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ANNEX

NATIONAL PROGRAMME FOR THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA UNDER THE IPA TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT FOR 2010

1. IDENTIFICATION

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|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Beneficiary | The former Yugoslav Republic of Macedonia |
| CRIS number | 2010/022-264, 2010/022-265 |
| Year | 2010 |
| Cost | EUR 36 917 068 |
| Implementing Authority | <p>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 the projects:</p> <p>4.1 'Participation in Union Programmes and Agencies', and 4.2 'Preparatory Measures for Participation in the Lifelong Learning and Youth in Action Programmes', which will be implemented by the European Commission.</p> |
| Final dates for concluding the financing agreements | at the latest by 31 December 2011 |
| Final dates for contracting | <p>2 years following the date of conclusion of the Financing Agreements.</p> <p>These dates apply also to the national co-financing.</p> <p>No deadline for audit and evaluation projects covered by the Financing Agreements, as referred to in Article 166 (2) of the Financing Regulation.</p> |
| Final dates for execution | <p>2 years following the end date for contracting.</p> <p>These dates apply also to the national co-financing.</p> |
| Sector Code | 11110, 15110, 15130, 15210, 15150, 15160, 16020, 16061, 24010, 31110, 32110, 41010, 91010 |
| Budget line(s) concerned | 22.020100 |
| Programming Task Manager | DG Enlargement B2, Unit 'The former Yugoslav Republic of Macedonia' |
| Implementation Task Manager | <p>The Central Financing and Contracting Department in the Ministry of Finance (CFCD), Skopje</p> <p>European Union Delegation, Skopje</p> |

2. PRIORITY AXES AND PROJECTS

2.a Priority axes

The programme's strategic reference is the Multi-Annual Indicative Planning Document (MIPD) 2009-2011. As the MIPD outlines, given the candidate status of the country, pre-accession assistance is aimed at supporting the country's efforts 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 MIPD envisages the following four major areas of intervention:

- Political criteria
- Socio-economic criteria
- Ability to assume the obligations of EU membership
- Support for programming and participation in Union programmes and agencies

The projects presented below were selected based on the following criteria: Firstly, projects were selected on the basis of the priorities identified in the MIPD. Secondly, the existence of national (sectoral) strategies was taken into consideration. Thus, interventions outlined below in most cases build on clearly identified and well developed national strategies. However, in some cases these strategies will be updated and improved through IPA assistance. Thirdly, possible follow-up on previous and ongoing projects was taken into consideration. Fourthly, the projects were screened with regard to the preparedness of intended beneficiaries to receive and manage the support. And finally, the projects were screened against possible overlap with ongoing assistance in the country.

The programme is summarised in the sections below.

2.a.1 Political criteria (EUR 14 794 025)¹

In reference to this priority, the Programme envisages strengthening the organisational and institutional capacity of the relevant institutions for the accession negotiation process. Regarding the rule of law and good governance, this year's Programme gives attention to further strengthening of an independent and efficient judicial system, with a strong focus on prevention and the fight against corruption. It further aims at providing technical and material assistance to prioritised institutions, including the Ministries of Justice, Interior, Local Self Government, and the Civil Servants Agency. The National Programme also foresees assistance in fostering civil society development and dialogue, including better integration of minorities, as well as to the Ministry of Culture for the restoration of the 'Shengjul Hamam' into a Cultural Info-Centre, in line with the Ljubljana Process.

¹ The amounts in brackets refer to the EU contribution (excl. national co-financing).

2.a.2 Socio-economic criteria (EUR 3 870 000)

Technical and material support is given to the relevant line ministries to strengthen the capacity to implement a national industrial policy, and to further harmonise legislation and improve capacity building in the field of consumer protection.

2.a.3 Ability to assume the obligations of EU membership (EUR 11 470 613)

The focus of this year assistance in this area is on the adoption of the *acquis* including building institutional and administrative capacity for transposing, implementing and enforcing the *acquis* according to the priorities identified in the Accession Partnership. The areas of focus are Employment and Social Affairs, Agriculture, Environment, Internal Market, Customs, and Food Safety.

2.a.4 Support to programming and participation in Union Programmes and Agencies (EUR 6 782 430)

The Programme supports the participation of the country in a series of Union programmes and agencies which are deemed essential for the country's cohesion process.

