



EUROPEAN UNION

Delegation of the European Union
Office of the European Union Special Representative

РЕПУБЛИКА МАКЕДОНИЈА
ВЛАДА НА РЕПУБЛИКА МАКЕДОНИЈА
СЕКРЕТАРИЈАТ ЗА ЕВРОПСКИ ПРАШАЊА
Скопје

Примено: 16.09.2010			
Организација	Број	Прилог	Вредност
11	73/30		

Skopje, 14 September 2010
SB/EF 2010/D/01697

Dear Deputy Prime Minister,

Subject: Financing Agreement - IPA 2009 – CBC Greece - former Yugoslav Republic of Macedonia

Please find enclosed two copies of the Financing Agreement between the Government of the former Yugoslav Republic of Macedonia and the European Commission concerning the participation in the cross-border programme Greece - the former Yugoslav Republic of Macedonia under the IPA cross-border cooperation component, for the year 2009.

The respective Financing Proposal adopted by the Commission constitutes Appendix A1. The signed version of the Framework Agreement forms Annex B.

The two copies are already signed by Ms. A. Cas Granje, Director in DG Enlargement, on behalf of the European Commission. Please sign both copies, and return one copy to us. Please do not forget to also fill up the date of signature.

Yours sincerely,

Erwan FOUÉRE
Ambassador

Encl.: 2 copies of Financing Agreement with annexes

H.E. Mr Vasko Naumovski

Deputy Prime Minister for European Affairs
Government of the former Yugoslav Republic of Macedonia

FINANCING AGREEMENT

BETWEEN

**THE GOVERNMENT OF THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA**

AND

THE EUROPEAN COMMISSION

CONCERNING THE CROSS-BORDER PROGRAMME BETWEEN
GREECE AND THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA

FOR 2009

UNDER THE INSTRUMENT FOR PRE-ACCESSION
ASSISTANCE

Dated

(Centralised Management)

CONTENTS

Preamble

1. The programme
 2. Implementation of the programme
 3. Structures and authorities with responsibilities
 4. Funding
 5. Contracting deadline
 6. Deadline for the execution of contracts
 7. Disbursement deadline
 8. Treatment of receipts
 9. Eligibility of expenditure
 10. Retention of documents
 11. Roadmap for decentralisation without ex-ante controls
 12. Interpretation
 13. Partial invalidity and unintentional gaps
 14. Review and amendments
 15. Termination
 16. Settlement of differences
 17. Notices
 18. Number of originals
 19. Annexes
 20. Entry into force
- Annex A** Cross-border programme Greece - the former Yugoslav Republic of Macedonia under the IPA Cross-Border Co-operation component for the year 2009 adopted by decision C(2009)6497
- Annex B** Framework Agreement between the European Commission and the Government of the former Yugoslav Republic of Macedonia dated 30 October 2007
- Annex C** Reporting

FINANCING AGREEMENT

THE GOVERNMENT OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

and

THE EUROPEAN COMMISSION

hereafter jointly referred to as "the Parties", or individually as "the beneficiary country" in the case of the Government of the former Yugoslav Republic of Macedonia , or "the Commission", in the case of the European Commission .

Whereas:

- (a) On 1 August 2006, the Council of the European Union adopted Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (hereafter: the "IPA Framework Regulation"). With effect from 1 January 2007, this instrument constitutes the single legal basis for the provision of financial assistance to candidate countries (currently Croatia, the former Yugoslav Republic of Macedonia and Turkey) and potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro, and Serbia, including Kosovo according to United Nation Security Council Resolution 1244) in their efforts to enhance political, economic and institutional reforms with a view to their eventually becoming members of the European Union.
- (b) On 12 June 2007, the Commission adopted Regulation (EC) No 718/2007 implementing the IPA Framework Regulation, detailing applicable management and control provisions (hereafter: the "IPA Implementing Regulation").
- (c) European Union assistance under the instrument for pre-accession assistance should continue to support the beneficiary countries in their efforts to strengthen democratic institutions and the rule of law, reform public administration, carry out economic reforms, respect human as well as minority rights, promote gender equality, support the development of civil society and advance regional cooperation as well as reconciliation and reconstruction, and contribute to sustainable development and poverty reduction.

European Union assistance for candidate countries should additionally focus on the adoption and implementation of the full *acquis communautaire*, and in particular

prepare them for the implementation of the European Union's agricultural and cohesion policy.

- (d) The Parties have concluded on 30 October 2007 a Framework Agreement setting out the general rules for cooperation and implementation of the European Union assistance under the Instrument for Pre-accession Assistance.
- (e) The Commission adopted on the 25th of August 2009 the Financing Decision C(2009)6497 for the programme Greece- the former Yugoslav Republic of Macedonia under the IPA Cross-border Co-operation component for the year 2009 (hereafter: "the programme").

The part of this programme concerning former Yugoslav Republic of Macedonia is to be implemented by the Commission on a centralised basis.

- (f) It is necessary for the implementation of this programme that the Parties conclude a Financing Agreement to lay down the conditions for the delivery of European Union assistance, the rules and procedures concerning disbursement related to such assistance and the terms on which the assistance will be managed,

HAVE AGREED ON THE FOLLOWING:

1 THE PROGRAMME

The Commission will contribute, by way of grant, to the financing of the following programme, which is set out in Annex A to this Agreement Annex A shall include Appendixes A1 and A2 which are respectively Annex 1 and 2 to the Financing Decision.

Programme number: 2009/021-101 (CRIS)

Title: Cross-border programme Greece- the former Yugoslav Republic of Macedonia under the IPA Cross-Border Co-operation component, for the year 2009

2 IMPLEMENTATION OF THE PROGRAMME

- (1) The part of this programme concerning the former Yugoslav Republic of Macedonia shall be implemented by the Commission on a centralised basis, in the meaning of Article 53a of Council Regulation (EC Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as last modified by Regulation (EC, Euratom) 1525/2007 of 17 December 2007 (hereafter: "Financial Regulation").
- (2) The programme shall be implemented in accordance with the provisions of the Framework Agreement on the Rules for co-operation concerning EU Financial Assistance to the former Yugoslav Republic of Macedonia and the implementation of the Assistance under the Instrument for Pre-accession Assistance (IPA) concluded between the Parties on 30 October 2007 (hereafter: "the Framework Agreement"), which is set out in Annex B to this Agreement.

3 STRUCTURES AND AUTHORITIES WITH RESPONSIBILITIES

- (1) The Beneficiary shall designate a national IPA co-ordinator, in accordance with the Framework Agreement, who shall act as the representative of the Beneficiary vis-à-vis the Commission. He/she shall ensure that a close link is maintained between the Commission and the Beneficiary with regard both to the general accession process and to EU pre-accession assistance under IPA.
- (2) The national IPA co-ordinator shall also be responsible for co-ordinating the beneficiary country's participation in the relevant cross-border programmes as well as in the transnational, interregional or sea basins programmes under other European Union instruments.
- (3) The beneficiary country shall establish an operating structure for the part of the programme concerning its territory. Its functions and responsibility are defined in the cross-border programme, to the exclusion of tendering, contracting and payments, which are the responsibility of the Commission.

- (4) The operating structure shall co-operate closely in the implementation of this programme with the Managing Authority located in Greece.

4 FUNDING

The funding for the implementation of this Agreement shall be as follows:

- (a) The European Union contribution for the year 2009 is fixed at a maximum of €1 466 040 for the part of the programme concerning former Yugoslav Republic of Macedonia , as detailed in Appendix A1 of Annex A to this Agreement. However, payment of the European Union contribution by the Commission shall be made within the limits of the funds available.
- (b) The cost of the structures and authorities put in place by the beneficiary country for the implementation of this programme shall be borne by the Beneficiary with the exception of the costs referred to in Article 94(1)(f) of the IPA Implementing Regulation, as detailed in Annex A to this Agreement.

5 CONTRACTING DEADLINE

- (1) The individual contracts and agreements which implement this Agreement shall be concluded no later than two years from the date of conclusion of this Agreement.
- (2) In duly justified cases, this contracting deadline may be extended before its end date to a maximum of three years from the date of conclusion of this Agreement.
- (3) Any funds for which no contract has been concluded before the contracting deadline shall be cancelled.

6 DEADLINE FOR THE EXECUTION OF CONTRACTS

- (1) The contracts must be executed within a maximum of two years from the end date of contracting.
- (2) The deadline for the execution of contracts may be extended before its end date in duly justified cases.

7 DISBURSEMENT DEADLINE

- (1) Disbursement of funds must be made no later than one year after the final date for the execution of contracts.
- (2) The deadline for disbursement of funds may be extended before its end date in duly justified cases.

