

FINANCING AGREEMENT

SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the Union**",

of the one part, and

Montenegro, hereinafter referred to as "**IPA II beneficiary**", represented by the Office for European Integration,

of the other part,

have agreed as follows:

Article 1 - The Programme

- (1) The Union agrees to finance and the IPA II beneficiary agrees to accept the financing of the following Programme:

Annual Action Programme for Montenegro for the year 2018

Global commitment number (CRIS): IPA/2018/040-218 and Global commitment number (CRIS): IPA/2018/040-220

This Programme is financed from the Union Budget under the following basic act: Instrument for Pre-Accession Assistance, IPA II.¹

- (2) The total estimated cost of this Programme is EUR 38 777 274.8 and the maximum Union contribution to this Programme is set at EUR 36 186 977.

This Programme requires financial contributions from both the IPA II beneficiary and the Union. The breakdown of the respective financial contributions is set out in Annex I.

- (3) The Programme shall be implemented in accordance with the description provided in Annex I, which is further detailed in Action documents to be agreed on by exchange of letters between the Commission and the IPA II beneficiary.

Article 2 – Execution period and operational implementation period

- (1) The execution period of this Financing Agreement as defined in Article 12 of Annex II (General Conditions) is fixed at 12 years, from the entry into force of this Financing Agreement.
- (2) The duration of the operational implementation period as defined in Article 12 of Annex II (General Conditions) is fixed at 6 years, from the entry into force of this Financing Agreement.

¹ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II), OJ L 77, 15.03.2014, p. 11.



Article 3 – Addresses and Communication

All communication concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this Programme as identified in Article 1(1) and shall be sent to the following addresses:

(1) for the Commission

Ms Genoveva Ruiz Calavera
Director D, Western Balkans
Directorate- General for Neighbourhood and Enlargement Negotiations
European Commission, 15 Rue de la Loi
B- 1049 Brussels, Belgium
E-mail: NEAR-D1@ec.europa.eu

(2) for the IPA II beneficiary

Ms Ivana Glišević Đurović
National IPA Co-ordinator, Deputy Chief Negotiator
Office for European Integration
Bulevar revolucije, br. 15
81000 Podgorica, Montenegro
E-mail: ivana.glisevic@mep.gov.me

Article 4 – OLAF contact point

The contact point of the IPA II beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be:

AFCOS contact point/AFCOS office Nataša Kovačević
Ministry of Finance of Montenegro
Stanka Dragojevića 2, 81000 Podgorica, Montenegro
Tel: + 382 20 224 480
Fax: + 382 20 224 450

Article 5 – Framework Agreement

The Programme shall be implemented in accordance with the provisions of the Framework Agreement between the European Commission and Montenegro on the arrangements for implementation of Union financial assistance to Montenegro under the Instrument for Pre-Accession Assistance (IPA II) which entered into force on 4 June 2015 (hereafter referred to as “the Framework Agreement”). This Financing Agreement supplements the provisions of the Framework Agreement. In case of conflict between, on the one hand, the provisions of this Financing Agreement and, on the other hand, the provisions of the Framework Agreement, the latter shall take precedence.

Article 6 - Annexes

(1) This Financing Agreement is composed of:

(a) these Special Conditions;



- (b) Annex I: Annual Action Programme for Montenegro for the year 2018, detailing the objectives, expected results, activities, description of the budget-implementation tasks entrusted and budget of this Programme;
 - (c) Annex II: General Conditions;
 - (d) Annex III: Model Annual Report on the implementation of IPA II assistance as per Article(s) 58 and 59(1) of the Framework Agreement;
 - (e) Annex IV: Model Financial Report as per Article 59(2) of the Framework Agreement;
 - (f) Annex V: Accrual Based Accounting System Minimum Specification.
- (2) In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between the provisions of Annex I on the one hand and, the provisions of Annex II, on the other hand, the latter shall take precedence.

Article 7 – Provisions derogating from or supplementing Annex II

It is not possible to re-allocate funds between the amount of EUR 18 686 977 of global commitment number 2018/040-218 and the amount of EUR17 500 000 of global commitment number 2018/040-220.

Article 8 – Entry into force

This Financing Agreement shall enter into force on the date on which it is signed by the last party at the latest, 31 December 2019.

This Financing Agreement is drawn up in duplicate in the English language, one being handed to the Commission and one to the IPA II beneficiary.

For the IPA II beneficiary:



Ms Ivana Glisović Đurović
National IPA Co-ordinator, Deputy
Chief Negotiator
Office for European Integration

Podgorica, 02/12/2019

For the Commission:



Ms Genoveva Ruiz Calavera
Director D, Western Balkans
Directorate- General for Neighbourhood
and Enlargement Negotiations

Brussels, 5 June 2019

ANNEX I

Annual Action Programme for Montenegro for the year 2018

1 IDENTIFICATION

Beneficiary	<i>Montenegro</i>
CRIS/ABAC Commitment references	2018/040-218 EUR 18 686 977 million 22.020101 2018/040-220 EUR 17 500 000 million 22.020102
Total cost	EUR 38 777 274.8
EU Contribution	EUR 36 186 977
Budget lines	22.02 01 01 and 22.02 01 02
Management Mode/ Entrusted entities	<p>Direct management by the European Commission</p> <p>Indirect management with Montenegro: The operating structures responsible for the execution of the actions, are:</p> <p><i>National Fund</i></p> <p>Action 1 - Participation in Union Programmes – Implementation will consist in the payment of the Instrument for Pre-Accession (IPA II) part of the financial contribution to the programmes by the National Fund</p> <p><i>Directorate of Public Works:</i></p> <p>Action 3 - EU for improving access to justice and fundamental rights</p> <ul style="list-style-type: none"> • Result 1 – Increase standards in judiciary through constructed, renovated and adapted justice facilities in Montenegro • Result 3 (only activities concerning works) – Capacities of Law Enforcement Agencies upgraded and additional accommodation capacities for foreigners seeking international protection provided. <p>Action 4 – EU for improving agriculture for consumers and farmers</p>

13 JGA

	<ul style="list-style-type: none"> Results under component 2 – Food safety veterinary and phytosanitary policy <p>Activity 2.2.1. Establishing Border Inspection Posts</p> <p>Activity 2.3.1. Establishing a quarantine unit for plant health</p> <p>Activity 2.6.1. Establishing collection centres for animal by-products management</p> <p>Action 5 – EU for strengthening the quality and access of health and social services</p> <ul style="list-style-type: none"> Result 1 – New facility for clinic for infectious diseases and clinic for dermatovenerology. <p><i>Directorate for Finance and Contracting of the EU Assistance Funds (CFCU)</i></p> <p>Action 3 - EU for improving access to justice and fundamental rights</p> <ul style="list-style-type: none"> Result 3 (only activities not related to works such as technical assistance, trainings and supplies contracts not linked to works contracts) – Capacities of Law Enforcement Agencies upgraded and additional accommodation capacities for foreigners seeking international protection provided. <p>Action 4 - EU for improving agriculture for consumers and farmers</p> <ul style="list-style-type: none"> Results under component 2 – Food safety veterinary and phytosanitary policy <p>Activity 2.1.1. Providing assistance to the Administration for Food Safety, Veterinary and Phytosanitary Affairs (AFSVPA) employees on policy implementation and adjustment to EU acquis developments (Service)</p> <p>Activity 2.4.1. Establishing a unified IT system for AFSVPA (Service, supply)</p> <p>Activity 2.5.1. Upgrading laboratories (Supply)</p>
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2019
Final date for contracting including conclusion of delegation/contribution agreements	3 years following the date of conclusion of the Financing Agreement,
Indicative operational implementation period	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing	12 years following the conclusion of the Financing

the Financing Agreement (date by which this programme should be de-committed and closed)	Agreement.
Programming Unit	DG NEAR Unit D.1 Montenegro
Implementing Unit/ EU Delegation	Delegation of the European Union to Montenegro

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- ***Rationale for the selection of the specific sectors under this programme:***

The Annual Action Programme (AAP) for Montenegro for the year 2014 contributed to the achievement of the objectives identified in the Indicative Strategy Paper 2014-2020 (ISP) of Montenegro¹ and its subsequent revision² through formulating actions covering six of the eight priorities defined in the ISP. The first sectors initially covered by IPA II funds included *democracy and governance, the rule of law and fundamental rights, environment and climate action, transport, competitiveness and innovation, and the Agriculture and rural development sector.*

Following the sector approach the *Annual Action Programme for Montenegro for the year 2015* covered *Democracy and governance* and the *rule of law and fundamental rights* sectors. It also included the first sector budget support programme aimed at supporting the implementation of the integrated border management strategy.

In 2015 Montenegro developed a *Regional Development Operational Programme 2016-2020 (RDOP)* to provide a multiannual framework for IPA programming in *environment, competitiveness and transport* sectors. Three actions have been prepared in parallel, each covering one of the three sectors identified in the RDOP. Two actions, focusing on economic development and growth by providing assistance to the environment and climate action and competitiveness and innovation sectors, were included in the *Action Programme for the year 2016*. A third action aiming at the improvement and development of the transport sector was included in part 1 of the *Annual Action Programme for Montenegro for the year 2017*.

The *Annual Action Programme for Montenegro for the year 2017* part 2 strengthened and complemented the existing EU support to the democracy and governance sector targeting the area of public administration reform (PAR) as public administration reform is considered to be one of the key priorities of the Enlargement Strategy.

The current *Annual Action Programme for Montenegro for the year 2018 (AAP 2018)* focuses on four sectors: democracy and governance; rule of law and fundamental rights; competitiveness, innovation, agriculture and rural development and, education, employment and social policies.

