1. **Identification**

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>Croatia</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRIS number</td>
<td>IPA/2010/022-460</td>
</tr>
<tr>
<td>Year</td>
<td>2010</td>
</tr>
<tr>
<td>Cost</td>
<td>EUR 38 623 458[^1^]</td>
</tr>
<tr>
<td>Implementing Authority</td>
<td>The Implementing Agency of Croatia, responsible for the execution of the projects, is the Central Finance and Contracting Agency (CFCA) except for:</td>
</tr>
<tr>
<td></td>
<td>- Project 13 (statistical code: HR-2010-04-65-02) “Participation in Union Programmes and Agencies”, where implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.</td>
</tr>
<tr>
<td>Final date for concluding the Financing Agreements</td>
<td>31 December 2011</td>
</tr>
<tr>
<td>Final date for contracting</td>
<td>2 years following the date of conclusion of the Financing Agreement. No deadline for audit and evaluation projects covered by this Financing Agreement, as referred to in Article 166(2) of the Financial Regulation. These dates apply also to the national co-financing.</td>
</tr>
<tr>
<td>Final dates for execution</td>
<td>2 years following the end date for contracting. These dates apply also to the national co-financing.</td>
</tr>
<tr>
<td>Sector Code</td>
<td>12250 (project 6), 15110 (project 12), 15111 (project 7), 15130 (projects 1,2,5,8,9), 15150 (project 3), 15250 (project 4), 41010 (projects 10,11), 99810 (project 13)</td>
</tr>
<tr>
<td>Budget line concerned</td>
<td>22.020100: national programmes (component Transition Assistance and Institution Building) for Candidate Countries.</td>
</tr>
<tr>
<td>Programming Task Manager</td>
<td>DG ELARG.B1</td>
</tr>
</tbody>
</table>

[^1^] Out of the EUR 39 483 458 allocation under IPA 2010 component I for Croatia, and in addition to this programme amounting to EUR 38 623 458, EUR 860 000 will support activities in the area of Nuclear Safety and Radiation Protection, which, to facilitate the management of assistance, will be coordinated and implemented under the relevant IPA 2010 Multi-Beneficiary programme.
2. **PRIORITY AXES / PROJECTS**

2.a **Priority axes**

Given its advanced stage of membership preparations, IPA programming exercises for Croatia focus on remaining assistance needs relevant for assuming membership obligations.

The 13 projects of the IPA 2010 National Programme are grouped under the four strategic priority axes defined in the Multi-annual Indicative Planning Document (MIPD) 2009-2011 for Croatia: political criteria, economic criteria, ability to assume the obligations of membership, and supporting programmes.

They have been selected by taking into account their compliance with the Accession Partnership adopted on 12 February 2008, the Enlargement Strategy Paper and the Progress Report.

The projects proposals have also been assessed against the background of the 2009 National Plan for the integration of the Republic of Croatia into the EU, the Croatian strategic development framework 2006-2013, as well as sectoral strategies wherever appropriate.

As in previous years, projects were also appraised according to the sequencing of assistance in a given sector, the implementation capacity of the potential beneficiary institution and the maturity of the project proposals. The screening of draft proposals by the Croatian authorities themselves has improved over the last years but needs to be further strengthened.

2.b **Description of projects grouped per priority axis**

**Priority axis 1: Political Criteria**

- **Judiciary and fundamental rights:**

| **Project 1:** Improvement of the enforcement system in the Republic of Croatia  
(statistical code: HR2010-01-23-01) |
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IPA contribution:</td>
</tr>
<tr>
<td>EUR 1 495 000</td>
</tr>
<tr>
<td>National contribution:</td>
</tr>
<tr>
<td>EUR 105 000</td>
</tr>
<tr>
<td>Total:</td>
</tr>
<tr>
<td>EUR 1 600 000</td>
</tr>
</tbody>
</table>

The project aims at the development of an efficient enforcement system contributing to the reduction of case backlog, by supporting the Ministry of Justice in introducing a Public Bailiff system.
To this end, a call for proposals for a grant agreement (twinning\(^2\)) of EUR 1 200 000, as well as a tender for a technical assistance (service) contract of EUR 300 000 and another one for a supply contract of EUR 100 000, are foreseen to be launched in the 2\(^{nd}\) quarter of 2011.

**Project 2: Strengthening the efficiency of the judiciary in the Republic of Croatia**

<table>
<thead>
<tr>
<th></th>
<th>IPA contribution:</th>
<th>National contribution:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR 2 330 000</td>
<td>EUR 270 000</td>
<td>EUR 2 600 000</td>
</tr>
</tbody>
</table>

The project aims at improving court efficiency in shortening the length of court proceedings and reducing case backlog. It is expected to support the courts rationalisation process, the improvement of court delivery system, the establishment of a recording system of court hearings, and the improvement of legal certainty through the recognition and enforcement of judgments and decisions of EU Member States.

