



**THIRD-PARTY COST-SHARING AGREEMENT
BETWEEN THE NETHERLANDS (THE DONOR) AND
THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)**

WHEREAS the Donor hereby agrees to contribute funds to UNDP on a cost-sharing basis for the execution/implementation of the project “Support to underdeveloped areas of Croatia in preparing for the EU CAP and Rural Development Policy while reducing their vulnerability to Climate Change¹” [hereinafter: the Project] in Croatia,

WHEREAS UNDP is prepared to receive and administer the contribution for the execution/implementation of the programme/project,

WHEREAS the Government of Croatia has been duly informed of the contribution of the Donor to the programme/project,

WHEREAS UNDP shall designate the UNDP Croatia country office and the relevant UNDP field offices for the implementation of the programme/project,

NOW THEREFORE, UNDP and the Donor hereby agree as follows:

Article I. The Contribution

1.

(a) The Donor shall, in accordance with the schedule of payments set out below, contribute to UNDP the amount of EUR 500.000,00. The contribution shall be deposited in the UNDP Representative in Croatia (EURO) Account, Bank of America, 43/47 Avenue de la Grande Armee, 75116 Paris France, Acc. No: 30238172, SWIFT: BOFAFRPP, IBAN: FR76 4121 9160 1000 0302 3817 252

Schedule of payments

Amount

July 1, 2010

EUR 250.000,00

February 1, 2011

EUR 250.000,00

(b) The Donor will inform UNDP when the contribution is paid via an e-mail message with remittance information to contributions@undp.org

2. The value of the payment, if made in a currency other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Should there be a

¹ The programme/project is described in the project proposal. The project proposal is formally annexed to this agreement.

change in the United Nations operational rate of exchange prior to the full utilization by the UNDP of the payment, the value of the balance of funds still held at that time will be adjusted accordingly. If, in such a case, a loss in the value of the balance of funds is recorded, UNDP shall inform the Donor with a view to determining whether any further financing could be provided by the Donor. Should such further financing not be available, the assistance to be provided to the programme/project may be reduced, suspended or terminated by UNDP.

3. The above schedule of payments takes into account the requirement that the payments shall be made in advance of the execution/implementation of planned activities. It may be amended to be consistent with the progress of programme/project delivery.
4. UNDP shall receive and administer the payment in accordance with the regulations, rules and directives of UNDP.
5. All financial accounts and statements shall be expressed in United States dollars.
6. The contact data and banking information of NL Agency, responsible for the contribution and project monitoring on behalf of the donor, are the following:

Contact data

Mr. Chris Baaré
Unit manager IPS-CROSS
NL EVD International
NL Agency
P.O.Box 20105
2500 EC The Hague
T + 31 88 602 8537
F + 31 88 602 9026
M + 31 6 42 799 330
E: chris.baare@agentschapnl.nl

Bank information:

Royal Bank of Scotland
IBAN: NL49RBOS0569994136
BIC: RBOSNL2A
Owner account: NL EVD Internationaal

Article II. Utilization of the Contribution

1. The execution/implementation of the responsibilities of UNDP and of the Executing Entity /Implementing Partner pursuant to this Agreement and the project document shall be dependent on receipt by UNDP of the contribution in accordance with the schedule of payment as set out in Article I, paragraph 1, above.
2. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to the Donor on a timely basis a supplementary estimate showing the further financing that will be necessary. The Donor shall use its best endeavours to obtain the additional funds required.
3. If the payments referred to in Article I, paragraph 1, above are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph 2 above is not forthcoming



from the Donor or other sources, the assistance to be provided to the programme/project under this Agreement may be reduced, suspended or terminated by UNDP.

4. Any interest income attributable to the contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.

Article III. Administration and reporting

1. Programme/project management and expenditures shall be governed by the regulations, rules and directives of UNDP and, where applicable, the regulations, rules and directives of the Executing Entity/Implementing Partner.

2. UNDP headquarters and country office shall provide to the Donor all or parts of the following reports prepared in accordance with UNDP accounting and reporting procedures.

2.1 For Agreements of one year or less:

- (a) From the country office (or relevant unit at headquarters in the case of regional and global projects) within six months after the date of completion or termination of the Agreement, a final report summarizing programme/project activities and impact of activities as well as provisional financial data;
- (b) From UNDP Bureau of Management/Office of Finance and Administration, an annual certified financial statement as of 31 December to be submitted no later than 30 June of the following year;
- (c) From UNDP Bureau of Management/Office of Finance and Administration on completion of the programme/project, a certified financial statement to be submitted no later than 30 June of the year following the financial closing of the project.