¹ C(2014)5771 of 18.08.2014 – Commission Implementing Decision adopting an Indicative Strategy Paper for Montenegro for the period 2014-2020"

² C92018)5026 of 03.08.2018 - Commission Implementing Decision amending Commission Decision C(2014)5771 of 18.8.2014 adopting the Indicative Strategy Paper for Montenegro for the period 2014-2020

As regards the area of **justice, rule of law and fundamental and human rights**, the activities under this Action target the following results from the revised Indicative Strategy Paper for Montenegro 2014-2020, after the 2018 mid-term review:

- Enhanced independence, efficiency and professionalism of the judiciary and strengthened integrity safeguards;
- Increased efficiency and co-operation between the law enforcement agencies;
- Alignment with EU standards in the area of migration and asylum
- Improved compliance with the European Convention on Human Rights (ECHR) standards on fundamental rights
- Improved promotion of gender equality and anti-discrimination;

Concerning the **competitiveness, innovation, agriculture and rural development** sector the action contributes to support ISP key results to the sector such as:

- Alignment and implementation with the EU acquis under Chapters 11, 12 and 13 are on track, including the establishment of the structures and systems necessary for implementation of the Common Agricultural Policy (CAP).
- Management and control systems for the agriculture and rural development funds established and fully functioning.
- Improved overall competitiveness of the agricultural sector and sustained rural areas.
- Increased resilience of the agricultural sector to adapt to climate change.

Concerning the area of **education, employment and social policies**, the Indicative Strategy Paper (ISP) recently subject to a Mid Term Review, states that *“IPA II will address the reform of social policies (benefits and services), including health policy, so as to improve its efficiency and coverage, as well as the financial sustainability of the respective systems, as well that social and child protection systems and the implementation of the Employment and Social Reform Programme (ESRP). Furthermore, IPA II will support acquis alignment and institutional capacity building for public health”*.

Therefore the proposed action is relevant for the ISP result:

- Improved access to health, education and employment opportunities for all citizens, with a particular focus on socially disadvantaged or marginalised groups.

Finally, the proposed action will support Montenegro in implementing EU accession criteria foreseen in three EU negotiation chapters:

- Chapter 19 - Social policy and employment,
- Chapter 23 - Judiciary and fundamental rights, and
- Chapter 28 - Consumer and health protection.

In terms of accession negotiations, all of these chapters are “open” and substantial improvements still need to be made to ensure compliance with the EU standards, the Action can therefore significantly contribute to progressing towards meeting the accession criteria in the above-mentioned chapters.

In addition to the above mentioned sectors, the AAP 2018 will set up a new EU Integration Facility (EUIF) with EUR 3 100 000 EU contribution and continue supporting the participation of Montenegro in Union Programmes under the

democracy and governance sector with a total EU contribution of EUR 2 070 244. The EU Integration Facility focuses mainly on technical support and capacity building related to the EU accession process. By ensuring the effectiveness and impact of actions financed through IPA II, the EUIF will also help the preparation for future cohesion and structural funds. Action 2 ensures Montenegro's participation in European Programmes by co-financing the participation fees or entry tickets.

- *Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:*

Democracy and governance – justice, rule of law and human and minority rights

Under the AAP 2014 the sector of justice, rule of law and fundamental rights was supported through different actions such as "Support to the implementation of Chapters 23 and 24 Action Plans", "Support to the Customs administration" and "Support to the anti-discrimination and gender equality policies". These actions supported Montenegro to strengthen the efficiency of the judiciary to counter corruption and organised crime, to increase the capacities and IT systems of the Customs Administration of Montenegro to and improve the social and institutional responsiveness towards promotion, protection and enforcement of human rights and equal opportunities.

The AAP 2015 focused on the development of a "Sector Budget Support programme on integrated border management" aimed at improving prevention and detection of irregular migration and cross-border crime, and enhance preservation of national security and the internal security of the EU Member States and on a programme to ensure durable and sustainable solutions for Roma and other vulnerable groups for comprehensive social inclusion in Montenegro.

The action document was designed having in mind the experience gained from the implementation of previous and ongoing interventions. The following lessons were recognized:

- The need to focus on the sectoral approach for actions in the rule of law and fundamental rights sector: given the complexity and diversity of the sector and the number and the variety of stakeholders, the success of any intervention relates to cooperation and exchanging information.
- Communication and coordination with negotiating structures is essential for quality programming and implementation;
- Quality of donor coordination and overview is a precondition for sustainable results;
- Proper analysis of pre-conditions, and adequate planning and sequencing increase the absorption capacity;
- Policies that ensure sustainability of the human resources and investments in new technologies should be carefully planned during the process;
- Sufficient financial framework should be carefully planned and provided in line with strategic prioritization;

5 JGA

13

- Ensuring stakeholders proactive participation during project implementation.

Having in mind the relevance of donor coordination, the Ministry of Justice organises donor coordination meetings with the participation of relevant international organisations, embassies etc. The donor coordination meetings also encompass relevant national authorities. The Ministry of Justice collects information on project activities of judiciary authorities (Courts, State Prosecution Office), Centre for Education in Courts and State Prosecution Office, and of the Administration for Execution of Criminal Sanctions.

Competitiveness, Innovation, Agriculture and Rural Development

The action builds upon previous projects and activities supported by the EU, UN and World Bank, as well as other complementary actions and initiatives directly financed by the Ministry of Agriculture and Rural Development (MARD). Some examples are the Montenegro Institutional Development and Agriculture Strengthening (MIDAS 1), the Instrument for Pre-Accession Assistance for Rural Development (IPARD)-Like and AAP 2014 “Development of the fisheries information system (FIS)” and “Further improvement of veterinary sector in Montenegro”. This Action is complementary and coherent with former progress and the current needs of the sector in order to sustain the achievements and to follow a robust sectoral approach. Therefore, the activities presented in this Action as follow up activities shall provide further improvements on the targeted issues and facilitate the EU accession.

The current action also takes into account different lessons learned from the above mentioned projects. In this way, the works performed under the border crossing for food control in Bar under the MIDAS project will prove extremely beneficial for the new ones that will be built under this Action. Also under this project, Comprehensive studies on Animal By-Products management in Montenegro have been provided and they will serve as a basis for activities supported in the Action, mainly the construction and equipment of collection centers.

In addition, the experience with IPARD like programmes, have served as a preparation for the forthcoming IPARD II. The aim of the forthcoming IPARD II measures is to improve competitiveness, increase added value of products, create new jobs, improve living conditions in rural areas, as well as connecting with the tourism sector, and the reason why these particular measures have been selected so far is their successful implementation through national funds, MIDAS grants and IPARD like projects.

Education, employment and social Policies

Concerning education, employment and social policies IPA I supported this area through its Component IV and under IPA II, the "2015-2017 Multi-annual action programme for Montenegro on employment, education and social policies" aims at supporting Montenegro's Employment and social policy reform programme (ESPRP).

However, when it comes to basic Healthcare, only a limited number of EU projects and/or funds have so far been invested in Montenegro, especially in terms of pre-accession assistance under IPA or IPA II, apart from the equipping of the recently

established Blood Transfusion Institute, as well as a number of cross-border and TAIEX initiatives. Otherwise, the health sector has not received significant IPA support, especially regarding infrastructure and access to basic health. This Action is therefore an opportunity for the EU to support one of the most important aspects of citizens' wellbeing, as well as a necessary pre-condition for adequate human capital and economic growth.

Nevertheless, the above mentioned previous EU support has already been of crucial value to other aspects of the Action, especially in early childhood development (ECD) and social policy reforms, including services to persons with disabilities, who are key beneficiaries of the overall social policy reform in Montenegro. To that end, previous EU funded UNICEF projects have shown a strong need for improved access to quality, equitable, inclusive and mutually reinforcing systems of health, nutrition, social and child protection.

In addition, the Action builds upon information obtained from the *Multiple Indicator Cluster Survey (2013)*, the *Child Poverty Study (2012)* and a range of other recent studies, such as assessments of the safety and quality of hospital care for mothers and new-born³, home visitation system⁴, and evaluations on violence, disability and the social and child protection services. As a result, this Action will address most of the previously identified gaps in the systems of health, nutrition, social and child protection.

The segment of the Action related to reform of the national disability determination system builds upon the successful Social Welfare Reform Project (IPA I) and E-Social Card – Integrated Social Welfare Information System - ISWIS (UNDP implemented) projects that have resulted in substantial, national scale social welfare reform, with visible results recognised in the EU Country Reports. The related activities are fully complementary and build upon previous projects achievements and lessons learned in this area, as it will complete the social sector reform process and expand ISWIS accordingly.

List of Actions foreseen under the selected Sectors/Priorities:

Democracy and governance

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS DIRECT MANAGEMENT	
Action 1 – Support to participation in Union Programmes	EUR 2 070 244		
		Action 2 – EU Integration Facility	EUR 3 100 000
TOTAL	EUR 2 070 244	TOTAL	EUR 3 100 000

Rule of law and fundamental rights

³ UNICEF, The assessment of safety and quality of hospital care for mothers and new-borns in Montenegro, 2016.

⁴ UNICEF, Patronage Nurse Services in Montenegro: Situation Analysis and Reform Options, 2017.

7



INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS DIRECT MANAGEMENT	
Action 3 – EU for improving access to justice and fundamental rights – Results 1,3	EUR 9 688 893	Action 3 – EU for improving access to justice and fundamental rights – Results 2,4,5	EUR 3 827 840
TOTAL	EUR 9 688 893	TOTAL	EUR 3 827 840

Competitiveness, innovation, agriculture and rural development

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS DIRECT MANAGEMENT	
Action 4 – EU for improving agriculture for consumers and farmers – Component 2	EUR 4 390 000	Action 4 – EU for improving agriculture for consumers and farmers – Component 1 and 3	EUR 5 110 000
TOTAL	EUR 4 390 000	TOTAL	EUR 5 110 000

Education, employment and social policies.

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS DIRECT MANAGEMENT	
Action 5 –EU for strengthening the quality and access of health and social services. Result 1	EUR 4 500 000	Action 5 – EU for strengthening the quality and access of health and social services. Results 2,3,4	EUR 3 500 000
TOTAL	EUR 4 500 000	TOTAL	EUR 3 500 000

DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The envisaged assistance to Montenegro is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU⁵.

SECTOR	<i>Democracy and governance</i>		<i>EUR 5 170 244</i>
Action 1	<i>Support to participation in Union Programmes</i>	<i>Indirect Management</i>	<i>EUR 2 070 244</i>

(1) Description of the Action, objective, expected results and key performance indicators

Description of the action:

The Union Programmes are a series of integrated measures promoted by the European Union, aimed at strengthening the co-operation among the Member States regarding EU policies for a period of time. Union Programmes are financed from the general budget of the European Union, covering different areas: from environmental protection, research and innovation, energy and transport to the development of entrepreneurship and competitiveness, and they represent significant instruments for defining and conducting internal EU policies. For Montenegro, as candidate country which negotiates accession to the EU, the participation in these programmes represents an opportunity to be better prepared for accession and also to familiarise itself with the EU policies and operating methods.

