

**ANNEX: NATIONAL PROGRAMME FOR THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA UNDER THE IPA TRANSITION ASSISTANCE AND INSTITUTION BUILDING
COMPONENT FOR 2011**

1 IDENTIFICATION

Beneficiary	The former Yugoslav Republic of Macedonia
CRIS decision number	2011/ 022-988
Year	2011
EU Contribution	EUR 28 903 410
Implementing Authority	In accordance with Article 53c of the Financial Regulation, the Central Financing and Contracting Department in the Ministry of Finance (CFCD), upon Conferral of Management Powers, except for project 10 " <i>Participation in Union Programmes and Agencies</i> " where implementation will consist of the payment by the National Fund of the IPA part of the financial contribution to the programmes.
Final date for concluding the Financing Agreements	At the latest by 31 December 2012
Final dates for contracting	3 years following the date of conclusion of the Financing Agreement. No deadline for audit and evaluation projects covered by this Financing Agreement, as referred to in Article 166(2) of the Financial Regulation. These dates also apply to the national co-financing.
Final dates for execution	2 years following the end date for contracting. These dates also apply to the national co-financing.
Budget line(s) concerned	22.02.01: national programmes (component Transition Assistance and Institution Building) for Candidates
Programming Unit	DG Enlargement B2, Unit 'The former Yugoslav Republic of Macedonia'
Implementation Unit/ Section	The Central Financing and Contracting Department in the Ministry of Finance (CFCD), Skopje

2. THE PROGRAMME

2.a Priorities selected under this programme

The programme's strategic reference is the Multi-Annual Indicative Planning Document (MIPD) 2011-2013¹. As the MIPD outlines, given the candidate status of the country, pre-accession assistance is aimed at supporting the country's efforts to support reforms in order to comply with the Copenhagen accession criteria. Financial assistance under IPA Component I aims at providing Transition Assistance and Institution Building which is needed to meet this objective.

The following main priorities for EU assistance over the period covered by the MIPD have been identified:

- Support the sustainable, smart and inclusive economic and social development of the country
- Improve good governance and reduce corruption
- Ensure rule of law, non-discrimination and respect of human rights.

Based on the MIPD priorities and target indicators, the current IPA National Programme (NP) supports 10 projects in the sectors of public administration, rule of law, agriculture, private sector development, environment, climate change and social development. In addition, a sector measure tackling other important administrative capacity needs has been prepared and is included in the programme.

Only the most relevant and implementable projects proposed by the national authorities were considered for this NP, after several consultations and quality control discussions. Efforts were made to better focus projects on the political priorities of the accession process simultaneously paying significant attention to socio-economic development and aligning them with existing national sector priorities. Under the objectives defined in the MIPD 2011-2013, this programme will support the objectives as outlined in the following section 2b.

2.b Sectors selected under this programme and donor coordination

Sector 1 - Public Administration Reform

The continuation of reforms in the field of public administration remains a key medium-term strategic priority of the Government. The National Strategy was updated in 2010 with EU assistance, covering the period 2010-2015, and that allows the EU to increasingly use a more sector-based logic in its planning of pre-accession assistance to the sector.

In line with the MIPD the following objectives will be addressed:

- to build a transparent, professional and independent public administration.
- to improve the efficiency and effectiveness of the civil service at both central and local level and to reduce corruption
- to support the development of strategic planning capacities and improve accountability and transparency of the public sector as well as broad participation of civil society.

¹ C(2011)4579

In view of the new orientation of the MIPD 2011-2013 towards a sector-based approach, developing capacities for reflecting policy priorities into a credible and coherent medium term expenditure framework becomes essential. Assistance will thus be provided to improve medium term budget planning and budgetary execution at both central and local levels.

The sector will contain two projects and cover 17% of the total budget.

Sector 2 - Justice, Home affairs and Fundamental Rights

The priorities of the Accession Partnership, NPAA and Progress Report together with the strategies and action plans in place, namely the Strategy of the Reform of the Criminal Legislation (2007-11), the State Programme for prevention and repression of corruption (2011-2015) and the Strategy for establishment of a National Center for coordination of the activities related to fight against organised crime and corruption (adopted in March 2011) shall provide the basis for the programming of EU funds this year and until 2013.

