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COMMISSION IMPLEMENTING DECISION

of 6.12.2016

**adopting a Country Action Programme for the Republic of Macedonia
for the year 2016**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action¹ and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² and in particular Article 84(2) thereof,

Whereas:

- (1) Regulation (EU) No 231/2014³ lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (2) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex I of Regulation (EU) No 231/2014. The Commission adopted an indicative strategy paper for the Republic of Macedonia for 2014 – 2020 on 19 August 2014 which provides indicative allocations for the sectors for pre-accession assistance.⁴
- (4) Considering the proposals for action submitted by the beneficiaries concerned, the Country Action Programme for the Republic of Macedonia for 2016 aims at providing assistance for actions in the following sectors: democracy and governance, competitiveness and innovation.

OJ L 77, 15.03.2014, p. 95.

OJ L 298, 26.10.2012, p.1.

³ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014

⁴ establishing an Instrument for Pre-accession Assistance (OJ L 77, 15.03.2014, p. 11).
C(2014)5861 final

- (5) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012.⁵
- (6) The Commission should acknowledge and accept the contribution from other donors pursuant to Article 21(2)(b) of Regulation (EU, Euratom) No 966/2012, subject to the signature of the relevant agreement, and should decide on the use of such contribution.
- (7) The Commission should be able to entrust budget-implementation tasks under indirect management to the IPA II beneficiary specified in this Decision, subject to the conclusion of a Financing Agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012 and first subparagraph of Article 14(3) of the Commission Implementing Regulation (EU) No 447/2014⁶ the authorising officer responsible needs to ensure that the entrusted entity guarantees a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds.
- (8) The entrusted entity is currently undergoing a complementary assessment of its systems and procedures. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entity's positive assessment under Council Regulation (EC, Euratom) No 1605/2002⁷ and Commission Regulation (EC) No 718/2007⁸ and the entity's present compliance with the requirements of points (a) to (d) of Article 60 (2) of the Regulation (EU, Euratom) No 966/2012, budget implementation tasks can be entrusted to this entity. In accordance with Article 60(1)(c) of Regulation (EC, Euratom) No 966/2012, the authorising officer responsible needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks. A description of these measures and the entrusted tasks are laid down in the Annex to this Decision.
- (9) The Commission should be able to entrust budget-implementation tasks under indirect management to the entity specified in this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds.
- (10) This entity comply with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary.
- (11) It is appropriate to authorise the award of grants without a call for proposals to the bodies identified in the Annex and for the reasons provided therein.
- (12) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of

Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules

applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for

implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council

establishing an Instrument for Pre-accession assistance (IPA II) (OJ L 132, 3.5.2014, p. 32).

Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation

applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p.1).

Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No

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Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.

- (13) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (14) The action programme provided for by this Decision are in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

The Country Action Programme for the Republic of Macedonia for the year 2016 under the Instrument for Pre-accession Assistance (IPA II) as set out in the Annex, is hereby approved.

Article 2

Financial contribution

The maximum amount of the European Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 27,679,905.80 and shall be financed as follows:

EUR 21,679,905.80 from the budget line 22.02.01.01 of the general budget of the EU for year 2016 and

EUR 6,000,000.00 from the budget line 22.02.01.02 of the general budget of the EU for year 2016.

The financial contribution(s) referred to in the first sub-paragraph may also cover interest due for late payment.

Article 3

Implementation modalities

This programme shall be implemented by direct and indirect management.

The budget implementation tasks under indirect management may be entrusted to the entities identified in the Annex subject to the conclusion of the relevant agreements.

A Financing Agreement shall be concluded between the Commission and the Government of the Republic of Macedonia in conformity with the Framework Agreement concluded between the same parties on 24 June 2015.

Article 4

Grants without a call for proposals

Grants may be awarded without a call for proposals to the bodies identified in the Annex, in accordance with the conditions specified therein.

