

ANNEX

NATIONAL PROGRAMME FOR THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA UNDER THE IPA-TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT FOR 2012 & 2013

1 IDENTIFICATION

Beneficiary	The former Yugoslav Republic of Macedonia
CRIS decision number	2012/022-989 2013/024-109
Year	2012 and 2013
EU contribution	2012: EUR 28,159,161 2013: EUR 28,008,356.75
Implementing Authority	The Central Financing and Contracting Department in the Ministry of Finance (CFCD), in accordance with Article 53c of the Financial Regulation, upon Conferral of Management Powers, except for the project "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 Agreement	For the 2012 funds: At the latest by 31 December 2013 For the 2013 funds: At the latest by 31 December 2014
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 Financing Agreement, as referred to in Article 166(2) of the Financial Regulation. These dates apply also to the national co-financing.
Final date for execution	2 years following the end date for contracting. These dates apply also to the national co-financing.
Budget line concerned	22.02.01: national programmes (component Transition Assistance and Institution Building) for Candidates
Programming Unit	DG Enlargement, Unit B2 "the former Yugoslav Republic of Macedonia"

2 THE PROGRAMME

2.1 PRIORITIES SELECTED UNDER THIS PROGRAMME

The proposed IPA National Programme (NP) 2012/2013 consists of five sector fiches and seven project fiches, supporting the following sectors: public administration, justice, home affairs and fundamental rights, private sector development, agriculture and rural development, and environment and climate change. The selection of sectors has been agreed upon with the national authorities on the basis of the priorities of the Multi-Indicative Planning Document (MIPD) 2011-2013 for the former Yugoslav Republic of Macedonia.

2.2 SECTORS SELECTED UNDER THIS PROGRAMME AND DONOR COORDINATION

1. Public Administration Reform

Rationale for selection of MIPD sector

In the MIPD 2011-2013, public administration is among the seven sectors where the Commission decided to focus its assistance on. The EU has created a special working group at the level of the SAA sub-committees on Public Administration Reform (PAR) and the roadmap for the High Level Accession Dialogue (HLAD) between the European Commission and the country also lists PAR among its priorities.

Past and ongoing donor assistance

IPA has provided substantial support in this field since 2007. The EU is the de facto lead donor in the area. UK, Germany, Norway, Netherlands, France, USAID, World Bank, and UNDP have also been providing assistance through individual projects.

Coordination process and policy dialogue

Coordination and policy dialogue in this sector is ensured through a Programme Based Approach¹ (PBA) Working Group. Focal points are the Ministry for Information Society and Public Administration and the World Bank. The Ministry for Information Society and Public Administration is also responsible for monitoring the implementation of the new PAR strategy. In addition, the government has established a high level public administration committee. The working group on European integration reviews the overall implementation of the National Programme for the Adoption of the Acquis (NPAA), the fulfilment of obligations deriving from the Stabilisation and Association Agreement and the implementation of IPA and other foreign assistance in respect to this and all other sectors.

¹ The programme-based approach (PBA) is defined in the DAC guidelines as a way of engaging in development cooperation based on the principle of coordinated support for a locally owned programme of development. It should involve leadership by the host country, a single comprehensive programme and budget framework, as well as a formalised process of donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement. Another important feature are efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. As such it takes up core elements of the sector approach.

Sector readiness

Essential elements of the sector approach² have been formally put in place in the Public Administration Reform sector. More awareness at political level for the need to utilise the sector elements efficiently and effectively needs to be raised through increased dialogue. Full implementation of PAR will remain a major challenge for the country in the foreseeable future.

2. Justice and Home Affairs

Rationale for selection of MIPD sector

Substantial reforms in the field of Justice and Home Affairs and fundamental rights remain key criteria for accession of the country to the EU. The roadmap to the HLAD also lists the strengthening of the rule of law and fundamental rights among its priorities. The present assistance will make an important contribution to the country's efforts in attaining these strategic reform priorities.

Past and ongoing donor assistance

The largest portion of assistance available to this sector is provided by the European Union, which has implemented programmes in the field of legislative reforms, integrated border management, immigration and asylum, fight against crime and corruption. It has furthermore provided support to a number of institutions that have a key role in ensuring appropriate levels of transparency and accountability and protecting the fundamental rights of the citizens. In addition to the EU assistance, the OSCE, the Netherlands, Norway, Sweden, World Bank, and USAID are also providing assistance in this sector.

Coordination process and policy dialogue

The government has made efforts to steer an efficient donor coordination mechanism through establishment of a PBA working group on Justice and Home Affairs. The Ministry of Interior and the Ministry of Justice are the focal points of this working group. The intra-governmental coordination of the reforms is further ensured by several committees and working bodies. A Government Council has been established on the fight against corruption. A specialised coordination body has also been established in order to monitor the implementation of the new Criminal Procedure Code.

Sector readiness

Important elements of the sector approach are formally in place in the Justice and Home Affairs sector. The challenge will be to raise sufficient political awareness for the necessity to streamline all efforts towards achieving a more integrated sector strategy and an effective monitoring structure through increased dialogue. The working group on JHA is attempting to play this role, but will require further strengthening to gain sufficient authority in this field.

² Sector Approach is a way of working together between government, donors and other key stakeholders. It is a process aiming at broadening government and national ownership over public sector policy and resource allocation decisions within the sector, increasing the coherence between policy, spending and results, and reducing transaction costs. A sector policy and strategy, a sector coordination framework, a sector budget and medium-term expenditure perspective, as well as Sound Public Financial Management (PFM) have to be in place for a successful sector approach.

3. Private Sector Development

Rationale for MIPD sector

In the framework of the MIPD 2011-2013, economic and social development is a strategic priority for IPA assistance and a top priority of the Government. The EU and the Government are combining their efforts to improve the standard of living and economic security in the country. The development of the private sector is also reflected in the road map of the HLAD in respect to strengthening of the country's market economy.

Past and on-going assistance

Private sector development has been mostly supported through EU assistance. IPA has funded several relevant programmes, aiming at strengthening government administrative capacity for protection of competition, for modernising the Employment Service Agency and for coordination of social security systems and participation in EURES (European Employment Services Network). In business development and competitiveness, considerable assistance is available through bilateral donors, such as USAID, UK, GIZ, as well as through the World Bank, IMF, and EBRD.

