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ANNEX 1
FINANCING PROPOSAL FOR THE YEARS 2010 AND 2011
OF THE CROSS-BORDER PROGRAMME
CROATIA - SERBIA

1. IDENTIFICATION

Beneficiaries	Croatia and Serbia
CRIS number	Croatia 2010/022-406; 2011/022-428 Serbia 2010/022-384; 2011/022-431
Years	2010 and 2011
Cost	2010: Croatia: EUR 0.8 million Serbia: EUR 1.0 million Total value of the IPA contribution: EUR 1.8 million 2011: Croatia: EUR 0.8 million Serbia: EUR 1.0 million Total value of the IPA contribution: EUR 1.8 million
Operating structures	Croatia: Ministry of Regional Development, Forestry and Water Management Serbia: Serbian European Integration Office ¹
Contracting Authority / Implementing Agency	For Serbia: European Commission For Croatia: Implementing Agency: Agency for Regional Development
Final date for concluding the Financing Agreements:	For the 2010 funds: at the latest by 31 December 2011 For the 2011 funds: at the latest by 31 December 2012

¹ The Serbian European Integration Office took over, from the Ministry of Finance, the function of Operating Structure in Serbia in June-July 2010.

Final date for contracting	2 years following the date of conclusion of each 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.
Final date for execution	2 years following the end date for contracting for each Financing Agreement These dates apply also to the national co-financing.
Sector Code	11330, 32130, 41030, 41040
Budget lines concerned	22.020401
Programming Task Managers	ELARG Unit B1 Croatia
Implementation Task Managers	For Croatia: EU Delegation to Croatia, Operations Section 1 For Serbia: EU Delegation to Serbia

2. SUMMARY

2.1. Introduction

2.1.1. *Link with the MIPD*

The Multi-annual Indicative Planning Document for Croatia for the period 2009-2011 indicates that Cross-Border Cooperation, managed through Component II, will support Croatia in cross-border, trans-national and interregional cooperation with EU Member States and IPA beneficiary countries. It will concentrate on improving the potentials for tourism, creating closer links between border regions and supporting joint environmental protection activities.

The Multi-annual Indicative Planning Document for Serbia for the same period provides for activities aimed at promoting and enhancing cross-border co-operation and the socio-economic integration of border regions. This will be done through the strengthening of economical, social, environmental and cultural ties between respective participating countries, including people to people type actions.

2.1.2. *Programming process*

The process of elaborating the IPA Cross-border Programme between Croatia and Serbia took place from January to May 2007. In addition to the representatives from local, regional and

national government included in the memberships of the Joint Programming Committee (JPC) and Joint Programming Committee (JDT), arrangements were made to consult with a wider partnership drawn from the public, civil and private sector by means of regional workshops and questionnaire surveys. The JPC adopted the final draft programming document on 25 May 2007.

In accordance with Article 93(1) of the IPA Implementing Regulation, at the initiative of the Commission, in agreement with the participating countries, the cross-border programme was amended in order to update the financing plan so as to add the appropriations for the years 2010 and 2011, according to the revision of the Multi-annual Indicative Financial Framework for 2010–2012. The amendment of the programme also encompasses some minor adjustments revising outdated references. The revised programme was adopted by the Joint Monitoring Committee (JMC) on 27 October 2009.

2.1.3. List of eligible areas and adjacent areas

The **eligible areas** according to Article 88 of IPA Implementing Regulation consist of:

In Croatia: Osijek-Baranja County, Vukovar- Srijem County (statistical regions equivalent to NUTS level 3 classification).

In Serbia: Srem district, South Bačka district, West Bačka district, North Bačka district.

The **Adjacent areas** according to Article 97 of the IPA Implementing Regulation are:

In Croatia: Požega-Slavonija County, Brod-Posavina County (statistical regions equivalent to NUTS level 3 classification).

In Serbia: Mačvanska district.

2.2. Global objectives of the programme

To stimulate cross-border cooperation in order to diversify and improve the regional economy in a socially and environmentally sustainable way, whilst at the same time, improving good neighbourly relations across the border.