8 TREATMENT OF RECEIPTS

- (1) Receipts for the purposes of IPA include revenue earned by an operation, during the period of its co-financing, from sales, rentals, service enrolment/fees or other equivalent receipts with the exception of:
 - (a) receipts generated through the economic lifetime of the co-financed investments in the case of investments in firms;
 - (b) receipts generated within the framework of a financial engineering measure, including venture capital and loan funds, guarantee funds, leasing;
 - (c) where applicable, contributions from the private sector to the co-financing of operations, which shall be shown alongside public contribution in the financing tables of the programme.
- (2) Receipts as defined in paragraph 1 above represent income which shall be deducted from the amount of eligible expenditure for the operation concerned. No later than the closure of the programme, such receipts shall be deducted from the relevant operation's eligibility expenditure in their entirety or pro-rata, depending on whether they were generated entirely or only in part by the co-financed operation.

9 ELIGIBILITY OF EXPENDITURE

- (1) Expenditure under the programme in Annex A shall be eligible for European Union contribution if it has actually been incurred after the signature of this Agreement.
- (2) The following expenditure shall not be eligible for European Union contribution under the programme in Annex A:
 - (a) taxes, including value added taxes;
 - (b) customs and import duties, or any other charges;
 - (c) purchase, rent or leasing of land and existing buildings;
 - (d) fines, financial penalties and expenses of litigation;
 - (e) operating costs;
 - (f) second hand equipment;
 - (g) bank charges, costs of guarantees and similar charges;
 - (h) conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
 - (i) contributions in kind;
 - (j) interest on debt;

(3) By way of derogation from paragraph 2 above, the following expenditure shall be eligible:

- (a) value added taxes, if the following conditions are fulfilled:
 - (i) they are not recoverable by any means,
 - (ii) it is established that they are borne by the final beneficiary, and
 - (iii) they are clearly identified in the project proposal.
- (b) charges for transnational financial transactions;
- (c) where the implementation of an operation requires a separate account or accounts to be opened, the bank charges for opening and administering the accounts;
- (d) legal consultancy fees, notarial fees, costs of technical or financial experts, and accountancy or audit costs, if they are directly linked to the co-financed operation and are necessary for its preparation or implementation;
- (e) the cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or European Union legislation;
- (f) overheads, provided they are based on real costs attributable to the implementation of the operation concerned. Flat-rates based on average costs may not exceed 25% of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed;
- (g) the purchase of land for an amount up to 10% of the eligible expenditure of the operation concerned.

(4) In addition to the technical assistance for the cross-border programme referred to in Article 94 of the IPA Implementing Regulation, the following expenditure paid by public authorities in the preparation or implementation of an operation shall be eligible:

- (a) the costs of professional services provided by a public authority other than the final beneficiary in the preparation or implementation of an operation;
- (b) the costs of the provision of services relating to the preparation and implementation of an operation provided by a public authority that is itself the final beneficiary and which is executing an operation for its own account without recourse to other outside service providers if they are additional costs and relate either to expenditure actually and directly paid for the co-financed operation.

The public authority concerned shall either invoice the costs referred to in point (a) of this paragraph to the final beneficiary or certify those costs on the basis of documents

of equivalent probative value which permit the identification of real costs paid by that authority for that operation.

The costs referred to in point (b) of this paragraph must be certified by means of documents which permit the identification of real costs paid by the public authority concerned for that operation.

- (5) Without prejudice to the provisions of paragraphs 1 to 4, further rules on eligibility of expenditure may be laid down in the cross-border programme in Annex A to this Agreement.

10 RETENTION OF DOCUMENTS

- (1) All documents relating to the programme in Annex A shall be kept for at least five years from the date on which the European Parliament grants discharge for the budgetary year to which the document relate.
- (2) In the case that the programme in Annex A is not definitely closed within the deadline set in paragraph 1 above, the documents relating to it shall be kept until the end of the year following that in which the programme in Annex A is closed.

11 ROADMAP FOR DECENTRALISATION WITHOUT EX-ANTE CONTROLS

- (1) The beneficiary country shall establish a detailed roadmap with indicative benchmarks and time limits to achieve decentralisation with *ex ante* controls by the Commission. In addition, the beneficiary country shall establish an indicative roadmap to achieve decentralisation without *ex ante* controls by the Commission.
- (2) The Commission shall monitor the implementation of the roadmaps mentioned in paragraph 1, and shall take due account of the results achieved by the beneficiary country in this context, in particular in the provision of assistance. The roadmap to achieve decentralisation without *ex ante* controls may refer to a phased waiver of different types of ex-ante control.
- (3) The beneficiary country shall keep the Commission regularly updated with the progress made in the implementation of this roadmap.

12 INTERPRETATION

- (1) Subject to any express provision to the contrary in this Agreement, the terms used in this Agreement shall bear the same meaning as attributed to them in the IPA Framework Regulation and the IPA Implementing Regulation.
- (2) Subject to any express provision to the contrary in this Agreement, references to this Agreement are references to such Agreement as amended, supplemented or replaced from time to time.

- (3) Any references to Council or Commission Regulations are made to the version of those regulations as indicated. If required, modifications of these regulations shall be transposed into this Agreement by means of amendments.
- (4) Headings in this Agreement have no legal significance and do not affect its interpretation.

13 PARTIAL INVALIDITY AND UNINTENTIONAL GAPS

- (1) If a provision of this Agreement is or becomes invalid or if this Agreement contains unintentional gaps, this will not affect the validity of the other provisions of this Agreement. The Parties will replace any invalid provision by a valid provision which comes as close as possible to the purpose of and intent of the invalid provision.
- (2) The Parties will fill any unintentional gap by a provision which best suits the purpose and intent of this Agreement, in compliance with the IPA Framework Regulation and the IPA Implementing Regulation.

14 REVIEW AND AMENDMENTS

- (1) The implementation of this Agreement will be subject to periodic reviews at times arranged between the Parties.
- (2) Any amendment agreed to by the Parties will be in writing and will form part of this Agreement. Such amendment shall come into effect on the date determined by the Parties.

15 TERMINATION

- (1) Without prejudice to paragraph 2, this Agreement shall terminate eight years after its signature. This termination shall not preclude the possibility for the Commission making financial corrections in accordance with Article 56 of the IPA Implementing Regulation.
- (2) This Agreement may be terminated by either Party by giving written notice to the other Party. Such termination shall take effect six calendar months from the date of the written notice.

16 SETTLEMENT OF DIFFERENCES

- (1) Differences arising out of the interpretation, operation and implementation of this Agreement, at any and all levels of participation, will be settled amicably through consultation between the Parties.
- (2) In default of amicable settlement, either Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of this Agreement.

- (3) The language to be used in the arbitration proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by either Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.

17 NOTICES

- (1) Any communication in connection with this Agreement shall be made in writing and in the English language. Each communication must be signed and must be supplied as an original document or by fax.
- (2) Any communication in connection with this Agreement must be sent to the following addresses:

For the Commission:

Ms Alexandra Cas Granje
Director DG Enlargement
Directorate B
B-1049 Brussels, Belgium

For the Beneficiary Country

Mr. Vasko Naumovski
Deputy Prime Minister for EU integration
Government Building
Ilinden B.B.
1000 Skopje, the former Yugoslav Republic of Macedonia

18 NUMBER OF ORIGINALS

This Agreement is drawn up in duplicate in the English language.

19 ANNEXES

The Annexes A, B and C shall form an integral part of this Agreement.

20 ENTRY INTO FORCE

This Agreement shall enter into force on the date of signature. Should the Parties sign on different dates, this Agreement shall enter into force on the date of signature by the second of the two Parties.

Signed, for and on behalf of the Government of former Yugoslav Republic of Macedonia, at Skopje on

by.....

Mr. Vasko Naumovski

Deputy Prime Minister for EU Affairs

Signed, for and on behalf of the Commission, at Brussels on

by.....


Ms Alexandra Cas Granje

Director DG Enlargement
Directorate B

ANNEX A CROSS-BORDER PROGRAMME GREECE - THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA UNDER THE IPA CROSS-BORDER CO-OPERATION COMPONENT, FOR THE YEAR 2009

APPENDIX A1: Financing proposal for the year 2009 of the Cross-Border Programme Greece - the former Yugoslav Republic of Macedonia, as adopted by Commission Decision C(2009)6497.

APPENDIX A2: Cross-border programme 2007-2013 IPA CBC Greece - the former Yugoslav Republic of Macedonia as adopted by Commission Decision C(2008)1065 as last amended by Commission Decision C(2008)7328.

**ANNEX B FRAMEWORK AGREEMENT BETWEEN THE COMMISSION OF
THE EUROPEAN COMMUNITIES AND THE GOVERNMENT OF
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA DATED 30
OCTOBER 2007**

ANNEX C REPORTING

- (1) The operating structures of the beneficiary countries participating in a cross-border programme shall send the Commission and the respective national IPA co-ordinators an annual report and a final report on the implementation of the cross-border programme after examination by the joint monitoring committee.