The objective of the action is to ensure participation of Montenegro in Union Programmes by co-financing the costs of the entry-tickets/participation fees to be paid by Montenegro as set out in the respective international agreements governing the participation to Union programmes or agencies.

The following results are foreseen:

- Enhanced participation of Montenegro in Union Programmes, including increased exchanges with the EU Member States;
- Strengthened ownership and responsibility of Montenegro (including in financial terms) for participation in Union Programmes;
- Improved awareness in the country on the Union Programmes.

The results achieved will be measured by the following indicators:

- Number of programmes for which an International Agreement has been concluded;
- Number of institutions/organisations fully benefiting under EU Programmes and initiatives;

⁵ https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en

- Montenegro's competent institutions receive reimbursement of entry-tickets in a timely manner;
- Level of ownership and commitment of Montenegro, including in financial terms, over participation in Union programmes;
- Level of awareness in the country on the Union programmes (e.g. level of participation and interest in the various programmes);
- Level of engagement and outreach with minority communities, to the extent applicable, for each specific programme in the country.

(2) Assumptions and conditions

- The responsible line ministries ensure the timely payment of the total entry ticket, as well as timely and documented requests for reimbursement;
- Responsible ministries continuously facilitate the support to the applicant's participation in the programmes;
- National Contact Points and line ministries are regularly communicating with beneficiaries and potential EU Programmes applicants.

(3) Implementation arrangements for the action:

This action will be implemented under indirect management by Montenegro,

(3)(a) Entity entrusted with budget implementation tasks

The entity entrusted with budget implementation tasks is the National Fund.

(3)(b) Short description of the tasks entrusted to the entity

Implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.

SECTOR	<i>Democracy and governance</i>		<i>EUR 5 170 244</i>
Action 2	<i>EU Integration Facility</i>	<i>Direct management</i>	<i>EUR 3 100 000</i>

(1) Description of the Action, objective, expected results and key performance indicators

Description of the action:

This action provides effective and efficient response to emerging priorities linked to the EU accession process as well as to improve the quality and maturity of planning and programming documents and to support effective implementation of EU assistance.

This action focuses mainly on technical support and capacity building related to the EU accession process and it should ensure effectiveness and impact of actions financed through IPA II. The EU Integration Facility provides flexible support to the national

authorities aimed at addressing specific needs identified in the course of the implementation of IPA II, but it may also be used in ad-hoc circumstances where EU assistance is required and/or suggested.

The *objective* of the EUIF is to successfully conduct the process of EU accession in Montenegro, including compliance with cohesion and structural funds related rules and standards

The *expected results* of this action are:

- Legislative and institutional capacities of Montenegrin administration for transposition and implementation of the acquis and capacities for leading and carrying out the accession negotiations strengthened;
- Capacities and relevant documentation for identification, programming, implementation and evaluation of EU assistance developed.

The achievement of the results envisaged by the action will be measured by the following *indicators*:

- Number of projects focusing on capacity building activities under the EUIF;
- Number of Action Programmes adopted by the Commission.

(2) Assumptions and conditions

- Continued commitment of government structures to the accession process
- Ensured adequate staff for state administration
- All relevant coordination mechanisms established and functioning
- Availability and commitment of staff for capacity building interventions

(3) Implementation arrangements for the action:

This action will be implemented under direct management by the EU Delegation to Montenegro.

(3)(c) Essential elements of the action (for direct management)

Procurement:

a) the global budgetary envelope reserved for procurement: EUR 2 100 000:

b) the indicative number and type of contracts:

The indicative number of contracts will be from 10 to 15.

Type of procurement: service and supply.

c) indicative time frame for launching the procurement procedure:

6 – 28 months after signature of the Financial Agreement

Grant – Twinning – Call for proposal:

- a) Objectives and foreseen results: The objective of twinning contracts under the EUIF is to provide support for the transposition, implementation and enforcement of the EU legislation (the Union *acquis*).
- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are the relevance, methodology and sustainability of the proposed action.

The expected result is that the legislative and institutional capacities of Montenegrin administration for transposition and implementation of the *acquis* and capacities for leading and carrying out the accession negotiations will be strengthened.

- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
- f) Indicative amount of Twinning contract: A total indicative amount of EUR 500 000 is foreseen for between 1 and 3 Twinning and Twinning light contracts.
- g) Indicative date for launching the selection procedure: 6 to 28 months after the signature of the Financing Agreement.

Grant - Direct grant award:

- a) Objectives and foreseen results: The objective of any direct grant award under the EUIF will be to strengthen the capacity of institutions involved in the EU accession process and the implementation of the IPA funds.

As a result the specific needs and gaps identified in the course of the implementation of IPA II will be addressed and solved.

- b) Justification for the use of an exception to calls for proposals:

This type of contract will be used in the case it fulfils one or more of the relevant provisions of Article 195 FR..

- c) The eligibility criteria:

Applicants for a direct grant could be: local authorities, public bodies, international organisations, or Non-Governmental Organisations (NGOs),

- d) The essential selection criteria are financial and operational capacity of the applicant.
- e) The award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

f) Indicative amount of the grant: A total indicative amount of EUR 500 000 can be foreseen for between one and three direct grant awards.

g) Maximum rate of EU co-financing:

The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

h) Indicative date for signing the grant agreement: Between 6 to 28 months after the signature of the Financing Agreement.

SECTOR	<i>Rule of law & fundamental rights</i>		<i>EUR 13 516 733</i>
Action 3	<i>EU for improving access to justice and fundamental rights</i>	<i>Direct / Indirect management</i>	<i>EUR 13 516 733</i>

(1) Description of the Action, objective, expected results and key performance indicators

Description of the action:

The support to this sector is in line with the Commission's commitment to the 'Fundamentals First' approach in the enlargement process. The aim is to ensure further improvement of the Justice and Law enforcement system, to support the efficiency and professionalism of the judiciary and the operational capacities of the Law Enforcement Agencies, the system of enforcement of criminal sanctions, as well as to achieve quality system of promotion and protection of human rights.

The action will contribute to further increasing standards in the judiciary through constructed, renovated and adapted justice facilities. This includes raising efficiency of the justice sector as well as improving the setup for protection and promotion of relevant human rights standards in the system for enforcement of criminal sanctions, enabling implementation of the latest developments and standards in this area. Important outcome relates to introduction of the new ICT developments in the judiciary that will also result

in raising efficiency of institutions and their interoperability, better services delivery to citizens and improved dialogue with the citizens and support to vulnerable groups through boosting institutions efficiency, with the help of technology.

Also, the action is focused on improvement of technical and operational capacities of competent institutions to prevent and combat crime, primarily related to enhancing technical capacities for border security and fight against crime. This action will also result in creating a Migration Centre with the aim to help improve the migration management capacities, including border management systems.

Furthermore, the Action contributes to further improvement of the system for promotion and protection of human rights through capacity building for the governmental and non-governmental sector stakeholders, and will increase service provision to vulnerable groups, particularly to persons with disabilities.

Objective:

The general objective of this action is to enhance the system of Rule of Law by increasing efficiency and effectiveness of the institutions and to bring the system for promotion and protection of human rights in line with the best EU practices.

The action specific objectives are:

- Quality and access to justice improved and capacities of Judiciary for efficient execution of powers enhanced;
- Improved technical and operational capacities of competent institutions for efficient law enforcement;
- Improved capacities of Ministry of Interior (MoI) for handling increased migration flows;
- Improved position and integration of vulnerable groups, minorities and women.

Results:

The following results are foreseen:

- Constructed, renovated and adapted justice facilities;
- Unique Information System of Judiciary applied;
- Capacities of Law Enforcement Agencies (LEA) upgraded and Accommodation capacities in the new Migration Centre provided;
- Improved capacities of the key stakeholders in the area of protection of human and minorities rights;
- Improved accessibility of public buildings.

Key Indicators:

The following indicators are proposed to measure the progress in implementation:

- Number of infrastructural interventions completed;
- Number of institutions that implemented the Judiciary Unique Information System (ISP);
- Number of beds for accommodation in the new Migration Centre;

- Number of relevant policies monitored (number of measures from strategic documents inserted in the system and subject to monitoring);
- Number of public buildings adapted to be more accessible to people with disabilities.

(2) Assumptions and conditions

Assumptions

- To have increased standards in Judiciary by constructed, renovated and adapted facilities (Result 1), it is assumed that the continued maintenance of the infrastructures is ensured.
- It is also assumed that awareness and capacity of staff to use the new technology allow the increased efficiency and accountability of judiciary by means of the unique information system (Result 2).
- The accommodation capacities in the new Migration Centre (Result 3) will be provided assuming that migration flows remain within the foreseen dimension.
- The improvement of key stakeholders' capacities in the area of protection of human and minorities' rights (Result 4) will occur assuming that there will be adequate human resources capacity of the Ministry in charge of monitoring relevant policies.
- For the improved accessibility of public buildings (Result 5) it is assumed that the study about accessibility of Centres for social work has been completed (this is care of the Ministry of Labour and Social Welfare).

Conditions:

Result 1:

- Courts selected for reconstruction / adaptation under this programme will remain as functioning courts and not be effected by any court rationalisation plan that the Government may adopt during the implementation of the programme

Result 3:

- With regards to the adaptation of the former border post Božaj into a migration centre, and taking into account that the requested IPA allocation is insufficient to finance the entire renovation, additional financing should be provided by the Government and made available at the same time of the IPA funds, so that the whole building is renovated at the same time.
- In line with this programme's purchase of two small customs scanners the Government of Montenegro agrees to transfer the large customs scanner currently in Podgorica to the port of Bar. The Government agrees in parallel to ensure that this transferred scanner is fully operational six months after the signature of the Financing Agreement by the European Commission.

Result 4:

- Before procurement activities for the recruitment of the capacity building experts team are completed, the Government must fill the positions in the MMHR in accordance with the organigram, by recruiting qualified staff following a fully open, transparent and merit- based recruitment procedure.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangements for the action:

Indirect management by the IPA II beneficiary for all activities under Results 1 and 3.