Coordination process and policy dialogue

The office of the Deputy Prime Minister is playing a pivotal role in this sector, besides a larger number of ministries. The government has furthermore established a PBA working group on "Business Environment, Competitiveness, Innovation". The working group selected the Industrial Policy strategy to serve as key document for developing the private sector.

Sector readiness

The Government will have to streamline its horizontal coordination and monitoring of reforms in this sector to render this approach effective and operational. More awareness at political level for the necessity of following the sector wide approach needs to be raised through increased dialogue.

6. Environment and Climate Change

Rationale for MIPD sector

Assistance to the protection of the environment and climate change has been included as a priority field for IPA assistance in the MIPD 2011-2013. The former Yugoslav Republic of Macedonia has recognised the importance of addressing the protection of the environment as a matter of priority.

Past and on-going assistance

Substantial EU assistance has been provided in this sector since 2001 for institution building and legislative alignment. Implementation of the Operational Programme of IPA component III, environmental axis, started in 2011. The WB, SIDA and UNDP/Global Environment Facility are very active in the fields of protected areas and renewable energy sources.

Coordination process and policy dialogue

The Ministry of Environment and Physical Planning (MoEPP) is responsible for all international cooperation programmes. A UNDP project is helping the MoEPP to set

up an efficient PBA working group on environment. It is clear, however, that donor coordination still requires further improvement.

Sector readiness

Certain elements of the sector approach are formally in place in respect to the environment and climate change sector. However, it is vital that the MoEPP together with other ministries and stakeholders in the environment sector continue improving their coordination efforts among each other to ensure a smooth mechanism for international environmental and climate cooperation. More political awareness for the need to follow the sector approach needs to be raised through increased dialogue.

8. Agriculture and Rural Development

Rationale for MIPD sector

Assistance to agriculture and rural development is one of the priorities for IPA assistance. An important factor for the modernisation of the agricultural sector is its gradual alignment to the EU *acquis* and the relevant standards in the food safety, veterinary and phyto-sanitary field. Building of administrative capacity in the relevant national institutions to conceive and implement agriculture and rural development policies and programmes upon accession will also be of crucial importance for the future development of the sector. The institution building activities under IPA Component I complement the assistance provided under IPA Component V on agriculture and rural development.

Past and on-going assistance

The largest portion of assistance available to this sector has been provided by the European Union, starting from the previous CARDS programmes in 2001, to the recent projects included within the IPA programmes. Other active supporters in the sector are the World Bank, OSCE, SIDA and USAID. Assistance under the IPA component V for Rural Development (IPARD) is delivered based on a multi-annual programme covering the period 2007-2013. Funding is mainly granted in the form of support for private investments undertaken by natural or legal persons, such as farmers and food processing and marketing enterprises.

Coordination process and policy dialogue

The Ministry of Agriculture, Forestry and Water Economy and the "IPARD Monitoring Committee" are monitoring the effectiveness and the quality of the implementation of the IPARD Programme. The sectorial monitoring system is comprised of a number of other elements, such as the monitoring of the fulfilment of the Strategic plan of the Ministry, and the monitoring of the implementation of the Working Programme of the Government.

Sector readiness

Certain elements of the sector approach in respect to the fields of agriculture and rural development are formally in place. The government should, however, streamline and strengthen horizontal coordination of policies and assistance in this field. More political awareness for the necessity of following the sector approach needs to be raised through increased dialogue.

Lessons learned

The past experience in implementing EU funded projects across all sectors has shown the need for improving the quality of project management through: a) hiring additional qualified staff for management of IPA funds, b) allocating qualified administrative staff to oversee and steer the entirety of the project lifecycle, c) reducing overly frequent changes in managerial positions, d) determining well defined and achievable project objectives, e) providing appropriate working conditions for external project staff, e) allowing for sufficient flexibility with a view to modifying project activities in accordance with the latest development in the relevant field, f) better coordinating project activities with other assistance projects, g) ensuring the commitment of decision makers to project results, h) providing for efficient and effective project monitoring and follow-up, and i) high level political commitment to the sector approach in order to make it operational and to ensure its proper implementation.

These shortcomings have been addressed through political dialogue, as well as factored into the assistance under IPA 2007 and IPA 2008 support. An EU funded technical assistance project is supporting the government with the implementation of the PBA. A dedicated support project under the current national programme also aims at assisting the national authorities in the management of IPA projects (see below).

2.3 DETAILED DESCRIPTION OF SECTOR AND PROJECT FICHES

1. Public Administration Reform

Sector fiche: Public administration reform (EUR 7.24 million³)

National sector or sub-sector strategies

The Public Administration Reform Strategy 2010-2015 and its corresponding Action Plan is the principal national strategy in this sector. It indicates which activities need to be undertaken to achieve a more professional, merit-based and de-politicised public administration. This strategy is complemented by several sub strategies, including the Strategy for cooperation of the Government with the Civil Society Sector (2012-2017).

Overall MIPD sector objective

The overall MIPD objective for EU support to the sector is to improve the efficiency and effectiveness of the civil service and to reduce corruption. This objective coincides with the principal objectives of the national strategy in this field and the envisaged specific sector support objectives, including coordinating the modernisation of the administration horizontally, ensuring accountability and transparency in the use of public funds, and supporting the involvement of civil society in the policy dialogue.

Main results expected

- Reformed administrative procedures
- Further modernisation of the public administration
- Enhanced coordination of horizontal policies in respect to PAR by Ministry of Information Society and Administration
- Increased cooperation of state authorities with civil society organisations
- Enhanced capacities of State Audit Office to conduct state audits

Contribution to national sector or sub-sector strategies

This sector support will directly contribute to the implementation of the governmental PAR strategy by addressing its main priorities as outlined above. The beneficiaries include the Ministry of Information Society and Administration, the General Secretariat of the Government and the State Audit Office.

Indicative implementation modalities 2012

- 1 service contract (EUR 1,500,000)⁴: implementing e-governance policies and coordinating horizontal policies, tendering foreseen for Q4 2014
- 1 supply contract (EUR 500,000): purchase of IT hardware and software, tendering foreseen for Q3 2015

Indicative implementation modalities 2013

- 1 service contract (EUR 500,000): modernising public administration, tendering foreseen for Q1 2015

³ Figures in brackets indicate the total envelope per sector or project fiche, i.e. IPA contribution and national co-financing contribution (rounded figures). This particular figure furthermore includes a projected indicative contribution of EUR 150,000 from potential grant beneficiaries.

