

**ANNEX: National programme for Croatia under the IPA Transition Assistance and Institution Building Component for 2011**

**1. IDENTIFICATION**

Beneficiary	Croatia
CRIS number	<i>IPA/2011/022-954</i>
Year	2011
Cost	EUR 33 829 128 <sup>1</sup>
Implementing Authority	The Implementing Agency of Croatia, responsible for the execution of the projects, is the Central Finance and Contracting Agency (CFCA) except for: - Project 10 "Participation in Union Programmes and Agencies", where implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.
Final date for concluding the Financing Agreements	At the latest by 31 December 2012
Final date for contracting	3 years following the date of conclusion of the Financing Agreement.  No deadline for audit and evaluation projects covered by this programme, as referred to in Article 166(2) of the Financial Regulation. These dates apply also to the national co-financing.
Final dates for execution	3 years following the end date for contracting. These dates apply also to the national co-financing.
Sector Code	15110 (project 8), 15113 (project 3), 15130 (projects 1,4,5), 15150 (project 2), 15160 (project 6) 31110 (project 9), 16062 (project 7), 99810 (project 10)
Budget line concerned	22.020100: national programmes (component Transition Assistance and Institution Building) for Candidate Countries.
Programming Task Manager	DG ELARG.B1
Implementation Task Manager	Delegation of the European Union in Zagreb

<sup>1</sup> Out of the EUR 39 959 128 allocation under IPA 2011 component I for Croatia, and in addition to this programme amounting to EUR 33 829 128, EUR 330 000 will support activities "Connecting the Croatian Customs Administration (CCA) to the Common Communication Network and Common System Interface", EUR 5 000 000 will support the preparation of a project pipeline for Structural and Cohesion Funds in Croatia" and EUR 800 000 will support activities in the area of Nuclear Safety and Radiation Protection, which, to facilitate the management of assistance, will be coordinated and implemented under the relevant IPA 2011 Multi-Beneficiary programme.

## **2. PRIORITIES FOR EU ASSISTANCE**

The programme's strategic reference is the Multi-Annual Indicative Planning Document (MIPD) 2011-2013. Priorities selected for the MIPD 2011 – 2013 aim at supporting the strengthening of the rule of law, public administration reform, and preparation for the implementation of the EU cohesion and agriculture and rural development policies. To achieve these priorities, the Commission is focusing its assistance primarily on the following sectors: Justice and Home Affairs and Fundamental Rights, Public Administration Reform, Environment and Climate Change, Transports, Private Sector Development, Social Development, Agriculture / Rural Development.

### **2.a Priorities selected under this programme**

Given Croatia's advanced stage of membership preparations, the IPA programming focuses on the remaining assistance needs relevant for assuming membership obligations. EU assistance under this programme is increasingly moving from sheer adoption and concrete implementation of the *acquis* to more general administrative strengthening of post-accession priorities, with a particular focus on Justice and Home Affairs and Fundamental Rights.

According to the Enlargement Strategy and Main Challenges 2010—2011 and 2010 Progress Report<sup>2</sup>, Croatia needs to consolidate reforms in the field of Judiciary and Fundamental Rights. While progress has been made in many areas, including in the field of rule of law, efforts must continue and further intensify *inter alia* in the field of judicial and administrative reform as well as in the fight against corruption.

The area of Public Administration continues to need support due to shortcomings, including complex administrative procedures, politicisation and weak human resource management. Croatia also needs to sustain efforts to fully establish the administrative structures required for the management and control of EU funds.

This 2011 Programme therefore gives particular attention to Judiciary and Fundamental rights; justice, liberty and security; public administration reform and preparation for post accession funds.

These priorities have been selected as the establishment of adequate administrative and judicial structures as well as the strengthening of administrative and judicial capacity to implement the *acquis* are important elements of the accession process. Attention has been paid to sequencing of projects. Most projects are to a various extent follow up of previous initiatives and are programmed *inter alia* in views of preparations for a possible "Transition Facility" and "Schengen Facility".

Croatia could benefit from the EU-12 political and economic transition management experiences, best practices and expertise as detailed in the European Transition Compendium. This Compendium could be a useful tool in Member State's assistance to Croatia in priority sectors and objectives as set up in the document.

