

Cross-border programme 2007 - 2013

IPA CBC

***Bosnia and Herzegovina –
Montenegro***

Date: 10.09.2007



**Bosnia and Herzegovina
Directorate for European Integration**



**Republic of Montenegro
Secretariat for European Integration**



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GLOSSARY OF ACRONYMS

CBC	Cross-border Cooperation
CBIB	Cross-border Institution Building
EU	European Union
GDP	Gross Domestic Product
IPA	Instrument for Pre-Accession Assistance
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
MIPD	Multi-annual Indicative Planning Document
NGO	Non Governmental Organization
NUTS	Nomenclature of Units for Territorial Statistics
OS	Operating Structure
PRAG	Practical Guide for Contract Procedures financed from the general budget of the European Union in the context of external actions
SME	Small and Medium Enterprise
SWOT	Strength, Weaknesses, Opportunities, Threats
TA	Technical Assistance
EC	European Commission
SEI	Secretariat for European Integration
DEI	Directorate for European Integration
RDA	Regional Development Agencies
EURED	European Union Regional Economic Development
IT	Information Technology
UNSECO	United Nations Educational, Scientific, and Cultural Organization
CEFTA	Central European Free Trade Agreement
CA	Contracting Authority



SECTION I. DESCRIPTION AND ANALYSES OF THE ELIGIBLE AREAS

1. Summary of Programme and Programming Process

1.1 Summary of Programme

This cross-border programme for the period 2007-2013 between the pre-accession countries of Bosnia and Herzegovina and the Republic of Montenegro will be implemented under the centralised management.

The eligible area covers 25.457,98 km² and has a population of 1.355.278 inhabitants. The Bosnia and Herzegovina part of the eligible area consists of 53 municipalities while there are 12 municipalities in the Montenegrin part.

The eligible area is mainly mountainous and relatively inaccessible, with economic centres located in larger towns, at some distance from the border.

The eligible area is characterised by a static or declining population, aging in rural parts, with a lack of employment opportunities. The existing industrial and agricultural base is in need of repair or modernisation and it is marginalised from expanding markets due to inadequate transport infrastructure.

There are significant opportunities for the development of the tourist sector in the area. The Republic of Montenegro possesses a developed basis for the tourist sector. Bosnia and Herzegovina has equally developed mountains tourist infrastructure.

The environment of the eligible area remains in good shape, despite some pollution hot spots and the over-burdened existing waste disposal services, which cannot cope with significant or uncontrolled growth in population or industrial activity. Mountains and forests, an important environmental asset of the area, are particularly vulnerable to increases in air and water pollution.

Economic activities are mainly based on the natural resources, and are concentrated on agriculture, forestry and mineral extraction.

Transport infrastructure is in need of modernisation and rehabilitation. There are three international airports in the area: Tivat, Mostar and Sarajevo.

The main challenge for the programming area is how to better use its assets and resources in order to revitalise the economy. Achieving the objective of significant regional co-operation is helped by the absence of language barriers and a common heritage. Economic and social co-operation between the communities is an effective means of coming to terms with the turbulent past and the existence of new state borders. This is the thrust of the 2007-2013 cross-border programmes' strategic approach.

The overall strategic objective of the programme is:

To foster the joint sustainable development of the cross-border area and its economic, cultural, natural and human resources and potentials by strengthening the capacities of human resources and joint institutional networks among local communities and local private and public actors.



The programme will be implemented on the basis of one major priority axis:

To support the creation of a common socio-economic environment for people, communities and economies of the border area.

1.2 Summary of the Programming Process

The cross-border programme between Bosnia and Herzegovina and the Republic of Montenegro will be implemented during the 2007-2013 period. This strategic document is based on a joint strategic planning effort between the two countries and is also the result of a large consultation process with the local stakeholders, potential beneficiaries and donors.

The programme will be implemented in both countries under centralised management. The national authorities in the two countries are building capacities and working on the accreditation of the implementing structures in order to shift to decentralized management as soon as possible during the programming period.

The programming process took place from December 2006 to May 2007. The national authorities and operational structures were assisted in the programming by the Cross Border Institution Building project (CBIB), a regional project funded by the European Union.

The following bilateral meetings of the operational structures were held during the programming process:

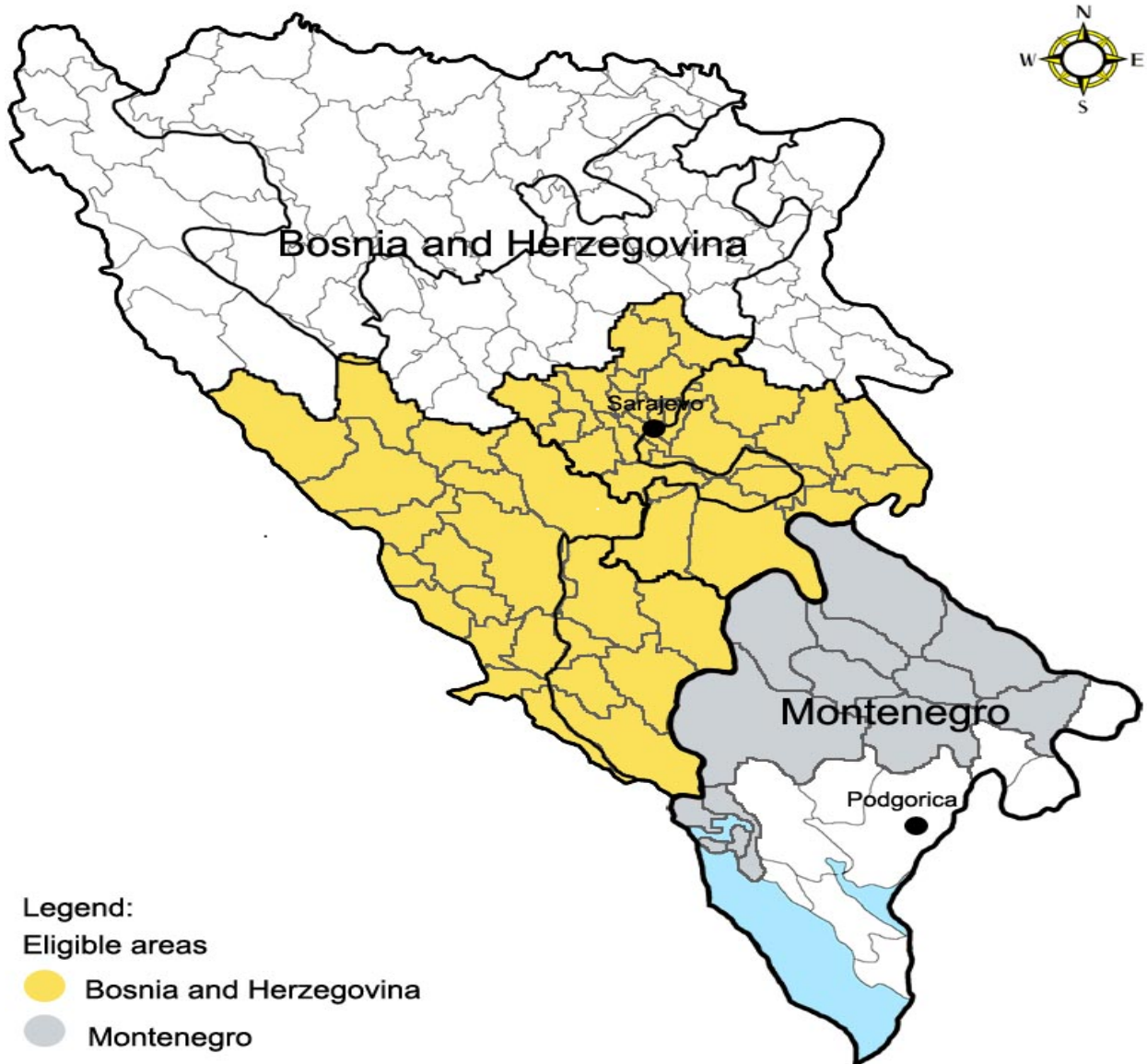
06 February 2007, Mostar	1 st Drafting Team meeting
06 March 2007, Belgrade	1 st Joint Programming Committee meeting
20 March 2007, Podgorica	2 nd Drafting Team meeting
13 April 2007, Sarajevo	3 rd Drafting Team meeting
23 May 2007, Podgorica	2 nd Joint Programming Committee meeting

In line with Article 20 of the IPA Regulation and Article 6 (3) of the IPA Implementing Regulation, the EC has asked the representatives of member States and local IFIs in Bosnia and Herzegovina and Montenegro to provide their comments regarding the draft cross-border programme submitted to the Commission.



2. The map and the description of the eligible area

The eligible area covers the border between Bosnia and Herzegovina and the Republic of Montenegro.



The required NUTS III classification is not yet officially accepted in either Bosnia and Herzegovina or Republic of Montenegro. Therefore, for the purposes of this cross-border programme, the existing classification has been redefined representing an equivalent interpretation.