To this end, a call for proposals for a grant agreement (twinning) of EUR 1 200 000 as well as a tender for a supply contract of EUR 1 400 000 are foreseen to be launched in the 1\(^{st}\) quarter of 2011.

**- Civil society:**

**Project 3: Civil Society Facility - Assisting Civil Society Organisations in developing, implementing and monitoring public and acquis-related policies**

<table>
<thead>
<tr>
<th></th>
<th>IPA contribution:</th>
<th>National contribution:</th>
<th>Private contribution:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR 2 400 000</td>
<td>EUR 300 000</td>
<td>EUR 300 000</td>
<td>EUR 3 000 000</td>
</tr>
</tbody>
</table>

The Communication on the Western Balkans adopted on 5 March 2008 insists on civil society as an essential element of democratic public life. The Commission is comprehensively assisting civil society by means of IPA assistance under the Civil Society Facility comprising of a horizontal programme as well as national programmes.

In this overall context, this project aims at providing civil society organisations (CSOs) with relevant knowledge, skills and experience required for strengthening their role as relevant actors at the local level in the fields of *fight against corruption, prevention of violence among youth and children and fostering youth volunteering, promotion and monitoring of equal opportunities and non-discrimination related policies*, and in *promotion and monitoring of sustainable development and environment protection policies*.

\(^2\) The essential selection and award criteria for the award of twinning grants are laid down in the twinning manual referred to in point 4.3.
The project will be implemented through four grants schemes of EUR 630 000, EUR 900 000, EUR 630 000 and EUR 540 000 respectively, targeting CSOs that are active in the aforementioned fields with grants ranging in duration from 12 to 24 months and in amount from EUR 50 000 to EUR 250 000. The calls for proposals are foreseen to be launched in the 2nd quarter of 2011.

- Democracy and Human Rights:

<table>
<thead>
<tr>
<th>Project 4: De-mining Programme in War Affected Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>(statistical code: HR-2010-01-36-04)</td>
</tr>
<tr>
<td>IPA contribution: EUR 3 000 000</td>
</tr>
</tbody>
</table>

The project aims at creating a safe environment and setting security pre-conditions for sustainable return and socio-economic development in war affected areas, by performing de-mining operations in Vukovar-Srijem and Osijek-Baranja Counties.

The project will be implemented through a direct grant agreement with the Croatian Mine Action Centre (CROMAC) of EUR 4 000 000, on the basis of article 168 (1) (c) of the Implementing Rules to the Financial Regulation, as according to the Croatian Law on Humanitarian Demining, only CROMAC is authorised to award humanitarian de-mining operations to de-mining companies as a result of public procurement procedures. The direct grant is foreseen to be signed in the 4th quarter of 2011.

Priority axis 2: Economic Criteria

- Economic revival and long term growth:

<table>
<thead>
<tr>
<th>Project 5: Integrated Land Administration System Implementation - ILAS implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(statistical code: HR-2010-02-23-01)</td>
</tr>
<tr>
<td>IPA contribution: EUR 5 480 000</td>
</tr>
</tbody>
</table>

The project aims at supporting the State Geodetic Administration and the Ministry of Justice in accelerating the efficiency of businesses processes in Land Registry and Cadastre in the framework of the Integrated Land Administration System Implementation (ILAS). It is expected to improve the investment climate and to contribute to the rationalisation of courts network.

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3 The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions.
To this end, three tenders for two technical assistance (service) contracts of EUR 2
d000 000 and EUR 2 200 000 and a supply contract of EUR 2 000 000 are foreseen to
be launched in the 2\textsuperscript{nd} quarter of 2011.

\textbf{Priority axis 3: Ability to assume the obligations of membership}

\textit{- Chapter 12 - Food safety, veterinary and phytosanitary policy:}

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|}
\hline
\textbf{Project 6: Continued Support to animal disease control/eradication in the Republic of Croatia (statistical code: HR-2010-03-12-01)} & & \\
\hline
IPA contribution: & National contribution: & Total: \\
EUR 3 107 075 & EUR 975 319 & EUR 4 082 394 \\
\hline
\end{tabular}
\end{table}

The project aims at assisting the Veterinary Directorate of the Ministry of Agriculture,
Fisheries and Rural Development regarding animal diseases that have serious animal
and public health impacts, by supporting the control/eradication of rabies in foxes and
reducing the risk of new rabies cases.

This project is complementary to a Multi-Beneficiary regional programme for the
eradication of rabies in the Western Balkans. It is a direct follow-up of a project
financed under the IPA 2008 National Programme for Croatia and should ensure oral
vaccination campaigns of foxes for further two years.

