

## ANNEX 5C

### INTERREG - IPA CBC Hungary - Serbia 2014-2020 Performance Framework

#### Performance framework for Priority Axis 1 "Improving the cross-border water management and risk prevention systems"

*(Reference: point (b)(v) of the first subparagraph of Article 96(2), and Annex II to Regulation (EU) No 1303/2013)*

Priority axis 1		„Improving the cross-border water management and risk prevention systems”					
Indicator type	ID	Indicator or Key implementation step	Measurement unit, where appropriate	Milestone 2018	Final target (2023)	Source of data	Explanation of relevance of indicator, where appropriate
Output indicator	OI 1.2	Length of new or improved water management system	Metres	0	6000	Beneficiaries, AIR	The significant majority of the projects expectedly will target the improvement of water management and disaster management systems and infrastructures. This is also foreseen in the 'Categories of intervention' (CP section 2.1.7) and in the two Call for Proposals of the Programme already launched. However, taking into account the duration of these kind of projects (mostly between 24 and 36 months), there won't be fully implemented operations by the end of 2018. (Please also check the 'Summary of information' part)
Key Implementation Step	KIS 1.2	Number of projects contracted related to the improvement of the water management system's physical infrastructure in the cross	Pieces	4	6	Monitoring System AIR	KIS 1.2 has been chosen to complement OI 1.2 since at the moment of the introduction of the

		border region					<p>Performance Framework into the Cooperation Programme there are 2 strategic projects in contracting phase and there are 16 applications submitted to this type of intervention within the 2<sup>nd</sup> Call for Proposals.</p> <p>The 2018 milestone envisaging 5 contracted projects, which will ensure the achievement of the 2023 target value and with the third call the target of OI 1.2 will be expectedly achieved by projects.</p>
Financial indicator	FI 1	<p>Eligible certified IPA funding of the PA 1 "Improving the cross-border water management and risk prevention systems"</p> <p>Eligible certified expenditure of the priority axis 1 "Improving the cross-border water management and risk prevention systems"</p>	EUR	<p>1 917 101</p> <p>1 050 000</p>	<p>26 470 589</p> <p>22 176 471</p>	Monitoring System	<p>Financial indicator is the n+3 spending obligation in 2018 within the Priority, proportionate to the Programme level spending obligation but takes into consideration misunderstanding of not counting advance into the amount</p>

**Summary of information on the establishment of the performance framework for PA 1 "Improving the cross-border water management and risk prevention systems"**

The selected output indicator relates to main operations under PA 1, among others activities for establishment of new or reconstruction of existing water management systems, as watersheds and the connecting sluices and construction of related water quality monitoring systems, that are expected to represent the majority of resources allocated to this priority axis.

The performance framework milestone for the year 2018 and indicators' targets for 2023 established for PA 1 are directly linked to the achievement of its specific objective: "Decreasing environmental risks (e.g. drought, flood, hail) and preventing negative effects on quality of water bodies and nature protected areas".

The selection methodology of this output indicator is simply arithmetical since there are already 2 Calls for Proposals launched by the time of introduction the Performance Framework into the CP. The factual figures extracted from the projects/applications showing the followings:

In the 1<sup>st</sup> CfP (Strategic CfP) two projects were selected for contracting. Both projects planned with 36 month duration, the projects will have a starting date 1 June 2017, thus by the end of 2018 these two projects will be in the middle of implementation, therefore the Programme cannot report full operations by then. On the other hand both projects targeting the selected OI 1.2, the target values already reaching the Programmes planned achievement in this regard and covering more than 13,3 m EUR IPA funding (reaching almost 60% of the Priority's allocation)

In the 2<sup>nd</sup> CfP 21 applications were submitted to the PA 1. Among those 21 further 7 applications targeted the OI 1.2. Also, the 3<sup>rd</sup> CfP is planned to be launched, targeting the same Priorities.

