COMMISSION DECISION
PH/2006/1338 OF 24/07/06

Establishing a Phare national programme for the Republic of Croatia in 2006,

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of central and eastern Europe\(^1\), as last amended by Regulation (EC) No 2257/2004\(^2\), and in particular Article 8 thereof,

Whereas:

(1) Regulation No 3906/89 lays down the rules and conditions for the granting of economic aid to certain countries of Central and Eastern Europe,

(2) The measures provided for by this Decision are in accordance with the opinion of the Committee on Aid for Economic Restructuring in certain countries of Central and Eastern Europe,

HAS DECIDED AS FOLLOWS:

Article 1

The programme described in the Annex to the present decision is hereby adopted. It shall be implemented by means of a Financing Agreement to be concluded between the Commission and the Government of Croatia in conformity with the Framework Agreement concluded between the same parties.

Article 2

The maximum amount of Community assistance shall be € 61.062 million to be financed through budget line 22.02.01.03 in 2006.

Done at Brussels,

For the Commission

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\(^1\) OJ L 375, 23.12.1989, p. 11.
### 1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>The Republic of Croatia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme</td>
<td>Croatia 2006 Phare National Programme</td>
</tr>
<tr>
<td>CRIS number</td>
<td>PHARE/2006/018-113 and PHARE/2006/018-114</td>
</tr>
<tr>
<td>Year</td>
<td>2006</td>
</tr>
<tr>
<td>Cost</td>
<td>61.062 Million €</td>
</tr>
<tr>
<td>Implementing Authority</td>
<td>The Implementing Agency responsible for the programme is the Central Finance and Contracting Unit (CFCU) of the Ministry of Finance of the Republic of Croatia except for:</td>
</tr>
<tr>
<td></td>
<td>- Project HR2006/018-114/5/4 “Tempus”, for which responsibility for implementation lies with the European Commission.</td>
</tr>
<tr>
<td></td>
<td>- Project HR2006/018-113/7/2 “Participation in Community Programmes”, where implementation will only consist in the payment of the EC part of the financial contribution to the Community programmes by the National Fund.</td>
</tr>
<tr>
<td>Expiry Date:</td>
<td>Contracting: November 30, 2008³</td>
</tr>
<tr>
<td></td>
<td>Execution of contracts: November 30, 2009⁴ and February 28, 2011 for project HR/2006/018-114/5/4 “Tempus”.</td>
</tr>
<tr>
<td>Sector Code</td>
<td>15130 (Objective 1); 15150 (Objective 2); 15110 (Objective 3); 33110 (Objective 4); 43010 (Objective 5); 15130 (Objective 6); 99810 (Objective 7); 32110 (Objective 8)</td>
</tr>
<tr>
<td>Budget line</td>
<td>22.02.01.03</td>
</tr>
<tr>
<td>Programming Task Manager</td>
<td>Thomas von Handel</td>
</tr>
</tbody>
</table>

³ In no case can the contracting period for projects implemented under this programme exceed three years after the date of the global commitment (Art. 166 (2) FR).

⁴ Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted (Art. 77 (3) FR).
2. **SUMMARY**

This Financing Proposal covers the Phare 2006 National Programme for Croatia. The Cross-Border Cooperation programmes are covered by separate Financing Proposals.

The approach to programming and the priorities, on which it is based, were presented in the Planning Document 2006 presented in February to the Phare Management Committee. The coordination with the separate ISPA and SAPARD instruments is based on mutual information between relevant services, at the different steps of the programming cycle.

3. **STRATEGY**

A Stabilisation and Association Agreement (SAA) with Croatia was signed in October 2001 and entered into force on 1 February 2005.

Following a positive assessment on 3 October 2005 from the International Criminal Tribunal for the former Yugoslavia (ICTY) Chief Prosecutor that full cooperation with the ICTY had been achieved, the European Council concluded on the same day that Croatia had met the outstanding condition for the start of accession negotiations and a bilateral Intergovernmental Conference (IGC) opening the negotiations was held.

The Commission started the so-called screening process on 20 October 2005, through which Croatian legislation is compared in detail with EU legislation. The screening will enable the EU to decide upon the opening of individual chapters for negotiations.


The pre-accession strategy for Croatia was adopted by the Commission on 6 October 2004. Croatia as a candidate country benefits from all three pre-accession financial instruments, Phare for institution-building and economic and social cohesion, ISPA for environment and transport infrastructures and SAPARD for rural development (from 2006). Croatia also remains eligible for the CARDS Regional Programme in 2005 and 2006.

€140 million is allocated to Croatia under Pre-accession aid for 2006, of which €80 million for Phare and €25 million from ISPA (SAPARD funds will be committed as from 2006). As regards Phare, the National Programme of €61.062 million will be complemented by further programmes in the area of TAIEX, Cross Border Cooperation, and horizontal programmes.

A first Partnership for Croatia was adopted in September 2004. Also in November 2005, a revised Partnership (renamed Accession Partnership) was proposed by the Commission to the Council. The purpose of the Partnership is to assist the Croatian authorities in their efforts to meet the accession criteria. It covers in detail the priorities for accession preparations, in particular implementation of the *acquis*, and forms the basis for programming pre-accession assistance from EU funds.
In this regard, the key programming documents for Phare are the Accession Partnership and the November 2005 Progress Report. The Phare 2006 Planning Document submitted to the Phare Management Committee on 17 February 2006 provides a synthesis of these programming documents and a detailed strategic framework for the Phare 2006 programme.

