

ANNEX: National programme for Croatia under the IPA Transition Assistance and Institution Building Component for 2011 – Part 2

1. IDENTIFICATION

Beneficiary	Croatia
CRIS number	IPA/2011/023- 114
Year	2011
Cost	EUR 5 000 000 ¹
Implementing Authority	The implementation of this programme will be cross-delegated from DG Enlargement (ELARG) to DG Regional Policy (REGIO).
Final date for concluding the Financing Agreements	31 December 2012
Final date for contracting	2 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.
Final dates for execution	2 years following the end date for contracting. .
Sector Code	21010, 41010
Budget line concerned	22.020100: national programmes (component Transition Assistance and Institution Building) for Candidate Countries.
Programming Task Manager	DG ELARG.B1
Implementation Task Manager	DG REGIO

2. PRIORITIES FOR EU ASSISTANCE

The priorities for EU assistance are in line with the objectives set out in the **Multi-Annual Indicative Planning Document (MIPD)** covering the period 2011-2013. The MIPD 2011-2013 was established in line with the Accession Partnership of 12 February 2008 and the ongoing accession negotiations.

¹ A total of EUR 39 959 128 is available under IPA 2011 Component I for Croatia. EUR 330 000 was already allocated under "Part 1" of this programme in the Financing Decision C(2010)9557 of 20 December 2010. The "Part 2" under the present Financing Decision further allocates EUR 5 000 000 and should be adopted as soon as possible to accelerate Croatia's preparations for the absorption of Structural and Cohesion funds. The rest of the allocation will be adopted in a "Part 3" in another Financing Decision at a later stage in 2011.

The needs assessment for EU financial assistance took into account Croatia's "Program of the Government of the Republic of Croatia for assumption and implementation of the *acquis communautaire*" and relevant national sectoral strategies.

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

According to the **Enlargement Strategy 2010-2011**, Croatia needs to consolidate reforms in the field of judiciary and fundamental rights. Regarding public administration reform, considerable further efforts are needed to finalise the legal framework and to implement it efficiently across the board. Croatia needs to sustain efforts to fully establish the administrative structures required for the management and control of EU funds.

Therefore, the priorities selected for the period covered by the MIPD aim at supporting the strengthening of the rule of law, public administration reform, and preparation for the implementation of the EU's cohesion and agriculture and rural development policies, the latter supporting investments in infrastructures and boosting competitiveness in order to alleviate the impact of the financial crisis.

These priorities are in line with the Copenhagen criteria and, therefore, contribute to their achievement.

2.a Priority selected under this programme

The IPA 2011 National Programme – Part 2 will contribute to addressing the following priority highlighted in the Commission's **Progress Report 2010** in relation to chapter 22 "Regional Policy and Coordination of Structural Instruments": *"preparations for implementing the cohesion policy need to be significantly strengthened by enhancing administrative capacity and project preparation (especially on transport and the environment) [...] Implementation of major projects is lagging behind, due to low quality of projects applications and tender documentation. [...] Progress with preparing an adequate, mature project pipeline needs to be enhanced."*

The programme will contribute to addressing the funding priorities identified in sector 3 "*Environment and Climate Change*" and sector 4 "*Transports*" of the MIPD 2011-2013 for Croatia.

These two sectors have been selected for financing under the "Part 2" of IPA 2011 given the need to accelerate Croatia's preparations for the absorption of Structural and Cohesion funds which will become available upon accession. These two sectors have been chosen for immediate financing given the maturity of the funding proposal and the agreement of the Croatian authorities and of the European Investment Bank (EIB), which will receive a grant from the Commission in order to implement this project. Implementation will start as soon as possible.

The other sectors of the MIPD will be supported in a "Part 3" foreseen to be adopted at the end of 2011, as the funding proposals in the other areas need to be further reviewed by the Croatian authorities and the Commission in order to select the most mature projects for implementation. In addition, "Part 1" of the National Programme 2011 (adopted on 20 December 2010) consists of a project aiming to develop Croatia's capacity of assuming the obligations of membership in the area of the Customs Union.

2.b Sectors selected under this programme and donors' coordination

The programme consists of one measure, "JASPERS - Support to the preparation of a project pipeline for Structural and Cohesion Funds in Croatia", which will be implemented through the JASPERS ("Joint Assistance for Supporting Projects in European Regions") joint technical assistance initiative.

The programme will contribute to addressing the funding priorities identified in sector 3 "*Environment and Climate Change*" and sector 4 "*Transports*" of the Multi-Annual Indicative Planning Document (MIPD) 2011-2013 for Croatia, in terms of the "*development of a project pipeline for infrastructure investments*".

Environment and Climate Change

The Progress Report 2010 assessed that, overall, good progress has been made in the "Environment" chapter as regards both alignment and implementation of the legislation. Administrative capacity, especially at the local level, needs further strengthening.