In line with the MIPD and the last Progress Report the EU will support the continuous efforts by the country to fight organised crime and corruption, in both public and private sectors, including money laundering and trafficking of human beings and drugs. This support will include under this programme, among others, training for judiciary and law enforcement officials in order to increase their capacity to mount proactive investigations (both criminal and financial) and to implement the regulatory and institutional framework related to EU law and in particular enforcement of judgments of the European Court of Human Rights.

Besides, in line with the NPAA, the implementation of international and European legal standards on human rights, including freedom of expression, remains a key objective for EU support in the coming years.

The sector will contain two projects and cover 13% of the total budget.

Sector 3 - Private Sector Development

As a candidate country, the former Yugoslav Republic of Macedonia has to align its regulatory systems (legislation and related enforcement) with the *acquis* in order to be able to fully participate in the internal market at the time of accession. Key objectives for the country's private sector development are mentioned in the MIPD: to reinforce the institutional and legal framework for SMEs related public policies and the capacities displayed by the institutions involved in the implementation of relevant horizontal framework legislation and the different inspectorates.

This annual programme will support one project representing 4% of the total budget.

Sector 4 - Agriculture and Rural Development

Agriculture has traditionally been one of the most significant industries of the country's economy. Nowadays, it is facing major challenges and structural reforms as described in the National Strategy for Agriculture and Rural Development 2007-2013, which is the framework for the continuous EU assistance to prepare the beneficiary country for participation in the Common Agricultural Policy (CAP).

The objectives that will be further addressed by this programme 2011 are, in line with the MIPD, the following: to contribute to the sustainable development of the economy in rural

areas and to help the beneficiary country to implement EU standards and *acquis* concerning the common agricultural policy and related policy areas, including adapting to climate change.

One project covering 9% of the budget will be financed under IPA 2011.

Sector 5 - Social Development

The social situation in the former Yugoslav Republic of Macedonia is characterised by a high unemployment rate of 32% and poverty is estimated to affect 31% of the population. In line with the MIPD, social inclusion is one of the main challenges in bringing the country closer to the EU policies and parameters of the Europe 2020 Strategy. Besides, as the 2010 Progress Report notes, increased efforts are needed in particular in the promotion and protection of rights of different vulnerable groups (unemployed, socially excluded or persons living in risk) and protection of minorities.

The EU will thus support the improvement of the quality of human capital by modernising the Vocational Education Training curricula according to the labour market needs as well as by improving the efficiency of social services through the training of professionals and volunteers, increasing at the same time the involvement and activation of persons at risk of socio-economic exclusion.

The programme contains two projects in this sector, representing 15% of the total budget.

Sector 6 - Support and other activities

As underlined in the MIPD, institutional structures and administrative capacity in the areas of programming, project preparation, monitoring, evaluation and financial management and control need to be further improved. This will enhance the ministries' capacity to implement EU pre-accession programmes and to prepare the implementation of the Union's cohesion policy.

Under a first large project "*Reinforcement of Administrative Capacity to meet the obligations of membership*" a flexible facility, representing 10% of the total budget for 2011, has been included to provide technical support for specific needs identified in the course of the programming and implementation under decentralised management of IPA 2011-2013. Furthermore, there will be an *Institution building envelope*, comprising 15% of the total budget, to assist in the adoption, implementation and enforcement of *acquis* in particular areas where assistance is most necessary, mainly through Twinning arrangements.

A second project fiche under this sector covers the *participation of the country in Union Programmes and Agencies* which will continue to be ensured with IPA support, representing under this National Programme around 16% of the total budget.

Environment and climate change are covered by this horizontal sector under the large institutional building measure.

The only sector identified in the MIPD 2011-2013 which is not directly covered under this annual programme is Transport. It currently receives substantial support from IPA Component III and other donors. Furthermore, IPA NP 2009 included a project aiming at improving the operational, management and administrative capacity of the State Transport Inspectorate that will soon start being implemented.

2.c Description

Sector 1: Public Administration Reform (EUR 4.795.000)

Sector Objectives: Professionalization of the public administration at both central and local level, and fight against corruption, following the adoption in 2010 of the National Strategy which contains the main principles of sound public administration, and the amendments to the Law on Civil Servants and the new Law on Public Servants which defines status, duties and responsibilities of the civil service. Furthermore, continuous support for the promotion of an active role of civil society in the decision making process.