Moreover, the Commission maintained regular contacts with the EIB, EBRD, World Bank, and bilateral aid agencies, to ensure adequate co-ordination of external assistance. Specific meetings are managed by the EC Delegation in Zagreb throughout the year.

4. Objectives and Description

The Phare National Programme 2006 concentrates on eight sectoral objectives referring to the priorities identified in the Progress Report and the Accession Partnership for Croatia:

Objective 01 / Democracy and rule of law
Objective 02 / Human rights, protection of minorities and civil society dialogue
Objective 03 / Economic criteria
Objective 04 / Internal market and trade
Objective 05 / Sectoral policies
Objective 06 / Cooperation in justice and home affairs
Objective 07 / Supporting programmes
Objective 08 / Economic and social cohesion

Summary descriptions of the individual projects grouped under the sectoral objectives are as follows:

**Objective 1: Democracy and rule of law**

**Judicial system**

<table>
<thead>
<tr>
<th>HR2006/018-113/1/1: Harmonization and publication of case law</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
</tr>
<tr>
<td><strong>Phare budget</strong></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
</tr>
</tbody>
</table>

This project will reinforce administrative capacity of the Supreme Court and a number of pre-selected courts and provide assistance with the introduction of a judicial document and record management system for all three instances of court procedures. It will also include assistance in establishing a case law centre at the Supreme Court and training of legal, administrative and operational staff in selected courts.
### HR2006/018-113/1/2: Support to court administration and case management improvement

<table>
<thead>
<tr>
<th>Duration</th>
<th>24 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>N/A</td>
</tr>
<tr>
<td>Phare budget</td>
<td>€ 3,000,000</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

This project will enhance administrative capacity by establishing new court administration systems (new business processes, procedures and IT system) in courts and build on the results of earlier EC assistance as well as a linked World Bank project. The project will also assist with the revision and redrafting of relevant by-laws.

### Public administration

### HR2006/018-113/1/3: Enhancing capacity of Croatian state and public administration for providing user oriented service

<table>
<thead>
<tr>
<th>Duration</th>
<th>24 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>Yes</td>
</tr>
<tr>
<td>Phare budget</td>
<td>€ 2,525,000</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

This project will enhance the capacity of the Croatian State and Public Administration for providing user-oriented services. The project will improve the legal, organisational and horizontal integration of administrative procedures for delivery of public services to citizens and businesses, in line with the e-Europe Programme and the Croatian One-Stop-Shop Programme in such areas as VAT, income taxes, personal document issuance and e-procurement.

### Objective 2: Human rights, protection of minorities and civil society dialogue

### HR2006/018-113/2/1: Roma Support Project - Phase II

<table>
<thead>
<tr>
<th>Duration</th>
<th>36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>N/A</td>
</tr>
<tr>
<td>Phare budget</td>
<td>€ 2,500,000</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
</tbody>
</table>
This project is the continuation of the Phare 2005 intervention to enhance and facilitate active and full participation of the Roma national minority in the economic, educational, cultural and social life of Croatian society, while preserving their own identity, culture and tradition. The project will improve environmental and general living conditions in Roma settlements in Međimurje County and facilitate and improve access for the Roma national minority in Croatia to formal and non-formal education and training.

| HR2006/018-113/2/2: Enabling of civil society sector for active contribution in the pre-accession process |
|-------------------------------------------------|-------------------------------------------------|
| Duration                                        | 36 months                                      |
| Twinning                                       | N/A                                            |
| Phare budget                                    | € 2,400,000                                    |
| Implementing Agency                            | CFCU                                           |

This project will support activities through targeted grant schemes in the sectors of environment, democratisation and human rights as well as youth. Grant schemes launched in the defined sub-sectors will include networking with other local NGOs, economic/professional associations and local authorities, where appropriate in partnership with EU NGOs.

**Objective 3: Economic criteria**

| HR2006/018-113/3/1: Improving budget processes for effective financial management |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Duration                                                                     | 36 months                                                                   |
| Twinning                                                                     | N/A                                                                         |
| Phare budget                                                                 | € 3,071,250                                                                 |
| Implementing Agency                                                         | CFCU                                                                        |

This project will assist in establishing an effective and sustainable financial management system based on modern instruments and mechanisms, designed and operating according to European standards through the modernization of budget processes and increasing capacity for budget management. The project will introduce budget preparation and execution procedures that will strengthen the public expenditure management system at different levels.

**Objective 4: Internal market and trade**

**Intellectual property law**

| HR2006/018-113/4/1: Strengthening the enforcement of intellectual property rights |
This project will assist in strengthening the capacity to enforce intellectual property rights to ensure a level of protection of intellectual property rights in Croatia according to the internal market requirements. The project will strengthen the administrative and technical capacity of the enforcement bodies responsible for implementing the IPR protection measures and establish an IPR Information centre at the State Intellectual Property Office.

**Taxation**

**HR2006/018-113/4/2: Strengthening and enhancement of the Croatian tax administration IT function to achieve the EU standards in the VAT field**

<table>
<thead>
<tr>
<th>Duration</th>
<th>36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>Yes</td>
</tr>
<tr>
<td>Phare budget</td>
<td>€ 3.000.000</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

This project will strengthen the Croatian tax administration IT function to achieve EU standards in the VAT field. The project will assist establishing functional VIES and VES systems able to effectively communicate with EU Member States systems.