2.2. For Agreements of more than one year:

- (a) From the country office (or relevant unit at headquarters in the case of regional and global projects) an annual status report of programme/project progress for the duration of the Agreement, as well as the latest available approved budget.
- (b) From UNDP Bureau of Management/Office of Finance and Administration, an annual certified financial statement as of 31 December every year to be submitted no later than 30 June of the following year.
- (c) From the country office (or relevant unit at headquarters in the case of regional and global projects) within six months after the date of completion or termination of the Agreement, a final report summarizing programme/project activities and impact of activities as well as provisional financial data.

(d) From UNDP Bureau of Management/Office of Finance and Administration, on completion of the programme/project, a certified financial statement to be submitted no later than 30 June of the year following the financial closing of the project.

3. If special circumstances so warrant, UNDP may provide more frequent reporting at the expense of the Donor. The specific nature and frequency of this reporting shall be specified in an annex of the Agreement.

Article IV. Administrative and support services

1. In accordance with the decisions and directives of UNDP's Executive Board reflected in its Policy on Cost Recovery from Other Resources, the Contribution shall be subject to cost recovery for indirect costs incurred by UNDP headquarters and country office structures in providing General Management Support (GMS) services. To cover these GMS costs, the contribution shall be charged a fee equal to 7%. Furthermore, as long as they are unequivocally linked to the specific project(s), all direct costs of implementation, including the costs of executing entity or implementing partner, will be identified in the project budget against a relevant budget line and borne by the project accordingly.

2. The aggregate of the amounts budgeted for the programme/project, together with the estimated costs of reimbursement of related support services, shall not exceed the total resources available to the programme/project under this Agreement as well as funds which may be available to the programme/project for programme/project costs and for support costs under other sources of financing.

Article V. Evaluation

All UNDP programmes and projects are evaluated in accordance with UNDP Evaluation Policy. UNDP and the Government of Croatia in consultation with other stakeholders will jointly agree on the purpose, use, timing, financing mechanisms and terms of reference for evaluating a project including an evaluation of its contribution to an outcome which is listed in the Evaluation Plan. UNDP shall commission the evaluation, and the evaluation exercise shall be carried out by external independent evaluators.

Article VI. Equipment

Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.

Article VII. Auditing

The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP. Should the biennial Audit Report of the Board of



Auditors of UNDP to its governing body contain observations relevant to the contributions, such information shall be made available to the Donor.

Article VIII. Completion of the Agreement

1. UNDP shall notify the Donor when all activities relating to the programme/project have been completed.
2. Notwithstanding the completion of the programme/project, UNDP shall continue to hold unutilized payments until all commitments and liabilities incurred in the execution/implementation of the programme/project have been satisfied and programme/project activities brought to an orderly conclusion.
3. If the unutilized payments prove insufficient to meet such commitments and liabilities, UNDP shall notify the Donor and consult with the Donor on the manner in which such commitments and liabilities may be satisfied.
4. Any payments that remain unexpended after such commitments and liabilities have been satisfied shall be disposed of by UNDP in consultation with the Donor.

Article IX. Termination of the Agreement

1. After consultations have taken place between the Donor, UNDP and the programme country Government, and provided that the payments already received are, together with other funds available to the programme/project, sufficient to meet all commitments and liabilities incurred in the execution/implementation of the programme/project, this Agreement may be terminated by UNDP or by the Donor. The Agreement shall cease to be in force 30 (thirty) days after either of the Parties have given notice in writing to the other Party of its decision to terminate the Agreement.
2. Notwithstanding termination of all or part of this Agreement, UNDP shall continue to hold unutilized payments until all commitments and liabilities incurred in the execution/implementation of all or the part of the project, for which this Agreement has been terminated, have been satisfied and project activities brought to an orderly conclusion.
3. Any payments that remain unexpended after such commitments and liabilities have been satisfied shall be disposed of by UNDP in consultation with the Donor.

Article X. Amendment of the Agreement

The Agreement may be amended through an exchange of letters between the Donor and UNDP. The letters exchanged to this effect shall become an integral part of the Agreement.



Article XI. Entry Into Force

This Agreement shall enter into force upon signature and deposit by the Donor of the first contribution-payment to be made in accordance with the schedule of payments set out in Article I, paragraph 1 of this Agreement and the signature of the project document by the concerned parties.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in the English language in two copies.

For the Donor:



I.M. de Jong
Director General European Affairs
Netherlands Ministry of Foreign Affairs

For the United Nations Development Programme:




Alessandro Eracassetti
Resident Representative a.i.