The project will be implemented through one supply contract of EUR 2 117 500, one
service contract of EUR 1 050 000, one service contract of EUR 854 894, and one
service contract of EUR 60 000. The tenders for the first two contracts are foreseen to
be launched in the 3\textsuperscript{rd} quarter of 2011, and in the 4\textsuperscript{th} quarter of 2011 for the last two
contracts.

\textit{- Chapter 16 - Taxation:}

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|}
\hline
\textbf{Project 7: Enhancement of the CTA administrative and institutional capacity in the field of application of VAT EU common system (statistical code: HR-2010-03-16-02)} & & \\
\hline
IPA contribution: & National contribution: & Total: \\
EUR 760 000 & EUR 40 000 & EUR 800 000 \\
\hline
\end{tabular}
\end{table}

This project aims at further aligning Croatia with EU procedures and best practices in
the field of VAT, by strengthening the administrative and organisational capacities of
the Croatian Tax Administration (CTA).

To this end, a call for proposals for a grant agreement (twinning) of EUR 800 000 is
foreseen to be launched in the 2\textsuperscript{nd} quarter of 2011.

\textit{- Chapter 24 - Justice, Freedom and Security:}
**Project 8: Integrated Border Management**

(statistical code: HR-2010-03-24-03)

<table>
<thead>
<tr>
<th>IPA contribution:</th>
<th>National contribution:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 5 833 750</td>
<td>EUR 1 811 250</td>
<td>EUR 7 645 000</td>
</tr>
</tbody>
</table>

This project aims at contributing to the development of a strengthened Croatian Integrated Border Management (IBM) system that will establish greater security at international borders and diminish cross-border crime and illegal migration, by developing efficient customs controls at border crossing points and equipping the Border Police of the Ministry of Interior and the Customs Administration of the Ministry of Finance.

To this end, a call for proposals for a grant agreement (twinning) of EUR 500 000, and a tender for a supply contract of EUR 7 145 000 are foreseen to be launched in the 2nd quarter of 2011.

**Project 9: Support to the National Visa System**

(statistical code: HR-2010-03-24-04)

<table>
<thead>
<tr>
<th>IPA contribution:</th>
<th>National contribution:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 1 169 000</td>
<td>EUR 171 000</td>
<td>EUR 1 340 000</td>
</tr>
</tbody>
</table>

This project aims at further aligning the national visa system with the EU visa system. It is expected to support the improvement of the capacities of the Diplomatic Missions and Consular Posts and the continued alignment of Croatian visa legislation with further developments in the Schengen acquis. It will also provide equipment to the Ministry of Foreign Affairs and European Integrations and the Ministry of Interior in order to create technical preconditions for detecting counterfeited or falsified documents and for facilitating visa procedures.

To this end, a call for proposals for a grant agreement (twinning) of EUR 300 000 and a tender for a supply contract of EUR 1 040 000 are foreseen to be launched in the 2nd quarter of 2011.

- Chapter 27 - Environment:

**Project 10: Development of flood hazard maps and flood risk maps**

(statistical code: HR-2010-03-27-05)

<table>
<thead>
<tr>
<th>IPA contribution:</th>
<th>National contribution:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 1 045 000</td>
<td>EUR 55 000</td>
<td>EUR 1 100 000</td>
</tr>
</tbody>
</table>

This project aims at assisting the Ministry of Regional Development, Forestry and Water Management in the further harmonisation and implementation of EU water-related acquis, specifically the EU Directive 2007/60/EC on the preparation of flood hazard maps and flood risk maps.
To this end, a call for proposals for a grant agreement (twinning) of EUR 1 100 000 is foreseen to be launched in the 2nd quarter of 2011.

### Project 11: Strengthening capacities for strategic environmental assessment at regional and local level

*(statistical code: HR-2010-03-27-06)*

<table>
<thead>
<tr>
<th>IPA contribution:</th>
<th>National contribution:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 990 000</td>
<td>EUR 110 000</td>
<td>EUR 1 100 000</td>
</tr>
</tbody>
</table>

This project aims at further implementing environmental *acquis*, by strengthening capacities for strategic environmental assessment at regional and local level in Croatia in line with Directive 2001/42/EC.

To this end, a tender for a technical assistance (service) contract of EUR 1 100 000 is foreseen to be launched in the 2nd quarter of 2011.

### Priority Axis 4: Supporting programmes

#### Project 12: Flexible Facility for Reinforcement of Administrative Capacity

*(statistical code: HR-2010-04-40-01)*

<table>
<thead>
<tr>
<th>IPA contribution:</th>
<th>National contribution:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 3 570 948</td>
<td>EUR 396 772</td>
<td>EUR 3 967 720</td>
</tr>
</tbody>
</table>

In the continuation of previous facilities, this facility of a total of EUR 3 967 720 will be implemented through twinning, twinning light or technical assistance contracts and aims at addressing in a flexible manner specific needs identified in the course of the negotiations process, as well as reinforcing the institutional capacity for the management of EU funds. This facility will also be used for projects which are too small to be justified as specific and separate projects.