In Bosnia and Herzegovina the NUTS level 3 equivalent areas are the economic regions. The eligible economic areas are: the Sarajevo Economic Region and the Herzegovina Economic Region. All municipalities included in these two Regions are thus considered eligible

The eligible area in Bosnia and Herzegovina covers 16.673.98 km² and has 1.053.789 inhabitants in 53 municipalities. This represents 30.71 % of the territory of Bosnia and Herzegovina and 40.04 % of population.



Cross-border Programme



The eligible area in the Republic of Montenegro covers 8.784 km² and has 301,489 inhabitants in 12 municipalities. This represents 63.60% of Montenegro territory and 48.6 % of population.



Table 1: Programming areas for Bosnia and Herzegovina and Republic of Montenegro

Republic of Montenegro (Municipalities)			Bosnia and Herzegovina (Municipalities)		
Eligible	Population	km ²	Eligible	Population	km ²
1. Pljevlja	39,806	1.346	1. Jablanica	11.893	301
2. Pluzine	4.272	854	2. Konjic	39.000	1.101
3. Zabljak	4.204	445	3. Trnovo	2.183	338,4
4. Savnik	2.947	553	4. Trnovo RS	3.895	138
5. Niksic	75.282	2.065	5. Pale	28.560	492
6. Herceg Novi	33.034	235	6. Pale Praca	1.381	103
7. Kotor	22.947	335	7. Novo Gorazde	4.500	123
8. Tivat	13.630	46	8. Gorazde	31.544	248,8
9. Bijelo Polje	50.284	924	9. Cajnice	5.389	275
10. Mojkovac	10.066	367	10. Foca Ustikolina	2.899	188
11. Berane	35.068	717	11. Kalinovik	1.207	678,92
12. Kolasin	9.949	897	12. Rudo	10.000	344
			13. Visegrad	13.500	448
			14. Rogatica	15.000	640
			15. Foca	23.000	1.115
			16. Gacko	11.000	736
			17. Nevesinje	14.448	920
			18. Mostar	111.271	1.175
			19. Hadzici	21.139	273
			20. Ist. Ilidza	20.000	28
			21. Ilidza	47.502	162
			22. Siroki Brijeg	27.160	388
			23. Ljubuski	23.623	297,7
			24. Capljina	27.882	356
			25. Citluk	16.421	181
			26. Stolac	13.335	331
			27. Berkovici	4.000	256
			28. Bileca	14.591	633
			29. Ljubinje	5.000	326
			30. Neum	4.325	225
			31. Ravno	1.000	225
			32. Istocni Mostar	500	82
			33. Trebinje	36.000	904
			34. Prozor/Rama	16.832	477
			35. Kupres	3.513	569,80
			36. Kupres (RS)	820	45
			37. Tomislavgrad	27.657	967,40
			38. Posušje	16.145	461,10
			39. Grude	15.666	220,80
			40. Livno	32.404	994
			41. Sokolac	15.500	729
			42. Istocno Novo Sarajevo	20.000	45
			43. Sarajevo-N.G.	118.880	47,98
			44. Vogosca	20.575	72
			45. Sarajevo-S.G.	50.000	55
			46. Sarajevo-I.S.G	2.000	105
			47. Ilijas	15.414	320
			48. Vares	10.094	390
			49. Breza	13.845	73
			50. Visoko	40.276	232
			51. Kiseljak	23.980	164
			52. Fojnica	11.090	308
			53. Kresevo	5.950	148
Total	301.489	8.784	Total	1.053.789	20.456,9
Number of settlements	700			N/A	
Total eligible area			29.240,90 km²		



Cross-border Programme



Total population	1.355.278.00
Border length	249 km
Border crossings	7

Source: 1 Statistical Office of Montenegro, www.visit-montenegro.org/faq

Source 2: Municipalities statistic

Source 3: DGS Bosnia and Herzegovina



3. Current situation in eligible area

3.1 History

Throughout history, the territories and peoples of the eligible area periodically belonged to the same states, but were often separated by borders and wars. That caused links between communities in the bordering area to be strong and interdependent.

In the late 19th century, intellectuals in the area started to promote the idea of united Slavic nations which eventually resulted in the creation of the Kingdom of Serbs, Croats and Slovenians which eventually became the Kingdom of Yugoslavia, also known as first Yugoslavia. The Kingdom fell apart with the outbreak of the Second World War, and SFRY¹ was created in 1945. The territories of today's Bosnia and Herzegovina and Republic of Montenegro were defined, and these two entities became two of the six Yugoslav Republics.

After the break up of the former SFRY, Bosnia and Herzegovina gained its independence in 1992, while Republic of Montenegro became an independent state after the referendum on independence in 2006².

3.2 Demography

The total population of the eligible area for the cross-border programme between Bosnia and Herzegovina and Republic of Montenegro is 1.355.278. The demographic structure of the area has significantly changed due to the large migrations within and out of the region during the crisis in 1990's.

Migration of inhabitants between Bosnia and Herzegovina and the Republic of Montenegro took place on both sides of the border during the nineties. This caused changes that seem irreversible given the slow and difficult return of refugees. The decline in population is most visible in rural municipalities along the border.

In the eligible area of the Republic of Montenegro, the population is mainly concentrated in urban centres offering main labour opportunities. The situation is similar in Bosnia and Herzegovina.

On the Montenegrin side of the border, there has been a decrease of 1.1 % in the number of inhabitants since 1991 (according to the last census of 2002), while in Bosnia and Herzegovina this decrease in the same period amounted to 1.4%. In Montenegro, this decrease occurred mostly due to internal migration to southern and central parts due to more advantageous economic possibilities. In Bosnia and Herzegovina the situation is similar, with population migrating from smaller cities to the urban centres, particularly to Sarajevo.

Even though the natural growth rate in the eligible area still remains positive, the age structure of the population indicates a very unfavourable demographic ageing process.

3.3 Ethnic Minorities

Inhabitants of the programming area enjoy full national equality in both countries since their constitutions secure the rights of the minorities.

¹ Socialist Federative Republic of Yugoslavia

² On June 3rd, 2006, the Parliament of Montenegro declared the independence of Montenegro, formally confirming the result of the referendum on independence. On June 28th, Montenegro became the 192nd member state of The United Nations.



3.4 Geographical Description

The eligible area is located in the south-eastern part of Bosnia and Herzegovina and the north-western part of the Republic of Montenegro. In Bosnia and Herzegovina, the eligible area extends over 16.673,98 km² and covers 30, 71% of the national territory. In the Republic of Montenegro, the eligible area extends over 8.784 km² or 62, 63% of the national territory.

The terrain is mostly mountainous including some of the most rugged in Europe. The average elevation is above 2,000 metres.

The rivers in the eligible area flow into either the Adriatic Sea or the Black Sea basin. In the mountains, the rivers flow along deep canyons such as the Tara River Canyon which is the deepest canyon in Montenegro and in Europe, at 78 km in length and 1,300 meters at its deepest point. There are around forty natural and seven artificial lakes in the area. This region is rich with water and forests that cover 32 % of the territory.

The climate of the eligible area varies, but in general, the northern part is characterized with a continental climate, with cold winters and hot, humid summers with well distributed rainfall patterns and heavy inland snowfall, while the southern part enjoys a more Adriatic climate with hot, dry summers and autumns and cold winters. Differences in elevation and proximity to the Adriatic Sea, as well as the exposure to the winds, account for variations in climate.

The Bosnia and Herzegovina part of the eligible area comprises of 53 municipalities. The Montenegrin side covers 12 municipalities in central and northern Montenegro with 700 settlements.

The eligible area in Bosnia and Herzegovina includes 20 km of coast which is the only access of Bosnia and Herzegovina to the Adriatic Sea and is characterised by well preserved beaches and the Neum tourist centre.

In Montenegro, 163.78 km of coast, out of a total of 288.21 km, are included in the programming area with a unique landscape characterised by beautiful bays and relevant tourist centres.

3.5 Infrastructure

Infrastructure is an important pre-requisite for the economic and social development as it secures accessibility of goods and people to and from the eligible area. On the whole, the infrastructure in the eligible area is obsolete, having suffered greatly from lack of investments that were mostly confined to the more industrial areas of the country.

In general, roads and railways are in very poor condition, and in urgent need of modernisation. Ports, airfields and dams are in a somewhat better condition. However, significant investments in all infrastructures of both countries (road and transport network, uninterrupted power supply, restoring and modernizing the water and sanitation systems) are necessary in order to fully profit from their potential and create a stable economy in which, above all, small and medium-sized enterprises would be able to thrive.

3.5.1 Road infrastructure

A modern transportation network is one of the most important factors for enabling economic development and accessibility to the region, as well as for cross-border cooperation.

Roads in the eligible area are generally in poor condition due to low level of investment in maintenance and expansion during the period of crisis, as well as due to the overall distance of the cross-border area from the strategic national axes and corridors of both countries.



No highway passes through the eligible area. The largest part of the road network consists of main, class 1 roads and local, class 2 roads. However, the transport infrastructure in the eligible area is in urgent need of repair and maintenance

The main class 1 transport routes going through the programming area are the following:

1. Sarajevo -Foca – Niksic - Podgorica
2. Mostar - Trebinje - Niksic - Podgorica

3.5.2 Railways

Railways make up an insignificant part of the overall transport infrastructure of the eligible area. There are no rail border-crossings between the two countries.