### **2.b Sectors selected under this programme and donor coordination**

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<sup>2</sup> Enlargement Strategy and Main Challenges 2010-2011, COM(2010) 660 of 9 November 2010, [http://ec.europa.eu/enlargement/press\\_corner/key-documents/reports\\_nov\\_2010\\_en.htm](http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm)

To achieve the priorities selected for support in the period 2011-2013, the Commission will focus its assistance under this programme on the following three sectors:

1. Justice and Home Affairs and Fundamental Rights
2. Public Administration Reform
3. Agriculture and Rural Development

Other sectors identified in the MIPD, namely, environment and climate change, transports, private sector development and social development, were not the focus of this programme but are currently receiving support from the other IPA Components as well as other donors. In the future, these sectors may still be supported under IPA Component I as appropriate.

The needs assessment for EU financial assistance under this programme takes into account the "Program of the Government of the Republic of Croatia for assumption and implementation of the *acquis communautaire*" and relevant national sectoral strategies.

The strategy for EU financial assistance is to directly support Croatia's pre-accession preparations for joining the EU, thus contributing, on a wider scale, to the "**Europe 2020** – the European strategy for smart, sustainable and inclusive growth".

The first two sectors, "Justice and Home Affairs and Fundamental Rights" and "Public Administration Reform", were identified in the Enlargement Strategy 2010-2011 and the 2010 Progress Report as areas requiring further reforms efforts, also in light of lessons learned from previous enlargements and in line with the renewed consensus on enlargement, as agreed by the December 2006 European Council.

As regards **Justice and Home Affairs and Fundamental Rights**, Croatia has made some progress with the physical infrastructure and computerisation of courts, having introduced the Integrated Case Management System in a majority of courts. Croatia has continued to implement the rationalisation of municipal and misdemeanour courts, ensuring efficient operation of the merged courts and adopting a plan for rationalisation of county and commercial courts. In line with the Croatian Strategy of the Reform of the Judiciary 2011-2015 and the investment plan for judicial infrastructure for the period 2011-2019, the programme will improve the efficiency of the court system by improvement of working conditions and consolidation of the court network. Positive impacts are expected on the implementation of the functional and physical mergers of municipal and misdemeanour courts. The activities foreseen are complementary to the World Bank's Justice Sector Support Projects which started in 2010 (EUR 27.9 million €).

There has been good progress in the fight against corruption. Implementation and overall coordination of anti-corruption efforts have improved. However, corruption remains prevalent in many areas. Croatia needs to further reinforce PNUSKOK (Police National Office for the Suppression of Corruption and Organised Crime). Four regional operational departments have started work. High-profile cases of organised crime have been investigated swiftly. However, further efforts in this area are necessary and the programme will support the restoration and equipment of the premises of two of the four regional operational departments of PNUSKOK (Osijek and Rijeka).

As mentioned in the Progress Report 2010, with a few notable exceptions, the analytical and financial capacities of civil society organisations for monitoring political developments and

Government decisions remain weak. As further efforts are necessary to include civil society into the policy-making process, the programme will further support civil society organisations in line with Croatia's National Strategy for the Creation of an Enabling Environment for Civil Society 2006-2011.

As mentioned in the Enlargement Strategy 2010-2011, progress has been made in the field of external borders. However, several aspects of the integrated border management action plan need to be amended and the upgrading of equipment needs to be stepped up. In line with the Schengen Action Plan and the National Strategy for Integrated Border Management, a national centre of excellence for training of dog handlers and police dogs will enhance capacities to effectively combat organized crime and terrorism at main border crossing points. A systematic, efficient and coordinated fight against corruption and organised crime will be supported by a project aiming at strengthening capacities of the Ministry of Interior to combat computer crime. Cybercrime legislation in Croatia is primarily regulated by the law on criminal procedure adopted in December 2008.

The asylum system has been significantly improved, but attention needs to be paid to integrating persons granted protection in Croatia and to protecting minors among irregular migrants. The Progress Report 2010 notes that special attention needs to be paid to the treatment and accommodation of this vulnerable group. There is a lack of specific treatment, including separate facilities and protection for minors, who are subject to risks of abuse and exploitation. One project will address these shortcomings by enhancing capacities of the Ministry of Interior to fulfil requirements of the EU acquis regarding detention of minors among illegal migrants.

The Progress Report 2010 indicates limited progress in the area of **Public Administration Reform**. Consistent with Croatia's Public Administration Reform Strategy, a flexible facility for reinforcement of administrative capacity will aim at further strengthening institutions and administrative capacity for the full implementation of the acquis communautaire. In line with Croatia's Official Statistics and the programme of statistical activities 2008-12, support will also be provided to increase the compliance level with the acquis in the area of statistics.