Zagreb, June 1, 2010



ANNEX 1

SUPPORT TO UNDERDEVELOPED AREAS IN CROATIA TO PREPARE FOR THE EU CAP AND RURAL DEVELOPMENT POLICY WHILE REDUCING THEIR VULNERABILITY TO CLIMATE CHANGE

- Project document -

1. BACKGROUND INFORMATION

<u>Project title:</u>	Support to underdeveloped areas of Croatia to prepare for the EU CAP and Rural Development Policy while reducing their vulnerability to Climate Change
<u>Implementing partners:</u>	UNDP Croatia in direct co-operation with the county and municipality authorities in targeted area, CSOs, local business and agriculture support organisations (development agencies, science and education institutions, extension services, etc.)
<u>Target area:</u>	5 counties within <i>Areas of Special State Concern (ASSC)</i> : Sisak-Moslavina, Karlovac, Lika-Senj, Zadar and Šibenik-Knin
<u>Indicative budget:</u>	REQUESTED BUDGET: EUR 500,000 (UNDP & local co-financing at least EUR 321,200)
<u>Project duration:</u>	18 months

Agriculture still plays a key role in Croatian economy due to its overall value and its impact on food security, vulnerable populations and the employment it generates. Up to 92% of Croatia is classified as rural with 48% of the Croatian population living there. Generally, rural households are more vulnerable than households in urban areas, due to poorer access to basic infrastructure and poorer housing conditions. In spite of this, there is ample evidence to suggest that the rural population in less developed areas of Croatia are unprepared to face the challenges presented by Croatia's upcoming participation in the EU's Common Agricultural Policy (CAP). The rural population in these areas is neither aware nor prepared to face and adapt to these changes. Environmental protection and Climate Change adaptation are among the areas which are most in need of support.

Agriculture and rural development are considered potentially problematic areas in Croatia's harmonization with EU policies and practices. Chapter 11 of the *acquis communautaire* on Agriculture and Rural Development has been opened for negotiations in October 2009, and the utilisation ratio of the EC assistance programmes in agriculture and rural development is relatively low, currently at about 55%, with little or no projects receiving assistance in the most underdeveloped areas of Croatia. With the new generation of assistance programmes for agriculture and rural development, IPARD, the Croatian authorities have decided to intensify support to bigger producers, aiming at increasing their competitiveness (Axis 1 of CAP Rural Development), while a relatively small proportion, 1% of available funds, are directed towards improving support networks for small and micro – producers, strengthening of the local rural development stakeholders, as well as diversification of rural economies and agro-environment measures.

It is exactly under these two axis (Axis 2: Environment and land management and Axis 3: Economic diversity and quality of life) and the horizontal axis (LEADER) of the EU Rural Development Policy 2007 – 2013 where UNDP's local and regional (county) partners are likely to receive little or no support once Croatia enters in the CAP unless rural communities are supported to face the challenges of integration. The anticipated end of the current Croatian system of price-support

subsidies needs to be promptly substituted with an efficient system of rural development measures in support of the least developed areas and their rural population.

At the same time, Croatia's agricultural sector is particularly vulnerable to Climate Change. According to the 2008 National Human Development Report for Croatia, *A Climate for Change*, one fourth of the Croatian economy or almost 10 billion Euros of Croatian GDP is vulnerable to current climate variability and likely future climate change impacts. Agriculture is expected to suffer the most. Precipitation, temperature, weather extremes and evaporation rates all impact production. In the agriculture sector alone, climate variability has already had a significant impact. Extreme weather events have resulted in average losses of EUR 176 million per year from 2000-2007 representing 0.6% of the national GDP, or one tenth of the GVA (gross value added) generated by the agriculture, forestry and fisheries sectors. This damage surpasses by 25% the value of the average annual direct payments (subsidies) for the same period, paid to farmers by the Ministry of Agriculture, Fishery and Rural Development.

While climate change remains a risk in the future, there are a number of actions that could be taken now to address current variability to the climate, which would also contribute to adaptation and to reducing climate change vulnerability of the agricultural sector and of rural population. Immediate measures also need to be taken to prepare Croatia's rural areas to reap at least some of the benefits of the EU Rural Development Policy.

1 - In order to be able to compete for EU funds for rural development, local communities need to **establish democratic decision making structures, Local Action Groups** – LAGs, in accordance with *the LEADER approach*. There are currently 4 LAGs established across 5 less developed counties in which the UNDP operates with its local development programme. However, there is an evident lack of local capacities to fully establish and operate such structures: the information is not sufficient, the territorial set-up has not yet been discussed and the Government resources are very limited (250,000 EUR in 2010). In spite of these shortcomings, UNDP has started discussions with the county level authorities and found that there is the political will on the part of these authorities to invest financial resources into the establishment of LAGs in these areas.