The small BiH rail network is in poor condition. It is underdeveloped and is not fully electrified, limiting its potential for providing effective transport infrastructure.

In the Montenegrin part of the eligible area, only one minor rail link, mainly used for cargo transport, stretches from Niksic outside the eligible area, towards Podgorica and Bar.

3.5.3 Border crossings

Along the length of the border, there are seven border crossings. Only four of these are, however, considered international border crossings.

3.5.4 Airports

There are three international airports in the eligible region – Tivat, Mostar and Sarajevo. One small airport for general aviation is located in Niksic.

3.5.5 Ports

In the eligible area, the marina in Tivat offers services to small boats and medium-size yachts.

3.5.6 Telecommunications

The telecommunication network in the eligible area is composed of several systems offering both fixed and mobile telephony.

The fact that there are 643,681 (October 2006) cellular phones in Montenegro is impressive (more than 1 cellular phone per inhabitant) when compared to European levels. Services in mobile telephony are provided by three GSM operators (Telenor, T-mobile/com, M-tel). All providers have national coverage, and provide advanced services.

The privatisation process of two of the three incumbent operators (BH Telekom and HT Mostar) is still in a preparatory phase. Telekom Srpske was largely privatised in 2006. The capacities of the fixed network are well developed, and the mobile network has good signal coverage, throughout the area.

Internet is widely used in the eligible area with three providers on the Bosnian side of the border and four on the Montenegrin side. There are a large number of internet users in Montenegro (over 743,000 in 2006). In Bosnia and Herzegovina, 57 % of households possess a computer and 42 % are using internet regularly.

3.5.7 Water supply, waste water, heating, waste disposal

In the eligible area, the population living around the municipality centres and larger settlements is covered by the water supply network. However, the water supply capacity and hygiene quality



is a main concern of many rural areas. Alternative systems used in many rural areas, such as local springs, wells and cisterns, do not guarantee the adequate quality of water.

In general, this situation requires a major effort to revitalize and repair the water supply systems, especially when considering the fact that the existing water supplies do not meet the needs of the population. On account of its age, the damage caused by the war, and leakage due to poor maintenance, between 35% and 70% of the capacity is lost. Water supplies throughout the eligible area are subject to frequent interruptions, especially in the dry summer season. This indicates the necessity of establishing larger water supply systems at municipal, inter-municipal and regional levels.

In the eligible area, sewage networks are only available in the centres of larger municipalities. In many municipalities, the sewage system is not capable of processing the volume of waste water generated, which overflows as untreated sewage. In parts of the area direct discharging of untreated sewage into streams, tanks, and septic dumps occurs. Only two or three of the larger municipalities possess efficient waste water processing facilities.

The treatment of solid waste is handled in a similar, unsatisfactory manner in the whole eligible area. The system of solid waste management is based on collection, transportation and disposal of solid waste by public utility companies at municipal level. Dump sites are poorly maintained, with minimal sanitary and hygienic conditions. Effective separation of solid waste is also minimal.

3.5.8 Energy, electricity

Energy and electricity supply is well developed on both sides of the border. The geography of the area favours the set up of hydro power plants. The rivers of the eligible area carry 50% of the hydro-potential in both countries. In Bosnia and Herzegovina, there are five hydro power plants on the river Neretva and three more plants on the river Trebisnjica. There is only one thermal plant located in Gacko which supports the stability of the power system in the eligible area. The average annual power production in eight hydro power plants amounts to 4.918 GWh and the average annual production in the thermal power plant Gacko amounts to 2.153 GWh. This makes a substantial share of this kind of energy production in Bosnia and Herzegovina.

Energy is the main economic priority of the Montenegrin government, so the Perucica hydropower plant, in the vicinity of Niksic, is being modernised - investments of 3.6 million euros, with a potential to provide the entire country with uninterrupted supply of power at the same time reducing the dependency on foreign supplies of power. However, there are large differences in the access to uninterrupted supply of energy/electricity between cities, towns and rural areas. In all, there are two large power plants, Piva and Perucica, which are complimented with additional five smaller ones. Furthermore, there is a thermal power plant in Pljevlja.

In addition, the high-voltage transmission line in the eligible area is an important part of the Balkan network and represents a solid basis for further modernisation and development.

The low-voltage (user) network in the eligible area is on a satisfactory level. After being destroyed during the war, it was reconstructed and modernized with the support of donations from the international community. No settlements without electric power have been identified.

The above average opportunities for hydro-power generation and a strong potential for thermal energy are important strengths of the eligible area. Significant possibilities to use solar and wind energy should not be neglected as well.



3.6 Economy

Bosnia and Herzegovina and the Republic of Montenegro are members of the Central European Free Trade Agreement (CEFTA). CEFTA complements the EU Stabilization and Association Agreement for the countries of the Western Balkans, providing a good framework for economic development and regional co-operation.

The economic development indicators of the cross-border area are relatively low compared to the national level. The average GDP per capita Bosnia and Herzegovina national average was 2.100 € in 2006, while in Montenegro it amounts to 1.809.37€ in eligible area (total average for Montenegro in 2004 was 2.521€).

The economy of the cross-border region is mainly agrarian or industrial-agrarian. The main economic sectors, having also the biggest potential in the cross-border region, are agriculture, tourism, light industry, and energy production.

3.6.1 GDP

Most eligible municipalities within the eligible area are confronted with the grave consequences of the war and serious economic and financial difficulties. Evidence gathered from different sources shows widespread socio-economic disparities.

On the Bosnia and Herzegovina side, it was very difficult to obtain coherent data on the actual economic situation and the related qualitative structure, status and performance.

The overall level of economic development of the eligible area is very low compared with the respective national averages, as shown in the table below. The area is characterized by low GDP, the predominance of the agricultural sector and the lack of investments across all sectors.

A number of factors have combined to bring about the area's poor economic performance. These include a high degree of dependency on agriculturally-based employment and income, and a lack in the higher value added business sectors. The area has not seen the economic benefits of domestic investments to the same degree as other regions of the two countries.

Table 3: GDP comparisons with EU and national level

Area (average)	Regional GDP per capita (EURO)	Regional GDP index Country=100	Regional GDP index EU (27)=100
BiH eligible area	N/A	N/A	N/A
BiH national level	2.100	100	57.48
Montenegrin eligible area	1,809.37	71.77	8.41
Montenegrin national level	2 521	100	11.72

Reference: 2 Statistical Office of Montenegro; EU27 = 21,503

Source: 1 Statistical Yearbook of the Republic of Montenegro 2004 and Bosnia and Herzegovina statistical office. 2 Calculation based on GDP structure per municipality for the period 2002-2004. Data for 2001 and 2002 are used for calculation of the GDP index

3.6.2 Agriculture and Rural Development

Even though various natural conditions in the eligible area are suitable for diversified development of agriculture, the agricultural activities are limited due to poor soil quality and mountainous zones with distinctive relief. The largest part of the agricultural land, 88%, is covered by pastures and natural meadows. Agricultural production in the eligible area is based on small-scale family households due to existing natural conditions and property issues.



The area has optimal conditions for vegetable production. In the northern part of the area, the largest percentage of the territory is comprised of grasslands, ideal as summer pasture for cattle.

The coastal region is especially suitable for fruit (subtropical fruits and olives) and field crop production, and its hilly relief for breeding small cattle. This relief is also rich with honey plants and medical herbs, as well as wild fruit species (dog rose, fig).

With regards to livestock, sheep and goats are predominant in the eligible area. Large cattle breeding and beekeeping are also important agricultural activities in this region.

3.6.3 Industry

The industrial sector in the eligible area is based on electricity generation, coal mining, forestry and wood processing, textile and leather industry and significant capacities of construction industry.

Both countries have a good basis for industrial processing of agricultural products: butcheries, grain mills with silos, dairy plants, bakeries, beer and juice factories, fruit processing factories, capacities for grape processing and wine making, processing of medical herbs and factories for production of confectionary products.

Some of the Montenegro's biggest companies are situated in the eligible area, including the foundry and the power production and supply company, as well as light industry in the northern part of the area.

3.6.4 SME Sector

Due to improved business climate, an increase in the number of registered small and medium size companies is recorded in the eligible area. SMEs are usually more flexible to adjust to the market needs which provide diverse employment opportunities, sustainable development and positive contribution to export and trade.

There are 34,236 small and medium enterprises in the eligible area.

Table 5: Numbers of SMEs and SME Employment in the Programming Area

Area (average)	Number of SMEs	Number of Employed in SMEs
BiH eligible area	28,576	97,838
BiH national level	170,445	865,224
Montenegrin eligible area	5,660	N/A
Montenegrin national level	13,393	N/A
Total eligible area	34,236	-

Source: Census 2003. MNE, Chamber of Commerce RS and Federation of BiH

The majority of these SMEs are, however, very small and lack professional support and services to help them build up performance and strengthen their competitiveness. The internal problems of the SME sector are related to both the structure of the companies and the economic environment.