Good progress has been made in the field of **Agriculture and Rural Development**, in particular on establishment and implementation of the paying agency and of the integrated administration and control system and on the common market organisation. However, considerable efforts in these key areas of the Common Agricultural Policy need to be sustained. Croatia also needs to align the agricultural support system fully with the acquis and to increase absorption capacity for rural development funds. Therefore and in line with Croatia's Implementation Plan for the establishment of the Integrated Administration and Control System, this programme will provide support to strengthen the internal capacities of the Paying Agency for Agriculture, Fisheries and Rural Development.

The Commission, together with the support of the EU Delegation in Zagreb, has organised consultations both on the MIPD 2011-2013 as well as on this programme with EU Member States' embassies and local branches of International Financial Institutions (IFIs). Other donors, international finance institutions and relevant civil society organisations gave a generally positive response. Relevant comments have been taken into account. The assistance provided by IFIs and bilateral donors further reinforce the prospects for sustainability, for instance as regards the World Bank financed Justice Sector Support Programme which complements this programme.

## 2.c Description:

### **Sector 1: Justice and Home Affairs and Fundamental Rights**

The main **objectives** in this sector are to strengthen judicial independence and efficiency; to support the protection of fundamental rights, especially for minority groups and refugees; to support the further alignment of migration, visa and asylum policies; to continue the implementation of Integrated Border Management (IBM) Action Plan and Schengen Action Plan; to support Croatia's efforts to fight organised crime, corruption - including the prevention of corruption -, money laundering and trafficking of human beings and drugs; to support de-mining measures with a view to enhance the economic development and the overall security environment, as well as to contribute to refugee return; and to support civil society in the framework of the Commission's Civil Society Facility covering a wide range of sectors not limited to "justice and home affairs" and including support to CSOs at the regional and local levels.

**Indicators** to assess the impact of EU support include, *inter alia*:

- Reduction in the length of court proceedings and reduction in the backlog of cases;
- Improved court management systems;
- Number of successful prosecutions and final convictions for cases of organised crime, corruption, money laundering and trafficking of human beings and narcotics;
- Increased amounts of proceeds of crime recovered;
- Strengthened capacity of law enforcement institutions, including improved inter-agency and international cooperation;
- Strengthened IBM and prevention of illegal migration by creating effective systems for management of asylum, illegal migration and borders;
- Improved environment for civil society and strengthened capacities of CSOs, more effective civic participation in policy processes at all levels.

- *Judiciary and fundamental rights:*

<b>Project 1: Support to the rationalization of court network</b> (statistical code: 01-23)		
IPA contribution: EUR 9 376 350	National contribution: EUR 1 654 650	Total: EUR 11 031 000

The project aims at improving the efficiency of the Court System by improvement of working conditions and consolidation of the court network (rehabilitation and renovation of five courthouses in Osijek, Sisak, Valpovo, Benkovac and Ivanić Grad, housing two county, 5 municipal courts) and 2 Municipal State Attorneys' Offices and 1 Misdemeanour court.

To this end, a technical assistance contract (supervision of works) of EUR 1 000 000 and a works contract (lot 1-5) of EUR 10 031 000 are foreseen to be launched in the first and second quarter of 2012 respectively.

- *Civil society:*

<b>Project 2: Civil Society Facility – Active Civil Society for ensuring durability of policy reforms in post-accession Croatia</b> (statistical code: 01-35)			
IPA contribution: EUR 2 859 000	National contribution: EUR 501 000	Private contribution: EUR 363 000	Total: EUR 3 723 000

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

In this overall context, the project aims at building capacities of CSOs for the implementation of various activities aimed at improving the overall transparency and openness of Croatian public administration, and integrating nature protection measures in local economic and social development processes through development of sustainable cross-sectoral partnerships.

The project will be implemented through two grants schemes<sup>3</sup> of EUR 2 775 000 and EUR 888 000 respectively, targeting CSOs that are active in the aforementioned fields. The calls for proposals are foreseen to be launched in the 1<sup>st</sup> quarter of 2012. A technical assistance contract of EUR 60 000 is envisaged to be launched in the 4<sup>th</sup> quarter of 2011 and will assess project proposals within the grant schemes based on standardized assessment criteria.

*- Anti-Corruption Policy*

<b>Project 3: Restoration and Equipping of the premises for PNUSKOK Osijek and Rijeka</b> <i>(statistical code: 01-23)</i>		
IPA contribution: EUR 1 793 500	National contribution: EUR 316 500	Total: EUR 2 110 000

The project aims at creating adequate preconditions for effective operation of the National Police Office for Suppression of Corruption and Organized Crime departments Osijek and Rijeka at the regional level.