The annual report shall be submitted by 30 June each year and for the first time in the second year following the adoption of the cross-border programme.

The final report shall be submitted at the latest 6 months after the closure of the cross-border programme.

- (2) The reports referred to in paragraph 1 shall include the following information:
- (a) the progress made in implementing the cross-border programme and priorities in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators referred to in Article 94(1)(d) of the IPA Implementing Regulation at the level of the priority axis;
 - (b) the steps taken by the operating structures and/or the joint monitoring committee to ensure the quality and effectiveness of implementation, in particular:
 - monitoring and evaluation measures, including data collection arrangements,
 - a summary of any significant problems encountered in implementing the cross-border programme and any measures taken;
 - the use made of technical assistance;
 - (c) the measures taken to provide information on and publicise the cross-border programme.

Where appropriate, the information referred to in points (a) to (c) of this paragraph may be provided in summary form.

Information referred to in point (b) need not be included if there has been no significant modification since the previous report.

ANNEX

**FINANCING PROPOSAL FOR THE YEAR 2009 RELATING TO THE
PARTICIPATION OF THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA IN THE "GREECE – THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA IPA CROSS-BORDER PROGRAMME "**

1. IDENTIFICATION

Beneficiary	The former Yugoslav Republic of Macedonia
CRIS number	2009/021-101
Year	2009
Cost	EUR 1 466 040
Operating structure	Ministry of Local Self Government
Implementing Authority	European Commission
Final date for concluding the Financing Agreement	at the latest by 31 December 2010
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	16020, 33210, 25010, 12110, 41010, 16061, 15150
Budget lines concerned	22.020402
Programming Task Manager	DG ELARG B2
Implementation Task Manager	European Commission Delegation to the former Yugoslav Republic of Macedonia

2. SUMMARY**2.1. Introduction**

The programme's strategic reference is the Multi-Annual Indicative Planning Document (MIPD) 2008-2010. As the MIPD outlines, Assistance to *Cross-border cooperation* (CBC)

under *component II* aims at fostering good relations between regions and countries and familiarising future member states with rules and procedures governing the European Territorial Cooperation objective under Structural Funds. The MIPD foresees continuing CBC with Greece and Bulgaria and developing bilateral CBC-programmes with the other Western Balkan neighbours.

By decision of the two countries participating in the Neighbourhood Programme Greece/ the former Yugoslav Republic of Macedonia 2004-2006, a bilateral "Task Force" for the elaboration of the new IPA Cross-Border Co-operation Programme Greece/the former Yugoslav Republic of Macedonia 2007-13 was established. Members of the Task Force were from the relevant national authorities of the two countries including representatives from the European Commission and the EC Delegation in Skopje. They have provided valuable information on the situation in the eligible border area, the lessons learnt from the predecessor Neighbourhood Programme. Stakeholders and authorities responsible for the environment and gender aspects have also been consulted throughout the programming process.

In September 2006 the programming process started with a kick-off meeting held in Thessaloniki, followed by six Task Force Meetings, two in Skopje, one in Bitola and three in Thessaloniki: defining the basic orientation of the Programme, agreeing on the Programme structure, approving the first draft version of the Programme, finalizing the Programme and the Implementing Provisions and agreeing on the procedure for submission of the Programme.

Before the submission of the programme, the two participating countries proceeded to public consultations in order to incorporate comments and observations before the submissions. Beyond publishing the programme and disseminating information about it via mass media, two Public Consultation events were arranged, addressing potential beneficiaries: One in Kilkis (Greece) presenting and discussing the programme to potential beneficiaries and one in Kavardaci (former Yugoslav Republic of Macedonia), presenting and discussing the programme to potential beneficiaries.

To ensure broad regional and sector acceptance as well as participation of social partners and stakeholders the draft Programme was made available for public consultations in both countries. The Strategy and respective Priority Axes were presented and openly discussed. All representatives were invited to stress their viewpoints about the programme and give feedback as regards the final priorities and axes. The results of the consultation were continuously integrated in the programming document.

The final Programming Document has been validated by the National authorities of both partner States and was sent for approval to the European Commission on 18 October 2007. Taking into consideration all national policies and Programmes, the formulated Programme ensures the meeting of the needs of the eligible border area, complementing but not overlapping the actions and initiatives undertaken at the national and regional level.

Further elements have been provided by the participating countries in spring 2008, leading to the amendment of the Commission Decision for the year 2007 in order to include this additional information in the programme.

The eligible border area has a border line of 246 km (21km of them are lakes), covering an area of 29 218,83 km² and a population of 2 362 158. According to the Decision 2007/766/EC of 14.11.2007 OJ L 310 of 28.11.2007, the four NUTS III regions along the border on the Greek side (Florina, Pella, Kilkis and Serres) and the three NUTS III equivalent regions on the side of the former Yugoslav Republic of Macedonia (Pelagonia, Vardar and Southeast) are included in the eligible area. The NUTS III region "Thessaloniki" in Greece and the NUTS III equivalent region "Southwest" in the former Yugoslav Republic of Macedonia are included in

the eligible area as an adjacent area (Art. 97 of the IPA Implementing Regulation) due to their size and the functional role they have in the eligible border area.

2.2. Global objective(s) of the programme

The Programme Strategy is structured along one Global Objective and two Strategic Priorities which will be achieved within two Priority Axes. These two Priority Axes will be accompanied by a Priority Axis on Technical Assistance aiming at successful programme implementation. The global objective of the programme is to enhance convergence in the eligible border area by promoting sustainable local development

The Global Objective is addressing sustainability in its economical, social, cultural and environmental components, thus taking in account the need to specify and focus on the one side on the socio-economic dimension and on the other side on the undividable whole of nature and culture and their interactions in this eligible border area.

On the one side the Programme will enhance the cooperation among economic actors and stakeholders through common approaches for the support of local economic activities, the development of local human resources and the protection human health as pillars for sustainable local economic development.

On the other side the Programme devotes its resources also to the protection and promotion of the environmental and cultural potential in the eligible border area as a mean for sustainable local development.

2.3. Priority axis, the related measures and their specific aspects concerning the implementation of the 2009 budget

The structure of the programme consists of **two Priorities Axes** with **six Measures**. Priorities 1 and 2 are oriented towards Lisbon as well as Gothenburg principles and take into consideration the cross cutting issues of equal opportunities, genuine cross border cooperation and sustainability. Additionally a **Priority Axis 3** "Technical Assistance" is foreseen.

Priority Axis 1: "Enhancement of cross border economic development" aims to promote sustainable economic development through common interventions and facilitate cross border reciprocal relations. Priority Axis 1 will be implemented within four Measures focusing on economic development (M 1.1), enhancement of human resources (M 1.2), the development of sustainable tourism (M 1.3) and the protection of human life (M 1.4).

Measure 1.1 "Economic Development" aims to support interventions facilitating the development of cross border economic activities through the utilisation of the existing potential and the emerging opportunities. This measure will support the development of joint actions for cooperation, exchange of information and coordination of activities and services among professional associations and chambers. Further support will be given to research activities and studies to facilitate cross border trade and investment, the development of cross border databases and business partner search facilities, the development of public services to facilitate cross border trade and investment, and the development of trans-boundary associations. It will also promote the transfer of know how in relevant business areas and promote common events and fairs.

Measure 1.2 "Enhancement of Human Resources" aims to support interventions which upgrade the professional skills of the local population, thus reacting to the demand of the border area, providing opportunities of employment and encountering migration.

Potential indicative activities are involving cooperation of the existing universities and education institutes for the development of common courses for students and professionals, development of vocational training/ life-long learning and qualification for women and

disadvantaged groups.

Measure 1.3 “Promote Sustainable Tourism” aims to support common cross border activities supporting tourism and utilising the existing natural and cultural heritage.

This measure will support the development and promotion of: joint tourism territorial planning; a regional brand-name and joint marketing initiatives, standards for services, common billing systems, common trainings; thematic tourism clusters and routes; eco-tourism networks; outdoor activities; combination of local craftsmanship and tourism.

Measure 1.4 “Protect human life” aims to support interventions which protect public health, minimise the impact of the borderline in health services provision and facilitate the common use of health facilities.

Priority Axis 2: “Enhancement of the environmental resources and cultural heritage of the eligible border area” aims to promote common actions for the protection of the environment and the mobilisation of the natural and cultural heritage.

Measure 2.1 “Promote and protect the environmental resources of the area” aims to support interventions that protect the environment and mitigate the environmental impacts related to economic development.