Companies are characterised by lack of entrepreneurial experience (especially in sectors with considerable growth potential), non-profitability of the SME sector (the consequence of low productivity, quality of products, innovation and export orientation), and regional disparities in entrepreneurial activities (concentration in bigger regional centres).



The constraints causing insufficient support to entrepreneurship are the following: administrative barriers in various phases of the life cycle of an enterprise, lack of business support institutions (business centres, business incubators, technological parks), inconsistency in implementation of education/training, lack of coordination between government policies in creation of a business-friendly environment, and lack of financial support to the needs of the SME sector.

In the future, it is foreseen that the SME sector will play an important role in the economic development of the region. Recently renewed activities in the banking sector based on the market economy could boost the economic growth of both border areas.

3.6.5 Services

Apart from tourism, services are currently not considered statistically as a separate sector of Bosnia and Herzegovina and Montenegro economies - figures are usually included with other sectors.

A variety of services such as administration, banking, education, social and health care, are mainly available in urban areas, while the development of these sectors in the rural areas is lagging behind.

Administrative services are related to legally define administrative units, i.e. municipalities, and thus located within them.

The organizational structure of health institutions in the eligible area consists of three levels – primary, secondary and tertiary. The primary level of health institutions in the eligible area is consisting of 56 health centres; the secondary level includes 13 general hospitals and 5 specialization hospitals, while the tertiary level of Health institution includes the Clinical Centre of Montenegro and Institute for Public Health which is located in Podgorica –out of eligible area.

Both countries recognise that the development of the service sector can contribute significantly to the positive economic development, creating jobs and adding value to existing industries and businesses.

3.6.6 Regional and Local Development

The Bosnia and Herzegovina eligible area is covered by two Regional Development Agencies (RDAs). REDAH covers the Herzegovina economic region and SERDA covers the Sarajevo economic region. These are non-profit organizations, founded by the public, private, and non-governmental sectors, with a view to foster the overall economic development of the regions particularly with services supporting economic regeneration, job creation and human resources, as well as infrastructure development. REDAH has its headquarters in the eligible area, while SERDA is located in Sarajevo and its activities are covering the eligible area as well.

Due to the fact that Montenegro is a small country with no regions and only 22 municipalities, there are no Regional Development Agencies, neither has the network of SME support institutions has been established. There is only one national chamber of commerce, located in Podgorica, and seven business centres. Also, there are four scientific research institutions which could serve as a basis for development of such support, which is in accordance with the EU accession process that Montenegro is currently undergoing. In the recent Strategy for SME development significant attention is given to this subject.

On both sides of the border, there are a considerable number of NGOs and community initiatives to stimulate economic growth.



These organizations will play their part in the cross-border programme since they can provide a direct link to potential beneficiaries, as well as people-to-people contact with the local population in the eligible area.

3.6.7 Tourism

Tourism in Montenegro is in a phase of rapid expansion. In 2005, some 820,000 tourists visited Montenegro, out of which 272,000 were foreigners. This represents nearly a 17% increase over the previous year. Montenegro is considered one of the fastest-growing tourist destinations in Europe. Southern part of the eligible area is located on the Montenegro coastline, having a significant share in the above mentioned figures.

Table 6: Number of visitors and tourist nights per county/municipality

Area (average)	Visitors	Tourist nights	Tourist nights per inhabitant
BiH eligible area	328,745	1,351,944	0.61
BiH national level	856,932	2,332,539	1.62
Montenegrin eligible area	275,233	1,860,298	-
Montenegrin national level	820,457	5,211,847	8.40
Total eligible area	603,978	3,212,242	-

Source: 1 BiH tourist association; Montenegro – tourist season 2005.

On the other hand, the central and eastern continental parts of the eligible area have underdeveloped tourism. The mountainous areas of the area have a comparative advantage for skiing; hiking, cycling, especially on BiH side on Jahorina, Bjelasnica and Igman mountains. Cultural tourism can be developed in some urban centres given the rich cultural heritage and the great variety of cultural events organized throughout the year. The potential for agro-tourism and eco-tourism has not yet been explored.

In addition, tourist resources, such as mineral water springs, salt lakes or mud offer the possibility of different forms of health/wellness tourism.

The main obstacles to the development of tourism are poor tourism infrastructure primarily in non-coastal areas, low level of marketing, lack of information exchange within the tourism industry and low level of networking between tourism operators and other sectors (especially agriculture).

3.7 Human Resources

3.7.1 Education, Research, and Development

The system of education in the eligible area is well developed with regard to primary and secondary schools, and faculty education. In majority of cities, less than 2% of the inhabitants are illiterate. Secondary schools are located in every city of this area.

The educational systems of Bosnia and Herzegovina and Republic of Montenegro are similar, with compulsory primary education and non-obligatory secondary and high education, which is mainly performed in public schools.

There are 244 primary and 137 secondary schools on the Bosnian side and 284 primary and 23 secondary schools on the Montenegro side of the eligible territory. Even though the primary and secondary education network is satisfactory, with an adequate number of public schools, the



condition of the facilities, lack of qualified teaching staff (for example IT teachers) and high costs of transport for students especially from rural areas, influence the quality of education provided.

Table 7: Levels of Education in the Programming Area

Area (average)	Primary or less than primary	Secondary	University, MSc, PhD
BiH eligible area	89,75 %	88,92 %	5,56 %
BiH national level	91,21 %	78,62 %	9,64 %
Montenegrin eligible area	50,52	48,74	43,70
Montenegrin national level	42 %	46,99%	11,01%
Total eligible area	68,74%	66,58%	22,74%

Source: Census 2003 in Montenegro

There are Sarajevo and Istocno Sarajevo Universities in the eligible area; there are faculties in Niksic and Kotor. Also, there is a positive trend in the increase of the number of regional higher education institutions, as well as greater diversity of undergraduate curricula they offer.

Links between educational institutions and the business sector are weak and result in low innovation and underdeveloped research and development sector.

3.7.2 Labour Market (employment and unemployment)

The eligible area has significantly higher unemployment rates than the national average. Those figures reflect the economies lagging behind the national level in both countries, the dependence on public sector employment and the lack of entrepreneurial initiative. The distribution of unemployment throughout the eligible area is very uneven, with the highest unemployment rates in rural micro regions where it often causes serious social problems.

Table 8: Employment and Unemployment in the Programming Area

Area (average)	Total Number Employed	Unemployment Rate	Employment Rate
BiH eligible area	642.575	48.05 %	51.95 %
BiH national level	1.236.744	31.94 %	68.06 %
Montenegrin eligible area	79,930	N/A	N/A
Montenegrin national level	171 325	15.05 %	84.95 %

Source: 1 Unemployment Bureau of RS and Federation of BiH, Monstat, Survey on labour October 2005.

The highest rate of unemployment is among unskilled workers, the elderly, young and women. In Bosnia and Herzegovina, the employment structure changed a great deal due to structural reforms leading to the collapse of state-owned companies.

Slow transition from the centralized to free market is also caused by the fact that parts of the eligible area along the border are some of the most remote regions of both countries and therefore unattractive for either domestic or direct foreign investments resulting in fewer employment opportunities.

According to the Employment Agencies of Bosnia and Herzegovina and Republic of Montenegro, about 28% of non-residential labour force in Montenegro was engaged from Bosnia and Herzegovina during last year. This is mostly due to the seasonal opportunities on the Montenegrin coast and the absence of a visa regime.



3.8 Environment and Nature

Bosnia and Herzegovina and Republic of Montenegro eligible area is fairly homogeneous from a natural, geographic and environmental point of view and characterised by well preserved natural environment with low pollution levels. On the other hand, the area has some "pollution hot spots", which create serious problems.

There are three National Parks (Durmitor, Biogradska Gora and Sutjeska) and five protected areas in this territory. The natural resources are mostly preserved but there are some locations which are polluted. The biggest polluters in this region are the coal power plant in Pljevlja and the foundry in Niksic. The coal mine in Pljevlja and the red bauxite mine in Niksic cause waste and groundwater problems.

Both sides of the border face similar challenges to ensure a balanced path towards socio-economic development, while preserving the outstanding natural and cultural heritage and meeting the EU environmental requirements.

There is a lack of integrated and co-ordinated interventions on both sides of the border to protect the environment and promote sustainable development. Efforts should be directed towards development and upgrading of special protected areas, special areas of conservation, visitor information systems, exchange programmes, development of information systems and implementation of public-private partnerships in nature protection. The process of establishing Government Environmental Protection Agency in Montenegro and Bosnia and Herzegovina is underway.

As a consequence of war, there are still suspected mine fields in the eligible area. The total suspected mine area covers 1.844 km² with approximately 305.000 mines.

3.9 Culture

Diverse historical and cultural influences prevailing in the region in various periods of history left trace in many localities in the area.