The project will be implemented through one works contract of EUR 1 700 000, one technical assistance contract (supervision of works) of EUR 200 000, and one supply contract of EUR 210 000. The tenders for the first two contracts are foreseen to be launched in the 3<sup>rd</sup> quarter of 2012, and in the first quarter of 2013 for the supply contract.

*- Justice, Freedom and Security*

<b>Project 4: Strengthening capacities of the Ministry of the Interior to combat computer crime</b> <i>(statistical code: 03-24)</i>		
IPA contribution: EUR 665 000	National contribution: EUR 35 000	Total: EUR 700 000

The project aims at developing the capacities of the Forensic Science Centre (FSC) to provide support to investigating cybercrime, as well as the expertise and evidence for processing and prosecuting of such criminal offences, following the best practices of the EU Member States. Moreover, the capacities of the Criminal Police to investigate cybercrime will be enhanced, including the ability to exchange information and cooperate with the relevant law enforcement agencies of other countries and to operate in line with the EU anti-cybercrime initiatives.

<sup>3</sup> The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions.

To this end, a call for proposals for a grant agreement (twinning) of EUR 700 000 is foreseen to be launched in the 3<sup>rd</sup> quarter of 2012.

- *Justice Freedom and Security*

**Project 5: Construction and Equipping of the Centre for Training Dog Handlers and Police Dogs**

*(statistical code: 03-24)*

IPA contribution: EUR 2 312 000	National contribution: EUR 408 000	Total: EUR 2 720 000
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The project aims at setting up the national centre of excellence for training dog handlers and police dogs which will enhance national institutional capacities as well as the exchange of experiences at international level.

The project will be implemented through one works contract of EUR 2 320 000, one technical assistance contract (supervision of works) of EUR 230 000 and one supply contract of EUR 170 000. The tenders for the first two contracts are foreseen to be launched in the third quarter of 2012 and in the first quarter of 2013 for the last contract.

- *Justice, Freedom and Security*

**Project 6: Upgrading the capacities of the Reception Centre for Foreigners**

*(statistical code: 03-24)*

IPA contribution: EUR 2 148 225	National contribution: EUR 379 098	Total: EUR 2 527 323
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The project aims at fulfilling the criteria of EU acquis regarding detention of minors, illegal migrants and other vulnerable groups of illegal migrants.

The project will be implemented through one works contract of EUR 2 013 000, one technical assistance contract (supervision of works) of EUR 200 000 and one supply contract of EUR 314 323. The tenders for the first two contracts are foreseen to be launched in the second quarter of 2012 and in the fourth quarter of 2012 for the last contract.

**Sector 2: Public Administration Reform**

The main **objectives** in this sector are to support the implementation of the human resources development strategy (2010-2013); to support the capacity of public administration at central, regional and local levels to manage decentralisation reforms; to support the improvement of the administrative capacity of the Ministry of Public Administration; and to support further alignment in the fields of public procurement, taxation, statistics, customs, budgetary reforms, and public internal financial control (PIFC).

**Indicators** to assess the impact of EU support include, *inter alia*:

- Enhanced co-ordination and administrative capacities of main stakeholders in the sector;
- Trainings carried out and training materials produced and a sufficient number of civil servants trained;
- Information/awareness-raising campaigns carried out.

**Project 7: Technical assistance in development of business statistics and upgrading of data collection system**

*(statistical code: 03-18)*

IPA contribution: EUR 693 000	National contribution: EUR 77 000	Total: EUR 770 000
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The project aims at increasing the compliance level with the *acquis communautaire* in selected areas of statistics, namely business statistics and the data collection system.

To this end, a tender for a technical assistance (service) contract of EUR 770 000 is foreseen to be launched in the 2<sup>nd</sup> quarter of 2012.

**Project 8: Flexible Facility for Reinforcement of Administrative Capacity**

*(statistical code: 04-40)*

IPA contribution: EUR 2 739 186	National contribution: EUR 304 354	Total: EUR 3 043 540
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In the continuation of previous facilities, this facility of a total of EUR 3 043 540 will be implemented through twinning, twinning light or technical assistance contracts and aims at addressing in a flexible manner specific needs identified in the course of the negotiations process, as well as reinforcing the institutional capacity for the management of EU funds. This facility will also be used for projects which are too small to be justified as specific and separate projects.