2. b Description of projects grouped per priority axes and (if relevant) per measure²

| Priority Axis and project names | Indicative EU contribution, million € | Project purpose and implementation summary (type of contract/agreement, <u>indicative</u> amount and <u>indicative</u> launch date of tender procedure) |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Priority 1: Political Criteria | | |
| 1.1 Support to institutions in implementation of policies relevant to non-majority communities | 1.620 | <u>Project purpose:</u> To provide technical assistance to key institutions involved in the implementation of policies relevant to non-majority communities. <u>Implementation:</u> One Service contract (EUR 1 620 000). Procurement procedure to start Q4 2011. |
| 1.2 Further support to independent, accountable, professional and efficient judiciary and promotion of probation service and alternative sanctioning | 3.007 | <u>Project purpose:</u> To strengthen the capacity of the Judicial Council and the Council of Public Prosecutors for an efficient performance of their tasks related to selection and appraisal of judges and prosecutors, human resources planning, court management and transparency in judiciary. <u>Implementation:</u> One Service contract will be concluded for implementation of the Component 1 (support to the Judicial Council and Council of Public Prosecutors) and Component 2 (support to the probation service and execution of alternative measures) (EUR 2 182 500). Procurement procedure to start Q2 2011. One Supply contract will be developed for the provision of equipment for the Component 2 and the enforcement of the House arrest (EUR 825 000). Procurement procedure to start Q3 2012. |

² All budget amounts provided relate only to the IPA contribution

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| 1.3 Further Institution and Capacity Building of the Police Service in the area of border management, Union policing and fight against organised crime | 2.512 | <p><u>Project purpose:</u> To increase the operational efficiency of the border police, and to strengthen the capacities for developing anti-corruption standards within the Organised Crime Department.</p> <p><u>Implementation:</u> One Service contract will be concluded for implementation of all three components (EUR 1 575 000). Procurement procedure to start Q2 2011.</p> <p>One Supply contract will be concluded for purchasing equipment for IT and physical safety for an organised crime department and purchasing of equipment for risk analysis, long range thermo vision cameras for night monitoring as well as equipment for detection of illegal crossing (EUR 937 500). Procurement procedure to start Q1 2012.</p> |
| 1.4 Revitalisation and Adaptation of Shengjul (Gjulshen) Hamam into a Cultural-Info Centre | 0.807 | <p><u>Project purpose:</u> To restore and adapt the Shengjul (Gjulshen) Hamam into a cultural-info centre.</p> <p><u>Implementation:</u> One Direct Grant will be awarded to the Conservation Centre - Skopje (former Institute for Protection of Cultural Heritage) (EUR 285 000). It is intended that the grant will be directly awarded to this institution, in line with Art.168.1(c) of the Financial Regulation which allows for grants to be awarded without a call for proposals to bodies with a de facto monopoly, since this organisation possesses the relevant competencies and previous directly relevant experience in the country and the region, and being recognised as the lead and sole institution capable to conduct the necessary and unique restoration activities in line with the project description. It is a singular national institution competent for performing conservation/restoration works on protected cultural heritage property in the territory of the city of Skopje (Article 146 and 147 of the Law on Protection of Cultural Heritage (“Official Gazette” nr.20/2004 and 115/2007). Procedure to start Q3 2011.</p> <p>One or more works contracts will be concluded (EUR 522 525). Procurement to start Q3 2011.</p> |
| 1.5 Further strengthening of the organisational and institutional capacities for the accession negotiation process | 1.995 | <p><u>Project purpose:</u> To enable the exchange of accession experience with EU Member State(s), thereby strengthening the negotiating structures and contributing towards efficiency of the negotiating process and compliance with good negotiating practices.</p> <p><u>Implementation:</u> One Twinning contract** to support the relevant national structures to enable them to run efficiently as part of EU accession negotiations (EUR 1 995 000). Procurement procedure to start Q3 2011.</p> |
| 1.6 Sustainable civil society | 1.417 | <p><u>Project purpose:</u> To strengthen administrative capacity for cooperation with civil society organizations (CSOs) at local level, as well as to strengthen the civil society sector through built capacity for self sustainability and an enhanced role of CSOs in decision making processes at local level.</p> <p><u>Implementation:</u> One Service contract on technical assistance to improve the capacity building of municipalities in their relations with NGOs (EUR 405 000). Procurement procedure to start Q4 2011.</p> <p>Minimum 15 grants* will be signed after a maximum of two calls for proposals for the different areas (EUR 1 012 500). Calls to be launched by Q1 2012. The expected contracts implementation periods will be up to 18 months (value ranging from EUR 30 000 to EUR 150 000). The total amount of this component will be approximately EUR 1 250 000. The IPA contribution would be EUR 1 012 500, the national co-financing 10% (EUR 112 500) and co-financing from the final grant beneficiaries 10% (EUR 125 000) of the overall budget of the respective individual grant amount.</p> |
| 1.7 Support to efficient prevention and fight against corruption | 1.349 | <p><u>Project purpose:</u> To improve the implementation of the national legal framework and strengthen national mechanisms for prevention and the fight against corruption, to further promote the cooperation between the State Commission for Prevention of Corruption (SCPC), the judiciary, law enforcement agencies and other relevant</p> |

