

INTERREG-IPA Cross-border Cooperation Programme Hungary- Serbia

Annual Implementation Report 2018

*Approved by the Joint Monitoring Committee
on 20 May 2019*



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Model for the implementation reports for the European Territorial Co-operation goal

PART A

DATA REQUIRED EVERY YEAR ('LIGHT REPORTS') (Article 50(2) of Regulation (EU) No 1303/2013)

1. IDENTIFICATION OF THE ANNUAL / FINAL IMPLEMENTATION REPORT

CCI	2014TC16I5CB001
Title	Interreg-IPA CBC Hungary-Serbia
Version	1.0
Reporting year	2018
Date of approval of the report by the Monitoring Committee	20/05/2019

2. OVERVIEW OF THE IMPLEMENTATION OF THE CO-OPERATION PROGRAMME

(Article 50(2) of Regulation (EU) No 1303/2013 and Article 14(3)(a) of Regulation (EU) No 1299/2013)

Key information on the implementation of the Co-operation Programme for the year concerned, including on financial instruments, with relation to the financial and indicator data. [max: 7000ch]

The year 2018 was a year of consolidation with focus on finalization of contracting and start of implementation of projects of 2nd Call for Proposals (2nd CfP) and continuation of projects of the 1st Call for Proposals (1st CfP). It was the year when the first, a bit more substantial, results started pouring in and when spending rate of funds began to speed up. Though JS held no Joint Monitoring Committee meetings, there were 17 decisions made via 7 Written Procedures.

The JS has concluded the contracting for the remaining 55 of the 2nd CfP of 72 projects selected in the two first calls. The JS coordinated the approval of 4 addenda, has considered and approved 63 other project changes. The JS has also approved 30 project reports (PR) of the value of 1 361 839.60 EUR, of which IPA EU Contribution (IPA) is 1 152 801.50 EUR. The PRs were approved in following breakdown per Priority Axis of IPA:

PA1: 492 439.57;

PA2: 304 144,12;

PA3: 313 738.84;

PA4: 42 478.97

In short, 2018 can be described as a slow approach towards the peak in implementation of projects that is expected for 2019.

The Imis office, the JS, the MA, the NA and the FLCs continued efforts regarding the development of the Monitoring System IMIS 2014-2020 and have reported errors and new development requests throughout the year.

The JMC has approved the *Final Implementation Report of the Hungary-Serbia IPA CBC Programme 2007-2013* by a Written Procedure, successfully concluding the last task of the previous programme taken over by the present JMC. The *Annual Implementation Report for 2017* (AIR 2017 including the Citizens' summary) was also approved by the JMC. The JMC has also approved the *Annual Work Plan for the year 2018 of the Joint Secretariat*, the *Annual Communication Plan for 2018*, 2 modification of the *TA Manual* and several *TA data sheet* modifications.

After the approval of the JMC the MA has submitted the final version of the 2nd CP modification to the European Commission on 15 August 2018 concerning the reallocation of funds between priorities, changes in the performance framework and some administrative changes. The new version of the programme was approved on 12 February 2019).

The Programme's website www.interreg-ipa-husrb.com remained the main communication hub of the Programme towards the general public, potential applicants, the Beneficiaries and other Programme's stakeholders. The website also featured articles related to the EC and its EU-level initiatives, as well as announcements of the projects' opening conferences and tender procedures.

JS distributed four quarterly issues of the Programme's Newsletter.

The Programme's pages on Facebook and LinkedIn also provided information about the Programme, news relevant to the (or for the) border region, and updates on the related EU-level initiatives. These pages also featured the series *Programme Managers' Tips*, providing advice to the Beneficiaries for effective project implementation. The Programme also continued to use its YouTube channel to share the Programme-related and project-related videos.

The Programme participated in the Cross-border Cooperation Conference, which the Ministry of European Integration of the Republic of Serbia – NA of the Programme organized on 14 November 2018 in Belgrade. Head of the JS, presented the up-to-date results and achievements of the Programme, as well as the planned future steps in its implementation.

The Programme's annual event in 2018 was celebration of the European Cooperation Day. This time, JS partnered with seven projects and promoted their 15 public events from the domain of arts, sports, and science to showcase the cross-border cooperation in action. The initiative had remarkable results:

- 5 000 attendees (estimated number)
- 18 media articles mentioning European Cooperation Day, including five TV reports and one double spread article in a Serbian weekly magazine in Hungarian language (Hét Nap).

Several projects participated in the EC initiative celebrating the European Year of Cultural Heritage – 2018 (EYCH 2018). The projects: **CommonHeritage**, **Youth-Together**, **LIVES**, and **NEWTRAD**, which nurture the cultural heritage of the border region, were featured in the online publication "[Connecting Cultures, Connected Citizens](#)". Some of these projects also participated, alongside JS representatives, at a conference which Interact programme organized to mark the closing of EYCH 2018 on 5 December 2018 in Vienna, Austria.

Since there were not any Open Call for Proposals, the JS has not organized Info Days in 2018.

However, representatives from JS attended the Beneficiary Seminar organized by the Hungarian

FLC in Szeged on 06.02.2018 where the FLC introduced the rules for reporting by Beneficiaries and presented the modules of IMIS 2014-2020 to be used by beneficiaries.

The JS helped to organise a training for Serbian and Hungarian FLC on the use of IMIS 2014-2020 monitoring system and a separate one on TA Reporting and checking in the IMIS 2014-2020, both held in Budapest respectively on 07.03.2018 and 05.09.2018.

JS also helped the Serbian FLC to organise two seminars in Subotica for Serbian stakeholders: a Beneficiary Seminar for Serbian beneficiaries on 20.03.2018, where the FLC introduced the rules for reporting and the Beneficiary-level modules of IMIS 2014-2020 (87 participants). a Lead Beneficiary Seminar on 21.03.2018 where the JS introduced the implementation rules of our programme, the IMIS 2014-2020 monitoring system – the Lead Beneficiary modules (72 participants)

On 12.06.2018 the JS organised a Lead Beneficiary Seminar for Lead Beneficiaries from Hungary in Szeged where the JS also introduced the implementation rules of our programme and the IMIS 2014-2020 monitoring system – the Lead Beneficiary modules. 78 persons attended the seminar.

During the 2018 JS employees attended 12 Interact seminars.

In 2018, the JS consisted of eight employees with the following roles: three Programme Managers, one Programme and Financial Manager, one Communication Manager, one Office Manager and the Deputy Head of the JS and the Head of the JS. The JS Antenna in Subotica operated with two Programme Managers, one of them having the role of the Head of JS Antenna. Horizontal Units of the hosting institution (Széchenyi Program Office Nonprofit Llc.) helped the management of the Programme.

The operational evaluation- "Evaluation of the efficiency and effectiveness of the programme" was conducted by the Central European Service for Cross-Border Initiatives (CESCI). The cut-off date of the processed data was 31/09/2018. The final evaluation report is not yet approved by the JMC, however, the JS has already taken measures in view of the findings. This Report contains extracts taken out of the draft reports that address important issues.

3. IMPLEMENTATION OF THE PRIORITY AXES (Article 50(2) of Regulation (EU) No 1303/2013)

3.1. Overview of the implementation [max 1750ch per PA]

ID	Priority Axis	<p align="center">Key information on the implementation of the Priority Axis</p> <p align="center">With reference to key developments, significant problems and steps taken to address these problems</p>
PA 1	Improving cross-border water management and risk prevention systems	<p>The Priority represents 28.94 % of the IPA funding allocated for the Programme (18 850 000 EUR).</p> <p>The specific objective of this PA is decreasing environmental risks (e.g. drought, flood...) and preventing negative effects on quality of water bodies and nature protected areas.</p> <p>The Beneficiaries of the PA actions are: water management organisations in partnership with the relevant public organisations, the local governments, associations, NGOs, etc.</p> <p>- The 1st CfP targeted activities of strategic importance. The two projects of this priority with a the total value of 13.328 M EUR of IPA funding are progressing well, both in their second year of implementation out of three years and no prolongations of activities are foreseen.</p> <p>- The 7 projects projects of PA1 of the 2nd CfP are of total value of 4.521 M EUR of IPA funding are progressing according to plans with some delays in reporting. 5 of them (maximum duration 24 months) are in their 2nd year of implementation while the other 2 have started in January 2018. This means that all the projects are well advanced and the infrastructural works are under way. Two of these projects are considering no-cost extension of the duration, request will be submitted in 2019.</p> <p>We estimate that only by these 9 projects selected within the two Calls for Proposals, all the Performance framework targets and the overall targets concerning the PA 1 will be reached by the time of conclusion of the projects and we already see considerable progress towards that goal in 2018.</p> <p>There were no significant problems observed with the implementation of the Priority.</p>
PA 2	Decreasing the bottlenecks of cross-border traffic	<p>The Priority represents 23.79 % of the IPA funding allocated to the Programme (15 492 100 EUR).</p> <p>The specific objective of this PA is 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</p>

		<p>transport).</p> <p>The Beneficiaries of the PA actions are: national-, county- and regional-level bodies and their organisations responsible for the development of the cross-border transport, railway management and development companies, border control and customs administrations, organisations which are maintaining the transport stations and operating public transport: bus and railway public transport companies, organizations dealing with shipping etc.</p> <p>- The 2 Projects contracted under this priority for 1st CfP (Call for proposals of strategic importance) with a total of 7.696 M EUR are progressing without major delays. Both are in their 2nd year of implementation with a minor delay in fulfilling the indicators.</p> <p>- The 3 projects of the 2nd CfP with the total value of 5.796 M EUR of IPA funding within this priority are also in progress and only one is considering prolongation of activities. All of these are projects with infrastructural investment or technical plans for future investments.</p> <p>The most significant problem regarding this priority axis is that there is a lag in reaching two (O/I 2.1 and 2.6) targets. This problem has been tackled during the 2nd CP modification. The JS and the MA are certain that after modifying the programme and adapting the 3rd call for proposals (3CfP) the targets will eventually be met.</p>
PA 3	Encouraging tourism and cultural heritage cooperation	<p>The Priority represents 25.65 % of the IPA funding allocated to the Programme (16 702 000 EUR).</p> <p>The specific objectives of this PA are 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.</p> <p>The Beneficiaries of the PA actions are: the regional tourism organisations with the involvement of the local tourism destination management associations, NGOs, the local- county- and the regional-level authorities, the local governments, the county/ and the regional-level bodies and their organisations, etc.</p> <p>- The only project of the 1CfP with the value of 3.177 M EUR of IPA funding is progressing according to plan, 2 infrastructural investments are progressing; to be concluded in 2019. We expect no delays in either the works nor in any other activities of the project.</p> <p>- The 40 projects in the value of 9.6 M EUR of IPA funding within this priority are progressing according to plans:</p>

