

**CARDS 2004**  
**NEIGHBOURHOOD PROGRAMME**

**1. Identification**

Form of programme:	Multi-country
Title:	CARDS Neighbourhood Programme
Budget year:	2004
Budget Line:	19 07 01
Financial allocation	€ 15 million
Legal basis:	Council Regulation 2666/2000 as amended by Council Regulation (EC) No. 2415/2001 (CARDS)
Contracting:	All contracts must be concluded after the signature of the Financing Agreement and within 36 months following the date of the budgetary commitment.
Implementation:	The implementation of projects under this proposal must be concluded by <b>31.12.2009</b> . Therefore, all technical activities provided for under this programme and all contracts must end by <b>31.12.2009</b> .
Programming – Commission Services: Related RSP and RIP	DG RELEX D and AIDCO  CARDS Regional Strategy Paper 2004-2006 and Indicative Programme 2002-2004
Remarks:	Up to 5 % of the allocation to each Neighbourhood Programme may be used for certain administrative costs

**2. Summary of the programme**

The CARDS Neighbourhood Programme (NP) directly reflects the policy objectives of the Commission Communications on **Wider Europe** and on Paving the Way to a **Neighbourhood Instrument**. This latest Communication provides an assessment of the possibilities of creating a new Neighbourhood Instrument. The Commission proposes that a two-step approach should be adopted. An initial phase from 2004-2006 will focus on significantly improving co-ordination between the various financing instruments concerned within the existing legislative and financial framework. In a second phase, for the period after 2006, the Commission intends to propose a new legal instrument addressing the common challenges identified in the Wider Europe Communication.

Based on these policy orientations, the CARDS **Neighbourhood Programme** aims in this initial phase at addressing issues related to common issues arising from proximity such as economic development of the border areas, environment and communicable diseases, illegal immigration, trafficking and people-to-people contacts inter-alia.

A list of all the Neighbourhood Programmes (as presented in the Neighbourhood Instrument Communication) is provided at Annex 1. The proposed allocations per Neighbourhood Programme for 2004 are set out in Annex 2, and a summary of the implementation arrangements is given in Annex 3.

A total of €45 million has been allocated to the CARDS Neighbourhood Programmes 2004-2006. It is foreseen to allocate € 15 million per year. The specific allocations per country/programme for 2005 and 2006 have not been yet decided but the distribution will be similar to that of 2004. The CARDS 2004 NP's overall allocation for 2004 is €15 million (See annex 2).

All projects should be implemented in line with EU competition (including State aid principles).

### **3. Programme update**

The Multiannual Indicative Programme of the CARDS Regional programme already addressed, within the section 'Integrated Border Management', the need to ensure maximum coherence and complementarity not only with Interreg cross border and transnational programmes, but also with candidate countries' Phare Cross Border Cooperation programmes.

This maximum coherence and complementarity is currently formalised by the Neighbourhood programmes in process of launching.

The Neighbourhood programmes cover all those regions of Albania, Bosnia and Herzegovina, Croatia, FYROM and Serbia and Montenegro<sup>1</sup> which border or will border the EU and candidate countries. The European Union aims to develop a zone of prosperity and a friendly neighbourhood with whom the European Union enjoys close, peaceful and co-operative relations.

Cross-border cooperation contributes to the creation of greater opportunities for people in the border regions and enhanced regional cooperation can contribute to economic development and integration at the grass roots level as well as better mutual understanding and confidence building across the borders. Many issues arising from proximity will continue to be addressed in the CARDS national programmes, and the Neighbourhood Programmes will focus on those areas of co-operation where the active participation of stakeholders on both sides of the border is essential. Full coherence between the Neighbourhood Programmes and the national programmes will be assured at the strategic programming level. The Neighbourhood Programmes will cover a broad range of actions, like infrastructures in the sectors of transport, environment, energy, border crossing, etc.; investments in economic and social cohesion (productive investments, human resource development, business-related infrastructure, co-operation in RTD and innovation); people-to-people actions (like cultural and educational exchanges and co-operation); support to institution building, etc.

The programme places particular importance on the cross-border dimension of projects, and the sustainability of co-operation. It is furthermore important that projects under the programme are co-ordinated with other funding sources, such as the INTERREG and Phare-CBC projects, on which basis the Neighbourhood Programmes are established. It is

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<sup>1</sup> Kosovo under SCR1244 could also benefit from this allocation.

one of the priorities of the programme to support projects which have a clear link to an INTERREG or Phare projects. The Commission services notably EuropeAid in close co-operation with DG Relex, DG Regio and DG Elarg have taken a number of measures to improve co-ordination and communication between the three funding instruments. Concrete achievements in this respect have, however, been limited due to the different regulations governing the various Community instruments.