This measure will support the following activities: improvement of the water quality of Axios/Vardar river and Doirani/Dojran and Prespa lakes implementation of trans-boundary environmental impact assessments; training and awareness programmes and regional certificates especially on eco-tourism, organic farming and renewable energy; development of networks and plans for the management and preservation of the water resources; development of links in the cross-border environmental planning; assessment of threatened elements of the environment; cross border strategies for waste and wastewater management especially in connection to rivers; enhance cooperation in the fields of protected areas; enhance coordination and joint training of natural hazards early warning and response mechanisms; development of innovative approaches in land use and urban development

Measure 2.2 “Promote and protect the natural and cultural heritage of the area” aims to support interventions that protect and mobilise the natural and cultural resources as means for a local-driven sustainable development while safeguarding the natural and cultural heritage from impacts related to economic development.

This measure will support the following activities: promotion and upgrade of natural and cultural monuments including religious monuments, traditional buildings, and historical sites; promotion and marketing of the region towards special interest groups; development of information and communication technologies for the promotion and protection of natural and cultural monuments; development of common tools to protect and restore cultural landscapes; promotion of local architecture; innovative approaches in land use and settlement development around leisure and recreation settlements and cultural sensitive areas; development of actions recording and promoting shared traditional features like music, folklore including joint cultural events.

Priority Axis 3: Technical Assistance

Priority Axis 3 on Technical Assistance includes activities which secure the core management for the implementation of the programme (of the programme preparation, management, monitoring, evaluation and auditing) and implement accompanying actions to support the generation and implementation of high quality, result oriented cross border projects and partnerships.

Indicative timetable and amounts for the implementation of the measures:

Measures under priority axis 1 and 2 will be implemented through grant schemes. It is expected that two grant schemes, one per priority, will be launched in 2010. 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 apply. The detailed selection and award criteria for the award of grants will be laid down in Call for proposals–Application Pack (Guidelines for applicants).

The Priority Axis "Technical Assistance" will be implemented through an individual direct grant agreement without call for proposals to be established between the European Commission and the national authorities of the former Yugoslav Republic of Macedonia, in accordance with article 168 1. (c) of the Implementing Rules to the Financial Regulation, considering that the relevant national authorities, i.e. the CBC coordinator in the meaning of Art. 22 (2) (b) of the IPA Implementing Regulation or the Operating structures, enjoy a de facto monopoly situation for the implementation of the cross-border programme. The procurement of services, supplies or works by the direct grant beneficiaries is possible, under the terms and conditions established in the grant agreement and in accordance with Article 120 of the Financial Regulation and Article 184 of the Implementing Rules to the Financial Regulation. The direct grant agreements can be signed as soon as the Financing Agreements have been concluded.

2.4. Overview of past and on-going CBC experience, including lessons learned and donor co-ordination

- Past and on-going experience

Cross Border Cooperation in the area was initiated with the INTERREG II/EXTERNAL BORDERS (1994-1999). They were the first major opportunity for an institutionalised cooperation between the 2 countries. This process was continued and strengthened with **the Interreg IIIA Greece/the former Yugoslav Republic of Macedonia 2000-2006 Programme**. The Programme was developed jointly between the Greece and the former Yugoslav Republic of Macedonia, finally approved early in 2002. Structural Funds assistance (ERDF) amounted to EUR 73.0 million out of a total budget of EUR 103.3 million. Assistance to the former Yugoslav Republic of Macedonia was made available from the CARDS programme with a total CARDS budget of EUR 7 4 00 000.

On the 6 of February 2006, the existing Cross-border cooperation programme between Greece and the former Yugoslav Republic of Macedonia was updated to a Neighbourhood Programme. The first joint call for Proposals was published on 17.11.2006. 161 proposals were submitted in total. 7 of these (4%) were dealing with Cross-border infrastructure, 24 with entrepreneurship (15%), 45 with tourism (28%), 30 with training and 55 with the environment (34%). Applicants came from 4 prefectures and were mainly Local Authorities including some NGOs and other Non-profit Organisations. Implementation progress was exceptionally good in Priority 1, average in Priority 2 and good in Priority 3.

At the programme level, the last change from INTERREG to Neighbourhood programme has enabled the two countries to come closer to each other, though with some difficulties. The change resulted in establishing new Joint structures such as: Joint Technical Secretariat, and Joint Steering Committee.

The implementation of the new IPA Cross-Border Co-operation Programme Greece/the former Yugoslav Republic of Macedonia 2007-13 shall start during the first quarter of 2009, after signature of the first Financing Agreement for the year 2007 in December 2008.

- Donor coordination

In line with Article 20 of the IPA Regulation and Article 6(3) of the IPA Implementing Regulation, the European Commission has asked the representatives of Member States and local IFIs in the former Yugoslav Republic of Macedonia to provide their comments regarding the draft cross-border programme submitted to the Commission.

2.5. Horizontal issues

The joint applications will have to cover both parts of the border and fulfil the following criteria:

- benefit partners from both sides of the borders
- support links between relevant institutions and organisations from both sides of the border
- encourage equal participation of women and marginalised groups
- be environmentally sustainable
- promote good governance, with particular attention to fight against corruption

Project partners should establish agreed co-ordination mechanisms to synchronise implementation of the joint projects throughout their implementation.

2.6. Benchmarks

	N ¹	N+1	N+2
Number of calls for proposals launched	0	2	2
Number of direct grants (Technical Assistance Priority) in the former Yugoslav Republic of Macedonia	1	1	1
Contracting Rate (%)	10	90	100

2.7. 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 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. In

¹ N being the date of conclusion of the Financing Agreement

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 it is then expected the Competent Accrediting Officer (CAO) to submit the application to the Commission for conferral of management in 2009.

3. BUDGET FOR 2009

3.1. Indicative 2009 financial table for the former Yugoslav Republic of Macedonia

	EU – IPA assistance		National Contribution		Total (IPA plus National Contribution)	
	EUR (a)	% ⁽¹⁾	EUR (b)	(%) ⁽¹⁾	EUR (c)=(a)+(b)	(%) ⁽²⁾
Priority axis 1	586 416	85	103 485	15	689 901	40
Priority axis 2	733 020	85	129 356	15	862 376	50
Priority axis 3	146 604	85	25 872	15	172 476	10
TOTAL	1 466 040	85	258 713	15	1 724 753	100%

(1) Expressed in % of the Total (IPA plus National contributions) (column (c))

(2) Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

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 for that of the cross-border programme "Greece – the former Yugoslav Republic of Macedonia" concerning the former Yugoslav Republic of Macedonia is based on the total expenditure. The provisions of Article 90 of the IPA Implementing Regulation apply.

The rate of the Community contribution for this programme amounts to 85% for the former Yugoslav Republic of Macedonia. The co-financing under priority axis 1 and priority axis 2 will be provided by the final grant beneficiaries and it can be from public and private funds. Final grant beneficiaries should contribute with a minimum of 15% of the total eligible cost of the project, both for investment and institution building projects. The co-financing under priority axis 3 will be provided by the national authorities.

4. IMPLEMENTATION ARRANGEMENTS

The part of the programme concerning the former Yugoslav Republic of Macedonia will be managed according to the centralised management² model. The programme implementing provisions are based on the principle of both beneficiary countries being equal partners and with both beneficiary countries having an equal role in the cross-border cooperation management structures. This will ensure local ownership, wider involvement, better planning and will create the base for genuine cross-border activities.

4.1. Method of Implementation

The "Greece – the former Yugoslav Republic of Macedonia IPA cross-border programme shall be implemented according to the provisions referred to in Article 99 (Transitional arrangements) of the IPA Implementing Regulation.

The part of this programme concerning the former Yugoslav Republic of Macedonia shall be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation³ and the corresponding provisions of the Implementing Rules⁴. In the event of centralised management the role of the Commission in the selection of operations under a cross-border programme is specified in Article 140 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 Rules⁵ 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 website⁶ at the date of the initiation of the procurement or grant award procedure.

4.3. 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-Directive⁷ 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.

² The former Yugoslav Republic of Macedonia is in the process of preparing the accreditation of the managements structures. This process is expected to be completed by the end of 2009 and the country will then shift most probably in 2010 to decentralised management.

³ OJ L 248, 16.9.2002, p.1.

⁴ OJ L 357, 31.12.2002, p. 1.

⁵ See footnotes 2 and 3 *supra*.

⁶ current

address:

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

⁷ 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).

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 documented⁸.

5. MONITORING AND EVALUATION

5.1. Monitoring

The implementation of the cross-border programme will be monitored by the joint monitoring committee referred to in Article 110 of the IPA Implementing Regulation, established by the participating countries, which include representatives of the Commission.

In the former Yugoslav Republic of Macedonia, the Commission may undertake any actions it deems necessary to monitor the programme concerned.

5.2. Evaluation

Programmes shall be subject to evaluations in accordance with Article 141 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 cross-border programmes.

6. AUDIT, FINANCIAL CONTROL AND ANTIFRAUD 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) 2185/96⁹.

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 nature¹⁰, 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.

⁸ 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).

⁹ Council Regulation (EC, Euratom) 2185/96 of 11 November 1996, OJ L 292; 15.11.1996; p. 2.

¹⁰ 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.