MIPD key results and indicators to be achieved: capacities developed to elaborate coherent medium term expenditure framework and multi-annual budget planning; reduction in the turnover of staff in public sector; decrease of complaints on recruitment procedures for non compliance with principles of merit-based and apolitical administration; transparency indicator based on the Commission's (DG Info) benchmarking of e-government (on-line availability and on-line sophistication of public services); creation of spaces and mechanisms for public participation in policy formulation.

The following projects will be supported in order to achieve those results:

1) Public Administration Reforms and E-Government (EUR 3.595.000).

The purpose of this project is to support the implementation of the updated Public Administration Reform Strategy 2010, to further strengthen the capacities of the Ministry of Information Society and Administration (MISA) and the coordination with the State Administrative Inspectorate (SAI). E-government is given high importance as a useful tool for increasing the transparency of the public administration and reducing the opportunities for petty corruption.

Furthermore, support will be provided to enhance the capacities for designing and preparing a coherent medium term expenditure framework and for introducing multi-annual budget preparation in the coming years.

The expected contracting arrangements through this project are:

- 1 service contract to cover TA dealing with the MISA and SAI. The contract will be for a duration of around 24 months. Contract signature planned for Q2 2013. The total amount of this contract is EUR 2 million;
- 1 Twinning arrangement for 24 months in order to build up the capacity within the department dealing with central and local government budgets, and strengthening medium term policy making capacity. The contract value will be approx. EUR 1.100.000. Contract signature is foreseen for Q1 2013;
- 1 supply contract, with different lots will be developed for the supply of equipment for upgrading the existing E-Budget application, E-Inspectorates, E-Assignment and E-Government. The total value of this contract will be EUR 1million, where IPA will provide EUR 750.000. The value of the individual Lots will be determined when defining the technical specifications.

2) Further development of the Civil Society (EUR 1.200.000)

The project purpose is to enhance the human and financial capacities of civil society organisations for active participation in decision making, at local and national levels, in areas where civil society engagement is particularly valuable such as, but not limited to: human rights, freedom of expression and media and Roma inclusion.

The project will be implemented through calls for proposals; a minimum of 15 grants will be given, with a value ranging from EUR 40.0000 (minimum amount) to 150.000 (maximum amount). The overall budget for the project is EUR 1.5 million, out of which EUR 1.2 million will be an IPA contribution, 10% national public co-financing and 10% co-financing from the final grant beneficiaries (of the overall budget of the respective individual grant amount).

Sector 2: Justice, Home affairs and Fundamental Rights (EUR 3.857.500)

Objectives derived from the National Strategy for Judicial Reform and the National Action Plan for Fight against Organised Crime and Corruption, as reflected also in the MIPD: further alignment with the EU *acquis* in the field of justice and home affairs; further strengthening of the competence, impartiality, and accountability of the judiciary; effective rule of law by improving confidence and efficiency in court proceedings and in the execution of judgments; development of a crime intelligence model as a core concept and methodology to tackle organised crime in the country.

Furthermore; the EU will also support the improvement of the protection of human rights and fundamental freedoms in the country, specifically focusing under this programme on the freedom of expression.

MIPD key results and indicators to be achieved: reduction in the length of court proceedings and reduction in the backlog of cases; increased and effective use of special investigative means; number of successful prosecutions for cases of organised crime, corruption, money laundering and trafficking of human beings and drugs; training organized (and number of trained participants) for law enforcement and Judiciary; completion of the legislation framework covering, inter alia, non-discrimination among different ethnic groups and equal treatment; improvement in ensuring a transparent, independent and diverse media environment.

The following two projects will be supported under this sector:

1) *Strengthening the Rule of Law* (EUR 2.397.500)

The project aims at achieving the following results:

- alignment with the EU *acquis* and European Standards in the area of Judiciary and Fundamental Rights and Freedom, Justice and Security by supporting the Ministry of Justice in its coordinating role in the accession process;
- strengthening the judiciary's knowledge on the case-law of the Court of Justice of the European Union;
- progress in execution of judgments of the European Court of Human Rights through support to the Government Agent and his staff;
- Developed intelligence-led policing concept in the field of organised and serious crime in the Bureau for Public Security;
- Enhanced capacities of the Centre for suppression of organised and serious crime, notably in the field of environmental (ambient) interception.