**Customs union**

**HR2006/018-113/4/3 : Integration of the Croatian customs information system with the EU customs information system**

<table>
<thead>
<tr>
<th>Duration</th>
<th>36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>Yes</td>
</tr>
<tr>
<td>Phare budget</td>
<td>€ 5.275.000</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

The purpose of this project is to support the integration of the Croatian Customs Information System with the EU Customs Information Systems. The project aims at ensuring full compatibility and interoperability of IT systems with EU Customs Systems to enable the exchange of computerized data in core customs and taxation business areas of the EC customs tariff, customs transit control and the control of the movement of excise goods.
### Objective 5: Sectoral Policies

#### Transport

<table>
<thead>
<tr>
<th>HR2006/018-113/5/1: Restructuring and development of Croatian railway system within the framework of EU legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
</tr>
<tr>
<td><strong>Phare budget</strong></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
</tr>
</tbody>
</table>

The project will assist in aligning the legal and institutional framework of the Croatian rail sector with the EU acquis communautaire. The project will assist in setting up key institutions and build capacity in terms of training, procedures, and IT support.

<table>
<thead>
<tr>
<th>HR2006/018-113/5/2: Maritime safety: Enforcement of administrative capacity – monitoring and management of vessels – Phase II</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
</tr>
<tr>
<td><strong>Phare budget</strong></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
</tr>
</tbody>
</table>

This project is a continuation of the Phare 2005 project supporting maritime safety through enhancement of capacity for monitoring and management of vessels. The project aims to establish a fully operational Vessel Traffic Monitoring and Information System (VTMIS). The project will also assist in the enhancement of administrative and technical efficiency of the Croatian Maritime Administration in monitoring and management of vessels with a special regard to vessels carrying dangerous and polluting goods.

#### Statistics

<table>
<thead>
<tr>
<th>HR 2006/018-113/5/3: Mayor revision of classifications and upgrading of subject-matter statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
</tr>
<tr>
<td><strong>Phare budget</strong></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
</tr>
</tbody>
</table>
The project aims to support the Central Bureau of Statistics in providing adequate statistical information by revising classification and upgrading subject-matter statistics according to EU classifications. The project will contribute to the increased comparability of statistical data of the Republic of Croatia by introducing acquis requirements on provision, management and assessment of statistical data.

**Education and culture**

<table>
<thead>
<tr>
<th>HR2006/018-114/5/4: TEMPUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
</tr>
<tr>
<td><strong>Phare budget</strong></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
</tr>
</tbody>
</table>

The project will continue to support Croatia's participation in the TEMPUS programme with the aim to increase the quality of higher education institutions and preparedness for successful participation in EU education programmes, to strengthen the strategic management capacity and modernise the administration of higher education institutions and to revise curricula and courses in line with changes in social and economic needs. The European Commission's Directorate-General for Education and Culture has the overall responsibility for the policy and management of the Tempus Programme. Following an annual call for proposals, projects are assessed academically and technically according to general criteria and a list of national priorities established in cooperation with the partner country authorities.

**Environment**

<table>
<thead>
<tr>
<th>HR2006/018-113/5/5: Establishment of air quality monitoring and management system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
</tr>
<tr>
<td><strong>Phare budget</strong></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
</tr>
</tbody>
</table>

The aim of the project is to develop Croatia’s capacity to implement the acquis relating to air quality and to support exchange of air quality data and to increase public awareness of air quality issues. The project will assist in establishing monitoring stations, improving data collection and providing information on air quality.

<table>
<thead>
<tr>
<th>HR2006/018-113/5/6: Development of hazardous waste management system including the identification and management of “hot spot sites” in Croatia</th>
</tr>
</thead>
</table>


The project purpose is to establish a hazardous waste management system according to the National Waste Management Strategy, particularly in relation to the identification, characterization and further management of ‘hot spot sites’, and to increase the ability of relevant governmental authorities to apply and enforce the *acquis communautaire* relating to waste management.

**Objective 6: Cooperation in justice and home affairs**

**Border management**

*HR2006/018-113/6/1: Blue border surveillance*

<table>
<thead>
<tr>
<th>Duration</th>
<th>36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>Yes</td>
</tr>
<tr>
<td>Phare budget</td>
<td>€ 1.292.500</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

The aim of this project is to provide further assistance to the Ministry of Interior for preparing for the requirements of the Schengen acquis with regards to blue border surveillance. The project will assist in strengthening capacity for inter-agency coordination, human resources and strategic planning for border surveillance.

**Objective 7: Supporting programmes**

*HR2006/018-113/7/1: Development of institutional capacity and project pipeline for the management of EU structural funds*

<table>
<thead>
<tr>
<th>Duration</th>
<th>36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>Yes</td>
</tr>
<tr>
<td>Phare budget</td>
<td>€ 7.000.000</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

This facility aims to strengthen the capacity of Croatian institutions to prepare and manage IPA projects and to develop the institutional and human capacity of the Croatian administration for the management and absorption of the EU Structural Funds. It includes technical assistance for feasibility studies, training in programming, project
design and project management, and the preparation of projects, technical specifications, procurement plans, tender dossiers and environmental impact assessments.