2 – **Support small producers and local authorities in preparing project technical documentation.** As mentioned above, the utilisation of the EC assistance programmes for agriculture and rural development is relatively low, but falls to zero when it comes to smaller producers in underdeveloped areas. Besides a lack of adequate and timely information, this is due to insufficient capacity of local or regional support institutions to provide advice or services, and often poorly prepared or missing project (technical) documentation. The latter is directly related to the problem of missing LAGs mentioned above, as those projects that are well prepared and approved by LAGs are entitled to additional 30 points in the evaluation process of IPARD Program.

3 - There is a widespread lack of awareness that quality of life in rural areas can be preserved and improved through **better management of natural resources and diversification of the economy** away from a strict focus on agricultural production. A pre-requisite for the diversification of the economy is the removal of all potential environmental threats to rural space, especially those stemming from agricultural production. A great deal of **adaptation to climate change** involves better resources management through changes in land use and crop mixes, changes in the way in which crop and pasture-land is managed, substitution of inputs (including renewable energy sources like biomass) and changing timing of management activities. Increasing the carbon content in the soil, conservation tillage and liming, adoption of organic farming and well-planned irrigation investments are several “no regrets” options that would both help to reduce the vulnerability of the agricultural sector and would bring benefits for rural population.

4 - Diversification of the economy in the form of **locally-owned, innovative small businesses is closely linked to landscape and biological diversity** which attract tourists (i.e. rural tourism, adventure sports, bird watching, wild animals rescue centres etc). With the ambitious proposal of the Government to protect 45% of land through the NATURA 2000 network once Croatia accedes to the EU, the awareness of local communities (especially farmers and private forest owners) should be prioritized including information about the services they provide or could provide to preserve those NATURA 2000 sites, to enhance resilience of ecosystems and help adapting to climate change and for the compensation agro-environment measures they could benefit of. Those measures are in the focus of the aforementioned RDP Axis 2.

5 - In 2008 UNDP has started a **Green Business Support Programme** in cooperation with four Dalmatian counties regional development agencies aiming to support biodiversity-friendly business development and to help local communities to develop a pipeline of business cases (mostly agriculture, tourism and natural resources management) to mobilise available financial resources i.e. absorb EU funding which is expected in years to come. The experience and know-how gained through Green Business Support Programme would be used in this proposed intervention and transferred to at least three other counties of Croatia.

6 - **The engagement of women and women's organisations** play an especially important role in efforts to diversify rural economies and preserve rural livelihoods. Despite the rising awareness and willingness to address this issue, further efforts are needed to strengthen women's civic engagement in rural areas including through the provision of training.

2. PROJECT INTERVENTION LOGIC

OUTCOME

The expected outcome of the project intervention is increased preparedness of the rural communities in underdeveloped areas in Croatia to face the challenges of entry into the Common Agriculture Policy and to benefit from the Rural Development Policy while better adapt to Climate Change;

The following are indicators of achievement:

- Increased level of understanding of the EU CAP and Rural Development policies
- Increased capacity of the local support institutions to plan, consult, prepare, finance and implement rural development and climate change adaptation projects in line with the required methodology and with involvement of the local communities
- Increased number of private (agro-producers and family farms) and public (municipalities, counties, CSOs) organisations from the targeted areas submitting projects to be financed from EC assistance programmes for agriculture and rural development
- Increased number of project proposals from the targeted area in the field of sustainable natural resources management aimed at increased ecosystems resilience and adaptation to climate change, incl. elimination of pollution and sustainable land use, i.e. preservation of rural landscape, forests management, autochthonous species, traditional water collection systems/sustainable water management, crafts and other landmarks.
- Increased engagement of women and women's organisations in planning and implementing rural development activities

OUTPUTS AND RESULTS

The project will deliver the following outputs, with corresponding results to be achieved:

1. **LEADER - bottom-up, participatory community planning approach introduced and operationalised in targeted rural areas**

- Established or strengthened 1 Local Action Group (LAG) per county
- Newly established LAGs accredited and registered by the Ministry of Agriculture, Fisheries and Rural Development
- LAGs' mid-term strategies (3-5 years) developed and adopted
- 2 project proposals per LAG prepared for foreseen future national/donor funding
- 1 pilot-project per LAG prepared and implemented with the UNDP assistance

For the achievement of these results, the following activities will be implemented:

- organisation of presentation / information workshops and regular co-ordination meetings with LAG (incl. potential LAGs) representatives
- provision of assistance in preparation of LAG statutes and submission for registration to responsible Gov't authority
- provision of support to LAGs networking and exchange with LAGs in Croatia and the region
- provision of assistance in preparation of 3-year local development strategies for targeted LEADER areas with indicative project list and action plan
- provision of assistance in preparation of annual operative programmes
- support to LAGs in identifying, prioritizing and preparing rural development projects
- support to implementation of pilot projects

2. Created pre-conditions for increased competitiveness of agriculture production in underdeveloped areas in Croatia through improved rural human resources capacity, infrastructure and adaptation to climate change

- Local support institutions strengthened (Regional development agencies, science, research and education institutions, entrepreneurship centres, agriculture extension services, producers' associations, etc.) to be ready to offer advisory services, development of business plans, investment and technological studies, etc.
- Analyses conducted and strategic documents prepared for the development of strategic branches of agriculture production as well as planning solutions for possible negative effects of these activities and climate variability/climate change
- Joint funds for technical documentation for rural infrastructure established
- Education and training programmes specific to agriculture and other rural businesses developed, and ready to be delivered by the local support institutions

For the achievement of these results, the following activities will be implemented:

- Organization of education and training for representatives of support institutions on preparation of applications for rural development support programmes (incl. IPARD measures)
- Provision of assistance in preparation of county rural development strategies
- Support to research and analyses necessary for preparation of strategic documents and planning solutions for possible negative effects of agriculture production and climate change
- Establishment of joint technical documentation funds with targeted counties – prepared operating manuals, disseminated information
- Preparation of training and education modules and conduction of pilot-trainings for targeted groups of specific agriculture producers and other rural businesses

3. Created pre-conditions for further development of "green" rural businesses contributing to GHG emissions reduction, climate change adaptation and nature preservation and protection

- Mechanisms for support to agro-environment and innovative rural business investment developed (including biomass and renewable sources of energy)
- Locally-specific policies and measures for treatment of hazardous agriculture waste developed and functional
- Provision of assistance to research, policy development and implementation planning for

For the achievement of these results, the following activities will be implemented:

- transfer of UNDP Green Business Support Programme tools and practice to Dalmatian counties hinterland and two additional counties (Sisak-Moslavina and Karlovac) + development of specialized education and training modules (bio-mass, solar panels, water potential, etc..)
- conduction of field research and preparation of technical documentation for necessary investment and manuals for treatment of hazardous agriculture waste

3. IMPLEMENTATION ARRANGEMENTS AND LINKS TO OTHER ACTIVITIES

To ensure UNDP's accountability for programming activities and use of resources, while fostering national ownership, management arrangements and oversight of UNDP programming activities certified in accordance with PRINCE2 methodology are foreseen. The following management structure is proposed:

Since the project will be implemented by two UNDP field offices, covering two distinct geographic areas in Croatia, two Project Boards will be responsible for making executive management decisions for the project when guidance is required by the Project Manager based on quarterly or mid-term reviews, including approval of substantive project revisions, and for decisions when project tolerances have been exceeded. The composition of the Project Boards will, as minimum, include an Executive to chair the Board meetings, a Senior Supplier to provide guidance regarding the technical feasibility of the project, and a Senior Beneficiary to ensure the realization of project benefits from the perspective of project beneficiaries. The involvement of relevant stakeholders and their corresponding role within the management structure will be continued from the previous programme period, where representatives from different sectors: government, civil society, donor and business were appointed as Project Boards members or invited to participate at the Boards' meetings.

Project assurance reviews by this group will be made at designated decision points during the running of a project, or as necessary when raised by the Project Manager.

Project Quality Assurance will be performed on an ongoing basis by designated UNDP Programme Officer within the Zagreb Country Office, with a view to carry out objective and independent project oversight and monitoring functions, ensuring that appropriate project management milestones are managed and completed. The Programme Officer will also exercise approval authority for transactions up to the levels of delegated authority.

UNDP Croatia plans to implement the project through two existing Local Development field offices in Zadar and Petrinja, each led by a project manager and covering one respective geographical area. Expert advice and co-operation in implementation will be sought from the GEF/UNDP COAST – Conservation and Sustainable Use of Biodiversity in the Dalmatian Coast through Greening Coastal Development project team based in Split which is operating in four Dalmatian counties (incl. Zadar and Šibenik-Knin).