The project will be implemented through two Twinning arrangements, for a value EUR 1.150.000 and EUR 900,000 respectively. Contracts signature envisaged in Q2 2013. Furthermore, one supply contract will be concluded for purchasing equipment for the Centre for suppression of organised and serious crime for a total value of EUR 600,000, out of which EUR 450,000 will be an IPA contribution. The duration of that contract will be 6 months plus a 12 month warranty period. Contract signature is foreseen for Q4 2013.

2) *Freedom of Expression – Support to Media Reforms* (EUR 1.460.000)

The aim of the project is to increase the efficiency of existing regulatory mechanisms and bodies in the media sector, ensure respect for the code of ethics, improve the profile of the media community and industry, and increase public awareness about issues related to media freedom protection.

The project will be implemented through a Twinning arrangement for a total value of EUR 1.300.000. Contract signature is expected in Q3 2013; besides there will be one supply contract with a total value of EUR 300,000 whose signature is also planned in Q3 2013. The supply contract will primarily be aimed at equipping the regional monitoring spots of the Broadcasting Council, as well as at upgrading and extending the equipment at its central office to process the data collected from the regional monitoring spots.

Sector 3: Private Sector Development (EUR 1.269.000)

Sector Objective: further harmonization with EU internal market *acquis* and improvement of the general business environment; to secure in the coming years a significant reinforcement of capacities displayed by the institutions involved in the implementation of all horizontal framework legislation, better cooperation and coordination between them as well as progress in raising awareness of horizontal economic policies and rights.

MIPD key results and indicators to be achieved: administrative capacities of financial sector supervisors upgraded; advancement in the alignment of the regulatory systems (legislation and related enforcement) with the *acquis*

The following project will be financed under this sector:

1) *Implementation of the legal framework for bankruptcy and voluntary liquidation of companies* (EUR 1.269.000)

The project shall strengthen the capacity of the Ministry of Economy (MoE) and the Central Register (CR) in the area of bankruptcy and liquidation of companies; to improve the capacity of liquidators, judges and the bankruptcy trustees in conducting/administering liquidation and bankruptcy procedures and to inform the creditors and debtors on the timely and effective exercise of their rights and obligations deriving from those procedures.

The project will be implemented through one service contract for a total value of EUR 1.410.000, including the national co-financing. The duration of the contract is expected to be up to 24 months and its signature is foreseen for Q2 2013.

Sector 4 - Agriculture and Rural Development (EUR 2.537.500)

Sector objective in line with the National Plan for Agriculture and Rural development 2007-2013: to help the beneficiary country to get ready for the effective use of the European

Agriculture Rural Development Fund (EAFRD) upon accession, as well as to contribute to the sustainable development of the economy in the rural areas.

MIPD key results and indicators to be achieved: effective progress in IPARD Programme implementation until 2015; preparatory actions for implementing the agri-environmental measures and local rural development strategies developed.

One project "*Upgrade of institutional and administrative capacities in agriculture and rural development in line with the requirements for EU accession*" will be financed under IPA 2011 Component I in order to further prepare the establishment of an effective and financially sound paying body for the disbursement and control of agricultural funds, and the proper equipment and functioning of the Agriculture Information System.

The project will be implemented through:

- 1 Twinning arrangement for a duration of 18-20 months, expected to start in Q1 2013. The budget of this contract will be approximately EUR 1.550.000, of which IPA funds EUR 1.472.500;
- 1 service contract for a value of approximately EUR 700,000, for the implementation of the Agriculture Information System upgrade and establishment of data exchange system between the Ministry of Agriculture and other relevant institutions. The contract is expected to be signed in Q1 2013;
- 2 supply contracts for IT equipment and software, necessary for Agriculture Information System upgrade, data collection and exchange systems between the Ministry of Agriculture and other relevant institutions. IPA contribution will be approximately EUR 322.500 and EUR 112.500. Contracts signatures expected in Q4 2013.