Direct management by the EU Delegation to Montenegro for all activities under Results 2, 4 and 5.

(3)(a) Entity entrusted with budget implementation tasks

This action will be managed under indirect management by the Department of Public Works for all activities concerning works and by the CFCU for all other activities.

(3)(b) Short description of the tasks entrusted to the entity

The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

Department of Public Works

Result 1 - Increase standards in judiciary through constructed, renovated and adapted justice facilities in Montenegro - All activities concerning this result.

Result 3– Capacities of Law Enforcement Agencies upgraded and additional accommodation capacities for foreigners seeking international protection provided – Activities concerning works (and all other contracts related to them – supervision and supplies within the context of a specific work contract).

CFCU

Result 3 – Capacities of Law Enforcement Agencies upgraded and additional accommodation capacities for foreigners seeking international protection provided
Activities concerning provision of services and supplies not related to a specific work contract

(3)(c) Essential elements of the action (for direct management)

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 3 627 840:
- b) the indicative number and type of contracts:

Type of procurement: service/supply/works.

Indicative number of contracts: 5

- c) indicative time frame for launching the procurement procedure: Q1 2020

Grant - Direct grant award (Strengthening capacities of public administration on gender equality and implementation of the principles of gender equality):

- a) Objectives and foreseen results:

The objective of this direct grant award is to develop an Analysis and Guidelines in the area of implementation of gender equality policies.

As a result gender mainstreaming in public administration is promoted.

- b) Justification for the use of an exception to calls for proposals:

Art 195 (f) FR – The aim of the grant is to integrate gender into public policies in Montenegro. This entails a high degree of coordination between gender issues and PAR.

- c) the name of the beneficiary: UNDP. The UNDP will be awarded a direct grant because, as representative of UNWOMEN in the country, it has developed an undeniable global capacity and know-how to offer expert advice, technical co-operation and operational assistance to the Government in its gender focused work. The granting of the Gold Seal Certificate for gender mainstreaming in 2017 is prove of its technical competence in setting up accountability mechanisms, management systems, regulatory frameworks and policies on gender mainstreaming.

- d) The essential selection criteria are financial and operational capacity of the applicant.

The award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

- e) indicative amount of the grant: EUR 200 000

- f) Maximum rate of EU co-financing:

The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 190§3 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

- g) Indicative date for signing the grant agreement: Q1 2020

17



13

SECTOR	<i>Competitiveness, innovation, agriculture and rural development</i>		<i>EUR 9 500 000</i>
Action 4	<i>EU for improving agriculture for consumers and farmers</i>	<i>Direct / Indirect management</i>	<i>EUR 9 500 000</i>

(1) Description of the Action, objective, expected results and key performance indicators

Description of the action:

IPA assistance aims to address the Agriculture and Rural Development Sector by contributing to fulfilling results in four key areas: (1) agriculture and rural development; (2) food safety, veterinary and phytosanitary affairs, (3) fisheries and (4) forestry. With regards to the first area, the important result outlined focuses on strengthening administrative capacities of the MARD and its wide array of directorates, departments and other administrative bodies.

Administrative capacity building will be mainly sought in relation to the forthcoming CAP developments, including the topics such as: Common Market Organisation mechanisms, direct payments, adopting standards for cross-compliance, programming future priorities and recognizing potential strategic objectives related to Chapter 11, providing assistance with regards to adjusting to current and future Chapter 11 *acquis* developments, Farm Accountancy Data Network management, with special emphasis on capacity building for the Directorate for Payments. It should be noted that capacity building activities will not only target MARD employees but other stakeholders as well, such as agricultural producers.

Technical capacities of the beneficiary shall also be strengthened through procuring necessary equipment, while special assistance will be directed towards fully establishing a Forestry Information System in Montenegro. In relation to the field of food safety, veterinary and phytosanitary affairs, assistance shall be directed towards achieving the following results: strengthened administrative capacities of the Competent Authority in the area of Food Safety, Veterinary and Phytosanitary Affairs (FSVP) improved management and control of the integrated food safety system and improved situation regarding the management of animal by-products and animal health.

Assistance provided in the area of fisheries will focus on contributing to the fulfillment of improved administrative and inspection capacities of the Directorate for Fisheries for policy development and implementation aligned with the EU *acquis* and improved management and control of marine fisheries and aquaculture by establishment of the fully functional Fishery Information System and the Fishery Monitoring Centre.

Objectives:

The overall objective of this action is creating a successful agriculture and rural sector in Montenegro which provides employment and sustainable production of high-quality food for domestic and foreign consumers, supported by an efficient administration in the areas of agriculture and rural development, food safety, veterinary, phytosanitary, fisheries and forestry.

Its specific objective is to establish systems and structure necessary to achieve alignment with EU *acquis* for Chapters 11, 12 and 13 and future implementation of CAP and CFP.

Results:

The Action will aim to reach the following results:

Component 1: Agriculture and Rural Development

- MARD administrative capacities further strengthened to design and programme agricultural policy in the area of Common Market Organisation (CMO), cross-compliance, direct payments and other key areas.
- To contribute to the development of the Payment Agency capacities to execute respective duties in line with EU requirements so as to be able to take on the obligations of accession.
- Ensured gathering and exchanging data on all levels needed for planning the sustainable management of forests.

Component 2: Food safety, Veterinary and Phytosanitary Policy (FSVP)

- Administrative capacities of the Competent Authority in the area of FSVP further strengthened.
- Improved import control.
- Ensured establishment of management and control system that enables a wide array of safe, visual checks and analysis on quarantined plant material.
- Improved system for control of food safety veterinary and phytosanitary area which have been produced in, or imported in Montenegro.
- Ensured accreditation of laboratories.
- Ensured collection of animal by-products (ABPs) from slaughterhouses across Montenegro.

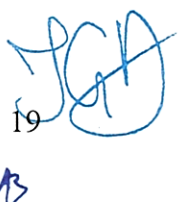
Component 3: Fisheries

- Improved administrative and inspection capacities of the Directorate for Fisheries for policy development and implementation.
- Fishery Information System fully compliant with EU requirements.
- Ensured effective control, inspection and enforcement of the rules of the Common fisheries Policy (CFP).

Indicators

The following indicators are proposed to measure the progress in implementation:

19



Component 1: Agriculture and Rural Development

- Alignment with CMO;
- Number of payment applications fully processed through the Integrated Administration and Control System IACS system;
- Number of municipalities connected with Forestry Information Centre.

Component 2: Food safety, Veterinary and Phytosanitary Policy

- Closing benchmarks no. 2 (establishment of EU-compatible system of official controls) and no. 3 (further development of relevant administrative structures in line with EU acquis) of Chapter 12 fulfilled;
- The extent to which all registers in the area of FSVP are integrated and inter-operational;
- Number of BIPs constructed;
- Number of plant quarantine units functional;
- Number of laboratories with general accreditation (ISO/IEC 17025);
- Number of ABP collection centres established and operational.

Component 3: Fisheries

- Number of policy documents drafted and adopted;
- Number of staff trained and operational;
- Degree of functionality of a Fisheries Information System;
- Degree of functionality of a Fishery Monitoring Centre.

(2) Assumptions and conditions

Assumptions

The successful implementation of activities in each of the Components is based on the following assumptions:

Component 1:

- Sufficient provisions for retaining administrative staff from the national budget: the assumption can be maintained in view of the regularity and standardization of procedures within MARD, “vertical” training of personnel (continuous transfer of know-how down the hierarchy line) and the importance of absorbing EU pre-accession funds not only for MARD but for the Government as whole. Staff retention is a challenge in many public institutions and it can hardly be addressed without the support from external partners to implement the Public Administration Reform.
- Continuous inflow of know-how transfer (previous capacity building initiatives): this assumption can be maintained in view of the regularity of administrative capacity building initiatives available for MARD personnel
- Increase of PA staff: this assumption can be maintained in view of the normative framework established, mainly the Decree on the systematization of working posts in MARD, which properly defined the envisaged increase of personnel at the Directorate for Payments as it gradually transforms to the Paying Agency.
- National budget support to the agricultural sector continues.
- IPA on-going operations successfully implemented.
- World Bank MIDAS II project implemented: this assumption can be maintained in view of the successful implementation of MIDAS I and close cooperation and

coordination established between MARD and World Bank, including regular meetings, monitoring and control.

- Decision on Direct Payments is taken. Any delay in making a decision on Direct Payment schemes to be implemented in Montenegro in the future will hamper the development of technical specifications related to the missing components of IACS and will make the achievement of related results more challenging.

Component 2:

- Appropriate staff and expertise available: this assumption can be maintained in view of the regularity of capacity strengthening initiatives available and undergoing at AFSVPA.
- Technical documentation for BIPs in place (EUIF project): this assumption is based on the already approved project regarding the engagement of experts to draft the necessary technical documentation.
- Technical documentation for Collection Centres: this assumption is based on the already programmed activity in MIDAS 2.

Component 3:

- Appropriate staff and expertise available: this assumption can be maintained in view of the regularity of capacity strengthening initiatives available and undergoing at the Directorate for Fisheries, including also the close cooperation with the Institute for Marine Biology.
- On-going IPA, MIDAS, TIKa and other project activities successfully implemented: this assumption is based on the insofar successful implementation of previous Action and the attention to detail devoted from all partners in the negotiation/programming phase.

Conditions

- For the infrastructural works MARD will obtain necessary technical documentation prior to the implementation of the Action.
- Administrative capacities of the MARD and future Paying Agency provided to support a technical assistance project in this sector.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangements for the action:

Indirect management by IPA II beneficiary for all activities related to Component 2.

Direct management by the EU Delegation to Montenegro for all activities related to Component 1 and 3.