#### **4. Past EC assistance and Lessons learnt**

This programme should draw on lessons learned from previous experience of implementing cross-border co-operation. In particular, it should be simple to operate and, in order to engender full ownership among all concerned stakeholders, it should involve all relevant partners at national, regional and local level.

The CARDS Integrated Border Management programme includes one component covering border region cooperation. Some preparatory projects in this field have been undertaken and the lessons learnt from these projects will be taken into account. For example Croatia has actively participated in the preparation of two Community Initiative Programmes for inter-Adriatic co-operation between Italy and the CARDS countries, and the tri-lateral co-operation with Slovenia and Hungary. The programmes define development priorities and eligibility criteria for projects on the EU external borders.

Regarding border region co-operation between the CARDS countries, there have been some selected initiatives on local level. However, formal organisation and implementation of cross-border co-operation on all administrative levels still seem to need strengthening. In this respect, within the CARDS 2003 Regional Programme a "Cross-border Institution Building Programme" has been foreseen under which joint structures and programmes would be developed and priorities for co-operation between CARDS countries identified. This project also includes a grant scheme for local level activities between neighbouring regions of the CARDS countries.

Having in mind all activities undertaken so far, and with a view to start the current programme, there is a need to continue with strengthening capacity at all levels and thus enable sound participation in cross border cooperation programmes.

Lessons should draw also on the experiences of TACIS CBC, PHARE CBC and INTERREG Programmes.

#### **5. Programme Components**

On 11 March 2003 the Commission, with the Communication Wider Europe – Neighbourhood, launched the European Neighbourhood Policy. This policy aims at tapping opportunities and addressing challenges for the enlarged Union's relations with its Eastern and Southern neighbours and to develop a coherent, though differentiated proximity policy. In that context, in July 2003, a second Communication was developed covering the provision of support for the cross-border co-operation and trans-national co-operation aspects of this policy, namely "Paving the Way for a New Neighbourhood Instrument".

This Communication envisages the creation of a New Neighbourhood Instrument for the promotion of cross-border co-operation along the external border of the enlarged EU. However, considering the number of legal and budgetary questions to be resolved, the Communication sets out a two-phase approach:

- (1) For the period 2004-2006 Neighbourhood Programmes, based on enhanced co-ordination among existing instruments will be introduced;
- (2) After 2006 a new Neighbourhood Instrument will be established.

The present Action Programme covers the first tranche of funding for the 2004-2006 Neighbourhood Programmes for the Western Balkans countries.

At present, co-operation on the external and future external borders of the European Union is supported by a variety of instruments. EU instruments promoting cross border and sub-regional/transnational co-operation relevant for this programme are:

The **INTERREG** Community Initiative<sup>1</sup>, a financial instrument within the framework of the European Union's Structural Funds, supports cross-border, transnational and interregional co-operation among Member States and neighbouring countries. Although INTERREG programmes involve neighbouring countries directly, Structural Funds can only be used inside the Union. INTERREG programmes at the European Union's external border therefore require a source of finance for activities taking place within the neighbouring country.

In the framework of the pre-accession driven **PHARE** instrument in the candidate countries, the PHARE CBC programmes<sup>2</sup> support cross-border co-operation with Member States and between the candidate countries. So far, cross-border co-operation on candidate countries' external borders has been financed through national PHARE programmes. For the period 2004-2006, the geographical scope of PHARE CBC will be extended to cover the external borders of Bulgaria and Romania.

In the Western Balkans, **CARDS** is a key instrument of the Stabilisation and Association process and supports a range of activities in this regard. The **CARDS** regulation identifies inter alia the goal of fostering regional, transnational, cross-border and interregional co-operation among the recipient countries, between them and the European Union and between the recipient countries and other countries of the region.