Sector 5: Social Development (EUR 4.336.149,75)

Sector Objective: the EU will further support the modernisation and the efficiency of the Vocational Education Training education and the improvement of social services providers, increasing also the involvement and activation of persons at risk of exclusion with the aim of recovering and/or improving their key skills, education, and retraining to facilitate their access to mainstream activities.

MIPD key results and indicators to be achieved: further modernisation of Vocational Education Training curricula according to the labour market needs; number of adopted standards for vocational qualifications; increase in public/private investment in R&D and innovation; development of social inclusion policies and budgetised action plans for the benefit of the most vulnerable groups; increased efficiency of social services providers; deployed pilot projects for development of local action plans for employment and social inclusion.

A first project will be financed under this programme in order to *Support the implementation of the legislation on mutual recognition of professional qualifications* (EUR 1.373.649,75) The purpose is to harmonise the legislative framework related to the Law on mutual recognition of professional qualifications with Directive 2005/36/EC and to strengthen institutional capacities for implementation of policies which bear importance for both the free movement of persons and the long-term sustainability of the education systems and the labour

market. Complementarity with projects in the same field under IPA Component IV, which provides the main assistance to the sector, has been duly taken into consideration.

One service contract is foreseen with an implementation period of 24 months for a total amount of EUR 1.200.000, and IPA contributing with EUR 1.080.000. Contract signature is foreseen in Q2 2013; also one supply contract shall be signed for a total amount of EUR 391.533, where the IPA contribution is EUR 293.649,75, in order to develop and maintain the necessary hardware and software for the establishment of a database of regulated professions. The supply of equipment will include: (i) server for operating the database and (ii) additional equipment as described in the Technical Specification to be developed under the Service Contract of the Project Fiche. Its signature is foreseen in Q1 2014.

A second comprehensive project will be supported under the sector in order to move forward in the fight against social exclusion: *Local integration of refugees, internally displaced persons and minority groups* (EUR 2.962.500). The aim is to support displaced persons getting access to housing and state administration services and to increase their self-reliance via participation and inclusion in society. The project will also contribute to improving the quality of life and access to rights of the Roma, Ashkali and Egyptian communities in the country.

The project will be implemented through one or more works contracts for the construction of housing units on state-owned land and one service contract for the supervision of works. The total value of the works will amount up to EUR 2.750.000, out of which EUR 2.062.500 will be an IPA contribution. The contract(s) signature is planned for Q2 2013. One service contract shall also be concluded in Q1 2013 for a value of EUR 1 million, out of which IPA contributes EUR 900.000..

Sector 6. Support and other activities (EUR 12.108.260,25 million)

In order to ensure greater efficiency and impact of EU pre-accession programmes in the country, this annual programme includes a project to ensure further participation of the country in Union Programmes and Agencies, as well as a new special large facility that shall provide for:

- Assistance for preparation, adoption, implementation and enforcement of EU acquis in particular areas where it is most necessary in the short/medium term;
- Capacity building of DIS institutions and Operating Structures appointed within the framework of IPA, as well as other relevant national institutions in fulfilling their respective pre-accession roles and functions.
- Flexible technical support aimed at addressing specific needs identified in the course of the implementation of IPA 2011-2013, and at preparing projects pipeline for future funding;

MIPD key related results and indicators to be achieved: capacity of Ministries to develop, assess policies and cost proposals be improved; cooperation strengthened between the relevant ministries /institutions and the Ministry of Finance for better links between policy priorities and the budget. Complete conferral of management for DIS achieved and contracting rates of IPA assistance improved compared to the previous 3 year period; more transparency and efficiency of competitive public procurement; and significant reduction in the need for external expertise to develop programming and implementation of donor assistance.

Projects enhancing the country ability to adopt, implement, and enforce EU's climate change acquis may also be supported.

Under the first large project "**Reinforcement of Administrative Capacity to meet the obligations of membership**", two specific components are proposed:

A) **Allocated Institution Building Envelope**: focused on supporting adoption, implementation and enforcement of EU acquis. This envelope will concretely cover demand-driven requests mainly through twinning arrangements. Three projects have already been indicatively identified:

1: Implementation of Gender Equality policies (EUR 855.000 IPA contribution; contract signature planned for Q2 2013).