As regards the "regional policy and coordination of structural instruments" chapter, good progress was made, notably on preparing strategic documents and designating the institutions and mechanisms to implement the EU cohesion policy, recruit and train further staff. Croatia needs to complete its preparations by focusing on the establishment of a mature project pipeline and the absorption of funds.

In terms of sector readiness and national ownership, Croatia has established the "Strategic Coherence Framework (SCF) for 2007-2013" covering IPA Components III (Regional Development) and IV (Human Resources Development). Under IPA Component III, support is provided through the multi-annual Operational Programme (OP) "Environmental". This programme aims at developing waste management infrastructures for establishing an integrated waste management system and at protecting the country's water resources through improved water supply and waste water integrated Management Systems.

Transport

The Progress Report 2010 assessed that further progress has been achieved and, overall, the level of alignment in the "Transports" chapter is good. Additional efforts are still needed to implement and enforce the *acquis*.

As regards the "regional policy and coordination of structural instruments" chapter, as indicated above, Croatia needs to complete its preparations by focusing on the establishment of a mature project pipeline and the absorption of funds.

The sector readiness and national ownership is demonstrated by the aforementioned Strategic Coherence Framework (SCF). Under IPA Component III, support is provided through the multi-annual Operational Programme (OP) "Transportation". This programme addresses the following priorities of gradually improving the standard of the railways, along TEN Corridors X and V within Croatia: rehabilitating the Croatian inland waterway system, making it more attractive and competitive in comparison with other modes of transport, including the rehabilitation of the Sava river waterway to category IV navigational status, as well as its alignment with the EU River Information System (RIS).

The present JASPERS programme under IPA Component I will complement the aforementioned activities conducted under IPA Components III and IV in support of the MIPD sectors "environment and climate change" and "transports", by developing a project pipeline for infrastructure investments in the areas of environment and transports.

2.c Description of projects and/or other implementation modalities under each sector

Sector	IPA support (in EUR million)	Implementation modalities' (projects, budget support, etc.), beneficiary, purpose, results, activities, contribution to the priorities, and indicative implementation schedule
Environment and Climate Change	5	
Transports		
JASPERS initiative	5	<p><u>Purpose:</u> The objective of the JASPERS initiative is to accelerate Croatia's preparations for the absorption of Structural and Cohesion funds by supporting the development of a project pipeline of infrastructure projects in the sectors of environment and transport.</p> <p><u>Implementation:</u> The programme will be implemented by a direct grant awarded to the European Investment Bank in accordance with Article 168 (1) (f) of the Implementing Rules to the Financial Regulation. In view of the experience developed within JASPERS since 2006, documented by a steep increase of approved projects having received support from JASPERS , it has acquired a high degree of specialisation necessary to deliver the relevant support to Member States and candidate countries. The funding will be used mainly to cover the costs of staff in the JASPERS unit within EIB, in the form of a flat rate per month (EUR 26,142 per expert) and external consultancy costs (on actual cost basis). Mission costs will also be eligible on an actual cost basis, subject to a ceiling per expert per year. Other costs, such as translation, external audit and the costs of some events throughout the year will also be eligible on actual cost basis. Financing of the action will be done 100% by the European Commission in accordance with article 253 (1) (d) of the Implementing Rules to the Financial Regulation. A Contribution</p>

		<p>Agreement will be concluded by the European Commission and the EIB in the 3rd quarter of 2011 for a total of EUR 5 000 000.</p> <p><u>Link with MIPD:</u> The programme will contribute to addressing the funding priorities identified in sector 3 "<i>Environment and Climate Change</i>" and sector 4 "<i>Transports</i>" of the Multi-Annual Indicative Planning Document (MIPD) 2011-2013 for Croatia, in terms of the "<i>development of a project pipeline for infrastructure investments</i>".</p>
TOTAL	5	

2.d Overview of past and on going assistance (EU / International Financial Institutions / Bilateral and national assistance) including lessons learned and evaluations

Past and on-going assistance

This project builds on the following financial assistance.

Under ISPA, two technical assistance projects were dedicated to the development of a project pipeline in the sectors of environment and transports infrastructures. In total 5 projects were prepared for further financing.

Under PHARE 2006, the project entitled "Project pipeline for IPA/Structural Funds" was used for preparation of 7 projects in the sectors of environment and transports.

Since 2007, assistance for infrastructure investments has been covered by IPA Component III "Regional Development" under the "Environmental" and "Transportation" programmes. Besides financing infrastructure projects, these programmes provide resources for project preparation, as well as for the assessment of major projects.

Lessons learned

The following lessons have been drawn from the implementation of the above financial assistance.