It is expected that all service tenders/calls for proposals for grant agreements (twinning) will be launched in the year 2012.

**Sector 3: Agriculture and Rural Development**

The main **objectives** in this sector are the facilitation of the preparation of the beneficiary country for the participation in the Common Agricultural Policy (CAP), including the systems for management and control of financial expenditures, while at the same time assisting the beneficiary country with getting ready to effectively implement EU rural development programmes upon accession, including to prepare for the adaptation of the effects of climate change. Support will also be provided for the reinforcement of administrative structure required for the implementation of Common Fisheries Policy, in particular regarding the fisheries resources management and the fisheries inspection and control services.

**Indicators** to assess the impact of EU support include:

- Setting up of an Integrated Administration and Control System (IACS) including the Land Parcel Identification System (LPIS) to be fully operational by the date of accession;
- Setting up of the paying agency to be fully operational by the date of accession;
- Improve the absorption capacity for rural development funds;
- Complete transposition and implementation of the *acquis*;
- Better coordination and cooperation among institutions and improved participation of local actors in the development and implementation of rural development strategies.

**Project 9: Strengthening the PAAFRD capacities for meeting the challenges**



<b>arising from the CAP and the CFP reforms and the post-2013 period</b> <i>(statistical code: 03-11)</i>		
IPA contribution: EUR 4 180 000	National contribution: EUR 620 000	Total: EUR 4 800 000

The project aims at strengthening the internal capacities of the Paying Agency for Agriculture, Fisheries and Rural Development (PAAFRD) and to achieve its readiness for smooth transition and uninterrupted functioning in implementation of support schemes in agriculture, fisheries and rural development fully in compliance with EU rules and regulations in the post-2013 period in order to ensure controllability of measures, increase the effectiveness and efficiency with necessary adaptations of new tools of the Common Agricultural Policy and Common Fisheries Policy.

The project will be implemented through a grant agreement (twinning) of EUR 1 700 000, a supply contract of EUR 1 500 000 and a service contract of EUR 1 600 000. The tenders for the first two contracts are foreseen to be launched in the first quarter of 2012 and in the second quarter of 2012 for the last contract.

### **Supporting programmes**

<b><i>Project 10: Participation in Union Programmes and Agencies</i></b> <i>(statistical code: 04-65)</i>		
IPA contribution: EUR 7 062 867	National contribution: EUR 17 461 243	Total: EUR 24 524 110

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

The IPA programme can be used to meet a part of the costs for the participation in the programmes in accordance with Article 5 Paragraph 2 of the Framework Agreement.

EUR 7 062 867 are allocated from IPA 2011 Component I to co-finance the participation of Croatia in, inter alia, the following indicative list of Union Programmes and Agencies in 2012: Fiscalis 2013, CUSTOMS 2013, Culture 2007-2013, Media 2007, Seventh Framework Programme for Research, Technological Development and Demonstration Activities, Europe for Citizens, PROGRESS, Competitiveness and Innovation Framework (CIP), Civil protection financial instrument, Second Programme of Community Action in the Field of Health 2008-2013, Marco Polo II, ISA (Interoperability Solutions for European Public Administrations), LifeLong Learning, Youth in Action, European Union Agency for Fundamental Rights (FRA) and European Monitoring Centre for Drugs and Drug Addictions (EMCDDA).

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

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

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

The IPA 2011 programme builds on assistance provided to Croatia under the CARDS programme, with a total financial allocation for the period 2001 to 2004 of EUR 260 million, the 2005-2006 pre-accession instruments Phare, Phare CBC, ISPA and SAPARD with a total financial allocation of EUR 229.6 million, as well as IPA 2007, 2008, 2009 and 2010 (Component I) with financial allocations of EUR 45.4 million, EUR 41.4, EUR 44.6 and 38.6 million respectively.

The report of the 2010 *Country Programme Interim Evaluation* highlighted the following results as regards the deployment of PHARE and IPA assistance in Croatia:

IPA TAIB programming puts a strong focus on negotiation chapters and accession benchmarks. Programme quality has significantly improved over time. Phare/ IPA TAIB short and medium term impacts can already be noticed, mostly visible as administrative impacts. Prospects for global and long-term impacts are building up. Institutionalisation and enforcement of programme results is progressing in line with the need to strongly comply with EU requirements in the near future.

Prospects for programme sustainability are good. Awareness on sustainability requirements has substantially risen in beneficiary institutions. Where more stakeholders are actively involved as well as the beneficiary, the prospects for sustainability of project outputs are better. Institutional reforms are largely sustainable whilst administrative sustainability varies.