It is expected that all service tenders/calls for proposals for grant agreements (twinning) will be launched in the year 2011.

#### Project 13: Participation in Union Programmes and Agencies

*(statistical code: HR-2010-04-65-02)*

<table>
<thead>
<tr>
<th>IPA contribution:</th>
<th>National contribution:</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 7 442 685</td>
<td>EUR 12 105 423</td>
<td>EUR 19 548 108</td>
</tr>
</tbody>
</table>

A Protocol to the Stabilisation and Association Agreement (SAA) on a Framework Agreement on the general principles for Croatia’s participation in Union Programmes was signed in November 2004.

The IPA programme can be used to meet a part of the costs for the participation in the programmes in accordance with Article 5 Paragraph 2 of the Framework Agreement.
EUR 7 442 685 are allocated from IPA 2010 Component I to co-finance the participation of Croatia in, inter alia, the following indicative list of Union Programmes and Agencies in 2011: Fiscalis 2013, CUSTOMS 2013, Culture 2007-2013, Media 2007, Seventh Framework Programme for Research, Technological Development and Demonstration Activities, Europe for Citizens, PROGRESS, Competitiveness and Innovation Framework (CIP), Civil protection financial instrument, Second Programme of Community Action in the Field of Health 2008-2013, Marco Polo II, ISA (Interoperability Solutions for European Public Administrations), LifeLong Learning, and Youth in Action.

The participation of the Beneficiary Country in Union programmes shall follow the specific terms and conditions set out for each such programme in the Memorandum of Understanding concluded or to be concluded by the European Commission and the Beneficiary Country, in accordance with the agreements establishing the general principles for participation of the Beneficiary Country in Union programmes. It shall include provisions on both the total amount of the Beneficiary Country's contribution and the amount funded by assistance under the IPA regulation.

The indicative list of Union Programmes and Agencies may be adapted to meet time constraints and availability of funds once the information concerning financial contribution to be paid by the Republic of Croatia in all Union Programmes and Agencies has been communicated.

2.c Overview of past and on going assistance (EU / International Financial Institutions / Bilateral and national assistance) including lessons learned and donor co-ordination

The IPA 2010 programme builds on assistance provided to Croatia under the CARDS programme, with a total financial allocation for the period 2001 to 2004 of EUR 260 million, the 2005-2006 pre-accession instruments Phare, Phare CBC, ISPA and SAPARD with a total financial allocation of EUR 229.6 million, as well as IPA 2007, 2008 and 2009 (Component I) with financial allocations of EUR 45.4 million, EUR 41.4 and EUR 44.6 million respectively.

The report of the 2009 Country Programme Interim Evaluation highlighted the following results as regards the deployment of PHARE and IPA assistance in Croatia:

- Programmes have been generally well focused on the accession priorities. Some projects explicitly addressed key negotiations requirements for specific acquis chapter (i.e. opening and closing benchmarks). Others are aimed at contributing to more general objectives of institutional strengthening and other soft acquis requirements.

- There is a satisfactory degree of coherence between assistance programmes and Croatia’s national sectoral strategies. EU programmes are partly used to draft or update the strategic framework in key areas of the accession process, while at the same time assisting Croatian institutions in their concrete implementation.

Concrete examples of projects focused on the development of sectoral strategies can be found in various areas. For instance, in the field of Home affairs, PHARE 2005 helped the updating of the Schengen Action Plan (SAP) and the elaboration of a reform strategy for human resources management; facility projects in the field of
information society contributed to the Strategy for the switchover to digital broadcasting; assistance was also given to the Ministry of Agriculture, Fisheries and Rural Development for the drafting of the National Fisheries Strategy.

Furthermore, EU assistance has been decisive to the elaboration of strategies and plans for the EU funds made available under IPA III, IV and V, and in the perspective of structural instruments. In particular, the assistance extended to the Central Office for Development Strategy and Coordination of EU Funds (CODEF) - as the body responsible for regional policy and coordination of structural instruments - is particularly important with a view to the finalisation of the National Strategic Reference Framework, which is the reference document for the programming of EU funds available to Member States.

- In many cases the draft legislation and strategy plans elaborated within the framework of EU funded twinning and technical assistance projects have been either fully endorsed by the national authorities or significantly contributed to policy-making process.

Concrete examples in this respect can be drawn from the Home affairs sector, in particular: (i) PHARE 05 Preparation for the Implementation of the Schengen Acquis helped the updating of the Schengen Action Plan and the elaboration of a strategy for the reduction of crossing border points; (ii) PHARE 05 Strengthening of Human Resource Management contributed to the drafting of a Reform Strategy adopted by the Ministry of Interior.

