduced pro rata according to the MS contribution to the total programme budget. This rule applies if deficiency cannot be explicitly addressed to projects and/or participating MS and/or programme authorities.

### Article 4

#### Subsidy Contracts and payments to Lead Partners

- The decision on the use of the available ERDF funds is subject to the approval of the MC. Based on the decision of the MC the MA concludes Subsidy Contracts in its own name with the LP on the implementation of the projects.

2. Any financial support will be granted to the LP exclusively for the project as described in the last approved Project Application Form in the electronic Monitoring System (hereinafter referred to as **eMS**) and in accordance with the joint decision of the MC.
3. Payments may only be made by the CA if the LP provides proofs of payment and progress of the project to the relevant programme bodies.
4. Pursuant to Article 132 of the Common Provisions Regulation, the MA shall ensure that the LP receives the total amount of eligible public expenditure due in full and no later than 90 days from the date of submission of the Project Progress Report by the LP as long as the funds are available. Pursuant to Article 21 (2) of the ETC Regulation, the CA shall make payments to the LP in accordance with the Article 132 of the Common Provisions Regulation. No other deduction, withholding or specific charges which would reduce the amount for the beneficiaries shall be applied. Any exchange rate risk is borne solely by the Lead Partner/project partners.
5. Funds will be disbursed in Euro (EUR) to the bank account named by the LP indicated in the eMS or in exceptional cases (e.g. insolvency procedure) directly to the project partners (hereinafter referred to as **PPs**).

#### **Article 5** **Control System (First Level Control)**

1. Slovenia and Croatia shall set up a control system in accordance with Article 74 and Part four Title I of the Common Provisions Regulation.
2. Information on the structures and procedures of its control system shall be provided at request to the MA by each MS to satisfy itself that the control system set up by the First Level Control (hereinafter referred to as **FLC**) is reliable and effective.
3. Each MS shall ensure that the expenditure of a beneficiary can be verified within a period of three months from the submission of the documents by the beneficiary concerned. These control systems shall provide for "verification of expenditure" confirming that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid. The confirmation shall derive from a competent FLC controller, who is independent from the implementation of the project.
4. As to the on-the-spot verifications carried out within the meaning of Article 125 (5) (b) of the Common Provision Regulation, these shall be performed on two levels:
  - On partner level: the responsibility of planning and executing on-the-spot verification lies with the FLC bodies in line with Article 23 of the ETC Regulation in order to ensure that the project with high risks are checked at least once during the period of implementation.
  - On project level: the responsibility of planning and executing site visits on project level lies with the MA and JS which shall visit all approved projects.



5. The FLC bodies in Slovenia have to notify all discovered irregularities via eMS to the MA Irregularity Officer, while the FLC in Croatia first reports to the NA and the NA informs the MA Irregularity Officer.
6. In the period 2014-2020, the FLC bodies shall give special attention to the control of double financing, revenue, state aid and public procurement.
7. In case the MA has doubts on the reliable and effective functioning of the respective control system, it will address it to the MS concerned and try to find a solution.
8. In case of different interpretation of the eligibility rules, at the request of LP the MA will ask the JS to find a solution in collaboration with the FLC and EC.
9. The MA ensures that all outstanding questions will be fully followed-up before any Project Progress/Final Report is accepted. No Project Progress/Final Report will be approved and no payment will be transferred to the LP by the CA until full and satisfactory information has been provided on the control system in case of any doubts.

#### **Article 6** **Irregularities and financial liability**

1. With reference to Article 122 (2) of Common Provisions, each MS hosting a beneficiary is responsible for preventing, detecting and correcting irregularities and recovering amounts unduly paid together with any interest on late payments.
2. According to Article 122 (2) of the Common Provisions Regulation, each MS hosting a beneficiary is responsible for reporting irregularities above 10,000 EUR detected in the framework of the CP in compliance with Articles 3 and 4 of Delegated Regulation (EU) 2015/1970 to the EC. At the same time, the MS shall also inform the Managing Authority Irregularity Officer (MA IO) who shall then inform the MA, CA and AA.
3. In case irregularities are discovered, the respective control systems set up in each MS hosting a beneficiary according to Articles 18 and 23(4) of the ETC Regulation, have to ensure that any corrections required have been satisfactorily implemented. The affected MS shall report irregularities detected as set out in Article 6 (2) above.
4. In case the MA or CA discover irregularities, e.g. during the day-to-day-management of a project or in case the MA is notified of such irregularities, as well as in case of breach of contract or infringement of the provisions it is based on, the MA in close cooperation with the CA shall, in consultation with the respective MS concerned and when relevant in consultation with the MC, demand repayment of the subsidy in whole or in part if the funds have already been paid out in accordance with Article 27 (2) of the ETC Regulation. The repayment amount can be calculated against the next payment to the LP or, where applicable, remaining payments can be suspended. When this is not possible or if the irregularity is discovered after the last disbursement was paid out, a recovery procedure is initiated: amounts received from the recourse of subsidy payments will be credited to the accounts of the programme and if applicable to Commission.