⁴ Figures in brackets indicate the total envelope per contract, i.e. IPA contribution and national co-financing contribution.

- 1 supply contract (EUR 1,000,000): purchase of IT hardware and software, tendering foreseen for Q3 2015
- 1 service contract (EUR 500,000): strengthening cooperation with civil society organisations, tendering foreseen for Q4 2014
- 2 calls for proposals (EUR 1,800,000): strengthening capacities of civil society organisations, calls for proposals to be launched in Q4 2014, expected co-financing of 10% from the grant beneficiaries and 10% national contributions⁵
- 1 Twinning contract (EUR 1,400,000): strengthening the State Audit Office, publication of call for proposals foreseen for Q2 2014
- 1 supply contract (EUR 200,000): purchase of IT hardware and software for audit office, tendering foreseen for Q1 2014

Project fiche: Support to the consolidation of the local self-government system (EUR 2.34 million)

Overall project objective

The overall objective of the project is to support the consolidation of the local self-government system and its capacities to ensure inclusive governance and growth.

Specific project objective

The specific project objective is the consolidation of the local self-government system through ensuring a firm link between the decentralisation process and an inclusive sustainable local development process on the one side, and fiscal decentralisation and balanced regional development on the other side. It also aims at providing equal access of all citizens to better local services.

Main results expected

- Consolidation and effective implementation of the transferred competencies and resources
- Facilitation of the transfer of additional competencies and resources aimed at ensuring smart, comprehensive and sustainable local development
- Continuation of fiscal decentralisation
- Ensuring a balanced regional development of the country

Contribution to MIPD priorities and/or sector objectives

The reform of the local government system and the decentralisation process supports economic and social development and good governance at local level. As such, it complements the priorities for IPA support in the MIPD 2011-2013. Beneficiaries are the Ministry of Local Self-Government and the Ministry of Finance.

Indicative implementation modalities 2013

The action will be implemented through awarding a direct grant to the United Nations Development Programme (UNDP). The direct grant to UNDP will be governed by the EC-UN Financial and Administrative Framework Agreement. The grant will be concluded with UNDP in accordance with the Art. 168 (1) (f) of the Implementing

⁵ 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. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants.

Rules to the Financial Regulation⁶ on the account of UNDP's high degree of specialisation and administrative power in the field of intervention.

Due to its long standing experience in the country in the field of decentralisation, its close cooperation with the beneficiary institution, its technical expertise, its administrative capacities and its mandate, UNDP has become the ideal partner to fully implement all measures foreseen in this project fiche. Thanks to its experience in the wider region on the issue, UNDP can further contribute its comparative knowledge on decentralisation to the project and the beneficiary institution.

2. Justice and Home Affairs

Sector fiche: Justice and Home Affairs and Fundamental Rights (EUR 11.46 million)

National sector or sub-sector strategy

The governmental work programme for the period 2011–2015 commits the country to an “uncompromising fight against corruption and crime and efficient law implementation by undertaking critical reforms in the judiciary and public administration”. In this respect, two reform processes are being implemented in parallel. The reform of the judicial system, tackling corruption and furthering fundamental rights, is complemented by the reform of the Ministry of Interior and of the police.

Overall MIPD sector objective

The overall MIPD sector objective for the coming years is the consolidation of the rule of law in the country through judiciary and penitentiary system reforms, as well as capacity-building to confront organized crime and corruption, in both public and private sectors. The objective also includes the improvement of the protection of human rights and minority rights.

Specific sector support objective

The focus of this sector support is on combating organised and serious crime, financial crime, fraudulent use of EU funds, corruption, money laundering, as well as on improving judicial cooperation, mutual recognition of court judgments, integrated border management, and prevention and protection against discrimination.

Main results expected

- Improved levels of prevention and repression of corruption has been advanced
- Capacities for fight of organized and serious crime have been further strengthened
- Capacities for fight against financial crime and fraud has been strengthened
- Judicial cooperation in civil and criminal matters has improved
- A home affairs data storage and backup system as basis for the future Schengen Information System has been established
- Protection of personal data has been strengthened
- The national system for prevention and protection against discrimination has been strengthened

⁶ Commission Regulation (EC, EURATOM) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 357, 31.12.2002, p. 1).

Contribution to national sector or sub-sector objectives

The assistance under this sector fiche will contribute to the national strategies on the fight against corruption, integrated border management, financial crimes, as well as to the strategic plans of the Ministry of Justice and the Ministry of Interior. The beneficiaries will be the Ministry of Justice, the Ministry of Interior and the Directorate for Personal Data Protection.

Indicative implementation modalities 2012

- 1 service contract (EUR 1,200,000): fight against corruption and organised crime, tendering foreseen for Q1 2014
- 1 Twinning contract (EUR 700,000): fight against financial crime and fraudulent use of EU funds, under IPA 2012, launch of call for proposals foreseen for Q2 2014
- 1 Twinning light contract (EUR 250,000): strengthening judicial cooperation in civil and criminal matters, launch of call for proposals foreseen for Q2 2014
- 1 service contract (EUR 900,000): protection of personal data, tendering foreseen for Q1 2014
- 1 supply contract (EUR 250,000): purchase of IT equipment for Directorate for Personal Data Protection, tendering foreseen for Q3 2014
- 1 Twinning contract (EUR 1,105,827): anti-discrimination, launch of call for proposals foreseen for Q4 2013

Indicative implementation modalities 2013

- 1 supply contract (EUR 3,500,000): purchasing technical equipment, furniture and vehicles for the institutions fighting serious crime, and for judicial cooperation, tendering foreseen for Q3 2015
- 1 supply contract (EUR 2,150,000): purchasing equipment with respect to establishing a home affairs data system, tendering foreseen for Q3 2015
- 1 works contract (EUR 1,100,000): refurbishment of premises dealing with home affairs data system, tendering foreseen for Q3 2015
- 1 framework contract (EUR 200,000): supervision of the works, tendering foreseen for Q3 2015
- 1 supply contract (EUR 100,000): purchase of IT equipment for Commission for protection against discrimination, tendering foreseen for Q1 2014

Project fiche: Strengthening the operational and institutional capacities of the Customs Administration (EUR 2.0 million)

Overall project objective

The overall objective of the project is to further strengthen the administrative capacity of the Customs Administration and its capacity to implement the *acquis* and relevant reforms so as to bring the country closer to the EU Market and the Customs Union.