2: Support in the area of Environment – Natura 2000 (EUR 1.305.000 IPA contribution; 1 service contract for a duration of approx. 12 months. Contract signature is foreseen for Q4 2013) and transposition and implementation of the new Industrial Emissions Directive IPCC 2010/75/EU (EUR 855.000 IPA contribution; a Twinning arrangement for 18 months to be concluded in Q4 2013 for all activities foreseen under IPCC project). Furthermore, one or more supply contracts to be concluded in Q3 2014 for the purchase of information and communication technologies (ICT) equipment, and equipment for GIS for NATURA 2000; the maximum amount for supply contract(s) is 200.000 EUR, from which 150.000 EUR IPA funds.

3: Enforcement of Intellectual Property Rights (EUR 1.330.000 IPA funds; a Twinning arrangement foreseen to be ready for implementation in Q2 2013)

B) **Technical Assistance Facility Envelope** (various contracts for a maximum amount of EUR 3 million): the specific aim of this envelope is to strengthen the ability of the relevant potential beneficiaries to design and appraise programmes to be submitted for financing in the framework of the pre-accession financial assistance to the country. Furthermore, an improved absorption of EU funds in the framework of IPA Component I is expected, combined with an increased efficiency during implementation

The actions proposed to be financed under this facility can be, inter alia, in the form of Twinning light, short-term TA, feasibility studies, Framework Contracts, subject to prior approval of NIPAC following the latest PPF absorption guidelines. Specific selection criteria will be established by the Secretariat for EU Affairs and the CFCD, in consultation with Commission services.

Other activities under the sector include support for the **participation in Union Programmes and Agencies** which will continue to be ensured with IPA funds. On the one hand, support for co-financing the costs of the annual "entry-tickets" which the beneficiary has to pay for participating in different Programmes and Agencies, where the implementation will consist of reimbursing a part of those entry tickets paid by the country and funds will be channelled through the National Fund; and, on the other hand, further support for strengthening the capacity of the relevant administrative bodies to ensure proper and fruitful participation of the beneficiaries in each programme. Given the current implementation dynamics, it is estimated that the allocated 2011 budget (EUR 4.613.260,25) will cover payments mostly for the years 2012 and 2013.

2.d Horizontal issues

Issues such as equal opportunities support and non-discrimination, respect for and protection of minorities and vulnerable groups, environmental protection, good governance and fight against corruption, including civil society dialogue have become an integral part of each project and future contracts. The mainstreaming of these issues will ensure that the strategies and operating procedures of the beneficiary are in conformity with the principles defined in the various project fiches. Up to 10% of the budget of the service contracts may be allocated to assist the different beneficiaries in complying with European standards and best practices.

2.e Risks and Assumptions

Agreement on the 2011 IPA Component I programme will depend on the Government confirming the availability of sufficient resources, including national co-financing, and adequate organisational structures in the decentralised implementation system (DIS) bodies, in particular in the National IPA Coordinator (NIPAC) and Programme Authorising Officer (PAO) offices, to carry out programme monitoring effectively. The capacity of Senior Programme Officers to effectively oversee implementation will be checked by the PAO prior to the implementation of projects.

The PAO will verify that project level conditionalities are respected before contracts are concluded. The National Authorising Officer (NAO) and PAO are committed to maintaining the procurement timetables of the projects and will take effective corrective measures in case of delays. The NIPAC, in cooperation with NAO shall inform the Commission of changes to project results or funds, requiring European Commission approval before launching the respective tender. They will report on the changes in the relevant Sectoral Monitoring Committees and the final sectoral/programme reports. Any infringement of the applicable rules may lead to a review of the eligibility of EU financing provided.

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

The establishment of the management and control system was decided by the Government in October 2005. The National Fund (NF) and the Central Contracting and Financing Department (CFCD) were established in 2006, and the Programme Authorising Officer (PAO), the Competent Accrediting Officer (CAO) and the Senior Programme Officers (SPOs) nominated. Following a compliance assessment and the accreditation of the system, the CAO submitted the application to the Commission for conferral of management on 23 January 2009. The Commission completed a first verification mission in March 2009, which identified a substantial number of 'high risks' in the services of the NAO, NIPAC and line ministries. The final audit mission was completed in February 2010, after which the decision on the conferral of management powers was finally adopted on 13th December 2010². Annex I of the Commission Decision setting down terms and conditions for conferral of management powers to the former Yugoslav Republic of Macedonia – IPA Component I, as referred to in Article 4 of the Decision, indicates a number of medium term risk conclusions and recommendations

² C(2010) 8834

which have to be implemented by the national authorities and are monitored by the Commission.

