

non-official publication

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**

THE SWISS FEDERAL COUNCIL (hereinafter referred to as "Switzerland")

AND

THE GOVERNMENT OF THE REPUBLIC OF CROATIA (hereinafter referred to as "Croatia")

hereinafter collectively referred to as "the Parties",

- AWARE of the importance of the enlargement of the European Union (hereinafter referred to as EU) for the stability and prosperity in Europe;
- NOTING the solidarity of Switzerland with the endeavours of the EU to reduce economic and social disparities within the EU;
- BUILDING upon the successful cooperation between the two countries during Croatia's transition process leading to its accession to the EU;
- HAVING regard to the friendly relations between the two countries;
- DESIROUS of strengthening these relations and the fruitful cooperation between the two countries;
- INTENDING to promote further the social and economic development in Croatia;
- IN VIEW of the fact that the Swiss Federal Council has expressed, in the Addendum of 02 May 2014 (hereinafter referred to as "Addendum") to the Memorandum of Understanding with the European Community of 27 February 2006 (hereinafter referred to as "Memorandum of Understanding"), the intention that Switzerland shall increase its contribution to reduce economic and social disparities within the enlarged EU by an additional contribution amounting up to CHF 45'000'000 (forty five million Swiss francs) to Croatia;

have agreed as follows:

Article 1 – Definitions

For the purpose of this Framework Agreement:

- "Contribution" means the non-reimbursable financial contribution granted by Switzerland under this Framework Agreement;
- "Swiss-Croatian Cooperation Programme" means the bilateral programme for the implementation of this Agreement;
- "Project" means a specific project or programme or other joint activities in the framework of this Framework Agreement. A programme consists of component projects linked by a common theme or shared objectives;
- "Commitment" means the allocation of a certain amount of the Contribution to a Project agreed upon by the Parties;
- "Project Agreement" means an agreement between the Parties and, if need be, additional contracting parties, on the implementation of a Project agreed upon by the Parties;

- "National Coordination Unit" (NCU) means the Croatian unit in charge of the coordination of the Swiss-Croatian Cooperation Programme;
- "Intermediate Body" means any legal public or private entity which acts under the responsibility of the NCU or which carries out duties on behalf of the NCU with regard to Executing Agencies implementing Projects;
- "Executing Agency" means any public authority, any public or private corporation as well as any organization recognized by the Parties and mandated to implement a specific Project financed under this Framework Agreement;
- "Implementation Agreement" means an agreement between the NCU and/or the Intermediate Body and the Executing Agency for the implementation of the Project;
- "Block Grant" means a fund set up for a clearly defined purpose, providing assistance to organizations or institutions, facilitating a cost-effective administration mainly in programmes with many small projects;
- "Project Preparation Facility" means the Facility providing financial support for the preparation of the Final Project Proposals;
- "Technical Assistance Fund" means the Fund for the financing of tasks performed by the Croatian authorities additionally and exclusively for the implementation of the Contribution;
- "Paying Authority" means the Croatian unit responsible for ensuring appropriate financial control over the use of the funds of the Swiss-Croatian Cooperation Programme;
- "Audit Organisation" means an internal or external certified audit organisation which carries out financial audits during and after Project implementation.

Article 2 – Objectives

1. The Parties shall promote the reduction of economic and social disparities within the enlarged EU through Projects mutually agreed upon between the Parties and in line with the Memorandum of Understanding and its relevant Addendum and the Conceptual Framework of the Swiss-Croatian Cooperation Programme as outlined in Annex 1 of this Framework Agreement.
2. The objective of this Framework Agreement is to establish a framework of rules and procedures for the planning and implementation of the cooperation between the Parties.