Article 5

Non-substantial changes

The following changes shall not be considered substantial provided that they do not significantly affect the nature and objectives of the actions:

- (a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- (b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- (c) extensions of the implementation and closure period;
- (d) within the limits of 20% referred to in points (a) and (b) above, up to 5% of the contribution referred to in the first paragraph of Article 2 of this financing decision may serve to finance actions which were not foreseeable at the time the present financing decision was adopted, provided that those actions are necessary to implement the objectives and the results set out in the programme.

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 6.12.2016

For the Commission
Johannes HAHN
Member of the Commission

ANNEX 1

COUNTRY ACTION PROGRAMME FOR THE REPUBLIC OF MACEDONIA FOR THE YEAR 2016

1 IDENTIFICATION

Beneficiary	The Republic of Macedonia
CRIS/ABAC Commitment references Total cost EU Contribution Budget lines	2016/039-618 - EUR 21,679,905.80 - 22.02 01 01 2016/039-619 - EUR 6,000,000.00 - 22.02 01 02 33,310,643.00 EUR 27,679,905.80 EUR 22.02 01 01 22.02 01 02
Management Mode/ Entrusted entities	<ul style="list-style-type: none"> • Direct management by the European Commission • Indirect management by the entrusted entities listed below: <ul style="list-style-type: none"> - European Bank for Reconstruction and Development (EBRD) for Action 3, Activity 1. • Indirect management with beneficiary country for Action 1: Participation in Union Programmes <p>Implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.</p>
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2017
Final date for concluding <u>delegation agreements</u> under indirect management	At the latest by 31 December 2017
Final date for concluding <u>procurement and grant contracts</u>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing the Financing Agreement (date by which this programme should be de-committed)	12 years following the conclusion of the Financing Agreement.
Programming Unit	DG NEAR, D3: the Republic of

	Macedonia, Kosovo
Implementing EU Delegation	EU Delegation to the Republic of Macedonia

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:

Three sectors - democracy and governance; rule of law and fundamental rights; competitiveness and innovation - have been selected for support under this programme. The selection has been made on the grounds of:

The need to concentrate significant financial assistance on a limited number of key priorities, thus improving the dynamics of changes in the sector and strengthening the impact of the IPA funds on the relevant reform.

The relevance with major challenges in Europe and the neighbouring countries such as 1) the increasing threats for the security of the citizens due to terrorism and organised crime, 2) the ongoing migration crisis - both issues are addressed through the "Migration and asylum, border management and fight against terrorism and organised crime" action and 3) need to support the economy, and particularly the SMEs, in order to create the resource grounds for development in all other aspects - addressed through the "Support for private sector development" action.

The maturity in the implementation of the sector approach, where both sectors - of home affairs (as a part of rule of law and fundamental rights) and of competitiveness and innovation - have been identified as well advancing, having set clear strategic objectives and disposing of an acceptable administrative capacity to back up the implementation of the IPA actions.

the Indicative Strategy Paper, which identifies some recurrent priorities such as the participation in the Union programmes.

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

The country benefits from IPA and other donors support in the selected sectors since 2007. Yet, the reforms in these sectors require a long-term approach, based on clear political commitment. The previous experience outlines some important aspects that have to be considered.

Political turbulences have impacted on the efficiency of the public administration and further on the implementation of the IPA assistance. The continuation of reforms and a high-level dialogue is a pre-requisite for successful implementation of the IPA funds.

The national authorities need to demonstrate strengthened commitment to achieving the expected results independently of the implementation modality. While the EU Delegation may act as contracting authority, achieving the outcomes and impact of the actions remains primarily a responsibility of the national authorities. Hence, ownership must be strengthened and the efforts for improving

the beneficiaries' performance through enhanced capacity building and improved coordination with relevant stakeholders uphold.