		<p>numerous project events were organized, making the cooperation widely visible in the Programme region through tourism and cultural heritage preservation activities. All projects started their implementation in 2018, the average duration is 18 months (all projects last between 12 and 24 months).</p> <p>Other than a minor delay in reporting of several projects, there were no significant problems observed with the implementation of the Priority. All the goals (Programme-level Indicator targets, specific objectives) relating to this Priority will be met by a big margin.</p>
PA 4	Enhancing SMEs' economic competitiveness through innovation driven development	<p>The Priority represents 11.62 % of the IPA funding allocated to the Programme (6 512 400 EUR).</p> <p>The specific objective of this PA is enforcing the growth capabilities and employment potential of SMEs through the development and adaptation of new technologies, processes, products or services.</p> <p>The Beneficiaries of the PA actions are: economic clusters, business and innovation support organizations in cooperation with R&D&I and higher education institutions, vocational and adult training organisations, labour market organisations which coordinate labour flows in the CBC area, chambers, public organisations or NGOs, etc.</p> <p>- This Priority was only available for 2CfP. The 17 projects of the value of 4 198 M EUR of IPA funding are progressing according to plan with some delays in reporting and we expect only a few requests of extension of duration in 2019. Development of social entrepreneurship are in progress as well as cooperation between SMEs and research institutions in the whole program area. All projects started their implementation by July 2018, and the average duration is 21 months and all of them are between 12 and 24 months of duration.</p> <p>The most significant problem of this priority is that one Programme-Level Indicator (O/I 4.3) is not covered by the contracted projects. This problem will also be addressed by the 2nd Modification of CP and by adapting the 3rdCfP to ensure the indicator is reached by forthcoming applications.</p>
PA 5	Technical Assistance (TA)	<p>The Priority represents 10% of the IPA funding allocated to the Programme (6,512,400 EUR).</p> <p>The main results in 2018 were the sound and timely execution of all necessary measures that are the prerequisite for the Programme's effectiveness (operation of the Programme Bodies, financing of their personnel and external services, the conclusion of 2 CfPs, the selection of projects, the project monitoring, administrative and technical</p>

		<p>assistance, the Programme evaluation, information and communication activities, audit and First Level Control measures, development and operation of an electronic monitoring system, etc.).</p> <p>Out of 72 projects total, 60 have started their implementation in 2018. The LBs of projects submitted 34 PRs. The JS has approved 30 PRs in the value of 1.36 Million Euros (1 361 839.60 EUR). Only one project has concluded their implementation in 2018 (HUSRB/1602/31/0154 on the very last day of the year).</p> <p>45 projects will conclude their activities in the next year.</p> <p>The reason of the appearance of some lagging in indicators and some delays in the implementation is a combination of technical and administrative obstacles, as the long process of the Designation procedure, the necessary developments of the electronic monitoring system and the longer contracting process of projects PA 3 and 4 due to the institutional changes which have been reported to the EC. The Programme bodies are, however, optimistic that all goals will be met as we see progress in all these issues.</p>
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3.2. Common and programme specific indicators (Article 50(2) of Regulation (EU) No 1303/2013)

Data for common and programme-specific indicators by Investment Priority transmitted using the Tables 1 to 2 below.

Table 1

Result indicators (by Priority Axis and Specific Objective); applies also to the Technical Assistance Priority Axis

Automatic from SFC						Annual value					Observations (if necessary)
ID	Indicator	Measurement Unit	Baseline Value	Baseline Year	Target Value (2023)	2014	2015	2016	2017	2018	
PA 1, 1.1	Water quality (good ecological status) of cross-border surface water bodies (rivers and water flows) in the eligible area	Weighted average ecological status (average, no unit) of cross-border surface water bodies (rivers) in the eligible area	2.91	2012	2.7	N/a	N/a	N/a	N/a	N/a	Frequency of reporting is planned to be 2019, and 2023.
PA 2, 2.1	Share of border-crossing traffic at smaller border-crossing points within all border-crossing traffic	% of persons crossing the border at smaller border-crossing points	35.4%	2014	40%	N/a	N/a	N/a	N/a	N/a	Frequency of reporting is planned to be 2019, and 2023.
PA 3, 3.1	Number of overnight stays	overnight stays	1 835 757	2013	1 964 000	N/a	N/a	N/a	N/a	N/a	Frequency of reporting is planned to be 2019, and 2023.
PA 3, 3.2	Level of cross-border cooperation intensity of the public and non-profit organisations dealing with cultural, leisure sport and nature protection issues	Rating	3.24	2015	3.73	N/a	N/a	N/a	N/a	N/a	Frequency of reporting is planned to be 2019, and 2023. Baseline and target values and rating is elaborated in Annex 5A of the CP
PA 4, 4.1	Rate of innovative SMEs in the CBR	%	32.94	2015	33	N/a	N/a	N/a	N/a	N/a	Frequency of reporting is planned to be 2019, 2021 and 2023. It must be acknowledged that the planned values are cautiously planned due to the unpredictability of the markets.

These values require statistical data and research in most cases. The programme considers that the influence of the programme is still not measurable as the programme is in the early phases of implementation – accessing the present situation would not offer a realistic picture of the influence of our programme to the given data. We propose reporting on these values for the next AIR.

Additional data needed by EC:

1. The amount received from the Commission

The total funding of programme is 76 616 474.00, as in 64 405 706.85 of IPA Funding.

The advance received by the programme is: 13 460 302.00 EUR.

2. Transferred funding to the beneficiaries

	Transferred without advance	Transferred with advance
2018	1 045 771.61	8 229 920.65
Total (2017-2018)	1 046 522.55	8 230 671.59

3. How much interests was accumulated, who has decided on what use will be made of them.

To the moment of submission of this report no interest was accumulated on the programme and no decisions were made regarding future interests that may accumulate in the future.

Table 2

Common and programme specific output indicators (by Priority Axis, Investment Priority); applies also to Technical Assistance Priority Axes

	ID	Indicator	Measurement unit	Target value (2023)	CUMULATIVE VALUE					Observations
					2014	2015	2016	2017	2018	
Outputs to be delivered by selected operations [forecast provided by beneficiaries]	1.1	Population benefiting from flood protection measures	persons	100 000	0	0	0	949 123	949 123	unexpectedly ambitious projects approved on 2 calls of this subject
Outputs delivered by operations [actual achievement]				100 000	0	0	0	0	0	no problems foreseen to reach the ultimate target value
Outputs to be delivered by selected operations	1.2	Length of new or improved water management system	metres	6 000	0	0	0	180 608	180 608	unexpectedly ambitious projects approved on 2 calls of this subject
Outputs delivered by operations				6 000	0	0	0	0.00	0	no problems foreseen to reach the ultimate target value
Outputs to be delivered by selected operations	1.3	Surface area of habitats supported in order to attain a better conservation status	hectares	500.00	0.00	0.00	0.00	17 408.00	17 408	unexpectedly ambitious projects approved on 2 calls of this subject
Outputs delivered by operations				500.00	0.00	0.00	0.00	0.00	4 700	ultimate target value is achieved based on reported values - the value of this indicator was planned too modestly, overachieved already
Outputs to be delivered by selected operations	2.1	Number of improved or newly built border crossing points	border crossing points	3	0	0	0	0	0	no project has selected this indicator for the 3 rd CfP all projects under Action 2.1 must contribute to this indicator to receive financing! – in addition, the JS will look among implemented projects is there potential coverage of this indicator – 2 potential projects recognised that may contribute but they chose another indicator

										when applying.
Outputs delivered by operations				3	0	0	0	0	0	For 3 rd CfP all projects under Action 2.1 must contribute to this indicator to receive financing!
Outputs to be delivered by selected operations	2.2	Total length of newly built roads	kilometres	3.21	0.00	0.00	0.00	4.52	4.52	n. a.
Outputs delivered by operations				3.21	0.00	0.00	0.00	0.00	0	no problems foreseen to reach the ultimate target value
Outputs to be delivered by selected operations	2.3	Total length of reconstructed or upgraded roads	kilometres	2.00	0.00	0.00	0.00	14.00	14.00	n. a.
Outputs delivered by operations				2.00	0.00	0.00	0.00	0.00	0	n. a.
Outputs to be delivered by selected operations	2.4	Total length of newly built bicycle paths	kilometres	5.00	0.00	0.00	0.00	28.18	28.18	n. a.
Outputs delivered by operations				5.00	0.00	0.00	0.00	0.00	0	n. a.
Outputs to be delivered by selected operations	2.5	Total length of the railway line directly affected by development plans	kilometres	53.43	0.00	0.00	0.00	58.00	58.00	1601/22/0002- reported no progress
Outputs delivered by operations				53.43	0.00	0.00	0.00	0.00	0	n. a.
Outputs to be delivered by selected operations	2.6	Number of improved public transport services	services	3	0	0	0	0	0	No projects contracted have chosen this measure and therefore we do not expect results, only after 3 rd CfP -- projects with this indicator will be given advantage – all projects under Action 2.2 must contribute to this indicator
Outputs delivered by operations				3	0	0	0	0	0	No projects contracted have chosen this measure and therefore we do not expect results, only after 3 rd CfP
Outputs to be delivered by selected operations	3.1	Expected number of visits to supported sites of cultural and natural heritage and attractions	visits/year	40 000	0	0	0	57 410.00	57 410	n. a.
Outputs delivered by operations					0	0	0	0	2 050	n. a.

Outputs to be delivered by selected operations	3.2	Number of joint cultural, recreational and other types of community events and actions organised	events	265	0	0	0	766.00	766	n.a.
Outputs delivered by operations				265	0	0	0	0	22	Based on submitted reports.
Outputs to be delivered by selected operations	3.3	Average monthly user entries to online communication tools developed	user entries	6 580	0	0	0	52 317.00	52 317	n. a.
Outputs delivered by operations				6 580	0	0	0	0	543	Based on submitted reports.
Outputs to be delivered by selected operations	4.1	Number of enterprises cooperating with research institutions	enterprises	35	0	0	0	187	187	n. a.
Outputs delivered by operations				35	0	0	0	0	0	n. a.
Outputs to be delivered by selected operations	4.2	Number of organisations actively participating in the work of the "knowledge platforms"	organisations	60	0	0	0	191.00	191	n. a.
Outputs delivered by operations				60	0	0	0	0	0	n. a.
Outputs to be delivered by selected operations	4.3	Number of months spent in the institutions and companies on the other side of the border through scholarships	months	200	0	0	0	2	2	projects under Action 4.3 of the 3 rd CfP must contribute to this indicator to be selected for financing!
Outputs delivered by operations				200	0	0	0	0	0	projects under Action 4.3 of the 3 rd CfP must contribute to this indicator to be selected for financing!
Outputs to be delivered by selected operations	4.4	Rate of persons from vulnerable groups involved in supported actions	percentage	50.00	0.00	0.00	0.00	0.00	n. a.	the reason data is not available is because the goal is defined in % – the programme will take measures to make data available and progress in this indicator measurable
Outputs delivered by operations				50.00	0.00	0.00	0.00	0.00	n. a.	n. a.
Outputs to be delivered by selected operations	5.1	Number of projects administered by the JS	number	100	0	0	9	81	81	signed 9 TA and 72 normal projects
Outputs delivered by operations				100	0	0	0	0	81	JS is managing 81 projects

Outputs to be delivered by selected operations	5.2	Number of publicity events	number	5	0	0	5	6	8	Indicator already met
Outputs delivered by operations				5	0	0	0	0	8	Indicator met as the JS has organised 8 events
Outputs to be delivered by selected operations	5.3	Number of employees	employees in FTE	8	0	0	8	8	8	Indicator already met
Outputs delivered by operations				8	0	0	0	0	8	8 signed employment contracts

3.3. Information on the milestones and targets defined in the performance framework (Article 50(2) of Regulation (EU) No 1303/2013) – submitted in Annual Implementation Reports from 2017 onwards

Reporting on financial indicators, key implementation steps, output and result indicators to act as milestones and targets for the performance framework (submitted starting with the report in 2017).

