

OPERATIONAL AGREEMENT

between

The Head of Operating Structure for IPA Component IIb

(Ms Franka Vojnović, Head of Sector for Regional Development Policy, Ministry of Regional Development and EU Funds)

and

Programme Authorising Officer

(Ms Matilda Copic, The Acting Director of the Agency for Regional Development of the Republic of Croatia)

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Parties

The **Ministry of Regional Development and EU Funds (MRDEUF)**, represented by Ms Franka Vojnović in her capacity as the Head of Operating Structure for IPA Component IIb (HOS);

and

The **Agency for Regional Development (ARD) of the Republic of Croatia** represented by Ms Matilda Copić, in her capacity as Acting Director of the ARD, acting as the Programme Authorising Officer (PAO) for the IPA Component IIb Operating Structure;

Recitals

Whereas

- ☒ EC Council Regulation No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA) including amendments No 540/2010 of 16th June 2010, No 153/2012 of 15 February 2012; Corrigendum to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA),
- ☒ Communication from the Commission to the Council and the European Parliament
 - ☒ COM(2006)672 of 8 November 2006 - IPA Multi-Annual Indicative Financial Framework for 2008-2010;
 - ☒ COM(2007)0689 of 6th November 2007 - IPA Multi-Annual Indicative Financial Framework for 2009-2011;
 - ☒ COM(2008)0705 of 5th November 2008 - IPA Multi-Annual Indicative Financial Framework for 2010-2012;
 - ☒ COM(2009)0543 of 14th October 2010 - IPA Multi-Annual Indicative Financial Framework for 2011-2013;
 - ☒ COM(2010)0640 of 10th November 2010 – Revised IPA Multi-Annual Indicative Financial Framework for 2011-2013;
 - ☒ COM(2011)0641 of 12th October 2011 - Revised IPA Multi-Annual Indicative Financial Framework for 2012-2013;
 - ☒ COM(2012)0581 of 10th October 2012 - Revised IPA Multi-Annual Indicative Financial Framework for 2012-2013.
- ☒ Commission Regulation (EC) No 718/2007 of 12 June 2007 Implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) including amendments No 80/2010 of 28 January 2010, 1292/2011 of 9 December 2011, 813/2012 of 12th September 2012 and 484/2013 of 24 May 2013, *referred to in this Agreement as the IPA Implementing Regulation (IR)*;
- ☒ Framework Agreement concluded on 27 August 2007 between the Government of the Republic of Croatia and the Commission of the European Communities on the rules for co-operation concerning EC-financial assistance to the Republic of Croatia in the framework of the implementation of the assistance under IPA;
- ☒ Implementing Agreement between the National Authorising Officer (NAO) and the HOS for the management and implementation of Cross-Border Programmes (understood to include Croatia's participation in ERDF European Territorial Cooperation transnational programmes) financed by the Instrument for Pre-accession was concluded on 22 February 2016;
- ☒ Commission Decision C(2010)5665 of 18 August 2010 amending Commission Decision C(2008)6735 of 14 November 2008 conferring on the Republic of Croatia management powers relating to cross-border programmes between Croatia and one or more IPA

beneficiary countries and transnational programmes involving Croatia under IPA component II. The amendment reflects the role of the Agency for Regional Development as the new implementing Agency;

- ☒ Commission Decision (C(2013)647) of 12 February 2013 amending Commission Decision (C(2008)6735) of 14 November 2008 conferring on the Republic of Croatia management powers relating to the cross-border programmes between Croatia and one or more IPA beneficiary countries and transnational programmes involving Croatia under the Cross-Border Cooperation Component II of the Instrument of Pre-Accession Assistance (IPA) without ex-ante controls by the Commission;
- ☒ Treaty between Member States of the European Union and the Republic of Croatia concerning the accession of the Republic of Croatia to the European Union (OG - International Agreements, no. 2/12, 9/13);
- ☒ Commission Decisions for each Cross-Border Programme (understood to include Croatia's participation in ERDF European Territorial Cooperation transnational programmes) adopted annually and further specify the detailed implementation provisions contained therein;
- ☒ Financing Agreements for each Cross-Border Programme (understood to include Croatia's participation in ERDF European Territorial Cooperation transnational programmes) signed between the Government of the Republic of Croatia and the Commission of the European Communities annually and further specify concrete terms and provisions for the management and disbursement of programme Funds;
- ☒ Protocols signed by the relevant partner countries which further specify the modalities of joint CBP management – the chief of which is the relevant programme Joint Technical Secretariat;
- ☒ Regulation on the Scope and Contents of Responsibilities and the Authority of Bodies Responsible for Managing the Instrument For Pre-Accession Assistance (IPA) and Transition Facility (OG 84/2014); Amendment to the Regulation on the Scope and Contents of Responsibilities and the Authority of Bodies Responsible for Managing the Instrument For Pre-Accession Assistance (IPA) and Transition Facility (OG 78/2015);
- ☒ Decision on the Appointment of Individuals Responsible for Managing the Instrument for Pre-Accession Assistance (IPA) and Transition Facility (OG 26/2012); Amendment to the Decision on the Appointment of Individuals Responsible for Managing the Instrument for Pre-Accession Assistance (IPA) and Transition Facility (OG 78/2015);
- ☒ Regulation establishing the Agency for Regional Development of the Republic of Croatia (OG 155/2008); Amendment to the Regulation establishing the Agency for Regional Development of the Republic of Croatia (OG 83/2012);
- ☒ Letter of Appointment of PAO for IPA Component II of 1st April 2016 (CLASS: 910-01/09-01/591; REFNUM: 513-05-05-16-62)

Abbreviations and Definitions

Abbreviations

AF	Application Form
AP	Application Pack
ARD	Agency for Regional Development of the Republic of Croatia
CBC	Cross-Border Cooperation
CBP	Cross-Border Programme
CfP	Call for Proposals
DIMC	Department for Incentive Measures and Control
DRD	Directorate for Regional Development
DMS	Decentralised Management System without ex-ante controls by EC
EC	European Commission
EU	European Union
FA	Financing Agreement
FB	Final Beneficiary
FIDIC	International Federation of Consulting Engineers (fr. Fédération internationale des ingénieurs-conseils)
FIF	Financial Identification Form
FR	Financial Regulation applicable to the General Budget of the European Union
GfA	Guidelines for Applicants
HOS	Head of Operating Structure
IFI	International Financial Institutions
IPA	Instrument for Pre-Accession Assistance
IPA IIb	Instrument for Pre-Accession Assistance 'Cross-Border Cooperation' Component (programmes with potential /candidate countries & transnational programmes)
IR	IPA Implementing Regulation
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
MF	Ministry of Finance
MoU	Memorandum of Understanding on establishment of the National Fund
MRDEUF	Ministry of Regional Development and EU Funds
NAO	National Authorising Officer
NF	National Fund
NIPAC	National IPA Co-ordinator
OS	Operating Structure
PAO	Programme Authorising Officer
PM	Project Manager
PRAG	Practical Guide to contract procedures for EU external actions
SITC	Service for International Territorial Cooperation
SRDP	Sector for Regional Development Policy
TA	Technical Assistance
TP	Transnational Programme