- There is a need for greater transparency and information sharing with civil society and non-state stakeholders to ensure that sector policy priorities enjoy large societal support. To enhance this process, the actions on home affairs and on competitiveness have been subject to public consultations. Further, the implementation phase not only envisages a stronger coordination with civil society organisations, but also their participation in meeting objectives of the actions. This also entails a development of a new culture of cooperation on behalf of the national authorities that need to be strongly encouraged.
- Further efforts will be needed to strengthen the coordination among all stakeholders to ensure an efficient framework for sector support. Lack of stakeholder consultation and coordination mechanisms has been recognised as one of the weaknesses of implementing the sector wide approach in the country. A comprehensive stakeholder coordination platform is being developed, but needs to be established and further strengthened.

List of Actions foreseen under the selected Sectors/Priorities:

Sector 1: Democracy and Governance

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS	
Action 1. Support to participation in the Union Programmes	EUR 7,109,905.80	N.A.	
TOTAL	EUR 7,109,905.80		

Sector 2: Rule of law and fundamental rights

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS (DIRECT MANAGEMENT BY EU DELEGATION)	
N.A.		Action 2: Migration and asylum, border management and fight against terrorism and organised crime	EUR 14,570,000.00
		TOTAL	EUR 14,570,000.00

Sector 6: Competitiveness and innovation

INDIRECT MANAGEMENT	OTHER IMPLEMENTATION ARRANGEMENTS

WITH THE IPA II beneficiary		(INDIRECT MANAGEMENT WITH IO)	
N.A.		Action 3: Support for private sector development	EUR 6,000,000.00
		TOTAL	EUR 6,000,000.00

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR 1	DEMOCRACY AND GOVERNANCE		EUR 7,109,905.80
<i>Action 1</i>	<i>Support to participation in Union Programmes</i>	<i>Indirect management by beneficiary country</i>	<i>EUR 7,109,905.80</i>

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

The Country Strategy Paper stipulates that financial assistance can be provided through co-financing the country's participation in relevant Union Programmes and Agencies. The objective of this action is to ensure participation of the Republic of Macedonia in Union Programmes by co-financing the costs of the entry-tickets/participation fees to be paid in areas such as education, civil protection, private sector developments, labour market and employment, taxation, RTD. Thus IPA will facilitate the progressive transfer of know-how and the strengthening of capacities of the relevant administrative bodies benefiting from the participation in Union Programmes and Agencies.

The following results are foreseen:

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

New Union Programmes for 2014-2020 shall be gradually open for the participation of the Western Balkan countries. The beneficiary country has expressed its interest in participating in 13 programmes, while the current action programme will only cover the participation in 11 of them as follows:

- Horizon 2020
- COSME (Programme for competitiveness of enterprises and SMEs)
- Europe for Citizens
- Culture (Creative Europe)
- Media (Creative Europe)
- Customs

- Fiscalis
- Civil Protection Mechanism
- Erasmus plus
- Erasmus plus external strand
- Programme for Employment and Social Innovation (EaSI) Progress strand

Participation in other Union Programmes will be determined at a later stage or has been financed through other country programmes.

The participation of the Republic of Macedonia in Union Programmes shall follow the specific terms and conditions set out in the International Agreement between the European Commission and the country for each programme in accordance with the agreements establishing the general principles for participation in Union Programmes.

(2) Assumptions and conditions

EU integration remains a government priority, which entails a continuous political commitment to EU accession and provision of sufficient resources to support management of EU programmes/actions.

(3) Implementation arrangements for the action:

Indirect management with the beneficiary country

The participation of the Republic of Macedonia in Union Programmes shall follow the specific terms and conditions set out for each such a programme in the International Agreement to be concluded by the European Commission and the Republic of Macedonia.

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

The beneficiary country will be entrusted with the budget implementation tasks for this action. The reasons for this solution are grounded on:

- Streamlining of both the EU contribution and the national contribution,
- Previous experience in ensuring the payment of the entry tickets,
- Budget implementation tasks already entrusted for the IP A 2014 and 2015 country action programmes and the entrustment under the IP A 2014-2016 multi-annual programme for transport and environment is in process.