A roadmap with indicative benchmarks and time limits to achieve decentralisation without ex ante controls by the Commission has to be developed in 2012.

3. BUDGET (AMOUNTS IN EUR MILLION)

3.a Indicative budget table

	Institution Building (IB)					Investment (INV)					Total	Total IPA EU contribution	
	Total expenditure	IPA EU contribution		National contribution*		Total expenditure	IPA EU contribution		National contribution*		(IB + INV)		
	EUR	EUR		EUR		EUR	EUR		EUR		EUR	EUR	
	(a)=(b)+(c)	(b)		(c)		(d)=(e)+(f)	(e)		(f)		(g)=(a)+(d)	(h)=(b)+(e)	
SECTOR 1. PUBLIC ADMINISTRATION REFORM	4.450.000,00	4.045.000,00	90%	405.000,00	10%	1.000.000,00	750.000,00	75%	250.000,00	25%	5.450.000,00	4.795.000,00	17%
1. Public Administration Reforms and E-Government	3.100.000,00	2.845.000,00	91%	255.000,00	9%	1.000.000,00	750.000,00	75%	250.000,00	25%	4.100.000,00	3.595.000,00	
2. Further development of the Civil Society	1.350.000,00	1.200.000,00	89%	150.000,00	11%	0,00	0,00	0%	0,00	0%	1.350.000,00	1.200.000,00	
SECTOR 2. JUSTICE, HOME AFFAIRS AND FUNDAMENTAL RIGHTS	3.350.000,00	3.182.500,00	95%	167.500,00	5%	900.000,00	675.000,00	75%	225.000,00	25%	4.250.000,00	3.857.500,00	13%
3. Strengthening the Rule of Law	2.050.000,00	1.947.500,00	95%	102.500,00	5%	600.000,00	450.000,00	75%	150.000,00	25%	2.650.000,00	2.397.500,00	
4. Freedom of Expression – Support to Media Reforms	1.300.000,00	1.235.000,00	95%	65.000,00	5%	300.000,00	225.000,00	75%	75.000,00	25%	1.600.000,00	1.460.000,00	
SECTOR 3. PRIVATE SECTOR DEVELOPMENT	1.410.000,00	1.269.000,00	90,00%	141.000,00	10,00%	0,00	0,00		0,00		1.410.000,00	1.269.000,00	4%
5. Bankruptcy and voluntary liquidation of companies	1.410.000,00	1.269.000,00	90,00%	141.000,00	10,00%	0,00	0,00		0,00		1.410.000,00	1.269.000,00	

SECTOR 4. AGRICULTURE and RURAL DEVELOPMENT	2.250.000,00	2.102.500,00	93%	147.500,00	7%	580.000,00	435.000,00	75%	145.000,00	25%	2.830.000,00	2.537.500,00	9%
6. Upgrade of institutional and administrative capacities in line with Common Agricultural Policy (CAP) requirements	2.250.000,00	2.102.500,00	93%	147.500,00	7%	580.000,00	435.000,00	75%	145.000,00	25%	2.830.000,00	2.537.500,00	
SECTOR 5. SOCIAL DEVELOPMENT	2.200.000,00	1.980.000,00	90%	220.000,00	10%	3.141.533,00	2.356.149,75	75%	785.383,25	25%	5.341.533,00	4.336.149,75	15%
7. Mutual Recognition of Professional Qualifications	1.200.000,00	1.080.000,00	90%	120.000,00	10%	391.533,00	293.649,75	75%	97.883,25	25%	1.591.533,00	1.373.649,75	
8. Local integration of refugees, internally displaced persons and minority groups	1.000.000,00	900.000,00	90%	100.000,00	10%	2.750.000,00	2.062.500,00	75%	687.500,00	25%	3.750.000,00	2.962.500,00	
SECTOR 6. SUPPORT AND OTHE ACTIVITIES	13.545.326,18	11.958.260,25	88,28%	1.587.065,93	11,72%	200.000,00	150.000,00	75,00%	50.000,00	25,00%	13.745.326,18	12.108.260,25	42%
9. Reinforcement of Administrative Capacity to meet the obligations of membership	7.650.000,00	7.345.000,00	96%	305.000,00	4%	200.000,00	150.000,00	75%	50.000,00	25%	7.850.000,00	7.495.000,00	
10. Union Programmes and Agencies	5.895.326,18	4.613.260,25	78,25%	1.282.065,93	21,75%	0,00	0,00		0,00		5.895.326,18	4.613.260,25	
TOTAL	27.205.326,18	24.537.260,25		2.668.065,93		5.821.533,00	4.366.149,75		1.455.383,25		33.026.859,18	28.903.410,00	100%