Specific project objective

The specific objective of the project is to meet the EU standards on prevention of illegal trading of goods, to facilitate trade and to introduce further improvements in the area of organization and management through further developing customs operations and procedures.

Main results expected

- Post clearance controls and quality of audit activities have been enhanced
- Risk management has improved on policy and operational level
- The strategic and practical use of the laboratory has been enhanced and extended
- Training strategies have improved and training has been delivered

Contribution to MIDP priorities and/or sector objectives

Under JHA, the MIPD 2011-2013 lists improvements in integrated border management and fight against corruption as sector objectives, which this project will inter alia cater to. The sole beneficiary of this project is the Customs Administration of the former Yugoslav Republic of Macedonia (CARM).

Indicative implementation modalities 2013

- 1 Twinning contract (EUR 1,600,000): alignment to the acquis and strengthening of administrative capacities, publication of the call foreseen for Q3 2015
- 1 supply contract (EUR 400,000): purchase of laboratory equipment, tendering foreseen for Q4 2015

Project Fiche: Upgrading the custom clearance facilities of the road border crossing Tabanovce (EUR 1.88 million)

Overall project objective

The overall objective of the project is to contribute to the facilitation of cross border procedures and better enforcement of relevant legislation.

Specific project objective

The specific objective of the project is to upgrade the customs clearance facilities at the road Border Crossing Tabanovce through the expansion of the existing customs terminal and its adaptation to a new import-export facility.

Main results expected

- Blueprints and overall project have been designed
- Construction works at the road Border Crossing Tabanovce have been completed
- Works have been supervised

Contribution to MIDP priorities and/or sector objectives

The project contributes to the objective of the MIPD 2011-2013 through improving cooperation among law enforcement agencies, simplifying border crossings, and improving the economic and business environment of the country. It further contributes to the implementation of the National Transport Strategy (2007-2017) by enhancing the infrastructure along Corridor X.

Indicative implementation modalities 2012

- 1 works contract (EUR 1,693,000): upgrading of border crossing, tendering foreseen for Q1 2014
- 1 service contract (EUR 200,000): tendering foreseen for Q1 2014

Project Fiche: Upgrade of the customs clearance and inspection facilities at the road Border Crossing Kafasan (EUR 1.49 million)

Overall project objective

The overall objective of the project is to contribute to the facilitation of cross border procedures and better enforcement of relevant legislation.

Specific project objective

The specific objective of the project is to upgrade the customs clearance and inspection facilities at the road Border Crossing Kafasan through the construction of a customs terminal and its adaptation to an import-export facility.

Main results expected

- Blueprints for the project and tender documents have been prepared
- Border Crossing Kafasan has been upgraded
- The implementation of the construction works have been supervised

Contribution to MIDP priorities and/or sector objectives

The project contributes to the objective of the MIPD 2011-2013 through improving cooperation among law enforcement agencies, simplifying border crossings, and improving the economic and business environment of the country. It further contributes to the implementation of the National Transport Strategy (2007-2017) by enhancing the infrastructure along Corridor VIII.

Indicative implementation modalities 2013

- 1 works contract (EUR 1,485,305): upgrading of border crossing, tendering foreseen for Q1 2015
- 1 framework contract (EUR 199,000⁷): preparation of tender dossier, tendering foreseen for Q4 2014
- 1 framework contract (EUR 199,000⁸): supervision of works, tendering foreseen for Q4 2015

3. Private Sector Development

Sector fiche: Private sector development (EUR 9.37 million⁹)

National sector or sub-sector strategies

The Action Plan for improvement of the Competitiveness of the country is complemented by sub strategies, such as the national Industrial Policy 2009-2020, the National Development Strategy for SMEs 2012–2013 or the Innovation Strategy Programme for Stimulating foreign Investments.

⁷ This framework contract will be financed through the flexible technical assistance facility foreseen under IPA National Programme 2011. The cost of this contract has therefore not been factored into the overall cost of this Project Fiche. Framework contracts are furthermore not subject to national co-financing.

⁸ This framework contract will be financed through the flexible technical assistance facility foreseen under IPA National Programme 2011. The cost of this contract has therefore not been factored into the overall cost of this Project Fiche. Framework contracts are furthermore not subject to national co-financing.

⁹ This figure includes projected indicative private contributions of EUR 112,500 by potential grant beneficiaries.

Overall MIPD sector objectives

The overall MIPD sector objective in respect to EU support in the coming years in this sector is to increase the standard of living of the citizens and to secure the physical and human capital necessary for the development of the country. Further measures are needed to ensure the country readiness to cope with competitive pressures and internal market forces within the European Union.

Specific sector support objectives

The sector specific objectives are twofold. On the one hand, the aim is to improve the business environment and the institutional capacities in respect to increasing national competitiveness. On the other hand, the goal is *inter alia* to increase the market competitiveness and production efficiency of the companies.

Main results expected

- Institutional capacities have been strengthened and the business environment has become more competitive
- Market and production efficiency have increased
- Market innovation and access to finance have improved

Contribution to national sector or sub-sector strategies

The assistance will *inter alia* contribute directly to the implementation of the national strategy on improving the country's competitiveness. The beneficiaries are the Ministry of Economy, the Ministry of Finance, the State Statistical Office, the Bureau of Metrology, the Institute for Standardisation, the Entrepreneurship Supporting Agency, the Public Revenue Office, the Supervision Insurance Agency, the *Macedonia Bank for Development Promotion*, Inspectorates in the country, as well as eligible grant recipients as per IPA Programming Guide¹⁰.

Indicative implementation modalities 2012

- 1 Twinning contract (EUR 800,000): Capacity building for compilation of business and financial statistics, publication of call for proposal foreseen for Q1 2014
- 1 supply contract (EUR 900,000): Purchase of IT equipment for establishment of one-stop-shop system for issuing business permits and licenses, tendering foreseen for Q1 2014
- 1 service contract (EUR 1,000,000): Capacity building of institutions supporting business environment, tendering foreseen for Q1 2014
- 1 Twinning contract (EUR 1,400,000): Supporting the improvement of the country's business environment, publication of call for proposals foreseen for Q1 2014
- 1 Twinning contract (EUR 700,000): Approximation of national legislation in the field of insurance with *acquis* and support to increasing market operations, publication of call for proposal foreseen for Q1 2014
- 1 service contract (EUR 680,555): Innovation and access to finance, tendering foreseen for Q1 2014
- 1 service contract (EUR 350,000): Strengthening internal market integration, tendering foreseen for Q1 2014

¹⁰ Cf. IPA Programming Guide for Component I & II, Volume I, page 46.