Due to the characteristics of the tendering and contracting process, operational efficiency is not likely to significantly improve. Ongoing staffing and capacity building, however, will stimulate efficiency positively by increasing the beneficiaries' capacity to deal with arising problems in a more professional manner.

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

Lessons learned from previous years were taken into consideration when programming IPA 2011, as described in the thematic Public Administration Reform<sup>4</sup> evaluation and in the Country Programme Interim Evaluation carried out by the Commission in 2009 (final report of March 2010) as well as the Country Programme Interim Evaluation 2010 carried out by the Croatian authorities.

In particular, issues that in the past affected the achievement of project purposes are being increasingly addressed:

- more attention is paid to conditionality and sequencing, since the programming stage;

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<sup>4</sup> Supporting Public Administration Reform in Croatia – Thematic Evaluation of EU and other support, MWH Consortium, June 2009.

- measures have been deployed to improve the administrative implementability of projects and compress the length of preparatory phase;
- where required, measures have been adopted to enhance the involvement of decision-makers in the execution of projects, and to facilitate inter-institutional coordination.

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

A mid term evaluation of IPA assistance has provided a consolidated assessment of the intervention logic of IPA assistance and undertook a comprehensive overview of existing strategies of performance of assistance under IPA component I. Following one of the main recommendations of this report, the NIPAC has taken on a more proactive role throughout the project preparation and selection process. In particular, efforts have been made to enhance their role in the prioritisation, sequencing and quality assessment of project proposals before their submission to the Commission.

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

Donor coordination is of great importance to avoid any overlap of assistance. In line with the conferences on donor coordination in Tirana in April 2009 and in Brussels in October 2009 as well as December 2010, the Commission has continued to promote the establishment of more formal co-ordination mechanisms by the Croatian Government and its ownership of the coordination process. At the local level, the EU Delegation continued donor coordination activities by organising meetings with the Member States in the course of 2011.

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

The dialogue with civil society organisations, as well as their involvement, is of great importance to ensure the sustainability of measures taken as well as the broadest possible support for them. This is the reason why under the national programme for Croatia under the IPA Transition Assistance and Institution Building Component for 2011 this dialogue will be supported by the aforementioned project "Active Civil Society for ensuring durability of policy reforms in post-accession Croatia"

#### **2.e Horizontal issues**

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

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

Ownership and motivation of stakeholders has been encouraged by balancing preconditions with positive incentives for good project performance.

#### **2.f Conditions**

- (1) Before the Financing Agreement is signed, the National IPA Coordinator (NIPAC) will confirm the availability of the national co-financing indicated in each project fiche.
- (2) In order to guarantee improvement of performance of the institutions in the system, the following benchmarks will apply to IPA Component I National Programme 2011:
  - **Increase of quality of tender and contract documents submitted to the Delegation for *ex ante* controls:** A significant reduction in rejection rates of files submitted to the Commission is an essential element of the roadmap to waive *ex ante* controls under IPA Component I submitted by Croatia in December 2009, with the ultimate aim to achieve the waiver of *ex ante* controls.
  - **Acceleration of procurement:** the Central Finance and Contracting Agency (CFCA) will agree with the European Commission the procurement plan on IPA 2011 Component I National Programme.

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

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

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

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

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

and the Commission in electronic form. Meetings to review the procurement plans will be organised as required.

– **Respect of conditionalities**

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

– **Respect of global deadlines**

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

– **Further improvement of functioning of the decentralised system**

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

- (3) As highlighted by the evaluation of twinning conducted by DG Enlargement in 2008, projects to be implemented through twinning or twinning light require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies and institutional change required to deliver the project results.
- (4) For projects involving more than one Croatian Ministry or agency, the NIPAC will ensure that effective mechanisms for co-operation and co-ordination between such Ministries or agencies are in place. The NIPAC will undertake thorough reviews of progress on implementation of the projects listed at least every three months from the time the Financing Agreement is signed until the final date for contracting.
- (5) Further project-specific conditionality is described in each project fiche.

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

Croatia was conferred management powers for the decentralised management of IPA Component I with *ex ante* controls by a Commission Decision of 28 October 2008. The Croatian authorities submitted in December 2009 a roadmap for the decentralisation of the management of IPA funds without *ex ante* controls by the Commission. They envisage moving to full decentralisation in the course of 2012.