Article 3 – Amount of the Contribution

1. Switzerland agrees to grant a non-reimbursable Contribution towards the reduction of economic and social disparities within the enlarged EU of up to CHF 45'000'000 (forty five million Swiss francs) to Croatia for a Commitment period from the approval date of the Contribution by the Swiss Parliament, which is 11 December 2014, until the end of the validity period of the legal basis of the Contribution, which is 31 May 2017, and a disbursement period of ten years, starting from the approval date of the Contribution by the Swiss Parliament.
2. Switzerland shall accept submissions of Final Project Proposals according to Annex 2, Chapter 2 for Commitment of funds until four months before the end of the Commitment period.
3. Funds not committed during the Commitment period shall not be available anymore for the Swiss-Croatian Cooperation Programme.

Article 4 – Scope

The dispositions of this Framework Agreement shall apply to national Projects financed by Switzerland or co-financed by Switzerland with multilateral institutions and other donors, executed by an Executing Agency, mutually agreed upon by the Parties.

Article 5 – Utilization of the Contribution

1. The Contribution shall be used for the financing of Projects and can take any of the following forms:
 - a) Financial assistance including grants and technical assistance
 - b) Block Grants
 - c) Project Preparation Facility
 - d) Technical Assistance Fund
 - e) Research Funds
2. The Contribution shall be used in line with the objectives, principles, strategic directions, geographical and thematic focus as outlined in the Conceptual Framework in Annex 1.
3. 5% of the Contribution shall be used by Switzerland for its administration of this Framework Agreement. This includes, inter alia, expenses for staff and consultants, administrative infrastructure, missions, monitoring and evaluation.
4. The Contribution, in the form of grants, may not exceed 60% of the total eligible costs of the Project, except in the case of Projects receiving additional financing in the form of budget allocations from national, regional or local authorities, in which case the Contribution may not exceed 85% of the total eligible costs. Institution-

building and technical assistance Projects as well as Projects implemented by non-governmental organisations may be fully financed by the Contribution.

5. The following costs shall not be eligible for grant support: interests on debt, the purchase of real estate, staff costs of the Croatian Government for the management of the Swiss-Croatian Cooperation Programme, and recoverable value added tax as specified in Article 7 of this Framework Agreement. Expenditures incurred before the signing of the respective Project Agreement by all parties are not eligible. As an exception, in the case of the Technical Assistance Fund and the Project Preparation Facility, Switzerland can reimburse costs occurred before the entry into force of the Framework Agreement, and the respective Technical Assistance Fund and Project Preparation Facility Agreements.

Article 6 – Coordination and Procedures

1. To make sure that Projects have the greatest possible impact and in order to avoid duplication and overlapping with projects financed through means of structural and/or cohesion funding as well as by any other funding source, the Parties shall assure an effective coordination and share any information needed to that end.

2. All the correspondence exchanged between the Parties, including reports and Project documents, shall be drafted in English.

3. As a general rule, each Project shall be subject to a Project Agreement, which shall set out the terms and conditions of grant assistance as well as the roles and responsibilities of the contracting parties.

4. Croatia is responsible for the identification of Projects to be financed by the Contribution. Switzerland can offer Croatia proposals to finance Projects, including Projects of multilateral, national or trans-national institutions. The rules and procedures for the selection and implementation of Projects are defined in Annex 2 and for Block Grants, the Project Preparation Facility, the Technical Assistance Fund and the Research Funds in Annex 3.

5. All Projects shall be supported by Croatia and approved by Switzerland. The Parties attach high importance to the monitoring, the evaluation and the audit of Projects and of the Swiss-Croatian Cooperation Programme as stipulated in Annex 2. Switzerland, or any mandated third party acting on its behalf, is entitled to visit, monitor, review, audit and evaluate all activities and procedures related to the implementation of the Projects financed by the Contribution, as deemed appropriate by Switzerland. Croatia shall provide all requested or useful information and shall take or cause to be taken all actions allowing the successful realisation of such mandates.

6. Upon entry into force of this Framework Agreement, Croatia shall open a separate bank account in which the funds received from the Swiss Contribution shall be deposited. The Swiss administration costs referred to in Article 5, Paragraph 3 of this Framework Agreement shall not be managed through this account. The accumulated net interest shall be yearly reported to Switzerland.