Taking into consideration the 1. CfP's figures and the assumption that there will be more projects selected in the course of the 2. CfP it can be stated that the selected OI 1.2 is the appropriate one for the measurement of the Programme's performance, supplemented by a Key Implementation Step (KIS 1.2).

In case of the KIS 1.2 and FI 1 the estimated milestone values for 2018 are realistic, achievable, transparent and verifiable. Although the 2018 milestone value for the OI 1.2 is set 'zero', in case of starting the projects on time, i.e. in the second half of 2017, projects will have ongoing activities targeting the planned outputs. A Key Implementation Step is envisaged when no or only few outputs related to fully implemented operations are expected by the end of 2018, e.g. it is assumed that in case an expected achievement in 2018 below 50% of the 2023 target value a KIS is provided. The Programme sets it's KIS 1.2 milestone value (2018) as 4 contracted projects. Since there is already 2 projects in the contracting phase and considering the number submitted projects in the 2<sup>nd</sup> CfP, it seems achievable at least two more (all together 4) projects being selected by the end of 2018.

The milestone for 2018 of the Financial Indicator (the total amount of eligible expenditure entered into the accounting system of the certifying authority and certified) represents the financial resources allocated to PA1 including EU contribution (IPA II) in order to meet the n+3 rule and to avoid decommitment.

## Performance framework for Priority Axis 2 “Decreasing the bottlenecks of cross-border traffic”

(Reference: point (b)(v) of the first subparagraph of Article 96(2), and Annex II to Regulation (EU) No 1303/2013)

Priority axis 2		“Decreasing the bottlenecks of cross-border traffic”					
Indicator type	ID	Indicator or Key implementation step	Measurement unit, where appropriate	Milestone 2018	Final target (2023)	Source of data	Explanation of relevance of indicator, where appropriate
Output indicator	OI 2.2	Total length of newly built roads	Km	0	3 3.21	Beneficiaries, AIR	Since there are missing links in the road network crossing the border, there is a significant need to build new road sections further developing the accessibility of border area settlements.
Output indicator	OI 2.3	Total length of reconstructed or upgraded roads	Km	0	2 2.14		Some of the roads leading up to the border are in a very bad shape. Increasing the capacities of roads leading up to the border crossings is in line with the Priority's objective. (Please also check the 'Summary of information' part)
Key Implementation Step	KIS 2.2	Number of projects contracted related to the improvement of physical infrastructure of border crossing roads	Pieces	1	2	Monitoring System AIR	KIS 2.2 has been chosen to complement OI 2.2 and 2.3 since at the moment of the introduction of the Performance Framework into the Cooperation Programme there is 1 strategic project targeting OI 2.2 in contracting phase and there are applications submitted to this type of intervention targeting

							<p>OI 2.3 within the 2<sup>nd</sup> Call for Proposals.</p> <p>The 2018 milestone envisaging 1 contracted project, which will ensure the achievement of the 2023 target value (the strategic project aims more than 3,5 kms new road section) and expectedly there will be more road building/reconstruction project will be contracted by the end of 2018.</p>
Financial Indicator	FI 2	Eligible certified expenditure of the priority axis 2 "Decreasing the bottlenecks of cross-border traffic"	EUR	1 235 465 794 000	17 058 824 18 226 000	Monitoring System	<p>Financial indicator is the n+3 spending obligation in 2018 within the Priority, proportionate to the Programme level spending obligation but takes into consideration misunderstanding of not counting advance into the amount</p>

### **Summary of information on the establishment of the performance framework for PA 2 "Decreasing the bottlenecks of cross-border traffic"**

The selected output indicator relates to main operations under PA 2, namely measures for development of border crossing points and the relevant transport lines leading to the border-crossing point. Those are expected to represent the majority of resources allocated to this priority axis.

Performance framework milestones and indicators' targets for 2023 are directly linked to the achievement of PA 2 specific objective "Increasing the capacities of border crossing and the connected transport lines through promoting development of road transport and use of sustainable transport modes (public transport, bicycle, water transport)".