5. In case the MA in close cooperation with the CA is not able to recover unjustified funding by using all reasonable endeavours and appropriate legal means from the LP within 90 days, the CA, on behalf of the MA, sends the LP a demand letter with a 30 day deadline. After the lapse of the latter deadline it is the MS on whose territory the respective beneficiary is located that bears the financial liability for irregularities committed by that beneficiary. The respective MS has to repay the CA any unduly paid funding in compliance with Article 27(3) of the ETC Regulation. If necessary, the MA shall, in consultation with the Monitoring Committee (MC), exercise its right to terminate the ERDF Subsidy contract. The MA is responsible for reimbursing the amounts concerned to the general budget of the Union.
6. In case the refund of unduly paid amounts to a beneficiary is not recoverable from the LP following the procedure described in paragraph 5, the MA will claim the repayment from:
  - The Government Office for Development and European Cohesion Policy on behalf of the MS Slovenia;
  - Ministry of Regional Development and EU Funds on behalf of the MS Croatia.

The responsible body has to repay the unduly paid amounts within 90 days of the MA's request.

7. The MA shall on request provide the MS hosting a beneficiary with all the information they require in order to take up their responsibilities and liability towards the programme. This includes the Subsidy Contract, Partner/Project Progress/Final Reports and related assessments concerning the beneficiary located on their territory as well as the documentary evidence of the unsuccessful recovery procedure.
8. Should the MA bear any legal expenses for recovery recourse proceedings – initiated after consultation and in mutual agreement with the respective MS – even if the proceedings are unsuccessful it will be reimbursed by the MS hosting the LP or PP responsible for the said procedure.
9. After recovery, the CA repays the irregular payments recovered, together with the interest received on account of late payment, by deducting the amounts concerned from its next drawing up of payment application or accounts to the EC, or if this is insufficient, by affecting a refund to the EU.
10. As defined in the CP, paragraph 5.4, participating MS bear liability for possible financial consequences of irregularities caused by the beneficiary located in its territory.

Following the rules set out above, the financial liability in connection for the use of the programme ERDF funds is as follows:

- Each MS bears liability for possible financial consequences of irregularities caused by the LPs and PPs located on its territory;
- For a systemic irregularity or financial correction on programme level that cannot be linked to a specific MS, the liability shall be jointly borne by the Member States in equal proportions (50:50);



- For TA expenditure incurred by the MA and JS, the liability related to administrative irregularities shall be borne by the MA and JS;
  - For TA expenditure incurred by the CA, the liability shall be borne by the CA;
  - For TA expenditure incurred by the AA/AB, the liability shall be borne by the AA/AB;
  - For TA expenditure incurred by the MS, the liability shall be borne by the MS concerned.
11. In the case that an interruption of payments according to Article 83 of the Common Provisions Regulation, suspension of payments according to Article 142 of the Common Provisions Regulation or de-commitment according to Articles 86 and Article 136 of the Common Provisions Regulation results in any loss of funds, the same rules for liability apply as set out above in Article 3 and point 10 of this Article.
12. In case an irregularity above 10.000 EUR of contribution or a suspected or established fraud is identified, the MA IO shall on a quarterly basis notify the relevant MS (NA) representative in order to communicate with the respective national body designated to address the cases and to report to European Anti-Fraud Office (hereinafter referred to as OLAF).

**Article 7**  
**Audits (Second Level Control)**

1. The AA together with the AB organised in the Group of Auditors, referred to in Article 25 (2) of the ETC Regulation, shall ensure that audits are carried out in compliance with Article 127 (1) (system audit, audit on projects, sampling) of the Common Provisions Regulation and Article 27 and Article 28 of Commission Delegated Regulation (EU) No 480/2014. The establishment of the Group of Auditors in accordance with Article 25 (2) of Regulation the ETC, its responsibilities and procedures for the planning of audits, methodology applied, execution of the audits and reporting, are defined in the Audit Strategy.
2. The AA assisted by the Group of Auditors will jointly agree on the approach to audit and will jointly decide on the Audit Strategy in accordance with the requirements set out in Article 127 (4) of the Common Provisions Regulation and the model in accordance with Article 127 (6) of the Common Provisions Regulation and Annex VII of Implementing Regulation (EU) No 2015/207. They shall update and review the Audit Strategy annually and, if necessary, during the course of the year. The assigned auditors will undertake the audits in compliance with the Audit Strategy mutually agreed within the Group of Auditors.
3. In compliance with Article 127(5) of the Common Provisions Regulation, the AA submits Annual Control Reports to the EC and issues each year an opinion to confirm the effective functioning of the management and control system put in place using the models as set out in Annex IX (audit report) and Annex VIII (opinion) of the implementing regulation (EU) No 2015/207. In order to do so, the AA relies on control reports issued by the AB for the system audits and audits of projects carried out in their duties. The Annual Control Report and opinion shall be drawn up using the models referred to above. The Group of Auditors, after having agreed upon this report, shall forward it to the MA, if applicable, in due time to be presented to the MC for information according to Article 110 of the Common Provisions Regulation and to be included in Annual