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| | | <p>institutions in the prevention, detection, prosecution, and sanctioning of criminal acts of corruption.</p> <p><u>Implementation:</u> One Twinning contract** to strengthen the efficiency of relevant institutions in implementing and monitoring the anti-corruption policies (EUR 1 349 000). Procurement procedure to start Q2 2011.</p> |
| 1.8 Technical assistance to institutions in charge of implementation of the civil service and public administration reform | 2.085 | <p><u>Project purpose:</u> To strengthen institutional capacities for professional civil service and public administration reform.</p> <p><u>Implementation:</u> One Twinning contract** to support the Civil Servants Agency and institutional capacity for the implementation of public administration reform and the Public Servants Law (EUR 1 710 000) will be concluded for both components. Procurement procedure to start Q1 2012.</p> <p>One Supply contract for IT and other equipment (EUR 375 000). Procurement procedure to start Q2 2012.</p> |
| Priority 2: Socio-Economic Criteria | | |
| 2.1 Capacity building to institutions involved in implementation of the Industrial Policy | 2.673 | <p><u>Project purpose:</u> To strengthen the capacity of the Ministry of Economy and other development stakeholders to implement and monitor proactive Industrial Policy which will enable them to design and execute efficient programs and action initiatives in support of the growth and competitiveness of industry.</p> <p><u>Implementation:</u> One Service contract (EUR 2 673 000). Procurement procedure to start Q2 2011.</p> |
| 2.2 Legal harmonisation and capacity building in the field of consumer protection | 1.197 | <p><u>Project purpose:</u> To harmonise the national legislation with the EU <i>acquis</i>, to build institutional and technical capacity for effectively addressing consumer issues in the country, to raise public awareness of consumer rights and ensure consumer information on product safety.</p> <p><u>Implementation:</u> One Service contract to be concluded to cover Component 1 (harmonization of the national legislation with the EU <i>acquis</i> and capacity building for the Ministry of Economy (EUR 630 000). Procurement procedure to start Q3 2011.</p> <p>Minimum of 12 grants* will be signed after the launch of up to two calls for proposals for the different areas (EUR 567 000). Calls for proposals to be launched Q3 2011. The amount of this component will be approximately EUR 700 000, out of which IPA is providing EUR 567 000, 10% central budget co-financing is provided (EUR 63 000) and 10% co-financing from the final grant beneficiaries of the overall budget of their individual grant amounts (EUR 70 000). The first call for proposal for Capacity building measures for NGOs will include min 9 grants, with grant amounts ranging from EUR 30 000 to EUR 100 000. The second call for proposals for raised public awareness about consumer protection issues will include min 3 grants with amounts ranging from EUR 50 000 to EUR 100 000.</p> |
| Priority 3: Ability to assume the obligations of EU membership (Acquis) | | |
| 3.1 Strengthening the capacities for effective implementation of the acquis in the field of freedom of | 0.902 | <p><u>Project purpose:</u> To strengthen national institutional and administrative capacities for coordination of social security systems and for participation in European Employment Services Network (EURES).</p> <p><u>Implementation:</u> One Twinning Contract** for coordination of social security schemes and participation in EURES (EUR 902 513). Procurement procedure to</p> |

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| movement for workers | | start Q4 2011. |
| 3.2 Further Harmonisation with EU <i>acquis</i> in field of Movement of Capital and Payments and Financial Services - Securities markets and Investment services | 1.170 | <p><u>Project purpose:</u> To ensure better regulation of operations of all capital market participants that will result in more efficient, fair and legal capital market.</p> <p><u>Implementation:</u> One Service contract (EUR 1 170 000). Procurement to start Q4 2011.</p> |
| 3.3 Strengthening of administrative and institutional capacity of the competent authorities regarding food safety, veterinary and phytosanitary policy | 3.643 | <p><u>Project purpose:</u> Providing technical assistance to the Veterinary, Food and Phytosanitary Directorate in order to improve its overall ability and capacity for implementation of EU <i>acquis</i> and obligations addressed in the Accession Partnership, with specific reference to improvement of field inspection services, food and feed safety, animal disease control, plant health, plant protection products, control of veterinary medicinal products and enhancement of border post import control.</p> <p><u>Implementation:</u> One Works contract for the Component 1 (building of border crossing facilities, purchase of equipment and training of relevant staff) (EUR 450 000). Procurement to start Q1 2012.</p> <p>One Framework contract will be conducted for carrying out supervision during the construction period of Component 1 (EUR 112 500). Procurement to start Q2 2012.</p> <p>One Supply contract will be concluded to cover the equipment of border inspection posts (BIP) under Component 1 and the specialised equipment for official controls under component 3 (EUR 525 000). Procurement to start Q3 2011.</p> <p>One Supply contract will be concluded to cover a purchase of vaccines for oral vaccination of wild animals against rabies and Classical Swine Fever and actual implementation of the vaccination campaign (EUR 1 275 000). Procurement to start Q4 2012.</p> <p>One Twinning contract** to strengthen the capacity of national authorities to implement the relevant EU <i>acquis</i> (EUR 1 280 600). Procurement to start Q4 2012.</p> |
| 3.4 Improving of the Public Revenue Office (PRO) Tax Payers Services | 1.330 | <p><u>Project purpose:</u> To strengthen the quality of services for taxpayers by establishing effective information methods and communication tools and to ensure the strengthening of partnership between taxpayers and tax officials through contact centre/call centre and service counters in most municipalities. In addition, the to ensure an equal interpretation of tax laws throughout the country.</p> <p><u>Implementation:</u> One Twinning contract** to improve the quality and efficiency of the PRO (EUR 760 000). Procurement to start Q2 2011.</p> <p>One Supply contract (EUR 450 000) for the Component 2 – modernization of office environment for call/contact centres and service counters across the country. Procurement to start Q4 2011.</p> <p>One Works contract (EUR 120 000) for the Component 2. Procurement to start Q4 2011.</p> |

