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ANNEX

NATIONAL PROGRAMME FOR THE REPUBLIC OF MACEDONIA UNDER THE IPA TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT FOR 2008

1. IDENTIFICATION

Beneficiary	The Republic of Macedonia
CRIS number	2008/20-311
Year	2008
Cost	EUR 37,122,001
Implementing Authority	European Commission
Final date for concluding the financing agreement	at the latest by 31 December 2009
Final dates for contracting	2 years following the date of conclusion of the Financing Agreement. These dates apply also to the national co-financing. No deadline for audit and evaluation projects covered by this Financing Agreement, as referred to in Article 166 (2) of the Financing Regulation.
Final dates for execution	2 years following the end date for contracting. These dates apply also to the national co-financing.
Sector Code	15110, 15130
Budget line(s) concerned	22.020100
Programming Task Manager	DG Enlargement, Unit 'The Republic of Macedonia'
Implementation Task Manager	EC Delegation, Skopje DG EAC.A5 "Cooperation and international programmes"

2. PRIORITY AXES AND PROJECTS

2.a Priority axes

The programme's strategic reference is the Multi-Annual Indicative Planning Document (MIPD) 2008-2010. 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 Criteria. Financial assistance under IPA component I aims at providing for 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 to programming and participation in Community Programmes and Agencies

2.b Description of projects grouped per priority axis

The projects presented below were selected based on the following (equally important) criteria: Firstly, projects were selected on the basis of the priorities identified in the MIDP. Secondly, the existence of national (sectoral) strategies has been 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 on their maturity in the sense of preparedness of the intended beneficiaries to receive and manage the support. And finally, the projects were screened against possible overlap with ongoing assistance in the country. The selection of the project ideas/fiches is done on the basis of the following selection criteria:

- Follow the strategic priorities of the Government;
- Follow the dynamics of the obligations deriving from the NPAA;
- Note the level of “coverage” from previous CARDS project and bilateral assistance from 2005 and 2006;
- The level of project’s maturity (how developed is the project fiche and the project/tender documentation);
- The project should have finite lifespan with the possibility of defining management boundaries on annual level;
- Ensure inter – sectoral cooperation and communication;
- Involvement of other bodies and stakeholders.

The programme is summarized in the sections below.

2.b.1 Political criteria (EUR 14.1 mn)¹

2.b.1.1 Strengthening the capacity of the institutions to manage and implement the Operational Programmes (EUR 1.6 mn)

The project's objective is to strengthen the administrative capacity of the relevant institutions to ensure sound and efficient management of EU funds (once the Commission has conferred their management to the national authorities).

The project purpose is to provide technical assistance to the Operating Structures and beneficiaries from EU financed projects in order to strengthen their capacities vis-à-vis the management of EU funds and EU financed projects.

The envisaged activities include training activities as well as a series of assessing and reinforcing the institutional framework and work processes, in order to obtain a proper and efficient management of the operational programmes for all five IPA components.

For this purpose, *one Service Contract* will be concluded. The tendering procedure is envisaged to start in 4th quarter of 2009. Implementation is expected to start in the 2nd quarter of 2010, for a period from 12 to 24 months. The contract value will be approx. EUR 1.600.000.

The project is fully funded through IPA, as agreed between the Government of the Republic of Macedonia and the European Commission

2.b.1.2 Supporting the process of fiscal decentralization through strengthening the capacities for sound financial management and internal financial control on local and central level (EUR 1.35 mn)

The overall objective is to contribute to a strengthened central and local administrative capacity to implement the decentralisation process by strengthening sound financial management and control systems.

The purpose of the project is to assist the Ministry of Finance and the Ministry of Local Self Government, as well as the municipal administration to establish, strengthen and monitor sound financial management with a focus on public internal financial control (PIFC) systems in local self government units as well as the central government.

The project has two main components:

- (1) Enhancing the PIFC capacities on *central level* and
- (2) Enhancing PIFC capacities on *local level*.

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

*A Twinning arrangement*² will be concluded with an institution from an EU Member State. Tendering procedure is envisaged to start in 4th quarter of 2009. Implementation is expected to start in the fourth quarter of 2010, for a period of 12 to 24 months. The contract value will be approx. EUR 1.350.000.

The project is fully funded through IPA, as agreed between the Government of the Republic of Macedonia and the European Commission.

2.b.1.3 Further strengthening of the judiciary (EUR 1.6 mn)

The overall objective of the project is to further strengthen an independent and efficient judicial system.

The project purpose is to support the implementation of an investigative database in the field of organized crime and corruption, to further strengthen the institutional capacity of the Academy for Training of Judges and Public Prosecutors, and to strengthen capacities for the implementation of the Reform on the juvenile justice. The project has three main components:

- (1) Implementation of an investigative database in the field of organized crime and corruption, including the adaptation of software needs, system testing and training activities;
- (2) Strengthening the institutional capacities of the academy for training of judges and prosecutors;
- (3) Implementation of juvenile justice reforms, including the development of standards, protocols, guidelines for effective implementation of the juvenile justice law and development of prevention and rehabilitation programmes at municipal level.

One Framework Contract will be concluded to implement the first component. Tendering procedure would start 4th quarter 2009. Implementation is expected to start in the 2nd quarter of 2010, with an expected duration of 6 to 12 months. The contract value will be approx. EUR 0.2 million.

