

MEMORANDUM OF UNDERSTANDING

**between the European Community and the Republic of Croatia
on the participation of the Republic of Croatia in the Community incentive measures in
the field of employment**

**THE COMMISSION OF THE EUROPEAN COMMUNITIES, hereinafter referred to
as "the Commission", on behalf of the European Community,**

on the one part, and

**THE GOVERNMENT OF THE REPUBLIC OF CROATIA, hereinafter referred to as
"Croatia",**

on the other part

Whereas:

- (1) The Framework Agreement of 22 November 2004 between the European Community and Croatia¹ establishes the general principles for the participation of Croatia in Community programmes, leaving the Commission and the competent authorities of Croatia to determine the specific terms and conditions, including the financial contribution, with regard to such participation in each particular programme.
- (2) The Community incentive measures in the field of employment were established by Decision N° 1145/2002/EC of the European Parliament and of the Council of 10 June 2002²,

HAVE AGREED AS FOLLOWS:

Article 1

Programme

Croatia shall participate in the Community incentive measures in the field of employment, (hereinafter called "the Programme"), in accordance with the conditions laid down in the Framework Agreement of 22 November 2004 between the European Community and Croatia on the general principles for the participation of Croatia in Community programmes, and under the terms and conditions referred to in Articles 2 to 4 of this Memorandum of Understanding.

¹ OJ L 192, 22.07.2005
² OJ L 170, 29.6.2002, pp.1-5

Article 2

Terms and conditions with respect to participation in the Programme

1. Croatia shall participate in the activities of the Programme in accordance with the objectives, criteria, procedures and deadlines as defined in Decision N°1145/2002/EC of the European Parliament and of the Council of 10 June 2002, and according to the following conditions/timetables:

Year of participation: 2006

Activities within strand 1 (Analysis, research, statistical co-operation)

Progressive coverage of Croatia in the studies and work on statistics launched by the Commission.

Activities within strand 2 (Exchange of experience and good practice)

a) Participation in the activities of the European Employment Observatory (EEO) and in the two expert networks working under the umbrella of the EEO, more specifically:

- *MISEP correspondents from employment ministries and possibly Public Employment Services (PES)*: participation of two delegates from Croatia in two meetings;
- *SYSDM (independent labour market experts)*: identification of a labour market expert from Croatia with an academic profile, who will be requested to be available 40 working days per year for advice and preparation of reports and publications.

b) Invitation of up to six delegates (governmental officials and representatives of stakeholders) from Croatia to two thematic review meetings, and of two delegates (one governmental official and one independent expert) to two out of six peer review meetings (Mutual Learning Programme). Such participation in the meetings allows Member States to learn from good practices on policy issues related to the EES.

Activities within strand 3 (Public Employment Services)

- Participation of Public Employment Services (PES) management staff from Croatia in training modules, to be organised in co-operation with a number of EU PES, addressing issues related to PES modernisation, development issues of PES in candidate countries, international labour mobility, preparation for participation in EURES, and the role of PES in the European Employment Strategy.
- Participation of two representatives from Croatia in the meetings of Heads of PES (two meetings per year).

Activities within strand 4 (Encouraging local employment development)

Participation of one delegate from Croatia in a European seminar on a topic related to the local dimension of the EES.

Administrative expenditure

The financial contribution of Croatia will also cover administrative expenditure for the participation of one representative as an observer in the meetings of the Employment Incentive Measures (EIM) Committee (two meetings per year as necessary); missions in relation to the EIM by Commission officials to Croatia; other administrative support.

2. The terms and conditions applicable to the submission, assessment and selection of applications by eligible institutions, organisations and individuals of Croatia shall be the same as those applicable to eligible institutions, organisations and individuals of the Member States of the European Union.
3. To participate in the Programme, Croatia shall pay a financial contribution to the General Budget of the European Union in accordance with Article 3 below.
4. Croatia's financial contribution in respect of its participation and implementation of the Programme shall be added to the amount earmarked in 2006 in the General Budget of the European Union for commitment appropriations to meet the financial obligations arising out of different forms of measures necessary for the execution, management and operation of the Programme.
5. One of the official languages of the Community shall be used for the procedures related to requests, contracts and reports, as well as for other administrative aspects of the Programme.

Article 3

Financial contribution

The rules governing Croatia's financial contribution are set out in Annex I.

Part of that financial contribution may be financed under the relevant Community external aid instrument, if Croatia so requests.

Article 4

Reporting and evaluation

Without prejudice to the responsibilities of the Commission and the Court of Auditors of the European Communities in relation to the monitoring and evaluation of the Programme, Croatia's participation in the Programme shall be continuously monitored on a partnership basis involving the Commission and Croatia. Croatia shall submit to the Commission relevant reports and take part in other specific activities provided for by the Community in that context.

The rules concerning financial control, recovery and other antifraud measures are laid down in Annex II.

Article 5

Final provisions

This Memorandum of Understanding shall apply for the duration of the Programme. Nevertheless, should the European Community decide to extend the duration without any substantial change within the Programme, this Memorandum would also be extended correspondingly and automatically if neither Party gives notice of terminating it within one month following the extension decision.

Projects and activities in progress at the time of termination shall continue until their completion under the conditions laid down in this Memorandum of Understanding, as well as the contractual arrangements applying to these projects and activities and the provisions of Annex II.

The annexes form an integral part of this Memorandum of Understanding.

This Memorandum of Understanding may only be amended in writing by common consent of the Parties.

This Memorandum of Understanding shall enter into force on the day of signature by both Parties.