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| 3.5 Strengthening the administrative capacities at central and local level for implementation and enforcement of the environmental <i>acquis</i> | 2.625 | <p><u>Project purpose:</u> To enhance the capacity of municipalities for implementation of environmental legislation and of environmental inspection bodies for enforcement of environmental legislation.</p> <p><u>Implementation:</u> One Twinning contract** (EUR 950 000). Procurement to start Q4 2011.</p> <p>One Service contract to cover Component 1 (strengthening capacity for implementation of environmental legislation at local level) (EUR 1 125 000). Procurement to start Q4 2011.</p> <p>One or more Supply contracts for the supply of prioritised equipment identified under Components 1 and 2 (strengthening the capacity for environmental inspections) (EUR 550 000). Procurement to start Q1 2013.</p> |
| 3.6 Strengthening the capacity of the Customs Administration for implementation of the customs and excise legislation | 1.800 | <p><u>Project purpose:</u> To approximate customs legislation and procedures to the <i>acquis</i>, as well as to strengthen the administrative and operational capacity of the Customs Administration in order to ensure enforcement of customs and excise legislation and to ensure the continuation for accession to the Convention on Common Transit Procedures and to the Convention for simplification in trade in goods.</p> <p><u>Implementation:</u> Two twinning contracts**. Procedure is to start Q4 2011 for both contracts.</p> <p>One Twining contract for Excises with an expected duration of 24 months and a budget of approximately EUR 947 368 (IPA funds will be EUR 900 000 and the national co-financing EUR 47 368).</p> <p>One Twining contract for the Convention with an expected duration of 24 months and a budget of approximately EUR 947 368 (IPA funds will be EUR 900 000 and the national co-financing EUR 47 368).</p> |
| Priority 4: Support Programmes | | |
| 4.1 Participation in Union Programmes and Agencies | 4.782 | <p><u>Project purpose:</u> To co-finance the costs of "entry-tickets" for participation in EU programmes and agencies. After the conclusions of the Memorandum of Understanding establishing the countries' participation in a Union programme, the Commission awards for each entry-ticket a grant for the reimbursable amount. The IPA funds are transferred to the country as reimbursement after it has paid its entry-tickets to the programme, on the basis of a grant, request for funds by the beneficiary and proof of payment.</p> <p><u>Implementation:</u> The participation of the beneficiary country in Union programmes shall follow the specific terms and conditions set out for each such programme in the memorandum of understanding to be concluded by the Commission and the beneficiary country, in accordance with the agreements establishing the general principles for participation of the beneficiary country in Union programmes. It shall include provisions on both the total amount of the beneficiary country's contribution and the amount funded by assistance under the IPA regulation. Contracting is expected by Q2 2011.</p> |
| 4.2 Preparatory Measures for Participation in Lifelong Learning (LLP) and Youth in Action (YiA) Programmes | 2.000 | <p><u>Project purpose:</u> To provide support to the national agency (capacity building) in order to manage the programmes (complete the recruitment and training of the staff) under LLP and (YiA), as well as to develop information campaigns for the potential beneficiaries and implement pilot activities.</p> <p><u>Implementation:</u> The measures will consist of activities which will be implemented according to a work plan to be agreed between the "National Agency for European Educational Programmes and Mobility", and DG EAC. It is envisaged that 2 direct grants agreements without call for proposals (one for LLP, and one for YiA) will be signed by DG EAC with the National Agency in the Q1 2011 (IPA allocation is EUR 2 000 000 and the national contribution is EUR 600 000).</p> |

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| | | Both grants will be awarded on the basis of Art. 168.1(c) of the Implementing Rules (direct award) and the beneficiary (National Agency for the European Educational Programmes and Mobility) having a de jure monopoly. |
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* The essential selection and award criteria for the grants are laid down in the Practical Guide to Contract Procedures for EU External Actions.