To build the capacity of local, regional and national institutions to manage EU programmes and to prepare them to manage future cross-border programmes under the territorial cooperation objective of the EU Structural Funds.

The programme is in line with the main national sectoral strategies in Croatia and Serbia.

Given the limited resources available under IPA 2007-2013 and the size of the programme area, the ambition of this programme is first and foremost to contribute to the revival of border links and activities in the programme area by encouraging co-operation at local level on common environmental and socio-economic problems.

2.3. Priority axis, the related measures and their specific aspects concerning the implementation of the 2010–2011 budget

The priorities and measures defined in this cross-border programme are structured in such a way as to respect and provide for the implementation of the specific objectives. Two priorities have been identified for the cross-border cooperation interventions: Sustainable Socio-Economic Development and Technical Assistance, the latter ensuring the effective management and implementation of the programme. A horizontal theme is focused on cross-border capacity building.

As regards Croatia, care will be taken to ensure that there is no operational or financial overlap, including at the participant level, with any of the measures incorporated in the Operational Programmes for Croatia under IPA Components III, IV and V (Regional, Human Resources, and Rural Development).

Each cross-border programme shall establish eligibility rules for the selection of operations which ensure the same eligibility conditions for similar actions, as well as respect of Community standards, where relevant, among different cross-border programmes and with other IPA components.

Priority 1: Sustainable Socio-Economic Development

Overall Priority Objective: To promote the sustainable development of the cross-border region through effective use of the region's economic potential, in synergy with appropriate use of natural resources ensuring the preservation of regional biodiversity.

Specific Priority Objectives:

- To promote business cooperation, increase cross-border trade, develop labour market mobility, cross-border RDI and joint economic planning;
- To stimulate tourism development based on the cross-border regional identity and the natural and cultural assets of the cross-border region;
- To protect and safeguard the natural assets of the cross-border region by taking joint actions and by increasing public awareness;
- To promote good neighbourly relations across the border between local communities;

Measures Priority 1

Measure 1.1 Economic Development

The measure will stimulate regular interaction between businesses located across the cross-border region via: business-to-business networks; development of SME support services and joint access to these; joint marketing & promotion on domestic & EU markets; enhancement of innovativeness by cooperation of SMEs with educational and R&D organisations; exchange of know-how; selected investments in business infrastructure.

The measure is expected to diversify economic development by supporting the development and improvement of tourism products and services, integration of cultural heritage and environment into tourism products, and the joint marketing of these products; improve knowledge of people working in tourism, culture and agriculture; improve use of Information and Communication Technology (ICT) tools for developing and marketing products and training people.

Potential beneficiaries might be, *inter alia*, regional/local public authorities, chambers of commerce, clusters registered as non-profit legal entities, public/non-profit organisations, Non-Governmental Organisations.

Measure 1.2: Environmental Protection

This measure will support awareness raising activities on environmental issues and joint actions to ensure that sites of high environmental and landscape value are managed so that they can sustain the pressures of tourism development without losing their value. In addition, the measure will support the development of more effective systems and approaches to emergency preparedness in relation to flood prevention and control; cross-border pollution, food safety and health issues. The measure will also support the development of joint waste management and minimisation strategies. A selected number of actions will be supported which result in the clean-up and restoration of polluted /damaged sites.

Potential beneficiaries might be, *inter alia*, regional/local public authorities, public /non-profit organisations, research institutes, Non-Government Organisations dealing with environmental and nature protection.

Measure 1.3: People to People

This measure will encourage contacts, communication and cooperation between local communities and local community organisations/agencies within the cross-border region, particularly in support of women and marginalised groups (unemployed youth and disabled), local democracy and the development of civil society.

Potential beneficiaries might include, *inter alia*, local organisations, associations and foundations, inter-communal cooperation organisations, professional organisations, organisations responsible for providing social and health services, trade unions, public /non-profit organisations, cultural organisations, local government bodies, NGOs, regional and local development agencies.