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

This action will be managed under indirect management by the established operating structure. 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.

SECTOR 2	RULE OF LAW AND FUNDAMENTAL RIGHTS	EUR 14,570,000.00
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Action 2	Migration and asylum, border management fight terrorism organised crime	Direct management by the Delegation	EUR 14,570,000.00
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(1) Description of the Action, objective, expected results and key performance indicators

This action will improve the efficiency and effectiveness of the national authorities for border control, management of migration flows, fight against terrorism and organized crime. The success indicators to be applied include:

- decreased number of migrants/asylum seekers/victims of trafficking who are not treated in line with the international/EU standards,
- improved track-record in the fight against terrorism, organised crime, trafficking of human being, illegal immigration and radicalisation,
- Increasing number of resolved cases based on efficient exchange of information and joint investigation
- Forensic laboratory accredited/improved key performance indicators
- 112 call operations smoothly.

The action will strengthen the rule of law, and improve the state response to security threats in line with the EU policies and standards. Improvements are expected to reflect on the Average Rule of Law score by Worldwide Governance Index and the UNDP Human Security Index, as a part of the UNDP HDI.

The action will achieve two major results:

Result 1 envisages strengthening of the national legislation, policies and practices for management of the borders and in fighting against human trafficking in line with the EU and international standards for human rights. This result will be achieved through assessment and recommendations as regards the current policy efficiency and impact, amendments of the legal documents and procedures, training, advising and transfer of knowledge to a number of national institutions and law enforcement bodies as well as outreach work with migrants, asylum seekers, and victims of illegal trafficking. Further, a new reception centre for illegal migrants will be established. The action will also align the national systems with the requirements of the Schengen information system, based on the adoption of Schengen Action Plan and establishment of a modern IT system for exchange of information. The upgrade of the existing communication system to Tetra IV level will also support the establishment of the 112 emergency calls within the action.

Result 2 envisages improved technical and administrative capacities to detect investigate and prevent organised crime and terrorism, which will be achieved through building up the capacity of the National Coordinator for fight against terrorism and provision of technical assistance for the implementation of the National strategy for fight against terrorism 2016–2020. The action will also provide new premises for crime scene investigation center/forensic laboratory to allow the proper work of the laboratory and its accreditation under international

standards. It will also strengthen the Investigative Centers through changes in the legislative and procedural set-up, upgrade of the investigation skills of the investigators and stimulation of joint investigation activities.

The action, through the various planned activities and the reengineering of numerous processes, will enhance the cooperation and coordination among the various law-enforcement and policy making bodies, thus improving significantly the efficiency and effectiveness of their operations. It will also add to better involvement of the communities in the state security policy in general.

(2) Assumptions and conditions

- Strengthened EU/international cooperation in addressing migration & security challenges.
- EU integration remains a government priority, which entails a continuous political and administrative commitment to EU accession and provision of sufficient resources to support EU actions.
- High-level strong and permanent commitment to fighting illegal trafficking, organised crime and terrorism
- Commitment on behalf of all national stakeholders to support the implementation of the action and to coordinate their activities, resources and efforts.
- All needed resources are in place to allow for the smooth implementation of the action and achievement of the objectives. In particular, all national bodies involved in the action must dispose with the needed resources (human, administrative, technical, financial) prior to contracting, the management and management and staff of the reception centre must be appointed in due time, all necessary construction permits should be available, location of works and technical documentation is needed prior to contracting is available. Finally for 112 emergency line, the needed legislation, resources and management arrangements should be in place to support the 112 call platform.
- Civil society and local communities are involved at an early stage and contribute to the national efforts.
- Sufficient progress in implementation of the sector approach.

(3) Implementation arrangements for the action:

Direct management by the EU Delegation.

(3)(c) Essential elements of the action

Procurement:

- a) the global budgetary envelope reserved for procurement: EUR 10,870,000.00
- b) the indicative number and type of contracts: 7
/framework contracts/ service/supply/works.