These instruments are governed by different regulations, and thus operate with different project identification, selection and implementation procedures, making it difficult to implement genuine joint projects (i.e. those serving a joint objective and operating on both sides of the border at the same time). The current legal frameworks and procedures for this co-operation have been effective in their own right, but have created a number of difficulties that arise from the fundamentally diverging systems applied to the financial management of Community funds, implying different roles and responsibilities for the Commission and the national, regional or local authorities. Differences arise, in particular,

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<sup>1</sup> Council Regulation (EC) No 1260/1999 of 26 June 1999 and the INTERREG III Guidelines, OJ C143, 23 May 2000

<sup>2</sup> Commission Regulation (EC) No 2760/98 of 18 December 1998

in the mismatched levels of funding, the programming process (separate programming exercises), project selection (separate assessment and selection processes and decision procedures), project implementation (different rules governing internal and external procurement processes), and project monitoring (different reporting, monitoring and evaluation procedures).which limit the impact of co-operation along the external borders. In order to promote better co-ordination, the Commission has established internal guidelines on harmonisation of these instruments.

The objectives and scope of the individual Neighbourhood Programmes (NP) will be defined jointly by the participating countries. The Commission will approve the individual NP following the normal procedure applicable for INTERREG (and PHARE CBC, where relevant). In this way the Commission approval of the NP will define the scope and objectives for both the internal and external financing as well as approving the internal funding. In addition, the Commission will approve the external financing component in accordance with standard procedure for external funding. The Commission will sign a Financing Agreement with each of the external partners that will clearly establish the link between the external funding and the NP approved under normal INTERREG rules.

The CARDS Neighbourhood Project Facility is the instrument through which CARDS funding is provided to 9 bilateral Neighbourhood Programmes, to CADSES and Italy-Adriatic programmes.

#### *Geographical Eligibility*

The Neighbourhood Programmes will operate on the external borders of the enlarged European Union, including Romania and Bulgaria borders with Western Balkans.

The whole territory of the Cards beneficiary countries: Albania, Bosnia-Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia & Montenegro (including Kosovo under UN Resolution 1244) will be considered eligible for the Neighbourhood Programme on an overall level. However each Neighbourhood Programme involving these countries will define its specific eligible area .

#### *Eligible Actions*

Each Neighbourhood Programme will establish priorities, which will be in conformity with one of the following four objectives, set out in the New Neighbourhood Instrument Communication:

- promoting sustainable economic and social development in the border regions;
- working together to address common challenges, in fields such as environment, public health, and the prevention of, and fight against, organised crime;
- ensuring efficient and secure borders
- promoting local “people-to-people” type actions

#### *Implementation Procedures*

The important element of these programmes is that they will operate both with EU internal and EU external funding, through procedures, which have been harmonised as far as possible (for more information, see Annex 3). In short, these programmes will involve:

- the joint programming of measures
- the adoption of a single application process
- a single call for proposals on both sides of the border
- joint selection process for projects.

They will be managed as far as possible by the participating countries acting together in joint management structures, while respecting, for the CARDS contributions, the formal management requirements established both in the Financial Regulation and the CARDS Regulation.

To allow the selection process to be carried out jointly covering both the internal and external funding, the Selection Committee will be established and function in accordance with the provisions relating to shared management for the internal funding and on the basis of decentralised management for the external funding. In practice this will mean that the members of the Selection Committee from the MS will be nominated according to standard structural funds rules while the members of the Selection Committee from the partner countries will be nominated by the National Coordination Unit in the country concerned.

The decentralisation of the constitution and functioning of the Selection Committee for the external funding can be justified in view of the joint nature of the NP, the small scale of the individual projects to be financed and the close involvement of the Member States in the implementation, the constitution of the Selection Committee and the selection of projects to be financed will, on the basis of Article 164 of the Financial Regulation, be decentralised to the authorities of the countries concerned.

The Joint Selection Committee is responsible for the selection of projects in each Neighbourhood Programme. It fulfils the role of the “Evaluation Committee” described in the PRAG.

The members of the Joint Selection Committee come from each participating country in the Neighbourhood Programme. The number of members per country is agreed between the countries concerned. Each country then nominates its own members.

It is important to note that, as the principal method to be used for project selection is the call for proposals, this financing proposal does not comprise the traditional CARDS set of project fiches, indicating the breakdown of proposed expenditure. Instead, a breakdown of the proposed allocation of funding per Neighbourhood Programme is given at Annex 2.

In addition, it is in process of investigation ways to finance capacity-building measures, which will be essential to enhance the capacity of regional and local authorities in the CARDS partner countries to fully participate in the opportunities presented by the Neighbourhood Programmes .

The principal objective of this will be to build up capacity of local and regional authorities and other socio-economic stakeholder in the eligible regions in project management terms.