Table 3

Priority axis 1: „Improving the cross-border water management and risk prevention systems“

Indicator type	ID	Indicator or Key implementation step	Measurement unit	Milestone target 2018	Final target (2023)	2014	2015	2016	2017	2018	Observations
Output indicator	OI 1.2	Length of new or improved water management system	Metres	0	6000	0	0	0	0	0	No projects concluded in 2018, however, based on the projects contracted no problems in meeting the final targets are foreseen
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 border region	Pieces	4	6	0	0	0	4	4	The 2018 milestone is already met in 2017
Financial indicator	FI 1	Eligible certified expenditure of the priority axis 1 "Improving the cross-border water management and risk prevention systems"	EUR	1 050 000	22 176 471	0	0	0	0	977 448,36	Based on PRs taken into consideration in the AfPs, which all refer to reporting periods covering 2018 or earlier

Priority axis 2: “Decreasing the bottlenecks of cross-border traffic”

Indicator type	ID	Indicator or Key implementation step	Measurement unit	Milestone target 2018	Final target (2023)	2014	2015	2016	2017	2018	Observations
Output indicator	OI 2.2	Total length of newly built roads	Km	0	3.21	0	0	0	0	0	No projects concluded in 2018, however, based on the projects contracted no problems expected in meeting the targets
Output indicator	OI 2.3	Total length of reconstructed or upgraded roads	Km	0	2.14	0	0	0	0	0	No projects concluded in 2018, however, based on the projects contracted no problems expected in meeting the targets
Key Implementation Step	KIS 2.2	Number of projects contracted related to the improvement of physical infrastructure of border crossing roads	Pieces	1	2	0	0	0	4	4	Milestone and final target already met in 2017
Financial Indicator	FI 2	Eligible certified expenditure of the priority axis 2 “Decreasing the bottlenecks of cross-border traffic”	EUR	794 000	18 226 000	0	0	0	450.21	513 091,68	Based on PRs taken into consideration in the AfPs, which all refer to reporting periods covering 2018 or earlier

Priority axis 3: “Encouraging tourism and cultural heritage cooperation”

Indicator type	ID	Indicator or Key implementation step	Measurement unit	Milestone target 2018	Final target (2023)	2014	2015	2016	2017	2018	Observations
Output indicator	OI 3.2	Number of joint cultural, recreational and other types of community events and actions organised	Number	20	265	0	0	0	0	22	Milestone target is achieved based on PRs
Financial Indicator	FI 3	Eligible certified expenditure of the priority axis 3 “Encouraging tourism and cultural heritage cooperation”	EUR	1 100 000	19 649 411.76	0	0	0	433.26	1 108 976.99	Based on PRs taken into consideration in the AfPs, which all refer to reporting periods covering 2018 or earlier

Priority axis 4: “Enhancing SMEs’ economic competitiveness through innovation driven development”

Indicator type	ID	Indicator or Key implementation step	Measurement unit	Milestone target 2018	Final target (2023)	2014	2015	2016	2017	2018	Observations
Output indicator	OI 4.1	Number of enterprises cooperating with research institutions	Number	10	35	0	0	0	0	10	Based on ongoing projects, the 2018 forecast is: 10
Financial indicator	FI 4	Eligible certified expenditure of the priority axis 4 “Enhancing SMEs’ economic competitiveness through innovation driven development”	EUR	347 200	8 902 941.18	0	0	0	0	158 449.38	Based on PRs taken into consideration in the AfPs, which all refer to reporting periods covering 2018 or earlier

3.4. Financial data (Article 50(2) of Regulation (EU) No 1303/2013)

Table 4

Financial information at Priority Axis and Programme level

(as set out in Table 1 of Annex II to Commission Implementing Regulation (EU) No 1011/2014 (1) [Model for transmission of financial data] (2) and table 16 of model for co-operation programmes under the European Territorial Co-operation goal)

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
The financial allocation of the Priority Axis based on the Co-operation Programme						Cumulative data on the financial progress of the Co-operation Programme						
PA	Fund	Category of region	Basis for the calculation of Union support	Total funding	Co-financing rate	Total eligible cost of operations selected for support (EUR)	Proportion of the total allocation covered with selected operations (%) (column 7/ column 5 *100)	Public eligible cost of operations selected for support (EUR)	Total eligible expenditure declared by beneficiaries to the Managing Authority	Proportion of the total allocation covered by eligible expenditure declared by beneficiaries (%) (column 10/ column 5 *100)	Number of operations selected	Total eligible expenditure incurred and paid by beneficiaries and certified to the Commission by 31/12/2018 (EUR)*
PA 1	IPA		Total cost	22 176 471.00	85.00	20 999 651.33	94.69	20 999 651.33	1 386 029.53	5.24	9	977 448.36
PA 2	IPA		Total cost	18 226 001.00	85.00	15 873 049.51	87.09	10 363 913.59	580 520.85	3.40	5	513 091.68
PA 3	IPA		Total cost	19 649 412.00	85.00	14 932 953.98	76.00	11 192 188.29	1 853 286.54	12.40	41	1 108 976.99
PA 4	IPA		Total cost	8 902 942.00	85.00	4 938 404.05	55.47	3 030 068.43	386 991.67	3.69	17	158 449.38
PA 5	IPA		Total cost	7 661 648.00	85.00	7 661 648.00	100.00	7 661 648.00	2 746.85	0.04	9	0.00
Total	IPA		Total cost	76 616 474.00	85.00	64 405 706.87	84.06	53 247 469.64	4 209 578.44	5.49	81	2 757 966.41

* The amounts of this column are referring to the Progress Reports for actions incurred in 2018 and paid in the last AFP that concerns this period

Table 5

Breakdown of the cumulative financial data by category of intervention (Article 112(1) and (2) of Regulation (EU) No 1303/2013 and Article 5 of Regulation (EU) No 1304/2013)

(as set out in Table 2 of Annex II to Commission Implementing Regulation (EU) No 1011/2014 [Model for transmission of financial data] and tables 6-9 of Model for cooperation programmes)

PA	Characteristics of expenditure	Categorisation dimensions								Financial data			
		Fund	1. Intervention field	2. Form of finance	3. Territorial dimension	4. Territorial delivery mechanism	5. Thematic priority dimension	6. ESF secondary theme	7. Economic dimension	8. Location dimension	Total eligible cost of operations selected for support (€)	Public eligible cost of operations selected for support (€)	The total eligible expenditure declared by beneficiaries to the managing authority (PR&AFRs submitted until the end of 2018)
PA 1	IPA	087 Adaptation to climate change measures and prevention and management of climate related risks e.g. erosion, fires, flooding, storms and drought, including awareness raising, civil protection and disaster management systems and infrastructures	01 Non-repayable grant	02 Small Urban areas (intermediate density > 5 000 population)	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	0,00	0,00	0,00	0
				03 Rural areas (thinly populated)						20 428 120,40	20 428 120,40	1 321 346,84	7
		085 Protection and enhancement of biodiversity, nature protection and green infrastructure	01 Non-repayable grant	02 Small Urban areas (intermediate density > 5 000 population)	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	0,00	0,00	0,00	0
				03 Rural areas (thinly populated)						571 530,93	571 530,93	64 682,69	2
PA 2	IPA	026 Other Railways	01 Non-repayable grant	03 Rural areas (thinly populated)	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	3 585 017,40	3 255 968,00	82 515,15	1
		032 Local access roads (newly built)								8 591 386,52	3 411 300,00	447 372,36	3
		034 Other reconstructed or improved road (motorway, national, regional or local)								0,00	0,00	0,00	0
		044 Intelligent transport systems (including the introduction of demand management, tolling systems, IT monitoring, control and information systems)								0,00	0,00	0,00	0
		090 Cycle tracks and footpaths								3 696 645,59	3 696 645,59	50 633,34	1
PA 3	IPA	092 Protection, development and promotion of public tourism assets	01 Non-repayable grant	01 Large Urban areas (densely populated > 50 000 population)	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	190 332,00	190 332,00	38 437,21	4
				02 Small Urban areas (intermediate density > 5 000 population)						1 684 246,36	1 629 947,11	160 171,94	7
				03 Rural areas (thinly populated)						0,00	0,00	0,00	1
		093 Development and promotion of public tourism services		01 Large Urban areas (densely populated > 50 000 population)						640 502,90	467 591,30	22 515,42	1
				02 Small Urban areas (intermediate density > 5 000 population)						1 773 996,02	1 773 996,02	100 516,06	3
				03 Rural areas (thinly populated)						1 637 078,29	1 637 078,29	7 737,36	1

PA	Characteristics of expenditure	Categorisation dimensions						Financial data													
		Fund	1. Intervention field	2. Form of finance	3. Territorial dimension	4. Territorial delivery mechanism	5. Thematic priority dimension	6. ESF secondary theme	7. Economic dimension	8. Location dimension	Total eligible cost of operations selected for support (€)	Public eligible cost of operations selected for support (€)	The total eligible expenditure declared by beneficiaries to the managing authority (PR&AFRs submitted until the end of 2018)	Number of operations selected							
		094 Protection, development and promotion of public cultural and heritage assets		01 Large Urban areas (densely populated > 50 000 population)						1 044 570.60	743 186.35	111 480,33	4								
				02 Small Urban areas (intermediate density > 5 000 population)						1 850 730.77	1 210 015.98	400 211,65	7								
				03 Rural areas (thinly populated)						499 200.00	499 200.00	0,00	1								
		095 Development and promotion of public cultural and heritage services	01 Large Urban areas (densely populated > 50 000 population)	286 954.00						61 025.00	20 444,50	4									
			02 Small Urban areas (intermediate density > 5 000 population)	4 960 771.04						2 376 247.39	991 775,07	7									
			03 Rural areas (thinly populated)	364 572.00						150 429.00	0,00	1									
PA 4	IPA	060 Research and innovation activities in public research centres and centres of competence including networking		01 Large Urban areas (densely populated > 50 000 population)	01 Non-repayable grant	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	718 598.57	560 236.57	27 012,74	1							
				02 Small Urban areas (intermediate density > 5 000 population)							0.00	0.00	0,00	0							
				03 Rural areas (thinly populated)							207 134.40	207 134.40	4 045,35	2							
		062 Technology transfer and university-enterprise cooperation prim	01 Large Urban areas (densely populated > 50 000 population)	658 114.77							658 114.77	5 927,70	1								
			02 Small Urban areas (intermediate density > 5 000 population)	0.00							0.00	0,00	0								
			03 Rural areas (thinly populated)	0.00							0.00	0,00	0								
		063 Cluster support and business networks primarily benefiting SMEs	01 Large Urban areas (densely populated > 50 000 population)	1 221 431.40							407 312.50	103 311,44	3								
			02 Small Urban areas (intermediate density > 5 000 population)	0.00							0.00	0,00	0								
			03 Rural areas (thinly populated)	0.00							0.00	0,00	0								
		066 Advanced support services for SMEs and groups of SMEs (including management, marketing and design services)	01 Large Urban areas (densely populated > 50 000 population)	0.00							0.00	0,00	0								
			02 Small Urban areas (intermediate density > 5 000 population)	234 584.84							234 584.84	0,00	2								
			03 Rural areas (thinly populated)	623 651.85							518 302.35	46 038,76	3								
		067 SME business development, support to entrepreneurship and incubation (including support to spin offs and spin outs)	01 Large Urban areas (densely populated > 50 000 population)	0.00							0.00	0,00	0								
			02 Small Urban areas (intermediate density > 5 000 population)	717 925.00							390 283.00	104 633,25	3								
			03 Rural areas (thinly populated)	556 963.22							54 100.00	96 022,43	2								
		072 Business infrastructure for SMEs (including industrial parks and sites)									01 Large Urban areas (densely populated > 50 000 population)							0.00	0.00	0,00	0