Other areas where immediate objectives of assistance were successfully achieved include, *inter alia*, Market surveillance, Land administration, Taxation, Custom Unions, support to Civil Society, and in part the reform of the Judicial system.

**Lessons learned as regards the absorption and administrative capacities of the Croatia’s public administration bodies:**

In designing the IPA 2010 programme, careful account has been taken of the results of projects programmed in previous years, notably as described in the thematic Public Administration Reform evaluation and in the aforementioned Country Programme Interim Evaluation carried out by DG Enlargement in 2009.

In particular, issues that in the past affected the achievement of project purposes are being increasingly addressed:
- more attention is paid to conditionality and sequencing, since the programming stage;
- measures have been deployed to improve the administrative implementability of projects and compress the length of preparatory phase;
- where required, measures have been adopted to enhance the involvement of decision-makers in the execution of projects, and to facilitate inter-institutional coordination.

Administrative capacity needs to be significantly increased, notably in terms of timeliness and quality of the submitted tendering and contracting documents, in order for Croatia to achieve absorption under IPA and the future Structural Funds. A track
record of improved implementation is needed, also in view of the plan to waive *ex ante* controls under the decentralised management system.

**Lessons learned and way forward as regards Donor coordination:**

Donor coordination is of great importance to avoid any overlap of assistance. In line with the conferences on donor coordination in Tirana in April 2009 and in Brussels in October 2009, the Commission has continued to promote the establishment of more formal co-ordination mechanisms by the Croatian government and its ownership of the coordination process. At the local level, the EU Delegation continued donor coordination activities by organising six meetings with the Member States in the course of 2009.

**Lessons learned and way forward as regards the involvement of and support to the civil society:**

The dialogue with civil society organisations, as well as their development, are of great importance to ensure the sustainability of measures taken as well as the broadest possible support for them. This is the reason why under the national programme for Croatia under the IPA Transition Assistance and Institution Building Component for 2010 this dialogue will be supported by the aforementioned project "Assisting Civil Society Organisations in developing, implementing and monitoring public and acquis-related policies" under DG Enlargement Civil Society Facility.

**2.d Horizontal issues**

Horizontal or cross cutting issues, such as *equal opportunities, support to minorities and vulnerable groups, civil society dialogue, environmental protection, good governance and fight against corruption* are an integral part of each project fiche where applicable.

The mainstreaming of the cross cutting issues is regarded on two different levels: ensuring that on one hand the internal policies, structure or operating procedures, and on the other hand the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies), will conform to and promote the relevant principles.

**2.e Conditions**

1. Before the Financing Agreement is signed, the National IPA Coordinator (NIPAC) will confirm the availability of the national co-financing indicated in each project fiche.

2. In order to guarantee improvement of performance of the institutions in the system, the following benchmarks will apply to IPA Component I National Programme 2010:

   - **Increase of quality of tender and contract documents submitted to the Delegation for *ex ante* controls:** A significant reduction in rejection rates of files submitted to the Commission is an essential element of the roadmap to waive *ex ante* controls under IPA Component I submitted by
Croatia in December 2009, with the ultimate aim to achieve the waiver of *ex ante* controls.

- **Acceleration of procurement:** the Central Finance and Contracting Agency (CFCA) will agree with the European Commission the procurement plan on IPA 2010 Component I National Programme.

The following deadlines which will be set in the procurement plan shall be binding:

- Deadlines for publication of procurement notices for international restricted service tenders.

- Deadlines for events commonly referred to as the "tender launch": publication of procurement notices and tender dossiers for open tender procedures, publication of calls for proposals, transmission of twinning and twinning light fiches to the National Contact Points for Twinning, transmission of requests for services and terms of reference to the selected companies and other equivalent events as applicable.

The Programme Authorising Officer (PAO) is responsible for implementing the procurement plan in accordance with its deadlines. The PAO will take into account the planning, preparation and control of tender documents and contracts, *ex ante* control by European Commission services including rejections, requesting and granting of derogations, the time required for translation and publication and other events which may affect the project preparation and procurement time line.

If for any particular project a step in the tendering and contracting process does not materialise before its binding deadline, the PAO will immediately inform the NAO, NIPAC and the Commission of the case and reason for delays. If delays are not justified by exceptional / unforeseen circumstances which fall outside the competence of the Government, the Commission reserves the right to take remedial action such as reallocation to another project (only if time allows and in view of a project in conformity with priorities as established in the Accession Partnership, screening reports and subsequent negotiations per *acquis* chapter and meeting the criteria of adequate design, readiness for implementation as well as co-financing requirements) or cease the project without reallocation.

In order to support management and follow-up of the procurement process and these benchmarks, the PAO will update the procurement plan by recording the events as they unfold. The updates will be circulated at least once a month to the NAO, NIPAC and the Commission in electronic form. Meetings to review the procurement plans will be organised as required.