**Greece – the former Yugoslav
Republic of Macedonia
IPA Cross-Border Programme
2007 - 2013**

CCI 2007 CB 16 I PO 009

FRAMEWORK AGREEMENT

BETWEEN

THE GOVERNMENT OF THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA

AND

THE COMMISSION OF THE EUROPEAN COMMUNITIES

ON

THE RULES FOR CO-OPERATION CONCERNING EC-FINANCIAL
ASSISTANCE TO THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA IN THE FRAMEWORK OF THE IMPLEMENTATION
OF THE ASSISTANCE UNDER THE INSTRUMENT FOR PRE-
ACCESSION ASSISTANCE (IPA)

DATED: 30 OCTOBER 2007

FINANCING AGREEMENT

BETWEEN

**THE GOVERNMENT OF THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA**

AND

THE EUROPEAN COMMISSION

CONCERNING THE CROSS-BORDER PROGRAMME BETWEEN
GREECE AND THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA

FOR 2009

UNDER THE INSTRUMENT FOR PRE-ACCESSION
ASSISTANCE

Dated

(Centralised Management)

CONTENTS

Preamble

1. The programme
 2. Implementation of the programme
 3. Structures and authorities with responsibilities
 4. Funding
 5. Contracting deadline
 6. Deadline for the execution of contracts
 7. Disbursement deadline
 8. Treatment of receipts
 9. Eligibility of expenditure
 10. Retention of documents
 11. Roadmap for decentralisation without ex-ante controls
 12. Interpretation
 13. Partial invalidity and unintentional gaps
 14. Review and amendments
 15. Termination
 16. Settlement of differences
 17. Notices
 18. Number of originals
 19. Annexes
 20. Entry into force
- Annex A** Cross-border programme Greece - the former Yugoslav Republic of Macedonia under the IPA Cross-Border Co-operation component for the year 2009 adopted by decision C(2009)6497
- Annex B** Framework Agreement between the European Commission and the Government of the former Yugoslav Republic of Macedonia dated 30 October 2007
- Annex C** Reporting

FINANCING AGREEMENT

THE GOVERNMENT OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

and

THE EUROPEAN COMMISSION

hereafter jointly referred to as "the Parties", or individually as "the beneficiary country" in the case of the Government of the former Yugoslav Republic of Macedonia , or "the Commission", in the case of the European Commission .

Whereas:

- (a) On 1 August 2006, the Council of the European Union adopted Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (hereafter: the "IPA Framework Regulation"). With effect from 1 January 2007, this instrument constitutes the single legal basis for the provision of financial assistance to candidate countries (currently Croatia, the former Yugoslav Republic of Macedonia and Turkey) and potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro, and Serbia, including Kosovo according to United Nation Security Council Resolution 1244) in their efforts to enhance political, economic and institutional reforms with a view to their eventually becoming members of the European Union.
- (b) On 12 June 2007, the Commission adopted Regulation (EC) No 718/2007 implementing the IPA Framework Regulation, detailing applicable management and control provisions (hereafter: the "IPA Implementing Regulation").
- (c) European Union assistance under the instrument for pre-accession assistance should continue to support the beneficiary countries in their efforts to strengthen democratic institutions and the rule of law, reform public administration, carry out economic reforms, respect human as well as minority rights, promote gender equality, support the development of civil society and advance regional cooperation as well as reconciliation and reconstruction, and contribute to sustainable development and poverty reduction.

European Union assistance for candidate countries should additionally focus on the adoption and implementation of the full *acquis communautaire*, and in particular

prepare them for the implementation of the European Union's agricultural and cohesion policy.

- (d) The Parties have concluded on 30 October 2007 a Framework Agreement setting out the general rules for cooperation and implementation of the European Union assistance under the Instrument for Pre-accession Assistance.
- (e) The Commission adopted on the 25th of August 2009 the Financing Decision C(2009)6497 for the programme Greece- the former Yugoslav Republic of Macedonia under the IPA Cross-border Co-operation component for the year 2009 (hereafter: "the programme").

The part of this programme concerning former Yugoslav Republic of Macedonia is to be implemented by the Commission on a centralised basis.

- (f) It is necessary for the implementation of this programme that the Parties conclude a Financing Agreement to lay down the conditions for the delivery of European Union assistance, the rules and procedures concerning disbursement related to such assistance and the terms on which the assistance will be managed,

HAVE AGREED ON THE FOLLOWING:

1 THE PROGRAMME

The Commission will contribute, by way of grant, to the financing of the following programme, which is set out in Annex A to this Agreement Annex A shall include Appendixes A1 and A2 which are respectively Annex 1 and 2 to the Financing Decision.

Programme number: 2009/021-101 (CRIS)

Title: Cross-border programme Greece- the former Yugoslav Republic of Macedonia under the IPA Cross-Border Co-operation component, for the year 2009

2 IMPLEMENTATION OF THE PROGRAMME

- (1) The part of this programme concerning the former Yugoslav Republic of Macedonia shall be implemented by the Commission on a centralised basis, in the meaning of Article 53a of Council Regulation (EC Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as last modified by Regulation (EC, Euratom) 1525/2007 of 17 December 2007 (hereafter: "Financial Regulation").
- (2) The programme shall be implemented in accordance with the provisions of the Framework Agreement on the Rules for co-operation concerning EU Financial Assistance to the former Yugoslav Republic of Macedonia and the implementation of the Assistance under the Instrument for Pre-accession Assistance (IPA) concluded between the Parties on 30 October 2007 (hereafter: "the Framework Agreement"), which is set out in Annex B to this Agreement.

3 STRUCTURES AND AUTHORITIES WITH RESPONSIBILITIES

- (1) The Beneficiary shall designate a national IPA co-ordinator, in accordance with the Framework Agreement, who shall act as the representative of the Beneficiary vis-à-vis the Commission. He/she shall ensure that a close link is maintained between the Commission and the Beneficiary with regard both to the general accession process and to EU pre-accession assistance under IPA.
- (2) The national IPA co-ordinator shall also be responsible for co-ordinating the beneficiary country's participation in the relevant cross-border programmes as well as in the transnational, interregional or sea basins programmes under other European Union instruments.
- (3) The beneficiary country shall establish an operating structure for the part of the programme concerning its territory. Its functions and responsibility are defined in the cross-border programme, to the exclusion of tendering, contracting and payments, which are the responsibility of the Commission.

- (4) The operating structure shall co-operate closely in the implementation of this programme with the Managing Authority located in Greece.

4 FUNDING

The funding for the implementation of this Agreement shall be as follows:

- (a) The European Union contribution for the year 2009 is fixed at a maximum of €1 466 040 for the part of the programme concerning former Yugoslav Republic of Macedonia , as detailed in Appendix A1 of Annex A to this Agreement. However, payment of the European Union contribution by the Commission shall be made within the limits of the funds available.
- (b) The cost of the structures and authorities put in place by the beneficiary country for the implementation of this programme shall be borne by the Beneficiary with the exception of the costs referred to in Article 94(1)(f) of the IPA Implementing Regulation, as detailed in Annex A to this Agreement.

5 CONTRACTING DEADLINE

- (1) The individual contracts and agreements which implement this Agreement shall be concluded no later than two years from the date of conclusion of this Agreement.
- (2) In duly justified cases, this contracting deadline may be extended before its end date to a maximum of three years from the date of conclusion of this Agreement.
- (3) Any funds for which no contract has been concluded before the contracting deadline shall be cancelled.

6 DEADLINE FOR THE EXECUTION OF CONTRACTS

- (1) The contracts must be executed within a maximum of two years from the end date of contracting.
- (2) The deadline for the execution of contracts may be extended before its end date in duly justified cases.

7 DISBURSEMENT DEADLINE

- (1) Disbursement of funds must be made no later than one year after the final date for the execution of contracts.
- (2) The deadline for disbursement of funds may be extended before its end date in duly justified cases.

8 TREATMENT OF RECEIPTS

- (1) Receipts for the purposes of IPA include revenue earned by an operation, during the period of its co-financing, from sales, rentals, service enrolment/fees or other equivalent receipts with the exception of:
 - (a) receipts generated through the economic lifetime of the co-financed investments in the case of investments in firms;
 - (b) receipts generated within the framework of a financial engineering measure, including venture capital and loan funds, guarantee funds, leasing;
 - (c) where applicable, contributions from the private sector to the co-financing of operations, which shall be shown alongside public contribution in the financing tables of the programme.
- (2) Receipts as defined in paragraph 1 above represent income which shall be deducted from the amount of eligible expenditure for the operation concerned. No later than the closure of the programme, such receipts shall be deducted from the relevant operation's eligibility expenditure in their entirety or pro-rata, depending on whether they were generated entirely or only in part by the co-financed operation.