In particular, it will seek to put in place a pipeline of cross-border development projects by assisting the final beneficiaries to prepare sound project applications for support within the framework of the Neighbourhood Programmes

The Neighbourhood Programmes 2004-2006 will pave the way for a New Neighbourhood Instrument (NNI), with its own regulation, which will apply post 2006. This new instrument, currently under elaboration, would provide funding for cross border activities on both sides of the future EU border. It is likely to operate on the basis of a multi-annual programme approach, be implemented by a common management mechanism in both member states and partner countries, and have a larger budget. The NNI will build upon the expertise and structures created in the context of the Neighbourhood Programmes.

## **6. Complementary EC Assistance outside this Action Programme**

This financing proposal should complement and be coherent with other relevant EU policies and instruments, including national financial assistance programmes, as well as specific sectoral policies and instruments.

In addition, CARDS is undertaking a number of complementary measures on the external borders of the European Union through the relevant CARDS National Action Programmes.

## **7. Coordination with other Donors**

Donor co-ordination as regards the external component will be ensured by the EC Delegations and the European Agency for Reconstruction.

## **8. Programme Implementation**

### **8.1 Time-limit for signing the financing agreement**

The financing agreement must be concluded at the latest by 31 December of the year following that in which the corresponding global financial commitment was adopted. Failing this, the funds assigned to it will be cancelled.

### **8.2 Performance period**

- (a) The implementation period of the financing agreement starts with the entry into force of the financing agreement and ends on 31.12.2011.
- (b) This performance period falls into two separate phases:
  - (i) Operational implementation of the main activities. This phase starts with the entry into force of the financing agreement and ends on 31.12.2009.
  - (ii) A closure phase during which the final audits and evaluation are carried out along with technical and financial closure of the contracts implementing the financing agreement. This phase starts with the end of the operational implementation phase and closes at the end of the performance period.

- (c) Expenditure arising from the main activities is not eligible for Community financing unless it is incurred during the operational implementation phase. Expenditure arising from final audits and evaluation and from closure activities is eligible until the end of the closure phase.
- (d) Any remaining balance of the Community contribution will be cancelled automatically six months after the end of the performance period.

### **8.3 Procedures for the award of contracts and of granting of subsidies**

All contracts implementing the financing agreement must be awarded using the standard Commission procedures and documents for implementing external operations in force at the time the procedure is initiated.

### **8.4 Contracts implementing the agreement**

- (a) The contracts which implement the financing agreement have to be signed by the two parties within three years of the Commission's adoption of the financial commitment. This deadline may not be extended. At that date any non-contracted funds will be cancelled.
- (b) Any contract that has not given rise to any payment within three years of its signing will be terminated automatically and the funds cancelled.

### **8.5 Monitoring, evaluations and audits**

Appropriate planning and regular monitoring throughout implementation in the form of regular reports will take place. Evaluation during implementation and at the end of the programme, audit of programme will also take place.

Point 8.4(a) does not apply to audit and evaluation contracts, which may be signed later.

### **8.6 Administrative costs**

All administrative costs will be funded through the EU internal funding mechanisms, where legally possible.

However, an allocation of up to 5% per Neighbourhood Programme may be used for the administrative costs which would be contracted via the Operations Sections in the Delegation. This may include the establishment and functioning of the branch offices of the Joint Technical Secretariats on the external side of the border.

The type of costs envisaged include:

- staff costs of the branch office
- travel expenses for participation to the Monitoring and Selection Committees
- travel expenses for participation in the different NP meetings
- administrative costs

The funds will be managed by each Neighbourhood Programme Joint Technical Secretariat, under the supervision of the relevant Delegations.

## **9. Cost and financing**

The Neighbourhood Programmes will be financed through a Community grant of € 15 million, allocated as follows among the different actions. Please refer to Annex 2 for a detailed breakdown.

## **10. Government Commitment. Conditionalities**

Assistance is provided based on the existence of the necessary elements for the continuation of co-operation through assistance, in particular respect of democratic principles and human rights. Provision of assistance is conditioned to the endorsement and respect by the beneficiary governments of the terms and conditions of CARDS assistance, as set out in the Financing Agreements and its annexes and other relevant documents, such the Framework Agreements.