One Service Contract will be concluded to further strengthen the institutional capacities of the Academy for training of judges and prosecutors. Tendering procedure is to start in 1st quarter 2010, and implementation is expected to start in 3rd quarter of 2010, for a period of 12 to 24 months. The contract value will be approx. EUR 0.7 million.

One Supply Contract will be concluded to provide the IT equipment. Tendering is to start 4th quarter 2010. Implementation is expected to start in the first quarter of 2011, for a period of 4 to 8 months with a 12 month warranty period³. The contract value will be approx. EUR 0.1 million.

² The essential selection and award criteria for the award of twinning grants are laid down in the twinning manual referred to in point 4.3.

³ For supply contracts a guaranty period of 12 months has to be added to the duration of the project.

One *Direct Grant* will be concluded for the implementation of activities related to the juvenile justice reform. The grant will be implemented by UNICEF (grant with an international organisation). This grant falls under “Multi-donor actions” provided for: i) in the Commission’s Standard Contribution Agreement with an international organisation and ii) in the Financial and Administrative Framework Agreement signed between the EC and the UN on 29 April 2003. Taking into consideration the activities undertaken by UNICEF in the area of juvenile justice reforms, being the only agency active in that field and noting the assistance they provided to the Ministry of Justice in drafting the Law on juvenile justice; bearing in mind their technical competence and high degree of specialization, this grant is in line with article 168.1 (f) of the Implementing Rules to the Financial Regulation.

Tendering is to start 1st quarter 2010, and the project is expected to start in the second quarter of 2010, for a period of up to 24 months. The value of the contract will be approx. EUR 0.8 million, out of which EUR 0.7 million is EU funding.

The IPA financing is EUR 1.6 million, while the national contribution is EUR 0.2 million bringing the total to EUR 1.8 million

2.b.1.4 Integrated border management (EUR 5.95 mn)

The overall objective of the project is to further strengthen the integrated border management capacities in accordance with the European Schengen standards.

The Project purpose is to improve the existing radio communication system and upgrading the country's border posts (sections of the border with Serbia, Kosovo⁴ and Albania). The project has two main components:

- (1) Further support to the implementation of the TETRA standards, including the purchase of the TETRA communication system, the development of specifications for the algorithms to be used for encrypted transmission, and training activities;
- (2) Upgrading border posts in the north of the country following an assessment of the current status of the various police stations in the border area of Serbia, Kosovo and Albania.

It is expected that *two Service Contracts* will be concluded (one for each component). Tendering is to start 4th quarter 2009. Implementation is expected to start in the 2nd quarter of 2010, for a period of 18 to 24 months. The contract values are expected to be EUR 0.8 million and EUR 0.4 million respectively.

Furthermore, *one Supply Contract* with an expected contract value of EUR 4 million will be concluded for the delivery and installation, as well as associated training, of the TETRA system⁵. The duration of this contract is 12 to 18 months, plus 12 month warranty period, bringing the total contract duration to 24 to 30 months. Tendering is to start in the 4th quarter of 2010. Implementation is expected to start in 2nd quarter of 2011.

⁴ Under UNSCR 1244/99

⁵ Although it is expected that only one supply contract will be sufficient, due to the complexity of the TETRA system, this contracting effort might lead to several different lots and hence several contracts.

An additional *Supply Contract* in the amount of EUR 0.4 million to purchase the equipment to manage and control the TETRA system will be concluded. Tendering is to start in the 4th quarter of 2009. Implementation is expected to start the latest by 3rd quarter of 2010, for a period of up to 22 months, including the warranty period.

Also, *two or more Works Contracts* with a total value of EUR 2 million (EUR 0.75 million + EUR 1.25 million) will be concluded (depending on the number of stations selected and the scope of works expected) to implement the renovation of the border police stations. Tendering is to start 4th quarter 2010. The contracts are expected to start implementation in the 2nd quarter of 2011, for a period of up to 24 months, including the warranty period.

The project's overall financial envelope is EUR 7.6 million, of which approx. EUR 1.65 million will be co-financed by the beneficiary.

2.b.1.5 Democracy and fundamental rights (EUR 2.4 mn)

The objective of the project is to enhance the institutional capacity of the beneficiaries that have a key role in ensuring further transparency and accountability of the Government vis-à-vis the citizens in protecting their fundamental rights.

The project purpose is to provide technical and material assistance to prioritised institutions, including the Parliament, the Directorate for Personal Data Protection, the Ombudsman and the Unit for the implementation of the Roma Strategy, that have a key role in ensuring appropriate levels of transparency and accountability and protecting the fundamental rights of the citizens.

The project has four main components:

- (1) Support to the *Parliament* including training activities, work process development, and the establishment of an EU Information Corner;
- (2) Support to the *Department for Protection of Personal Data* including training activities, legal harmonization, improvement of procedural manuals;
- (3) Support to the *Ombudsman* including training activities and work process analysis;
- (4) Support to the implementation of the *Roma Strategy* including training activities, developments of action plans, and implementation of prioritized actions.

It is expected that *three Service Contracts* will be concluded in support of the Parliament, the Directorate for Protection of Personal Data and the implementation of the Roma Strategy. Tendering is to start in the 1st quarter 2010. Implementation is expected to start in the 3rd quarter 2010, for a period of 12 to 24 months. The financial envelope for the service contracts is EUR 1.8 million.