PA	Characteristics of expenditure	Categorisation dimensions								Financial data			
		Fund	1. Intervention field	2. Form of finance	3. Territorial dimension	4. Territorial delivery mechanism	5. Thematic priority dimension	6. ESF secondary theme	7. Economic dimension	8. Location dimension	Total eligible cost of operations selected for support (€)	Public eligible cost of operations selected for support (€)	The total eligible expenditure declared by beneficiaries to the managing authority (PR&AFRs submitted until the end of 2018)
					02 Small Urban areas (intermediate density > 5 000 population)					0.00	0.00	0,00	0
					03 Rural areas (thinly populated)					0.00	0.00	0,00	0
PA 5	IPA	121 Preparation, implementation, monitoring and inspection	01 Non-repayable grant	Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	07 Not applicable	6 129 318.00	6 129 318.00	2 197,49	9
		122 Evaluation and studies								766 165.00	766 165.00	274,68	
		123 Information and communication								766 165.00	766 165.00	274,68	
Grand total										64 405 706.87	53 247 469.64	4 209 578,44	81

Table 6

Cumulative cost of all or part of an operation implemented outside the Union part of the Programme area

1	2	3	4	5	6
	The amount of IPA support(*) envisaged to be used for all or part of an operation implemented outside the Union part of the Programme area based on selected operations (EUR)	Share of the total financial allocation to all or part of an operation located outside the Union part of the Programme area (%) (column 2/total amount allocated to the support from the IPA at programme level *100)	Eligible expenditure of IPA support incurred in all or part of an operation implemented outside the Union part of the Programme area declared by the Beneficiary to the Managing Authority (EUR) (**)	Share of the total financial allocation to all or part of an operation located outside the Union part of the Programme area (%) (column 4/total amount allocated to the support from the IPA at programme level *100)	Total eligible expenditure incurred and paid by beneficiaries and certified to the Commission by 31/12/2018 Article 21(2) of Regulation (EU) No 1303/2013 (EUR) (**)
All or part of an operation outside the Union part of the Programme area (1)	-	0.00 %	0.00	0.00 %	0.00

(*) IPA support is fixed in the Commission decision on the respective co-operation programme.

(**) At this point this data is not available from the system.

(1) In accordance with and subject to ceilings set out Article 20 of Regulation (EU) No 1299/2013.

4. SYNTHESIS OF THE EVALUATIONS (Article 50(2) of Regulation (EU) No 1303/2013)

Synthesis of the findings of all evaluations of the programme that have become available during the previous financial year, including the name and reference period of the evaluation reports used. [max: 10 500 ch]

The Programme Evaluation plan foresees three evaluations to be performed during the programming period: one operational and two impact evaluations.

The first evaluation of the Programme's efficiency and effectiveness (in line with Article 56 (3) of the CPR) was planned to be performed in the last quarter of 2017. At the 4th JMC meeting, the Evaluation plan was reviewed and updated. In order to better fit the Programme implementation dynamics and provide more useful data, the timeframe for the Programme evaluations has been rescheduled and it was decided that the first Programme evaluation will be performed in 2018.

The operational evaluation- Evaluation of the efficiency and effectiveness of the programme was conducted by the Central European Service for Cross-Border Initiatives (CESCI) in 2018. The cut-off date of the processed data was 31 September 2018. At the time of the preparation of the current AIR, the final evaluation report has been in the fine tuning phase and not yet approved by the JMC. Consequently, the JMC has not yet reviewed findings and recommendations of the first evaluation or decided about measures to be undertaken.

The evaluation findings related to major Programme implementation risks have been grouped around three issues:

1. **Delayed performance** caused by: late start of the Programme due to delayed approval of relevant EU legislation; late introduction of the IMIS 2014-2020; changes at the ministerial levels in Hungary and Serbia; shortage in human capacities and long designation procedure. The impact of the risk was estimated as medium.
2. **Problems** related to the **IMIS 2014-2020**: slow developments and unpredicted system errors slowing down processes of all system users. The impact of the risk was estimated as low.
3. **Shortages of human capacities** at the level of FLC in Serbia primarily. The impact of the risk was estimated as medium.
4. Complexity of **strategic projects**: The impact of the risk was estimated as high mainly based on shortage in human capacities at the time of the evaluation and significant budget allocation for strategic projects (30% of the total budget of the programme).

Recommendations of the evaluation report have not been finalised. They are based on the conducted interviews and relate to the following:

- Recommendations addressing the EU level
- Recommendations on the structure of the Programme
- Recommendations on priorities and tools
- Recommendations targeting the procedures

All recommendations will be reviewed in the up-coming period and if applicable and in the scope of the Programme they will be applied.

5. ISSUES AFFECTING THE PERFORMANCE OF THE PROGRAMME AND MEASURES TAKEN (article 50(2) of Regulation (EU) No 1303/2013)

a) Issues which affect the performance of the Programme and the measures taken [max: 7000 ch]

These are the issues that have affected the performance of the Programme:

1. Monitoring System Issues:

During 2018 the limited functionality of the Monitoring System is still affecting the performance of the Programme. The quality of the System has continued to increase thanks to continuous developments; however, there were instances when the functionality made steps back in comparison to previous versions of the system. In some cases the JS reported errors that have blocked and in some cases just slowed down the reporting process on both the Beneficiary and on Lead Beneficiary levels. In addition, the lack of reporting tools within the system was detrimental to the speed by which the JS can answer to ad hoc reporting requests. To overcome these issues the programme bodies have continued efforts on constant negotiations with the developers of the system on one side and more effort on collecting necessary data with alternative tools at our disposal.

2. Observing an **overwhelming interest in PA 3** and addressing it with a CP modification

A greater interest of applicants for **PA 3** was recognised: Encouraging tourism and cultural heritage cooperation and to a lesser extent **PA 4**: Enhancing SMEs' economic competitiveness through innovation driven development. The JMC decided on further measures to answer the great interest for this priority and asked for the reallocation of funds to PA 3. The request for modification of the 2nd CP Modification has addressed this issue and this request has been approved by the EC.

3. Observing the **progress of Indicators** and **correcting the misunderstanding of Performance indicators**.

Due to substantial delays that were described in previous annual reports, the implementation of projects and consequently the reaching the targets were considerably delayed.

In addition, in 2018 the misunderstanding of performance framework indicators was recognized (where the programme bodies understood that the payment of advance can be counted as contributing to the financial indicators).

Both of these issues were addressed in the 2nd programme modification.

b) OPTIONAL FOR LIGHT REPORTS, otherwise it will be included in point 9.1 (Article 50(4) of Regulation (EU) No 1303/2013)

An assessment of whether progress made towards targets is sufficient to ensure their fulfilment, indicating any remedial actions taken or planned, where appropriate [max: 3500 ch]

Work continues on the electronic monitoring system of the Programme, in view of the e-Cohesion requirements. As it stands, it's hard to dispute that the state of the monitoring system is objectively an obstacle in reaching some of the targets.

Since all 72 projects are in the system, the JS now has access to more precise and up-to-date contracting values and data of all projects. Nevertheless, the possibility to gain summarized reports of the data regarding projects is still limited. Data for this AIR reports has had to be taken out using various alternative methods rather than having single-well defined reports with data. The JS and the MA have instructed the developers to provide quicker solutions to the problems of the system and to the needs of the programme.

Other than the above-mentioned back-office issues, the system shows weaknesses on the Beneficiary level – the front office; at times new releases of the system have disabled working functions, that sometimes badly influence the reporting process. The programme bodies are working with the IMIS office (horizontal unit within the hosting institution that is helping us with monitoring system matters) and the developers to find the best and fastest solutions when the lack of functionality becomes a problem for the reporting process.

The mere fact that our contracting process was concluded late in the programme was one of the reasons that the progress of the programme is not as expected. Non-the-less, we have enough information sources to assess the present situation and can confirm that we would reach the goals of the programme by 2023.

For these reasons, we can conclude that progress made towards targets is objectively not satisfactory, but is sufficient enough to, in combination with measures already undertaken, ensure the fulfilment of the targets.

6. CITIZEN'S SUMMARY (Article 50(9) of Regulation (EU) No 1303/2013)

A citizen's summary of the contents of the annual and the final implementation reports shall be made public and uploaded as a separate file in the form of annex to the annual and the final implementation report

The Annual Implementation Report (AIR) of the Interreg-IPA CBC Hungary-Serbia Programme provides a brief overview of the activities undertaken in relation to the Programme in the year 2018.

Provided as separate document.

7. REPORT ON THE IMPLEMENTATION OF FINANCIAL INSTRUMENTS (Article 46 of Regulation (EU) No 1303/2013)

Where the Managing Authority decided to use financial instruments it must send to the Commission a specific report covering the financial instruments operations as an annex to the annual implementation report:

Not relevant in case of the Interreg-IPA CBC Hungary-Serbia Co-operation Programme 2014-2020. (There were no financial instruments used in the meaning of Article 46 of the CPR in the Programme.)

8. PROGRESS IN PREPARATION AND IMPLEMENTATION OF MAJOR PROJECTS AND JOINT ACTION PLANS (Article 101(h) and Article 111(3) of Regulation (EU) No 1303/2013 and Article 14(3)(b) of Regulation (EU) No 1299/2013)

Not relevant in case of the Interreg-IPA CBC Hungary-Serbia Co-operation Programme 2014-2020. (There are no major projects or joint action plans in the meaning of Article 101(h) and 111(3) of the CPR or Article 14(3)(b) of the ETC Regulation in the Programme.)

8.1. Major projects

Significant problems encountered in implementing major projects and measures taken to overcome them.

Not relevant for the Programme.

Any change planned in the list of major projects in the Co-operation Programme.

Not relevant for the Programme.

