

ANNEX A PROGRAMME ON FINANCING THE PARTICIPATION OF MONTENEGRO IN THE ERDF EUROPEAN TERRITORIAL COOPERATION TRANSNATIONAL PROGRAMMES "SOUTH-EAST EUROPE SPACE" AND "MEDITERRANEAN SPACE" UNDER THE IPA CROSS-BORDER COOPERATION COMPONENT FOR THE YEAR 2007, ADOPTED BY COMMISSION DECISION C/2007/6429 of 20/12/2007

1. IDENTIFICATION

Beneficiary	Montenegro
CRIS number	2007/19463
Year	2007
Cost	€ 883.624
Operating structure	NIPAC: Secretariat for European Integration; Stanka Dragojevic 2 - 81000 Podgorica
Implementing Authority	European Commission
Final date for concluding the Financing Agreement:	at the latest by 31 December 2008.
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 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.
Sector Code	41010; 21010; 43030; 99810; 16381
Budget lines concerned	22.02.04.01
Programming Task Manager	DG ELARG Unit C2 Serbia, Montenegro
Implementation Task Manager	EC Delegation to Podgorica, Operations Section

2. THE PROGRAMME

2.1. Introduction

The purpose of this programme is to financially support – through the 2007 funds of the IPA Cross-border Co-operation component – the participation of Montenegro in the ERDF transnational programmes South-East European Space and Mediterranean Space under the European Territorial Co-operation objective of the Structural Funds 2007–2013.

The establishment and development of transnational co-operation is one of the priorities of the European Territorial Co-operation objective of the Structural Funds 2007–2013. To this aim, the EU territory has been partitioned in several homogeneous spaces and the relevant Member States have been invited to submit a transnational co-operation operational programme – financed by the European Regional Development Fund (ERDF) – for the given space.

Considering their geographical inclusion in two of these homogeneous spaces – South-East European Space and Mediterranean Space – the candidate/potential candidate countries have been invited to participate in the relevant operational programmes. The participating Member States are currently in the process of finalising the operational programmes for these two spaces under the lead of Hungary (South–East European Space) and France (Mediterranean Space) which are home of the respective Managing Authorities.

The responsible authorities of Montenegro have accepted the invitations and decided to take part in the South–East European Space and the Mediterranean Space programmes with the financial support of the IPA Cross–border Co–operation component for the year 2007.

The entire territory of Montenegro is eligible to the South–East European Space and the Mediterranean Space programmes.

2.2. Objective of the programme

The objective of this programme is twofold:

- To support the participation of partners from candidate/potential candidate countries in joint transnational co–operation activities with partners from EU Member States;
- To familiarise candidate/potential candidate countries with territorial co–operation programmes under the EU Structural Funds in view of their implementation upon accession.

2.3. Priority axis

The ERDF South–East European Space and Mediterranean Space programmes aim at the establishment and development of transnational co–operation through the financing of networks and of actions conducive to integrated territorial development, concentrating primarily on the following areas:

- (a) innovation: the creation and development of scientific and technological networks, and the enhancement of regional R&TD and innovation capacities, where these make a direct contribution to the balanced economic development of transnational areas. Actions may include: the establishment of networks between appropriate tertiary education and research institutions and SMEs; links to improve access to scientific knowledge and technology transfer between R&TD facilities and international centres of RTD excellence; twinning of technology transfer institutions; and development of joint financial engineering instruments directed at supporting R&TD in SMEs;
- (b) environment: water management, energy efficiency, risk prevention and environmental protection activities with a clear transnational dimension. Actions may include: protection and management of river basins, coastal zones, marine resources, water services and wetlands; fire, drought and flood prevention; the promotion of maritime security and protection against natural and technological risks; and protection and enhancement of the natural heritage in support of socio-economic development and sustainable tourism;
- (c) accessibility: activities to improve access to and quality of transport and telecommunications services where these have a clear transnational dimension. Actions may include: investments in cross-border sections of trans-European networks; improved local and regional access to national and transnational networks; enhanced interoperability of national and regional systems; and promotion of advanced information and communication technologies;

- (d) sustainable urban development: strengthening polycentric development at transnational, national and regional level, with a clear transnational impact. Actions may include: the creation and improvement of urban networks and urban-rural links; strategies to tackle common urban-rural issues; preservation and promotion of the cultural heritage, and the strategic integration of development zones on a transnational basis.

The South–East European Space and Mediterranean Space operational programmes, to be adopted by the Commission, should further specify the co–operation priorities and actions to be implemented by the participating countries. The priorities should be essentially implemented through single calls for proposals covering all the eligible territory, including that of the participating candidate/potential candidate countries. The first call for proposals is expected to be published in 2008.

The detailed selection and award criteria for the award of grants will be laid down in the call for proposals–application pack (Guidelines for applicants).