The measures under Priority 1 will essentially be implemented through grant schemes.

Generally, cross-border capacity building will be a horizontal theme underpinning Priority 1 and, will, wherever possible, be integrated into all the measures in these priorities. Cross-border capacity will be built by giving preference to projects which:

- (a) Improve the collaboration and pooling of experience between local and regional stakeholders in order to increase cross-border co-operation.
- (b) Intensify and consolidate cross border dialogue and establish institutional relationships between local administrations and other relevant local or regional stakeholders.

(c) Equip local and regional authorities' actors with information and skills to develop, implement and manage cross-border projects.

The following catalytic effects are foreseen: improving of environmental standards, improving of social and cultural welfare, sustainable use of local material and human resources, transfer of know-how through project co-operation, effects of entrepreneurship that ultimately will remove the need for external funding in the future and the creation of job opportunities. Furthermore, the implementation of projects will stimulate and create a positive environment for further co-operation.

The national co-financing commitments guarantee that the EU principle of additionality is fully incorporated.

Priority 2: Technical Assistance

The objective of the technical assistance priority is to improve the quality of cross-border co-operation and management tools. It will mainly cover expenses directly related to the implementation of the programme: expenses to disseminate information and ensure the visibility of the programme, raise awareness in the cross-border region, promote co-operation and exchange of experiences; administrative and logistic costs for the joint structure of the programme (Joint Monitoring committee, Joint Technical Secretariat and its antenna, including cost of staff with the exclusion of salaries of public officials), which includes monitoring and first-level control, expenses for participation in different meetings related to the implementation of the programme.

Priority 2 will be implemented by 2 measures:

Measure 1: Support to Programme administration and implementation

This measure will provide support for the work of the national Operating Structures and the Joint Monitoring Committee in programme management. It will also ensure the provision of advice and support to the final beneficiaries in project development and implementation.

Measure 2: Support to programme information, publicity and evaluation

The second TA measure will give support to Programme Information, Publicity and Evaluation. It will ensure programme awareness amongst local, regional and national decision-makers as well as the inhabitants of the programme area and the general public in both countries. Furthermore, the measure will support the provision of expertise to the Joint Monitoring Committee for the planning and carrying out of programme evaluation.

Tentative timetable and indicative amounts for the implementation of the measures:

For Priority 1, it is tentatively foreseen to launch a joint call for proposals concerning the total amount of funds for the years 2010 and 2011, to be tentatively launched in the second half of 2010.

The essential selection and award criteria for the award of grants should be those laid down in the practical guide (PRAG) to contract procedures for EU external aid. The detailed selection and award criteria for the award of grants will be laid down in Call for proposals–Application Pack (Guidelines for applicants).

For grants awarded through calls for proposals, the use of lump sums and/or flat rate financing is possible (in accordance with Article 181 of the Implementing Rules to the Financial Regulation), up to an amount of EUR 25 000 per grant. Where relevant, the detailed conditions for the use of lump sums or flat rate financing shall be included in the call for proposal/guidelines for applicants.

For Priority 2, considering that the relevant national authorities (Operating Structures in Croatia and in Serbia) enjoy a *de facto* monopoly situation (in the sense of Art. 168, paragraph 1, sub-paragraph c of the Implementing Rules² to the Financial Regulation³) for the implementation of the cross-border programme, the relevant contracting authorities in both countries may establish individual direct grant agreements without call for proposals with the Operating Structures for amounts up to those provided under the TA Priority 2 in each country. Subcontracting by the Operating Structures of the activities covered by the direct grant agreements (e.g. TA, evaluation, publicity etc.) is allowed in accordance with Article 120 of the Financial Regulation and Article 184 of the Implementing Rules to the Financial Regulation. The direct grant agreements can be signed as soon as the respective Financing Agreements have been concluded. For the purpose of an efficient use of TA funds, a close co-ordination between national authorities (Operating Structures, CBC coordinators) of the participating countries is required.