- 1 supply contract (EUR 1,400,000): Purchase of technical and laboratory equipment for Bureau of Metrology, as well as purchase of IT and technical equipment for Standardisation Institute, tendering foreseen for Q1 2015

Indicative implementation modalities 2013

- 1 supply contract (EUR 46,000): Purchase IT equipment for State Statistical Office, tendering foreseen for Q1 2014
- 1 service contract (EUR 295,000): Data warehouse software development;
- 1 grant scheme (EUR 1,350,000): Enhancing socio-economic development, publication of call for proposal is foreseen for Q2 2015
- 1 service contract (EUR 350,000): Strengthening internal market integration, tendering foreseen for Q1 2014

6. Environment and Climate Change

Sector fiche: Environment and Climate Change (EUR 6.33 million)

National sector or sub-sector strategies

The national strategies that determine the governmental policy in this area are: The National Environmental Investment Strategy for the period 2009-2013, the Plan for Institutional Development of the National and Local Environmental Management Capacity 2009-2014, the National Strategy for Environmental Approximation, and the National Strategy for Sustainable Development for the period 2010-2030.

Overall MIPD sector objective

The overall goal of EU support to the sector is to help creating a cleaner, safer environment for citizens of the former Yugoslav Republic of Macedonia and to contribute to enhanced mitigation of and adaptation to climate change.

Specific project objective

The specific sector support objectives are as follows: Strengthening the administrative and institutional capacities for the implementation of the EU Water Framework Directive (WFD), the water acquis, the climate change acquis, the nature protection acquis, as well as the air quality related acquis.

Main results expected

The administrative and technical capacities of the beneficiaries have been strengthened in respect to the implementation of the relevant acquis in the fields of waste management, water management, climate change, nature protection and air management.

Contribution to national sector or sub-sector strategies

The support in this sector will contribute to the implementation of the above mentioned national strategies and their specific objectives, aside from the national programme on the adoption of the acquis (NPAA). The beneficiary is the Ministry of Environment and Physical Planning.

Indicative implementation modalities 2012

- 1 Twinning contract (EUR 1,010,526): Waste management, tendering foreseen for Q4 2013

- 1 service contract (EUR 1,116,480): Climate change, tendering foreseen for Q4 2013
- 1 Twinning contract (EUR 1,100,000): Air management, tendering foreseen for Q4 2013
- 1 supply contract (EUR 800,000): Purchase IT and technical equipment for exchanging and managing information on and monitoring water, waste, air management, nature and climate change, as well as purchase of vehicles, tendering foreseen for Q3 2013

Indicative implementation modalities 2013

- 1 Twinning contract (EUR 1,200,000): Water management, tendering foreseen for Q4 2014
- 1 Twinning contract (EUR 1,100,000): Nature protection, tendering foreseen for Q4 2014

8. Agriculture and rural development

Sector fiche: Agriculture and Rural Development (EUR 6.60 million)

National sector or sub-sector strategies

This sector support directly links to the National Strategy for the Development of Agriculture and Rural Development (NARDS) for the period 2007-2013. It is based around five strategic policy issues: i) to increase sector competitiveness; ii) to achieve food quality and safety; iii) to achieve sustainable resource management; iv) to improve living conditions in rural areas; v) to reform the regulatory and institutional framework.

Overall MIPD sector objectives

The overall MIPD sector objective is to contribute to the sustainable development of the agricultural sector as well as to the implementation of EU standards and *acquis* concerning the common agricultural policy and related policy areas.

Specific sector objectives

The specific objective is to develop a common sector-wide approach and understanding of the priorities in Agriculture and Rural Areas which will contribute to the implementation of the Common Agricultural Policy of the EU.

Main results expected

- Implementation of IPARD beyond 2013 has been supported
- Classification of agricultural areas with natural handicaps has been supported
- Land consolidation activities have been established
- The Farm Accountancy Data Network has been finalised
- The tobacco sector has been reformed in accordance with EU's Common Market Organisation (CMO)

Contribution to national sector or sub-sector objectives

The main goal of the Agriculture and Rural Development Sector is to reinforce its ability to compete in the integrated regional markets through increasing the efficiency of agricultural production, processing and marketing, gradual alignment to

EU standards and the *acquis*, and through building viable rural communities. The beneficiary will be the Ministry of Agriculture, Forestry and Water Economy.

Indicative implementation modalities 2012

- 1 service contract (EUR 1,210,000): support for the preparation and implementation of IPARD beyond 2013, tendering foreseen for Q1 of 2014
- 1 Twinning contract (EUR 840,000): technical support for classification of agricultural areas with natural handicaps, tendering foreseen for Q1 of 2014
- 1 service contract (EUR 1,280,000): Introduction of Land Consolidation activities, tendering foreseen for Q1 of 2014

Indicative implementation modalities 2013

- 1 Twinning contract (EUR 800,000): Farm Accountancy Data Network, publication of call foreseen for Q1 2015
- 1 service contract (EUR 950,000): reform of the tobacco sector, tendering foreseen for Q1 2015
- 1 supply contract (EUR 1,534,837): purchase of technical and IT equipment, as well as vehicles, tendering foreseen for Q3 2014

Project fiche: Further alignment of food safety, veterinary and phytosanitary policies with EU requirements (EUR 3.61 million)

Overall project objective

The overall objective of this project is further institutional and administrative capacity building with respect to food and feed safety, veterinary and phytosanitary policy.

Specific objective

The specific project objectives include provision of additional assistance to the Food and Veterinary Agency and Phytosanitary directorate in order to improve their overall ability for implementing the EU *acquis* and other relevant obligations.

Main results expected

- The capacity of animal health and veterinary public health services regarding disease surveillance and implementation of hygiene standards in primary production for food of animal origin has been strengthened
- The capacity of Phytosanitary Directorate has been strengthened
- Oral vaccination against rabies and Classical Swine Fever has been followed up on

Contribution to national sector or sub-sector strategies

This project contributes to the national sector and sub-sector strategies in respect to achieving sustainable development of the agricultural sector as well as the implementation of EU standards and *acquis* concerning the common agricultural policy and related policy areas. The sole beneficiary is the Food and Veterinary Agency (FVA).