Up to 10% of IPA funds allocated to Montenegro for its participation in the South–East European Space and Mediterranean Space programmes can be used to co–finance (up to 85% of the eligible expenditure) the operational and administrative costs incurred by the national authorities in the implementation of the programme.

These may include, *inter alia*, the following costs:

- support to the Operating Structure;
- expenses for participation in different meetings related to the implementation of the programme;
- costs related to the participation of national staff in the Joint Technical Secretariat, with the exclusion of salaries of public officials, and to the establishment, as appropriate, of national antennae of JTS or info points;
- Administrative and operational costs, including the costs of preparation, monitoring and evaluation of the programme, support to projects preparation, appraisal and selection of operations, the organisation of meetings related to the programme, translation, information and publicity costs.

The main aim of the IPA contribution to this expenditure is to facilitate an effective and efficient administration and implementation of this programme in Montenegro.

The main beneficiaries of the TA funds would be the Operating Structure, the Joint Technical Secretariat (main and JTS antenna or info point), any other structures/bodies related to development and implementation of this programme, and the programme beneficiaries.

Considering that the relevant national authorities (Operating structures or CBC Coordinator – within the meaning of Art. 22(2)(b) of the IPA Implementing Regulation) enjoy a *de facto* monopoly situation (within the meaning of Article 168, paragraph 1, sub–paragraph c of the Implementing Rules to the Financial Regulation) for managing Montenegro's participation in the South–East European Space and Mediterranean Space programmes, a direct grant agreement without a call for proposals for the Technical Assistance's amount specified in the Financing table in Section 3.1, shall be concluded between the Commission (EC Delegation) and the relevant national authorities. This direct grant agreement can be signed as soon as the Financing Agreement concerning this programme has been concluded (2008).

Activities covered by the direct grant agreement (e.g. TA, evaluation, publicity, etc.) can be procured further by the grantee.

2.4. Overview of past and on-going experience in transnational co-operation, including lessons learned

In 2004–06, CARDS funds financed the participation of Western Balkan countries in the Neighbourhood programme "Central, Adriatic, Danubian and South–Eastern European Space" (CADSES), one of the given 2000–2006 European transnational co-operation areas covered by the INTERREG IIIB initiative. The participation in the CADSES programme, the precursor of the 2007–13 South–East European Space programme, provided the first opportunity to Western Balkan countries to get involved in transnational co-operation with EU Member States and, by the same occasion, to get familiar with the procedures of INTERREG programmes.

As the CADSES programme was implemented through single joint calls for proposals, the lessons learned for the participating candidate/potential candidate countries are as follows:

- national authorities have to allocate enough human resources to take active part in the management structures of the programme (joint monitoring committee, joint steering/evaluation committee, joint technical secretariat) and to follow up the implementation of the programme/projects in the country concerned. A small fraction of Community funds allocated to each candidate/potential candidate country shall be available to cover the operational costs linked with the implementation of the programme;
- effective co-ordination between EC Delegations of participating candidate/potential candidate countries (e.g. in performing ex-ante approval of the single calls for proposals prior to their publication) and between them and the Managing Authority, is key to ensure a smooth and timely implementation of the programme.

2.5. Conditions

The operational programmes South–East European Space and Mediterranean Space are currently being finalised before being adopted by the Commission in the context of Structural Funds 2007–13. The Financing Agreement between the Commission and the Government of Montenegro concerning this Financing proposal shall be concluded only after the adoption by the Commission of the above ERDF transnational programmes.

2.6. Benchmarks

	N (2008)	N+1 (cumulative)	N+2 (cumulative)
Number of calls for proposals launched	2		
Contracting Rate (%)		100%	
Number of direct grant agreements (TA funds)	1		

2.7. Roadmap for the decentralisation of the management of EU funds without ex ante controls by the Commission

In Montenegro work eventually leading to granting decentralisation with ex-ante controls is at a very preliminary phase. For the time being, under non-EU multilateral assistance, a checklist was prepared on expected qualifications/results in the preparation and implementation of DIS. It is intended to serve as an indicator for all the future training of the public administration bodies designated to deal with IPA (NIPAC, NF, NAO, CFCU, SPOs,

PIUs in line Ministries, audit authority, IPA joint monitoring committee and sector coordinators for the future regional development and human resources components). Furthermore, a SIGMA mission took place in late June 2007 in order to cover the DIS gap assessment. Following that mission, the National Authorities are expected to make decisions on the organisation and location of all the above mentioned public bodies.

3. BUDGET FOR 2007

3.1. Indicative 2007 financial table

	EU – IPA assistance		National Contribution		Total (IPA plus National Contribution)	
	EUR	%	EUR	(%)	EUR	(%)
Participation in the South–East European Space transnational programme	616.328	85%	108.764	15%	725.092	100%
Participation in the Mediterranean Space transnational programme	178.934	85%	31.577	15%	210.511	100%
TA funds (Maximum of 10% of total EU IPA funds allocated)	88.362	85%	15.593	15%	103.955	100%
TOTAL	883.624	85%	155.934	15%	1.039.558	100%

3.2. Principle of co-financing applying to the projects funded under the programme

The Community contribution has been calculated in relation to the eligible expenditure which, in the case of this programme, is based on the total expenditure.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Introduction

This programme provides Montenegro with IPA component II funds to finance the participation of its national partners in joint transnational co-operation projects under the ERDF transnational programmes South–East European Space and Mediterranean Space.