The project will be implemented in full complementarity and synergy with other planned or ongoing UNDP projects, as well as other projects financed from EU budget:

- Socio-Economic Recovery of Areas of Special State Concern and Underdeveloped Regions in Croatia – Banovina-Kordun and Lika-Dalmatian hinterland regions
- Social inclusion and conflict prevention in ASSC, supported by the Spain-UNDP MDG Fund;
- Optimisation of water supply networks in underdeveloped areas in Croatia, in co-operation with Croatian Water Authority and municipalities; and
- Conservation and Sustainable Use of Biodiversity in the Dalmatian Coast through Greening Coastal Development (COAST), as well as related activities from the Energy Efficiency programme

It is important to emphasise that the 2010 National Human Development Report (NHDR), a biannual UNDP report on specific aspects of human development in the host country, will be dedicated to agriculture and rural development in the light of EU accession process in Croatia. The report will provide in-depth analysis of the two sectors and prospects for the mid-term period, with regards to adaptation to new policies and practices and impact they may have to the rural population in Croatia.

Finally, the Local Development programme team based in the UNDP office in Zagreb will assure internal co-ordination and complementarity of all activities undertaken, as well as reporting and visibility activities.

4. NATIONAL OWNERSHIP AND SUSTAINABILITY

At the preparatory stage of this project proposal two ad-hoc co-ordination meetings were held with the representatives of the Ministry of Agriculture, Fisheries and Rural Development (MAFRD) in charge of rural development and IPARD EC assistance programme. A high level meeting where further co-ordination and co-operation mechanisms should be agreed upon has been requested in May 2010.

Previous and current practice for all UNDP activities in the targeted areas regarding agriculture and rural development has been tight alignment with the Government (or MAFRD) strategic documents and operational plans, in the form of information dissemination, info-workshops for potential beneficiaries of Government and EC programmes (IPARD), training of trainers and consultants at local level, as well as direct co-operation with local and regional development institutions in strengthening their capacities and upgrading the scope and quality of their services to end-beneficiaries.

Further co-ordination and complementarity with the MAFRD will be ensured through two mechanisms:

1. support to absorption capacity will be provided for those sectors foreseen or already in implementation in the framework of IPARD programme (e.g. measures for upgrading the competitiveness of Croatian agriculture and rural infrastructure, as well as introducing the LEADER approach) where there is lack of sufficient MAFRD presence and activities in the targeted areas, due to limited field resources. The involvement of MAFRD representatives will be sought at all UNDP organized events, continuing the current practice.
2. support in project preparation and dissemination of information will be provided for those sectors whose implementation is currently delayed or paused (e.g. agri-environmental measures), that will become mandatory upon Croatia's EU accession.

The respective interventions in rural development and adaptations to climate change have previously been approved by the Ministry of Regional Development, Forestry and Water Management (UNDP's Local development programme Annual Work Plan 2010) and the Ministry of Environmental Protection, Physical Planning and Construction (UNDP's Green programme Annual Work Plan 2010).

Reports on the project implementation will be submitted to these ministries through regular channels of communication between the UNDP and the Government counterparts.

The sustainability of both activities and results should be guaranteed by involving key local and regional development institutions and players in all the foreseen activities as direct partners in implementation, with the aim of transferring the knowledge, tools and responsibilities to them upon the end of the project. This type of capacity and partnership building activities has been successfully implemented in previous programme periods.

5. RISK ASSESSMENT

RISK	ASSESSMENT
Lack of information and unpredictability of the patterns of the local self-government reform may cause reluctance of local self-government units (LSGU) to get involved more actively in forming and operating Local Action Groups (LAGs)	Regardless of the future shape and size of the LSGUU, the participation in LAGs in voluntary, and the initial contacts and other efforts will be aimed at those already willing to participate. Furthermore, other sectors (civil society, businesses) are expected to act as initiators and motivators.
Delays in preparation and adoption of operative documents (manuals) at the MAFRD may slow down the process of registration, accreditation and functioning of the LAGs	LEADER is not a novelty, it is a well structured EU model of local participation in decision making for rural development, and, as such, contains elements that are given regardless of the individual stipulations in manuals or rule-books. The UNDP' approach will focus on these elements, therefore creating pre-conditions for full functioning of the LAGs once the national policy and operative structures are in place.
Expected LSGU contributions – co-financing may decline due to overall economic situation in the country and budgetary problems	At this stage the foreseen activities do not require substantive contributions from the beneficiaries. Furthermore, the experience from 2009 and 2010 Q1 shows that LSGU see their interest in participating in such initiatives and are ready to enter into partnership, including co-financing of individual activities. Additional resources will be sought from the national institutions.