Indicative implementation modalities 2012

- 1 Twinning contract (EUR 1,421,000): strengthening animal health and veterinary public health services, start of tendering foreseen for Q1 2015
- 1 supply contract (EUR 2,200,000): purchase of vaccines, start of tendering foreseen for Q1 2014

9. Support and other activities

Project fiche: Enhanced capacity for effective management and audit of EU funds (EUR 4.0 million)

Overall project objective

The overall objective of this project is to increase the know-how and effectiveness of the national administrations involved in the management and audit of EU funds.

Specific project objective

The specific project objective is to continue strengthening the capacities of the country's Decentralised Implementing Structures (DIS) for sound and efficient management and audit of EU funds. It will also assist the structures in the use of the future IPA Regulation.

Main results expected

Strengthened capacities of DIS Structures for sound and efficient management and audit of EU funds.

Contribution to national sector or sub-sector strategies

This project assists the national authorities in completing the process of conferral of management for DIS and improving the contracting rates of IPA assistance. The beneficiary institutions will be the National Authorising Officer (NAO) and National Fund (NF), CFCD and beneficiary institutions, the NIPAC Secretariat and the Audit Authority (AA).

Indicative implementation modalities 2012

- 1 Twinning contract (EUR 1,400,000): strengthening NAO, NF, CFCD, operation structures, NIPAC and AA, publication of call foreseen for Q1 2014
- 1 Twinning contract (EUR 600,000): strengthening the audit authority, publication of call foreseen for Q1 2014
- 1 supply contract (EUR 500,000): purchase technical equipment and vehicles for improving on-the-spot checks, tendering foreseen for Q1 2014
- Several service contracts (EUR 1,500,000): flexible technical assistance to i.a. prepare projects, tendering foreseen for Q4 2014

Project fiche: Participation in Union Programmes and Agencies (EUR 10.24 million)

Overall project objective

The overall objective of this project is to support the country's participation in Union Programmes and Agencies.

Specific project objective

The specific project objective is to co-finance the costs of the "entry-tickets" which the beneficiary has to pay for the participation in Union Programmes and Agencies, and, by those means, to facilitate the progressive transfer of know-how and the strengthening of capacities of the relevant administrative bodies benefiting from the participation in Programmes and Agencies.

Main results expected

The beneficiary country has expressed its interest in participating inter alia in the following programmes and agencies in the medium term:

Union Programmes: Horizon 2020; COSME, PROGRESS; Europe for Citizens; Creative Europe; Fiscalis; Customs; Health for Growth; Civil Protection Mechanism and Civil Protection Financial Instrument; Erasmus for all.

Union Agencies: European Monitoring Centre for Drugs and Drug Addiction (EMCDDA); European Fundamental Rights Agency (FRA); European Environmental Agency (EEA); European Centre for Disease Prevention and Control (ECDC); European Medicines Agency (EMA); European Food Safety Authority (EFSA).

Contribution to MIDP priorities and/or sector objectives

As participation in Union programmes can entail sizeable expenditure for a partner country, the MIPD promotes IPA support for the country's participation in selective programmes and agencies with a view to co-financing the costs.

Implementation modalities

The participation of the former Yugoslav Republic of Macedonia in Union programmes shall follow the specific terms and conditions set out for each such programme in the memorandum of understanding to be concluded by the European Commission and the former Yugoslav Republic of Macedonia, in accordance with the agreements establishing the general principles for participation in Union programmes. It shall include provisions on both the total amount of the contribution of the country and the amount funded by assistance under the IPA Regulation.

2.4 CROSS-CUTTING ISSUES

The following cross-cutting issues have been given specific attention in the programming process: Equal opportunities and non-discrimination, environmental protection and climate change, respect for and protection of minorities and vulnerable groups, civil society/stakeholders involvement and good governance, with particular attention to fight against corruption. These priorities will be addressed at project level through factoring in relevant existing horizontal policies and through specific activities within the projects.

2.5 ASSUMPTIONS AND PRE-CONDITIONS

1. Sufficient and sufficiently qualified human resources are allocated to the relevant departments to manage this and other IPA National Programmes under DIS.
2. The government remains firmly committed to its European integration path.
3. The sector based approach is understood by and met with the necessary support from all stakeholders in the government.

2.6 ROADMAP FOR THE DECENTRALISATION OF THE MANAGEMENT OF EU FUNDS WITHOUT EX ANTE CONTROLS BY THE EUROPEAN COMMISSION

The national authorities are expected to develop a roadmap with indicative benchmarks and time limits to achieve decentralisation without ex ante controls by the Commission in 2013.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE (DECENTRALISED MANAGEMENT)

BUDGET 2012

2012	Institution Building (IB)					Investment (INV)					Total (IB + INV)	Total IPA EU contribution			Total National public contribution	
	Total public expenditure	IPA EU contribution		National public contribution*		Total public expenditure	IPA EU contribution		National public contribution*							
	EUR	EUR	%	EUR	%	EUR	EUR	%	EUR	%	EUR	EUR	%	EUR	%	
	(a)=(b)+(c)	(b)	-1	(c)	-1	(d)=(e)+(f)	(e)	-1	(f)	-1	(g)=(a)+(d)	(h)=(b)+(e)	-2	(i)=(c)+(f)		
1. SF on PAR	1,500,000	1,350,000	90%	150,000	10%	500,000	325,000	65%	175,000	35%	2,000,000	1,675,000	84%	325,000	16%	
<i>Measures No. 1 & 3 (Operations 1.1, 1.2, 1.3, 1.4, 3.1, 3.2)</i>	1,500,000	1,350,000	90%	150,000	10%	500,000	325,000	65%	175,000	35%	2,000,000	1,675,000	-	325,000		
2. SF on JHA	4,155,827	3,843,036	92%	312,791	8%	350,000	262,500	75%	87,500	25%	4,505,827	4,105,536	91%	400,291	9%	
<i>Measure No. 1 & 2</i>	1,200,000	1,080,000	90%	120,000	10%	0	0	0%	0	0%	1,200,000	1,080,000	-	120,000		
<i>Measure No. 3</i>	700,000	665,000	95%	35,000	5%	0	0	0%	0	0%	700,000	665,000	-	35,000		
<i>Measure No. 4</i>	250,000	237,500	95%	12,500	5%	0	0	0%	0	0%	250,000	237,500	-	12,500		
<i>Measure No. 6</i>	900,000	810,000	90%	90,000	10%	250,000	187,500	75%	62,500	25%	1,150,000	997,500	-	152,500		
<i>Measure No. 7</i>	1,105,827	1,050,536	95%	55,291	5%	100,000	75,000	75%	25,000	25%	1,205,827	1,125,536		80,291		
3. SF on PSD	4,930,555	4,582,500	93%	348,055	7%	2,300,000	1,725,000	75%	575,000	25%	7,230,555	6,307,500	87%	923,055	13%	
<i>Measure No. 1 (Operation 1.1 - twinning contract)</i>	800,000	760,000	95%	40,000	5%	0	0	0%	0	0%	800,000	760,000		40,000		
<i>Measure No. 1 (Operation 1.2 one TA and one supply)</i>	1,000,000	900,000	90%	100,000	10%	900,000	675,000	75%	225,000	25%	1,900,000	1,575,000		325,000		