Definitions

The definitions given below are intended to be understood strictly within the framework of the stated objectives and scope of this Agreement¹:

EU Contribution: the part of the eligible expenditure which is financed by the EU;

Cross-Border Programmes (CBPs): multi-annual programmes (IR, Article 6) covering the period 2007-2013, implemented in NUTS III (or equivalent) border regions, adopted by the EC and subject to annual Financing Agreements throughout their programming periods, whose contents comply with IR, Article 94. These are also understood to include programmes financing Croatia's participation in ERDF European Territorial Cooperation programmes;

Decentralised Management System (DMS) (IR, Article 10): a system of administrative structures and standard procedures which are set-up, and used, within the beneficiary country public administration to manage the implementation stage of the EU programme/project cycle. The DMS systematises and allocates institutional and individual post responsibilities, introduces the use of standard documents and procedures and establishes clear internal audit trails. In principle, the system requires:

- i. the establishment of a '*National Fund*' (NF), into which the EC transfers programme Funds;
- ii. the appointment of a '*National Authorising Officer*' (NAO) who is responsible for the management of these Funds;
- iii. the establishment of an '*Implementing Agency or Agencies*', to which the NF transfers programme Funds, and which is responsible for tendering, contracting and making payments of programme Funds;
- iv. the appointment of a '*Programme Authorising Officer*' (PAO) who is responsible for managing the operations of the Implementing Agency;
- v. the appointment of '*Heads of Operating Structures*' (HOSs) in line institutions who are responsible for the management and implementation of the entire programme cycle;
- vi. the appointment of a '*National IPA Co-ordinator*' (NIPAC) who is responsible for coordinating IPA programming and monitoring;
- vii. the appointment of cross-border cooperation coordinator who is responsible for overall coordination of the participation of the Republic of Croatia in the relevant cross-border programmes, both with Member States and with other beneficiary countries, as well as in the transnational, interregional or sea basins programmes under other EU instruments.

Eligible costs: any expenses considered as eligible under the IPA FAs in accordance with the Framework Agreement of 27 August 2007 on the rules for co-operation concerning EC-financial assistance to the Republic of Croatia in the framework of the implementation of the assistance under the instrument for pre-accession assistance (IPA), the relevant FAs, the Implementing Agreement between the National Authorising Office and the Head of the Operating Structure for the management and implementation of IPA Component IIb programmes, the PRAG and any other relevant documentation;

¹ Some of the terms defined, and used, within this Operational Agreement may have different, and /or, wider meanings in other Croatian Government inter-institutional agreements e.g. for parallel agreements relating to other components of IPA.

Euro Account: interest bearing bank account opened by the national fund in a financial or treasury institution, on behalf of the beneficiary country and under its responsibility, to receive payments from the EC;

Financial Year: runs from 1 January to 31 December;

Financing Agreements (hereinafter 'FAs'): for IPA-CBC IIb are annual agreements concluded between the EC and the beneficiary country, following the respective EC financing decisions, approving the EU contributions to Cross-Border Programmes (CBPs). FAs are signed by the NIPAC (representing the beneficiary country) and the EC, they represent the formal commitments of the EU to finance the priorities and measures described in each CBP;

Final Beneficiary (hereinafter 'FB'): body or firm, whether public or private, responsible for initiating and implementing operations. In the context of aid schemes, final beneficiaries are public or private firms carrying out an individual project and receiving public aid;

Financial Regulation (FR): has been adopted by Council Regulation (EC, Euratom) No 966/2012 of 25 October, 2012, OJ L 298 of 26.10.2012 on the Financial Regulation and lays down on the rules of application of Regulation (EC Euroatom) No 1268/2012 of 29 October 2012, on the financial rules applicable to the general budget of the Union;

Head of Operating Structure (HOS): bears overall responsibility for the management of IPA CBPs in relation to the entirety of each programme as it is implemented in Croatian eligible /adjacent regions;

IPA Component IIb: that part of IPA '*Cross-Border Cooperation*' Component funding which supports CBPs with candidate/potential candidate countries or within the context of Croatia's participation in ERDF European Territorial Cooperation transnational programmes, as defined in the IR, Articles 22, 32, 86, 139-145;

Implementing Agency (IR, Article 139.5): responsible for the tendering and contracting, payments accounting and financial reporting aspects of the procurement of services, supplies, works and grants for the part of the cross-border programme concerning the respective country;

Irregularity: any infringement of a provision of applicable rules and contracts resulting from an act or an omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget;

Joint Monitoring Committee (IR Article 142): a committee established by countries participating in each CBP responsible for, *inter alia*, approving Calls for Proposals, membership of '*Joint Selection Committees*', project selection, annual /final Implementation Reports, and programme amendments;

Joint Steering Committee (IR, Article 142 f): a committee to which the Joint Monitoring Committee delegates the responsibility of selecting projects;

Joint Technical Secretariat (IR, Article 139.4): a technical assistance resource jointly established, and jointly staffed, by the countries participating in each CBP and jointly funded from the same programme budget. The Joint Technical Secretariats provide technical assistance /support to either: the responsible Managing Authorities (for programmes with Member States including transnational ones); or the responsible Operating Structures (for programmes with IPA beneficiary countries);

National Authorising Officer (NAO): a high ranking official in the national administration who heads the National Fund. The NAO has overall responsibility for the financial management of IPA Funds in the beneficiary country;

National Fund: the central treasury entity within the Ministry of Finance through which IPA Funds are channelled towards final beneficiaries following an assessment by the European Commission of its effective compliance with the relevant provisions of the FR and the IR.