<table>
<thead>
<tr>
<th><strong>HR2006/018-113/7/2: Participation in Community programmes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
</tr>
<tr>
<td><strong>Phare budget</strong></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
</tr>
</tbody>
</table>

A Protocol to the SAA on a Framework Agreement on the general principles for Croatia’s participation in Community Programmes was signed in November 2004. The Phare 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. From 2006, the financial contribution to the following areas (programmes) will be supported by the Phare budget: democratisation (Community Programme on Gender Equality); public administration reform (Interoperable Delivery of European e-Government Services to public Administrations, Businesses and Citizens); employment (Community Incentive Measures in the field of Employment); transport (Marco Polo Programme); energy (Intelligent Energy Europe); customs and taxation (CUSTOMS 2007 & FISCALIS 2007); and RTD (6th Framework Programme).

<table>
<thead>
<tr>
<th><strong>HR2006/018-113/7/3: Project Preparation Facility and Unallocated Institution Building Envelope</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
</tr>
<tr>
<td><strong>Phare budget</strong></td>
</tr>
<tr>
<td><strong>Implementing Agency</strong></td>
</tr>
</tbody>
</table>

This facility will provide Institution Building support to meet the requirements related to specific, urgent and unforeseen needs identified in the course of the accession negotiation process. In particular this facility may help to assist the adoption and implementation of acquis in particular areas where assistance is still necessary; strengthen the institutional and operational capacity of public administration bodies in view of the future role in the implementation of the EU acquis; develop human resources of public administration institutions relevant for the implementation of the EU acquis; facilitate public administration reform; and develop the institutions involved in current and future management of EC funds, and in the protection of these funds against fraud, other irregularities and corruption.

**Objective 8: Economic and Social Cohesion**
The project will provide support for increasing the competitiveness and export capacities of Croatian SMEs. The project will assist in meeting the objectives of the European Charter for SMEs with respect to promoting technology dissemination and cooperation between different sized companies and fostering cooperation between SMEs and higher education and research institutions for knowledge and technology transfer.

**Lessons Learned**

In designing the Phare 2006 programme, careful account has been taken of the results of projects programmed in previous years. Lessons learned are usually drawn on a case by case basis, building upon relevant experience in the implementation of previous projects in a specific area. Relevant information in that respect is provided in each project fiche.

The key lesson learned from the implementation of CARDS projects is that weak administration absorption capacity in Croatia’s public administration bodies is reducing the effectiveness of EC assistance. The Croatian administration needs to keep up its efforts to meet agreed project conditionalities, such as policy decisions; the establishment and strengthening of institutions and the allocation of resources and there is a need to raise the top political levels’ knowledge about EU assistance. Proper staffing of the units charged with implementing projects and support from the top management and political level in ministries is necessary for successful project results. The Commission continues to support Institution building in bodies involved in managing EU funds, including support for the introduction of a decentralised implementation system for EU assistance (see below) and it also supports general public administration reform.

The Croatian government has undertaken a series of activities to improve the implementation record of EU assistance with good results. A government Coordination Group and a Technical Working Group are facilitating the coordination of overall assistance received by the Republic of Croatia from foreign sources.

**Overall programme conditionalities**

Before the Financing Agreement between the Commission and the Government of Croatia is signed, the National Aid Coordinator will satisfy the Commission that adequate steps have been taken to staff and resource adequately the National Fund, CFCU, other Implementing Agencies and project management units involved in implementing this programme.

Before the Financing Agreement between the Commission and the Government of Croatia is signed, the National Aid Coordinator will confirm the availability of the national co-financing indicated in each project fiche, and the modalities for combining Phare and national co-financing when projects are contracted.
Any project involving the supply of equipment and works requires national co-financing as shown in the relevant project fiche. In addition, all operational and running costs and the maintenance of the equipment will be provided by the final beneficiaries.

If the total cost of equipment or works is less than the amount envisaged in the fiche, the amount of Phare support will be reduced to maintain unchanged the relative proportions of Phare support and national co-financing shown in the fiche. If the total cost is greater than the amount envisaged in the fiche, the extra support required will be provided by additional national co-financing.

Before the Financing Agreement between the Commission and the Government of Croatia is signed, the National Aid Coordinator will satisfy the Commission that draft twinning covenants, terms of reference and technical specifications have been prepared, as appropriate, to allow each project to be launched immediately.

For any project delivered partly or wholly by twinning, a draft twinning contract shall be presented to the Commission Delegation for approval within three months of notification of selection of the twinning partner. If no draft contract is presented within this period, the Commission may re-circulate the project to Member States for selection of a new twinning partner, tender the project for commercial technical assistance, or cancel the project.

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.

For projects involving more than one Croatian Ministry or agency, the National Aid Co-ordinator will ensure that effective mechanisms for co-operation and co-ordination between such Ministries or agencies are in place. The National Aid Co-ordinator 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.

If these reviews indicate that by the first quarter of the final year for contracting (2008 unless otherwise specified) there is a high risk of a project or component of a project not being contracted, the Commission reserves the right to take remedial action including, if necessary, reallocating funds to other purposes or cancelling projects or components thereof.

Further project-specific conditionalities are described in each project fiche.