## ANNEX 1

### List of Neighbourhood Programmes

Neighbourhood Programme	Countries involved
Nord (Kolarctic)	Fin, S, N, Rus
Karelia	Fin, Rus
South-East Finland / Russia	Fin, Rus
Estonia / Latvia / Russia	EE, LV, Rus
Latvia / Lithuania / Belarus	LV, LT, Bel
Lithuania / Poland / Russia	LT, PL, Rus
Poland / Ukraine / Belarus	PL, UKR, Bel
Hungary / Slovakia / Ukraine	Hun, SLK, UKR
* Slovenia / Hungary / Croatia <sup>1</sup>	SLN, Hun, HR
* Hungary / Romania / Serbia & Montenegro <sup>2</sup>	HUN, Rom, SeM
* Italy / Adriatic	I, HR, BiH, SM, ALB
* Italy / Albania	I, ALB
* Greece / Albania	GR, ALB
* Greece / FYROM	GR, FYROM
Spain / Morocco	E, MAR
Gibraltar / Morocco	UK, MAR
Romania / Ukraine	Rom, UKR
Romania / Moldova	Rom, MOL
* Bulgaria / Serbia & Montenegro	Bul, SeM
* Bulgaria / FYROM	Bul, FYROM
Baltic Sea	D, DK, FIN, EE, LV, LT, PL, N, Rus, Bel
* CADSES	D, A, I, GR, CZ, SLK, SLN, PL, HUN, ROM, BUL, HR, SeM, BiH, FYROM, ALB, UKR, MOL
Western Mediterranean	I, F, E, P, UK, GR, Mal, (MAR, ALG, TUN)
Archimed	GR, I, Mal, Cyp, (TUR, EGY, ISR, LEB, SYR, Pal, Jor)

The list of programmes is only indicative and is based on INTERREG programmes for current and future Member States and on future PHARE CBC programmes on the external borders of the enlarged Union.

The CARDS Neighbourhood Project Facility will support those Neighbourhood Programmes involving Western Balkans countries (marked \*).

<sup>1</sup> Two NPs: Croatia-Slovenia and Croatia-Hungary

<sup>2</sup> Two NPs: Hungary-Serbian & Montenegro and Romania-Serbia & Montenegro (ELARG & REGIO)

## ANNEX 2

### Breakdown for overall Neighbourhood Project Facility for 2004

Country Programme	AI	BiH	HR	FYROM	SCG	Total
<b>CADSES</b>	√	√	√	√	√	<b>1.6</b>
<b>IT/Adriatic</b>	√	√	√		√	<b>2</b>
<b>IT/Albania</b>	1					<b>1</b>
<b>GR/FYROM</b>				1.8		<b>1.8</b>
<b>GR/Albania</b>	2.2					<b>2.2</b>
<b>Hu/SCG</b>					1	<b>1</b>
<b>BG/SCG</b>					1	<b>1</b>
<b>BG/FYROM</b>				1		<b>1</b>
<b>RO/SCG</b>					1.4	<b>1.4</b>
<b>SI/HU/HR</b>			√			<b>2</b>
<b>Total</b>						<b>15*</b>

IT: Italy  
BiH: Bosnia Herzegovina  
FYROM: Former Yugoslav Republic of Macedonia  
GR: Greece  
Hu: Hungary  
SCG: Serbia and Montenegro  
BG: Bulgaria  
RO: Romania  
SI: Slovenia  
HR: Croatia

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\* Equivalent allocations are foreseen for years 2005 and 2006

### **ANNEX 3: Summary of Implementation Arrangements**

This summary is provided for information on the implementation arrangements applicable to the Neighbourhood Programmes, and in particular the CARDS funding component.

In its Communication “Paving the way for a new Neighbourhood Instruments” of 1 July 2003<sup>1</sup>, the Commission decided to introduce a Neighbourhood Programmes for the period 2004 – 2006, as a first step towards a New Neighbourhood Instrument (from 2007)

The Communication spelled out that the key objective of the Neighbourhood Programmes should be to build on existing progress made in coordinating the existing internal and external instruments, while fulfilling existing commitments and obligations regarding the current programming period up to the end of 2006. The practical implications are that the Neighbourhood Programmes for 2004–2006 would be financed from internal and external funding conformity with the existing legal bases and the Financial Regulations as well as relevant Commission decisions.

The Communication emphasised that such Neighbourhood Programmes should permit a single application process, including a single call for proposals covering both sides of the border, and would have a joint selection process for projects.

The Commission has sought to harmonise procedures from both internal and external funding to allow the efficient functioning of Neighbourhood Programmes in the period 2004-06, while staying within the constraints of the respective existing legal bases.

Each Neighbourhood Programme will operate under the same management structure. The neighbouring countries will have an equal role in the Neighbourhood Programme. A responsible authority will be nominated at national level, and a wide partnership at regional, local and non-governmental level will be involved, as is done on the Member State side at present.