The selection methodology of these two output indicators (OI 2.2 and OI 2.3) is simply arithmetical since there are already 2 Calls for Proposals launched by the time of introduction the Performance Framework into the CP. The factual figures extracted from the projects/applications showing the followings:

In the 1<sup>st</sup> CfP (Strategic CfP) one project was selected for contracting, planned with 36 month duration. The envisaged starting date of this project is 1 October 2016 (not confirmed yet), thus by the end of 2018 this projects will not finish the implementation, therefore the Programme cannot report full operations by then. On the other hand this project is targeting the selected OI 2.2, the target value already reaching the Programmes planned achievement in this regard and covering more than 4,65 m EUR IPA funding (reaching more than 32% of the Priority's allocation)

In the 2nd CfP 7 applications were submitted to the PA 1. Among those 7 further applications 1 targeted the OI 2.3. Also, the 3rd CfP is planned to be launched, targeting the same Priorities.

Taking into consideration the 1. CfP's figures and the assumption that there will be more projects selected in the course of the 2nd and 3rd CfP, it can be stated that the selected OI 2.2 and 2.3 are the appropriate ones for the measurement of the Programme's performance, supplemented by a Key Implementation Step (KIS 2.2).

In case of the KIS 2.2 and FI 2 the estimated milestone values for 2018 are realistic, achievable, transparent and verifiable.

A Key Implementation Step is envisaged when no or only few outputs related to fully implemented operations are expected by the end of 2018, e.g. it is assumed that in case an expected achievement in 2018 below 50% of the 2023 target value a KIS is provided. The KIS 2.2 has it's milestone value (2018) set as 2 contracted projects. Since there is only one project in the contracting phase and considering that in the 2nd CfP only one application targeting the OI 2.3, it is realistic to set only one project being selected by the end of 2018. The final target value of KIS 2.2 is 2, which can be more of course if there will be more selected projects targeting OI 2.2 or 2.3.

The milestone for 2018 of the financial indicator (the total amount of eligible expenditure entered into the accounting system of the certifying authority and certified) represents the financial resources allocated to PA 2 including EU contribution (IPA II) in order to meet the n+3 rule and to avoid decommitment.

### Performance framework for priority axis 3 "Encouraging tourism and cultural heritage cooperation"

(Reference: point (b)(v) of the first subparagraph of Article 96(2), and Annex II to Regulation (EU) No 1303/2013)

Priority axis 3		"Encouraging tourism and cultural heritage cooperation"					
Indicator type	ID	Indicator or Key implementation step	Measurement unit, where appropriate	Milestone 2018	Final target (2023)	Source of data	Explanation of relevance of indicator, where appropriate
Output indicator	OI 3.2	Number of joint cultural, recreational and other types of community events and actions organised	Number	20	200 265	Beneficiaries, AIR	Both Actions under PA3 are supporting also community events serving the cooperation in the field of tourism and cultural heritage. Promotion of tourism assets, services and cultural heritage are the main focus of the Priority. These promotional activities will be implemented through local/regional events. Taking into consideration that most of the projects (with the duration of 18-22 months) will be selected and contracted in the course of 2017, the estimated milestone value by the end of 2018 is 10% of the final target.
Financial Indicator	FI 3	Eligible certified expenditure of the priority axis 3 "Encouraging tourism and cultural heritage cooperation"	EUR	1 082 097 1 100 000	12 700 000 19 649 411,76	Monitoring System	Financial indicator is the n+3 spending obligation in 2018 within the Priority, proportionate to the Programme level spending obligation

### Summary of information on the establishment of the performance framework for PA 3 "Encouraging tourism and cultural heritage cooperation"



The selected output indicator relates to the majority of operations under PA 3, namely organizing small scale co-operation projects including cultural, leisure sport and nature protection programmes with special regard to the young people and children as target groups, developing and organizing cultural co-operation activities in the border region (e.g. events, festivals, programmes, knowledge transfer), that are expected to represent the majority of resources allocated to this priority axis.