Protection of cultural heritage was given a solid legal basis and assumed by a specialized organization, Institute for Protection of Cultural Monuments, in both countries. Based on the Law on Protection of Cultural Monuments from 1991, in terms of protection of cultural heritage, municipalities are obliged to look after, maintain and use, and protect monuments from damaging impact of nature and human activities, to make them publicly available, and support the costs of regular maintenance.

Broken ties with the neighbours, lack of co-operation with relevant institutions abroad and, finally, lack of financial resources in the recent period, paralyzed the possibilities of exchange of experience, opportunities for knowledge dissemination and adequate specialization, which is of utmost importance for the activities related to the protection of cultural heritage.

Cultural cooperation has been and still is a very important link for communities on each side of the border. The programming area shares very similar traditions, customs, language and cultural heritage. There are a large number of cultural, minority associations and clubs the purpose of which is to preserve local tradition.

In addition to cooperation of small cultural associations, there is untapped potential for the celebration of cultural heritage in the programming area and linking it to the tourist offer.

3.10 Summary indicating gaps, disparities, and potentials for development



On the basis of the previous analysis, it can be concluded that two main characteristics describe the eligible area in both countries: a predominantly rural economy and a culture with the absence of barriers.

These two characteristics present both the internal factors that can support the sustainable development of the area and the factors that can hamper it.

The rural economy is favoured by the morphology of the terrain, which is mostly mountainous and the geographical location of the area, distant from the main economic centres and the main commercial and economic axes. In the past, this has been only partially exploited as a developing factor. The dependence on low-wage agricultural and unskilled manual activities resulted in poor living standard with relevant effects on the migration of skilled workforce in other more developed regions and countries. The production is mainly confined to essential food processing and other agriculture-based industries with scarce and fragmented industrial activities.

The high tourism potentials could be the cornerstone of the entire economy attracting investments which could benefit other economic sectors as well (construction, agriculture, services).

The setting up of common development strategies could improve the economic development of the area.

The well preserved natural environment and intact cultural heritage, the presence of nature parks and tourism attractions, together with low pollution levels could be the basis for a sustainable development of the area. The sustainable development could also be fostered by the absence of cultural barriers in the eligible area that could favour the establishment of both economic and cultural links.



3.11 SWOT Analyses of eligible area

	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
GEOGRAPHICAL FEATURES	<ul style="list-style-type: none"> ▪ Mountainous area with abundance of forests and water resources (lakes, clean rivers, mineral and thermal springs); ▪ Easily accessible coastal region with good quality beaches; ▪ Temperate continental climate with different influences and fertile soils; 	<ul style="list-style-type: none"> ▪ Peripheral geographic and transport location within the Balkan area; ▪ Remote position of the border areas within their national territories and from the major economic centres; ▪ Morphology of the region hampers transport infrastructure; ▪ Some areas remain closed due to presence of land mines. 	<ul style="list-style-type: none"> ▪ Adoption of EU acquis will benefit and preserve the ecological environment, and protect geographical features. 	<ul style="list-style-type: none"> ▪ The eligible area retains its peripheral position.
DEMOGRAPHY	<ul style="list-style-type: none"> ▪ Historical links provide a solid basis for cultural understanding, confidence-building and cross-border cooperation; ▪ Cultural similarities and absence of language barriers; ▪ Good neighbouring relations. 	<ul style="list-style-type: none"> ▪ Negative population growth leads to unfavourable demographic trends; ▪ Internal economic migration of young people and skilled and productive workforce to urban centres and emigration abroad deplete the labour force of the eligible area; ▪ Low living standards and aging rural population. 	<ul style="list-style-type: none"> ▪ Cultural/historic tourism and education activities could contribute to promoting the region as a multi-ethnic European location; ▪ Enhanced tendency towards and potential for major cross-border cooperation activities. 	<ul style="list-style-type: none"> ▪ Renewed instability in the region; ▪ Increasing of depopulation trends; ▪ Ageing of the population; ▪ Total depopulation of some rural settlements.
INFRASTRUCTURE	<ul style="list-style-type: none"> ▪ Presence of basic transport infrastructure (1st class roads); ▪ Presence of three international airports as main gateways to Europe; ▪ Well developed energy production and supply network; ▪ Well developed telecommunications network; ▪ Adequate number of border crossings. 	<ul style="list-style-type: none"> ▪ Low quality of transport infrastructure in general and poor planning and maintenance of road network; ▪ Secondary and tertiary roads insufficiently developed and maintained; ▪ Inadequate communal infrastructure and public utility management, especially in smaller settlements;(water, sewerage, solid waste); ▪ Lack of solid waste dumps and re-cycling plants ▪ Insufficient quality and capacity of existing border crossings. 	<ul style="list-style-type: none"> ▪ Reconstruction, extension and integration of road infrastructure; ▪ Improvement of waste and sewage disposal services will increase the economic potential of the area; ▪ Presence of river transport facilities and of local water routes for domestic shipping; ▪ Exploration of the possibilities for the use of alternative energy sources; ▪ Increasing the number of internet connections; ▪ More efficient border crossing points to cope with increased traffic flows. 	<ul style="list-style-type: none"> ▪ Legal and political obstacles continue to hinder the implementation of regional plans; ▪ Delay in the implementation of big transport projects; ▪ Increased transport costs because of the underdeveloped transport infrastructure; ▪ Bypassing the region due to bad transport infrastructure; ▪ Poor wastewater, sewage and solid waste disposal facilities could endanger public health, and contribute to slow economic development of rural areas.



Cross-border Programme



	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
ECONOMY	<p>Central European Free Trade Agreement - CEFTA signed</p> <ul style="list-style-type: none"> ▪ Economic complementarity of the border areas and similarities in the trade market; ▪ Growing SME sector by number and turnover; ▪ Existing industrial base (e.g. textile, chemical industry, energy production and supply, metal and food processing) is undergoing restructuring towards a more competitive future; ▪ Well developed craft industry; ▪ Suitable eco climate for wine-making, fruit, vegetables, tobacco, medical plants and herbs; ▪ Tradition in the processing of certain agricultural products recognized in foreign markets; ▪ Favourable natural and cultural conditions for tourism; ▪ Existence of business support structures. 	<ul style="list-style-type: none"> ▪ Low level and lack of policy framework for local economic development; ▪ Limited market information flow; ▪ Low level of cooperation between SMEs; ▪ Low share of modern technologies utilized in agriculture and industry; ▪ Low level of added value in the processing industry; ▪ Insufficient national/local, as well as direct foreign investments, which inhibits modernisation and restructuring of border areas' obsolete and uncompetitive industrial and agricultural resources; ▪ Insufficient development of business infrastructure; ▪ Imbalanced development of institutional structures and management capacity for tourism; ▪ Insufficient arable land and fixed assets for agriculture are; ▪ Economy in rural parts of the eligible area is often segmented, mono-sector and marginal; ▪ Lack of research institutions and consultancy services. 	<ul style="list-style-type: none"> ▪ Exploiting benefits of Central European Free Trade Agreement - CEFTA- to increase export potential; ▪ Developing and exploiting networking links between local economic sectors in order to profit from supply chains and clusters so as to improve competitiveness and further economic growth; ▪ Improvement of entrepreneurship and product quality through cross-border initiatives; ▪ Market potential for creation of economic co-operation leading to processing of bio products; ▪ Increasing of cross-border cooperation between business support structures in industry and service sectors; ▪ Branding regional products; ▪ Well developed and growing banking sector that could support local development; ▪ Available industrial premises and facilities; ▪ Develop potential renewable energy sources. 	<ul style="list-style-type: none"> ▪ Increased exposure to global markets and increased competition within the region; ▪ Eligible area continuously perceived as peripheral and low value-added economy; ▪ Grey economy and the perceived threat of corruption; ▪ Lack of financial capacity and interest for cooperation among local businesses; ▪ Further fragmentation of rural economy and closing of industries (tobacco, mining); ▪ Slow restructuring process of state owned industries.
ENVIRONMENT AND NATURE	<ul style="list-style-type: none"> ▪ Diverse and well preserved nature with natural parks and protected areas; ▪ Rich and diversified natural resources (mineral waters, rivers, lakes, canyons, arable land, forests); ▪ Rich biodiversity, including valuable medicinal plants and herbs; ▪ Favourable conditions for diversified tourism and agriculture. 	<ul style="list-style-type: none"> ▪ Natural potentials and resources are insufficiently exploited; ▪ Depopulation of countryside damages arable land ▪ Lack of joint cross-border facilities for monitoring the environment and prevention of natural disasters. 	<ul style="list-style-type: none"> ▪ Joint sustainable use of environmentally friendly services and technologies to maintain unpolluted natural resources; ▪ Expansion of alternative forms of tourism and organic farming; ▪ International recognition of natural parks and protected areas; ▪ Exploring the use of renewable energy sources. 	<ul style="list-style-type: none"> ▪ Infrastructure investments potentially adversely affecting the environment; ▪ Unsustainable economic development may bring problems to air, water and soil quality; ▪ Increasing the uncontrolled pollution and cutting down of forests; ▪ Further fragmentation and abandoning the cultivation of arable land.