<i>Measure No. 2 (Operation 2.1 - twinning contract)</i>	1,400,000	1,330,000	95%	70,000	5%	0	0	0%	0	0%	1,400,000	1,330,000		70,000	
<i>Measure No. 2 (Operation 2.2)</i>	700,000	665,000	95%	35,000	5%	0	0	0%	0	0%	700,000	665,000		35,000	
<i>Measure 3 (Operation 3.1 - TA for inovation and technology)</i>	680,555	612,500	90%	68,055	10%	0	0	0%	0	0%	680,555	612,500		68,055	
<i>Measure No. 3 (one TA and one supply)</i>	350,000	315,000	90%	35,000	10%	1,400,000	1,050,000	75%	350,000	25%	1,750,000	1,365,000	-	385,000	
6. SF on Environment and Climate Change	3,227,006	3,016,800	93%	210,206	7%	800,000	600,000	75%	200,000	25%	4,027,006	3,616,800	90%	410,206	10%
<i>Measure No. 1</i>	1,010,526	960,000	95%	50,526	5%	0	0	0%	0	0%	1,010,526	960,000	-	50,526	
<i>Measure No. 3</i>	1,116,480	1,006,800	90%	109,680	10%	0	0	0%	0	0%	1,116,480	1,006,800	-	109,680	
<i>Measure No. 5</i>	1,100,000	1,050,000	95%	50,000	5%	0	0	0%	0	0%	1,100,000	1,050,000	-	50,000	
<i>Measure No. 6</i>	0	0	0	0	0%	800,000	600,000	75%	200,000	25%	800,000	600,000	-	200,000	
8. SF on Agriculture and Rural Development	3,330,000	3,039,375	91%	290,625	9%	0	0	0%	0	0%	3,330,000	3,039,375	91%	290,625	9%
<i>Measure No. 1</i>	1,210,000	1,089,000	90%	121,000	10%	0	0	0%	0	0%	1,210,000	1,089,000	-	121,000	
<i>Measure No. 2</i>	840,000	798,375	95%	41,625	5%	0	0	0%	0	0%	840,000	798,375	-	41,625	
<i>Measure No. 3</i>	1,280,000	1,152,000	90%	128,000	10%	0	0	0%	0	0%	1,280,000	1,152,000	-	128,000	
PF on Food Safety	1,421,000	1,349,950	95%	71,050	5%	2,200,000	1,650,000	75%	550,000	25%	3,621,000	2,999,950	83%	621,050	17%
PF on Management of EU Funds	3,500,000	3,250,000	93%	250,000	7%	500,000	375,000	75%	125,000	25%	4,000,000	3,625,000	91%	375,000	9%
PF on Participation in Union Programmes	2,000,000	1,340,000	67%	660,000	33%	0	0	0%	0	0%	2,000,000	1,340,000	67%	660,000	33%
PF on Border Crossing with Serbia	200,000	180,000	90%	20,000	10%	1,693,000	1,270,000	75%	423,000	25%	1,893,000	1,450,000	77%	443,000	23%
TOTAL	24,264,388	21,951,661	90%	2,312,727	10%	8,343,000	6,207,500	74%	2,135,500	26%	32,607,388	28,159,161	86.36%	4,448,227	14%

BUDGET 2013

2013	Institution Building (IB)					Investment (INV)					Total	Total IPA EU contribution			Total National public contribution	
	Total public expenditure	IPA EU contribution		National public contribution*		Total public expenditure	IPA EU contribution		National public contribution*		(IB + INV)					
	EUR	EUR	%	EUR	%	EUR	EUR	%	EUR	%	EUR	EUR	%	EUR	%	
	(a)=(b)+(c)	(b)	-1	(c)	-1	(d)=(e)+(f)	(e)	-1	(f)	-1	(g)=(a)+(d)	(h)=(b)+(e)	-2	(i)=(c)+(f)		
1. SF on PAR	4,050,000	3,730,000	92%	320,000	8%	1,200,000	900,000	75%	300,000	25%	5,250,000	4,630,000	88%	620,000	12%	
<i>Measures No. 2 (Operations 2.1, 2.2, 2.3)</i>	500,000	450,000	90%	50,000	10%	0	0	0%	0	0%	500,000	450,000	-	50,000		
<i>Measures No. 2 (Operation 2.4)</i>	0	0	0%	0	0%	1,000,000	750,000	75%	250,000	25%	1,000,000	750,000	-	250,000		
<i>Measures No. 4</i>	2,150,000	1,950,000	91%	200,000	9%	0	0	0%	0	0%	2,150,000	1,950,000	-	200,000		
<i>Measures No. 5</i>	1,400,000	1,330,000	95%	70,000	5%	200,000	150,000	75%	50,000	25%	1,600,000	1,480,000	-	120,000		
2. SF on JHA	200,000	200,000	100%	0	0%	6,750,000	5,062,500	75%	1,687,500	25%	6,950,000	5,262,500	76%	1,687,500	24%	
<i>Measure No. 1 & 2 & 3</i>	0	0	0%	0	0%	3,500,000	2,625,000	75%	875,000	25%	3,500,000	2,625,000	-	875,000		
<i>Measure No. 5</i>	200,000	200,000	100%	0	0%	3,250,000	2,437,500	75%	812,500	25%	3,450,000	2,637,500	-	812,500		
3. SF on PSD	1,995,000	1,728,000	87%	267,000	13%	46,000	34,500	75%	11,500	25%	2,041,000	1,762,500	86%	278,500	14%	
<i>Measure 1 (Operation 1.1 - SSO supply)</i>	295,000	265,500	90%	29,500	10%	46,000	34,500	75%	11,500	25%	341,000	300,000	-	41,000		
<i>Measure 3 (Operation 3.1)</i>	1,350,000	1,147,500	85%	202,500	15%	0	0	0%	0	0%	1,350,000	1,147,500		202,500		
<i>Measure 3 (Operation 3.1)</i>	350,000	315,000	90%	35,000	10%	0	0	0%	0	0%	350,000	315,000		35,000		
6. SF on Environment and Climate Change	2,300,000	2,185,000	95%	115,000	5%	0	0	0%	0	0%	2,300,000	2,185,000	95%	115,000	5%	
<i>Measure No.</i>	1,200,000	1,140,000	95%	60,000	5%	0	0	0%	0	0%	1,200,000	1,140,000	-	60,000		