(3)(a) Entity entrusted with budget implementation tasks

Directorate of Public Works

Activity 2.2.1. Establishing Border Inspection Posts

Activity 2.3.1. Establishing a quarantine unit for plant health

Activity 2.6.1. Establishing collection centres for animal by-products management

CFCU

Activity 2.1.1. Providing assistance to AFSVPA employees on policy implementation and adjustment to EU acquis developments

Activity 2.4.1. Establishing a unified IT system for AFSVPA

Activity 2.5.1. Upgrading laboratories

(3)(b) Short description of the tasks entrusted to the entity

The entrusted entity shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entity shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

(3)(c) Essential elements of the action (for direct management)

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 3 210 000:
- b) the indicative number and type of contracts: 10 services and supplies
- c) indicative time frame for launching the procurement procedure:
Between Q3 2019 and Q3 2020

Grant – Twinning – Call for proposal (Result 1.1 and part of 1.2)

- a) Objectives and foreseen results: The objective of this twinning will be to further strengthen the MARD administrative capacities to design and program agricultural policy in the area of Common Market Organisation, cross-compliance, direct payments and other key areas.

As a result the Ministry's capacities to execute relevant duties in line with EU requirements in this sector are strengthened.

- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are the relevance, methodology and sustainability of the proposed action.
- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 190§3 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

- f) Indicative amount of Twinning contract: EUR 1 900 000
- g) Indicative date for launching the selection procedure: Q2 2019

SECTOR	<i>Education, employment and social policies</i>		<i>EUR 8 000 000</i>
Action 5	<i>EU for strengthening the quality and access of health and social services</i>	<i>Direct / Indirect management</i>	<i>EUR 8 000 000</i>

(1) Description of the Action, objective, expected results and key performance indicators

Description of the action:

When it comes to basic healthcare, only a limited number of EU projects and/or funds have so far been invested in Montenegro, especially in terms of pre-accession assistance under IPA or IPA II, apart from the equipping of the recently established Blood Transfusion Institute, as well as a number of cross-border and TAIEX initiatives. Otherwise, the health sector has not received significant IPA support, especially regarding infrastructure and access to basic health. This action is therefore an opportunity for the EU to support one of the most important aspects of citizens' wellbeing, as well as a necessary pre-condition for adequate human capital and economic growth. As such, the proposed action is based on the 2013 European Centre for Disease Prevention and Control (ECDC) Technical Assessment Report, as well as the Assessment of National Microbiology Laboratories performed by the WHO in 2016.

Objectives:

The action's objective is to support further systematic reform of the national social welfare, child-care and health systems, through the implementation of a new strategic, legal and institutional framework in line with the EU *acquis*.

Results:

The action results are:

- Protection of population against infectious diseases improved through the construction of a new facility for two clinics (Clinic for Infectious Diseases and Clinic for Dermato-venerology) at the “Clinical Centre” in Podgorica.
- The quality of services of microbiological laboratories enhanced through provision of adequate equipment based on a quantified needs assessment and cost-benefit analysis.
- The Early Childhood Development (ECD) system is assessed and an adequate strategic framework developed, including the National ECD Action plan and related rules of procedures.
- National disability determination system reformed in a way to provide persons with disabilities proper access to services and cash transfers, as well as improved quality of life

Indicators:

The following indicators are proposed to measure the progress in implementation:

- Two clinics constructed, furnished and fully functional in line with best practice and EU standards, with equal and adequate access provided for different population and/or marginalised groups, including Roma, LGBT, persons with disabilities, etc.
- Solid quantified microbiology needs assessment conducted, using WHO standards and ENLabCap, including a cost-benefit analysis.
- At least 60% of laboratories identified in the needs assessment equipped according to the specifications and results of the assessment reports and staff trained accordingly.
- The ECD policy framework and costing model are developed. (National Strategy for ECD with a budgeted Action Plan).
- Strengthened capacities and competences of relevant stakeholders to continue the multi-sectoral national intervention, addressing various dimensions of ECD (min. 20% stakeholders reached).
- The public is made aware on the importance of proper health, education and social care for adequate childhood development (min. 20 %).
- Enabling legal framework developed and adopted through the new Law and new unified criteria for all the sectors.
- Unique Commission for disability determination established and functional, applying the social model.
- Information system and the E-registry for persons with disabilities operational.

(2) Assumptions and conditions

Assumptions:

- Timely procurement, continuous and adequate financial means and human resources made available.
- Highly qualified staff trained and retained; regular maintenance of laboratories.
- New legal / policy framework is drafted and implemented to the best possible quality and extent.
- Interest and dedication of all stakeholders involved; who participate effectively and implement all foreseen activities.

24



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- The newly established system is regularly monitored and its success assessed objectively.
- Effective coordination between various institutions involved in the action.

Conditions:

Result 2:

- The choice of the microbiology equipment to be acquired under this action will be informed by a needs assessment that should be conducted prior to undertaking any equipment procurement activities.
- The microbiology laboratories that will receive the equipment must be (re)furnished to the necessary standard and be adequately staffed prior to the delivery of the equipment provided via EU financing.

Result 4:

- The Government shall provide adequate premises and adequate staffing resources for these Commissions that will be created following the adoption of the new system.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation arrangements for the action:

Indirect management by IPA II beneficiary for all activities under Result 1.

Direct management by the EU Delegation to Montenegro for all activities related to Result 2, 3 and 4.

(3)(a) Entity entrusted with budget implementation tasks

Directorate of Public Works

All activities related to Result 1 "New facility for clinic for infectious diseases and clinic for dermatovenerology"

(3)(b) Short description of the tasks entrusted to the entity

The entrusted entities shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entities shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

(3)(c) Essential elements of the action (for direct management)

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 1 500 000
- b) the indicative number and type of contracts:

The indicative number of contracts for this action is between 1 and 3.
The type of procurement will be a supply contract.

- c) indicative time frame for launching the procurement procedure: Q 2 2019

Grant - Direct grant award (*Early Childhood Development 'ECD'*):

- a) Objectives and foreseen results:

The objective of this direct grant is to ensure the development of a holistic approach in the area of ECD by linking health, education sector, social protection policies and capacity building activities.

As a result, the ECD (Early Childhood Development) system is assessed and an adequate strategic framework developed, including the National ECD action plan and related rules of procedures

- b) Justification for the use of an exception to calls for proposals:

195 (c) FR de facto monopoly.

The Government of Montenegro has signed and endorsed the UN Country Programme Document and the Integrated UN Programme. These two framework documents give UNICEF exclusive partnership with the Government on ECD and endorse UNICEF's role as a technical assistance provider to the Government in the development of the respective ECD legislation, strategies and policies that the joint programme with the EUD will try to implement. The UNICEF "exclusive competence" lies in this mix of technical assistance in developing legislation in different areas, policies and models and then assisting the Government in upscaling them.

Indeed, this result demands a holistic approach to the issue of ECD, linking health, education, social protection policies and specific capacity development activities

There is currently no local Civil Society Organisation (CSO) that can provide the holistic approach demanded by the project as they only focus on individual sectors. UNICEF has been building up long lasting relations with local organisations in order to develop their skills and gradually improve their capacities in the sector though this process will still take some time.

There are no other international organisations active in the area of ECD in Montenegro or that have the necessary degree of understanding and insight of the context of the country. For these reasons, UNICEF has been identified as the only possible partner that could implement this action while ensuring coherence and complementarities with the current activities undertaken in the country in the area of EDC.

- c) the name of the beneficiary: UNICEF
d) indicative amount of the grant: EUR 1 000 000
e) Maximum rate of EU co-financing:

The maximum possible rate of EU financing will be 100% of the total cost of the action in accordance with article 190§3 FR. Full financing of the action is essential for the action to be carried out because the action is considered as an independent project to complement and strengthen the UNICEF approach to ECD. While the overall ECD programme is already defined and focuses in different areas, the EU has identified the health component of the ECD and more specifically mother and child health care quality as a gap in need of additional support. Without full financing this important activity will not be implemented.

f) Indicative date for signing the grant agreement: Q2 2019

Grant - Direct grant award (*Reform of the National Disability Determination System*):

a. Objectives and foreseen results:

The objective of the action is to rationalise the way the National Disability Determination System is conducted in Montenegro so to facilitate access to the adequate services to the right users.

The foreseen result will be: the National disability determination system is reformed in a way to provide persons with disabilities proper access to services and transfers, as well as improved quality of life.

b. Justification for the use of an exception to calls for proposals:

195 (f) FR Technical competence, degree of specialisation and administrative power.

UNDP has an ongoing contract with the Ministry of Montenegro to work on the development and implementation of the social card and ensure the digitalisation and correct linking of different social protection system's registries. The action undertaken by this grant fits into this overarching action – Social Card – implemented by UNDP.

This action is designed to fit into and complement the current UNDP programme. It is essential to ensure full technical compatibility with the rest of the components. Given the specific characteristics of the action requiring a particular actor on account of its technical competence, the UNDP is in this case the only organisation that can guarantee the full alignment and linkage of the system developed by this action and all other registries and IT systems developed under the Social Card programme. .

c. the name of the beneficiary: UNDP

d. indicative amount of the grant: EUR 1 000 000

e. Maximum rate of EU co-financing:

The maximum possible rate of EU financing will be 100% of the total cost of the action. Full financing of the action is essential for the action to be carried out because this area has been identified by the EU as a gap in the overall programme dealing with the social card. Following donor coordination and division of labour good practices, the action represents an addition to the

current programme being implemented by the UNDP by its own sources of funding and it will not take place without the EU contribution.

- f. Indicative date for signing the grant agreement: Q2 2019

The essential selection and award criteria for grants (including direct award):

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR MONTENEGRO

Indirect Management with the IPA II beneficiary				Other implementation arrangements					
	where applicable EU Contribution	where applicable IPA II beneficiary Co-financing	Total expenditure		where applicable EU Contribution	where applicable IPA II beneficiary Co-financing	Total expenditure	MM	Total programme
Objective 1	1 Democracy and governance			1 Democracy and Governance				Mixed	7 231 130.00
	Action 1 Support to participation in Union Programmes	2 070 244.00	2 060 886.00	4 131 130.00					4 131 130.00
				Action 2 – EU Integration Facility	3 100 000.00		3 100 000.00	Direct	3 100 000.00
	2 Rule of law and fundamental rights			2 Rule of law and fundamental rights				Mixed	13 516 733.00
	Action 3 – EU for improving access to justice and fundamental rights	9 688 893.00		9 688 893.00	Action 3 - EU for improving access to justice and fundamental rights	3 827 840.00	3 827 840.00	Direct	13 516 733.00
	TOTAL OBJ 1	11 759 137.00	2 060 886.00	13 820 023.00		6 927 840.00	6 927 840.00		20 747 863.00
	8 Agriculture and rural development			8 Agriculture and rural development				Mixed	9 500 000.00

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Objective 2	Action 4 – EU for improving agriculture for consumers and farmers	4 390 000.00		4 390 000.00	Action 4 – EU for improving agriculture for consumers and farmers	5 110 000.00		5 110 000.00	Direct	9 500 000.00
	7 Education, employment and social policies				7 Education, employment and social policies				Mixed	8 529 411.80
	Action 5 – EU for strengthening the quality and access of health and social services	4 500 000.00	529 411.80	5 029 411.80	Action 5 – EU for strengthening the quality and access of health and social services	3 500 000.00		3 500 000.00	Direct	8 529 411.80
	TOTAL OBJ 2	8 890 000.00	529 411.80	9 419 411.80		8 610 000.00		8610 000.00		18 029 411.80
	TOTALS	20 649 137	2 590 297.8	23 239 434.80		15 537 840.00		15 537 840.00		38 777 274.80

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4 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Co-ordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG Enlargement and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.