8.2. Joint action plans

Progress in the implementation of different stages of joint action plans

Not relevant for the Programme.

PART B

REPORTING SUBMITTED IN YEARS 2017, 2019 AND FINAL IMPLEMENTATION REPORT

(Article 50(4) of Regulation (EU) No 1303/2013 and Article 14(4) of Regulation (EU) No 1299/2013)

9. ASSESSMENT OF THE IMPLEMENTATION OF THE OPERATIONAL PROGRAMME

(Articles 50(4) and 111(4) of Regulation (EU) No 1303/2013)

9.1. Information in Part A and achieving objectives of the programme (Article 50(4) of Regulation (EU) No 1303/2013)

For our Programme, 2018 can be described as a slow approach towards the peak in implementation of projects that is expected for 2019. Since there was only one project that completed the project activities in 2018, there is little conclusive measurable data to represent the level of reaching over-all objectives of the programme. Having concluded the contracting of 72 projects, the programme has only begun showing the first results. Nevertheless, the basis of the values within this report are those PRs that were covered by the Application for payment (AfP) sent to the European Commission. All the PRs taken into consideration referred to activities and costs incurred in 2018 since all of them covered reporting periods of implementation in 2018 or earlier.

The Priority Axis 1 - Improving cross-border water management and risk prevention systems, which represents 28.94 % of the IPA funding allocated for the Programme has good progress related to indicators.

The specific objective of this PA is decreasing environmental risks (e.g. drought, flood...) and preventing negative effects on quality of water bodies and nature protected areas.

The two strategic projects of this priority are progressing, both in their second year of implementation while the 7 projects projects of the 2nd CfP are progressing according to plans with some delays in reporting.

We estimate that only by these 9 projects selected within the two Calls for Proposals, all the Performance framework targets and the overall targets concerning the PA 1 will be reached by the time of conclusion of the projects and we already see considerable progress towards that goal in 2018 but many milestones are at risk. With the contracted projects we see that all three Programme-level output indicators will be significantly overachieved one of them (OI/1.3) has already been surpassed based on reported data (according to the forecast or real achievements)?.

The present value of the Performance indicator FI 1.1 is 554 924, based on submitted Project Reports. But considering the Beneficiary Reports that are already submitted (but not approved and validated by the FLC/JS consecutively) the achieved value is 1 045 694 (as they all refer to activities incurred in 2018). Since the goal is 1 050 000 there are sufficient reasons to consider this goal reached. In terms of specific objective of this, based on already reported activities, the active projects will surely decrease the environmental risks from floods while based on project HUSRB/1602/12/0014, SWeM-PaL, that has reached the reported value of 4700 hectares of "Surface area of habitats supported in order to attain a better conservation status" the negative effects on the quality of water listed as main objectives have already been measurably addressed.

The Priority Axis 2 - Decreasing the bottlenecks of cross-border traffic which represents 23.79 % of the IPA funding allocated to the Programme has a specific objective of 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 2 Projects of strategic importance to the region are progressing without major delays and are in their 2nd year of implementation with a delay in the progress of indicators. The 3 projects of the 2nd CfP within this priority are also in progress some considering prolongation of project. All of these are projects with infrastructural investment or technical plans for future investments and are therefore expecting results in the latter phases of implementation.

The most significant problem regarding this priority is that we have a lag in reaching certain Programme-Level Indicator targets (O/I 2.1 - Number of improved or newly built border crossing points and 2.6 Number of improved public transport services) which no projects that successfully applied for have selected them. For this reason the 3rd CfP is planned accordingly; to give advantage to such project that predominantly address these two subjects.

The other 4 indicators also do not have progress in reaching the planned values by end of 2018, but ultimately, looking at target values of all of the indicators (O/I 2.2, O/I 2.3, O/I 2.4 and O/I 2.5) we see that the selected projects already cover the planned values. This, and the fact the 3rd CfP is prepared in a way to address the other 2 indicators lagging behind, we are optimistic that all desired goals and by them the specific objectives will be reached.

The Priority Axis 3 - Encouraging tourism and cultural heritage cooperation represents 25.65 % of the IPA funding allocated to the Programme and the specific objectives are 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. This is the PA with the best overall results and progress towards planned indicators of all the PAs.

The only project of strategic importance of the 1st CfP is progressing according to plan, 2 infrastructural investments are progressing; to be concluded in 2019 and we expect no delays in reaching indicator values crucial for the programme, as well.

The 40 projects within this priority selected in the open call are progressing according to plans: numerous project events were organized, making the cooperation widely visible in the Programme region through tourism and cultural heritage preservation activities. Other than a minor delay in reporting of several projects, there were no significant problems observed with the implementation of the Priority. All the goals (Programme-level Indicator targets, specific objectives) relating to this Priority will be met by a big margin. Regardless of that, we have asked an increase of the planned budget for this PA since it is the PA that offers the most visibility and best results of the programme which enabled us to proportionally increased the expected values of indicators. The EC has understood the need and approved the modification within the frame of the 2nd CP modification.

The Priority Axis 4 - Enhancing SMEs' economic competitiveness through innovation driven development represents 11.62 % of the IPA funding allocated to the Programme and the specific objective of this PA is enforcing the growth capabilities and employment potential of SMEs through the development and adaptation of new technologies, processes, products or services.

The 17 projects of which all were selected in the open 2nd CfP are progressing according to plan with some delays in reporting. Development of social entrepreneurs are in progress as well as cooperation between SMEs and research institutions in the whole program area which goes directly in line with the specific objective connected to this PA.

The most significant problem of this priority is that one Programme-Level Indicator (O/I 4.3 Number of months spent in the institutions and companies on the other side of the border through scholarships) is not covered by the contracted projects. Like the problem with PA 2 indicators, this problem is also addressed by the 2nd Modification of CP and by adapting the 3rdCfP to ensure the indicator is reached by forthcoming applications. The other 3 indicators (O/I 4.1, O/I 4.2 and O/I 4.4) have, also not shown progress in 2018. However, by having an overview of the Beneficiary reports under preparation and those already submitted, and by assessing the target

values of projects being implemented we can be optimistic that all 3 of the indicators will be reached, perhaps even as soon as by the end of 2019.

The Priority Axes 5 represents 10% of the IPA funding allocated to the Programme and is the **Technical Assistance** priority. Out of 72 contracted projects, 60 have started their implementation in 2018 and 45 projects will conclude their activities in the next year. Due to objective circumstances, only one project has concluded its implementation in 2018. In terms of measurable results, and more specifically the Project-Level Output Indicators, for O/I 5.1 "Number of projects administered by the JS" we have reached 81 out of 100 that is the final target value. In addition to 72 projects that are being administered, by the end of the programme we would have administered additional 9 TA projects. The target value will for sure be reached if only 19 more projects are selected on the 3rd CfP – but our most cautious prognosis is 30 selected projects. For O/I 5.2 "Number of publicity events" we have already concluded 8 which surpasses our target of 5. For O/I 5.3 "Number of employees" we already have the full capacity of our Joint Secretariat.

9.2 Specific actions taken to promote equality between men and women and to prevent discrimination, in particular accessibility for persons with disabilities, and the arrangements implemented to ensure the integration of the gender perspective in the operational programme and operations (Articles 50(4) and 111(4), second subparagraph, (e) of Regulation (EU) No 1303/2013) (*max: 3500 ch*)

In line with Articles 7 and 8 of the CPR, the Cooperation Programme integrated three horizontal principles (HPs):

- equality of men and women
- equal opportunities and non-discrimination,
- sustainable development.

The Programme ensured that the equality between men and women and the non-discrimination principle were considered during the quality assessment of applications. Under no circumstances could an application with potentially negative impact on any of HPs be selected.

Irrespective of the PAs they applied for, applicants could choose if their project would have a neutral or an active contribution to HPs. In case of the active and positive contribution, they could choose one or two predefined HPs. Applicants had a freedom to define activities, the corresponding horizontal indicator (HI) and explain how their project would contribute to HPs they selected. The quality assessors could award them up to 3 points for a positive and active contribution to selected HP(s).

Out of 72 projects that are under implementation, few projects (5) did not select any of HPs and their contribution will be neutral. Thirteen projects will contribute to one HP only, while the rest (54) will contribute to two. The most of projects that selected two HPs combined equal opportunities and non-discrimination principle with the principle of equality of men and women. Progress of HIs of projects is continuously monitored through project reports. The reported progress is considered verified only if the report was approved. Of the 30 reports approved, the majority are related to early project reporting periods when fewer activities were completed and results achieved. We expect greater progress in the achievement of HIs for the next report.

In 2018 4 projects reported progress in the equality of men and women principle and 8 projects reported progress on the principle of equal opportunities and non-discrimination.

Besides contributing to HP as cross-cutting themes integrated in all 4 priority axes, projects within PA4 can be directly linked to the equal opportunities and non-discrimination principle. Namely, the Programme output indicator OI/4.4 for the PA4 is *Rate of persons from vulnerable groups involved in supported actions*. Since the vulnerable groups are usually disadvantaged groups, their inclusion is critical to advancing equality and non-discrimination. 17 projects are being implemented under PA4 and 10 of them are expected to contribute to the OI/4.4. Target value (2023) for OI/4.4 is 50% and by the end of 2018 no project has reported progress on this field. Although inclusion of HPs in the quality assessment of applications has proved to be an excellent instrument, there is still room for improvement. Some projects defined HIs in rather vague terms, stating that HPs will be respected rather than promoted. HIs for the equality between men and women and non-discrimination could be better defined. This includes indicators' names, targets and sources of verification.

The following specific actions were undertaken to improve HIs of projects that will be contracted under the upcoming 3rd CFP:

1. Including examples of what is and what is not considered as contribution to HPs in the Guidelines for Applicants (GfA);
2. More detailed explanation of the Programme's expectations and relation between HPs and corresponding HIs during the info days and in communication with potential applicants;
3. More precise guidelines for awarding points for quality assessors.

9.3 Sustainable development (Articles 50(4) and 111(4), second subparagraph, (f) of Regulation (EU) No 1303/2013) (*max: 3500 ch*)

The Programme Priority Axes were selected to directly contribute to the sustainable development (SD) of the Programme area. Specific objectives and expected results of PAs were defined considering the Programme area's specificities. Taking into consideration social and economic pillars of SD, the main focus of the Programme is on the preservation, protection and the improvement of the environment.

As explained in previous section, the CP also integrated sustainable development (SD) as one of the horizontal principles.

Projects that have been implemented within the Programme contribute to sustainable development principle in two ways:

- the main purpose of the project directly targets the SD principle under the relevant PA;
- the project addresses the SD principle as a cross-cutting theme or horizontal principle.

In order to facilitate better promotion of SD through projects, GfA for two CFPs provided a list of examples of the most suitable actions for each PA. As common and programme specific output indicators were predefined, applicants could choose which output indicators are the most suitable for their projects while they were free to plan corresponding activities.

Whether projects are directly addressing the issues of sustainable development or not, the applicants were invited and encouraged to implement actions/measures in their day-to-day

operations and project activities which reduce the negative impact on the environment. In this regard, GfA provided guidance on how to incorporate SD good practices in project planning and implementation.