Cross-border Programme



	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
LABOUR MARKET AND EDUCATION	<ul style="list-style-type: none"> ▪ Well developed primary and secondary education systems; ▪ Increased level of employment in the private sector; ▪ Presence of University and centres for higher education; ▪ Presence of research institutions. 	<ul style="list-style-type: none"> ▪ ‘Brain drain’ and migration; ▪ Growing trend of a relatively high unemployment rate in the rural areas; ▪ Low income and standard of living among the majority of the population; ▪ Low mobility of the labour force; ▪ Academic and business environment insufficiently connected; ▪ Shortage of modern vocational and education services. 	<ul style="list-style-type: none"> ▪ Increased focus on education and training programmes adapted to the needs of the labour market, making a strong link between education and economy; ▪ Increasing the number of employees in the private sector; ▪ Increased mobility and adjustment of labour force to new economic demands. 	<ul style="list-style-type: none"> ▪ National and regional human resources and labour policies not responding to changing economic and labour market situation; ▪ Slow transition of secondary education systems will increase the gap between labour market supply and demand; ▪ No changes in the vicious circle of poverty, lack of education and poor unemployment opportunities marginalises border areas and hinders economic development; ▪ Isolation of the general education system and closing of schools.
CULTURE AND TOURISM	<ul style="list-style-type: none"> ▪ Rich cultural heritage (history, architecture, tradition and folklore); ▪ Partially developed tourism infrastructure; ▪ Cultural similarity and coherence. 	<ul style="list-style-type: none"> ▪ Absence of coherent policies and programmes for development; ▪ Low integration of cultural heritage with the development of the tourism offer; ▪ Limited cross-border experience; ▪ Inefficient utilisation of culture and leisure facilities; ▪ Lack of coordination and information centres apart from big urban centres; ▪ Seasonally conditioned development of tourism. 	<ul style="list-style-type: none"> ▪ Respond to the increasing demand for wellness and eco-tourism; ▪ Development of specialised tourist programmes focused on new “active” type of holidays; ▪ Joint tourist offers with joint products and marketing; ▪ Exploring the tourist potential of cultural facilities; 	<ul style="list-style-type: none"> ▪ Global tourist market potential; ▪ Global climate change might influence tourism; ▪ Lack of sufficient resources for continuous maintenance of the natural, cultural and historical heritage; ▪ Increased social exclusion in the region.
INSTITUTIONAL SYSTEM	<ul style="list-style-type: none"> ▪ Good bilateral relationships and existence of cooperation agreements; ▪ Experience in implementation of common programmes; ▪ On-going decentralisation process; ▪ Legislation on local-self government favourable for cross-border cooperation; 	<ul style="list-style-type: none"> ▪ Different levels of administration reform process; ▪ Limited administrative and absorption capacity at local level; ▪ Limited partnership in programming and implementation of regional development policy; ▪ Insufficient amount of public funds and financial autonomy on local level; ▪ Obsolete facilities and equipment in the sector of public services and lack of sufficient financial resources. 	<ul style="list-style-type: none"> ▪ Harmonisation of administration on both sides by implementation of the acquis; ▪ Development of mechanisms for provision of cross-border institutional assistance and know-how; ▪ Possible partnership of civil society and public administration in decision making processes and services. 	<ul style="list-style-type: none"> ▪ Lack of sustainability in political commitment on the central and local level; ▪ Different speed in the EU accession process and in acquiring the acquis might lead to compatibility issues; ▪ High turnover of administration staff due to political changes.



SECTION II. PROGRAMME STRATEGY

1. Experience with cross border activities

This IPA cross-border programme is the latest initiative to extend the EU policy to promote cooperation between countries in border regions of Central and South Eastern Europe and adjacent regions of the Community and other applicant countries of Central and South Eastern Europe.

From 2007, as a single integrated Instrument for Pre-Accession, IPA replaces the former instruments: Phare, ISPA, SAPARD, the Turkey Pre-Accession Instruments and CARDS. As Component II of IPA, Cross-border Co-operation is intended to prepare Candidate and Potential Candidate Countries for the future management of EU Structural Funds. Accordingly, this component will be implemented by means of the Multi-Annual Cross-Border Programme.

Having been a part of the State Union of Serbia and Montenegro, the Republic of Montenegro had limited experience with cross-border cooperation, i.e. four programmes with Bulgaria, Romania, Hungary and Italy, as well as with transnational programming – CADSES. Bosnia has limited experience having participated in the programme with Italy and CADSES.

This programming document is coherent with the above mentioned EU programmes and national strategies, as mentioned in the section four.

1.1 Lessons Learned

Experience with border region cooperation so far indicates that a solid preparatory phase is of utmost importance prior to the launching of specific activities. In order for the cross-border cooperation to be effective, it is crucial that there is a good understanding of the rules and procedures, adequate capacity and functioning management bodies. The results of the thematic evaluation of the Phare Cross-Border Cooperation Programmes 1999-2003 will be duly taken into account. Experience has shown that the preconditions for effective implementation include, besides close co-ordination between participating countries at political and operational levels:

- cross-border cooperation between line ministries and effective working relationships between related organisations;
- functioning regional development authorities and local authorities, with appropriate staff in a stable environment;
- close working relationships between regional institutions and the respective Commission Delegations;
- functioning cross-border cooperation between respective organisations of the private sector, such as chambers of commerce, company associations and NGOs.
-

In the period by 2004, BiH stakeholders participated in 17 projects within the INTERREG III A programme with “in kind” contribution mainly. Most of them were only formally included in the CBC projects with Italian lead partners, but experience gained in that period and connections established with partners from Italy represented a good basis for the subsequent cooperation.

The first real experience with CBC and transnational Co-operation projects was gained through the last Call for Proposals of the two New Neighbourhood Programmes, in which BiH participated in the period 2004-2006: INTERREG III A Adriatic NNP and INTERREG III B CADSES transnational programme.

The last Call for Proposals of the CADSES Programme resulted in two projects including BiH partners with financial request from the Regional CARDS funds 2004-2006, while out of 93



projects approved within the Adriatic NNP, 28 projects included BiH partners with such request. Number of projects submitted proved that there was significant interest of BiH partners in this kind of Programmes. However, understanding of requirements related to NNP modalities, quality and size of projects implying level of activities to be implemented in BiH remained low.

In terms of cross-border cooperation on internal borders, given the initial stage of this programmes, it is too early to identify lessons learned, but it is worth noticing that interest, even certain initiatives to start cooperation across the border, do exist at local level. On the other side, the relatively higher grant allocation, available under IPA CBC Programmes, will represent a real challenge for many stakeholders whose financial capacity remain small.

Montenegro until 2006 was a part of Union of States with Serbia and therefore all experience regarding cross border and transnational cooperation was mainly related to programmes where these two countries participated as one country. First experience of Montenegro was participation within INTERREG III A Adriatic Programme and INTERREG III B CADSES transnational programme. The last Call for Proposals of the Adriatic NNP resulted in 93 approved projects where 12 projects included Montenegrin partners, while within CADSES Programme Montenegrin partners participated in two projects financed from the Regional CARDS funds 2004-2006.

Through those initial cross border and transnational projects Montenegrin partners gained opportunity to start increasing awareness of cross border and transnational programmes and start achieving the knowledge and skills from their partners. However, there is still low capacity in project preparation of final beneficiaries (particularly in the northern part where almost no activities have been carried out). Having this in mind it is important to stress that specific trainings of potential applicants will be essential for this programme. Furthermore, it is important to mention that several municipalities and civil society organizations, located in south and central part, have been partners in implementation of projects within the programme. Although awareness was reached it is necessary to continue with creation of adequate structures, intensive communication and provision of information in order to provide establishment of operational and sustainable partnerships. Therefore, very important issue is providing trainings for writing and implementation of projects relating to programme.

2. Co-operation Strategy

The situation analysis of the eligible area was conducted by collecting data from the relevant institutions in both countries and consulting the main national, regional and local stakeholders.

It was based on:

- Primary data provided by the Bosnia and Herzegovina Statistical Office and the National Statistical Office of Montenegro, Ministries of Tourism and State Agencies of Employment, State Border Department, and Municipal authorities;
- Data and analysis included in existing national and regional planning documents;
- Interviews with local stakeholders conducted in both countries during February-March 2007. Based on an ad hoc questionnaire, about 72 interviews were conducted in both countries (municipal authorities, entrepreneurs, NGOs, chambers of commerce, local higher education facilities);
- suggestions and comments provided by the members of the Drafting Teams at a workshop held in Podgorica in March 2007 and by the Operating Structures of both countries during meetings held in Sarajevo on April 13th 2007.

Initially, separate unilateral SWOT analyses have been conducted in both countries in parallel. These two analyses have subsequently been merged into a joint SWOT and agreed by the Operating Structures, summarizing the main *strengths*, *weaknesses*, *opportunities* and *threats*.