9 ELIGIBILITY OF EXPENDITURE

- (1) Expenditure under the programme in Annex A shall be eligible for European Union contribution if it has actually been incurred after the signature of this Agreement.
- (2) The following expenditure shall not be eligible for European Union contribution under the programme in Annex A:
 - (a) taxes, including value added taxes;
 - (b) customs and import duties, or any other charges;
 - (c) purchase, rent or leasing of land and existing buildings;
 - (d) fines, financial penalties and expenses of litigation;
 - (e) operating costs;
 - (f) second hand equipment;
 - (g) bank charges, costs of guarantees and similar charges;
 - (h) conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
 - (i) contributions in kind;
 - (j) interest on debt;

(3) By way of derogation from paragraph 2 above, the following expenditure shall be eligible:

- (a) value added taxes, if the following conditions are fulfilled:
 - (i) they are not recoverable by any means,
 - (ii) it is established that they are borne by the final beneficiary, and
 - (iii) they are clearly identified in the project proposal.
- (b) charges for transnational financial transactions;
- (c) where the implementation of an operation requires a separate account or accounts to be opened, the bank charges for opening and administering the accounts;
- (d) legal consultancy fees, notarial fees, costs of technical or financial experts, and accountancy or audit costs, if they are directly linked to the co-financed operation and are necessary for its preparation or implementation;
- (e) the cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or European Union legislation;
- (f) overheads, provided they are based on real costs attributable to the implementation of the operation concerned. Flat-rates based on average costs may not exceed 25% of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed;
- (g) the purchase of land for an amount up to 10% of the eligible expenditure of the operation concerned.

(4) In addition to the technical assistance for the cross-border programme referred to in Article 94 of the IPA Implementing Regulation, the following expenditure paid by public authorities in the preparation or implementation of an operation shall be eligible:

- (a) the costs of professional services provided by a public authority other than the final beneficiary in the preparation or implementation of an operation;
- (b) the costs of the provision of services relating to the preparation and implementation of an operation provided by a public authority that is itself the final beneficiary and which is executing an operation for its own account without recourse to other outside service providers if they are additional costs and relate either to expenditure actually and directly paid for the co-financed operation.

The public authority concerned shall either invoice the costs referred to in point (a) of this paragraph to the final beneficiary or certify those costs on the basis of documents

of equivalent probative value which permit the identification of real costs paid by that authority for that operation.

The costs referred to in point (b) of this paragraph must be certified by means of documents which permit the identification of real costs paid by the public authority concerned for that operation.

- (5) Without prejudice to the provisions of paragraphs 1 to 4, further rules on eligibility of expenditure may be laid down in the cross-border programme in Annex A to this Agreement.

10 RETENTION OF DOCUMENTS

- (1) All documents relating to the programme in Annex A shall be kept for at least five years from the date on which the European Parliament grants discharge for the budgetary year to which the document relate.
- (2) In the case that the programme in Annex A is not definitely closed within the deadline set in paragraph 1 above, the documents relating to it shall be kept until the end of the year following that in which the programme in Annex A is closed.

11 ROADMAP FOR DECENTRALISATION WITHOUT EX-ANTE CONTROLS

- (1) The beneficiary country shall establish a detailed roadmap with indicative benchmarks and time limits to achieve decentralisation with *ex ante* controls by the Commission. In addition, the beneficiary country shall establish an indicative roadmap to achieve decentralisation without *ex ante* controls by the Commission.
- (2) The Commission shall monitor the implementation of the roadmaps mentioned in paragraph 1, and shall take due account of the results achieved by the beneficiary country in this context, in particular in the provision of assistance. The roadmap to achieve decentralisation without *ex ante* controls may refer to a phased waiver of different types of ex-ante control.
- (3) The beneficiary country shall keep the Commission regularly updated with the progress made in the implementation of this roadmap.

12 INTERPRETATION

- (1) Subject to any express provision to the contrary in this Agreement, the terms used in this Agreement shall bear the same meaning as attributed to them in the IPA Framework Regulation and the IPA Implementing Regulation.
- (2) Subject to any express provision to the contrary in this Agreement, references to this Agreement are references to such Agreement as amended, supplemented or replaced from time to time.

- (3) Any references to Council or Commission Regulations are made to the version of those regulations as indicated. If required, modifications of these regulations shall be transposed into this Agreement by means of amendments.
- (4) Headings in this Agreement have no legal significance and do not affect its interpretation.

13 PARTIAL INVALIDITY AND UNINTENTIONAL GAPS

- (1) If a provision of this Agreement is or becomes invalid or if this Agreement contains unintentional gaps, this will not affect the validity of the other provisions of this Agreement. The Parties will replace any invalid provision by a valid provision which comes as close as possible to the purpose of and intent of the invalid provision.
- (2) The Parties will fill any unintentional gap by a provision which best suits the purpose and intent of this Agreement, in compliance with the IPA Framework Regulation and the IPA Implementing Regulation.

14 REVIEW AND AMENDMENTS

- (1) The implementation of this Agreement will be subject to periodic reviews at times arranged between the Parties.
- (2) Any amendment agreed to by the Parties will be in writing and will form part of this Agreement. Such amendment shall come into effect on the date determined by the Parties.

15 TERMINATION

- (1) Without prejudice to paragraph 2, this Agreement shall terminate eight years after its signature. This termination shall not preclude the possibility for the Commission making financial corrections in accordance with Article 56 of the IPA Implementing Regulation.
- (2) This Agreement may be terminated by either Party by giving written notice to the other Party. Such termination shall take effect six calendar months from the date of the written notice.

16 SETTLEMENT OF DIFFERENCES

- (1) Differences arising out of the interpretation, operation and implementation of this Agreement, at any and all levels of participation, will be settled amicably through consultation between the Parties.
- (2) In default of amicable settlement, either Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of this Agreement.

- (3) The language to be used in the arbitration proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by either Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.

17 NOTICES

- (1) Any communication in connection with this Agreement shall be made in writing and in the English language. Each communication must be signed and must be supplied as an original document or by fax.
- (2) Any communication in connection with this Agreement must be sent to the following addresses:

For the Commission:

Ms Alexandra Cas Granje
Director DG Enlargement
Directorate B
B-1049 Brussels, Belgium

For the Beneficiary Country

Mr. Vasko Naumovski
Deputy Prime Minister for EU integration
Government Building
Ilinden B.B.
1000 Skopje, the former Yugoslav Republic of Macedonia

18 NUMBER OF ORIGINALS

This Agreement is drawn up in duplicate in the English language.

19 ANNEXES

The Annexes A, B and C shall form an integral part of this Agreement.

20 ENTRY INTO FORCE

This Agreement shall enter into force on the date of signature. Should the Parties sign on different dates, this Agreement shall enter into force on the date of signature by the second of the two Parties.

Signed, for and on behalf of the Government of former Yugoslav Republic of Macedonia, at Skopje on

by.....

Mr. Vasko Naumovski

Deputy Prime Minister for EU Affairs

Signed, for and on behalf of the Commission, at Brussels on

by.....


Ms Alexandra Cas Granje

Director DG Enlargement
Directorate B

ANNEX A CROSS-BORDER PROGRAMME GREECE - THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA UNDER THE IPA CROSS-BORDER CO-OPERATION COMPONENT, FOR THE YEAR 2009

APPENDIX A1: Financing proposal for the year 2009 of the Cross-Border Programme Greece - the former Yugoslav Republic of Macedonia, as adopted by Commission Decision C(2009)6497.

APPENDIX A2: Cross-border programme 2007-2013 IPA CBC Greece - the former Yugoslav Republic of Macedonia as adopted by Commission Decision C(2008)1065 as last amended by Commission Decision C(2008)7328.

**ANNEX B FRAMEWORK AGREEMENT BETWEEN THE COMMISSION OF
THE EUROPEAN COMMUNITIES AND THE GOVERNMENT OF
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA DATED 30
OCTOBER 2007**

ANNEX C REPORTING

- (1) The operating structures of the beneficiary countries participating in a cross-border programme shall send the Commission and the respective national IPA co-ordinators an annual report and a final report on the implementation of the cross-border programme after examination by the joint monitoring committee.

The annual report shall be submitted by 30 June each year and for the first time in the second year following the adoption of the cross-border programme.

The final report shall be submitted at the latest 6 months after the closure of the cross-border programme.

- (2) The reports referred to in paragraph 1 shall include the following information:
- (a) the progress made in implementing the cross-border programme and priorities in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators referred to in Article 94(1)(d) of the IPA Implementing Regulation at the level of the priority axis;
 - (b) the steps taken by the operating structures and/or the joint monitoring committee to ensure the quality and effectiveness of implementation, in particular:
 - monitoring and evaluation measures, including data collection arrangements,
 - a summary of any significant problems encountered in implementing the cross-border programme and any measures taken;
 - the use made of technical assistance;
 - (c) the measures taken to provide information on and publicise the cross-border programme.