Done at Brussels on *01.03.2006.*
For the Government of Croatia

Branko Baričević
Branko Baričević
Ambassador extraordinary and
plenipotentiary
Head of the mission of the Republic of
Croatia to the European Communities

Done at Brussels on *01.03.2006.*
For the Commission,

Vladimir Špidla
on behalf of the European Community
Vladimir Špidla
Member of the Commission for Employment,
Social Affairs and Equal Opportunities

Annex I

**Rules governing Croatia's financial contribution to the
Community incentive measures in the field of employment**

1. The financial contribution to be paid by Croatia to the General Budget of the European Union to participate in the Programme shall be the following:
EUR 30 000 for the year 2006.
2. The contribution of Croatia shall cover costs related to the preparation, feasibility, development and execution of the projects of common interest, as well as for the development and implementation of horizontal measures as provided in the Programme.
3. Travel costs and subsistence cost incurred by representatives and experts of Croatia for the purposes of taking part as observers in the work of the committee referred to in Article 9 of Decision N° 1145/2002/EC of the European Parliament and of the Council of 10 June 2002 or in other meetings related to the implementation of the Programme, shall be reimbursed by the Commission on the same basis as and in accordance with the procedures currently in force for representatives of the Member States of the European Union.
4. The Financial Regulation applicable to the General Budget of the European Union shall apply to the management of the contribution of Croatia.
5. When this Memorandum of Understanding enters into force, the Commission shall send to Croatia a call for funds corresponding to its contribution of the costs covered by this Memorandum of Understanding.
6. That contribution shall be paid in euro to a euro-denominated bank account of the Commission.
7. Croatia shall pay its contribution to the annual costs in accordance with the call for funds no later than three months after the date of the call. Any delay in the payment of the contribution shall give rise to the payment of default interest by Croatia on the outstanding amount from the due date. The interest rate shall be the rate applied by the European Central Bank to its main refinancing operations, as published in the C series of the Official Journal of the European Communities, in force on the first calendar day of the month in which the due date falls, increased by 3.5 percentage points. Where the delay in the payment of the contribution is such that it may significantly jeopardise the implementation and management of the programme, and in the absence of payment 20 working days after a formal letter of reminder has been sent by the Commission to Croatia, the participation of Croatia in the programme for the relevant year will be suspended.



Annex II

FINANCIAL CONTROL, RECOVERY AND OTHER ANTIFRAUD MEASURES

I. CONTROLS AND ANTIFRAUD MEASURES BY THE COMMUNITY

1. In accordance with Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 and Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 and with the other rules referred to in this Memorandum of Understanding, the contracts concluded with beneficiaries of the programmes established in Croatia shall provide for financial or other audits to be conducted at any time on the premises of the beneficiaries and of their subcontractors by Commission agents or by other persons mandated by the Commission.
2. Commission agents and other persons mandated by the Commission shall have appropriate access to sites, works and documents and to all the information required in order to carry out such audits, including in electronic form. This right of access shall be stated explicitly in the contracts concluded to implement the instruments referred to in this Memorandum. The European Court of Auditors shall have the same rights as the Commission.
3. Within the framework of this Memorandum, the Commission/OLAF (the European Anti Fraud Office) shall be authorised to carry out on-the-spot checks and inspections on Croatian territory, in accordance with the procedural provisions of Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996.

These checks and inspections shall be prepared and conducted in close collaboration with the competent Croatian bodies designated by the Croatian authorities, which shall be notified in good time of the object, purpose and legal basis of the checks and inspections, so that they can provide all the requisite help.

If the Croatian authorities concerned so wish, the on-the-spot checks and inspections may be carried out jointly with them.

Where the participants in the programmes resist an on-the-spot check or inspection, the Croatian authorities, acting in accordance with national rules, shall give the Commission/OLAF inspectors such assistance as they need to allow them to discharge their duty in carrying out an on-the-spot check or inspection.

The Commission/OLAF shall report as soon as possible to the Croatian authorities any fact or suspicion relating to an irregularity which has come to its notice in the course of the on-the-spot check or inspection. In any event the Commission/OLAF shall be required to inform the above-mentioned authority of the result of such checks and inspections.

II. INFORMATION AND CONSULTATION

1. For the purposes of proper implementation of this Annex, the competent Croatian and Community authorities shall regularly exchange information and, at the request of one of the Parties, shall conduct consultations.
2. The competent Croatian authorities shall inform the Commission without delay of any fact or suspicion which has come to their notice relating to an irregularity in connection with the conclusion and implementation of the contracts concluded in application of the instruments referred to in this Memorandum.

III. ADMINISTRATIVE MEASURES AND PENALTIES

Without prejudice to the application of Croatian criminal law, the Commission may impose administrative measures and penalties in accordance with Regulations (EC, Euratom) No 1605/2002 of 25 June 2002 and (EC, Euratom) No 2342/2002 of 23 December 2002.

IV. RECOVERY

Decisions taken by the Commission within the scope of this Memorandum which impose a pecuniary obligation on persons other than States shall be enforceable in Croatia. The enforcement shall be governed by the rules of civil procedure in force in the State in the territory of which it is carried out. The order for its enforcement shall be appended to the decision, without other formality than verification of the authenticity of the decision, by the national authority which the government of Croatia shall designate for this purpose and shall make known to the Commission. When these formalities have been completed on application by the Commission, the latter may proceed to enforcement in accordance with the national law, by bringing the matter directly before the competent authority. The legality of the Commission decision shall be subject to control by the Court of Justice of the European Communities.

Judgments given by the Court of Justice of the European Communities pursuant to an arbitration clause in a contract within the scope of this Memorandum shall be enforceable on the same terms.

V. DIRECT COMMUNICATION

The Commission shall communicate directly with the participants in the Community incentive measures in the field of employment established in Croatia and with their subcontractors. The latter may submit directly to the Commission all relevant information and documentation which they are required to submit on the basis of the instruments referred to in this Memorandum and of the contracts concluded to implement them.