In addition, *five or more Supply Contracts* will be concluded to provide selected IT infrastructure and equipment elements. Tendering is to start 1st quarter 2011.

Implementation is expected to start in the 3rd quarter of 2011, for a period of 4 to 8 months with a 12 month warranty period. The financial envelope for the supply contracts is EUR 0.875 million which will be fully financed by the beneficiary.

Furthermore, one *Twinning*⁶ arrangement will be concluded with an eligible Member State institution in order to support the development of the Ombudsman project. Tendering procedures for the twinning will commence in the 1st quarter of 2010. Implementation is expected in the first quarter of 2011, for a period of 12 to 24 months. The contract value will be approx. EUR 0.6 million.

2.b.1.6 Support the participation of the civil sector in decision making process and in providing social services (EUR 1.2 mn)

The overall objective of the project is to promote an active civil society sector.

The project purpose is to support development and capacity building of the NGO sector through improved involvement of NGO's in the process of drafting legislation and regulations, increased participation of NGO's in providing social services and community-based activities, and improving capacities to mobilize voluntary work and improved involvement in the field of democracy and the rule of law.

The project has two components:

- (1) Technical Assistance to assist the Unit for Cooperation with NGOs in the General Secretariat with the implementation of the Strategy for cooperation between the Government with the Civil Sector, with specific attention to building capacities for effective and efficient management of the grant schemes, and
- (2) Implementation of different activities under the Grant schemes.

For this purpose, *one Service Contract* will be concluded. Tendering is to start in the 4th quarter of 2009. Implementation is expected to start in the 2nd quarter of 2010, for a period of 12 to 24 months. The contract value will be approx. EUR 0.5 million.

In addition, approximately *15 grants* will be signed after a call for proposals is launched for the different areas. The calls for proposals (public announcement) will be launched in the 4th quarter of 2010 and implementation of the actual grants can start in the second quarter of 2011. The essential selection and award criteria for the award of grants as laid down in the practical guide (PRAG) to contract procedures for EC external aid should apply⁷. The grant contracts will be for a period of one year and their value will range from EUR 0.03 million (minimum) to EUR 0.06 million (maximum). The total budget available from IPA for the grants is approx. EUR 0.7 million. A 10% - 15% co-financing from the grant beneficiaries will bring the combined budget of all grants to approx. EUR 0.8 million.

⁶ The essential selection and award criteria for the award of twinning grants are laid down in the twinning manual referred to in point 4.3.

⁷ This is further supplemented by point 4.2 of this Financing Proposal.

2.b.2 Socio-economic criteria (EUR 3.1mn)

2.b.2.1 Support to the Agency for Supervision of Fully Funded Pension Insurance (EUR 1.0 mn)

The objective of the project is to reinforce the institutional capacity to regulate and supervise fully funded pension system institutions, leading to a more transparent and accountable pension insurance sector, by direct support to the *Agency for Supervision of Fully Funded Pension Insurance* (MAPAS) and to further contribute to the harmonization of supervision practices with EU standards.

The purpose of the project is to provide the Agency for Supervision of Fully Funded Pension Insurance - MAPAS with technical assistance to strengthen its implementation practices through capacity building and improved organisational management including strategic and business planning, business work processes, research/knowledge management and IT development, while introducing – next to rule-based supervision - risk-based supervision and hence contributing to harmonising the supervision with the EU practices. The project consists of three components:

- (1) Implementing risk-based supervision practices
- (2) Strategic and business planning with business processes definition
- (3) Improving knowledge management and security.

For this purpose, *one Service Contract* will be concluded. Tendering procedures are to start in 4th quarter of 2009 and implementation is expected in the third quarter of 2010 for a period of 12 to 24 months. The contract value will be approx. EUR 1.0 million EUR.

2.b.2.2 Implementation of the TAM/BAS programme (EUR 2.1 mn)

The overall objective of the TAM/BAS Programme is to promote the transition to market economy in the country. The purpose of the TAM/BAS Programme is to promote the development and sustainability of the SME sector in the country.

The project has two main components, a (1) TAM and a (2) BAS component. In both cases activities include the establishment of the respective implementing teams and support to the management of the respective projects.

The TAM/BAS Programme will be implemented through *two (direct award) Grant Agreements* between the European Commission and the EBRD. This grant to EBRD is consistent with article 168.1 (f) of the Implementing Rules to the Financial Regulation, which gives support to the high expertise of the EBRD in the area of turn around management and business support to the SME's. The grant project relies on the considerable experience and added value of EBRD in turning around SMEs in transition economies and providing hands-on support to management of SMEs in the CEECs and the Western Balkans. The EU via the Phare and CARDS programme has been providing this type of tailored support to SMEs and it is therefore important that results achieved so far in terms of improved management and healthier business and financial practices are consolidated; this would thus make the actions launched so far

more sustainable and hence contribute to a better business environment in line with the Accession Partnership.

The start of the tender procedure of the direct grant agreements is envisaged for 4th quarter 2009. Implementation of both the BAS and the TAM Programme takes place over the duration of approximately 24 months, starting in the 3rd quarter of 2010. The TAM grant is expected to have a value of EUR 1.075 million while the BAS grant has an expected value of EUR 1.025 million. Co-financing by the EBRD as an IFI is expected to be EUR 0.25 million (EUR 0.125 million for BAS, EUR 0.125 million for TAM), and the co-financing from the private sector is expected to reach EUR 0.480 million through the BAS programme.