2.4. Overview of past and on-going CBC experience, including lessons learned and donor co-ordination

Croatia

– Projects that have been implemented:

- CARDS 2001 'Strategy and Capacity Building for Border Region Co-operation' (Identification of future projects on borders with Serbia, Bosnia and Herzegovina, Montenegro)
- CARDS 2002 'Strategy and Capacity Building for Regional Development' (Institutional arrangements for management of CBC)
- CARDS 2003 'Local Border Regional Development' (Grant scheme with Slovenia)
- CARDS 2003 'Technical Assistance for Management of Neighbourhood Programmes' (Support to JTS for trilateral programme Croatia-Slovenia-Hungary)
- PHARE 2005 'Cross-Border Cooperation between Croatia, Slovenia and Hungary' (Trilateral grant scheme), Neighbourhood Programme between Croatia, Slovenia and Hungary 2004–2006; 25 projects implemented
- PHARE 2005 'Adriatic Cross-Border Cooperation between Croatia and Italy, Phare CBC / INTERREG III A - Adriatic New Neighbourhood Programme 2004–2006; 35 projects implemented

² Regulation (EC, Euratom) No 2342/2002 (OJ L 357, 31.12.2002, p.1)

³ Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.09.2002, p.1)

- PHARE 2006 'Cross-Border Cooperation between Croatia, Slovenia and Hungary' (Trilateral grant scheme), Neighbourhood Programme between Croatia, Slovenia and Hungary 2004–2006; 21 projects implemented

– Projects/programmes currently under implementation:

– Projects:

- CARDS 2004 'Institution and Capacity Building for CBC' (Support for Ministry of Sea, Tourism, Transport and Development)
- CARDS 2004 'Border Region Co-operation' (Grant scheme with Serbia, Bosnia and Herzegovina, Montenegro); 8 project under implementation

– Programmes:

- PHARE 2006 'Adriatic Cross-Border Cooperation between Croatia and Italy, Phare CBC / INTERREG III A - Adriatic New Neighbourhood Programme 2004–2006; 17 projects under implementation
- Trans-national Programme CADSES 2004-2006; 9 projects under implementation
- IPA 2007 and IPA 2008 CBC Programmes Croatia - Bosnia and Herzegovina, Croatia - Montenegro, Croatia - Serbia, Croatia - Hungary, Croatia - Slovenia, CBC IPA Adriatic, ERDF European Territorial Co-operation transnational programmes "South-East Europe" and "Mediterranean"

Serbia

– Projects currently under implementation:

- CARDS 2004 'Strengthening MIER Capacities for Implementation of EU Neighbourhood Programs' (Capacity building for MIER⁴)
- CARDS 2004 'Support to Inter-Regional Cooperation' (Grant scheme)
- Neighbourhood programme (CARDS–INTERREG) Serbia-Hungary 2004–06
- Neighbourhood programme (CARDS–Phare CBC) Serbia-Romania 2004–06
- Neighbourhood programme (CARDS–Phare CBC) Serbia-Bulgaria 2004–06
- CARDS / INTERREG III A - Adriatic New Neighbourhood Programme 2004–06
- Transnational Programme CADSES 2004-06.

⁴ MIER: Ministry of International Economic Relations. This ministry ceased to exist on 16/5/07 and the CBC unit was transferred to the Ministry of Finance

- IPA 2007 and IPA 2008 CBC Programmes Croatia-Serbia, Bosnia and Herzegovina-Serbia, Serbia-Montenegro, CBC IPA Adriatic, ERDF European Territorial Co-operation transnational programme "South-East Europe".

Under the ongoing IPA 2007 and IPA 2008 CBC Croatia - Serbia programme, it took about one year, from the signature of the first financing agreements, for the national authorities to set up the programme management structures and prepare the first calls for proposals which were published in July 2009. This timing is comparable to that of Member States for CBC at EU-intra borders. The calls included 2007 and 2008 funds. Calls were closed in October 2009 and the selection and contracting process should be completed in the first semester of 2010, when the entire 2007 and 2008 appropriations will be contracted.