The performance framework milestones for the year 2018 and indicators' targets for 2023 established for PA 3 are directly linked to the achievement of the specific objectives "Creation of commonly coordinated cross-border tourism destinations based on the complementary local assets in order to ensure sustainable development of tourism potentials" and „Promoting co-operation activities in the field of culture, leisure, sport, and nature protection”.

The estimated milestone values for 2018 are realistic, achievable, transparent and verifiable.

The selection methodology of the OI 3.2 is based on the previous Programme's (7-13) achievements and an arithmetical calculation of submitted applications in the first two Call for Proposals of the present Programme.

The previous Programme had a separate Action for 'People to people' actions, supporting mostly cultural, recreational and other types of community events, similar to the ones covered by OI 3.2 of the present Programme. The final achievements of the former Programme's 'People-to-people' action was 57 implemented projects with more than 330 000 people involved. Although the output indicators are not the same in the two Programmes, it can be stated that the projects targeting PA 3 in the current Programme will organize a lot of community events, since both actions under PA 3 of the Programme encouraging such activities. Typically, these projects are shorter ones compared to the infrastructure development related projects (see in PA 1 and PA 2) and they can start the implementation of their activities earlier.

In the 1st CfP (Strategic CfP) one project was selected for contracting, planned with 36 month duration. The envisaged starting date of this project is 1 June 2017 (not confirmed yet), thus by the end of 2018 this projects will not finish the implementation, therefore the Programme cannot report full operations by then. On the other hand this project is targeting the selected OI 3.2, the target value already significantly contributes (targeting 139 community evenets) to the Programmes planned achievement in this regard and covering more than 3,3 m EUR IPA funding (reaching more than 26% of the Priority's allocation).

In the 2<sup>nd</sup> CfP there are 141 applications submitted and the majority of those applications planned OI 3.2 in their projects. According to prior estimates (based on the available minimum and maximum IPA contribution per project) the JMC will be able to select approximately 40-50 projects for funding in this Call. Also, the 3<sup>rd</sup> CfP is planned to be launched, targeting the same Priorities.

Assuming that the Strategic Project already selected and the projects to be selected in the 2<sup>nd</sup> CfP will start organizing community events from the beginning of 2018, thus at least 10% of the OI 3.2 can be achieved by the end of the year.

The milestone for 2018 of the financial indicator (the total amount of eligible expenditure entered into the accounting system of the certifying authority and certified) represents the financial resources allocated to priority axis 3 until 2015 including EU contribution (IPA II) in order to meet the n+3 rule and to avoid decommitment.

**Performance framework for priority axis 4 “Enhancing SMEs’ economic competitiveness through innovation driven development”**

*(Reference: point (b)(v) of the first subparagraph of Article 96(2), and Annex II to Regulation (EU) No 1303/2013)*

<b>Priority axis 4 “Enhancing SMEs’ economic competitiveness through innovation driven development”</b>							
<b>Indicator type (Key Implementation Step, Financial, or output indicator)</b>	<b>ID</b>	<b>Indicator or Key implementation step</b>	<b>Measurement unit, where appropriate</b>	<b>Milestone 2018</b>	<b>Final target (2023)</b>	<b>Source of data</b>	<b>Explanation of relevance of indicator, where appropriate</b>
Output indicator	OI 4.1	Number of enterprises cooperating with research institutions	Number	10	35	Beneficiaries, AIR	The majority of the projects targeting PA 4 can be implemented only with the cooperation of research institutions and SME’s. One of the Programme’s main eligibility criteria is that Beneficiaries must be non-profit organizations, thus the traditionally for-profit SME’s cannot be directly granted from the funds of the current Programme. On the other hand the research institutions have to target the SME’s economic competitiveness with the result(s) of their projects and therefore SMEs should be involved during the implementation of those projects. Without their effective cooperation these types of projects cannot be successful.
Financial indicator	FI 4	Eligible certified expenditure of the priority axis 4 “Enhancing SMEs’ economic	EUR	759 308 347 200	10 484 236 8 902 941.18	Monitoring System	Financial indicator is the n+3 spending obligation in 2018 within the Priority, proportionate

		competitiveness through innovation driven development"					to the Programme level spending obligation but takes into consideration misunderstanding of not counting advance into the amount.
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### **Summary of information on the establishment of the performance framework for PA 4 "Enhancing SMEs' economic competitiveness through innovation driven development"**