2.b.3 Ability to assume the obligations of EU membership (EUR 14.9 mn)

2.b.3.1 Support to free movement of goods - quality infrastructure (EUR 1.8 mn)

The overall objective of the project is to contribute to free movement of goods, through reinforcing the capacity of quality infrastructure in the areas of accreditation, standardization and metrology.

The project purpose is to provide technical and material assistance to the relevant institutions - the Institute for Standardisation (ISRM), the Institute for Accreditation (IARM) and the Bureau of Metrology (BoM) - to implement the harmonized legislation in the field of free movement of goods and to provide high quality services to Business Community; Consumers and Citizens; and Conformity Assessment Bodies. The project has three main components:

- (1) Support to the Institute for Standardisation, including the adoption of EN standards, IT support and the revision of the internal rules of the Institute for Standardisation;
- (2) Support to the Institute for Accreditation, including training, assessment of the laboratories, inspection and certification bodies and data management;
- (3) Support to the Bureau of Metrology, focusing on the implementation of ISO based quality systems and proficiency testing.

It is expected that *three Service Contracts* will be concluded (one for each component) starting with the tendering procedure in the 1st quarter of 2010. Implementation is expected to start in the 3rd quarter of 2010, for a period of 12 to 24 months, in the amount of EUR 1.8 million.

Furthermore, *two Supply Contracts* will be concluded to provide selected IT infrastructure elements for the Institute for Standardisation and the Institute for Accreditation. Tendering is to start in the 1st quarter of 2011 and implementation is expected to start in 3rd quarter of 2011, for a period of up to 22 months, including warranty period in the total amount of EUR 0.5 million. In addition, it is expected that a *third supply contract* for purchasing specific laboratory will be done, fully financed through the World Bank Loan -BERIS Programme, for a value of EUR 0.6 million, following the implementation schedule of this project, where it is expected that the

tendering procedure has in the 1st quarter of 2011 and the implementation has started in the 3rd quarter 2011, with a duration of up to 22 months, including the liability period.

The project's overall financial envelope is approx. EUR 2.9 million of which approx. EUR 1.1 million will be co-financed by the beneficiary.

2.b.3.2 Support to the public procurement system (EUR 1.2 mn)

The overall objective of the project is to provide effective public procurement promoting effective use of state budgetary resources in the delivery of good quality public services to citizens with a high level of transparency and accountability.

The purpose of the project is to further strengthen the capacity of the Public Procurement Bureau in terms of control and advisory function and the capacity of the State Appeals Commission that would be established in the course of 2008.

The project has two main components:

- (1) Support to the *Public Procurement Office*, including support to legal harmonization with EU legislation, training, the development of a public procurement strategy and an e-procurement structure, improving workflows and rule books;
- (2) Support to the future State Appeals Commission, including the development of a strategy for the State Appeals Commission, the identification of rules and regulations that need operational instructions, training needs assessment and the development and implementation of a training plan.

*One Twinning*⁸ will be concluded between a Member States institution and the Public Procurement Bureau. The tendering procedure is to start in the 4th quarter of 2009. Implementation is expected to start in 4th quarter of 2010, for a period of 12 to 24 months. The contract value will be approx. EUR 1.0 million. Furthermore, one *Framework Contract* will be concluded to provide capacity building support to the State Appeals Commission. Tendering is to start in the 1st quarter of 2010. Implementation is expected to start in 3rd quarter of 2010, for a period of 12 months. The contract value will be approx. EUR 0.2 million.

2.b.3.3 Interoperability of the Customs Administration's IT system with the EU customs IT systems (EUR 3.5 mn)

The overall objective of the project is to support the country in the process of fulfilling the EU pre-accession requirements, concerning accessing the Common Transit Convention.

The purpose of the present project is to further strengthen the operational capacity of the Customs Administration in accordance with EU standards and to improve customs operations as well as to achieve full interconnectivity with the EU systems.

⁸ The essential selection and award criteria for the award of twinning grants are laid down in the twinning manual referred to in point 4.3.

The project has three main components:

- (1) Management Support to the customs administration NCTS, including IT project management, quality assurance and quality control;
- (2) NCTS Implementation, including the upgrading of the national transit application and soft wear development;
- (3) Implementation of Common Communication Network and Common System Interface (CCN/CSI), including implementation of IT systems and procurement of necessary equipment.

It is expected that *two Service Contracts* will be concluded, (one in support of NCTS related activities and one for CCN/CSI related activities)⁹. Tendering is to start 1st quarter 2010 and the implementation is expected to start in 3rd quarter of 2010 for the CCN/CSI and for NCTS¹⁰, each for a period of 18 to 24 months, in total amount of EUR 3.5 million. Furthermore, *two Supply Contracts* will be concluded to provide selected IT infrastructure elements. Tendering is to start in 4th quarter of 2010 while the implementation is expected to start in the 2nd quarter of 2011, for a period of up to 22 months, including the warranty period, in the amount of EUR 0.6 million.

The project's overall financial envelope is approx. EUR 4.1 million of which approx. EUR 0.6 million will be co-financed by the beneficiary.

2.b.3.4 Development of the administrative capacity to adopt and implement the Acquis in the agricultural sector (EUR 2.0 mn)

The overall objective of the project is to contribute to the development of the agricultural sector in the country.