Where appropriate, the information referred to in points (a) to (c) of this paragraph may be provided in summary form.

Information referred to in point (b) need not be included if there has been no significant modification since the previous report.

ANNEX**FINANCING PROPOSAL FOR THE YEAR 2009 RELATING TO THE PARTICIPATION OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA IN THE "GREECE – THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA IPA CROSS-BORDER PROGRAMME "****1. IDENTIFICATION**

Beneficiary	The former Yugoslav Republic of Macedonia
CRIS number	2009/021-101
Year	2009
Cost	EUR 1 466 040
Operating structure	Ministry of Local Self Government
Implementing Authority	European Commission
Final date for concluding the Financing Agreement	at the latest by 31 December 2010
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	16020, 33210, 25010, 12110, 41010, 16061, 15150
Budget lines concerned	22.020402
Programming Task Manager	DG ELARG B2
Implementation Task Manager	European Commission Delegation to the former Yugoslav Republic of Macedonia

2. SUMMARY**2.1. Introduction**

The programme's strategic reference is the Multi-Annual Indicative Planning Document (MIPD) 2008-2010. As the MIPD outlines, Assistance to *Cross-border cooperation* (CBC)

under *component II* aims at fostering good relations between regions and countries and familiarising future member states with rules and procedures governing the European Territorial Cooperation objective under Structural Funds. The MIPD foresees continuing CBC with Greece and Bulgaria and developing bilateral CBC-programmes with the other Western Balkan neighbours.

By decision of the two countries participating in the Neighbourhood Programme Greece/ the former Yugoslav Republic of Macedonia 2004-2006, a bilateral "Task Force" for the elaboration of the new IPA Cross-Border Co-operation Programme Greece/the former Yugoslav Republic of Macedonia 2007-13 was established. Members of the Task Force were from the relevant national authorities of the two countries including representatives from the European Commission and the EC Delegation in Skopje. They have provided valuable information on the situation in the eligible border area, the lessons learnt from the predecessor Neighbourhood Programme. Stakeholders and authorities responsible for the environment and gender aspects have also been consulted throughout the programming process.

In September 2006 the programming process started with a kick-off meeting held in Thessaloniki, followed by six Task Force Meetings, two in Skopje, one in Bitola and three in Thessaloniki: defining the basic orientation of the Programme, agreeing on the Programme structure, approving the first draft version of the Programme, finalizing the Programme and the Implementing Provisions and agreeing on the procedure for submission of the Programme.

Before the submission of the programme, the two participating countries proceeded to public consultations in order to incorporate comments and observations before the submissions. Beyond publishing the programme and disseminating information about it via mass media, two Public Consultation events were arranged, addressing potential beneficiaries: One in Kilkis (Greece) presenting and discussing the programme to potential beneficiaries and one in Kavardaci (former Yugoslav Republic of Macedonia), presenting and discussing the programme to potential beneficiaries.

To ensure broad regional and sector acceptance as well as participation of social partners and stakeholders the draft Programme was made available for public consultations in both countries. The Strategy and respective Priority Axes were presented and openly discussed. All representatives were invited to stress their viewpoints about the programme and give feedback as regards the final priorities and axes. The results of the consultation were continuously integrated in the programming document.

The final Programming Document has been validated by the National authorities of both partner States and was sent for approval to the European Commission on 18 October 2007. Taking into consideration all national policies and Programmes, the formulated Programme ensures the meeting of the needs of the eligible border area, complementing but not overlapping the actions and initiatives undertaken at the national and regional level.

Further elements have been provided by the participating countries in spring 2008, leading to the amendment of the Commission Decision for the year 2007 in order to include this additional information in the programme.

The eligible border area has a border line of 246 km (21km of them are lakes), covering an area of 29 218,83 km² and a population of 2 362 158. According to the Decision 2007/766/EC of 14.11.2007 OJ L 310 of 28.11.2007, the four NUTS III regions along the border on the Greek side (Florina, Pella, Kilkis and Serres) and the three NUTS III equivalent regions on the side of the former Yugoslav Republic of Macedonia (Pelagonia, Vardar and Southeast) are included in the eligible area. The NUTS III region "Thessaloniki" in Greece and the NUTS III equivalent region "Southwest" in the former Yugoslav Republic of Macedonia are included in

the eligible area as an adjacent area (Art. 97 of the IPA Implementing Regulation) due to their size and the functional role they have in the eligible border area.

2.2. Global objective(s) of the programme

The Programme Strategy is structured along one Global Objective and two Strategic Priorities which will be achieved within two Priority Axes. These two Priority Axes will be accompanied by a Priority Axis on Technical Assistance aiming at successful programme implementation. The global objective of the programme is to enhance convergence in the eligible border area by promoting sustainable local development

The Global Objective is addressing sustainability in its economical, social, cultural and environmental components, thus taking in account the need to specify and focus on the one side on the socio-economic dimension and on the other side on the undividable whole of nature and culture and their interactions in this eligible border area.

On the one side the Programme will enhance the cooperation among economic actors and stakeholders through common approaches for the support of local economic activities, the development of local human resources and the protection human health as pillars for sustainable local economic development.

On the other side the Programme devotes its resources also to the protection and promotion of the environmental and cultural potential in the eligible border area as a mean for sustainable local development.

2.3. Priority axis, the related measures and their specific aspects concerning the implementation of the 2009 budget

The structure of the programme consists of **two Priorities Axes** with **six Measures**. Priorities 1 and 2 are oriented towards Lisbon as well as Gothenburg principles and take into consideration the cross cutting issues of equal opportunities, genuine cross border cooperation and sustainability. Additionally a **Priority Axis 3** “Technical Assistance” is foreseen.

Priority Axis 1: “Enhancement of cross border economic development” aims to promote sustainable economic development through common interventions and facilitate cross border reciprocal relations. Priority Axis 1 will be implemented within four Measures focusing on economic development (M 1.1), enhancement of human resources (M 1.2), the development of sustainable tourism (M 1.3) and the protection of human life (M 1.4).

Measure 1.1 “Economic Development” aims to support interventions facilitating the development of cross border economic activities through the utilisation of the existing potential and the emerging opportunities. This measure will support the development of joint actions for cooperation, exchange of information and coordination of activities and services among professional associations and chambers. Further support will be given to research activities and studies to facilitate cross border trade and investment, the development of cross border databases and business partner search facilities, the development of public services to facilitate cross border trade and investment, and the development of trans-boundary associations. It will also promote the transfer of know how in relevant business areas and promote common events and fairs.

Measure 1.2 “Enhancement of Human Resources” aims to support interventions which upgrade the professional skills of the local population, thus reacting to the demand of the border area, providing opportunities of employment and encountering migration.

Potential indicative activities are involving cooperation of the existing universities and education institutes for the development of common courses for students and professionals, development of vocational training/ life-long learning and qualification for women and

disadvantaged groups.

Measure 1.3 “Promote Sustainable Tourism” aims to support common cross border activities supporting tourism and utilising the existing natural and cultural heritage.

This measure will support the development and promotion of: joint tourism territorial planning; a regional brand-name and joint marketing initiatives, standards for services, common billing systems, common trainings; thematic tourism clusters and routes; eco-tourism networks; outdoor activities; combination of local craftsmanship and tourism.

Measure 1.4 “Protect human life” aims to support interventions which protect public health, minimise the impact of the borderline in health services provision and facilitate the common use of health facilities.

Priority Axis 2: “Enhancement of the environmental resources and cultural heritage of the eligible border area” aims to promote common actions for the protection of the environment and the mobilisation of the natural and cultural heritage.

Measure 2.1 “Promote and protect the environmental resources of the area” aims to support interventions that protect the environment and mitigate the environmental impacts related to economic development.

This measure will support the following activities: improvement of the water quality of Axios/Vardar river and Doirani/Dojran and Prespa lakes implementation of trans-boundary environmental impact assessments; training and awareness programmes and regional certificates especially on eco-tourism, organic farming and renewable energy; development of networks and plans for the management and preservation of the water resources; development of links in the cross-border environmental planning; assessment of threatened elements of the environment; cross border strategies for waste and wastewater management especially in connection to rivers; enhance cooperation in the fields of protected areas; enhance coordination and joint training of natural hazards early warning and response mechanisms; development of innovative approaches in land use and urban development

Measure 2.2 “Promote and protect the natural and cultural heritage of the area” aims to support interventions that protect and mobilise the natural and cultural resources as means for a local-driven sustainable development while safeguarding the natural and cultural heritage from impacts related to economic development.

This measure will support the following activities: promotion and upgrade of natural and cultural monuments including religious monuments, traditional buildings, and historical sites; promotion and marketing of the region towards special interest groups; development of information and communication technologies for the promotion and protection of natural and cultural monuments; development of common tools to protect and restore cultural landscapes; promotion of local architecture; innovative approaches in land use and settlement development around leisure and recreation settlements and cultural sensitive areas; development of actions recording and promoting shared traditional features like music, folklore including joint cultural events.