The following table summarizes the eligible area as reported in the SWOT analysis:

ELEMENTS OF THE SWOT ANALYSIS	
STRENGTH/OPPORTUNITIES	WEAKNESSES/THREATS
<ul style="list-style-type: none"> ▪ Language and cultural similarities; ▪ Diverse and well preserved nature; ▪ Economic complementarities of the border areas; ▪ Favourable conditions in agriculture; ▪ Growing number of SMEs in trade, industry and services sectors; ▪ Considerable potential for new forms of business especially related to tourism and rural development; ▪ Good national educational systems. 	<ul style="list-style-type: none"> ▪ Peripheral location for transports and logistics; ▪ Inadequate infrastructure, particularly road network and sewage/waste water treatment; ▪ Unexplored potential of natural resources; ▪ Depopulation and migration trends; ▪ Insufficient development of business infrastructure; ▪ Lack of capital, limited competitiveness of the industry and SME sector; ▪ Persistent unemployment; ▪ Absence of co-ordination, information and support services; ▪ Limited local administrative and absorption capacity.

According to the joint analysis, *Strategy, Priorities and Measures* of this IPA cross-border programme between Bosnia and Herzegovina and the Republic of Montenegro were conceived on the basis of a joint vision of development perspectives, focusing on the problems to be resolved and on the opportunities to be explored.

2.1 Summary of conclusions from description of the area

The analysis describes the situation in the eligible area, although some of the description is applicable to both countries as a whole. Most of the eligible area is unpopulated owing to its geographic position, and suffers poor living standards owing to a dependence on low-wage agricultural and unskilled manual activities. Its industrial base is very fragmented, and apart from a major steel foundry and some textile factories, is mainly confined to food processing, wine making and other agriculture-based industries. High unemployment has led to the migration of much of the remaining skilled workforce to cities and abroad, leaving behind an aging and largely unskilled labour pool that is difficult to employ without retraining.

The area also has structural problems related to its transport infrastructure. The absence of the modern road and rail systems linking the border area to key corridors contribute to the marginalisation of the area as an economic resource. The area's existing resources are insufficiently used owing to both its isolation and slow response to the challenges of modernisation and restructuring.

On the other hand, the eligible area is characterised by a homogenous cultural background and the absence of significant language barriers. This provides opportunities for continuous cooperation which brings about an increase in economic activity, achieving better living standards and employment.

In addition, natural resources of the eligible area, currently insufficiently exploited, can serve as a basis for economic development. The southern part's proximity to the sea is particularly attractive to visitors, and the more isolated northern part offers opportunities for more specialized forms of tourism.

The main priority is to accelerate the economic development of the eligible areas by creating employment opportunities in the relatively short term period (3-5 years). However, to achieve



this, it is important to use the potential of cross-border cooperation to develop institutional links and networks that can mobilise the available regional and national resources.

2.2 Overall Strategic Objective of the Cross Border Programme

Therefore, the overall objective of this IPA cross-border programme is:

Overall Objective: To foster the joint sustainable development of the cross-border area, its economic, cultural, natural and human, resources and potentials by strengthening the capacities of human resources and joint institutional networks among local communities and local private and public actors.

2.3 Specific Objectives

The strategic framework to support this overall objective consists of three **specific objectives**:

Specific Objective 1: To support the establishment of joint actions and strategies aiming at protecting and valorising the environmental resources of the area.

Specific Objective 2: To promote sustainable development of the border area so as to stimulate the economy and reduce the relative isolation.

Specific Objective 3: To re-establish cross border cooperation through strengthening previous cross border economic and cultural contacts.

The three specific objectives of the programme are directly connected to three relevant areas of intervention that have been jointly selected as targets for this IPA cross-border programme.

The first is the *environment*. The selective exploitation of natural resources and the promotion of sustainable activities will support the use of the environment as a valuable and effective tool for development.

The second area of intervention is *economy*. Interventions in this field are aimed at creating a more favourable business environment, especially for tourism and agriculture through improving joint services, transfer of know-how, and stimulating the start up of new business ventures.

The third area is *social cohesion*. The programme is aimed at connecting people, administrative bodies, and other local actors for the purpose of accelerating local economic and cultural development and removing formal and informal barriers to cross-border cooperation, by joint identification and elaboration of common strategies to promote the area.



The Programme will also take into account the following basic principles:

- *Equal opportunities* - widening the range of development opportunities in favour of categories of people that have limited access to them: women, young people, under privileged, minority groups;
- *Environmental and economic sustainability* - promoting interventions based on the principles of environmental protection, preservation and sustainability, fostering the interrelation between ecology and economy;
- *Self-sustainability* - promoting operations with sustainable benefits. Special attention will be paid to setting up a strong network among local partners and stakeholders in order to increase the long term benefits.

3. Priority and Measures

The priorities and measures defined in this cross-border programme are structured in such a manner so as to respect and provide for the implementation of the specific objectives. In particular, one priority has been identified for the cross-border cooperation interventions. Priority II is focused on technical assistance, ensuring the effective management and implementation of the programme.

The activities foreseen under this programme have been designed on the basis of the SWOT (Strengths, Weaknesses, Opportunities and Threats) and taking into account the limited financial allocations. The co-financing guarantees that the EU principle of additionality will be respected.

3.1 Priority I

To support the creation of a common socio-economic environment for people, communities and economies of the eligible area

Taking into consideration the scale of the interventions and the three specific objectives, the *Priority I* will be implemented through three different measures. Each of them is specifically targeted on the particular area of intervention identified above.

3.1.1 Measure I.1

Cross-border economic development initiatives with an emphasis on tourism and rural development.

Rationale:

An increase in the economic development of the eligible area requires, as demonstrated in the SWOT, the setting up of coordinated activities fostering human resources collaboration in all sectors and the creation of basic mechanisms and facilities promoting investments and fostering economic development.

Most of the interventions enhancing economic cooperation will be related to the tourism, agricultural, and environmental sector and will be aimed at exploiting local cross-border opportunities. In addition, the overall interventions will have effect also on the increase of the employment potentials in the private sector and the mobility of labour force. This has to be sustained by an increased capacity of both private and public entities that will be involved in the analysis of the local situation during the elaboration of new strategies and also in the decision making process.



Finally, the economic development has to be sustained by small scale investments improving the existing infrastructure that would have a concrete impact on services, tourism, business, trade and transport in the eligible area.

The following is a tentative list of the interventions that could be eligible under this measure:

- Creating business networks and know-how transfer mechanisms mainly in the tourism and agricultural sector;
- Development of new tourist products/services with clear cross-border identity;
- Development of business information strategies, services and supporting activities (such as data bases, internet sites) addressed to the entrepreneurs active in the eligible area;
- Development of consultancy services in business start up, business planning, technology transfer, patents, certifications, legal affairs, finances and marketing strategies (e.g. new products, labelling and quality);
- Development of appropriate and sustainable forms of tourism and environment-friendly agriculture;
- Identification and development of alternative economic activities (ecological production, traditional crafts);
- Establishment and maintenance of mutual traineeship programmes through training sessions, conferences and seminars and development of joint curricula and training standards;
- Improvement of regional labour skills and vocational qualification services relevant to the economic development of the border region;
- Development of small scale infrastructure for modernising and outfitting marketplaces, premises and facilities for setting up small businesses;
- Networking of SMEs and establishment of cross-border clusters;
- Development of small scale infrastructure improving the accessibility to the area;
- Improvement of public utilities supporting the tourism sector;
- Transfer of know-how and integration of institutional/capacity building mainly on social and economic issues;
- Development of joint strategies, cross-border transport plans, studies and concepts serving as the basis for large investments.

Potential beneficiaries of this measure could be:

- local governments and their institutions;
- associations of municipalities;
- development agencies;
- local business support organisations;
- cultural associations;
- non-governmental organisations;
- public and private bodies supporting the work force;
- SMEs;
- vocational and technical training institutions.

The measure will be implemented through grant schemes.

3.1.2 Measure 1.2

Environmental development initiatives mainly for protection, promotion and management of natural resources.



Rationale:

As underlined in the analysis, the eligible area is well-known for its rich, diverse and well-preserved nature that is not yet sufficiently exploited. The aim of this measure is to sustain joint interventions for the protection of natural resources and the improvement of the environment with a view to ensure sustainable development of the entire eligible area. These activities will be closely linked with the development of tourism as an alternative economic activity.

A non-exhaustive list of tentative eligible actions is the following:

- Joint research projects, studies, concepts and awareness raising/training activities related to the protection, promotion and management of natural resources;
- Education and transfer of know-how in environment protection;
- Conservation and enhancement of natural and cultural heritage;
- Improvement of the joint management and supporting facilities in water and waste management;
- Development of pollution prevention plans for the border area and effective monitoring systems for air, water and soil quality;
- Develop and increase capacities for the prevention of potential natural disasters (including fires and floods);
- Design and implementation of the policy for the utilization of renewable energy sources.

Potential beneficiaries of this measure could be:

- national authorities/institutions with operations in the eligible area;
- local governments and their institutions;
- development agencies;
- tourism and cultural organisations/associations;
- organisations (including NGOs) for nature protection;
- public bodies responsible for water management;
- fire/emergency services;
- SMEs.

The measure will be implemented through grant schemes. During the implementation, special care will be taken to ensure complementarity and exclude overlaps with other EU co-financed programmes.