CBC programmes can make a valuable contribution to reconciliation and good neighbourly relations, and the beneficiaries have shown great expectations with regards to the results of the programmes of this component, also in light of the fact that CBC's 'learning-by-doing' approach will significantly contribute to local capacity-building. These great expectations were reflected in the large number of applications submitted to the calls for proposals, despite the almost symbolic amount of available funds.

Lessons learned

The following points can be highlighted from cross-border experience in the Western Balkans countries:

The projects focusing on environment protection reflect the priorities defined by the national and regional institutions, providing for a sound embedding in local and national development priorities. However, it is important to strongly associate civil society and the private sector in programme development.

The small calls for proposals for cross-border actions launched in previous cross-border programmes showed a low capacity in project preparation of most of the final beneficiaries. This could impede the implementation of the programme. Specific training of potential applicants will be essential throughout the programme.

A few municipalities have had a leading role in the past and current cross-border initiatives. These municipalities should have a key role when implementing the programme (transfer of know-how, etc.).

The thematic evaluation of CBC programmes under the PHARE programme concluded that most projects had a clear impact in one part of the border region, but that joint projects were the exception rather than the norm. Hence the importance to ensure that projects is a result of joint local or regional initiatives. Another conclusion of the above evaluation is that synchronisation in joint projects is crucial in terms of results, impact and sustainability. Therefore it is important that the partners have established agreed co-ordination plans and mechanisms before the Financing Agreements are signed. In addition, experience has shown that the preconditions for effective implementation include, besides close co-ordination between participating countries at political and operational levels:

- cross-border cooperation between line ministries and effective working relationships between related organisations;

- functioning regional development authorities and local authorities, with appropriate staff in a stable environment;
- close working relationships between regional institutions and the respective Commission Delegations;
- functioning cross-border cooperation between respective organisations of the private sector, such as chambers of commerce, company associations and NGOs.

Donor Co-ordination

In line with Article 20 of the IPA Regulation and Article 6 (3) of the IPA Implementing Regulations, the European Commission asked in 2007 the representatives of Member States and local IFIs in Croatia and Serbia to provide their comments regarding the draft cross-border co-operation programmes submitted to the Commission.

2.5. Horizontal issues

The programme will promote sustainable management of the environment by enhancing cooperation among institutions to implement joint actions for environmental protection.

The programme will also support gender mainstreaming and equal opportunities policies through the selection of projects that include specific consideration to equal opportunities for genders, ethnicities and disabled according to the principles of the European Union.

2.6. Conditions

The successful implementation of the programme depends on adequate staffing and functioning of the Operating Structures, Joint Monitoring Committees, and Joint Technical Secretariat and its antenna.

2.7. Benchmarks

2010 funds	2010	2011 (cumulative)	2012 (cumulative)
Number of direct grant agreement in Croatia	0	1	1
Number of direct grant agreement in Serbia	0	1	1
Number of joint calls for proposals launched in Croatia and in Serbia	1	1	1
Contracting Rate (%) in Croatia	0%	100%	100%
Contracting Rate (%) in Serbia	0%	100%	100%

2011 funds	2010	2011 (cumulative)	2012 (cumulative)
Number of direct grant agreement in Croatia	0	1	1
Number of direct grant agreement in Serbia	0	1	1
Number of joint calls for proposals launched in Croatia and in Serbia	1	1	1
Contracting Rate (%) in Croatia	0%	100%	100%
Contracting Rate (%) in Serbia	0%	100%	100%

2.8. Roadmap for the decentralisation of the management of EU funds without ex ante controls by the Commission

According to Article 8(4)(c) of the IPA Implementing Regulation, the beneficiary country shall establish a roadmap with indicative benchmarks and time limits to achieve decentralisation without *ex ante* controls by the Commission.