- c) indicative time frame for launching the procurement procedure: 2-12 months after the adoption of the Financing Agreement.

Grant - Twinning - Call for proposal

Three calls for proposals will be launched for signing of 3 Twinning contracts, each of EUR 1 million as follows:

- Twinning 1 for aligning with Schengen rules and procedures
 - Twinning 2 for implementation of the anti-terrorism strategy
 - Twinning 3 for building the capacity of the Investigative Centre(s)
- a) Objectives and foreseen results:
- Twinning 1 will aim at aligning the national systems with the EU and Schengen requirements for border management. The contract should result in the development and implementation of a Schengen action plan, reengineering of the priority border management procedures, upgrade of the IT system for exchange of information.
 - Twinning 2 will focus on building the national capacities for fight against terrorism and radicalization and implementation of National strategy for fight against terrorism 2016 - 2018. The Twinning contract shall result in fostering and streamlining interaction among the bodies involved in fighting terrorism, enhanced exchange of information and a number of implemented priority measures, including such involving local communities.
 - Twinning 3 aims at the institutional capacity building of the Investigative Centre(s) in managing joint investigation activities and ensuring strong coordination among the law enforcement bodies involved in criminal investigations. It shall result in a number of successfully completed joint investigations, procedures for cooperation and coordination and for exchange of information.
- 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 technical expertise of the applicant, and 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 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: 3,000,000.00 EUR
Each of the planned contracts will be at the value of maximum EUR 1 million.
- g) Indicative date for launching the selection procedure:
Calls for proposals for Twinning contracts 1 and 2 will be launched in Q2 2017 and the contracts are expected to be signed during Q1 2018. The call for proposals for Twinning contracts 3 will be launched in Q3 2017 and the contract is expected to be signed in Q2 2018.

Grant - Direct grant award (title):

a) Objectives and foreseen results:

The contract is expected to bring improvements in policy, legislation and practices for management of the borders, asylum and migration and in fighting human trafficking in line with the EU and international standards. It will analyse the current policy, legislation and procedures, propose changes and support their introduction. It will streamline the regional methodologies and procedures (agreed through the regional actions) throughout the national systems thus ensuring that the standards are being properly applied. The contract is also expected to support the new reception centre for illegal migrants by preparing the operational procedures and training the centre's management and staff as well as by supporting the national authorities in equipping the centre for its proper functioning. Finally, by the active outreach work with migrants, asylum seekers, victims of illegal trafficking, the contract is expected to ensure safeguarding of their human rights, analyse the risk factors nourishing human trafficking and implement measures reducing the risk of trafficking and reintegrating victims of trafficking.

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

The direct award is based on Article 190 (1)(f) of the Rules of Application on account of International Organisation for Migration's (IOM) technical competence and high degree of specialization on migration issues, including recent actions in the Western Balkans and in the country.

With its significant global footprint and mandate to facilitate dignified, orderly and safe migration, IOM is uniquely placed in the country to provide efficient and cost-effective technical support solutions for the country covering the full package of planned activities related to migration, asylum, illegal migration and trafficking in human beings. There is no other donor or development partner in the country that covers the complete list of activities and has the leverage to influence the policy making.

The Commission signed an agreement with IOM on cooperation in addressing the challenges of the ongoing migration crisis. IOM is already playing a key role in the implementation of the IPA 2014 regional project "Regional support to protection-sensitive migration management in the western Balkans and Turkey", which established the general framework for the EU operations in the region. Moreover, IOM is implementing the Special Measure supporting the Republic of Macedonia to manage its southern border in the context of the European migration crisis. The national action is complementary to the regional project and intends to ensure the streamlining of the regionally crafted policies through the national systems. Involving IOM in both actions – the regional and the national, will ensure the synergy needed for enhanced impact of the EU funds on the migration policy

c) The name of the beneficiary: International Organisation for Migration (IOM)

d) Indicative amount of the grant: 700,000.00 EUR

e) Maximum rate of EU co-financing:

The maximum possible rate of EU co-financing for grants under this call is 90% of the eligible cost of the action.

f) Indicative date for signing the grant agreement: Q4 2017

SECTOR 6	COMPETITIVENESS AND INNOVATION		EUR 6,000,000.00
Action 3	Support for private sector development	Indirect management by IO (EBRD)	EUR 6,000,000.00

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

The overall objective of the action is to improve the competitiveness of the local companies within a well-functioning market.