7. Payment and reimbursement procedures are outlined in Annex 2, Chapter 4 of this Framework Agreement.

Article 7 – Value Added Tax and other Taxes and Charges

1. Value added tax (VAT) shall be considered eligible expenditure 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.

2. Other levies, taxes or charges, in particular direct taxes and social security contributions on salaries and wages, shall constitute eligible expenditure only if they are genuinely and definitively borne by the Executing Agency.

Article 8 – Annual Meetings and Reporting

1. In order to ensure effective implementation of the Swiss–Croatian Cooperation Programme, the Parties agree to hold annual meetings. The first meeting shall be held no later than one year after the beginning of the application of this Framework Agreement.

2. Croatia shall organize the meetings in cooperation with Switzerland. The NCU shall present one month before the meetings an annual report. Its content shall include but not be limited to the issues listed in Annex 2.

3. Upon the final disbursement under this Framework Agreement, Croatia shall submit to Switzerland a final report assessing the accomplishment of the objective of this Framework Agreement and a final financial statement on the use of the Contribution, based on the financial audits of the Projects.

Article 9 – Competent Authorities

1. Croatia has authorized the Ministry of Regional Development and EU Funds to act on its behalf as the NCU for the Swiss-Croatian Cooperation Programme. The NCU shall have the overall responsibility for the management of the Contribution in Croatia, including the responsibility for financial control and audit.

2. Switzerland has authorized:

the Federal Department of Foreign Affairs, acting through the Swiss Agency for Development and Cooperation (SDC)

and

the Federal Department of Economic Affairs, Education and Research, acting through the State Secretariat for Economic Affairs (SECO)

to act on its behalf for the implementation of the Swiss-Croatian Cooperation Programme.

Projects are assigned to one or the other institution according to their respective fields of competence.

3. The Swiss Embassy shall act as the contact point for the NCU with regard to official information referring to the Contribution. Day-to-day communication between the competent authorities may be maintained directly.

Article 10 – 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 Framework 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 Framework Agreement, the respective Project Agreement, the annulment of the procurement or resulting award, or for taking any other corrective measure laid down by applicable law. The parties shall promptly inform each other in case of any relating well-founded suspicion of an illegal act or corrupt practice.

Article 11 – Final Provisions

1. Annexes 1, 2 and 3 shall form an integral part of this Framework Agreement.
2. Any dispute which may result from the application of this Framework Agreement shall be resolved by diplomatic means.
3. Any amendment to this Framework Agreement shall be made in writing with the mutual agreement of the Parties and according to their respective procedures.
4. Annexes 1, 2 and 3 of this Framework Agreement may be subject to review at the annual meetings. Amendments to the Annexes 1, 2 and 3 of this Framework Agreement do not require formal change to this Framework Agreement. Such amendments shall be confirmed through an exchange of letters with the mutual agreement of the competent authorities mentioned in Article 9.

5. This Framework Agreement can be terminated at any time by one of the Parties upon a six-month prior written notice. In this case, the provisions of this Framework Agreement shall continue to apply to the Project Agreements concluded before the termination of this Framework Agreement. The Parties shall decide by mutual agreement any other consequences of the termination.

6. This Framework Agreement shall enter into force on the date of the latter notification confirming the completion by both Parties of their respective approval procedures. Starting on the day of the signing of this Framework Agreement, the parties shall apply this Framework Agreement provisionally until it enters into force.

7. This Framework Agreement covers a Commitment period from 11 December 2014 until 31 May 2017 and a disbursement period ending on 10 December 2024.

8. This Framework Agreement shall be terminated on the date of reception of the final report by Croatia assessing the accomplishment of its objective according to Article 8 Paragraph 3.

Signed at Zagreb on 29.06.2015, in two authentic copies in the English language.

For the Swiss
Federal Council

For the Government of
the Republic of Croatia