National IPA Co-ordinator (NIPAC): a high ranking official in the national administration who is in charge of the overall coordination of IPA assistance in the beneficiary country. The NIPAC also ensures a close link between the general accession process and the use of IPA

assistance, and is responsible for coordination between programme components, for the programming of IPA Component I, coordination of Croatia's participation in the relevant IPA Component II programme, and for the preparation of the annual and final IPA implementation reports, and their submission to the European Commission;

Operating Structure (OS): designated institutions within the national administrations of countries participating in IPA Component II programmes which are responsible for the programming, management and implementation of Cross-Border Programmes;

Programme Authorising Officer (PAO): Director of ARD / Implementing Agency who is responsible for the activities carried out by the implementing agency;

Public Expenditure: any public contribution to the financing of operations whose origin is the European Union or the budget of the public authorities of the beneficiary country and any contribution to the financing of operations whose origin is the budget of public law bodies or associations of one or more regional or local authorities or public law bodies;

Total Expenditure: the public expenditure and any private contribution to the financing of operations;

Transnational Programmes (TP): multi-annual programmes (IR, Article 6) implemented in cooperating countries as defined under the European Territorial Cooperation objective of the Structural Funds, adopted by the EC and subject to multi-annual Financing Agreements covering the periods of the programme financial tables;

Article 1. Objectives and Scope of the Agreement

The overall objective of this Operational Agreement ('the Agreement') is to define the institutional framework within the Croatian public administration for the management and implementation of IPA Component IIb Cross-Border Programmes (hereafter 'CBPs'), as laid down in Annex A(6) of the IPA Framework Agreement, and to define the responsibilities and functions of the respective parties, as named at the beginning of this Agreement.

This Agreement does not cover IPA CBPs with Member States and its scope is strictly limited to the five programmes under IPA Component IIb, as laid down in Annex A(6) of the IPA Framework Agreement².

The Agreement makes a distinction between the three bilateral CBPs involving the bordering IPA beneficiary countries, and Croatia's participation in two Transnational Programmes (TP's) under the European Regional Development Fund's and European Territorial Cooperation objective for the appropriations 2007, 2008 and 2009.

The bilateral CBPs are managed by the OS in Croatia, namely:

- (i) CBP Croatia-Bosnia & Herzegovina, 2007-2013;
- (ii) CBP Croatia-Montenegro, 2007-2013;
- (iii) CBP Croatia-Serbia, 2007-2013.

All the provisions of this Agreement apply to the management and implementation of the three bilateral OPs.

The two TPs are managed by Managing Authorities located in one of the participating EU Member States, namely:

- (iv) Transnational Programme "Mediterranean"
- (v) Transnational Programme "South-East Europe".

² For internal Croatian administrative purposes; that part of IPA Component II funding which is allocated to programmes with EU Member States and transnational programmes (projects financed out of 2010-2013 allocations) is referred to as IPA Component IIa, and the CBPs thereby supported are referred to as IPA IIa programmes; whilst IPA Funds for: (i) CBPs with other IPA beneficiary countries; and (ii) transnational programmes (projects financed out of 2007, 2008 and 2009 allocations) are IPA Component IIb.

All the provisions of this Agreement apply to the implementation of the two TP's, except Articles 4 to 7 (inclusive). The functions laid down in Annex A(6) of the Framework Agreement are modified in line with the relevant Financing Agreements.

The Head of Operating Structure (HOS) is responsible and accountable for the activities of the Operating Structure, in relation to the bilateral Cross-Border Programmes and TP's under IPA Component IIb in Croatia.

The Director of ARD is responsible to HOS and accountable for the legality, regularity and sound financial management of each transaction (contract and payment) within Croatia.

The specific objective of this Agreement is to define which of the responsibilities for programme management, implementation and control, given to the HOS, are assigned to the institutions which constitute the Operating Structure (OS) for IPA Component IIb programmes and projects, in accordance with IR, Article 11.

This Agreement is subsidiary to the Implementing Agreement concluded between the NAO and HOS for the management and implementation of IPA Component IIb programmes.

Article 2. Responsibilities of the Operating Structure

In accordance with IR, Article 139 the Operating Structures for IPA Component IIb are responsible for the following functions:

- a) drafting the annual or multi-annual programmes;
- b) ensuring that co-financing Funds have been reserved in the State budget;
- c) monitoring programme implementation and guiding the work of the Joint Monitoring Committees as defined in IR, Article 142, notably by providing the documents necessary for monitoring the quality of implementation of the programmes;
- d) drawing up the CBP annual / final Implementation Reports defined in IR, Article 144 and, after their examination by the Joint Monitoring Committees, submitting them to the EC, to the National IPA Co-ordinator and to the National Authorising Officer;
- e) ensuring that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the programmes, and that they comply with the relevant EU and national rules;
- f) setting up procedures to ensure the retention of all documents required to ensure an adequate audit trail, in accordance with IR, Article 20;
- g) arranging for tendering procedures and grant award procedures;
- h) arranging for the ensuing contracting of selected Grant Beneficiaries and making payments to, and recovery from, Grant Beneficiaries;
- i) ensuring that all organizations / bodies involved in the implementation of operations maintain a separate accounting system or a separate accounting codification;
- j) ensuring that the National Fund and the National Authorising Officer receive all necessary information on the procedures and verifications carried out in relation to expenditure;
- k) setting up, maintaining and updating the reporting and information system iPersues and MIS;
- l) carrying out verifications to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision, and Requests for Payment by the

Grant Beneficiary are correct. These verifications shall cover administrative, financial, technical and physical aspects of operations, as appropriate;

- m) ensuring internal audit of its different constituting bodies;
- n) ensuring irregularity and risk management reporting;
- o) ensuring compliance with the information and publicity requirements.

With regard to TP's, the Operating Structure is limited to the duties indicated in the individual annual Financing Agreements concluded between the Government of the Republic of Croatia and the European Commission on participation in such programmes, namely functions (f), (h), (i), (j), (l), (m), (n), and (o). Further elaboration of these provisions is set out in Article 8 of this Agreement.

The HOS shall ensure that procedures are established to confirm that necessary resources are made available, unconditionally and irrevocably, by the parties cited in this Agreement for the programming, tendering, contracting, payments, management, supervision and completion of the Priorities, Measures and Operations envisaged within IPA Component IIb CBPs, as appropriate. All parties to this Agreement undertake to use IPA grants and national contributions solely for the purposes of IPA Component IIb operations, and not for any activity and expenditure other than those set out in either: (i) the relevant IPA Component IIb Financing Agreements (FAs); or (ii) the Implementing Agreement between the NAO and HOS for the management and implementation of IPA Component IIb programmes, or (iii) this Agreement.

Article 3. Institutions within the Operating Structure

The OS is composed of the following institutions in accordance with IR, Articles 28, 31 and 139:

1. The Ministry of Regional Development and EU Funds (MRDEUF),
2. The Agency for Regional Development of the Republic of Croatia (ARD)

1. The Ministry of Regional Development and EU Funds

Head of OS for IPA Component IIb Programmes:

Head of Sector for Regional Development Policy

The Ministry of Regional Development and EU Funds

Račkoga 6, 10000 Zagreb

- Directorate for Regional Development (DRD) - Sector for Regional Development Policy (SRDP), Service for International Territorial Cooperation (SITC) in MRDEUF will execute the programming and programme management functions set out under Article 4 of this Agreement, on behalf of the HOS.
- Directorate for Regional Development (DRD) - Sector for Regional Development Policy, Service for Regional Development Policy and Coordination, Department for Incentive Measures and Control (DRD-DIMC) will perform supervision of the ARD, JTS and DRD-SITC on behalf of the HOS and activities set out under Article 7 of this Agreement.