The purpose of the project is to strengthen the administrative capacities in the agricultural sector and to support legal alignment with the Acquis and the implementation of market-orientated reforms.

The project has three main components:

- (1) Adoption and implementation of the acquis vis-à-vis the CAP, specifically in relation to CMO establishment an implementation by the Paying Agency, including capacity building activities, such as training, organizational restructuring, the development of manuals, etc;
- (2) Development and implementation of agri-environment measures, including training activities, the development of the regulatory background related to cross compliance, the development of a National agri-environmental Programme, and the development of a software system for agri-environmental

⁹ It should be noted that there is only one supplier of the CCN/CSI infrastructure and one supplier of the network connection, already selected by DG TAXUD.

¹⁰ Please note that at the time of drafting the Project Fiche it is believed that the development, delivery and installation, as well as associated training, of the required software for NCTS Implementation would best be implemented through a service contract instead of through a supply contract. However, a final decision will be made during the development of the detailed Terms of Reference.

measures compatible with IACS, FADN, Biodiversity Monitoring Programme, Information handled on GIS surface;

- (3) Design of a functional Integrated Administration and Control System and establishing the associated institutional capacity, including training activities, support to the expansion of the LPIS on the whole territory of the country, the setting up of an IACS unit within the MAFWE responsible for the implementation of the system.

It is expected that *three Service Contracts* will be concluded (one for each component). Tendering is to start in 4th quarter 2009. Implementation is expected to start in the second quarter of 2010, for a period of 12 to 24 months, in the amount of EUR 2.0 million. Furthermore, *two Supply Contracts* will be concluded, in the amount of EUR 0.5 million, one to provide selected IT infrastructure elements for the different components, and one to provide the vehicles required under Component 3. Tendering is envisaged for 1st quarter of 2010 and the implementation is expected to start in the 3rd quarter of 2010, for a period of 4 to 8 months, including the 12 month warranty period, in the amount of EUR 0.5 million.

The project's overall financial envelope is approx. EUR 2.5 million, of which EUR 0.5 million will be co-financed by the beneficiary.

2.b.3.5 Capacity building of the veterinary service for implementation of EU Acquis (EUR 3.3 mn)

The overall objective of the project is to contribute to further development of the livestock sector in the country.

The objective of the project is to provide assistance to the Veterinary Directorate in order to improve its overall ability and capacity for implementing the Acquis and the Accession Partnership commitments, with specific reference to its capability to transpose and implement EU acquis into national law, appropriately implement its inspection services, control animal disease, organize animal waste disposal and expand the Animal Identification and Registration system to include pigs.

The project has five main components:

- (1) Transposition of the EU Acquis;
- (2) Strengthening of inspection services, including a professional human resource development system and the establishment of an integrated food and feed control system throughout the food chain;
- (3) Animal Disease Control, including the analysis of the epidemiological situation in the whole territory of the country, to develop a detailed plan for vaccination of wild animals, to purchase vaccine for the farmed domestic pigs, to support the introduction of an electronic identification system, to purchase required laboratory equipment and to develop and implement a training plan for laboratory personnel;

- (4) Establishing a system for animal waste disposal, including the development of legal provisions in line with the EU Acquis and the preparation of a program for processing of different categories of animal by-products, including and if necessary the requirements for possible new plants;
- (5) Expansion and improvement of the Animal Identification and Registration system.

It is expected that *one Service Contract* will be concluded to support all five components. The tender is to start in 4th quarter 2009 and the implementation is expected to start in the 2nd quarter of 2010, for a period of 18 to 24 months, in the amount of EUR 2 million.

Furthermore, *four Supply Contracts* will be concluded, one for the delivery and installation, as well as associated training, of the laboratory equipment; one for the purchase of vaccines, and one for the purchase of ear tags for pigs and one for the development of the software both in relation to the I&R system. The tendering procedure for all contracts is envisaged for 4th quarter 2010, while implementation is expected to start in the 2nd quarter of 2011, for a period of 4 to 8 months and a subsequent defect liability period of 12 months.

The project's overall financial envelope is approx. EUR 3.9 million of which approx. EUR 0.6 million will be co-financed by the beneficiary.

2.b.3.6 Strengthening the central and local level capacities for environmental management (EUR 3.1 mn)

The overall objective is to contribute to sustainable development in the country by strengthening the administrative capacities to enforce environmental legislation.

The project purpose is to strengthen the administrative capacities of central and local government in the area of environmental management, through drafting of laws and implementing regulations aligned with the EU Environmental Directives and their implementation, specifically in the fields of ambient air quality, waste management and relevant aspects from the Industrial Pollution Prevention and Control (IPPC), and Environmental Impact Assessment (EIA).

The project has two main components:

- (1) Strengthening the central and local level administrative capacities, with particular reference to Waste Management and related aspects of Industrial Pollution Prevention and Control, and Environmental Impact Assessment;
- (2) Strengthening the central and local level administrative capacities, with particular reference to air quality, including harmonization of legislation with EU legislation, capacity building and training, the preparation and adoption of the National plan for protection of ambient air quality, planning and building up meteorological data base with relevant QC methods and data transfer, review of the detailed emission inventory for dispersion modelling purposes for biggest stationary sources and traffic in major cities, and assessment of equipment needs.