If projects selected SD as the horizontal principle, they were assessed during the quality assessment in the same way as HPs the equality between men and women and the non-discrimination (please see previous section 11.2).

Out of 72 projects, 35 projects selected sustainable development as the horizontal principle they would contribute to. Projects apply different approaches to SD and measures are various. Anyhow, they can be classified into three groups: measures applying renewable energy solutions, initiatives promoting sustainable tourism and measures for raising awareness and disseminating knowledge. Since majority of the projects are in the initial phase of the implementation, it is still too early to expect significant contribution to the achievement of SD principle and corresponding indicators.

From the approved project reports in the reporting year, only 4 projects reported progress in the achievement of the SD horizontal principle.

9.4 Reporting on support used for climate change objectives (max: 3500 char)

All projects that are being implemented within intervention field '087 – *Adaptation to climate change measures and prevention and management of climate related risks e.g. erosion, fires, flooding, storms and drought, including awareness raising, civil protection and disaster management systems and infrastructures*' are contributing to climate change objectives.

Water management becomes more and more important issue due to climate change and it is one of the focuses of our Programme. The water bodies have highly cross-border character, as the whole region is part of the catchment area of the Danube and its main tributary, the Tisa. This calls for a joint water monitoring system as well as early warning systems for environmental risks (e.g. drought, floods, hydrological status, and water pollution). The possible dangers caused by the rivers and climate change need to be eliminated in the form of joint water management and environmental risk protection, and these underline the importance of Priority Axis 1. Therefore, currently there are seven projects running in this field. Two of these projects have strategic importance and were selected within the strategic Call for Proposals. The total IPA of these projects is altogether 17 363 902.39 EUR. The projects are the following:

HUSRB/1601/11/0001 (BABECA) – 7 394 607.22 euro IPA

The complex water management development of the area of the Baja-Bezdan Canal
Project implementation: 29.09.2017 – 28.09.2020

HUSRB/1601/11/0004 (WASIDCA) – 5 933 516.77 EUR IPA

Water supply and water-infrastructure development in the boundary
Project implementation: 01.06.2017 – 31.05.2020

HUSRB/1602/11/0010 (ECOWAM) – 1 494 680.31 EUR IPA

Ecofriendly water management against extreme weather conditions in the cross-border area
Project implementation: 01.10.2017 – 30.09.2019

HUSRB/1602/11/0057 (WATERatRISK) – 724 272.25 EUR IPA

Improvement of drought and excess water monitoring for supporting water management and mitigation of risks related to extreme weather conditions

Project implementation: 01.10.2017 – 30.09.2019

HUSRB/1602/11/0097 (URBAN-PREX) – 638 171.40 EUR IPA

Monitoring, forecasting and development of online public early warning system for extreme precipitations and pluvial floods in urban areas in the Hungarian-Serbian cross-border region

Project implementation: 01.11.2017 – 31.10.2019

HUSRB/1602/11/0225 (PREVENT!FLOOD SUSTAINABILITY) – 797 693.11 EUR IPA

Increasing the efficiency of municipal flood protection through smart metering

Project implementation: 01.10.2017 – 30.09.2019

HUSRB/1602/12/0014 (SWeM-PaL) – 380 961.34 EUR IPA

Sustainable wetland management of the transboundary Palic-Ludas

Project implementation: 01.10.2017 – 30.09.2019

The projects are not facing difficulties during the implementation, although shifting and re-scheduling certain activities might occur.

9.5 Role of partners in the implementation of the cooperation programme

Assessment of the implementation of actions to take into account the role of partners referred to in Article 5 of Regulation (EU) No 1303/2013, including involvement of the partners in the implementation, monitoring and evaluation of the cooperation programme [max: 3500 char]

For answering this question, we are referring to the findings of the “Evaluation of the efficiency and effectiveness of the programme”

When assessing the role of partners we can conclude that the involvement of local municipalities, civil associations and other regional level entities into the decision-making is a preferred approach of the Programme. In addition to those partners that are already actively involved in the programme as JMC members, observers, beneficiaries, we will search for ways to involve other national stakeholders in the programme. Potential conflict of interests created by the involvement of can be eliminated by the separation of duties, similarly to the mainstream EU programmes.

The Chambers of Commerce and some NGOs are present at the JMC meetings with an observer status (even more, the JMC meetings can be attended by any stakeholder from the programme area) but the voting rights are exercised by the traditional members, i.e. national authorities, the county representatives, ministries and the national level representatives of the municipalities. The MA and the JS consider that the fact that we have a limited number of voting members of the JMC does not mean that the rest of the interested parties are not taken into consideration; on the contrary, it is the task of all members of the JMC to ensure the widest possible input from interested parties. The sole purpose of such limitations is to ensure operability of the programme.

10. OBLIGATORY INFORMATION AND ASSESSMENT ACCORDING TO ARTICLE 14(4), subparagraph 1, (a) and (b), OF REGULATION (EU) NO 1299/2013

10.1 Progress in implementation of the evaluation plan and the follow-up given to the findings of evaluations (max: 7000 char)

The Programme Evaluation plan foresees three evaluations during the programming period: one operational and two impact evaluations.

As explained above (Part A, Chapter 4.), the first evaluation of the Programme's efficiency and effectiveness (in line with Article 56 (3) of the CPR) was planned to be performed in the last quarter of 2017. At the 4th JMC meeting, the evaluation plan was reviewed and updated. In order to better fit the Programme implementation dynamics and provide more useful data, the timeframe for the Programme evaluations has been rescheduled and it was decided that the first Programme evaluation will be performed in 2018.

The operational evaluation- Evaluation of the efficiency and effectiveness of the programme was conducted by the Central European Service for Cross-Border Initiatives (CESCI) in 2018. The evaluation was performed through three main phases: the inception report, evaluation research and analysis, and elaboration of the final evaluation report. The cut-off date of the processed data was 31 September 2018. The main focus of the evaluation was on the Programme's management and implementation, project application and selection procedures, and communication strategy. In its methodological approach the evaluation exercise combined desk based research and analyses, an online survey targeting the Programme beneficiaries and interviews with representatives of the Programme Managing bodies. During the evaluation process all evaluation phases were coordinated among Managing Authority, National Authorities and Joint Secretariat. At the time of the preparation of the current AIR, the final evaluation report has been in the fine tuning phase and therefore not yet presented and approved by the JMC. Once finalised, the evaluation report will be presented to the JMC. After the JMC approval of the first evaluation report, follow-up actions given to the findings of the first evaluation will most likely involve the JMC.

Even though the first evaluation has not been finalised, certain points for improvement have been identified and the draft evaluation report prepared. At the time of preparation of the annual implementation report 2018, some specific measures have already been undertaken. For example:

- Findings of the first evaluation draw attention to vague definitions and descriptions of horizontal indicators while stressing that some survey participants considered horizontal principles as not very precise and as forced requirement.

Specific actions have already been taken to ensure better understanding and improve horizontal indicators of projects that will be contracted under the upcoming 3 CfPs. This particularly refers to the principles of the equality of men and women and equal opportunities and non-discrimination. For specific measures undertaken, please see above Chapter 11.2.

- Shortages in human capacities of the FLCs in Serbia and the JS.

Insufficient number of FLCs in Serbia and late start of the IMIS 2014-2020 system were identified as main reasons preventing FLCs in Serbia from performing more efficiently in validating reports of Serbian beneficiaries. In the meantime, the Programme beneficiaries as well as FLCs get used to the IMIS. The Serbian FLC has assured the JS that they will put more controllers on our projects in 2019.

At the beginning of 2018 the number of the JS staff was less than planned, so existing JS staff was overloaded with work, which in the long run could have create certain implementation risks. Risks were mitigated as from the second part of 2018 the JS has started to operate in full capacity.

- Due to their complexity, projects of strategic relevance were identified as the potential risk with high impact. This risk was estimated based on shortage in human capacities in the period applicable to the evaluation and a big allocation of the Programme's budget to strategic projects (30%). As previously explained, the JS has increased human capacities, projects have been redistributed ensuring that strategic projects receive necessary attention and support.

The overall process of the first evaluation exercise has been very useful learning experience and lessons learned will be valuable for the future impact evaluations of the Programme. This also refers to the evaluation planning, as in the upcoming period, the evaluation plan will be revised and the timeframe regarding impact evaluations will be updated.

More comprehensive follow-up on other specific actions taken based on the findings of the operational evaluation will be provided in the next AIR. By 31 December 2022, the MA will submit to the European Commission (EC) a report summarising the findings of evaluations carried out during the programming period.

10.2 The results of the information and publicity measures of the Funds carried out under the communication strategy (max: 7000 char)

By 31 December 2018, the Programme has progressed towards achieving the targets set within its Communication Strategy. In multiple instances, the results surpassed the targets set for the end of the Programme – 2022/2023.

The following are the results of the information and publicity measures implemented until 31 December 2018. They rely on four communication objectives, and on targets defined in the Evaluation Table within the *Communication Strategy*. The information presents the contribution of the results to the set targets (in numbers and percentages).

The sources of information for the related data are the media coverage reports, Communication reports delivered by the projects which started the implementation; Google Analytics report about the [Programme's website](#), and social media pages of the Programme: [Facebook](#), [LinkedIn](#) and [YouTube](#).

Communication Objective 1: Generating interest in the Programme and facilitating the application process

Output Indicators:

- Announcements of the two Calls for Proposals were published via: website articles, press releases, media ads, social media posts, and the newsletter (final target overachieved by 73%);
- *Info Days* seminars for Applicants were organized (final target achieved at 50%);
- The Programme's website and its features were promoted in all announcements for the Calls for Proposals (final target overachieved by 33%); - I would propose to continue this way as it's shorter and clearer.
- The online tool [Partner Search](#) was promoted via announcements for the Calls for Proposals. The number of such promotional announcements made for 43% of the set target (2022).

Result Indicators:

- The number of attendees at *Info Days* seminars made for 74.8% of the set target (2022);
- By the end of 2018, there were 76 730 visits to the Programme's website, and 28,749 users.

- The number of registered organizations via *Partner Search* tool made for 97% of the set target (2022).

Communication Objective 2: Facilitating project implementation and raising awareness of the projects' positive impact on the border region

Output Indicators

- The Programme organized two Lead Beneficiary seminars in 2018 – in Subotica, Serbia and in Szeged, Hungary, thus reaching 50% of the set target for 2022;
- The Programme was reporting regularly via Programme's website about projects that started implementation. Such posts include project descriptions, news about project launches, events and tender announcements, as well as success stories. The number of published articles exceeded the set target by 32%;
- In addition to the website, the Programme has been using its social media pages to inform about and promote the projects that started implementation. The total number of posts by the end of 2018 surpassed the target set for 2022 by approximately 339%. – so the target was not ambitious enough.

Result Indicators referring to the raised awareness about projects are to be measured by evaluators of the Programme at the end of the Programme (the set target for 2022/2023).