2. The Agency for Regional Development of the Republic of Croatia

Contracting Authority and Implementing Agency for IPA IIb Programmes:

Director

The Agency for Regional Development of the Republic of Croatia

Stančićeva 6 10000 Zagreb

In line with the Implementing Agreement concluded between the NAO and HOS for the management and implementation of IPA Component IIb programmes, and in compliance with IR, Article 139 (5), the ARD will fulfil the responsibilities of the Implementing Agency/Contracting Authority for Croatia for the CBPs under IPA Component IIb, and other functions set out under Article 5 of this agreement, on behalf of the HOS.

HOS as single identifiable person is a member of the Management Council of the Agency for Regional Development of the Republic of Croatia.

Director of the ARD acts as Programme Authorising Officer, in accordance with IR, Article 139 (5). The ARD also fulfils the responsibilities of the Contracting Authority for all measures under the three CBPs and two TPs. The ARD will be responsible for preparing all documentation relating to tendering, contracting and payments for and the signature of the Director of ARD.

In accordance with Article 139 (4) of the IR, for each cross-border programme among beneficiary countries, the relevant Operating Structures have set up a **Joint Technical Secretariat (JTS)** to assist the Operating Structures and the Joint Monitoring Committee referred to in IR, Article 142 in carrying out their respective duties, as set out under Article 6 of this Agreement. The JTS may have antennae established in each of the participating countries. The JTS is financed from the Technical Assistance measure of its respective CBP and governed by the Protocols between the participating countries.

In order to ensure effective communication within the Operating Structure, HOS and representatives of **IPA IIb bodies** will meet on a regular basis.

Article 4. Functions of DRD-SITC within the Operating Structure

Within MRDEUF, DRD-SITC is responsible to the HOS for ensuring the execution of the functions related to the bilateral CBPs listed below:

1. Providing support to the HOS in setting up and maintaining the institutional structure and systems for IPA Component IIb, and ensuring that the Operating Structure maintains its status as accredited for decentralized management, including responsibility for maintaining and updating the Manual of Procedures for the IPA IIb Operating Structure and the Manual of Procedures for the Joint Technical Secretariats, while also ensuring the integration of Cross-Border Cooperation into Croatia's regional development policy
2. Coordinating the preparation of Cross-Border Programmes (CBPs), and their adjustments, in conjunction with partner countries:
 - a) Drafting the annual or multi-annual programmes;
 - b) *Ex-ante* evaluation of CBPs if necessary;
 - c) If appropriate, submission of the multi-annual and annual programmes to NIPAC for adoption, and any reviews thereof;
 - d) Identification, for each CBP measure, of the intended final beneficiaries, the expected selection modalities and possible related specific selection criteria;
 - e) Preparation of proposals for amendments of the IPA CBP Financing Agreements.
3. Ensuring that co-financing funds have been reserved in the State budget;
4. In conjunction with partner countries, ensuring that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the CBPs (including JMC approval), and that they comply with the relevant EU and national rules, in terms of:

- a) Checking compliance of the draft Guidelines for Applicants (GfA) / 'Application Packs' (including Application Forms), prepared by the respective JTS, with the relevant Cross-Border Programme;
 - b) Participating in partner search forums, workshops for potential applicants, and project clinics for applicants intending to submit a proposal, organised by the JTS, where appropriate;
 - c) Proposing the Croatian voting members of the Joint Steering Committee, before their submission to the Joint Monitoring Committee (JMC) and ARD for approval;
 - d) Proposing the Croatian assessors for the Joint Steering Committee, before their submission to the ARD for approval;
 - e) Participating in the JMCs to review and then endorse or reject the selected grant applications following their evaluation.
5. In conjunction with partner countries, identification and appraisal of 'strategic projects', outside of Calls for Proposal and in compliance with IR, Article 95, before the preparation of documentation by the JTS and their submission to the HOS and JMC for approval;
 6. In conjunction with partner countries, setting up reporting and information systems for IPA Component IIb projects and programmes, to be used, maintained and updated by the JTS and ARD, as appropriate;
 7. Preparing the applications for the technical assistance contracts for JTS's, based on the annual TA Work Plan prepared by DRD-SITC (with inputs from the JTS) and approved by JMC, for submission to ARD for approval;
 8. Managing technical assistance contracts, signed with ARD as Contracting Authority, including: oversight of each JTS and its operations; verification and approval of reports on the TA carried out under the TA contracts prepared by each JTS; verification and approval of draft procurement documentation and contractors' invoices for supplies and services carried out under the TA contracts, prepared by each JTS; preparation and submission of Requests for Payment for TA contracts to ARD; and supervision of the performance of each JTS on behalf of the HOS (see Article 6 of this Agreement);
 9. Co-ordination of programme monitoring (IR, Article 59):
 - a) Proposing Croatian members for the Joint Monitoring Committees (JMCs) for each CBP;
 - b) Participating in JMC and submitting papers and proposals, as appropriate;
 - c) Coordinating the Croatian representatives on each JMC, including the organisation of a pre-meeting before each JMC, with the aim of producing a consensus for decision-making.
 10. In cooperation with the relevant partner OS, and with the relevant JTS and the ARD ensuring the preparation and approval of Annual and Final Implementation Reports for each CBP (as defined in IR, Article 144 and Article 38(1) and (2) of the Framework Agreement) and, after their examination by the relevant JMC, submitting them to the NAO, EC and ARD;
 11. Preparing the Annual and Final Implementation Reports on the implementation of the programmes under OS responsibilities (as defined in IR, Article 61);