6. INDICATIVE BUDGET

BUDGET ITEM		REQUESTED BUDGET BREAKDOWN (EUR)	UNDP's & LOCAL CONTRIBUTION* BREAKDOWN (EUR)
A. Human Resources		49.000,00	70.000,00
1	Salaries (gross) amounts-Project staff	49.000,00	70.000,00
B. Local office/Project costs - Petrinja and Zadar		22.000,00	25.000,00
2	Zadar and Petrinja Project Offices		
2,1	Travel (Per Diems, fuel/pay toll, vehicle maintenance, vehicle insurance)	9.000,00	10.000,00
2,2	Office rent and equipment	9.000,00	10.000,00
2,3	Communication costs	4.000,00	5.000,00
C. Other Cost, Services		40.000,00	0,00
3	Visibility costs	5.000,00	0,00
4	GMS (General Management Support)	35.000,00	0,00
SUB-TOTAL (A+B+C)-Subtotal Human Resources/Management costs		111.000,00	95.000,00
D. Project activities		389.000,00	226.200,00
5	LEADER Approach	190.000,00	75.400,00
5,1	Direct costs	188.000,00	
5,2	Supplies	2.000,00	
6	Increased Competitiveness of Agriculture Production	94.000,00	75.400,00
6,1	Direct costs	94.000,00	
7	"Green" Rural Business	105.000,00	75.400,00
7,1	Direct costs	105.000,00	
TOTAL (A+B+C+D)		500.000,00	321.200,00
TOTAL PROJECT COSTS		821.200,00	

* Counties and local self-government units will participate in co-financing of the project only if their current year's budget contains approved budget lines for the implementation of the activities defined in co-operation with the UNDP, or separate budget line for co-financing the EU and UNDP projects (example of Sisak-Moslavina county)

ANNEX 1: Logical Framework Matrix: Support to underdeveloped areas in Croatia in preparing for the EU Rural Development Policy while reducing their vulnerability to Climate Change

Overall objective	Intervention logic	Indicators	Sources of verification	Assumptions
<p>Specific objectives</p>	<p>1. LEADER – bottom-up, participatory community planning approach introduced and operationalised in targeted rural areas</p> <p>2. Created pre-conditions for increased competitiveness of agriculture production in underdeveloped areas in Croatia through improved rural human resources capacity, infrastructure and adaptation to climate change</p> <p>3. Created pre-conditions for further development of “green” rural businesses contributing to GHG emissions reduction, climate change adaptation and nature preservation and protection</p> <p>Horizontal objective: improved absorption capacity for EU CAP and Rural development funds</p>	<ul style="list-style-type: none"> • compared to 2009, by 20% increased No. of project proposals taking into account agro-environmental requirements and expected effects of climate change submitted to national and international sources of funding • compared to 2009, by 20% increased No. of applications to IPARD and, consequently, EU CAP & RD funds form the targeted area <ol style="list-style-type: none"> 1. compared to 2009, 30% more local and regional authorities, civil society organisations and businesses applying LEADER methodology for implementing rural development projects and other activities 2. compared to 2009, 30% more newly developed project proposals in agriculture using local support institutions’ services with technical documentation prepared using available local and regional assistance mechanisms 3. compared to 2009, 20% more newly developed project proposals in rural businesses using local support institutions’ services, taking into account new findings on agro-environmental requirements and climate change, with technical documentation prepared using available local and regional assistance mechanisms 	<ul style="list-style-type: none"> • Ministry of Agriculture, Fisheries and Rural Development official records • EC reports • Bureau of Statistics data • media <ul style="list-style-type: none"> • LAG initiative meeting minutes • Local and regional (county) authorities official records and web-pages • Local and regional media • Relevant national authorities official records • Local authorities records, progress and final report and media coverage 	<div style="background-color: #cccccc; border: 1px solid black; height: 100px; width: 100%;"></div> <ul style="list-style-type: none"> - Continued support by the Ministry of Agriculture and EU funds - Co-ordination with the regional development policies ensuring overall development effort in rural areas - Successful implementation of other related reforms (land reform, agricultural subsidies, etc..)