5.  **BUDGET**

5.1.  **Budget Table for 2006**

<table>
<thead>
<tr>
<th>No.</th>
<th>OBJECTIVE</th>
<th>Phare support</th>
<th>Co-financing</th>
<th>TOTAL</th>
</tr>
</thead>
</table>

13
<table>
<thead>
<tr>
<th></th>
<th>IB</th>
<th>INV</th>
<th>Total Phare</th>
<th>Other sources (**)</th>
<th>National public fund (*)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Democracy and rule of law</td>
<td>6.000.000</td>
<td>1.085.000</td>
<td>7.085.000</td>
<td>365.000</td>
<td>7.450.000</td>
</tr>
<tr>
<td>02</td>
<td>Human rights, protection of minorities and civil society dialogue</td>
<td>2.400.000</td>
<td>2.500.000</td>
<td>4.900.000</td>
<td>300.000</td>
<td>1.371.429</td>
</tr>
<tr>
<td>03</td>
<td>Economic criteria</td>
<td>1.772.550</td>
<td>1.298.700</td>
<td>3.071.250</td>
<td>1.023.750</td>
<td>4.095.000</td>
</tr>
<tr>
<td>04</td>
<td>Internal market and trade</td>
<td>5.750.000</td>
<td>3.997.500</td>
<td>9.747.500</td>
<td>1.332.500</td>
<td>11.080.000</td>
</tr>
<tr>
<td>05</td>
<td>Sectoral policies</td>
<td>12.363.000</td>
<td>6.474.000</td>
<td>18.837.000</td>
<td>2.251.000</td>
<td>21.088.000</td>
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<tr>
<td>06</td>
<td>Cooperation in justice and home affairs</td>
<td>1.000.000</td>
<td>292.500</td>
<td>1.292.500</td>
<td>97.500</td>
<td>1.390.000</td>
</tr>
<tr>
<td>07</td>
<td>Supporting programmes</td>
<td>14.128.750</td>
<td>0</td>
<td>14.128.750</td>
<td>0</td>
<td>14.128.750</td>
</tr>
<tr>
<td>08</td>
<td>Economic and social cohesion</td>
<td>0</td>
<td>2.000.000</td>
<td>2.000.000</td>
<td>700.000</td>
<td>2.700.000</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>43.414.300</td>
<td>17.647.700</td>
<td>61.062.000</td>
<td>300.000</td>
<td>7.141.179</td>
</tr>
</tbody>
</table>

(The distribution of figures between the budget lines is indicative within the limits of Art. 5 MoU NF)

(*) Contribution from national, regional, local, municipal authorities, FIs loans to public entities, funds from public enterprises.

(**) Private funds, FIs loans to private entities.
5.2. Principle of Co-Financing

In accordance with the Phare Guidelines, all investment projects supported by Phare must receive co-financing from national public funds.

The Community contribution may amount to up to 75% of the total eligible public expenditure. Taxes are not an element eligible for co-financing.

Co-financing for Institution Building projects is provided by the Beneficiary Country bearing certain infrastructure and operational implementation costs, through financing the human and other resources required for effective and efficient absorption of Phare assistance.

6. IMPLEMENTING AGENCIES

The Implementing Agency responsible for the programme is the Central Finance and Contracting Unit (CFCU) of the Ministry of Finance of the Republic of Croatia except for:

- Project HR2006/018-114/5/4 “Tempus”, for which responsibility for implementation lies with the European Commission.

- Project HR2006/018-113/7/2 “Participation in Community Programmes”, where implementation will only consist in the payment of the EC part of the financial contribution to the Community programmes by the National Fund.

7. IMPLEMENTATION ARRANGEMENTS

7.1. Method of Implementation

Implementation of the programme will follow Art. 53 (1) b (second alternative) of the Financial Regulation\(^5\). The implementation arrangements outlined below do not apply to the Tempus programme (HR2006/018-114/5/4), for which the implementation responsibility lies with the European Commission and which will be implemented on a centralised basis in accordance with Art. 53 (1)a of the Financial Regulation. The Beneficiary Country will continue to ensure that the conditions laid down in Art. 164 (1) (a) - (e) of the Financial Regulation are respected at all times.

Prior to the accreditation of Implementing Agencies foreseen by Art. 12 (2) of Regulation 1266/1999\(^6\), project selection, tendering and contracting by the Beneficiary Country will be subject to ex-ante approval by the Commission.


7.2. General rules for Procurement

Procurement shall follow the provisions of Part 2, Title IV of the Financial Regulation and Chapter 3 of Part 2, Title III of its Implementing Rules, as well as the Commission Decision SEC (2003) 387/2.

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 financed from the general EC budget in the context of external actions” (“Practical Guide”) as published on the EuropeAid website at the date of the initiation of the procurement or grant award procedure.

7.3. Grant Schemes

For grant schemes the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

The procedures and formats to be used in the implementation of the schemes and award of the grants will follow the grant award procedures for External Actions. In particular, due care will be given to the selection process of the projects. Grants will be awarded in conformity with the provisions of chapter 6 of the Practical Guide, and following the principles of Phare decentralised management. Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in Croatia will be required.

The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, the eligibility criteria and the selection and award criteria, as well as the selection process and results. The PAO also has to sign the grant agreements with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.