12. Preparation of regular status reports on the progress of the implementation of CBP priorities, measures / operations and input into the preparation of financial and reporting documents, as required within the Croatian public administration, with inputs from ARD and JTS' as appropriate;
13. In conjunction with partner countries, organisation of at least one interim evaluation during the implementation period of each bilateral CBP, in terms of preparation of terms of reference to be tendered and contracted by ARD, and acting as the main beneficiary in the contract for the evaluation itself;
14. In conjunction with partner countries, participation in ex post evaluations organized by the European Commission;
15. Ensuring that all bodies involved in the implementation of operations maintain a separate accounting system or a separate accounting codification;
16. Ensuring risk management reporting, using procedures issued by the NAO;
17. Ensuring compliance with the information, publicity and visibility requirements, and in particular, providing information and publicity for IPA Component II as a whole, liaising closely with the IPA Publicity Officer and the relevant JTS for each CBP;
18. Ensuring reporting of irregularities and 'exceptions to normal approved procedures', using procedures issued by the NAO ;
19. Setting up procedures to ensure the retention of all documents required to ensure an adequate audit trail, in accordance with IR, Article 20;
20. Ensuring internal audit of departments within MRDEUF, together with its executive entities / organizations (e.g. JTSs), and appropriate processing of the results and follow-up actions;
21. Ensuring that statements of assurance are conducted for departments within MRDEUF, within the OS, in line with procedures issued by the NAO;
22. Providing information / data (including that prepared by ARD and the Joint Technical Secretariats) to the Operating Structures of partner countries, in order for them to fulfil their reporting obligations;
23. Receiving any proposals from ARD and JTS' for adjustments to CBPs, considering the merits of these proposals and DRD-SITC's own findings, plus the conclusions of annual implementation reports, the recommendations of interim evaluation, the findings of project and programme monitoring data or other sources, responding to the ARD or JTS as appropriate, and making recommendations to the JMC and/or NIPAC, accordingly;
24. Liaising with Directorate for Strategic Planning, Coordination of EU Funds and International Programmes and the European Commission, as appropriate, and advising the HOS on the rolling review of the Multi-Annual Programming Document, and annual updates of the Multi-Annual Financial Framework insofar as they affect the programmes and activities under IPA Component II;
25. Participating in meetings and Committees relevant to IPA CBPs

Modalities are outlined in the Programme Management Manual for the IPA Component IIb Operating Structure.

Article 5. Functions of ARD within the Operating Structure

The ARD and the Director of ARD are responsible to the HOS for ensuring the execution of the functions related to the bilateral CBPs listed below:

1. In conjunction with partner countries, ensuring that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the CBPs (including JMC approval), and that they comply with the relevant EU and national rules, in terms of:
 - a) Ensuring the joint selection of joint operations with participating partner countries through joint, single, Calls for Proposals (CfP) covering the whole of the eligible programming areas, in compliance with IR, Article 95;
 - b) In conjunction with partner countries, ensuring the soundness of the evaluation process by verifying the evaluation reports from the Joint Steering Committees before their submission to JMC for adoption and then to Director of ARD for approval, and notifying applicants of the outcome.
2. Ensuring execution of tendering, contracting and grant award procedures in line with the procurement rules in Article 10 of this Agreement:
 - a) Checking and quality controlling documentation related to Calls for Proposals proposed by JTS;
 - b) Checking and approving nominations for membership of Joint Steering Committees (JSCs) from Croatian side, proposed by the DRD-SITC, and subsequent submission to JMC for adoption;
 - c) Checking and approving external assessors for Joint Steering Committees (JSCs) for Calls for Proposals, proposed by DRD-SITC;
 - d) Chairing the JSCs for Calls for Proposal, if so mandated by the JMC;
 - e) Checking and approving evaluation reports for Calls for Proposals prepared by JSC at all stages of evaluation before their submission to JMC for adoption;
 - f) Checking and verifying notification letters to applicants, prepared by JTS, notifying them of grant award or rejection of their project and dispatching said letters to Croatian applicants, once signed.
3. Preparing contracts with Grant Beneficiaries, including checking budgets in applications for ineligible costs and/or arithmetical errors (so-called "budget clearing")³, and submitting each contract to the relevant Grant Beneficiary and Director of ARD for signatures. In line with this function, Director of ARD will sign the contracts for strategic projects as well;
4. Checking and approving the draft implementation package prepared by JTS to be sent to Grant Beneficiaries;
5. Checking and approval of the grant application (including the budget) of the direct award;
6. Following consultation with DRD-SITC (to ensure compliance with the CBP) regarding terms of reference and specifications, approving all tendering, contracting and contract management for services and supplies under the technical assistance priority axis of each bilateral CBP including: JTS staff and other costs; expenditure related to IPA II and CBP information, publicity and visibility; service contracts for

³ Budgetary clearing shall be performed with the assistance of the JTS

interim evaluations; the costs of organizing JMCs; translation and interpretation; and other eligible activities;

7. Receiving and checking any proposals from Grant Beneficiaries for minor modification of projects within the thresholds set out in the General Conditions;
8. Receiving and checking any requests for addendums to the contract submitted by Grant Beneficiaries and preparing and signing the addenda to the contract by the ARD Director, the addenda is submitted to the Grant Beneficiary for signature;
9. Making payments to, and recovery of funds from, Grant Beneficiaries, with execution of payments being in line with individual contracts:
 - a) Checking and approving each 'Request for Payment' from Grant Beneficiaries, after validation of expenditures and relevant supporting documentation including financial guarantees, interim and final reports and/or expenditure verification reports, as appropriate;
 - b) Preparing 'Request for Funds' (plus all supporting documentation) for submission to the National Fund (NF) for approval;
 - c) Executing payments to Grant Beneficiaries on the same date as the IPA funds are received into the ARD sub-account from the NF;
 - d) Recovering to the NF any unduly used funds, due to irregularity or error, and/or overpayments made from the Grant Beneficiary.
10. Carrying out verifications to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, and the Requests for Payment by Grant Beneficiaries are correct. These verifications shall include administrative and financial checks on Requests for Payment from Grant Beneficiaries, respectively:
 - a) Receiving, checking and approving the interim and final reports, regarding compliance with grant contract, eligibility of submitted payment claims, physical existence of deliverables and proper conduct of secondary procurement, before preparing the 'Request for Funds';
 - b) Carrying out 100% on-the-spot checks to verify payment claims ('Requests for Payment') from Grant Beneficiaries and at least 10% on-the-spot checks during implementation.
11. Maintaining a separate accounting system or a separate accounting codification;
12. Supporting DRD-SITC and JTS in the preparation of documents for the JMC, particularly those involving financial reporting, on progress made towards achieving targets of the measures;
13. Providing written inputs for the DRD-SITC's preparation of Annual and Final Implementation Reports (as defined in IR, Article 144 and Article 38(1) and (2) of the Framework Agreement), including with regard to the performance of the TA measures of the CBPs;
14. Cooperating with interim and ex-post evaluations, including providing access to evaluators, if requested;
15. Ensuring risk management reporting, using procedures issued by the NAO, including reporting to the Risk Coordinator for IPA Component IIb;
16. Ensuring compliance with the information, publicity and visibility requirements, including ensuring that Grant Beneficiaries comply with their contractual obligations regarding visibility and visual identity;

17. Ensuring reporting of irregularities and 'exceptions to normal approved procedures', using procedures issued by the NAO and maintaining a 'Register of Debtors';
18. Setting up procedures to ensure the retention of all documents required to ensure an adequate audit trail, in accordance with IR, Article 20;
19. Ensuring that the HOS receives all necessary information on the procedures and verifications carried out in relation to project implementation and payments;
20. Ensuring internal audit of ARD and appropriate processing of the results and follow-up actions in line with ARD procedures and any instructions issued by the NAO;
21. Ensuring that statements of assurance are conducted for relevant Directorates/Services within the ARD, in line with procedures issued by the NAO;
22. Making proposals to DRD-SITC for adjustments to the CBPs, as appropriate, including changes to priority axes, measures and implementation modalities;
23. Participating in meetings and Committees relevant to IPA CBPs.