2															
<i>Measure No. 4</i>	1,100,000	1,045,000	95%	55,000	5%	0	0	0%	0	0%	1,100,000	1,045,000	-	55,000	
8. SF on Agriculture and Rural Development	1,750,000	1,615,000	92%	135,000	8%	1,534,837	1,151,128	75%	383,709	25%	3,284,837	2,766,128	84%	518,709	16%
<i>Measure No. 4</i>	800,000	760,000	95%	40,000	5%	0	0	0%	0	0%	800,000	760,000	-	40,000	
<i>Measure No. 5</i>	950,000	855,000	90%	95,000	10%	1,534,837	1,151,128	75%	383,709	25%	2,484,837	2,006,128	-	478,709	-
PF on Local Self-government	2,352,941	2,000,000	85%	352,941	15%	0	0	0	0	0	2,352,941	2,000,000	85%	352,941	15%
PF on Customs	1,600,000	1,520,000	95%	80,000	5%	400,000	300,000	75%	100,000	25%	2,000,000	1,820,000	91%	180,000	9%
PF on Participation in Union Programmes	8,235,000	6,468,250	79%	1,766,750	21%	0	0	0	0	0	8,235,000	6,468,250	79%	1,766,750	21%
PF on Border Crossing with Albania	0	0		0		1,485,305	1,113,978.75	75%	371,326.25	25%	1,485,305	1,113,978.75	75%	371,326.25	25%
TOTAL	22,482,941	19,446,250	86%	3,036,691	14%	11,416,142	8,562,106.75	75%	2,854,035	25%	33,899,083	28,008,356.75	82.62%	5,890,726.25	

★ This figure excludes an indicative private contribution of EUR 150,000

★★ This figure excludes an indicative private contribution of EUR 112,500.

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

3.2 PRINCIPLE OF CO-FINANCING APPLYING TO THE PROGRAMME

The IPA EU contribution, which represents 86.36% of the total budget allocated to this programme for 2012 and 82.62% of the total budget allocated to this programme for 2013, 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 requirements for co-financing of INV (25%) and IB (10%, except for twinnings and grants) have been complied with. In the case of grants, the EU contributes with a maximum of 90 % of the eligible expenditure of the project and with a maximum of 95% of the eligible expenditure where twinning is proposed. As indicated in the footnotes of the above indicative budget table, the grant beneficiaries from the call for proposals foreseen in the sector fiches on public administration reform and private sector development will contribute with a minimum of 10% to the eligible expenditure of the actions, amounting to a total cumulative private contribution of EUR 150,000 and EUR 112,500 respectively.

4 IMPLEMENTATION

4.1 MANAGEMENT MODES AND IMPLEMENTATION MODALITIES

This programme shall be implemented by decentralized management, in accordance with article 53c of the Financial Regulation¹¹ and the corresponding provisions of the Implementing Rules. The former Yugoslav Republic of Macedonia 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 Regulation¹².

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 Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("Practical Guide") as published on the 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, namely (i) the quality of the action proposed in the application as regards its relevance to the

¹¹ Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p.1).

¹² Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) (OJ L 170, 29.6.2007, p. 1).

set of objectives and priorities set out in the Calls for proposals, (ii) its effectiveness and feasibility, (iii) sustainability, and iv) budget cost-effectiveness.

The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants

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 Commission shall also use the procedural guidelines and standard templates and models provided in the twinning manual which is available on the website of DG ELARG. The essential selection criteria are: (i) financial capacity to sustain its activity for the duration of the action, with the exception of natural persons receiving scholarships, public bodies and international organisations, and (ii) operational capacity consisting in professional competencies and qualifications required to complete the proposed action. The essential award criteria are: (i) the relevance of the proposal in relation to the objectives set out in the Twinning Project Fiche, (ii) the methodology of the activities developed in the proposal, and (iii) the overall sustainability of the proposal.

4.4 ENVIRONMENTAL IMPACT ASSESSMENT AND NATURE CONSERVATION

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

5 MONITORING AND EVALUATION

5.1 MONITORING

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

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

5.2 EVALUATION

Programmes shall be subject to ex ante evaluations, as well as interim and/or, ex post evaluations in accordance with Articles 57 and 82 of IPA Implementing Regulation, with the aim of 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 former Yugoslav Republic of Macedonia, 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 former Yugoslav Republic of Macedonia.

The results of evaluations shall be taken into account in the programming and implementation cycle.

The Commission may also carry out strategic evaluations.

6 AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES; FINANCIAL ADJUSTMENTS, PREVENTIVE MEASURES AND FINANCIAL CORRECTIONS

6.1 AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

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

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities.¹³

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.

¹³ OJ L 292, 15.11.1996, p. 2.

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 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

The former Yugoslav Republic of Macedonia 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 1828/2006¹⁴. 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 former Yugoslav Republic of Macedonia 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 former Yugoslav Republic of Macedonia 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 former Yugoslav Republic of Macedonia, 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

¹⁴ OJ L371, 27.12.2006, p. 1.

European Commission immediately of any such conflict of interest or any situation likely to give rise to any such conflict.

6.5 Financial corrections

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

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 nature¹⁵, 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.

¹⁵ These essential elements of an indicative nature are, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.