### 3. BUDGET (AMOUNTS IN EUR)

#### 3.1. Indicative budget table

<u>Decentralised management</u>	Institution Building (IB)					Investment (INV)					Total (B + INV)	Total IPA EU contribution	
	Total public expenditure	IPA contribution	EU	National public contribution*		Total public expenditure	IPA contribution	EU	National public contribution*				
	EUR (a)=(b)+(c)	EUR (b)	% <sup>(1)</sup>	EUR (c)	% <sup>(1)</sup>	EUR (d)=(e)+(f)	EUR (e)	% <sup>(1)</sup>	EUR (f)	% <sup>(1)</sup>	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	% <sup>(2)</sup>
<b>Sector 1: Justice and Home Affairs and Fundamental Rights</b>	5 690 000	4 909 500	86	780 500	14	16 758 323	14 244 575	85	2 513 748	15	22 448 323	19 154 075	57
Support to the rationalization of court network	1 000 000	850 000	85	150 000	15	10 031 000	8 526 350	85	1 504 650	15	11 031 000	9 376 350	-
Active Civil Society for ensuring durability of policy reforms in post accession Croatia	3 360 000	2 859 000	85	501 000	15	0	0	0	0	0	3 360 000	2 859 000	-
Restoration and Equipping of the premises for PNUSKOK Osijek and Rijeka	200 000	170 000	85	30 000	15	1 910 000	1 623 500	85	286 500	15	2 110 000	1 793 500	-
Strengthening capacities of the Ministry of the	700 000	665 000	95	35 000	5	0	0	0	0	0	700 000	665 000	-

Interior to combat computer crime													
Construction and Equipping of the Centre for Training Dog Handlers and Police Dogs	230 000	195 500	85	34 500	15	2 490 000	2 116 500	85	373 500	15	2 720 000	2 312 000	-
Upgrading the capacities of the Reception Centre for Foreigners	200 000	170 000	85	30 000	15	2 327 323	1 978 225	85	349 098	15	2 527 323	2 148 225	-
													-
<b>Sector 2: Public Administration Reform</b>	3 813 540	3 432 186	90	381 354	10	0	0	0	0	0	3 813 540	3 432 186	10
Technical assistance in development of business statistics and upgrading of data collection system	770 000	693 000	90	77 000	10	0	0	0	0	0	770 000	693 000	-
Flexible Facility for Reinforcement of Administrative Capacity	3 043 540	2 739 186	90	304 354	10	0	0	0	0	0	3 043 540	2 739 186	
<b>Sector3: Agriculture and Rural Development</b>	3 300 000	3 055 000	93	245 000	7	1 500 000	1 125 000	75	375 000	25	4 800 000	4 180 000	12
Strengthening the PAAFRD capacities for meeting the	3 300 000	3 055 000	93	245 000	7	1 500 000	1 125 000	75	375 000	25	4 800 000	4 180 000	-

challenges arising from the CAP and the CFP reforms and the post-2013 period														
<b>Supporting programmes</b>	24 524 110	7 062 867	29	17 461 243	71	0	0	0	0	0	24 524 110	7 062 867	21	
Participation in Union Programmes and Agencies	24 524 110	7 062 867	29	17 461 243	71	0	0	0	0	0	24 524 110	7 062 867	-	
<b>TOTAL</b>	37 327 650	18 459 553		18 868 097		18 258 323	15 369 575		2 888 748		55 585 973	<b>33 829 128</b>		

Amounts net of VAT

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

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

(2) Sectors rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the priority with reference to the total IPA EU contribution of the entire FP.



### **3.2. Principle of Co-Financing applying to the projects funded under the programme**

The IPA EU contribution, which represents 61 % of the total budget allocated to this programme, has been calculated in relation to the **eligible expenditure**, which in the case of decentralised management is based on the **total expenditure**. Joint co-financing will be used as a rule.

Co-financing requirements deriving from the IPA Council Regulation No 1085/2006 of 17 July 2006 and the IPA Implementing Regulation No 718/2007 of 12 June 2007, to which Croatia agreed with the signature of the IPA Framework Agreement on 27 August 2007, have been strictly applied at the level of each contract for each project<sup>5</sup>.

In the case of grants, final grant beneficiaries should contribute with a minimum of 10 % of the eligible expenditure of the project, both for investment and institution building projects. For twinning contracts grant beneficiaries should contribute with a minimum of 5 % of the eligible expenditure of the project.

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Method of Implementation**

This programme shall be implemented by decentralised management, in accordance with article 53c of the Financial Regulation<sup>6</sup> and the corresponding provisions of the Implementing Rules<sup>7</sup>. The Beneficiary Country will continue to ensure that the conditions laid down in Article 56 of the Financial Regulation are respected at all times.