** The essential selection and award criteria for the selection of the proposals are laid down in the Twinning Manual referred to in point 4.3 of this Financing Proposal.

2.c Overview of past and on going assistance (EU / International Financial Institutions / bilateral and national assistance) including lessons learned and donor coordination

A large number of areas that are presently proposed to be supported through the IPA 2010 programme have received support through CARDS and are to receive funds from IPA 2007/2008/2009 or by other donor agencies.

In addition to EU-funded IPA support, assistance is being given in the area of public administration reform by the United Kingdom, SIGMA and the World Bank. This aid focuses on the implementation of the new Public Servants Law, through the development of a sustainable human resources development strategy and civil servants trainings.

EU assistance to the national authorities in their efforts to strengthen the judicial system and fight against corruption is also supported by allocations from the Organisation for Security and Cooperation in Europe (OSCE), Norway, the United Kingdom, United States Agency for International Development (USAID), the World Bank, and the Netherlands followed by assistance from Germany, UNDP and other multilateral donor. Germany and Sweden have also contributed assistance to the development of phytosanitary and veterinary services.

In all cases, efforts are undertaken to avoid overlap, and to foster cooperation and complementary project activities. The present programme is – where relevant - designed to follow-up on these previous activities with a specific focus on strengthening the implementation capacities of beneficiaries.

As was the case with previous IPA programmes, many lessons learned have been taken into account. These include the allocation of sufficient staff and budget, the allocation of working space, and the arrangement of legal requirements. In the past, these issues were regularly a cause for delay.

The PBA concept was launched in July 2009, and already within such a short period of time, the institutional set-up is in place and functional, and individual PBA working groups are formed and operational. It has been accepted by the Government in order to ensure greater aid effectiveness, reflection on national development priorities and to increase national ownership over development goals and ongoing reforms. An action plan and guiding documents for the following five programme area working groups have been developed; and assessments have been carried out: business environment, rural development, human capital, environment and good governance.

The PBA will improve bilateral and multilateral assistance given to the country. Achieving better results through better implementation of financial assistance, and by

putting in use local systems for programme design, implementation and monitoring, is also a target for the EU Delegation.

In addition, particular attention will be given to projects financed under the Multi-Beneficiary IPA programmes and managed by the European Commission, which are linked to sectors such as justice, social issues, statistics, environment and refugees. Multi-Beneficiary IPA programmes also include some projects managed at national level: (1) a project on civil society development, included in the broader Civil Society Facility; (2) a project for infrastructure, included in the Crisis Response Package; and (3) a project on municipal infrastructure, included in the Municipal Window of the Infrastructure Projects Facility.

2.d Horizontal issues

Horizontal issues, such as equal opportunities, support to minorities and vulnerable groups, civil society dialogue, environmental protection, good governance and the fight against corruption have become an integral part of each project fiche. 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 practice.

Throughout the project cycle, all stakeholders will consider these cross cutting issues.

2.e Conditions

Agreement on the 2010 IPA Component I programme will depend on the national government ensuring the availability of sufficient resources and adequate organisational structures in the national authorities, in particular in the NIPAC office.

Additional project specific conditions are described in the project fiches. In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered.

2.f Benchmarks (cumulative)

Number of contracts per year contracted and source

| | 2011 | | 2012 | | 2013 | |
|--------------------------------------------------------|------|----|------|----|------|----|
| | EU | NF | EU | NF | EU | NF |
| Number of Service Contracts contracted | 1 | | 7 | | | |
| Number of Supply Contracts contracted | | | 4 | | 3 | |
| Number of Work Contracts contracted | | | 3 | | | |
| Number of Twinning Contracts contracted | | | 8 | | 1 | |
| Number of Direct Grant Awards contracted | | | 1 | | | |
| Number of Framework Contracts contracted | | | 1 | | | |
| Number of Call for proposals – grant scheme contracted | | | 1 | | 1 | |

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|--------------------------------------------------------|-----------|--|-----------|--|-----------|--|
| Number of Direct payments (CA & CP) | 17 | | 1 | | | |
| Total Contract per year contracted (cumulative) | 18 | | 44 | | 49 | |

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| Contracting Rate (%) cumulative | 36.73% | | 89.80% | | 100% | |
|----------------------------------------|---------------|--|---------------|--|-------------|--|

Notes:

(i) The table consists of all contracts envisaged in the project fiches.