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

3.b Principle of Co-Financing applying to the programme

The IPA EU contribution, which represents 87% of the total budget allocated to this programme, has been calculated in relation to the **eligible expenditure**, which in the case of decentralised management is based on the public expenditure. Joint co-financing will be used as a rule.

The maximum amount of EU assistance provided in the National Programme referred to in this Financing Proposal totals EUR 28 903 410 and will be implemented by decentralised management with ex-ante controls. The national co-financing is EUR 4 123 449,18 for the year 2011 and all projects comply with the minimum threshold for co-financing.

In the case of grants, final grant beneficiaries should contribute with a minimum of 10 % of the eligible expenditure, both for investment and institution building projects, and a minimum of 5% of the eligible expenditure in the case of twinning. Although not shown in the indicative budget table above, the final grantees will contribute with a minimum of 10% to the eligible expenditure of the actions in Project Fiche 2 on strengthening the financial sustainability of the Civil Society, for a total cumulative private contribution of EUR 150.000.

4. IMPLEMENTATION

4.a Management modes and Implementation modalities

The programme shall be implemented by decentralised management, in accordance with article 53c of the Financial Regulation³ and the corresponding provisions of the Implementing Rules⁴. The Beneficiary Country will continue to ensure that the conditions laid down in Art. 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.b 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

³ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1) as amended by Regulation (EC, Euratom) No 1525/2007 (OJ L 343, 27.12.2006, p.9).

⁴ Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

to contract procedures for EU external actions" ("Practical Guide") as published on the DEVCO website at the date of the initiation of the procurement or grant award procedure. The essential selection and award criteria for the award of grants are laid down in the Practical Guide. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants

4.c 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 beneficiary country shall, as a rule, co-finance at least 5% of the eligible expenditure.

The twinning manual is available on the Website of DG ELARG at the following address: http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

4.d Environmental Impact Assessment and Nature Conservation

All investments shall be carried out in compliance with the relevant EU environmental legislation. As a consequence, since some components of Projects 8 and 9 correspond to projects which fall within the scope of annex 2 of the EIA-directive⁵, an environmental impact assessment shall be made for each of them⁶, equivalent to that provided for by the EIA-directive.

Environment and climate change are included under the new Allocated Institution Building Envelope of the large project "*Reinforcement of Administrative Capacity to meet the obligations of membership*". Support for protection measures and objectives linked to NATURA 2000 sites are equally specifically covered under a Twinning project, included in the same envelope, which will be very much focused on training and public awareness campaigns for nature conservation.

5. MONITORING AND EVALUATION

5.a Monitoring

⁵ 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). Directive as last amended by Directive 2003/35/EC (OJ L 156, 25.6.2003, p. 17).

⁶ Cf. Annex EIA to the corresponding investment project fiche.

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

They shall assess the effectiveness, quality and coherence of the implementation of this programme. They may make proposals to the European Commission and the national IPA coordinator, 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.b Evaluation

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

After the conferral of management powers, the responsibility for carrying out interim evaluations shall lie with the Beneficiary Country, without prejudice to 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.a 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) 2185/96⁷.

⁷ OJ L 292; 15.11.1996; p. 2.

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

6.b 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.c 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 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.d 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 1828/2006⁸. 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 were 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.

⁸ OJ L371, 27.12.2006, p. 1.

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.e Financial corrections

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

A financial correction may arise following:

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

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

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

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him/her 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 CHANGES

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 nature⁹, may be undertaken by the authorising officer by delegation (AOD), or by 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 without an amending financing decision being necessary.

⁹ 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.