It is expected that *one Service Contract* will be concluded to implement the first component. Tendering is to start in the 4th quarter of 2009 and implementation is expected to start in the 2nd quarter of 2010, for a period of 12 to 24 months, in the amount of EUR 1.3 million. In addition, *one or more Supply Contract* will be concluded for the supply of prioritised equipment, with approximately a value of EUR 0.8 million, starting the tendering procedure in 3rd quarter 2010. Implementation is expected to start in the 1st quarter of 2011, for a period of 4 to 8 months, supplemented by a warranty period of 12 months.

Furthermore, *one Twinning arrangement*¹¹ will be concluded, for all activities foreseen under the second component. Tendering is to start in the 4th quarter of 2009. Implementation is expected to start in the 4th quarter of 2010, for a period of 12 to 24 months. The contract value will be approx. EUR 1.0 million.

This project is fully covered by IPA funds, as agreed between the Government of the Republic of Macedonia and the European Commission.

2.b.4 Support to programming and participation in Community Programmes and Agencies (EUR 5.022 mn)

2.b.4.1 Project Preparation and Support Facility (EUR 3.022 mn)

The main purpose of the Project Preparation and Support Facility (PPSF) is to allow project preparation to proceed in a quick and effective manner. The PPSF will support the preparation and early implementation of activities under the five IPA components. Actions to be supported are likely to include: recruitment of short-term technical assistance for activities typically including feasibility studies, inputs to terms of reference and specifications, and tender evaluations, project preparatory and start-up actions, and environmental impact assessment and other studies relating to investment projects and programmes. Furthermore, where necessary, assistance may involve audits, monitoring and evaluations with regard to project implementation.

It is envisaged to deploy approximately 18 to 20 contracts under the facility, with a concentration of tenders in late 2009 and in the course of 2010 - 2011. The PPF will consist of funds covering the financing of short term or long term technical assistance (e.g. framework contractors) generally amounting from EUR 50.000 to EUR 200.000 per project, or above if duly justified in case of more complex project preparation activities.

2.b.4.2 Participation in Community Programmes and Agencies (EUR 2.0 mn)

The main purpose of the project is to co-finance the costs of the "entry-tickets" for the participation in Community Programmes and Agencies. After the conclusions of the MoU establishing the countries' participation in a Community programme, the Commission signs for each entry-ticket a grant contract with the beneficiary 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 contract, request for funds by the beneficiary and proof of payment. Individual grant contracts

¹¹ The essential selection and award criteria for the award of twinning grants are laid down in the twinning manual referred to in point 4.3.

and reimbursements of entry tickets are expected to be done during the 4th quarter of 2009. The project's overall financial envelope is approx. EUR 2.5 million of which approx. EUR 0.5 million will be co-financed by the beneficiary.

2.c Overview of past and on going assistance (EU / IFI / Bilateral and national assistance) including lessons learned and donor coordination.

All areas that are presently proposed to be supported through the IPA programme have previously received support through CARDS, IPA 2007 or by other donor agencies. Major projects would include the follow up TETRA project, which received a first phase support under CARDS 2004, the support to the Free Movement of Goods and Agriculture, in both areas the World Bank is providing substantial support, Judiciary where the USA is providing support, Financial Management – decentralisation where the Dutch Government provides substantial support in cooperation with the IMF, or Environment where USAID and several other bilateral donors are active (refer to the individual project fiches for details). In all cases, efforts are undertaken to avoid overlap and stimulate cooperation and foster complementing project activities (see further below on donor coordination).

The present programme is – where relevant - designed to follow-up on these previous activities with a specific focus to strengthen the implementation capacities of the beneficiaries. With this, the programme, in its totality, is addressing one of the key findings recurring in several evaluations that although the legal and organisational reform is taking place, implementation ‘on the ground’ lags behind.

As was the case in the IPA 2007 programme, many lessons learned have been translated into conditions for implementation. These include the allocation of sufficient staff and budget, allocation of working space, arrangement of legal requirements etc. In the past, these issues regularly were a cause for delays in project implementation.

Concerning donor coordination, at the end of 2005, a major step towards better coordination was made. An agreement was reached at a high level coordination meeting on 14 December 2005, where virtually all international partners present in the country participated, and the Government presented its proposals. A three-tier system of coordination on political level, sector level and the more operational level was established. Widely accepted as a significant step forwards, this system started working in the beginning of 2006. The SEA took full ownership of the structure by mid 2006 and organised the meetings in cooperation with relevant ministries and international partners most active in the respective areas.

While the last meeting on policy/strategy coordination was organised in May 2007, the international community renewed its efforts to further strengthen the coordination mechanism with a focus on increased effectiveness of external assistance. A proposal was drafted by the ECD, EAR and the World Bank and was endorsed in December 2007 by the international community. Presently, discussions with the Government are ongoing.

On a more practical level, the international community is co-ordinating its efforts, more specifically in sectors like judiciary, decentralisation, transport, public finance and others to avoid undue overlap and create synergies.

The present programme contains three major cooperation's with other international agencies: UNICEF in juvenile justice, EBRD in the BAS/TAM programme and the World Bank in the free movement of goods project; with a total value of EUR 3.4 million).

The present programme was discussed with the international community in the country on 14th of May 2008, and with representatives from the Civil Society on 15th of May 2008.

2.d Horizontal issues

Horizontal or cross cutting issues, such as equal opportunities, support to minorities and vulnerable groups, and environmental protection, have become an integral part of each project fiche. The mainstreaming of the cross cutting issues in each project shall ensure that strategies, policies, structures 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 to comply with European standards and best practices, implement relevant existing Government strategies and develop internal measures to ensure each cross-cutting issue is appropriately mainstreamed.