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

Concerning the indicative roadmap for decentralisation of EU-assistance with ex-ante control (DIS), the situation is the following:

The establishment of the management and control system was decided by the Government in October 2005. Following the changes in IPA Regulations it was revised in December 2006. The National Fund (NF) and the Central Contracting and Financing Department (CFCD) were established and the Programme Authorising Officer (PAO), the Competent Accrediting Officer (CAO) and the Senior Programme Officers (SPOs) have been nominated. In the first half of 2007 a Gap Assessment to comply with the new IPA Implementing Regulation has been carried out and the national authorities have submitted this to the Commission. In a subsequent step, gap plugging was done during the second half of 2007/beginning of 2008. 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 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 verification mission was completed in February 2010, after which a decision for conferral of management powers is expected.

A roadmap with indicative benchmarks and time limits to achieve decentralisation without ex ante controls by the Commission will be developed once the Commission has conferred the management powers to the national authorities (the Commission Decision is expected by July 2010).

3. BUDGET (AMOUNTS IN EUR)

3.1. Indicative budget table

| Financing Proposal - Decentralised management - Indicative Budget table (amounts in EUR) | | | | | | | | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------|---------------------|------------------|----------------------------------|-----------------------------|------------------|------------------------|----------------|----------------------------------|---------------------|-------------------|------------------------------|--|
| DIS BUDGET IPA 2010 - Public and IFT's contribution not taken into account* | Institution Building (IB) | | | | | Investment (INV) | | | | | Total (IB + INV) | | Total IPA EU contribution | |
| | Total public expenditure | | IPA EU contribution | | National public contribution* | Total public expenditure | | IPA EU contribution | | National public contribution* | | | | |
| | EUR | EUR | (1)% | EUR | (1) % | EUR | EUR | (1)% | EUR | (1)% | EUR | EUR | (2)% | |
| | (a)=(b)+(c) | (b) | | (c) | | (d)=(e)+(f) | (e) | | (f) | | (g)=(a)+(d) | (h)=(b)+(e) | | |
| I Priority axis Political Criteria | 12 870 000 | 11 849 000 | | 1 021 000 | | 3 926 700 | 2 945 025 | | 981 675 | | 16 796 700 | 14 794 025 | 40.07 % | |
| 1.1 Support to Institutions in charge of implementation of policies relevant to non-majority communities in the country | 1 800 000 | 1 620 000 | 90% | 180 000 | 10% | 0.00 | 0.00 | | 0.00 | | 1 800 000 | 1 620 000 | | |
| 1.2 Further support to independent, accountable, professional and efficient judiciary and promotion of probation service and alternative sanctioning | 2 425 000 | 2 182 500 | 90% | 242 500 | 10% | 1 100 000 | 825 000 | 75% | 275 000 | 25% | 3 525 000 | 3 007 500 | | |
| 1.3 Further Institution and Capacity Building of the Police Service in the area of border management, Union policing and the fight | 1 750 000 | 1 575 000 | 90% | 175 000 | 10% | 1 250 000 | 937 500 | 75% | 312 500 | 25% | 3 000 000 | 2 512 500 | | |

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|----------------------------------------------------------------------------------------------------------------------------|------------------|------------------|-----|----------------|-----|------------------|-------------|-----|-------------|-----|------------------|------------------|----------------|
| against organised crime | | | | | | | | | | | | | |
| 1.4 Revitalisation and Adaptation of Shengjul (Gjulshen) Hamam into a Cultural-Info Centre | 0.00 | 0.00 | | 0.00 | | 1 076 700 | 807 525 | 75% | 269 175 | 25% | 1 076 700 | 807 525 | |
| 1.5 Further strengthening of the organisational and institutional capacities for the accession negotiation process | 2 100 000 | 1 995 000 | 95% | 105 000 | 5% | 0.00 | 0.00 | | 0.00 | | 2 100 000 | 1 995 000 | |
| 1.6 Sustainable Civil Society | 1 575 000 | 1 417 500 | 90% | 157 500 | 10% | 0.00 | 0.00 | | 0.00 | | 1 575 000 | 1 417 500 | |
| 1.7 Support to efficient prevention and fight against corruption | 1 420 000 | 1 349 000 | 95% | 71 000 | 5% | 0.00 | 0.00 | | 0.00 | | 1 420 000 | 1 349 000 | |
| 1.8 Technical assistance to institutions in charge of implementation of the civil service and public administration reform | 1 800 000 | 1 710 000 | 95% | 90 000 | 5% | 500 000 | 375 000 | 75% | 125 000 | 25% | 2 300 000 | 2 085 000 | |
| II Priority axis Economic Criteria | 4 300 000 | 3 870 000 | | 430 000 | | 0.00 | 0.00 | | 0.00 | | 4 300 000 | 3 870 000 | 10.48 % |
| 2.1 Capacity building to institutions involved in implementation of the Industrial Policy | 2 970 000 | 2 673 000 | 90% | 297 000 | 10% | 0.00 | 0.00 | | 0.00 | | 2 970 000 | 2 673 000 | |