Infrastructure projects are complex, in that they require specific skills and knowledge and take a significant amount of time in preparation. Capacity needs to be strengthened at the level of regional and local beneficiaries for the preparation of good quality project and tender documentation within limited timeframes. The central authorities also need to reinforce their capacity to assist the beneficiaries in the project preparation tasks, as well as to assess the quality of the project proposals.

On the basis of these lessons learned, JASPERS will aim at reinforcing the capacity of all stakeholders in Croatia to develop a pipeline of mature projects in order to improve the future absorption of Structural and Cohesion funds.

2.e Horizontal issues

This programme will contribute to the horizontal issue of environmental protection as a pipeline of projects in, *inter alia*, the sector of environment will be developed in line with EU standards in this area.

2.f Conditions

The JASPERS Unit shall work in close co-operation with the Commission and the national authorities to assist the latter in producing mature project proposals which meet EU requirements, as well as to identify potential projects for assistance.

The JASPERS Unit shall act in cooperation with national authorities to identify projects for inclusion in a Country Action Plan, which will be approved by the Steering Committee.

2.g Benchmarks

"n" being the date of conclusion of the Financing Agreement

	N	N+1 (cumulative)	N+ 2 (cumulative)
	EU	EU	EU
Contribution Agreement	1	1	1

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

Croatia was conferred management powers for the decentralised management of IPA Component I with *ex ante* controls by a Commission Decision of 28 October 2008. The Croatian authorities submitted in December 2009 a roadmap for the decentralisation of the management of IPA funds without *ex ante* controls. Since then, the authorities have provided on a regular basis reports to the Commission on their progress in the implementation of this roadmap.

3. BUDGET (AMOUNTS IN EUR)

3.1. Indicative budget table

<u>Centralised management</u>	Institution Building (IB)					Investment (INV)					Total (IB + INV)	Total IPA EU contribution		
	Total expenditure		IPA EU contribution		National contribution	Total expenditure		IPA EU contribution		National contribution				
	EUR (a)=(b)+(c)	EUR (b)	% ⁽¹⁾	EUR (c)	% ⁽¹⁾	EUR (d)=(e)+(f)	EUR (e)	% ⁽¹⁾	EUR (f)	% ⁽¹⁾	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	% ⁽²⁾	
Sectors 3 "Environment and Climate Change" and 4 "Transports" of the MIPD	0	0	0	0	0	5 000 000	5 000 000	100%	0	0	5 000 000	5 000 000	100	
Project: "JASPERS - Support to the preparation of a project pipeline for Structural and Cohesion Funds in Croatia"	0	0	0	0	0	5 000 000	5 000 000	100%	0	0	5 000 000	5 000 000	100	
TOTAL	0	0	0	0	0	5 000 000	5 000 000	100%	0	0	5 000 000	5 000 000	100	

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

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

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

The IPA EU contribution, which represents 100% of the total budget allocated to this programme, has been calculated in relation to the **eligible** expenditure, which in the case of centralised management is based on the total expenditure. The EU contribution represents 100% of the total budget allocated to this programme, as allowed by article 67.3 of IPA Implementing Regulation²: "*In the event of centralised or joint management, the Commission shall decide the rate of the Community contribution, which may amount to 100% of the eligible expenditure*".

4. IMPLEMENTATION ARRANGEMENTS

4.1. Method of implementation

The programme will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation³ and the corresponding provisions of the Implementing Rules⁴, as it consists in activities to be carried out by DG REGIO to allow for the preparation of a project pipeline for the Structural and Cohesion funds in Croatia, which will be implemented through DG REGIO's JASPERS ("Joint Assistance for Supporting Projects in European Regions") joint technical assistance initiative.

4.2. General rules for procurement and grant award procedures

The general rules for procurement and grant award procedures shall be defined in the Contribution Agreement between the Commission and the European Investment Bank (EIB) implementing the programme.

4.3. Environmental Impact Assessment (EIA) and Nature Conservation

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

As a consequence, for projects which fall within the scope of the EIA-Directive⁵, an environmental impact assessment shall be made for each project, equivalent to that provided for by the EIA-Directive.

For projects that are likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made for each project, equivalent to that provided for in Art. 6 of the Habitats Directive⁶.

² Regulation 718/2007 (OJ L 170, 29.6.2007, p. 23).

³ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1).

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).

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).

⁶ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 22.7.1992).

5. MONITORING AND EVALUATION

5.1. Monitoring

The Commission may undertake any actions it deems necessary to monitor the programmes concerned.

5.2. Evaluation

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

The results of *ex ante* and interim evaluation 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

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 Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96⁷.

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

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

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

⁷ OJ L 292; 15.11.1996; p. 2.

8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME

Limited adjustments in the implementation of this programme affecting elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature⁸, 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.

⁸ 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.