- **Respect of conditionalities**

Unless it is defined otherwise in the programme / project documents, all project conditionalities will have to be met before the procurement is
initiated. Conditionalities can cover issues such as entry into force of necessary legislation, establishment, staffing and resources of institutions, links between the projects, sequencing of tenders etc. If these conditionalities are not met the Commission reserves the right to take the remedial actions defined in section 3.2.

– Respect of global deadlines

Programmes will follow the implementation cycle as set in the original financing agreement. Extensions of deadlines can be considered only in very exceptional circumstances outside the control of the Government, when all other options have been exhausted.

– Further improvement of functioning of the decentralised system

The Croatian authorities will make every effort to meet the conditions and deadlines from the audit report and follow-up audit report on the conferral of management of IPA Component I, as well as other reports by the auditors of DG Enlargement as they become available, within the deadlines set in the reports. Where necessary, deviations will be signalled and justified to the Commission in advance of the deadlines.

(3) As highlighted by the evaluation of twinning conducted by DG Enlargement in 2008, projects to be implemented through twinning or twinning light require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies and institutional change required to deliver the project results.

(4) For projects involving more than one Croatian Ministry or agency, the NIPAC will ensure that effective mechanisms for co-operation and co-ordination between such Ministries or agencies are in place. The NIPAC will undertake thorough reviews of progress on implementation of the projects listed at least every three months from the time the Financing Agreement is signed until the final date for contracting.

(5) Further project-specific conditionality is described in each project fiche.

2.f Benchmarks (*)

This section shows the indicative benchmarks for the tendering and contracting of funds.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011 (cumulative)</th>
<th>2012 (cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td></td>
<td>EU</td>
<td>EU</td>
</tr>
<tr>
<td>Number of tenders</td>
<td>0</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>launched</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of calls for proposals launched</td>
<td>0</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Contracting Rate (%)</td>
<td>0 %</td>
<td>92%</td>
<td>100%</td>
</tr>
</tbody>
</table>

(*) Numbers given without taking into consideration the numbers of TA contracts and twinning lights under the *Flexible Facility for Reinforcement of Administrative Capacity* as the number of calls for proposals / tenders under the latter are not known in advance.

2.g **Roadmap for the decentralisation of the management of EU funds without *ex ante* controls by the European Commission**

Croatia was conferred management powers for the decentralised management of IPA Component I with *ex ante* controls by a Commission Decision of 28 October 2008. The Croatian authorities submitted in December 2009 a roadmap for the decentralisation of the management of IPA funds without *ex ante* controls by the Commission. They envisage moving to full decentralisation in the course of 2011.
3. **BUDGET (AMOUNTS IN EUR)**

3.1. Indicative budget table

<table>
<thead>
<tr>
<th>Decentralised management</th>
<th>Institution Building (IB)</th>
<th>Investment (INV)</th>
<th>Total (IB + INV)</th>
<th>Total IPA EU contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total public expenditure</td>
<td>IPA EU contribution</td>
<td>National public contribution*</td>
<td>Total public expenditure</td>
</tr>
<tr>
<td></td>
<td>EUR (a)=(b)+(c)</td>
<td>EUR (b)</td>
<td>% (1)</td>
<td>EUR (c)</td>
</tr>
<tr>
<td><strong>Political criteria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement of the Enforcement system <em>(HR2010-01-23-01)</em></td>
<td>5 400 000</td>
<td>4 950 000</td>
<td>92</td>
<td>450 000</td>
</tr>
<tr>
<td>Strengthening the efficiency of the judiciary <em>(HR-2010-01-23-02)</em></td>
<td>1 500 000</td>
<td>1 410 000</td>
<td>94</td>
<td>90 000</td>
</tr>
<tr>
<td>Civil Society Facility <em>(HR-2010-01-35-03)</em></td>
<td>2 700 000</td>
<td>2 400 000</td>
<td>89</td>
<td>300 000</td>
</tr>
<tr>
<td>De-mining Programme in War Affected Areas <em>(HR-2010-01-36-04)</em></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Economic criteria</strong></td>
<td>4 200 000</td>
<td>3 780 000</td>
<td>90</td>
<td>420 000</td>
</tr>
<tr>
<td>Project Name</td>
<td>Initial Cost</td>
<td>Initial Estimate</td>
<td>Project Cost</td>
<td>Estimated Expenditure</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>------------------</td>
<td>--------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Integrated Land Administration System Implementation (HR-2010-02-23-01)</td>
<td>4 200 000</td>
<td>3 780 000</td>
<td>90</td>
<td>2 000 000</td>
</tr>
<tr>
<td>Ability to assume obligations of membership</td>
<td>5 764 894</td>
<td>5 073 950</td>
<td>88</td>
<td>10 302 500</td>
</tr>
<tr>
<td>Continued Support to animal disease control/eradication (HR-2010-03-12-01)</td>
<td>1 964 894</td>
<td>1 518 950</td>
<td>77</td>
<td>2 117 500</td>
</tr>
<tr>
<td>Enhancement of the CTA administrative and institutional capacity (HR-2010-03-16-02)</td>
<td>800 000</td>
<td>760 000</td>
<td>95</td>
<td>40 000</td>
</tr>
<tr>
<td>Integrated Border Management (HR-2010-03-24-03)</td>
<td>500 000</td>
<td>475 000</td>
<td>95</td>
<td>25 000</td>
</tr>
<tr>
<td>Support to the National Visa System (HR-2010-03-24-04)</td>
<td>300 000</td>
<td>285 000</td>
<td>95</td>
<td>15 000</td>
</tr>
<tr>
<td>Development of flood hazard maps and flood risk maps (HR-2010-03-27-05)</td>
<td>1 100 000</td>
<td>1 045 000</td>
<td>95</td>
<td>55 000</td>
</tr>
<tr>
<td>Strengthening capacities for Strategic environmental</td>
<td>1 100 000</td>
<td>990 000</td>
<td>90</td>
<td>110 000</td>
</tr>
</tbody>
</table>
**assessment at regional and local level** (HR-2010-03-27-06)