The ARD and Director of ARD are also responsible for ensuring the following functions, related specifically to the TA measures within the CBPs under IPA Component IIb:

24. Evaluating the application submitted by the DRD-SITC, and either approving it, or returning the application back to DRD-SITC for correction;
25. Preparing and signing a contract by Director of ARD, based on the approved application;
26. Once approved, forwarding the contract for signature to the Minister of the MRDEUF.

Modalities are outlined in the Manual of Procedures for the Agency for Regional Development of the Republic of Croatia.

Article 6. Functions of the Joint Technical Secretariat (JTS)

Each JTS is responsible to the HOS and Director of ARD for ensuring the execution of the functions related to the bilateral CBPs listed below:

1. Managing its operations under the technical assistance contracts, including preparation and submission to DRD-SITC for approval of: the annual TA work plan; JTS staff and other costs; reports on the TA carried out under the TA contracts; draft procurement documentation and contractors' invoices for supplies and services carried out under the TA contracts; and payment requests for TA contracts;
2. In conjunction with partner countries, ensuring that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the CBPs (including JMC approval), and that they comply with the relevant EU and national rules, in terms of:
 - a) Ensuring the joint selection of joint operations with participating partner countries through joint, single, Calls for Proposals (CfP) covering the whole of the programming areas, in compliance with IR Article 95;
 - b) In conjunction with partner countries, preparing and agreeing Guidelines for Applicants (GfA) / 'Application Packs' (including Application Forms), including submitting draft GfA / 'Application Packs' to ARD and Partner country OS seeking their approval;
 - c) In conjunction with partner countries, launching CfPs (including: preparing annual work programmes and CfP timetable for ARD approval; organising partner search

forums; publishing and uploading CFP documentation to CBP website; conducting workshops and information sessions for potential applicants; answering and drafting queries from applicants);

- d) In conjunction with partner countries, receiving, registering and storing grant applications, before, and during their evaluation;
 - e) In conjunction with partner countries, initiating proposal of Joint Steering Committees (JSCs) members, for adoption by the relevant Joint Monitoring Committee (JMC);
 - f) In conjunction with partner countries, arranging the procedure for hiring of appropriate technical assessors from Croatia for the appraisal of applications;
 - g) Performing the task of secretary to the JSC at each stage of the evaluation process;
 - h) In conjunction with partner countries, preparing notification letters to applicants notifying them of grant award or rejection of their project proposal, for submission to ARD for approval for Croatian applicants;
 - i) In conjunction with partner countries, recording statistical information on CFPs, and publishing the list of awarded grant contracts, the names of the operations and the amount of funding allocated to the operations.
3. Once projects recommended for financing have been selected by the JMC and CA's, performing first check of budgets in applications for ineligible costs and/or arithmetical errors, before they are subject to formal 'budget-clearing' and contract preparation by ARD;
4. Following identification and appraisal of 'strategic projects' by DRD-SITC or partner countries' ministries, preparation of documentation by the JTS for submission to the HOS and JMC for approval, and following JMC's adoption of each strategic project, the drafting of tender documentation and its submission to ARD;
5. Monitoring of implementation of projects financed under CBPs, by providing technical assistance to grant beneficiaries and report to OSs/ CAs and JMC on projects' implementation status:
- a) In conjunction with partner countries, providing technical support for the grant beneficiaries, including: organising implementation seminars / workshops, and preparing an implementation package (to be approved by ARD) for circulation to all successful applicants; providing telephone / e-mail help lines; checking secondary procurement on an advisory basis;
 - b) Performing project visits upon receipt of progress reports through monitoring visits to determine whether the objectives have been achieved in accordance with the provisions of the grants contracts;
 - c) Drafting monitoring visit reports and submitting them to CAs and MRRFEU/ partner country OS for information, and keeping relevant up-to-date project information in electronic form.
6. Co-ordination of programme monitoring (Article 36(2) of the Framework Agreement):
- a) Drawing up and update rules of procedures for the Joint Monitoring Committees (JMCs) for each CBP;
 - b) In conjunction with partner countries, providing a secretariat for the JMC;

- c) In conjunction with partner countries, coordinating the monitoring of each CBP and guiding the work of the Joint Monitoring Committees (JMCs), notably in accordance with the JMC responsibilities as indicated in IR, Article 142;
 - d) Preparing documents for the JMCs on progress made towards achieving the specific targets of the CBPs;
 - e) In conjunction with partner countries, supporting the JMC's monitoring function by ensuring the appraisal / quality control of joint Monitoring / Progress Reports from the project 'Functional Lead Partners' (in compliance with the Section IV of CBPs - 'Implementing Provisions').
7. In cooperation with the relevant partner OS, preparing the draft Annual and Final Implementation Reports (as defined in IR, Article 144 and Article 38(1) and (2) of the Framework Agreement), for checking by DRD-SITC and submission to the relevant JMC for approval;
 8. Cooperating with interim and ex-post evaluations, including providing access to evaluators, if requested;
 9. Ensuring compliance with the information, publicity and visibility requirements, including in particular, providing information and publicity on the CBP, preparing and implementing the Communications Action Plan and liaising closely with the Publicity Officers in DRD-SITC;
 10. Ensuring reporting of irregularities and exceptions to normal approved procedures;
 11. Setting up procedures to ensure the retention of all documents required to ensure an adequate audit trail, in accordance with IR, Article 20;
 12. Providing information / data to the Operating Structures of partner countries, in order for them to fulfil their reporting obligations;
 13. Making proposals to DRD-SITC for adjustments to the CBPs, as appropriate, including changes to priority axes, measures and implementation modalities;
 14. Participating in meetings and Committees relevant to IPA CBPs.

Modalities are outlined in the Manual of Procedures for Joint Technical Secretariats.

Article 7 *Functions of the DRD-DIMC within the Operating Structure*

Within MRDEUF, DRD-DIMC is responsible to the HOS for ensuring the execution of the functions listed below:

1. Providing support to the HOS in setting up and maintaining the institutional structure and systems for IPA Component IIb, and ensuring that the Operating Structure maintains its status as accredited for decentralized management;
2. Performing supervision of the ARD, JTS and DRD-SITC on behalf of the HOS;
3. Performing supervision of the correctness of activities, legality and regularity of transactions and system of the Operating Structure in relation to its responsibilities relating to programming, procurement, management, contracting, and associated systems and controls on a sample basis;
4. Participating in preparing and proposing regulations to support the Head of the Operating Structures in retaining full responsibility for the management and reliability management and implementation of operating programs;
5. Ensuring reporting of irregularities and '*exceptions to normal approved procedures*', using procedures issued by the NAO;

6. Setting up procedures to ensure the retention of all documents required to ensure an adequate audit trail, in accordance with IR, Article 20;
7. Ensuring that statements of assurance are within the OS, in line with procedures issued by the NAO;
8. Participating in meetings and Committees relevant to IPA CBPs as observer;
9. Providing support to the HOS in cooperation with NF and NAO regarding exchange of information on financial implementation at priority level of CBP;
10. Providing support to the HOS in preparing the follow up of internal audit reports of bodies within the OS for NAO.