Priority Axis 3: Technical Assistance

Priority Axis 3 on Technical Assistance includes activities which secure the core management for the implementation of the programme (of the programme preparation, management, monitoring, evaluation and auditing) and implement accompanying actions to support the generation and implementation of high quality, result oriented cross border projects and partnerships.

Indicative timetable and amounts for the implementation of the measures:

Measures under priority axis 1 and 2 will be implemented through grant schemes. It is expected that two grant schemes, one per priority, will be launched in 2010. 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 apply. The detailed selection and award criteria for the award of grants will be laid down in Call for proposals–Application Pack (Guidelines for applicants).

The Priority Axis "Technical Assistance" will be implemented through an individual direct grant agreement without call for proposals to be established between the European Commission and the national authorities of the former Yugoslav Republic of Macedonia, in accordance with article 168 1. (c) of the Implementing Rules to the Financial Regulation, considering that the relevant national authorities, i.e. the CBC coordinator in the meaning of Art. 22 (2) (b) of the IPA Implementing Regulation or the Operating structures, enjoy a de facto monopoly situation for the implementation of the cross-border programme. The procurement of services, supplies or works by the direct grant beneficiaries is possible, under the terms and conditions established in the grant agreement and in accordance with Article 120 of the Financial Regulation and Article 184 of the Implementing Rules to the Financial Regulation. The direct grant agreements can be signed as soon as the Financing Agreements have been concluded.

2.4. Overview of past and on-going CBC experience, including lessons learned and donor co-ordination

- Past and on-going experience

Cross Border Cooperation in the area was initiated with the INTERREG II/EXTERNAL BORDERS (1994-1999). They were the first major opportunity for an institutionalised cooperation between the 2 countries. This process was continued and strengthened with **the Interreg IIIA Greece/the former Yugoslav Republic of Macedonia 2000-2006 Programme**. The Programme was developed jointly between the Greece and the former Yugoslav Republic of Macedonia, finally approved early in 2002. Structural Funds assistance (ERDF) amounted to EUR 73.0 million out of a total budget of EUR 103.3 million. Assistance to the former Yugoslav Republic of Macedonia was made available from the CARDS programme with a total CARDS budget of EUR 7 4 00 000.

On the 6 of February 2006, the existing Cross-border cooperation programme between Greece and the former Yugoslav Republic of Macedonia was updated to a Neighbourhood Programme. The first joint call for Proposals was published on 17.11.2006. 161 proposals were submitted in total. 7 of these (4%) were dealing with Cross-border infrastructure, 24 with entrepreneurship (15%), 45 with tourism (28%), 30 with training and 55 with the environment (34%). Applicants came from 4 prefectures and were mainly Local Authorities including some NGOs and other Non-profit Organisations. Implementation progress was exceptionally good in Priority 1, average in Priority 2 and good in Priority 3.

At the programme level, the last change from INTERREG to Neighbourhood programme has enabled the two countries to come closer to each other, though with some difficulties. The change resulted in establishing new Joint structures such as: Joint Technical Secretariat, and Joint Steering Committee.

The implementation of the new IPA Cross-Border Co-operation Programme Greece/the former Yugoslav Republic of Macedonia 2007-13 shall start during the first quarter of 2009, after signature of the first Financing Agreement for the year 2007 in December 2008.

- Donor coordination

In line with Article 20 of the IPA Regulation and Article 6(3) of the IPA Implementing Regulation, the European Commission has asked the representatives of Member States and local IFIs in the former Yugoslav Republic of Macedonia to provide their comments regarding the draft cross-border programme submitted to the Commission.

2.5. Horizontal issues

The joint applications will have to cover both parts of the border and fulfil the following criteria:

- benefit partners from both sides of the borders
- support links between relevant institutions and organisations from both sides of the border
- encourage equal participation of women and marginalised groups
- be environmentally sustainable
- promote good governance, with particular attention to fight against corruption

Project partners should establish agreed co-ordination mechanisms to synchronise implementation of the joint projects throughout their implementation.

2.6. Benchmarks

	N ¹	N+1	N+2
Number of calls for proposals launched	0	2	2
Number of direct grants (Technical Assistance Priority) in the former Yugoslav Republic of Macedonia	1	1	1
Contracting Rate (%)	10	90	100

2.7. 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 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. In

¹ N being the date of conclusion of the Financing Agreement

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 it is then expected the Competent Accrediting Officer (CAO) to submit the application to the Commission for conferral of management in 2009.

3. BUDGET FOR 2009

3.1. Indicative 2009 financial table for the former Yugoslav Republic of Macedonia

	EU – IPA assistance		National Contribution		Total (IPA plus National Contribution)	
	EUR (a)	% ⁽¹⁾	EUR (b)	(%) ⁽¹⁾	EUR (c)=(a)+(b)	(%) ⁽²⁾
Priority axis 1	586 416	85	103 485	15	689 901	40
Priority axis 2	733 020	85	129 356	15	862 376	50
Priority axis 3	146 604	85	25 872	15	172 476	10
TOTAL	1 466 040	85	258 713	15	1 724 753	100%

(1) Expressed in % of the Total (IPA plus National contributions) (column (c))

(2) Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

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 for that of the cross-border programme "Greece – the former Yugoslav Republic of Macedonia" concerning the former Yugoslav Republic of Macedonia is based on the total expenditure. The provisions of Article 90 of the IPA Implementing Regulation apply.

The rate of the Community contribution for this programme amounts to 85% for the former Yugoslav Republic of Macedonia. The co-financing under priority axis 1 and priority axis 2 will be provided by the final grant beneficiaries and it can be from public and private funds. Final grant beneficiaries should contribute with a minimum of 15% of the total eligible cost of the project, both for investment and institution building projects. The co-financing under priority axis 3 will be provided by the national authorities.

4. IMPLEMENTATION ARRANGEMENTS

The part of the programme concerning the former Yugoslav Republic of Macedonia will be managed according to the centralised management² model. The programme implementing provisions are based on the principle of both beneficiary countries being equal partners and with both beneficiary countries having an equal role in the cross-border cooperation management structures. This will ensure local ownership, wider involvement, better planning and will create the base for genuine cross-border activities.

4.1. Method of Implementation

The "Greece – the former Yugoslav Republic of Macedonia IPA cross-border programme shall be implemented according to the provisions referred to in Article 99 (Transitional arrangements) of the IPA Implementing Regulation.

The part of this programme concerning the former Yugoslav Republic of Macedonia shall be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation³ and the corresponding provisions of the Implementing Rules⁴. In the event of centralised management the role of the Commission in the selection of operations under a cross-border programme is specified in Article 140 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 Rules⁵ 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 website⁶ at the date of the initiation of the procurement or grant award procedure.

4.3. 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-Directive⁷ 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.

² The former Yugoslav Republic of Macedonia is in the process of preparing the accreditation of the managements structures. This process is expected to be completed by the end of 2009 and the country will then shift most probably in 2010 to decentralised management.

³ OJ L 248, 16.9.2002, p.1.

⁴ OJ L 357, 31.12.2002, p. 1.

⁵ See footnotes 2 and 3 *supra*.

⁶ current address:
http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

⁷ 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).

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 documented⁸.

5. MONITORING AND EVALUATION

5.1. Monitoring

The implementation of the cross-border programme will be monitored by the joint monitoring committee referred to in Article 110 of the IPA Implementing Regulation, established by the participating countries, which include representatives of the Commission.

In the former Yugoslav Republic of Macedonia, the Commission may undertake any actions it deems necessary to monitor the programme concerned.

5.2. Evaluation

Programmes shall be subject to evaluations in accordance with Article 141 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 cross-border programmes.

6. AUDIT, FINANCIAL CONTROL AND ANTIFRAUD 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) 2185/96⁹.

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 nature¹⁰, 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.

⁸ 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).

⁹ Council Regulation (EC, Euratom) 2185/96 of 11 November 1996, OJ L 292; 15.11.1996; p. 2.

¹⁰ 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.

Greece/the former Yugoslav Republic of Macedonia IPA Cross-Border Programme

**Greece – the former Yugoslav
Republic of Macedonia
IPA Cross-Border Programme
2007 - 2013**

CCI 2007 CB 16 I PO 009

FRAMEWORK AGREEMENT

BETWEEN

THE GOVERNMENT OF THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA

AND

THE COMMISSION OF THE EUROPEAN COMMUNITIES

ON

THE RULES FOR CO-OPERATION CONCERNING EC-FINANCIAL
ASSISTANCE TO THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA IN THE FRAMEWORK OF THE IMPLEMENTATION
OF THE ASSISTANCE UNDER THE INSTRUMENT FOR PRE-
ACCESSION ASSISTANCE (IPA)

DATED: 30 OCTOBER 2007