5 EVALUATION

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that its findings may inform the preparation of new activities in the same sectors.

The evaluation reports shall be shared with the IPA II beneficiary and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the IPA II beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

31

13

ANNEX II - GENERAL CONDITIONS

Contents

ANNEX II - GENERAL CONDITIONS.....	1
Part One: Provisions Applicable to Activities for which the IPA II beneficiary is the Contracting Authority	2
Article 1 - General principles	2
Article 1a - Duty to inform, administrative sanctions, and failure to act	3
Article 2 - Visibility and communication	4
Article 3 - <i>Ex-ante</i> controls on grant and procurement procedures and on <i>ex post</i> controls on contracts and grants to be performed by the Commission	4
Article 4 - Bank accounts, accounting systems, and cost recognised.....	5
Article 5 - Provisions on payments made by the Commission to the IPA II beneficiary.....	6
Article 6 - Interruption of payments.....	6
Article 7 - Recovery of funds	7
Part Two: Provisions Applicable to Budget Support	7
Article 8 - Policy dialogue.....	7
Article 9 - Verification of conditions and disbursement	7
Article 10 - Transparency of budget support.....	8
Article 11 - Recovery of budget support	8
Part Three: Provisions Applicable to this Financing Agreement Irrespective of the Management Mode	8
Article 12 - Execution period, operational implementation period and contracting deadline.....	8
Article 13 - Permits and authorisation.....	9
Article 14 - Reporting requirements.....	9
Article 15 - Intellectual property rights	9
Article 16 - Consultation between the IPA II beneficiary and the Commission	9
Article 17 - Amendment of this Financing Agreement	10
Article 18 - Suspension of this Financing Agreement.....	10
Article 19 - Termination of this Financing Agreement	11
Article 20 - Dispute settlement arrangements	11


AS

Part One: Provisions Applicable to Activities for which the IPA II beneficiary is the Contracting Authority

Article 1 - General principles

- (1) The purpose of Part One is to lay out the rules for implementing the entrusted budget-implementation tasks as described in Annex I and to define rights and obligations of the IPA II beneficiary and the Commission respectively in carrying out these tasks.

Part One shall apply to the budget-implementation tasks entrusted to the IPA II beneficiary related to the Union contribution alone, or combined with funds of the IPA II beneficiary or funds of a third party, in case such funds are implemented in joint co-financing, i.e. where they are pooled.

- (2) The IPA II beneficiary shall remain responsible for the fulfillment of the obligations stipulated in this Financing Agreement and in the Framework Agreement, even if it sub-delegates to other entities identified in Annex I to carry out certain entrusted budget implementation tasks. The Commission, in particular, reserves the right to suspend payments, and to suspend and/or terminate this Financing Agreement on the basis of the acts, omissions and/or situations of any designated entity.

- (3) The tasks referred to in paragraph 1 of this Article shall be carried out by the IPA II beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in force at the time of the launch of the procedure in question (PRAG), as well as in accordance with the required visibility and communication standards referred to in Article 2(2).

The IPA II beneficiary shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement. For the purpose of Part One of this Financing Agreement every reference to grant contracts shall also include contribution agreement and every reference to grant beneficiaries shall also include organisations having signed contribution agreements.

- (4) The IPA II beneficiary shall respect the minimum rate of its contribution specified in Annex I. In case of contributions from both the IPA II beneficiary and the Union, the IPA II beneficiary contribution shall be made available at the same time as the corresponding contribution from the Union.
- (5) The IPA II beneficiary shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date in case if the procurement procedure, call for proposals or direct grant award procedure was launched prior to the entry into force of this Financing Agreement:

(a) For procurement procedures in particular:

- a) Forecast notice with proof of publication of the procurement notice and any corrigenda;
- b) Appointment of shortlist panel;
- c) Shortlist report (incl. annexes) and applications;
- d) Proof of publication of the shortlist notice;
- e) Letters to non-shortlisted candidates;
- f) Invitation to tender or equivalent;
- g) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;
- h) Appointment of the evaluation committee;

- i) Tender opening report, including annexes;
 - j) Evaluation / negotiation report, including annexes and bids received;¹
 - k) Notification letter;
 - l) Cover letter for submission of contract;
 - m) Letters to unsuccessful candidates;
 - n) Award / cancellation notice, including proof of publication;
 - o) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.
- (b) For calls for proposals and direct award of grants in particular:
- a) Appointment of the evaluation committee;
 - b) Opening and administrative report including annexes and applications received;²
 - c) Letters to successful and unsuccessful applicants following concept note evaluation;
 - d) Concept note evaluation report;
 - e) Evaluation report of the full application or negotiation report with relevant annexes;
 - f) Eligibility check and supporting documents;
 - g) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
 - h) Cover letter for submission of grant contract;
 - i) Award/cancellation notice with proof of publication;
 - j) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 5(a) and (b) of this Article shall be complemented by all relevant supporting documents as required by the procedures referred to in section 3 of this Article, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spots checks reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.

All relevant financial and contractual documents shall be kept for the same duration in accordance with Article 49 of the Framework Agreement.

- (6) For the purpose of the application of Article 25 of the Framework Agreement on data protection, personal data shall be:
- processed lawfully, fairly and in a transparent manner in relation to the data subject;
 - collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
 - adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
 - accurate and, where necessary, kept up to date;
 - processed in a manner that ensures appropriate security of the personal data and

¹ Elimination of unsuccessful bids five years after the closure of the procurement procedure.

² Elimination of unsuccessful applications three years after the closure of the grant procedure.

- kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed.

Personal data included in documents to be kept by the IPA II beneficiary in accordance with Article 1.5 has to be deleted once the deadlines set out in Article 1.5 have expired.

Article 1a - Duty to inform, administrative sanctions, and failure to act

- (1) When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the IPA II beneficiary shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant who either itself, or a person having powers of representation, decision making or control over it is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.
- (2) The IPA II beneficiary shall inform the Commission immediately when a candidate, tenderer or applicant is in a situation of exclusion from participating in procurement and grant award procedures, has committed irregularities and fraud, or has been found in serious breach of its contractual obligations.
- (3) The IPA II beneficiary shall take into account the information contained in the Commission's 'Early Detection and Exclusion System' (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, BRE2-13/505, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu in copy to the Commission address identified in Article 3 of the Special Conditions).
- (4) Where the IPA II beneficiary becomes aware of an exclusion situation in the implementation of the tasks described in Annex I, the IPA II beneficiary shall impose upon an economic operator or a grant applicant an exclusion from its future procurement or grant award procedures. The IPA II beneficiary may also impose a financial penalty proportional to the value of the contract concerned. Exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA II beneficiary shall notify the Commission in accordance with paragraph 1 of this Article.
- (5) In respect of paragraph 4 of this Article, the IPA II beneficiary is considered in failure to act, if it does not impose exclusion and/or a financial penalty upon the economic operator or grant applicant.
- (6) In the case of a failure to act, the IPA II beneficiary shall notify the Commission explaining the reasons for its failure to act. The Commission reserves the right to exclude an economic operator or a grant applicant from future EU financed award procedures, and/or impose a financial penalty on an economic operator or a grant applicant between 2 % and 10 % of the total value of the contract concerned.

Article 2 - Visibility and communication

- (1) In accordance with Article 24(3) of the Framework Agreement, the IPA II beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it, and prepare a coherent plan of visibility and communication activities which should be submitted to the Commission for an agreement within 2 months after the entry into force of this Financing Agreement.
- (2) These communication and visibility activities shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission in force at the time of the activities.

Article 3 - *Ex-ante* controls on grant and procurement procedures and on *ex post* controls on contracts and grants to be performed by the Commission

- (1) The Commission may exercise *ex ante* controls on the tendering of contracts, launch of calls for proposals and the award of contracts and grants for the following stages of procurement or grant award:
 - (a) approval of contract notices for procurement, work programmes for calls for proposals, and any corrigenda thereof;
 - (b) approval of tender dossiers and guidelines for applicants on grants;
 - (c) approval of the composition of Evaluation Committees;
 - (d) approval of evaluation reports and award decisions³;
 - (e) approval of contract dossiers and contract addenda.
- (2) With regard to *ex ante* controls the Commission shall decide:
 - (a) to perform *ex ante* controls on all files, or
 - (b) to perform *ex ante* controls on a selection of such files, or
 - (c) to completely dispense with *ex ante* controls.
- (3) If the Commission decides to perform *ex ante* controls in accordance with paragraph 2(a) or (b) of this Article, it shall inform the IPA II beneficiary of the files selected for *ex ante* controls. The IPA II beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex ante* control, at the latest at the time of submission of the contract notice or the work programme for publication.
- (4) The Commission may decide to perform *ex post* controls, including audits and on-the-spot controls, at any time on any contracts or grants awarded by the IPA II beneficiary arising out this Financing Agreement. The IPA II beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex post* control. The Commission may authorize a person or an entity to perform *ex post* controls on its behalf.