With regards paragraph 1 and 2 of this Article, ARD, DRD-SITC and all JTS's shall make available all the documents needed for the respective controls. They shall also make available people for the potential interviews and the premises for conducting interviews. List of documents needed shall be communicated to all OS bodies in line with procedures set out in DRD-SITC Manual of Procedures.

Article 8 Implementation of the Transnational Programmes in Croatia

With regard to the two Transnational Programmes, the Operating Structure is limited to the duties indicated in the individual annual Financing Agreements concluded between the Government of the Republic of Croatia and the European Commission on participation in such programmes.

Within MRDEUF, DRD-SITC is responsible to the HOS for ensuring the execution of the functions related to the TPs listed below:

1. Co-ordination of programme monitoring (IR, Article 59):
 - a) Proposing Croatian members for the Monitoring Committees (MCs) for each TP;
 - b) Participating in MC and submitting papers and proposals, as appropriate;
 - c) Coordinating the Croatian representatives on each MC, with the aim of producing a consensus for decision-making.
2. Preparing suitable input for Annual and Final Implementation Reports on the implementation of the programmes under OS responsibilities (as defined in IR, Article 61);
3. Preparation of regular status reports on the progress of the implementation of TP priorities, objectives and input into the preparation of financial and reporting documents, as required within the Croatian public administration, with inputs from ARD as appropriate;
4. In conjunction with partner countries, participation in interim and ex post evaluations;
5. Ensuring that all bodies involved in the implementation of operations maintain a separate accounting system or a separate accounting codification;
6. Ensuring risk management reporting, using procedures issued by the NAO;
7. Ensuring compliance with the information, publicity and visibility requirements, and in particular, providing information and publicity for IPA Component II as a whole, liaising closely with the IPA Publicity Officer and the relevant JTS for each TP;
8. Ensuring reporting of irregularities and '*exceptions to normal approved procedures*', using procedures issued by the NAO;
9. Setting up procedures to ensure the retention of all documents required to ensure an adequate audit trail, in accordance with IR, Article 20;

10. Ensuring internal audit of departments within MRDEUF, together with its executive entities / organizations, and appropriate processing of the results and follow-up actions;
11. Ensuring that statements of assurance are conducted for departments within MRDEUF, within the OS, in line with procedures issued by the NAO;
12. Providing information / data (including that prepared by ARD) to the Operating Structures of partner countries, in order for them to fulfil their reporting obligations;
13. Participating in meetings and Committees relevant to TP

The ARD and Director of ARD are responsible to the HOS for ensuring the execution of the functions related to the TPs listed below:

1. Receiving and checking any proposals from Grant Beneficiaries for minor modification of projects within the thresholds set out in the General Conditions;
2. Receiving and checking any requests for addendums to the contract submitted by Grant Beneficiaries and preparing and signing the addenda to the contract by the ARD Director, the addenda is submitted to the Grant Beneficiary for signature.
3. Making payments to, and recovery of, funds from Grant Beneficiaries, with execution of payments being in line with individual contracts:
 - a) Checking and approving 'Request for Payment' from Grant Beneficiaries, after validation of expenditures and relevant supporting documentation, including financial guarantees, interim and final reports and/or expenditure verification reports, as appropriate;
 - b) Preparing 'Request for Funds' (plus all supporting documentation) for submission to the National Fund (NF) for approval;
 - c) Executing payments to Grant Beneficiaries on the same date as the IPA funds are received into the ARD sub-account from the NF;
 - d) Recovering to the NF any unduly used funds, due to irregularity or error, and/or overpayments made from the Grant Beneficiary.
4. Carrying out verifications to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, and the Requests for Payment by Grant Beneficiaries are correct. These verifications shall include administrative and financial checks on Requests for Payment from Grant Beneficiaries, respectively:
 - a) Receiving, checking and approving the interim and final reports, regarding compliance with grant contract, eligibility of submitted payment claims, physical existence of deliverables and proper conduct of secondary procurement, before preparing the 'Request for Funds';
 - b) Carrying out 100% on-the-spot checks to verify payment claims ('Requests for Payment') from Grant Beneficiaries and at least 10% on-the-spot checks during implementation.
5. Maintaining a separate accounting system or a separate accounting codification;
6. Cooperating with interim and ex-post evaluations, including providing access to evaluators, if requested;
7. Ensuring risk management reporting, using procedures issued by the NAO, including reporting to the Risk Coordinator for IPA Component IIb;

8. Ensuring compliance with the information, publicity and visibility requirements, including ensuring that Grant Beneficiaries comply with their contractual obligations regarding visibility and visual identity;
9. Ensuring reporting of irregularities and 'exceptions to normal approved procedures', using procedures issued by the NAO and maintaining a 'Register of Debtors';
10. Setting up procedures to ensure the retention of all documents required to ensure an adequate audit trail, in accordance with IR, Article 20;
11. Ensuring that the HOS receives all necessary information on the procedures and verifications carried out in relation to project implementation and payments;
12. Ensuring internal audit of ARD and appropriate processing of the results and follow-up actions in line with ARD procedures and any instructions issued by the NAO;
13. Ensuring that statements of assurance are conducted for relevant Directorates/Services within the ARD, in line with procedures issued by the NAO;
14. Participating in meetings and Committees relevant to TP's.

Article 9. *The National Authorising Officer (NAO)*

The NAO will oversee and coordinate, in close cooperation with the NIPAC and the OS, the actions necessary to ensure that all co-financing necessary for full implementation of IPA-Component IIb is provided.

Article 10. *Procurement*

All service, supply, works and grants contracts are awarded and implemented in accordance with the provision in the relevant Financing Agreements and the EC rules and regulations referred to therein and in accordance with the provisions of the Treaty between Member States of the European Union and the Republic of Croatia concerning the accession of the Republic of Croatia to the European Union.

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries.

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

Where appropriate, the ARD will use the standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("PRAG") as published on the EuropeAid website at the date of the initiation of the procurement or grant award procedure.

Article 11. *Payment of IPA funds*

Costs incurred before the date of signature of the IPA IIb FAs shall not be eligible for reimbursement, with the exception of costs linked to the setting-up of Joint Management Structures, which may be eligible in line with article 34.2 of the IPA IR⁴.