The selected output indicator relates to the majority of operations under PA 4, namely enforcing the development and adaptation of new technologies, processes, products or services for enterprises, by innovation-driven cross-border cooperation, that are expected to represent the majority of resources allocated to this priority axis.

The performance framework milestones for the year 2018 and indicators' targets for 2023 established for PA 4 are directly linked to the achievement of the specific objectives "Enforcing the growth capabilities and employment potential of SMEs through the development and adaptation of new technologies, processes, products or services".

The estimated milestone values for 2018 are realistic, achievable, transparent and verifiable.

The selection methodology of the OI 4.1 is based on an arithmetical calculation of submitted applications in the 2nd Call for Proposals of the present Programme, also considering the previous Programme's achievements. The Programme did not launch Strategic Call in case of PA 4.

The 7-13 Programme supported 'Product oriented R&D' action, however it cannot be seen as a real benchmark for the selected output indicator. Instead of benchmarking the previous Programme's achievement can be a good starting point for the activities foreseen in PA 4. Many researchers and research institutions established contacts and worked together and implemented joint R&D activities, provided innovative solutions for interested enterprises.

The first Action within PA 4 is 'Enhancing SMEs' economic competitiveness through innovation driven development'. In the 2nd CfP the Programme received 68 applications to the above mentioned Action and the majority of those applications planned OI 4.1 in their projects. According to prior estimates (based on the available minimum and maximum IPA contribution per project) the JMC will be able to select approximately 10 projects for funding in this Call. Also, the 3rd CfP is planned to be launched, targeting the same Priorities.

Assuming that the projects to be selected in the 2nd CfP will involve SMEs from the beginning of 2018, thus at least 28% of the OI 4.1 can be achieved, meaning 10 SMEs (out of the envisaged 35) will cooperate with research institutes by the end of 2018.

The milestone for 2018 of the financial indicator (the total amount of eligible expenditure entered into the accounting system of the certifying authority and certified) represents the financial resources allocated to priority axis 3 until 2015 including EU contribution (IPA II) in order to meet the n+3 rule and to avoid decommitment.