Article 4 - Bank accounts, accounting systems, and cost recognised

- (1) After the entry into force of this Financing Agreement, the National Fund and the operating structure of the IPA II beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the National Fund and all participating operating structures in the IPA II beneficiary.
- (2) The IPA II beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the implementation period of the Programme. These forecasts shall be updated for the annual financial report referred to in Article 14(2) and for each request for funds. The forecasts shall be based on a documented detailed analysis (including the planned contracting and payment schedule per contract for the following fourteen months) which shall be available to the Commission on request.
- (3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole implementation period and monthly disbursement forecasts for the first fourteen months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the implementation period of the Programme and monthly disbursement forecasts for the following fourteen months.
- (4) The IPA II beneficiary is required to establish and maintain an accounting system in accordance with

³ For service contracts this steps includes *ex ante* controls concerning approval of the shortlist.

Clause 2(3)(b) of Annex A to the Framework Agreement which will hold at least the information for the contracts managed under the Programme indicated in Annex V.

- (5) Cost recognised in the accounting system maintained under the section 4 of this Article must have been incurred, paid and accepted and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA II beneficiary under local contracts.
- (6) The IPA II beneficiary shall provide to the Commission reports as follows:
 - (a) Cut-off report - as set out in Article 14(4);
 - (b) Annual reports as set out in paragraphs (2) to (4) of Article 14;
 - (c) Request for funds reports as referred to in Article 5.

Article 5 - Provisions on payments made by the Commission to the IPA II beneficiary

- (1) The IPA II beneficiary shall submit its initial disbursement forecast for the Programme, prepared pursuant to Article 4(2), with the first pre-financing payment request. The first pre-financing payment shall be for 100 % of the forecast disbursements for the first year of the disbursement forecast plan.
- (2) The IPA II beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme.
- (3) Each request for additional pre-financing shall be supported by following documents:
 - a) A summary of all disbursements made for the Programme;
 - b) The bank balances for the Programme at the cut-off date of the request;
 - c) A forecast of disbursement for the Programme for the following fourteen months at the cut-off date of the request in accordance with Annex IV point (d).
- (4) The IPA II beneficiary may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the cut-off date of the request, less the balances referred to in section 3(b) of this Article at the cut-off date of the request for funds increased by any amount funded by the IPA II beneficiary under paragraph 5 of this Article and not yet reimbursed.

The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA II beneficiary under this Programme and on all other IPA I or IPA II programmes managed by the IPA II beneficiary exceeds the disbursement forecast for the next fourteen months.

- (5) Where the payment is reduced under paragraph 4 of this Article, the IPA II beneficiary must fund the Programme from its own resources up to the amount of the reduction. The IPA II beneficiary may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph 4 of this Article.
- (6) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPAII beneficiary to give reasons for the delay in disbursing the funds and demonstrate a continuing need for them within the next following two months.
- (7) Interest generated by the bank accounts used for this Programme shall not be due to the Commission.
- (8) Following Article 33(4) of the Framework Agreement, if interruption of time limit for payment request exceeds two months, the IPA II beneficiary may request a decision by the Commission on whether the interruption of time limit is to be continued.
- (9) The final financial declaration referred to in Article 37(2) of the Framework Agreement shall be submitted by the NAO no later than 16 months after the end of operational implementation period.

Article 6 - Interruption of payments

- (1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 18 and 19 respectively, as well as without prejudice to Article 39 of the Framework Agreement, the Commission may interrupt payments partially or fully, if:
 - (a) the Commission has established, or has serious concerns that the IPA II beneficiary has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Programme, or has failed to comply with its obligations under this Financing Agreement, including obligations regarding the implementation of the Visibility and Communication plan;
 - (b) the Commission has established that or has serious concerns, whether the IPA II beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the reliability of the IPA II beneficiary's internal control system or the legality and regularity of the underlying expenditure.

Article 7 - Recovery of funds

- (1) In addition to cases referred to in Article 41 of the Framework Agreement, the Commission may recover the funds from the IPA II beneficiary as provided in the Financial Regulation, in particular in case of:
 - (a) the Commission established that objectives of the Programme set out in Annex I are not achieved;
 - (b) non eligible expenditure;
 - (c) non respect of the contribution rate, as provided in Annex I;
 - (d) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Programme, in particular in the procurement and grant award procedure.
- (2) In accordance with national law, the IPA II beneficiary shall recover the Union contribution paid to the IPA II beneficiary from recipients who were in any situation defined in paragraph 1 points b) or d) of this Article or referred to in Article 41 of the Framework Agreement. The fact that the IPA II beneficiary does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA II beneficiary.
- (3) Amounts unduly paid or recovered by the IPA II beneficiary, amounts from financial, performance and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA II beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA II beneficiary shall be either re-used for the Programme or returned to the Commission.

Part Two: Provisions Applicable to Budget Support

Article 8 - Policy dialogue

The IPA II beneficiary and the Commission commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Article 9 - Verification of conditions and disbursement

- (1) The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in Annex I and Annex IA.
- (2) Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the IPA II beneficiary thereof without undue delay.
- (3) Disbursement requests submitted by the IPA II beneficiary shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I and Annex IA and that they are submitted during the operational implementation phase.
- (4) The IPA II beneficiary shall apply its national foreign exchange regulations in a nondiscriminatory manner to all disbursements of the budget support component.

Article 10 - Transparency of budget support

The IPA II beneficiary hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. The content of such publication shall be in accordance with the EU laws applicable to the protection of personal data.

Article 11 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the IPA II beneficiary, in particular if the IPA II beneficiary provided unreliable or incorrect information, or if corruption or fraud was involved.

Part Three: Provisions Applicable to this Financing Agreement Irrespective of the Management Mode

Article 12 - Execution period, operational implementation period and contracting deadline

- (1) The execution period is the period during which the Financing Agreement is implemented and includes the operational implementation period as well as a closure phase. The duration of the execution period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the entry into force of this Financing Agreement.
- (2) The operational implementation period is the period in which all operational activities covered by procurement, grant contracts and contribution agreements are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the entry into force of this Financing Agreement.
- (3) The execution and operational implementation periods shall be respected by the Contracting Authority when concluding and implementing procurement, grant contracts and contribution agreements within this Financing Agreement.
- (4) Costs related to the activities shall be eligible for EU financing only if they have been incurred during the operational implementation period; the costs incurred by the IPA II beneficiary before the entry into force of the Financing Agreement shall not be eligible for EU financing.
- (5) The procurement, grant contracts and contribution agreements shall be concluded at the latest within three years of the entry into force of the Financing Agreement, except:
 - (a) amendments to procurement contracts, grant contracts and contribution agreements already concluded;
 - (b) individual procurement contracts to be concluded after early termination of an existing procurement contract;
 - (c) contracts relating to audit and evaluation, which can be signed after operational implementation;
 - (d) change of the entity charged with entrusted tasks.
- (6) A procurement, grant contract or contribution agreement which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed, except in case of litigation before judicial courts or arbitral bodies.

Article 13 - Permits and authorisation

Any type of permit and/or authorisation required for the implementation of the Programme shall be provided in due time by the competent authorities of the IPA II beneficiary, in accordance with national law.

Article 14 - Reporting requirements

- (1) For the purpose of the general reporting requirements to the Commission set out in Article 58 of the Framework Agreement and the specific reporting requirements under indirect management set out in Articles 59(1) of the Framework Agreement on the annual report on the implementation of IPA II assistance, the NIPACs shall use the template provided for in Annex III to this Financing Agreement.
- (2) For the purpose of the specific reporting requirements under indirect management set out in point (a)

of Article 59(2) of the Framework Agreement on the annual financial report or statements, the NAO in the IPA II beneficiary shall use the templates provided for in points (a) and (b) of Annex IV to this Financing Agreement.

- (3) For the purpose of Article 59(4) of the Framework Agreement, the NIPAC shall submit a final report on the implementation of IPA II assistance of this Programme to the Commission no later than four months after the last disbursement to its contractors or grant beneficiaries.
- (4) For the purpose of Article 59(6) of the Framework Agreement the NAO shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 4(4). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex IV.

Article 15 - Intellectual property rights

- (1) Contracts financed under this Financing Agreement shall ensure that the IPA II beneficiary acquire all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.
- (2) The IPA II beneficiary shall guarantee that the Commission, or anybody or person authorised by the Commission, shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

Article 16 - Consultation between the IPA II beneficiary and the Commission

- (1) The IPA II beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 20.
- (2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA II beneficiary to remedy the situation and take any steps that are necessary.
- (3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.
- (4) The Commission shall regularly inform the IPA II beneficiary of the implementation of activities described in Annex I which do not fall under Part One of these General Conditions.

Article 17 - Amendment of this Financing Agreement

- (1) Any amendment of this Financing Agreement shall be made in writing, including an exchange of letters.
- (2) If the IPA II beneficiary requests an amendment, the request shall be submitted to the Commission at least six months before the amendment is intended to enter into force.
- (3) The Commission can amend the Model Documents in Annex III, IV and V without this necessitating an amendment to this Financing Agreement. The IPA II beneficiaries shall be informed in writing about any such amendment and its entry into force.

Article 18 - Suspension of this Financing Agreement

- (1) The Financing Agreement may be suspended in the following cases:
- (a) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary breaches an obligation under this Financing Agreement;
 - (b) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the Framework Agreement;
 - (c) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary does not meet requirements for entrusting budget implementation tasks;
 - (d) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary decides to suspend or cease the EU Membership accession process;
 - (e) The Commission may suspend this Financing Agreement if the IPA II beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption or if the IPA II beneficiary is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:
 - a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
 - any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.
 - (f) This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. If force majeure impacts only part of the Programme, the suspension of the Financing Agreement can be partial;
 - (g) Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.
- (2) The Commission may suspend this Financing Agreement without prior notice.
- (3) The Commission may take any appropriate precautionary measure before suspension takes place.
- (4) When the suspension is notified, the consequences for the on-going or to be signed procurement, grant contracts, and contribution agreements shall be indicated.
- (5) A suspension of this Financing Agreement is without prejudice to the interruption of payments and termination of this Financing Agreement by the Commission in accordance with Article 6 and Article 19.

- (6) The parties shall resume the implementation of the Financing Agreement once the conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Programme to the new implementing conditions, including, if possible, the extension of the operational implementation and execution periods, or the termination of this Financing Agreement in accordance with Article 19.

Article 19 - Termination of this Financing Agreement

- (1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- (2) When the termination is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and such contracts or grants, and contribution agreements to be signed shall be indicated.
- (3) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 36 to 44 of the Framework Agreement.