The usage of IPA funds shall be based on the principle of reimbursement of eligible public expenditure or eligible expenditure as laid down in the IPA IR and CBP Financing Agreements signed by the EC.

The ARD shall make payments, in relation to eligible costs, for which legally binding commitments have been made and for which the necessary finances have been properly and

⁴ Technical assistance to support the setting up of management and control systems may be eligible prior to the initial conferral of management, for expenditure incurred after 1 January 2007.

demonstrably allocated in advance by all parties to the CBPs, in accordance with the terms of payment specified in the specific contracts, based on the appropriate evidence required for each contract

The ARD shall make all payments of the eligible costs for IPA Component IIb from the Grant, only for the activities and expenses established in the relevant IPA FAs and in accordance with the applicable contracts.

Transfers of funds from NF will be subject to the procedures indicated in the Implementing Agreement concluded between the NAO and HOS for IPA Component IIb and any other related guidance issued by the NAO or NF.

The ARD shall perform verification checks of each 'Request for Payment' from the Grant Beneficiary, in accordance with Annex A(6) of the Framework Agreement, the present Implementing Agreement, Operational Agreement and other instructions and guidance provided by the NAO.

The ARD shall, after carrying out all of its verification checks on the 'Request for Payment' and/or other documentation relevant for payment, prepare a 'Request for Funds from EU' and submit it to the NF 3 weeks after the approval of Request for Payment accompanied by interim/final report (in a case of pre-financing payment 3 weeks after the receipt of signed contract and FIF, if applicable) or at the latest 2 weeks before the date due for payment. In case of pre-financing payment, for projects contracted under 3rd Call for Proposal and Technical Assistance Grant Contacts in which is stipulated that the first instalment of pre-financing will be paid within 30 days, 'Request for Funds from EU' will be submitted to the NF at latest 1 week before the date due for payment.

Before payment of IPA funds based on the Requests for Funds, the NF shall perform all the checks that are within its competence.

The NF shall, after carrying out all the checks of the 'Request for Funds', arrange for transfer of the IPA funds to the ARD.

The NF may reject the 'Request for Funds' if it does not fulfil the required conditions, and shall inform thereof the ARD by providing adequate argumentation.

The ARD shall execute payment to the Grant Beneficiary on the same date as the receipt of IPA funds from the NF.

Article 12. Monitoring

In line with the FAs under IPA Component IIb and the relevant JMC rules of procedures (and JMC mandate if applicable), DRD-SITC, in conjunction with the Operating Structures in relevant partner countries if applicable, shall ensure the monitoring (and evaluation where applicable) of programme implementation. Programme progress will be indicated in annual and final programme implementation reports.

The NIPAC and NAO shall also monitor programme implementation in line with the relevant FAs and the Implementing Agreement between the NAO and HOS. DRD-SITC shall also ensure the monitoring of individual projects and contracts through a system of regular reports, to be submitted by beneficiaries, and project visits⁵. DRD-SITC will provide the NIPAC and NAO with any other information that the NIPAC and NAO may reasonably see fit to request.

Article 13. Modification of Approved Projects

Modification of individual contracts with Grant Beneficiaries may only take place in accordance with the provisions set out in individual contracts themselves.

⁵ Reports will be submitted to the relevant JTS, and visits performed by the JTS, in the case of bilateral CBPs, as set out in Article 6 of this Agreement

Article 14. Irregularities and Recovery of Sums Wrongly Received

In the case that any party to this Agreement, or any party to any contract associated with IPA Component IIb (including employees, subcontractors, or agents) indulges in corrupt practices in connection with IPA Component IIb, the NAO may suspend the project and will so inform the HOS and the EC.

In line with the relevant FAs, the Implementing Agreement between the NAO and HOS and procedures on dealing with irregularities issued by the NAO, DRD-SITC, DRD-DIMC and ARD shall ensure the prevention and detection of irregularities, including appropriate follow-up actions.

The Operating Structure will be responsible for recovery of funds, on behalf of the HOS. In the case that funds cannot be recovered from Grant Beneficiaries, they will be covered from the Operating Structure budget.

Article 15. Reporting

In line with the FAs under IPA Component IIb and the relevant JMC rules of procedures (and JMC mandate if applicable), DRD-SITC, in conjunction with the Operating Structures in relevant partner countries if applicable, shall ensure the supply of information and preparation of reports to the relevant JMCs. The HOS shall also ensure that Annual and Final Implementation Reports, once approved by the JMC, are dispatched to the EC, the NAO, the NIPAC and ARD.

In line with the relevant FAs and the Implementing Agreement between the NAO and HOS, DRD-SITC shall ensure communication and reporting responsibilities to the NAO.

Article 16. Financial Control, Accounting and Audit

In line with the relevant FAs and the Implementing Agreement between the NAO and HOS, the ARD, and DRD-SITC shall ensure that relevant national accounting and recording procedures are applied in their respective institutions for all transactions for which they are responsible.

The ARD shall be responsible for inputting information regarding transactions in Croatia into any EC financial reporting system.

An external auditor designated by the European Commission may verify the accounts and transactions of all relevant structures implementing IPA Component IIb at regular intervals. This does not affect the right of the European Commission and the Court of Auditors arising under the relevant IPA FA.

Article 17. Transparency, Confidentiality and Public Information

The Parties shall ensure a transparent business environment, free access to public information and publicity regarding the implementation of IPA Component IIb.

The Parties shall ensure the confidentiality of data and information during the procurement process, up to the point of contract signature.

DRD-SITC will be responsible for maintaining programme websites, publicising and providing information on IPA Component IIb programmes, in accordance with the provisions of the relevant FAs, the Implementing Agreement between the NAO and HOS and any other instructions of the HOS

PRAG requirements regarding visibility shall be adhered to by all Parties to this Agreement.

Article 18. Conflict of Interest

The parties shall take all precautions necessary to avoid conflict of interest and if required pursuant to the applicable provisions of the EC and national legislation, shall inform the HOS

Done at Zagreb

For the Agency for Regional
Development of the Republic of Croatia

Matilda Copic, Director

Programme Authorising Officer

Signature

Date: 1 April 2016

For the Ministry of Regional Development
and EU Funds

Franka Vojnović, Head of Sector for Regional
Development Policy

Head of Operating Structure for IPA
Component IIb

Signature.....

Date: 1 April 2016

CLASS: 910-01/15-05/1
REFNO: 328-16-5

CLASS: 910-02/15-01/3
REFNO: 538-06-1-3/017-16-16

For the National Fund / Ministry of Finance

National Authorising Officer

Ivana Jakir-Bajo, M.Sc.,

Assistant Minister of Finance and State Treasurer

Signature

Date: 1 April 2016

CLASS: 910-01/08-01/319
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