The mainstreaming of the cross cutting issues is regarded on two different levels: (a) ensuring that the internal policies, structure or operating procedures of the beneficiary agency will conform to and promote the relevant principles, and (b) ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies) will conform to and promote the relevant principles.

Throughout the project cycle state actors specifically addressing the cross cutting issues shall be consulted.

2.e Conditions

Although for each project they may differ, the generic conditions are:

- (1) Endorsement by all key stakeholders of the Terms of Reference, specifications for the individual contracts to be engaged;
- (2) Appointment of counterpart personnel by the beneficiary before the launch of the tender process;
- (3) Allocation of working space and facilities by the beneficiary for technical assistance before the launch of the tender process;
- (4) Arrangement by the beneficiary of all legal procedures to allow construction (e.g. construction permits, urban plan amendments), refurbishment activities before the launch of the tender process;

- (5) Participation by the beneficiary in the tender process as per EU regulations;
- (6) Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary as per work plan of the project;
- (7) Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- (8) In relation to IT supply: identified staff responsible for maintenance of the IT infrastructure as well as budget availability to ensure operationality and maintenance of the equipment.

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

Number of contracts per year contracted and source

	2009		2010		2011	
	EU	NF	EU	NF	EU	NF
Number of Service Contracts contracted			18		1	
Number of Supply Contracts contracted				4	3	13
Number of Work Contracts contracted					1	1
Number of Framework Contracts contracted	10		12			
Number of Twinning contracted			3		1	
Number of Direct Grant Awards contracted			3			
Number of Call for proposals – grant scheme contracted			5			
Number of Direct payments (CA & CP)	17					
Total Contract per year contracted	27	0	41	4	6	14
Contracting rate (funds)%	9.45	7.3	78.04	35.45	100	100

Notes:

- (i) These tables consist of all contracts envisaged in the project fiches.

(ii) Until DIS is established, all supply/work contracts, which are financed through the national counter partners, will follow the national procurement legislation.

(iii) One supply contract under the National Fund in 2011 would be done through the World Bank BERIS Programme Loan

(iv) The direct grant awards to EBRD and UNICEF are calculated in the line "number of calls for proposals". It is assumed that the contributions to the TEMPUS, Nuclear Safety and Community Programmes are implemented in 2009 under the Regional Programmes, and are not part of this cumulative list.

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

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.

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 a Gap assessment report to the Commission. In a subsequent step, gap plugging has been done during the second half of 2007, beginning of 2008. Following a compliance assessment and the accreditation of the system we then expect the CAO to submit the application to the Commission for conferral of management during the second half of 2008.

3. BUDGET (AMOUNTS IN EUR)

3.1. Indicative budget table

Financing Proposal - Centralised management - Indicative Budget table (amounts in EUR)													
Centralised management	Institution Building (IB)					Investment (INV)					Total (IB + INV)	Total IPA Community contribution	
	Total expenditure	IPA Community contribution		National contribution*		Total expenditure	IPA Community contribution		National 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 1 Political Criteria	8,350,000	8,150,000	98	200,000	2	8,575,000	5,950,000	69	2,625,000	31	16,925,000	14,100,000	38
1.1 DIS	1,600,000	1,600,000	100	-	0	-	-		-		1,600,000	1,600,000	
1.2 Support to fiscal decentralisation	1,350,000	1,350,000	100		0	-					1,350,000	1,350,000	
1.3 Further support to Judiciary	1,700,000	1,600,000	94	100,000	6	100,000		0	100,000	100	1,800,000	1,600,000	
1.4 Integrated Border Management	-	-				7,600,000	5,950,000	78	1,650,000	22	7,600,000	5,950,000	

1.5 Democracy and Fundamental Rights	2,400,000	2,400,000	100		0	875,000	-	0	875,000	100	3,275,000	2,400,000	
1.6 Civil Society	1,300,000	1,200,000	92	100,000	8	-					1,300,000	1,200,000	
II Priority axis 2 Socio-Economic Development	3,830,000	3,100,000	81	730,000	19	-					3,830,000	3,100,000	8
2.1 MAPAS	1,000,000	1,000,000	100		0	-					1,000,000	1,000,000	
2.2 BAS- TAM	2,830,000	2,100,000	74	730,000	26	-					2,830,000	2,100,000	
III Priority Axis 3 ACQUIS	12,800,000	12,800,000	100	-	0	4,900,000	2,100,000	43	2,800,000	57	17,700,000	14,900,000	40
3.1 Free Movement of Goods	1,800,000	1,800,000	100		0	1,100,000	-	0	1,100,000	100	2,900,000	1,800,000	
3.2 Public Procurement	1,200,000	1,200,000	100		0	-					1,200,000	1,200,000	
3.3 Customs	3,500,000	3,500,000	100		0	600,000		0	600,000	100	4,100,000	3,500,000	
3.4 Agriculture	2,000,000	2,000,000	100		0	500,000	-	0	500,000	100	2,500,000	2,000,000	
3.5 Veterinary	2,000,000	2,000,000	100		0	1,900,000	1,300,000	68	600,000	32	3,900,000	3,300,000	
3.6 Environment	2,300,000	2,300,000	100		0	800,000	800,000	100	-	0	3,100,000	3,100,000	
IV Supporting Programmes	5,522,001	5,022,001	91	500,000	9	-					5,522,001	5,022,001	14

4.1 Project Preparation and Support Facility	3,022,001	3,022,001	100		0						3,022,001	3,022,001	
4.2 Community Programmes and Agencies	2,500,000	2,000,000	80	500,000	20	-					2,500,000	2,000,000	
TOTAL	30,502,001	29,072,001	95	1,430,000	5	13,475,000	8,050,000	60	5,425,000	40	43,977,001	37,122,001	100

*contribution (public and private national and/or international contribution) provided by national counterparts

- (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 Community contribution of the entire FP.