Summary of Final Audits and Controls by the MA and in the annual accounts by the CA if applicable.

4. If any of the Annual Control Reports and/or the opinions do not allow the provision of an unqualified opinion referred to in Article 127 (7) of the Common Provisions Regulation, the AA shall give the reasons and estimate the scale of the problem and its financial impact.
5. The audits shall establish whether any problems encountered are of a system character. If that is the case, the AA shall ensure further examination, including, where necessary, additional audits to establish the scale of such problems, and shall recommend the necessary corrective actions.
6. Following Article 128 of the Common Provisions Regulation, the AA supported by the Group of Auditors shall cooperate with the EC to coordinate their audit plans and audit methods and to immediately exchange the results of the audits carried out.

#### **Article 8**

##### **Instalment of Joint Secretariat branch offices**

1. Joint Secretariat is set by the MA in compliance with the Article 23 of ETC Regulation and is placed within Government Office for Development and European Cohesion Policy (GODC). According to CP Interreg V-A Slovenia Croatia the JS has two branch offices in Croatia (Krapina and Buzet). The JS staff located in branch offices is employed by the Agency for Regional Development of the Republic of Croatia (ARD).
2. The JS staff members are selected in agreement with both participating Member States. Regardless of the different locations of employees the JS has joint management and joint human resources management including selection of employees, training, assessment of job performance, division and delegation of work, etc. under the full responsibility of the Head of JS. Announcement of vacancies and job requirements shall be coordinated and approved by the Head of JS. GODC and ARD shall enable traveling of JS staff as planned by the Head of JS. Access to relevant skills necessary for individual posts as well as attendance of JS staff at seminars and workshops shall be assured by annual training plans of GODC and ARD developed in cooperation with the Head of JS. GODC and ARD provide necessary office space and technical equipment for JS staff and pursuant to national legislation apply appropriate safety at work standards and risk assessments.
3. Financing of JS employees and activities is planned within Priority 4 of the Technical assistance under TA1 budget reserved for core management which is divided between GODC and ARD as planned in TA projects approved by the MC.



**Article 9**  
**Designation procedure**

1. During the programme implementation, where audit and control results show that designated authorities no longer comply with the designation criteria, also as a result of institutional changes, the necessary action is to be taken by the responsible Authorities to restore the necessary compliance with the designation criteria.

**Article 10**  
**Programme closure**

After 2023 the closure activities will be followed by the legal successor of the preceding CP.

**Article 11**  
**Anti-fraud policy**

1. The signatories of the MoU have a zero tolerance policy to fraud and corruption, and have in place a control system that is designed to prevent and detect, as far as it is practicable, acts of fraud and correct their impact, should they occur. They are committed to maintain high legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty and wish to be seen as opposed to fraud and corruption in the way that they conduct their business.

**Article 12**  
**Final Provisions**

1. This MoU shall be governed in accordance with the EU laws and depending on the location, the laws of the Republic of Slovenia or the laws of the Republic of Croatia. In case of differences that are not ruled by this document, the parties agree to find an amicable and mutually acceptable solution.
2. Each MS shall undertake their utmost effort to support the MA/JS, FLC, CA and AA in their efforts to best implement the CP and to comply with the tasks pursuant to this document. Each MS shall provide answers to specific questions that may be set by the MA in respect of the implementation of the CP and *vice versa*.
3. If any provision of this document should be or become wholly or partly ineffective, all other provisions remain valid. The parties to this document will undertake all necessary steps and actions to replace the ineffective provision by an effective provision which comes as close as possible to the purpose of the ineffective provision.
4. Amendments to this MoU require written approval by all signatory parties.