Main steps of the implementation will be as follows:

- (a) Responsible authorities of Montenegro shall establish an Operating Structure to deal with the management and implementation of this programme. The Operating Structure will co-operate with the Managing Authorities of the South–East European Space and Mediterranean Space programmes and will be represented in the Joint Monitoring Committees of the above transnational programmes as a full member.

- (b) The Joint Monitoring Committees of the above transnational programmes will prepare the Call for proposals–Application pack (Guidelines for applicants) for the implementation of the programmes.
- (c) Before being published, the Call for proposals notice and its Application pack shall be submitted to the EC Delegations of the candidate/potential candidate countries participating in the transnational programme, for ex-ante approval.
- (d) To be eligible for financing by IPA, joint operations shall include beneficiaries from both Member States and IPA countries. Applications for joint operations shall identify a financial lead partner located in a Member State for the part of the joint operation taking place in the EU side with ERDF funds, and a financial lead partner in each of the participating candidate/potential candidate country for the part of the joint operation taking place on the candidate/potential candidate side with IPA funds. Applications must clearly distinguish between activities – and their costs – taking place on the EU side with ERDF funds and those taking place on the candidate/potential candidate side with IPA funds.
- (e) The Joint Monitoring Committees of the above transnational programmes are responsible for selecting joint operations in accordance with Structural Funds rules.
- (f) The evaluation report and the list of joint operations selected for financing shall be submitted to the EC Delegations for approval. This approval will concern only the participation of partners from Montenegro in the relevant joint operations.
- (g) The EC Delegation in Montenegro will issue the IPA grants to the national lead partners participating in the selected joint operations, (while the Managing Authority of the South–East European Space or the Mediterranean Space programme will issue the ERDF grants to the lead partners responsible for the part of the joint operations taking place on the EU territory).

4.2. Method of Implementation

This programme shall be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation¹ and the corresponding provisions of the Implementing Rules².

In the event of centralised management, the Commission shall:

- approve the Calls for proposals and their Application packs (Guidelines for applicants) drawn by the joint management structures of the South–East European Space and Mediterranean Space ERDF transnational programmes prior to their publication;
- formally confirm the operations selected by the joint management structures of the South–East European Space and Mediterranean Space ERDF transnational programmes as far as the participation of a beneficiary of Montenegro is concerned;
- retain, in all cases, the right to issue a grant to the lead beneficiary of Montenegro participating in a joint operation.

¹ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1) as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1).

² 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).

4.3. 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 Rules³ 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.

Where appropriate, the Contracting Authorities shall also use the standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EC external actions" ("Practical Guide") as published on the EuropeAid website⁴ at the date of the initiation of the procurement or grant award procedure.

4.4. Environmental Impact Assessment and Nature Conservation

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

The procedures for environmental impact assessment as set down in the EIA-directive⁵ fully apply to all investment projects under IPA. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive.

If a project is likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made, equivalent to that provided for in Article 6 of the Habitats Directive must be documented⁶.

5. MONITORING AND EVALUATION

5.1. Monitoring

In Montenegro, the Commission may undertake any actions it deems necessary to monitor the programmes concerned

5.2. Evaluation

The ERDF transnational programmes are subject to evaluation according to the Structural Funds Regulation (EC) No 1083/2006, under the responsibility of the Managing Authority located in one of the participating Member States. When such an evaluation is conducted, every effort should be made to evaluate also the elements concerning the participation of candidate/potential candidate countries in the transnational programme.

This programme shall be subject to 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 Community funds and the strategy and implementation of the programme.

The Commission may also carry out strategic evaluations.

³ See footnotes 1 and 2 *supra*.

⁴ current address:
http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

⁵ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175, 5.7.1985, p. 40). Directive as last amended by Directive 2003/35/EC, OJ L 156, 25.6.2003, p. 17.

⁶ 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). Directive as last amended by Regulation (EC) No 1882/2003 (OJ L284, 31.10.2003, p. 1)

6. AUDIT, FINANCIAL CONTROL, ANTIFRAUD MEASURES

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 Delegations in the Beneficiary Countries.

In order to ensure the efficient protection of the financial interests of the Community, 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 Community funds.

7. 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 nature⁸, may be undertaken by the Commission's authorising officer by delegation (AOD), or by the Commission's authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

⁷ Council Regulation (EC, Euratom) 2185/96 of 11. November 1996, OJ L 292; 15.11.1996; p. 2.

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.