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

According to the MIFF 2007-2013, the IPA 2008 Component I for the country is 39.9 million EUR. In addition, funds allocated to Component II Cross Border Cooperation Programme for 2008, envisaged for the north border with Serbia and Kosovo in the amount of 1.2 million EUR, were transferred to Component I. Furthermore, additional funds in the amount of 22.001,00 Euro were transferred to this component, totalling up to 41.122.001,00 EUR.

The National Programme, referred to in this Financing Proposal is in the amount of 37.122.001,00 EUR and will be implemented under centralised management until DIS structures are accredited. The remaining 4 million EUR are part of the Multi Beneficiary Regional Programme, and include two projects, Tempus with EUR 3.5 million and Nuclear safety with EUR 0.5 million. Both of these projects are implemented centrally.

The Community contribution, which represents 84 % 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**. Parallel co-financing will be used.

The co-financing arrangements have been developed according to the recently updated Programming Guide. The following principles were taken into consideration, although the country does not comply fully with them at current stage:

- Co-financing of 10% for Technical Assistance, twinning and grants;
- Co-financing of 25% for all investments;
- No double financing of single contracts;
- Supplies like vehicles and IT equipment preferably financed through the national contribution.
- The national co-financing for the year 2008 has increased considerably (from around EUR 2.7 million in 2007 to EUR 6.9 million in 2008). This improvement reflects the commitment of the country to increase the ownership of the process, following the changes in government and the situation where conferral of management has not been undertaken by the national authorities yet. The government and NIPAC services have sent their written commitment to increase the co-financing funds in the programming process of 2009, thus strictly adhering to the remarks received from the European Commission requesting to comply with the co-financing targets of the Programming Guide above-mentioned.
- For the total programme and for each Priority Axis the total co-financing needs were calculated, based on the first two principles, following the requirements stated in the IPA Implementing Regulations. Subsequently, for individual contracts (mainly supply and works) it was decided to either finance it through IPA or through the national contribution.

While the overall co-financing for Priority Axis 1 is slightly below the target, the total co-financing rate for Priority Axis 2 is 90% above the requirements. For Priority Axis 3 the national co-financing is roughly 20% above the target, and for Priority Axis 4 is some 10% below the requirements.

In the case of grants, final grant beneficiaries should contribute with a minimum of 10 % of the eligible expenditure of the project, both for investment and institution building projects, and a minimum of 5% of the eligible expenditure in case of twinning.

The grant component for civil society organisations will apply a co-financing by the final beneficiaries of the grants from 10 to 15% (to be determined exactly during the detailed design phase). The direct awarded grants to the international organisations have different level of co-financing and IPA participation. The grant to EBRD will be 74 % financed from the IPA budget, where the EBRD is participating with EUR 0.25million, or 8% contributing to

BAS/TAM activities and the rest of the amount of EUR 0.480 million, or 18% is co-financing from the final beneficiaries. UNICEF contributes EUR 0.1 million to the juvenile justice reforms activities, which is 12% of the project activities for this component. World Bank, following the BERIS project will contribute to this programme activities with EUR 0.6 million for the purpose of the Bureau for Metrology.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Method of implementation

The programme will be implemented on a centralised basis by the European Commission (EC Delegation) in accordance with Article 53a of the Financial Regulation¹² and the corresponding provisions of the Implementing Rules¹³.

4.2. General rules for procurement and grant award procedures

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C(2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EC external actions" ("Practical Guide") as published on the EuropeAid website¹⁴ at the date of the initiation of the procurement or grant award procedure.

4.3. Implementation Principles for Twinning Projects

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the beneficiary country as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The 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

¹² Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1)

¹³ Regulation 2342/2002 (OJ L 357, 31.12.2002, p.1)

¹⁴ current address: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

4.4. Environmental Impact Assessment and Nature Conservation

All investments shall be carried out in compliance with the relevant Community environmental legislation. None of the projects which are part of this programme fall within the scope of EIA-directive¹⁵. Therefore, no environmental impact assessment needs to be made for each project¹⁶, equivalent to that provided for by the EIA-directive.

Since none of the projects envisaged are likely to affect sites of nature conservation importance, there is no indication to conduct an appropriate nature conservation assessment for the programme/ projects¹⁷, equivalent to that provided for in Art. 6 of the Habitats Directive¹⁸.

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 Delegation in the Beneficiary Country.

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

¹⁵ 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).

¹⁶ Cf. Annex EIA to the corresponding investment project fiche.

¹⁷ Cf. Annex Nature Conservation to the corresponding investment project fiche

¹⁸ 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).

inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96¹⁹.

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 nature²⁰, 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.

¹⁹ OJ L 292; 15.11.1996; p. 2

²⁰ 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.