<p align="center">Results</p>	<p>1.1 LAGs established – 1 per county 1.2 LAGs' mid-term strategies developed 1.3 LEADER pilot-projects implemented (1 per LAG): support provided to grass-root civic initiatives in targeted rural areas (LAGs) that contribute to diversification of rural economy, local development and preservation of natural and cultural heritage + 2 project proposals per LAG prepared for future national / EU funding</p> <p>2.1. local support institutions strengthened to provide advisory services, assistance in developing business plans, investment and technological studies, etc.</p> <p>2.2. analyses conducted and strategic documents for the development of strategic agriculture products and mitigating the adverse effects of climate change prepared</p> <p>2.3. joint funds for technical documentation for rural infrastructure established</p> <p>2.4. education and training programmes specific for agriculture and rural businesses developed and ready to be delivered by the local support institutions</p> <p>3.1 developed mechanisms for support to agro-environment and innovative rural business investment (including bio-mass and renewable sources of energy)</p> <p>3.2. conducted research and developed policy and measures for treatment of hazardous agriculture waste</p>	<p>1.1. at least 5 LAGs registered and accredited 1.2. at least 5 LAGs' mid-term strategies adopted and approved by the relevant authorities, e.g. compliance with other strategic documents confirmed 1.3. at least 1 agreement on co-operation on project implementation signed with each of the newly established Lags + at least 2 project proposals submitted for further funding or ready to be submitted</p> <p>2.1. at least 10 local support institutions (regional development agencies, science, research and education institutions, entrepreneurship centres and incubators, agriculture extension service, producers' associations) offer their services to end-beneficiaries (agriculture and other rural producers, co-operatives, civic engagement organisations, etc.)</p> <p>2.2. at least 3 studies, manuals and other publications presented to the wider public</p> <p>2.3. at least 3 joint funds' operating procedures and capitalization agreed and publicized, relevant institutions offering services of the fund to end-beneficiaries</p> <p>2.4. at least 5 local support institutions offering training and education programmes to targeted end-beneficiaries</p> <p>3.1. at least 1 new service per county offered to targeted end-beneficiaries to support their agro-environment and other rural business activities</p> <p>3.2. at least 2 manuals for treatment of hazardous waste published and presented to target beneficiaries and at least 2 sets of necessary equipment procurement documentation ready and/or equipment installed and functional</p>	<ul style="list-style-type: none"> • LAG meeting minutes • Local and regional (county) authorities official records and web-pages • Local and regional media • Relevant national authorities official records • Local authorities records, progress and final report and media coverage 	<p>- local partnerships and political support by local authorities</p> <p>- Existing support institutions and civil society organizations active in related sectors in the area</p> <p>- Existing support by the Ministry of Agriculture, Fisheries and Rural Development</p> <p>- implemented measures for rural development at national level – policies, strategic documents, manuals adopted, etc..</p>
<p>iv iti</p>	<p>1.1.1. organisation of presentation workshops and regular coordination meetings with LAG (incl. potential LAGs)</p>	<p>Means:</p>	<p>Costs:</p>	<p>Pre-conditions:</p>

<p>representatives</p> <p>1.1.2. assistance in preparation of LAG statutes and submission for registration to responsible Gov't authority</p> <p>1.1.3. support to LAGs networking and exchange with LAGs in Croatia and the region</p> <p>1.2.1. assistance in preparation of 3-year local development strategies for targeted LEADER areas with indicative project list and action plan</p> <p>1.2.2. assistance in preparation of annual operative programmes</p> <p>1.3.1. support to LAGs in identifying, prioritizing and preparing rural development projects</p> <p>1.3.2. support to implementation of pilot projects</p> <p>2.1.1. assistance in preparation of county rural development strategies</p> <p>2.1.2. education and training for representatives of support institutions on preparation of applications for rural development support programmes (incl. IPARD measures)</p> <p>2.2.1. support research an analyses necessary for preparation of strategic documents and planning solutions for possible negative effects of agriculture production and climate change</p> <p>2.3.1. establishment of joint technical documentation funds with targeted counties – prepared operating manuals, disseminated information</p> <p>2.4.1. preparation of training and education modules and conduction of pilot-trainings for targeted groups of specific agriculture producers and other rural businesses</p> <p>3.1.1. transfer of UNDP Green Business Support Programme tools and practice to Dalmatian counties hinterland and two additional counties + development of specialized education and training modules (bio-mass, solar panels, water potential, etc..)</p> <p>3.2.1. field research and preparation of technical documentation for necessary investment and manuals for treatment of hazardous agriculture waste</p>	<p>1.1.1. – 1.3.1.: technical assistance – service contract</p> <p>1.3.1.: agreement on financial assistance and/or direct procurement of services, works and goods</p> <p>2.1.1. – 2.2.1. : technical assistance – service contract</p> <p>2.3.1.: agreement on financial assistance</p> <p>2.4.1. – 3.2.1.: technical assistance – service contract</p> <p>All activities: partial management and visibility costs – as per UNDP contracts</p>	<p>Attached budget</p>	<p>- Established local partnerships and political support by local authorities</p> <p>- Existing support institutions and civil society organizations active in related sectors in the area</p> <p>- Existing support by the Ministry of Agriculture, Fisheries and Rural Development</p>
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