<table>
<thead>
<tr>
<th>Supporting programmes</th>
<th>23 515 828</th>
<th>11 013 633</th>
<th>47</th>
<th>12 502 195</th>
<th>53</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>23 515 828</th>
<th>11 013 633</th>
<th>29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible Facility for Reinforcement of Administrative Capacity (HR-2010-04-40-01)</td>
<td>3 967 720</td>
<td>3 570 948</td>
<td>90</td>
<td>396 772</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3 967 720</td>
<td>3 570 948</td>
<td>-</td>
</tr>
<tr>
<td>Participation in Union Programmes and Agencies (HR-2010-04-65-02)</td>
<td>19 548 108</td>
<td>7 442 685</td>
<td>38</td>
<td>12 105 423</td>
<td>62</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19 548 108</td>
<td>7 442 685</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>38 880 722</td>
<td>24 817 583</td>
<td>64</td>
<td>14 063 139</td>
<td>36</td>
<td>17 802 500</td>
<td>13 805 875</td>
<td>78</td>
<td>3 996 625</td>
<td>22</td>
<td>56 683 222</td>
<td>38 623 458</td>
</tr>
</tbody>
</table>

* public contribution (private contributions are not taken into account (Article 67(1) IPA IR) under decentralised management).

Expressed in % of the Total expenditure IB or INV (column (a) or (d)).

Priority axis rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the priority with reference to the total IPA EU contribution of the entire FP.
3.2. Principle of Co-Financing applying to the projects funded under the programme

The EU contribution, which represents 68% of the total budget allocated to this programme, has been calculated in relation to the eligible expenditure, which in the case of decentralised management is based on the public expenditure. Joint co-financing will be used as a rule.

Co-financing requirements deriving from the IPA Council Regulation No 1085/2006 of 17 July 2006 and the IPA Implementing Regulation No 718/2007 of 12 June 2007, to which Croatia agreed with the signature of the IPA Framework Agreement on 27 August 2007, have been strictly applied at the level of each contract for each project4.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Method of Implementation

This programme shall be implemented by decentralised management, in accordance with article 53c of the Financial Regulation5 and the corresponding provisions of the Implementing Rules6. The Beneficiary Country will continue to ensure that the conditions laid down in Article 56 of the Financial Regulation are respected at all times.

The ex ante control by the European Commission shall apply to the tendering of contracts, launch of call for proposals and the award of contracts and grants until the European Commission allows for decentralised management without ex ante controls as referred in Article 18 of the IPA Implementing Regulation.

4.2. General rules for Procurement and grant award procedures

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3, of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C(2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Contracting Authorities shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" (“Practical Guide”) as published on the EuropeAid website7 at the date of the initiation of the procurement or grant award procedure.

4 15% of the total public expenditure in the case of investments; 10% for institution building; 5% for twinning; as regards grants, final beneficiaries will contribute with a minimum of 10% of the total eligible expenditure of the action, both for investment and institution building projects.
7 current address: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm
4.3. Implementation Principles for Twinning Projects

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the Beneficiary Country as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The twinning manual is available on the Website of DG Enlargement at the following address:

4.4. Environmental Impact Assessment and Nature Conservation

All investment shall be carried out in compliance with relevant EU Environmental Legislation in particular the EIA\(^8\) and the Habitats\(^9\) Directives.