Article 20 - Dispute settlement arrangements

- (1) Any dispute concerning the Financing Agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 16 may be settled by arbitration at one of the parties' request.
- (2) Each party shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.
- (3) Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.
- (4) Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

Period covered by the report:
01/01/20XX-31/12/20XX

Report issued on XX/XX/20XX

Annual Report on the implementation of IPA II assistance under direct and indirect management by [country] submitted by the National IPA Coordinator

I. Executive Summary

1. Reference to the objectives of the Country Strategy Papers and a brief overview of challenges in the sectors
2. Involvement in programming
3. Relations with the European Commission.
4. Problems encountered in meeting the required conditions for implementation and in ensuring sustainability, related measures taken/planned, recommendations for further action.
5. Relevant issues stemming from the IPA II beneficiary's participation in the IPA monitoring committee and in sectoral monitoring committees (including Joint Monitoring Committee for CBC), if any.
6. Involvement in Multi-country actions and any related issues.
7. Monitoring and evaluation activities, main lessons learned & follow-up to recommendations.
8. Communication and visibility activities.
9. Donor coordination.

In case of indirect management the executive summary should also cover:

10. Overall implementation of IPA assistance under indirect management (max. one page).
11. Main horizontal problems encountered in the implementation of IPA assistance and subsequent measures taken/planned (max. half page).
12. Recommendations for further actions (max. half page).
13. Audits – main findings and recommendations and corrective actions taken

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II. Information per Sector

Sector title¹: [*Transport*]

Narrative part: summary per sector, including the following information:

1. Involvement in programming
2. Overview of results in moving towards a fully-fledged sector approach (i.e. targets reached as per sector roadmap in the Sector planning document).
3. Coordination with other instruments and/or donors/ IFI's within the sector
4. The impact of IPA II actions within the sector on the development of the relevant national administrative capacity in the sector, strategic planning and budgeting

Under indirect management the following information should also be included:

5. Operating structure(s) in place and related changes, if relevant: [*Ministry of Transport*]
6. Information on the implementation of programmes in the sector
7. Main achievements in the sector
8. Any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
9. Recommendations for further actions
10. Implemented monitoring and evaluation activities, audits – main findings & lessons learned, recommendations, follow-up and corrective action taken

Sector title: Cross-Border Cooperation²

1. Involvement in programming as appropriate.
2. Progress made in implementing the CBC programme and in particular in achieving the specific objectives per thematic priority (including qualitative and quantitative elements indicating progress in relation to targets)
3. A summary of problems encountered in implementing the CBC programme and any corrective actions taken, as well as recommendations for further corrective actions.

¹ As per the sectors in the indicative Strategy Papers.

² For Cross-border Cooperation specific reporting is required.

4. Monitoring, including data collection arrangements and where applicable evaluation activities.
5. Communication and visibility activities.
6. Coordination with the partner country.

Under indirect management the following information should also be included:

1. Operating structure in place and related changes, if relevant.
2. Any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
3. Recommendations for further actions
4. Implemented audits – main findings & recommendations and corrective action taken

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II a. Performance indicators in the [e.g. *Transport*] sector covering both direct and indirect management:

Indicators³ per programme

Financing Agreement/Programme reference ⁴	Indicator for sector [<i>Transport</i>]	Source	Baseline	Milestone (2017)	Target (2020)	Value (2014 ⁵)
<i>2014 country programme</i>	<i>Reduction of average travel time of passengers between major urban centres by transport mode</i>					
<i>2014-20xx multiannual programme</i>	<i>Reduced transportation costs per unit of output</i>					

³ These should be mostly outcome, as well as selected relevant output indicators

⁴ It has to be consistent with the way of programming (annual, multi-annual with or without split commitments) and with the NAO report

⁵ Number of columns to be adjusted for all years from 2014 up to the year of the reporting period. Values should be cumulative.

Handwritten signature and initials in blue ink.

II b. Overview at the action level for sector [*e.g. Transport*]

Financing Agreement/ Programme reference	Action	State of play/Progress for particular action (e.g. ToR in preparation, tender launched, contracted, under implementation, completed)	Main achievements and their assessment	Significant problems encountered in implementing the entrusted tasks and the measures taken/planned to overcome them	Developments that influence implementation for the future	Recommendations for corrective further actions
[2014 country programme]	<i>Electrification of the railway line from xxx to border with xxx</i>	<i>e.g. Service contract for preparation of ToR for the works contract signed and under implementation, tender for works contract to be launched in the second quarter of 2015</i>		<i>e.g. The service contract for the preparation of ToR for the works contract was delayed as the negotiated procedure failed and had to be re-launched</i>	<i>e.g. change of local law, like alignment with and implementation of the fourth Railway package</i>	

Under indirect management the following annexes should also be provided:

Annex 1

Overview of the functioning of the management and control systems (including changes in the institutional structure) (max. one page).

Transparency, visibility, information and communication activities in line with FWA (max. one page)

Annex 2

Success stories (N.B. this section may be used for the annual financial assistance report prepared by the European Commission)

Annex 3

Annual procurement plan

For both direct and indirect management, the following annex should be provided:

Annex 4

Sector approach roadmap – achievements (highlighting whether planned targets have been fulfilled or not)

IPA II beneficiary financial report (*)

Programme Reference	Financing Agreement contract number	Programme Budget			Local Contract Activities																								Recovery context				Bank Balances (EU contribution)				Forecast disbursements (EU)							
					Total Amount Contracted			Contracted %			Total Amount Decommited on closure			Decommited %			Total Amount Disbursed			Disbursed %			Total Costs Recognised			Costs %			Total Open Pre-financing			Open Pre-financing %			Errors	Irregularities	Fraud	No contest	Total	Total as % budget	Total as months forecast disbursements	Next 12 months	programme budget	
					4			5			6			7			8			9			10			11			12			13			14	15	16	17	18	19	20	21	22	
					4a	4b	4c	5a	5b	5c	6a	6b	6c	7a	7b	7c	8a	8b	8c	9a	9b	9c	10a	10b	10c	11a	11b	11c	12a	12b	12c	13a	13b	13c										
1	2	3a	3b	3c	4a	4b	4c	5a	5b	5c	6a	6b	6c	7a	7b	7c	8a	8b	8c	9a	9b	9c	10a	10b	10c	11a	11b	11c	12a	12b	12c	13a	13b	13c										
		EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources										
NP2010	2010/123-456																																											
CBC AA/RO 2010																																												

(*) 15 February

IPA II beneficiary financial report (*)

Programme Reference	Financing Agreement contract number	Programme EU Contribution Budget	Local Contract Activities									
			Total Amount Contracted	Contracted %	Total Amount Decommited on closure	Decommited %	Total Amount Disbursed	Disbursed %	Total Costs Recognised	Costs %	Total Open Pre-financing	Open Pre-financing %
1	2	3	4	5	6	7	8	9	10	11	12	13
				4/3*100%		6/4*100%		8/4*100%		10/4*100%		12/4*100%
NP2010	2010/123-456											
Sub-programme												
Action												

(*) 15 February

47

IPA II beneficiary financial report (*)

Programme Reference	Financing Agreement contract number	Programme EU Contribution Budget	Local Contract Activities					Bank Balances
			Total Amount Contracted	Total Amount Decommitted on closure	Total Amount Disbursed	Total Costs Recognised	Total Open Pre-financing	Total
1	2	3	4	5	6	7	8	9
NP2010	2010/123-456							

(*) 15 January

Programme Reference	Planned Disbursement Forecasts (Add years as necessary)														
	Monthly Disbursement Forecast (12 months for first pre-financing/ 14 months for subsequent prefinancing)														Total Year 1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
NP2010															0
CBC AA/BB 2010															0

47

25/01/2010

The accounting system of the IPA II beneficiary shall meet following requirements:

1. Reflect the organisational structure put in place for the internal control systems suited to the performance of duties. In particular before an operation is authorised, all aspects (both operational and financial) of the operation have to be verified by members of staff other than the one who initiated the operation. The person dealing with the verification cannot be subordinated to the initiator of the transaction.
2. Include an audit trail for all transactions and amendments.
3. Possess adequate physical and electronic security including back-up and recovery systems.
4. The accounting system should hold at least the following information for the local contracts managed under each programme:
 - (a) Contract reference;
 - (b) Contract value including any amendments;
 - (c) Contract signature dates (both parties);
 - (d) Contract implementation start date;

This is in addition to the contract signature date and may differ from it, as when the contract works start date is given after the signature of the contract through an Administrative Order.

- (e) Contract implementation end date including any amendments;

This is the final date on which eligible costs can be incurred. It does not include any guarantee period or time allowed for report preparation by the contractor.

- (f) Total paid (cash) by contract;
 - (g) Pre-financing paid by contract;

Explicit recognition and recording on the balance sheet of contractually required pre-financing.

- (h) Cost recognised – direct (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some payments will directly cover costs already incurred. No pre-financing is involved. They may be final

payments where any pre-financing has already been cleared or interim payments where pre-financing has been cleared or where the contract does not include the provision of pre-financing.

(i) Cost recognised – indirect (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some invoices or cost claims submitted by a grant beneficiary or contractor will relate to costs that are covered by pre-financing paid earlier in the implementation period of the grant agreement or contract. In these cases the payment made will be less than the reported cost. It may even be zero if all the cost is covered by pre-financing. (it will certainly be zero if the reported costs are insufficient to absorb the pre-financing and a recovery order is issued for the unused balance of the pre-financing.) In all such cases the system should record the full value of the reported eligible cost as expenses for the year and reduce the balance of pre-financing by the amount of cost offset against the pre-financing when determining the amount payable.

(j) Recovery orders to reduce pre-financing (by contract);

Recognition of the reduction of pre-financing on the balance sheet following a recovery of unused pre-financing.

(k) Recovery orders to reduce cost (by contract);

When a recovery is made against cost that had earlier been accepted – possibly following an investigation for fraud. In such cases the recorded costs for the year must be reduced if the cost was accepted in the same year as the subsequent recovery; or income must be recorded where the cost was accepted in an earlier year than that of the recovery.

(l) Supplier's invoice date for each invoice or other document accompanied by a financial report giving rise to recognised costs;

(m) Recovery context information on ineligible cost and recoveries.