Communication Objective 3: Ensuring transparency of the whole programme implementation process

Output Indicators

- JS (on behalf of the Programme) published the most important Programme-related news each quarter via Programme's newsletter. The number of distributed Newsletter issues made for 50% of the set target (the set target for 2022). Additionally, Programme recorded a significant increase in the number of Newsletter subscribers between the first and the latest issue by 73%. All Newsletter subscriptions were made through the Programme's website;
- All planned material within Written Procedures intended for the JMC members was published on the *Back Office* directory of the Programme's website by the end of 2018;
- All scheduled JMC meetings were held. They made for 50% of the set target (the set target for 2023);

Result Indicators

- On average, 53% subscribers opened the Newsletter, which is approximately by 33% more than the set target (the set target for 2022).
- Result Indicators referring to positive score of the ongoing evaluation of the internal communication will be measured by evaluators of the Programme at the end of the Programme (the set target for 2022/2023).

Communication Objective 4: Increasing awareness about Interreg and generating a positive image of the EU

Output Indicators

- All planned annual visibility events/initiatives were implemented. They made for 42.8% of the set target (the set target for 2023).
- Promotional items intended for distribution, such as informative brochures about the Programme and branded promotional items were produced in 2016 and 2017. The total number of produced items by the end of 2018 exceeded the minimum set target (the set target for 2023) by approximately 182%;
- The Programme achieved 60% of the minimum set number of press releases (the set target for 2023). These were distributed to the local and national media in both countries. Press releases were issued whenever there was a newsworthy occasion.

- Projects that were being implemented within the Programme were essential for raising awareness about Interreg and the EU investments in the region. Projects which started implementation exceeded the set minimum target (the set target for 2023) by 61%;
- Projects which started implementation within the Programme held 176 events by the end of 2018, which is by 144% more than the set minimum target (by 2023);
- A publication summarizing all implemented projects is due at the end of the Programme.

Result Indicators:

- Total number of attendees in the annual visibility events and/or press conferences exceeded the minimum set target (the set target for 2023) by approximately 72%;
- Number of distributed promotional items exceeded the set minimum target (the set target for 2023) by 55%;
- Number of media coverage pieces generated by the Programme surpassed the set minimum target (the set target for 2023) by 27%;
- Number of media coverage pieces generated by the projects that started implementation exceeded the set minimum target (the set target for 2023) by 485%;
- Total number of attendees of the projects' events exceeded the minimum set target (the set target for 2023) by 2.576% thanks to the projects which had mass events such as fairs;
- Publication summarizing all implemented projects is due at the end of the Programme.

More detailed information is available in the Communication Report covering the period from the Programme launch to the end of 2018.

11. ADDITIONAL INFORMATION WHICH MAY BE ADDED DEPENDING ON THE CONTENT AND OBJECTIVES OF THE COOPERATION PROGRAMME (Article 14(4), subparagraph 2 (a), (b), (c) and (f), of Regulation (EU) No 1299/2013)

11.1. Progress in implementation of the integrated approach to territorial development, including sustainable urban development, and community-led local development under the cooperation programme

Not relevant for our programme

11.2 Progress in implementation of actions to reinforce the capacity of authorities and beneficiaries to administer and to use the IPA

Not relevant for our programme

11.3 Contribution to macro-regional and sea basin strategies (where appropriate)

For answering this question, we are quoting the findings of the Evaluators that will conclude the Operational evaluation- Evaluation of the efficiency and effectiveness of the programme:

“The European Union Strategy for the Danube Region (EUSDR) was adopted by the European Commission (December 2010) and endorsed by the European Council in 2011.

As stated in the CP the Interreg-IPA CBC Hungary-Serbia Programme seeks to contribute to EUSDR in the following priority areas:

- PA1 reflects the priorities of the EUSDR aiming at environment protection at the Danube region in order to handle environmental damages, as well as at restoring and maintaining the quality of waters and preserving biodiversity.
- PA2 reflects the priorities of the EUSDR aiming at improved mobility and multimodality.
- PA3 reflects the priority of the EUSDR aiming at promotion of culture and tourism and people to people contacts.
- PA4 reflects the priorities of the EUSDR aiming at developing the knowledge society through research, education and information and supporting the competitiveness of enterprises, including cluster development.

The following table shows the connections between the EUSDR’s priority areas and actions and the Interreg-IPA CBC Hungary-Serbia Programme’s priority areas. The “+” signs mark the explicit contributions.

EUSDR Priority Areas and actions	Programme priorities			
	PA1 Risk	PA2 CB traffic	PA3 Tourism &	PA4 SME

	management		culture	
1) Connecting the Danube Region				
To improve mobility and multimodality		+		
To encourage more sustainable energy				
To promote culture and tourism, people to people contacts			+	
(2) Protecting the Environment in the Danube Region				
To restore and maintain the quality of waters	+			
To manage environmental risks	+			
To preserve biodiversity, landscapes and the quality of air and soils	+			
(3) Building Prosperity in the Danube Region				
To develop the knowledge society through research, education and information technologies				
To support the competitiveness of enterprises, including cluster development				+
To invest in people and skills				
(4) Strengthening the Danube Region				
To step up institutional capacity and cooperation			+	
To work together to promote security and tackle organised and serious crime				

Certain relations between the Programme's PA-s and the EUSDR's actions can be observed. Some of these connections aren't strong but the similar challenges require similar actions.

In this sense, correspondence of the given project proposals and the priorities of the EUSDR is to be evaluated with extra scores during the evaluation (with a maximum of 2% of maximum scores). During the Quality assessment of the projects question no. 18 was the following: "Are the proposed activities and objectives compliant with the Danube strategy?". Determining macro-regional significance of the project an extra 1 point was given for the compliance with the EUSDR. For those projects that received at least 1 point from either of the two quality assessors, the programme considered as compliant, while for projects that have not received points from neither assessors on this questions we have determined as non-compliant with the EUSDR.

EUSDR HU National coordination has an observer role at the Programme Monitoring Committee to help finding synergies.

The Programme financed WateratRisk project received a Letter of Recommendation from EUSDR PA5 in 2017 and since than closely followed and also promoted by the PA5 coordination (e.g. WateratRisk project is highlighted at the PA5 website and project activities were reported at the EUSDR PA5 SG Meeting in December 2018). Further alignment between EUSDR objectives and the Programme financed projects will be ensured in the future.

In conclusion, it can be said that the Interreg-IPA CBC Hungary-Serbia Programme is designed in a way that it can significantly contribute to the European goals especially through respecting the horizontal principles as well as being relevant in the macro-regional context.”

11.4 Progress in the implementation of actions in the field of social innovation

The “Enhancing SMEs’ economic competitiveness through innovation driven development” was the fourth thematic priority in 2nd CfP containing two actions:

- 4.1 Enhancing innovation through cooperation between SMEs and research institutions involving young people
- 4.2 Encouraging and development of social entrepreneurship

Action 4.1: Enhancing innovation through cooperation between SMEs and research institutions involving young people can include different activities such as

- 1) Development of innovation infrastructure and catalysing joint R&D&I projects tailored to SME needs
- 2) Setting up and operating “innovation communities” in “challenged economic and social areas”
- 3) Promoting knowledge-sharing and networking amongst, and professional experience building for young researchers and entrepreneurs
- 4) Positioning the CBC agriculture and food processing through joint innovation activities

While Action 4.2 Encouraging and development of social entrepreneurship was described in the following manner:

Having in mind the complex economic and social conditions that inhabitants of the border area live in, it is necessary to discover and apply new and innovative models to tackle these issues. One model which is becoming increasingly popular around the world and could be easily applied in the Programme area **is social entrepreneurship**. It **combines innovation** (disruptive? innovation is the basis of social entrepreneurship in general, as well as of each individual social enterprise) **with economic, marketable activity and a social cause**.

Most of the social enterprises start with a good idea and very little resources, but with some support they are able to create work places, tackle inclusion of vulnerable groups, generate income and solve burning social problems. However, despite the obvious benefits of social entrepreneurship for society in general, **its existence has not yet been legally regulated**. Therefore, the possible **activities** which could be **supported** within this priority, alongside the assistance to activities of social enterprises themselves, are also:

- a) **advocacy initiatives,**
- b) **inclusion of minorities and other vulnerable groups,**
- c) **strategies and methods that help the decision makers to create or change policies, laws, regulations, distribution of resources or other decisions that affect social enterprises;**
- d) **raising awareness about the benefits of social entrepreneurship;**
- e) **Introducing courses about social entrepreneurship in universities, etc.**

41_012 – RILIAM: The „RILIAM” project aims to support the inventiveness of young (from the age of 14 – high school students) by start-up competitions and special project week for pupils also. By these events and also the two created innovation competence laboratories helps scaling up of effective social innovations. the SMEs from the region which deal with industrial automation and industrial robotics. In the project **two innovation competence laboratories will be created**, one for the food industrial robotics and automation in the Faculty of Engineering in Szeged, and one for the assembly automation and robotics at Subotica Tech in Subotica. **The laboratories will be the help point for the SMEs for innovation solutions.**

The project results in: The young people become more interested to gain knowledge and to practice, improve their professional skills in modern innovative laboratories. That indicates the raised interest toward technical sciences.

The **developed online tutorial** data base serves as the information collector, and connection between the project partners, beneficiaries and interested citizens.

The project RILIAM **establishes a functional network between the multi companies in the CB region and young SMEs, young researchers, students. The projects creates an interactive channel for information flow among the participants. Young engineers will be able to solve complex technical solutions.**

41_031 PLANTSVITA: The main research aims of PLANTSVITA are to **develop and demonstrate the application efficiency of two multi-component microbial products**, PLANTSVITA AC (for acidic soils) and PLANTSVITA AL (for alkaline soils), **to minimize the pesticide risks and hazards**, implementing and promoting in this way the principles of Ecological Pest Management (EPM) in the CB region. Through the intensive information activities, the project also tries to boost the EPM practice among CB farmers by using the developed products and establishing a closely assigned **training** campaign on EPM for young people. Through development and demonstration of the new products and the technology of their production and application, PLANTSVITA supports enforcement of the agricultural production, enabling alternative soil quality management solutions based on green and sustainable approaches, which has a positive influence on cross-border agriculture and food industry for providing affordable, high quality crops grown with consideration to the environment. The partnership proved through PLANSVITA will be promoted as a common cross-border structure offering regional enterprises solutions and services needed for safe food production and improving human well-being.

41_042_AGRINNO - This project has an aim **to enhance individuals' capacity to act by improving innovative agriculture approach** in order to help the unemployed people living in houses with backyards in rural settlements in cross-border area to establish or upgrade their backyard farms to be more productive and cost-effective. New measuring instruments represent **innovation in greenhouse production in Serbia** and it should enhance innovation both for agricultural producers and their SMEs, research institutions and agricultural schools. The idea of the project is to create experimental greenhouse in the Institute of field and vegetable crops, also to set demo greenhouses for vegetable production on three different locations in Vojvodina in order to cover the whole territory -in relevant institutions such as agricultural schools. Those schools will be the base of three incubators which will be established during project implementation with an aim to gather and unite unemployed people and other vulnerable groups,

also agricultural producers in rural and semi-rural areas on both sides of the borders; educate and show them how to grow plants in greenhouses and outdoors.