5. Monitoring and Evaluation

5.1. Monitoring

Programme implementation will be monitored through the IPA Monitoring Committee assisted by Transition Assistance and Institution Building Monitoring Committee.

They shall assess the effectiveness, quality and coherence of the implementation of this programme. They may make proposals to the European Commission and the national IPA co-ordinator, with a copy to the national authorising officer, for decisions on any corrective measures to ensure the achievements of programme objectives and enhance the efficiency of the assistance provided.

5.2. Evaluation

Programmes shall be subject to ex ante evaluations, as well as interim and, where relevant, ex post evaluations in accordance with Articles 57 and 82 of the IPA Implementing Regulation with an aim to improve the quality, effectiveness and consistency of the assistance from EU funds and the strategy and implementation of the programmes.

After the conferral of management powers, the responsibility for carrying out interim evaluations shall lie with the Beneficiary Country, without prejudice on the European

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Commission's rights to perform any ad hoc interim evaluations of the programmes it deems necessary.

Ex post evaluation shall remain a prerogative of the European Commission even after the conferral of management powers to the Beneficiary Country.

The results of ex ante and interim evaluation shall be taken into account in the programming and implementation cycle.

The European Commission may also carry out strategic evaluations.

6. **AUDIT, FINANCIAL CONTROL, ANTIFRAUD MEASURES; FINANCIAL ADJUSTMENTS, PREVENTIVE MEASURES AND FINANCIAL CORRECTIONS**

6.1. **Audit, Financial Control and Anti-fraud measures**

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the European Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the EU Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the European Union, the European Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96.\(^\text{10}\)

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received EU funds.

6.2. **Financial adjustments**

The national authorising officer, who bears in the first instance the responsibility for investigating all irregularities, shall make the financial adjustments where irregularities or negligence are detected in connection with the implementation of this programme, by cancelling all or part of the EU assistance. The national authorising officer shall take into account the nature and gravity of the irregularities and the financial loss to the EU assistance.

In case of an irregularity, including negligence and fraud, the national authorising officer shall recover the EU assistance paid to the beneficiary in accordance with national recovery procedures.

6.3. **Audit trail**

The national authorising officer shall ensure that all the relevant information is available to ensure at all times a sufficiently detailed audit trail. This information shall include

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documentary evidence of the authorisation of payment applications, of the accounting and payment of such applications, and of the treatment of advances, guarantees and debts.

6.4. Preventive Measures

Beneficiary countries shall ensure investigation and effective treatment of suspected cases of fraud and irregularities and shall ensure the functioning of a control and reporting mechanism equivalent to that provided for in Commission Regulation 1828/2006\(^{11}\). All suspected or actual cases of fraud and irregularity as well as all measures related thereto taken must be reported to the European Commission services without delay. Should there be no suspected or actual cases of fraud or irregularity to report, the Beneficiary Country shall inform the European Commission of this fact within two months following the end of each quarter.

Irregularity shall mean any infringement of a provision of applicable rules and contracts, resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.

Fraud shall mean any intentional act or omission relating to: the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Union or budgets managed by, or on behalf of, the European Union; non disclosure of information in violation of a specific obligation with the same effect; the misapplication of such funds for purposes other than those for which they are originally granted.

The Beneficiary Country shall take any appropriate measure to prevent and counteractive active and passive corruption practices at any stage of the procurement procedure or grant award procedure, as well as during the implementation of corresponding contracts.

Active corruption is defined as the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Union’s financial interests.

Passive corruption is defined as the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or a third party, or accepts a promise of such advantage, to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Union’s financial interests.

The authorities of the Beneficiary Country, including the personnel responsible for the implementation of the programme, shall also undertake to take whatever precautions are necessary to avoid any risk of conflict of interest, and shall inform the European Commission immediately of any such conflict of interest or any situation likely to give rise to any such conflict.

6.5. Financial corrections

In order to ensure that the funds are used in accordance with the applicable rules, the European Commission shall apply clearance-of-accounts procedures or financial correction mechanisms in accordance with Article 53c (2) of the Financial Regulation and as detailed in the Framework Agreement concluded between the European Commission and the Beneficiary Country.

A financial correction may arise following:

(i) identification of a specific irregularity, including fraud; or

(ii) identification of a weakness or deficiency in the management and control systems of the Beneficiary Country;

If the European Commission finds that expenditure under this programme has been incurred in a way that has infringed applicable rules, it shall decide what amounts are to be excluded from EU financing.

The calculation and establishment of any such corrections, as well as the related recoveries, shall be made by the European Commission following the criteria and procedures provided for in the IPA Implementing Regulation.

7. Non Substantial Reallocation of Funds

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the programme, subject to a limit of EUR 4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

8. Limited Adjustments in the Implementation of the Programme

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature, may be undertaken by the European Commission's authorising officer by delegation (AOD), or by the European Commission's authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

12 These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.