Its specific objective is to strengthen SMEs financial and operational capacity.

There are two expected results:

- SMEs Business development concepts/plans elaborated and implemented;
- Improved support systems for private sector.

The action will also explore the opportunities to integrate and address gender differences to expand SME growth.

The success indicators to be applied include:

- Improved turnover and employment growth rate of the supported SMEs;
- Faster speed of growth of the supported SMEs compared to the average for the country.

This will translate into improved contribution of SMEs to GDP (70% of value added) and to job creation - above 80% of all jobs.

The action envisages a two-level operation. At the first level, EBRD provides loans to participating commercial banks while at the second level the banks provide sub-loans to the companies (sub-borrowers), which are selected upon specific criteria. In addition, EBRD contracts project consultants to perform eligibility assessment of potential sub-borrower for participating banks and provide technical assistance to the sub-borrowers in the preparation and implementation of investment projects.

EBRD intends to invest in the facility the amount of EUR 30 million, which will be used for loans. The EU Contribution will be used for:

(i) Technical Assistance and Advisory Services (indicatively EUR 1.5 million) which may include:

- Investment advisory services to SMEs such as assessment of the proposed investment and consistency with eligibility criteria; ensuring cost effectiveness in the identification of appropriate measures; assistance in the formulation of sub-loan applications to the private banks, etc.
- Sub-project assessment assistance to the private banks, including recommendation on the eligibility of any proposed sub-project; appraising sub-loan applications from a technical perspective; marketing and information dissemination activities related to the Programme, etc.
- Verification services to check and confirm that sub-projects have been implemented in accordance with the relevant eligibility criteria and EBRD recommendations. Verification of successful sub-project completion will be the trigger for payment of the EU funded incentive payments to sub-borrowers.
- Advisory assistance directly linked to compliance with standards but also for areas that are more widely linked to competitiveness, including corporate governance, export promotion, resource efficiency.

(ii) Investment incentives (indicatively EUR 4.5 million). Upon successful implementation of their projects and subject to verification of such implementation by an independent consultant, SMEs (sub-borrowers) will become eligible to receive an incentive payment in the form of a one-off grant that can be dedicated to repay part of the principal due to the participating bank or to invest in additional development activities. Investment incentives payable to a sub-borrower may amount to up to 15% of the disbursed sub-loan amount (or investment cost net of VAT if lower).

(2) Assumptions and conditions

- There is a positive dynamic on the markets (national, neighbouring and EU).
- The SMEs are having increasing opportunities to finance their activities and to grow their business.
- Sufficient progress in implementation of the sector approach, including adoption and implementation of the sector roadmap, enhancing of the institutional capacity, organisation of regular sector reviews and donor coordination

(3) Implementation arrangements for the action:

Indirect management with international organisation.

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

EBRD has been selected as an implementing entity for this action on the basis of the following elements:

- Nature of the activities to be delegated - the action will support the existing well running EBRD facility ("SME Competitiveness & Innovation Support Facility") which provides loans, investment incentives / grants and technical assistance to borrowing SMEs and participating banks. The added value of the EU funding will be

in the increased scope of funding that will be channelled to the SMEs, which would allow more SMEs to be targeted as beneficiaries of this facility.

Strong leverage effect - EBRD will mobilise around EUR 30 million for the credit line for SMEs, while the planned EU funding (for technical assistance and investment incentives) is EUR 6 million.