5. Written communication between the signatory parties is carried out in English.
6. The official languages of the CP are Slovene, Croatian and English.
7. This document for the execution of the CP shall be signed by representatives of each MS, the MA, AA, AB, CA and NAs with designated FLCs. It becomes effective on the date on which the last signature is given and shall apply for the duration of the implementation of the CP, including the preparation of the Final Report according to Article 50 and 111 of the Common Provisions Regulation and the closure of the whole programme in line with Article 141 of the Common Provisions Regulation. It will be signed in 7 originals.





**The Member State Republic of Slovenia**, represented by:  
Government Office for Development and European Cohesion Policy

Kotnikova 5  
1000 Ljubljana

Place, Date: LJUBLJANA, 13 -01- 2017

Name and function of the person entitled to represent  
the Member State Republic of Slovenia:

Alenka Smerkolj, Minister without portfolio responsible for Development, Strategic Projects and  
Cohesion

Signature: \_\_\_\_\_

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a dot and a cursive 'S'.





**The Member State Republic of Croatia**, represented by:  
Ministry of Regional Development and EU Funds  
Račkoga 6  
10 000 Zagreb

Place, Date: Zagreb, 13 January 2017

Name and function of the person entitled to represent  
the Member State Republic of Croatia:

MINISTER OF REGIONAL DEVELOPMENT AND EU FUNDS

Gabrijela Žalac, B.Sc.

Signature:





**Agency for Regional Development of the Republic of Croatia**

Ulica Grada Vukovara 284

10 000 Zagreb

Place, Date: Zagreb, 10<sup>th</sup> of January 2017.

Name and function of the person entitled to represent the Agency for Regional Development of the Republic of Croatia

Stella Arneri  
Acting Director

Signature: \_\_\_\_\_





**The programme implementing bodies acting as MA, CA and AA**

**The Managing Authority**, represented by

Government Office for Development and European Cohesion Policy  
Cross-border Programmes Management Division  
Kotnikova 5  
1000 Ljubljana

Place, Date: LJUBLJANA 13-01-2017

Name and function of the person entitled to represent  
the Managing Authority:

mag. Nina Seljak, under the Authority No. 1001-12/2014/29  
dated on 1 January 2016  
Head of the Managing Authority

Signature: \_\_\_\_\_

A handwritten signature in blue ink, appearing to read 'N. Seljak', written over a horizontal line.







Public Fund of the Republic of Slovenia for Regional Development and Development of Rural Areas  
Škrabčev trg 9a  
1310 Ribnica

Place, Date: Ribnica, 9.1.2017

Name and function of the person entitled to represent  
the Certifying Authority:

Velislav Žvipelj, Director

Signature: \_\_\_\_\_



**The Audit Authority**, represented by  
The Ministry of Finance Slovenia, Budget Supervision Office  
Fajfarjeva 33  
1000 Ljubljana

Place, Date: *Ljubljana, 09 January 2017*

Name and function of the person entitled to represent  
the Audit Authority:

*Nataša Prah, Director*

Signature: \_\_\_\_\_



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|---|---------------------------------|
| 1   |                                 |
| REPUBLIKA SLOVENIJA<br>SLUŽBA ZA NADZOR UNIJINSKEGA KOHEZIJSKEGA POLITIKO |                                 |
| Prejeto: 11. 01. 2017   | Vredn.:<br>Priloge:             |
| Sig. znak: 051-13   | Številka zadeve: 510-17/2016/20 |



**The Audit Body**, represented by  
Agency for the Audit of EU Programmes Implementation System  
Alexandera von Humboldta 4/V  
10000 Zagreb

Place, Date: Zagreb, January 13, 2017

Name and function of the person entitled to represent  
the Audit Body:

Neven Šprlje, Director of the Agency

Signature: \_\_\_\_\_



Agencija za reviziju sustava  
programa Europske unije  
Zagreb

### List of acronyms and abbreviations

|       |  |
|-------|--|
| AA    | Audit Authority  |
| AB    | Audit Body   |
| CA    | Certifying Authority   |
| CP    | Cooperation Programme Interreg V-A Slovenia-Croatia  |
| EC    | European Commission  |
| eMS   | electronic Monitoring System   |
| ERDF  | European Regional Development Fund   |
| FLC   | First Level Control  |
| GODC  | Government Office of the Republic of Slovenia for Development and European Cohesion Policy |
| JS    | Joint Secretariat  |
| LP    | Lead Partner   |
| MA    | Managing Authority   |
| MA IO | Irregularity officer of the Managing Authority   |
| MC    | Monitoring Committee   |
| MoU   | Memorandum of Understanding  |
| MS    | Member State(s)  |
| NA    | National Authority   |
| OLAF  | European Anti-Fraud Office   |
| PP    | Project Partner  |
| TA    | Technical Assistance   |