The implementation of selected projects through provision of works, supplies and services, which are sub-contracted by the final beneficiaries of the individual grants, shall be subject to the procurement rules for External Actions at the time of implementation. Following a positive assessment of the Implementing Agency’s capacity to operationally and financially manage the schemes in a sound and efficient manner, the Commission Delegation may decide to waive its ex-ante

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9 current address: http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm

10 see section 11 and Annex 4 of the 2004 Phare Programming Guide
approval of sub-contracting carried out by the final beneficiaries of the individual grants. The detailed provisions governing the role of the Delegation in the above-mentioned sub-contracting phase will be specified, as appropriate, in the Exchange of Letters between the Delegation and the national authorities following the above-mentioned assessment exercise.

Grant schemes will not involve projects for which the Phare contribution is below €50 000 or above €2 million. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency’s capacity of giving assurance of sound financial management. The lower limit is not applicable in the case of NGOs.

The financial commitments in Phare terms will take effect at the date of signature of the grant agreements by the competent PAO. The projects should be fully implemented before the expiry date for contract execution of the corresponding Financing Agreement.

7.4. Implementation Principles for Twinning Projects

Twinning projects are set up in the format of a grant contract (twinning contract) whereby the selected Member State administration agrees to provide the requested public sector expertise (including the long term secondment of an official assigned to provide full time counsel to the beneficiary administration as Resident Twinning Advisor) against the reimbursement of the expenses thus incurred. This twinning contract is in line with the provisions of Article 27 of the Financial Regulation and of Part One, Title VI on grants of the Financial Regulation and its Implementing rules.

Further to the provisions of Article 160, first paragraph of the aforementioned Implementing Rules, the Contracting authority shall use the rules and proceedings set out in the regularly updated Twinning Manual (which includes a system of fixed rates and prices for the reimbursement of the provided public sector expertise by the selected Member state administration for launching, selection, implementation and closing of twinning projects.

The twinning manual is available on the Website of DG ELARG at the following address: http://europa.eu.int/comm/enlargement/pas/twinning/index.htm.

8. Management of Assistance

8.1. Project Management

8.1.1. Responsibilities

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of Phare programmes.

11 With the exception of project HR2006/018-114/5/4 “Tempus“ for which the responsibility of implementation lies with the European Commission
The National Authorising Officer (NAO) and the NAC shall be jointly responsible for the co-ordination between Phare, ISPA and SAPARD.

The NAO and the Project Authorising Officer (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the instructions of the Commission. They will also ensure that all contracts required to implement the Financing Agreement are awarded using the procedures and standard documents for External Actions in force at the time of implementation, and that EU state aid rules are respected.

8.1.2. Project Size

All projects will be greater than 2 M €, except those in the following areas:

In accordance with the Phare Guidelines, some specific objectives may require smaller projects. The main reason is that projects focused primarily on institution building where the Croatian Ministry/agency concerned has limited absorptive capacity and cannot utilise as much as € 2 million:

(1) Democracy and rule of law: HR2006/018-113/1/1
(2) Internal market and trade: HR2006/018-113/4/1
(3) Cooperation in justice and home affairs: HR2006/018-113/6/1.

8.1.3. Deadline for contracting and execution of contracts, programming deadline

(1) All contracts must be concluded by no later than November 30, 2008.

(2) All contracts must be executed by no later than November 30, 2009. For the following project only, contracts must be executed by no later than February 28, 2011:

- HR2006/018-114/5/4 TEMPUS
In no case can the contracting period for projects implemented under this programme exceed three years after the date of the global commitment (Art. 166 (2) FR). Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be de-committed (Art. 77 (3) FR).

(3) Concerning the amount foreseen under the Unallocated Institution Building Envelope, projects must be programmed and Terms of Reference agreed by the Commission by no later than the date of accession.

(4) Under DIS, a complete tender dossier must be submitted to the Delegation for approval by no later than 6 months after the signature of the Financing Agreement. In case of non-compliance, the Beneficiary Country will inform the JMC, which may recommend reallocation or cancellation of funds in accordance with Art. 5 of the MoU on the National Fund.

8.1.4. Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive\textsuperscript{12} are fully applicable for all investment projects under Phare. 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 would fall within the scope of annex 1 or annex 2 of the EIA-directive, the carrying out of the EIA-procedure must be documented\textsuperscript{13}.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-directive must be documented\textsuperscript{14}.

All investments shall be carried out in compliance with the relevant community environmental legislation. The project fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

8.2. Financial Management

8.2.1. Principles and Responsibilities

The National Fund in the Ministry of Finance, headed by the NAO, will supervise the financial management of the programme, and will be responsible for reporting to the European Commission. The NAO shall have the overall responsibility for financial management of the Phare funds, and the full accountability for the Phare funds of a programme until the closure of that programme, with the exception of project HR2006/018-114/5/4 “TEMPUS” for which the responsibility lies with the European Commission.

\textsuperscript{12} DIR 85/337/EEC; OJ L 175/40; 5.7.1985, as amended

\textsuperscript{13} in Annex EIA to the corresponding investment project fiche.

\textsuperscript{14} in Annex Nature Conservation to the corresponding investment project fiche
The NAO shall ensure that the Phare rules, regulations and procedures pertaining to reporting and financial management are respected, and that a reporting and project information system is functioning.

The Commission will make payments to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Republic of Croatia in May 2005.

Payments will be made following requests from the NAO into a separate bank account, denominated in €, which will be opened and managed by the National Fund in the central bank or in a Government guaranteed bank. In principle, all bank accounts will be interest bearing.