Croatia was conferred management powers for the decentralised management of IPA Component II assistance with *ex ante* controls by a Commission Decision of 14 November 2008 which established conditions that Croatia must fulfill within specified deadlines. These conditions will need to be addressed before Croatia is able to reach the next stage, that is to say full decentralisation with only *ex post* controls by the Commission. In particular, the Croatian authorities have established a new Agency for Regional Development. Conferral of management powers by the Commission to the Agency for Regional Development is expected in the course of 2010.

Taking into account these requirements, the Croatian authorities are preparing a roadmap for the decentralisation of the management of IPA funds without *ex ante* controls by the Commission. The authorities envisage moving to full decentralisation in 2011.

In **Serbia**, the authorities have adopted a DIS Roadmap in January 2008 (last updated in March 2009), while a Strategy for the preparation of DIS accreditation has been prepared and submitted to the Commission in April 2008. The Competent Accrediting Officer (CAO), Minister of Finance, and the National IPA Coordinator (NIPAC), Deputy Prime Minister for European Integration, have been appointed by the Decision of Government on 21 August 2008. Based on criteria established by the CAO, the National Authorising Officer (NAO) was selected on 29 January 2009 with the rank of State Secretary in charge for Budget and Treasury. Most of bodies and authorities such as the National Fund (NF) director, Central Finance and Contracting Unit (CFCU) director, have already been designated.

The Gap Assessment Report (GAR) for implementing IPA Components I and II under DIS was completed in June 2009, while the Technical Assistance for the Gap plugging for the same Components started in December 2009 and is under implementation.

3. BUDGET FOR 2010 AND 2011

3.1. Indicative 2010 financial table for Croatia

	IPA EU contribution		National contribution		Total	
	EUR (a)	% ⁽¹⁾	EUR (b)	% ⁽¹⁾	EUR (c)=(a)+(b)	% ⁽²⁾
Priority axis 1	720 000	85%	127 059	15%	847 059	88%
Priority axis 2	80 000	70%	35 000	30%	115 000	12%
TOTAL	800 000	83%	162 059	17%	962 059	100%

⁽¹⁾ Expressed in % of the Total (IPA plus National contributions) (column (c))

⁽²⁾ Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

3.2. Indicative 2010 financial table for Serbia

	IPA EU contribution		National contribution		Total	
	EUR (a)	% ⁽¹⁾	EUR (b)	% ⁽¹⁾	EUR (c)=(a)+(b)	% ⁽²⁾
Priority axis 1	900 000	85%	158 824	15%	1 058 824	90%
Priority axis 2	100 000	85%	17 647	15%	117 647	10%
TOTAL	1 000 000	85%	176 471	15%	1 176 471	100%

⁽¹⁾ Expressed in % of the Total (IPA plus National contributions) (column (c))

⁽²⁾ Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

3.3. Indicative 2011 financial table for Croatia

	IPA EU contribution		National contribution		Total	
	EUR (a)	% ⁽¹⁾	EUR (b)	% ⁽¹⁾	EUR (c)=(a)+(b)	% ⁽²⁾
Priority axis 1	720 000	85%	127 059	15%	847 059	88%
Priority axis 2	80 000	70%	35 000	30%	115 000	12%

TOTAL	800 000	83%	162 059	17%	962 059	100%
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⁽¹⁾ Expressed in % of the Total (IPA plus National contributions) (column (c))

⁽²⁾ Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

3.4. Indicative 2011 financial table for Serbia

	IPA EU contribution		National contribution		Total	
	EUR (a)	% ⁽¹⁾	EUR (b)	% ⁽¹⁾	EUR (c)=(a)+(b)	% ⁽²⁾
Priority axis 1	900 000	85%	158 824	15%	1 058 824	90%
Priority axis 2	100 000	85%	17 647	15%	117 647	10%
TOTAL	1 000 000	85%	176 471	15%	1 176 471	100%

⁽¹⁾ Expressed in % of the Total (IPA plus National contributions) (column (c))

⁽²⁾ Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

3.5. Principle of co-financing applying to the projects funded under the programme

The EU contribution has been calculated in relation to the eligible expenditure, which for the "Cross-border programme Croatia – Serbia" is based on the total expenditure, as agreed by the participating countries and laid down in the cross-border programme.