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|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|------------|-------------------|-----------|------------------|------------------|------------|------------------|------------|----------------------|-------------------|----------------|
| 2.2 Legal harmonisation and capacity building in the field of consumer protection | 1 330 000 | 1 197 000 | 90% | 133 000 | 10% | 0.00 | 0.00 | | 0.00 | | 1 330 000 | 1 197 000 | |
| III Priority axis Acquis | 8 648 013,68 | 7 988 113 | 92% | 659 900,68 | 8% | 4 660 000 | 3 482 500 | 75% | 1 177 500 | 25% | 13 308 013,68 | 11 470 613 | 31.07 % |
| 3.1 Strengthening the capacities for effective implementation of the acquis in the field of freedom of movement for workers | 950 013,68 | 902 513 | 95% | 47 500,68 | 5% | 0.00 | 0.00 | | 0.00 | | 950 013,68 | 902 513 | |
| 3.2 Further harmonisation with EU acquis in field of Movement of capital and payments and financial services - Security markets and Investment services | 1 300 000 | 1 170 000 | 90% | 130 000 | 10% | 0.00 | 0.00 | | 0.00 | | 1 300 000 | 1 170 000 | |
| 3.3 Strengthening of administrative and institutional capacity of the competent authorities regarding food safety, veterinary and phytosanitary policy | 1 348 000 | 1 280 600 | 95% | 67 400 | 5% | 3 150 000 | 2 362 500 | 75% | 787 500 | 25% | 4 498 000 | 3 643 100 | |
| 3.4 Improving of the Public Revenue Office (PRO) taxpayers services | 800 000 | 760 000 | 95% | 40 000 | 5% | 760 000 | 570 000 | 75% | 190 000 | 25% | 1 560 000 | 1 330 000 | |

| | | | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|------------|---------------------|------------|------------------|------------------|------------|------------------|------------|----------------------|-------------------|----------------|
| 3.5 Strengthening the administrative capacities at central and local level for implementation and enforcement of the environmental acquis | 2 250 000 | 2 075 000 | 92% | 175 000 | 8% | 750 000 | 550 000 | 73% | 200 000 | 27% | 3 000 000 | 2 625 000 | |
| 3.6 Strengthening the capacity of the Customs Administration for implementation of the customs and excise legislation | 1 894 736.84 | 1 800 000 | 95% | 94 736.84 | 5% | 0.00 | 0.00 | | 0.00 | | 1 894 736.84 | 1 800 000 | |
| IV Priority axis Supporting Programmes (centralised) | 8 530 962 | 6 782 430 | 80% | 1 748 532 | 20% | 0.00 | 0.00 | | 0.00 | | 8 530 962 | 6 782 430 | 18.37 % |
| 4.1 Participation in Union Programmes and Agencies | 5 930 962 | 4 782 430 | 81% | 1 148 532 | 19% | 0.00 | 0.00 | | 0.00 | | 5 930 962 | 4 782 430 | |
| 4.2 Preparatory Measures for Participation in Lifelong Learning (LLP) and Youth in Action (YiA) Programmes | 2 600 000 | 2 000 000 | 77% | 600 000 | 23% | 0.00 | 0.00 | | 0.00 | | 2 600 000 | 2 000 000 | |
| TOTAL | 34 243 712.52 | 30 489 543 | 89% | 3 754 169.53 | 11% | 8 586 700 | 6 427 525 | 75% | 2 159 175 | 25% | 42 830 412.58 | 36 917 068 | 100 % |

*public contribution (private contributions **are not taken into account** (Article 67(1) IPA IR) under decentralised management). *Fiche 1.6 Sustainable Civil Society will receive additional EUR 125 000 from private funding and Fiche 2.2 Legal harmonisation and capacity building in the field of consumer protection will receive additional EUR 70 000 from private funding.*

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

(2) 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 Union contribution of the entire Financial Programme.

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

The maximum amount of EU assistance provided in the National Programme referred to in this Financing Proposal totals EUR 36 917 068 and will be implemented by decentralised management with ex-ante control, except for the projects 4.1 and 4.2, which will be implemented by centralised management. In addition to the amount allocated in the Multi Annual Indicative Financial Framework (MIFF) (EUR 36 317 068), EUR 600 000 were reallocated to 2010 Component I from the Cross Border Cooperation Programme with Serbia.

The EU assistance, 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 public expenditure. Joint co-financing will be used as a rule.