### Changes overview table with explanations:

Indicator type	ID	Indicator or Key implementation step	Measure ment unit	Milestone 2018	Final target (2023)	Source of data	Explanation of relevance of indicator, where appropriate
Financial indicator	<b>FI 1</b>	Eligible certified IPA funding of the PA 1... Eligible certified expenditure of the priority axis 1 "Improving the cross-border water management and risk prevention systems"	EUR	1 917 101 1 050 000	26 470 589 22 176 471	Monitoring System	Added: "but takes into consideration the misunderstanding of not counting advance into the amount"
<b>Explanation for FI 1:</b> The change of the name of the indicator was due to a mistake in wording in the indicator name, the milestones take into consideration the present situation and the misunderstanding of not counting advance payments into the milestone values. The planned values for Milestones were counted as according to the values that were planned for the n+3 obligation – and those amounts DID take into consideration the Advance values (around 7.24% of total values for Priorities). Without taking into consideration the advance, the milestone values would be minimal. Nevertheless, our math shows that the we can deliver 5% of the total of contracted projects for this predominantly infrastructural priority which is 5% of 21 Million EUR - 1 050 000 EUR. Final target value is due to proposed new total value of PA 1.							
Output indicator	<b>OI 2.2</b>	Total length of newly built roads	Km	0	3 3.21	Beneficiaries, AIR	Comment not changed
Output indicator	<b>OI 2.3</b>	Total length of reconstructed or upgraded roads	Km	0	2 2.14		Comment not changed
<b>Explanation for OI 2.2 and 2.3:</b> The change of Final target values is proportional to the increase of budget on PA 2.							
Financial Indicator	<b>FI 2</b>	Eligible certified expenditure of the priority axis 2 "Decreasing the bottlenecks of cross-border traffic"	EUR	1 235 465 794 000	17 058 824 18 226 000	Monitoring System	Added: "but takes into consideration the misunderstanding of not counting advance into the amount"
<b>Explanation for FI2:</b> The decrease of value of the milestone take into consideration the misunderstanding of not counting advance payments into the milestone values. The planned values for Milestones were counted as according to the values that were planned for the n+3 obligation – and those amounts DID take into consideration the Advance values (around 7.24% of total values for Priorities). Without taking into consideration the advance, the milestone values would be minimal. Nevertheless, our math shows that the we can deliver 5% of the total of contracted projects for this predominantly infrastructural priority which is 5% of 15.873 Million EUR – 794 000 EUR. The Final target increase takes is due to proposed new total value of PA 2.							
Output indicator	<b>OI 3.2</b>	Number of joint cultural, recreational and other types of community events and actions organised	Number	20	200 265		Comment not changed
<b>Explanation for OI 3.2:</b> The change of Final target value is proportional to the increase of budget on PA 3.							
Financial Indicator	<b>FI 3</b>	Eligible certified expenditure of the priority axis 3 "Encouraging tourism and cultural heritage cooperation"	EUR	1 082 097 1 100 000	12 700 000 19 649 411,76		Comment not changed
<b>Explanation for FI 3:</b> The decrease of value of the milestone takes into consideration the misunderstanding of not counting advance payments into the milestone values. The planned values for Milestones were counted as according to the values that were planned for the n+3 obligation – and those amounts DID take into consideration the Advance values. Without taking into consideration the advance, the milestone values would be minimal. Nevertheless, we would not like to decrease the amount as the number of contracted projects enables us to follow the set goal so we would increase it to 1 100 000 EUR. The Final target increase takes is due to proposed new total value of PA 2.							
Financial indicator	<b>FI 4</b>	Eligible certified expenditure of the priority axis 4 "Enhancing SMEs' economic competitiveness through innovation driven development"	EUR	759 308 347 200	10 484 236 8 902 941.18	Monitoring System	Added: "but takes into consideration the misunderstanding of not counting advance into the amount"
<b>Explanation for FI 3:</b> The decrease of value of the milestone take into consideration the misunderstanding of not counting advance payments into the milestone values. The planned values for Milestones were counted as according to the values that were planned for the n+3 obligation – and those amounts DID take into consideration the Advance values (around 7.24% of total values for Priorities). Without taking into consideration the advance, the milestone values would be minimal. Nevertheless, our math shows that the we can deliver 7% of the contracted projects of this non-infrastructural priority which is 7% of 4.96 Million EUR, which is 347 200 EUR. The Final target decrease takes into consideration the proposed new total value							

of PA 4.

**Overall explanation of logic of decreasing Milestone values for priorities.** We considered the amounts of contracted projects since this is the tangible available data we have at the moment. In addition, we considered present average spending rates of implementation and we based our predictions on average spending rates of projects in similar phase of implementation (timewise) and similar type ("soft" or projects with work components) when coming to expected milestone values. We concluded that we expect in average 5-7% progress in the spending rate of projects. For Priorities that have infrastructural investment like PA 1 and 2, in general, spending rates are lower in the beginning so we considered 5% while for PA 4 being a "softer" priority, 7% spending rate was predicted. For PA 3 no considerable change is expected in comparison to original plan.

**Additional explanation on why there will not going to be decreased Output Indicator values for PA 1 and PA 4 even though there will be reallocations in funding from those PAs:** We consider the projected Output Indicators as cautiously planned and we would not like to decrease pro-rata the projected performance framework output indicators for these Priorities because we are confident that even with decreased reallocations – those values are feasible.