Each Neighbourhood Programme will have two Committees: a Monitoring Committee, which will ensure a policy and financial overview of the operation of the Programme, and a Selection (or Steering) Committee, which will be responsible for the selection of projects. A Neighbourhood Programme may decide to operate with one Committee fulfilling both functions. In certain circumstances, a programme may have more than one Joint Selection committee (that may happen when more than two countries are involved in the NP).

The Committees of each Neighbourhood Programme will include a balanced membership from all participating countries and an appropriate representation of the Commission. Each participating country will be responsible for nominating its representatives on the Committees. The arrangements concerning the membership of the Committees will be set out in each Neighbourhood Programme.

Each Neighbourhood Programme will have a Managing Authority (the responsible body under Structural Funds regulations) for the internal component (or an Implementing Agency in case of Neighbourhood programmes with Phare countries (Romania and Bulgaria). For external funding, there will be two important bodies. The partner countries

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<sup>1</sup> Com (2003)393 (final) of 1 July 2003

will each establish a Programme Co-ordination Unit, which in most cases is likely to be a role fulfilled by the existing National Co-ordinating Unit. However, the role of the Contracting Authority for the external component will be fulfilled by the Commission Delegations or the European Agency for Reconstruction, in the case of centralised management. The Commission / EAR may delegate the functions of the contracting authority and of the paying authority to the appropriate body, as designated by the partner country. In the case of decentralised management, this will be the appropriate body, as designated by the partner country.

The Managing Authority and the Programme Co-ordination Unit will agree on a Joint Technical Secretariat responsible for the administrative arrangements of the Programme. Most of the administrative tasks will be carried out by the Joint Technical Secretariat, located on the internal side of the border, which will include staff from the Neighbouring Countries. The Joint Technical Secretariat will be responsible for receiving project applications, carrying out the initial assessment of the applications, and providing recommendations to the Programme Selection Committee.

The Joint Technical Secretariat will also provide advice to potential project partners and will deal with the day-to-day management tasks related to the programme, with due account of the roles and responsibilities of the Managing Authority on the internal side of the border, and of the Contracting Authority on the external side of the border.

While certain tasks will be carried out by the Joint Technical Secretariat covering the external funding, these tasks can include only technical and/or administrative support and there can be no transfer of public authority tasks relating to the management of the external funding from the Commission to the Member State concerned and/or the Joint Technical Secretariat.

In view of the fact that the Commission will function as contracting authority for the external component of these programmes, the Commission will continue to have the right to participate as observer in all meetings of the Steering/Selection Committee (and as an advisor to the Monitoring Committee).

ERDF funding may be used to fund the travel and accommodation allowances of neighbouring country partners when attending programme and project meetings in the European Union. ERDF funding may also be used to employ neighbouring country nationals in programme secretariats.

Neighbourhood Programmes will operate on the basis of a single application process and a single selection process covering both sides of the border. A single application form for each project will be used, but with a clear separation of the work to be done inside and outside the Union.

Projects will normally be chosen through a call for proposals, although specific projects may be proposed by the Monitoring Committee via an appropriate procedure. The Monitoring Committee will decide on the Call for Proposals and will authorise publication by the Joint Technical Secretariat.

Applications will be submitted directly to the Joint Technical Secretariat, which will carry out the initial assessment of each project, and will prepare recommendations to the Selection Committee. Applications will include partners from both inside and outside the

Union. Exceptionally, projects may have partners from only one country provided that the project has a clear demonstrable cross-border effect.

The Selection Committee, comprising of members from all participating countries, with the Commission as an observer, will select the projects to be funded.

The formal project decisions will be different for the internal and external elements of the project taking account of the different rules for awarding funding:

- **EU side of the border:**

For the internal side of the border, the Managing Authority for the Neighbourhood Programme will issue a grant letter awarding the project ERDF funding following Structural Funds rules. The grant letter should normally be issued within 3 months of the decision of the Selection Committee.

- **External Countries:**

The relevant Commission Services will formally confirm the decision of the Selection Committee on which basis the Contracting Authority will issue a contract to the partner(s) on the external side of the border. In all cases the Commission will retain the right of final approval of projects. If circumstances should arise such that a proposal is rejected, a reasoned explanation will be provided. The contract should normally be awarded within 3 months of the decision of the Selection Committee.

The Managing Authority for the Neighbourhood Programme will then issue grant letters to the lead partner on the European Union side of the border, while the Contracting Authority will issue a contract to the lead partner on the neighbouring side of the border. The Contracting Authority on the external assistance side will be the Commission, normally acting through its delegations or the European Agency for Reconstruction.