Since this year's programme is based on the Decentralised Implementation System (DIS) principles, the projects were programmed under joint co-financing, where the minimum rates for co-financing are $\geq 10\%$ for Institution Building, $\geq 25\%$ for Investments (Supply, Works contracts and Framework Contracts for supervision of construction), 5% for Twinning, of the public expenditure at the level of each project (projects have both institution building (IB) and investment (INV) components). The programme is in line with the Multi-annual Indicative Planning Document thresholds for the Priority Axes, except for Priority Axis 4 Supporting Programmes and Participation in Union Programmes programmes and agencies, going slightly above the maximum 15% (18.37%).

The national co-financing for the year 2010 is EUR 5 726 717,68, and all projects comply with the minimum threshold for co-financing. The national co-financing funds have been clearly earmarked in the national budget and clear commitments have been taken by the government, NIPAC, NAO and the final beneficiaries in line with the IPA Implementing Regulation.

In the case of grants, final grant beneficiaries will contribute a minimum of 10 % of the eligible expenditure of the project, both for investment and institution building projects, and a minimum of 5% of eligible expenditure in the case of twinning. Although not shown in the indicative budget table above, the final beneficiaries will contribute with a minimum of 10% of the eligible expenditure of the actions in Fiche 1.6 Sustainable Civil Society with EUR 125 000 and Fiche 2.2 Legal harmonisation and capacity building in the field of consumer protection with EUR 70 000.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Method of implementation

This Programme shall be implemented by decentralised management, in accordance with Article 53c of the Financial Regulation³ and the corresponding provisions of the Implementing Rules⁴, except for the projects 4.1 and 4.2, which will be implemented by centralised management, as per article 53a. More concretely, the project 4.1 will be

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

⁴ Regulation 2342/2002 (OJ L 357, 31.12.2002, p.1)

implemented by the EU Delegation in Skopje, and the project 4.2 will be implemented by DG EAC. For projects implemented by decentralised management, the Beneficiary Country will continue to ensure that the conditions laid down in Art. 56.2 of the Financial Regulation are respected at all times.

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

4.2. General rules for procurement and grant award procedures

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the EU 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 to Contract Procedures for EU External Actions" ("Practical Guide") as published on the EuropeAid website⁵ at the date of the initiation of the procurement or grant award procedure.

The Commission shall use also the procedural guidelines and standard templates and models facilitating the application of the above rules provided for on DG Budget's website at the date of the initiation of the grant award.

4.3. Implementation Principles for Twinning Projects

This year's Programme has included nine full twinning arrangements in areas such as public administration reforms, institutional capacities for the accession negotiation process, anticorruption, freedom of movement of workers, veterinary, public revenue, customs and environment. 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 a 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.

⁵ : http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

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.

4.4. 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 the 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 Commission and the national IPA co-ordinator, with a copy to the national authorising officer (NAO), for decisions on any corrective measures to ensure the achievements of Programme objectives and enhance the efficiency of the assistance provided.

5.2. Evaluation

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

The responsibility for carrying out interim evaluations shall lie with the beneficiary country, with the 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 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 Commission may also carry out strategic evaluations.

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

6.1. Audit, Financial Control and Anti-fraud measures

The accounts and operations of all parties involved in the implementation of this Programme, as well as all contracts and agreements implementing this Programme, are subject to, on the one hand, 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 Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the EU, 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) 2185/96⁶.

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

6.2. Financial adjustments

The NAO, who bears in the first instance the responsibility for investigating all irregularities, shall make financial adjustments where irregularities or negligence are detected in connection with the implementation of this Programme, by cancelling all or part of EU assistance. The NAO shall take into account the nature and gravity of the irregularities and the financial loss to EU assistance.

In case of an irregularity, including negligence and fraud, the NAO shall recover the EU assistance paid to the beneficiary in accordance with national recovery procedures.

6.3. Audit trail

The NAO 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

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 1828/2006⁷. All suspected or actual cases of fraud and irregularity as well as all measures related thereto taken must be reported to the Commission without delay. Should there be no suspected or actual cases of fraud or irregularity to report, the beneficiary country shall inform the Commission of this fact within two months following the end of each quarter.

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

⁶ Council Regulation (EC, Euratom) 2185/96 of 11. November 1996, OJ L 292; 15.11.1996; p. 2.

⁷ OJ L371, 27.12.2006, p. 1.

of a specific obligation with the same effect; the misapplication of such funds for purposes other than those for which they are originally granted.

The beneficiary country shall take any appropriate measure to prevent and counter active and passive corruption practices 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 EU 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 EU 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 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 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 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 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 Commission following the criteria and procedures provided for in the IPA Implementing Regulation.

7. NON SUBSTANTIAL REALLOCATIONS OF FUNDS

The authorising officer by delegation (AOD) or the authorising officer by sub-delegation (AOSD) of the European Commission, in line with the delegation of powers conferred upon

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

8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME

Limited 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) of the European Commission, 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.