According to Articles 3 & 4 of the implementing rules of the Financial Regulation accrued interest is the property of the Beneficiary Country. The NAO must however ensure that the accrued interest is actually registered in its entirety as revenue in the national budget. Furthermore the NAO will ensure a regular reporting of the interest via Perseus.

8.2.2. Payments to the National Fund

A first payment\textsuperscript{15} of up to 20% of the funds to be managed locally\textsuperscript{16}, will be sent to the NF following signature of the Financing Agreement and the Implementing Agreements between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function between them will be carried out.

Two further payments\textsuperscript{17} of up to 30% of the funds to be managed locally\textsuperscript{18} will be made. The second payment will be triggered when 5% of the total budget in force\textsuperscript{19} has been disbursed by the IAs and the CFCU. The third payment may be requested when 35% of the total budget in force\textsuperscript{20} has been disbursed.

A final fourth payment will be made when 70% of the total budget in force\textsuperscript{21} has been disbursed and all contracts have been signed.

\textsuperscript{15} representing pre-financing as defined in Art. 105 (1) of the Implementing Rules to the Financial Regulation

\textsuperscript{16} excluding the amount foreseen for Community Programmes and Tempus

\textsuperscript{17} representing interim payments or the renewal of pre-financing as defined in Art. 105 (1) of the Implementing Rules to the Financial Regulation

\textsuperscript{18} excluding the amount for Community Programmes and Tempus

\textsuperscript{19} excluding the amount for Community Programmes and Tempus

\textsuperscript{20} excluding the amount for Community Programmes and Tempus

\textsuperscript{21} excluding the amount for Community Programmes and Tempus
Exceptionally the NAO may request more than the percentage agreed where it can be demonstrated by a cash-flow projection that the cash-flow requirements in the subsequent period will exceed such percentage. In cases where the aggregate of the funds deposited in the NF, CFCU and IAs accounts exceeds 15% of the total budget in force for the programme the Commission may exceptionally authorise a payment, if the NAO provides duly substantiated evidence that contractual obligations cannot be met with the funds available.

8.2.3. Payments from the National Fund to the Implementing Agency

The National Fund will make payments to IAs, including the CFCU, in accordance with Implementing Agreements signed between the NF and the IAs/CFCUs. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of financial management of the sub-programme in line with Art. 15 of the MoU on the National Fund.

As long as implementation follows DIS, each individual Implementing Agreement must be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no payments from the NF to the CFCU. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all operations carried out by the relevant CFCU/IA.

8.2.4. Payments to the National Fund for Participation in Community Programmes and Agencies

A single payment to the National Fund will be made, covering the full amount of the Phare part of the financial contribution for participation in Community programmes and agencies. This payment will be made following signature of the Financing Agreement and upon request from the National Fund.

This payment is separate from the payments made for the rest of the programme. The Phare contribution for each programme will, however, only be transferred when the Association Council Decision or Memorandum of Understanding establishing the terms and conditions for participation in that programme is in force.

If there is a delay in the entry into force of some of the Memoranda of Understanding, the payment to the National Fund may be divided into two or more instalments, so that 100% of the funds necessary for the programmes in force can be paid immediately. The National Fund is responsible for transferring the funds back to the Commission, following the call for funds of the Commission service responsible for the programmes concerned and within the deadlines requested.

8.2.5. Payments in Case of Contractual Retention Clauses

For those contracts with contractual retention clauses (e.g. funds retained for a warranty period), the Implementing Agency assumes full responsibility for managing the funds until final payment is due, as well as for ensuring that the said funds will only be used to make payments related to the retention clauses.
The IA further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission.

8.2.6. Closure of Expenditure and Clearance of Accounts

No later than sixteen months after the end of execution of contracts, the NF will submit a final declaration of expenditure and a final technical progress report covering both Phare support and co-financing and an attestation regarding the regularity, accuracy and veracity of the accounts transmitted. The final certified expenditure should at this point equal the original value of the contracts minus any deductions and savings agreed with contractors in the course of implementation. This should also equal payments made plus any sums outstanding on account of contractual retention.

If the payments received from the Commission exceed the final certified expenditure, the NF shall return the excess to the Commission at the time of submitting the final declaration. If there are any outstanding payments (with the exception of contractual retention funds), the NF should provide an explanation and a forecast when payment will be finalised. The NF shall report on progress on contractual retention funds and outstanding payments on a quarterly basis. If they are not paid to the contractor, they shall be returned to the Commission.

After evaluation of the final declaration, the Commission will state its view on any expenditure to be excluded from Community funding, where it finds that expenditure has not been executed in compliance with Community rules.

The results of the Commission’s checks and its conclusions to exclude expenditure from financing will be notified in writing to the NF, which shall be given one month to transmit its reply in writing.

If no agreement is reached within one month of receipt of the NF’s written reply, the Commission shall decide and establish the amounts to be excluded, having regard in particular to the degree of non-compliance found, the nature and gravity of the infringement as well as the financial loss suffered by the Community.

Following the decision about amounts to be excluded, all ineligible expenditure will be recovered without prejudice to the treatment of irregularities and subsequent financial corrections stipulated below.

The funds will be recovered either by direct reimbursement from the NF or by compensation in accordance with Community rules.