Previous experience - EBRD has demonstrated outstanding track record and success in supporting SMEs. In addition to the above, the EBRD "Enterprise Growth Programme" assisted 136 SMEs to develop their businesses through two instruments: Turn Around Management, and Business Advisory Services. The results have been very good, having 72% of businesses grew their turnover by an average of over 50% as they expanded their business; 50% of businesses grew their workforce by an average of nearly 66%; and 23% were able to access finance. The EBRD has also successfully worked on two other EU funded programmes: "SME Competitiveness Support Facility window (SME-CSF)", "Sustainable Energy Financing Facility window", under which EBRD made available EUR 110 million in credit lines to participating banks (PBs) in the Western Balkans to provide loans, grants and technical assistance to SMEs. The EBRD has also demonstrated a sound knowledge of EU SME policy as it directly contributed in the development of the SME Policy Index 2016.

Presence in the country - EBRD has established its office in the country since 2000 and has the administrative, technical and financial capacity to implement this action. EBRD has demonstrated substantial general experience in implementing SME support programmes in the country, both in providing access to finance to SMEs, and tailor made technical assistance to local companies to improve their competitive prospects.

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

- Selection of SMEs to be included as beneficiary in the "SME Competitiveness & Innovation Support Facility".
- Business advice to sub-borrowers (SMEs).
- Business advice to participating banks.
- Training to local consultants, which in their turn will deliver consulting services to SMEs.
- Verification of the implementation of the business investment strategies as grounds for receiving investment incentives.
- Provision of investment incentives to the targeted SMEs, all directed towards improvement of the capacities of companies to compete on the local and foreign markets.
- Management, coordination and organisation activities.
- Visibility and communication.

The EU Delegation will ensure supervision over the implementation of the entrusted tasks through the regular reporting process, participation in the steering committee to

be established for the implementation of this activity, internal and external monitoring (ROM) and evaluation of the activity.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE - COUNTRY ACTION PROGRAMME FOR REPUBLIC OF MACEDONIA

	Indirect Management with the IPA II beneficiary			Other implementation arrangements			MM	Total EU contribution for the 2016 programme	
	EU Contribution	IPA II beneficiary Cofinancing	Total expenditure	EU Contribution	IPA II beneficiary Cofinancing	Total expenditure			
Sector 1 Democracy & Governance	7,109,905.80	4,200,737.20	11,310,643.00					7,109,905.80	
Action 1 Support to participation in Union Programmes	7,109,905.80	4,200,737.20	11,310,643.00					7,109,905.80	
				Sector 2 Rule of Law & Fundamental Rights	14,570,000.00	1,430,000.00	16,000,000.00	Direct	14,570,000.00
				Action 2 Migration and asylum, border management and fight against terrorism and organised crime	14,570,000.00	1,430,000.00	16,000,000.00	Direct	14,570,000.00

				Sector 6 Competitiveness & Innovation	6,000,000.00		6,000,000.00	IM IO	6,000,000.00
				Action 3 Support for private sector development	6,000,000.00		6,000,000.00	IM IO	6,000,000.00
TOTALS	7,109,905.80	4,200,737.20	11,310,643.00		20,570,000.00	1,430,000.00	22,000,000.00		27,679,905.80

4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

DIRECT MANAGEMENT:

Part of this programme shall be implemented by direct management by the European Union Delegation in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation, Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

Twinning:

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

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

Twinning grant agreement shall be established in accordance with relevant provisions of Part Two Title IV Chapter 4 of the Financial Regulation and Part Two Title II Chapter 4 of its Rules of Application. Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

INDIRECT MANAGEMENT:

Part of this programme shall be implemented by indirect management by the Republic of Macedonia in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Part of this programme shall be implemented by indirect management with entrusted entities other than the IPA II beneficiary in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the Financing Agreement and the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

5 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 coordinators (NIPACs) will collect information on the performance of the actions programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources. Co and

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 NEAR 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.