The EU contribution at the level of priority axis shall not exceed the ceiling of 85% of the eligible expenditure.

The EU contribution for each priority axis shall not be less than 20% of the eligible expenditures.

The provisions of Article 90 of the IPA Implementing Regulation apply.

The co-financing under Priority axis 1 will be provided by the final grant beneficiaries and can come from public or private funds. The co-financing under Priority axis 2 (TA) will be provided by national public funds.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Method of Implementation

The part of this programme concerning Croatia shall be implemented 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.

⁵ Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.09.2002, p.1)

⁶ Regulation (EC, Euratom) No 2342/2002 (OJ L 357, 31.12.2002, p.1)

The *ex ante* control by the Commission shall apply in accordance to the Commission Decision on the Conferral of management powers in accordance to Article 14 of the IPA Implementing Regulation.

The part of this programme concerning Serbia shall be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation⁷ and the corresponding provisions of the Implementing Rules⁸.

In the event of centralised management the role of the Commission in the selection of operations under a cross-border programme among beneficiary countries is specified in Article 140 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.

Where appropriate, the Contracting Authorities should also use the 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 website⁹ at the date of the initiation of the procurement or grant award procedure.

4.3. Environmental Impact Assessment and Nature Conservation

All investments shall be carried out in compliance with the relevant EU environmental legislation.

The procedures for environmental impact assessment as set down in the EIA-directive¹⁰ fully apply to all investment projects under IPA. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive.

If a project is likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made, equivalent to that provided for in Article 6 of the Habitats Directive¹¹.

⁷ Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.09.2002, p.1)

⁸ Regulation (EC, Euratom) No 2342/2002 (OJ L 357, 31.12.2002, p.1)

⁹ current address:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

¹⁰ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175, 5.7.1985, p. 40).

¹¹ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 22.7.1992).

5. MONITORING AND EVALUATION

5.1. Monitoring

The implementation of the cross-border programme will be monitored by the joint monitoring committee referred to in Article 142 of the IPA Implementing Regulation, established by the participating beneficiary countries, which include representatives of the Commission.

In Croatia, the implementation of the programme will also be monitored through the IPA monitoring committee in accordance with Article 58 of the IPA Implementing Regulation.

The IPA monitoring committee shall assess the effectiveness, quality and coherence of the implementation of the programme to ensure the achievements of the programme objectives and enhance the efficiency of the assistance provided.

In Serbia, the Commission may undertake any actions it deems necessary to monitor the programme concerned.

5.2. Evaluation

Programmes shall be subject to evaluations in accordance with Article 141 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 cross-border programmes.

An interim evaluation of each of the 8 CBC programmes between candidate-potential candidate countries is being (2010) conducted by independent evaluators under the responsibility of the Commission (DG Enlargement). The final evaluation reports should be available end 2010, early 2011.

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 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 Delegation in Croatia.

In order to ensure the efficient protection of the financial interests of the European Union, the 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) 2185/96¹².

¹² Council Regulation (EC, Euratom) No 2185/96 (OJ L 292; 15.11.1996, p. 2)

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

6.2. Financial adjustments

In Croatia 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

In Croatia 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 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

Croatia 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 1828/2006¹³. All suspected or actual cases of fraud and irregularity as well as all measures related thereto taken must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud or irregularity to report, the Beneficiary Country shall inform the 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 counter active and passive corruption practises at any stage of the procurement procedure or grant award procedure, as well as during the implementation of corresponding contracts.

¹³ OJ L 371, 27.12.2006, p.1.

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 EU'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 EU'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 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, in Croatia the 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 Commission and Croatia.

A financial correction may arise following:

- identification of a specific irregularity, including fraud; or
- identification of a weakness or deficiency in the management and control systems of the beneficiary country.

If the 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 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 nature¹⁴, may be undertaken by the Commission's authorising officer by delegation (AOD), or by the 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.

¹⁴ 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.

ANNEX 2

Cross-border programme

Croatia – Serbia