9. Monitoring and Evaluation

Project implementation will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. The JMC will

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22 With the exception of project HR2006/018-114/5/4 “Tempus” for which the responsibility for implementation lies with the European Commission.
meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in the Financing Agreements and the Accession Partnership. The JMC may recommend a change of priorities and/or reallocation of Phare funds. Furthermore, the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (Phare, ISPA, SAPARD).

For the Phare programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC), which will include the NAC, the PAO of each Implementing Agency (and the CFCU where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring that these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector.

The Commission services shall ensure that this programme will be subject to interim (either centralised or decentralised) and/or ex post evaluations.

10. **Audit, Financial Control, Anti-Fraud Measures, Preventive and Corrective Actions**

10.1. **Supervision and Financial Control by the Commission and the European Court of Auditors**

All Financing Agreements as well as all resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-Fraud Office) and audits by the European Court of Auditors. As long as EDIS is not yet applicable to the Implementing Agencies in the Beneficiary Country, this includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the Community, 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) 2185/96.

The controls and audits described above are applicable to all contractors and subcontractors who have received Community funds.

Without prejudice to the responsibilities of the Commission and the European Court of Auditors, the accounts and operations of the National Fund and, where

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24 as referred to in the General Conditions relating to the Financing Memorandum” attached to the Framework Agreement
applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission’s discretion by the Commission itself or by an outside auditor contracted by the Commission.

10.2. Obligations of the Beneficiary Country

10.2.1. Audit and Financial Control

In order to ensure sound financial management of the Phare funds, the Beneficiary Country must have a system for management and control of assistance in accordance with generally accepted principles and standards in place. This system shall fulfil the requirements set out in Art. 164 of the Financial Regulation, and in particular provide adequate assurance of the correctness, regularity and eligibility of claims on Community assistance.

The Beneficiary Country’s management and control systems shall provide a sufficient audit trail, as defined in Art. 7 (2) of Commission Regulation 438/2001.25

The competent national financial control authority shall carry out appropriate financial controls of all actors involved in the implementation of the programme.

Each year an audit plan and a summary of the findings and main recommendations of the audits carried out and an outline of the follow-up given to past audit recommendations shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

10.2.2. Preventive Measures

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.

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.

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26 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 Communities’ 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 Communities’ financial interests.
10.2.3. Anti-Fraud Measures and Corrective Actions

Beneficiary Countries shall, in the first instance, bear the responsibility to ensure investigation and satisfactory treatment of suspected or actual cases of fraud and irregularities following national or Community controls.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94.

In particular, all suspected or actual cases of fraud and irregularity as well as all measures related thereto taken by the national authority 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.

In case of irregularity or fraud, the Beneficiary Country shall make the necessary financial corrections required in connection with the individual irregularity. The corrections made by the Beneficiary Country shall consist in cancelling all or part of the Community contribution. The Community funds released in this way may be re-used by the NF for the purpose of the programme, in compliance with Art. 5 of the MoU on the National Fund.

10.3. Recovery of Funds in Case of Irregularity or Fraud

Any proven irregularity or fraud discovered at any time during the implementation of the programme or as the result of an audit will lead to the recovery of funds by the Commission.

If, after completing the necessary verifications, the Commission concludes that:

(a) the Beneficiary Country has not complied with the obligations to prevent, detect, and correct irregularities or


28 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 Communities or budgets managed by, or on behalf of, the European Communities; 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.

29 Irregularity shall mean any infringement of a provision of national or Community law, this Financing Memorandum or ensuing 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 Communities or budgets managed by them, by an unjustified item of expenditure. The term “Community law” in this context shall be defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (e.g. the Europe Agreements, Framework Agreements, the MoU on the Establishment of the National Fund etc.)

30 see definition above

31 see definition above
(b) the implementation of a project appears not to justify either part or the whole of
the assistance allocated or
(c) there are serious failings in the management or control systems which could lead
to irregularities,
the Commission may suspend further financing of the programme in question, and, stating
its reasons, request that the Beneficiary Country submit comments and, where
appropriate, carry out any corrections within a specified period of time.
If no agreement is reached by the end of the period set by the Commission and if the
required corrections have not been made, the Commission may – taking into
account any comments made by the Beneficiary Country – decide within three
months to:
(a) reduce or cancel any payment for the programme in question, or
(b) make the financial corrections required by cancelling all or part of the assistance
granted to the programme concerned.
The Commission shall, when deciding on the amount of a correction, take into
account the principle of proportionality, the type of irregularity and the extent and
financial implications of the shortcomings found in the management and control
system of the Beneficiary Country.
In the absence of a decision to do either (a) or (b), further financing of the
programme shall immediately resume.

The National Authorising Officer will ensure the reimbursement of any unused
funds or any sum wrongly paid within sixty calendar days of the date of the
notification. If the NAO does not repay the amount due to the Community, the
Beneficiary Country shall refund this amount to the Commission.
Interest on account of late payment shall be charged on sums not repaid by applying
the rules specified in the Financial Regulation.

11. VISIBILITY AND PUBLICITY

The PAO in charge will be responsible for ensuring that the necessary measures are
taken to ensure appropriate publicity for all activities financed from the programme.
This will be done in close liaison with the Commission. Further details are set down
in the Annex on Visibility and Publicity.

12. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the
control of the Government of the Republic of Croatia, the Commission may review
the programme with a view, at the Commission’s discretion, to cancelling all or part
of it and/or to reallocate unused funds for other purposes consistent with the
objectives of the Phare programme.