7 more projects are contracted under 4.1. Project implementations are started with some minor delays. Payment also were carried out in some cases in December 2018.

Projects under 4.2 are more homogeneous. The 7 contracted projects are targeting vulnerable groups and people with mental or physical disabilities in the frame of development of social entrepreneurships. Project implementations started with some minor delays. Two projects were completed at the beginning of 2019.

12. SMART, SUSTAINABLE AND INCLUSIVE GROWTH

Information and assessment of the programme contribution to achieving the Union strategy for smart, sustainable and inclusive growth.

For answering this question, we are quoting the findings of the evaluators that will conclude the operational evaluation- "Evaluation of the efficiency and effectiveness of the programme"
The EUROPE 2020: A strategy for smart, sustainable and inclusive growth (hereinafter referred to as EU2020) is the EU's agenda for growth and jobs for 2010-2020. The EU2020 strategy is used as a reference framework for activities at EU and at national and regional levels. The main objective of the strategy is to turn the EU into a smart, sustainable and inclusive economy with high levels of employment, productivity and social cohesion.

In general, the programme document identifies the following contributions to the EU2020 main goals:

It aims at "smart, sustainable, inclusive growth" through the following main targets

- 1) raising the employment rate of the population aged 20–64 from 69% to at least 75%;
- 2) achieving 3% investment of GDP in R&D and developing a new indicator to track innovation;
- 3) reducing greenhouse gas emissions by at least 20%, increasing the share of renewable energy in energy consumption to 20%, and achieving a 20% increase in energy efficiency;
- 4) reducing the share of early school leavers to 10% and increasing the share of the population aged 30–34 having completed tertiary education to at least 40%;
- 5) reducing the number of population living below national poverty lines by 25%.

According to the main aims of the EU2020 the following headline indicators at EU and at national level were established¹:

EU/Member State	EU-28	Hungary
Employment rate	Increasing the employment rate of the population aged 20-64 to at least 75%	75%
Gross domestic expenditure on research and development	Increasing combined public and private investment in R&D to 3% of GDP	1.8%
Greenhouse gas emissions	Reducing greenhouse gas emissions by at least 20% compared to 1990 levels	10%
Share of renewable energy	Increasing the share of renewable energy in final energy consumption to 20%,	13%
Energy efficiency	Moving towards a 20% increase in energy efficiency (equalling a reduction to 1 483 Mtoe of primary energy consumption)	24.1
Early leavers from education and training	Reducing school drop-out rates to less than 10% (of the population aged 18 to 24)	10%
Tertiary educational attainment	Increasing the share of the population aged 30-34 having completed tertiary education to at least 40%	34%
Poverty and social exclusion	Lifting at least 20 million people out of the risk of poverty and social exclusion (compared to 2008)*	- 450 000 persons

As we can see, the EU2020 only concerns Hungary and the targets are more moderate than the targets on the EU level, though there are no massive differences between them.

For the assessment of the programme's contribution to realising the EU2020 targets the programme's indicators are analysed in relation to the EU2020 topics. In the next table the "+" signs show the explicit contributions. As it can be seen from the table in several cases only indirect contributions can be identified. Many indicators measure different implementation steps (e.g. number of calls for SMEs) and not an EU2020 target. Most of the crossing points are about GHG emissions and R&D, but nothing about energy consumption. However, it does not mean, that the programme would completely ignore these issues.

The programme's potential contribution for the EU2020 targets								
Programme indicators			EU 2020 Topics					
Type	Name	Target Value	Employment	R&D	GHG emissions	Energy consumption	Education	Poverty and social exclusion
PO	Rate of persons from vulnerable groups involved in supported actions	50						+
PO	Number of months spent in the institutions and companies on the other side of the border through scholarships	200	+				+	
PO	Number of organisations actively participating in the work of "knowledge platforms"	60		+				
PO	Number of enterprises cooperating with research institutions	35		+				
PO	Average monthly user entries to online communication tools developed	5 000						
PO	Number of joint cultural, recreational and other types of community events and actions organised	200						
PO	Number of visits to supported sites of cultural and natural heritage and attractions	30 000						
PO	Number of improved public transport services	3			+			
PO	Total length of the railway line directly affected by development plans	50			+			
PO	Total length of newly built bicycle paths	5			+			
PO	Total length of reconstructed or upgraded roads	2						
PO	Total length of newly built roads	3						
PO	Number of improved or newly built border crossing points	3						
PO	Surface area of habitats supported in order to attain a better conservation status	500						

The programme's potential contribution for the EU2020 targets								
Programme indicators			EU 2020 Topics					
PO	Area benefiting from modern hail protection measures	700 000						
PO	Length of new or improved water management system	6 000						
PO	Population benefiting from flood protection measures	100 000						
PR	Rate of innovative SMEs in the CBR			+				
PR	Level of cross-border cooperation intensity of the public and non-profit organisations dealing with cultural, leisure sport and nature protection issues	3.73						
PR	Number of overnight stays	1 964 000						
PR	Share of border-crossing traffic at smaller border-crossing points within all border-crossing traffic	40						
PR	Water quality (good ecological status) of cross-border surface water bodies (rivers and water flows) in the eligible area	2.7						

On the other hand, attention should be paid to the projects contributions, too. Unfortunately, here the applicants were quite vague in explaining their commitments, thus their contribution can be better measured through the output indicators at a later stage.

13. ISSUES AFFECTING THE PERFORMANCE OF THE PROGRAMME AND MEASURES TAKEN — PERFORMANCE FRAMEWORK

Where the assessment of progress made with regard to the milestones and targets set out in the performance framework demonstrates that certain milestones and targets have not been achieved, Member States should outline the underlying reasons for failure to achieve these milestones in the report of 2019 (for milestones) and in the final implementation report (for targets) (max: 7000 char).

As mentioned above, 2018 can be described as a slow approach towards the peak in implementation of projects that is expected for 2019 and the programme has only begun showing the first results. For the basis of the values of Performance framework indicators (PFIs) within this report we considered PRs that were covered those PRs that were covered by the Application for payment (AfP) sent to the European Commission. All the PRs taken into consideration referred to activities and costs incurred in 2018 since all of them covered reporting periods of implementation in 2018 or earlier.

The Priority Axis 1 - Improving cross-border water management and risk prevention systems

has good progress related to indicators, including PFIs.

The two strategic projects of this priority are progressing, both in their second year of implementation while the 7 projects of the 2nd CfP are progressing according to plans with some delays in reporting. We estimate that only by these 9 projects selected within the two first calls for proposals, all the performance framework targets and the overall targets concerning the PA 1 will be reached by the time of conclusion of the projects. All three Programme-level output indicators will be overachieved while one of them (OI/1.3) has already been surpassed.

In terms of the PFIs, O/I 1.2 "Length of new or improved water management system" has a milestone value 0 due to the fact that the effects related to water management system are long term and quick results cannot be expected. KIS/1.2 that refers to contracted projects has been met already in 2017 when 4 projects of this kind were contracted.

The present value of the financial Performance framework indicator FI 1.1 is 977 448,36 based on Project Reports covered by AfPs which is 93% of the target value.

In conclusion, we can consider all PFIs for PA 1 met.

The Priority Axis 2 - Decreasing the bottlenecks of cross-border traffic has 5 projects running under this PA, all them are with infrastructural investment or technical plans for future investments and are therefore expecting results in the latter phases of implementation. Besides the lag in reaching Programme-Level Indicator targets of O/I 2.1 - "Number of improved or newly built border crossing points" and O/I 2.6 "Number of improved public transport services", which were not selected by any of the successful projects, there was little progress in reaching planned values of the other 4 Programme-Level Indicators.

Like O/I 1.2, the two PFIs of PA 2 - O/I 2.2 "Total length of newly built roads" and O/I 2.3 "Total length of newly built roads" also have milestone targets for 2018 planned as 0. However, looking at target values of all of the indicators (O/I 2.2, O/I 2.3, O/I 2.4 and O/I 2.5) we see that the selected projects already cover the Final target values for all of them so we have no reason to doubt their fulfilment by the conclusion of the already selected projects.

The PFI KIS 2.2 that relates to contracted projects has already been met in 2017, while the financial indicator FI 2 is objectively behind schedule. We have 513 091.68EURs of certified expenditures according to AfP - which is 64.62%. Though the values at this stage are low, we have taken measures to speed up the reporting process (communication to Lead beneficiaries about problems in reporting, considering modification requests of these projects before others,

communicating to FLC regarding lagging Beneficiary reports and giving advantage to reports concerning this PA) and we hope we can reach this milestone by the end of 2019. In conclusion, we consider that only one PFI out of 4 of PA2 is lagging behind.

The Priority Axis 3 - Encouraging tourism and cultural heritage cooperation is the PA with the best overall results and progress towards planned indicators of all the PAs. The 40 projects within this priority selected in the open 2nd CfP and the one selected as a project of strategic importance via the 1st CfP are progressing according to plans. Other than a minor delay in reporting of several projects, there were no significant problems observed with the implementation of the Priority. All the goals relating to this Priority will be met by a big margin. To seize upon the success of this PA, we have asked and got approval from the EC to increase the allocation for this PA.

The milestone target for 2018 of PFI O/I 3.2 "Number of joint cultural, recreational and other types of community events and actions organised" of 20 has been reached in 2018 based on Project reports (present value: 22). The financial Performance Framework Indicator FI3 milestone target for 2018 is 1 100 000 EUR. Based on Project reports the present value is 1 108 976.99Euros of eligible certified expenditures based on AfP – which is just above the target value. In conclusion, we consider all PFIs for PA 3 met.

The Priority Axis 4 - Enhancing SMEs' economic competitiveness through innovation driven development

Though 17 projects of which all were selected in the open 2nd CfP are progressing according to plan with only some delays in reporting, the progress of indicators is not satisfactory. The Programme-Level Indicator O/I 4.3 "Number of months spent in the institutions and companies on the other side of the border through scholarships" is not covered by the contracted projects. This problem is also addressed by the 2nd Modification of CP and by adapting the 3rdCfP to ensure the indicator is reached by forthcoming applications. The other 3 indicators (O/I 4.1, O/I 4.2 and O/I 4.4) have, also not shown progress in 2018, however, by assessing the ongoing reports and the target values of projects being implemented we can be optimistic that these 3 indicators will be reached, possibly by as early as the end of 2019.

Based on Project Reports the Milestone target for 2018 of PFI O/I 4.1 "Number of enterprises cooperating with research institutions" is at 0, but considering ongoing reports this value may be considered achieved and in addition we know of existing cooperation that were not reported on, yet. The Financial PFI based on eligible expenditures of Project Reports that refer to costs incurred in 2018 the value is 158 449,38 which is 45.64% of the Milestone target. The measures undertaken, besides those regarding 3rd CfP are similar to those mentioned under PA 2: communication to LBS about problems in reporting, giving advantage to reports and requests, and asking the FLC to prioritize BRs of this PA.

In conclusion, we consider 1 PFI met and 1 PFI lagging behind.