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

### **4.2. General rules for Procurement and grant award procedures**

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

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

The Contracting Authorities shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide

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<sup>5</sup> 15% of the total public expenditure in the case of investments; 10% for institution building; 5% for twinning; as regards grants, final beneficiaries will contribute with a minimum of 10% of the total eligible expenditure of the action, both for investment and institution building projects.

<sup>6</sup> Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1).

<sup>7</sup> Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1).

to contract procedures for EU external actions" ("Practical Guide") as published on the EuropeAid website<sup>8</sup> at the date of the initiation of the procurement or grant award procedure.

#### **4.3. Implementation Principles for Twinning Projects**

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

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

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

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

[http://ec.europa.eu/enlargement/financial\\_assistance/institution\\_building/twinning\\_en.htm](http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm)

#### **4.4. Environmental Impact Assessment and Nature Conservation**

All investment shall be carried out in compliance with relevant EU Environmental Legislation in particular the EIA<sup>9</sup> and the Habitats<sup>10</sup> Directives.

The procedures for environmental impact assessment as set down in the EIA Directive 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.

### **5. MONITORING AND EVALUATION**

#### **5.1. Monitoring**

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

They shall assess the effectiveness, quality and coherence of the implementation of this programme as well as achieved results and sustainability of results at the level of programme. They may make proposals to the European Commission and the national IPA co-ordinator, with a copy to the National Authorising Officer, for decisions on any corrective measures to ensure the achievements of programme objectives and enhance the efficiency of the assistance provided.

#### **5.2. Evaluation**

Programmes shall be subject to ex ante evaluations, as well as interim and, where relevant, ex post evaluations in accordance with Articles 57 and 82 of the IPA Implementing Regulation

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<sup>8</sup> current address:

[http://ec.europa.eu/europeaid/work/procedures/implementation/practical\\_guide/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm)

<sup>9</sup> 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).

<sup>10</sup> 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).

with an aim to improve the quality, effectiveness and consistency of the assistance from EU funds and the strategy and implementation of the programmes.

After the conferral of management powers, the responsibility for carrying out interim evaluations lies with the Beneficiary Country, without prejudice on the European Commission's rights to perform any ad hoc interim evaluations of the programmes it deems necessary.

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

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

The European Commission may also carry out strategic evaluations.

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

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

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

In order to ensure the efficient protection of the financial interests of the European Union, the European Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96<sup>11</sup>.

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

### **6.2. Financial adjustments**

The national authorising officer, who bears in the first instance the responsibility for investigating all irregularities, shall make the financial adjustments where irregularities or negligence are detected in connection with the implementation of this programme, by cancelling all or part of the EU assistance. The national authorising officer shall take into account the nature and gravity of the irregularities and the financial loss to the EU assistance. In case of an irregularity, including negligence and fraud, the national authorising officer shall recover the EU assistance paid to the beneficiary in accordance with national recovery procedures.

### **6.3. Audit trail**

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

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<sup>11</sup> Council Regulation (EC, Euratom) 2185/96 of 11. November 1996, OJ L 292; 15.11.1996; p. 2.

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

#### **6.4. Preventive Measures**

Beneficiary countries shall ensure investigation and effective treatment of suspected cases of fraud and irregularities and shall ensure the functioning of a control and reporting mechanism equivalent to that provided for in Commission Regulation 1828/2006<sup>12</sup>. All suspected or actual cases of fraud and irregularity as well as all measures related thereto taken must be reported to the European Commission services without delay. Should there be no suspected or actual cases of fraud or irregularity to report, the Beneficiary Country shall inform the European Commission of this fact within two months following the end of each quarter.

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

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

The Beneficiary Country shall take any appropriate measure to prevent and 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.

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

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

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

#### **6.5. Financial corrections**

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

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<sup>12</sup> OJ L371, 27.12.2006, p. 1.

the Framework Agreement concluded between the European Commission and the Beneficiary Country.

A financial correction may arise following:

- (i) identification of a specific irregularity, including fraud; or
- (ii) identification of a weakness or deficiency in the management and control systems of the Beneficiary Country;

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

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

## **7. NON SUBSTANTIAL REALLOCATION OF FUNDS**

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

## **8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME**

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature<sup>13</sup>, may be undertaken by the European Commission's authorising officer by delegation (AOD), or by the European Commission's authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

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<sup>13</sup> 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.