3.1.3 Measure I.3

Social cohesion and cultural exchange through institutional and people-to-people interventions.

Rationale:

The goal of this measure is to get communities closer through long term partnerships and networking between civil society organizations, professional associations, local authorities and institutions like schools, faculties and research centres.

The measure will contribute to the creation of contacts at different levels and sectors of activities encouraging the cross-border cooperation in the fields of economy, culture, education and sports.

The following list is just a summary tentatively indicating the main eligible activities:



- actions supporting the social and cultural flow of information and communication between the communities in the eligible area;
- cultural exchanges among young people, artist, sports activities, folk events and similar actions;
- education and training initiatives, including a wide range of actions, such as promoting the mobility of citizens, academic networks innovative education projects, promoting life-long learning for all citizens as well;
- promotional events in social and economic fields like fairs and exhibitions;
- other actions promoting social inclusion, including exchange of information, joint studies, and researches.

Potential beneficiaries of this measure could be:

- local governments and their institutions;
- development agencies;
- local business support organisations;
- cultural associations,
- non-governmental organisations;
- public and private entities supporting the work force;
- schools;
- colleges;
- universities, including vocational and technical training institutions.

The measure will be implemented through grant schemes.

For all measures under Priority I, the detailed selection and award criteria for the award of grants will be laid down in the Call for proposals–Application Pack (Guidelines for applicants). It is foreseen that the calls for proposals, will be launched in the fourth quarter of 2008.

3.2 Priority II

Technical assistance to increase administrative capacity in the management and implementation of the CBC programme.

The three measures will be supported by a Technical Assistance component that will account for up to 10% of the financial allocation. The aim of the TA priority is to ensure efficient, effective and transparent management of the cross-border programme.

Measure II.1 Programme administration, monitoring and evaluation

Technical assistance will be used to support the work of the national Operating Structures (OSs) and of the Joint Monitoring Committee (JMC), ensuring the efficient management and implementation of the programme, participation in meetings related to the programme; as well as other optimal uses of resources. This will be achieved through the establishment and operation of a Joint Technical Secretariat (JTS) in Bosnia and Herzegovina and a JTS antenna in Montenegro (including staff remuneration costs, excluding of public officials). The JTS will be in charge of the day-to-day management of the programme and will be responsible to the OSs and the JMC. The JTS should, inter alia, draft the calls for proposals' Guidelines for applicants under the supervision of the Joint Monitoring Committee (JMC).

An indicative list of eligible activities under this measure can include:



- Support to Operating Structures, Joint Monitoring Committee, Joint Technical Secretariats and any other structure (e.g. Steering Committee) involved in the management and implementation of the programme
- Establishment and functioning of Joint Technical Secretariat and its antenna, including staff remuneration costs (with the exclusion of salaries of public officials)
- Expenses for participation in different meetings related to the implementation of the programme
- Administrative and operational costs related to the implementation of the programme, including the costs of preparation and monitoring of the programme, appraisal and selection of operations, organisation of meetings of monitoring committee, etc.
- Assistance to potential beneficiaries in the preparation of project applications and to beneficiaries in project implementation and reporting

Measure II.2 Programme Information and Publicity

The specific objective of this measure is to ensure programme awareness amongst national, regional and local communities and in general among the population in the programming area. It also supports awareness-raising activities at the country level in order to inform citizens in both countries about the programme. It might also cover, *inter alia*, the preparation, translation and dissemination of programme related information and publicity material, including a website; organisation of events; monitoring and evaluation of the programme.

An indicative list of eligible activities under this measure can include:

- Preparation, translation and dissemination of programme related information and publicity material, including programme website
- Organisation of public events (conferences, seminars, workshops, etc.)
- Awareness raising and training for potential beneficiaries, including partner search forums

Indicative timetable and amounts for the implementation of the measures:

Measures of Priority II will be implemented through an individual direct grant agreement without call for proposals to be signed by each of the EC Delegations and the national authorities (CBC coordinators or Operating structures) in accordance with article 168.1.(c) of the Implementing Rules of the Financial Regulation. It is foreseen that the IPA grants will be awarded in the second quarter of 2008.

For the purpose of an efficient use of TA funds, a close coordination between national authorities (Operating Structures, CBC coordinators) of the participating countries is required. The same time-table will be envisaged for both countries in order to ensure compatibility of advice provided and sound coordination vis-à-vis project implementation.

3.3 Output and Results Indicators

The criteria used for selecting the indicators are the following:

- Relevance to the identified priorities and objectives;
- Clarity of definition;
- Easy collection and incorporation in the monitoring system;
- Quantification according to the set targets and, where appropriate, established baselines.

3.3.1 Indicators for priority level



PRIORITY I: To support the creation of a common socioeconomic environment for people, communities and economies of the border area.

Typology	Indicator	Target	
Promote sustainable development of the border area to stimulate the economy and reduce the relative isolation	Improvement of marketing potentials	<i>Results</i>	<i>Qualitative</i>
	Increased tourist potential	<i>Results</i>	<i>Qualitative</i>
	Increased participatory planning approach through defined joint development strategies and tools for economic development	<i>Results</i>	<i>Qualitative</i>
	Improved of SME opportunities and links	<i>Results</i>	<i>Qualitative</i>
	Reinforced cross-border labour market	<i>Results</i>	<i>Qualitative</i>
	Improved public utilities	<i>Results</i>	<i>Qualitative</i>
Support the establishment of joint actions and strategies aiming at protecting and valorising the environmental resources of the area	Awareness raising in the field of environmental protection		4
	Increased participatory planning approach through defined joint natural protection and valorisation strategies	<i>Results</i>	2 Projects
	Improved facilities for water and waste management	<i>Results</i>	<i>Qualitative</i>
	Improved accessibility to natural and cultural resources	<i>Results</i>	<i>Qualitative</i>
	Improvement management of natural resources	<i>Results</i>	<i>Qualitative</i>
Re-established cross border collaborations strengthening previously cross border economic and cultural contacts	Increase of mutual understanding	<i>Results</i>	<i>Qualitative</i>
	Increasing the rate of population participating in the activities	<i>Results</i>	4%
	Improved cross-border relations among institution and private actors	<i>Results</i>	<i>Qualitative</i>
	Increased participatory planning approach	<i>Results</i>	<i>Qualitative</i>



PRIORITY II: Technical assistance to increase administrative capacity in the management and implementation of the CBC programme.

Typology	Indicator	Target	
Information campaign	Number informative tools activated	Outputs	3
	Number of information events realised	Outputs	10
	% of the population covered by the information campaign	Outputs	55%
	Number of materials published / disseminated (brochures, CDs, posters, PR materials)	Outputs	N/A
Cross-border management	Number of joint structures established	Outputs	3
	Number of people trained	Outputs	10
	Number of local municipalities involved	Outputs	90%
	Web site	Outputs	1
	Number of projects managed	Outputs	53
	Success rate of the projects approved	Outputs	75%



3.3.2 Output indicators at measure level

Measure I.1: Cross border economic development initiatives with an emphasis on tourism and rural development related areas.

Typology	Indicator	Target	
Setting up of cross border of business and institutional networks and know how transfer mechanisms	Number of networks set	Outputs	4
	Number of institutions and bodies involved	Outputs	20
	Number of events organised	Outputs	12
	SMEs reached by the initiatives	Outputs	20%
Joint research, studies, plans and policies for the CB economic development including studies and concepts serving as the basis for large investments	Number of interventions	Outputs	3
	Number of private and public actors involved	Outputs	24
	Number of SMEs targeted by the interventions	Outputs	120
Development of new economic cooperation activities	Number of interventions	Outputs	10
	Number of SMEs benefiting from the interventions	Outputs	170
	Number of new business initiatives realised	Outputs	25
	Number of business associations involved		9
	% of additional investments attracted	Outputs	3%
	Percentage of SMEs concerned	Outputs	5%
Improvement of facilities for joint actions	Number of interventions supporting business activities and the accessibility of the area	Outputs	3
	Number of SMEs benefiting from the interventions	Outputs	220
	Number of municipalities involved	Outputs	15
	% of additional investments attracted	Outputs	3%
Training and vocational training interventions	Number of trainings	Outputs	4
	Number of employed and unemployed people trained	Outputs	90
	Number of partners and business providers involved	Outputs	10



Measure I.2: Environmental development initiatives mainly for protection, promotion and management of natural resources.

Typology	Indicator	Target	
Joint research, studies, plans and policies for the protection, promotion and management of natural resources	Number of interventions in the field of nature protection	Outputs	4
	Number of municipalities involved	Outputs	40
	Number of other actors involved	Outputs	15
	Percentage of the area covered	Outputs	40%
Know how transfer and training activity	Number of interventions	Outputs	4
	Number of institutions involved	Outputs	12
	Number of people trained	Outputs	80
Improvement of joint facilities for water and waste management and enhancing the accessibility of natural and cultural resources	Number of interventions	Outputs	4
	Percentage of the area covered	Outputs	30%
	Population concerned	Outputs	40%
Development of joint environmental management systems	Number of interventions	Outputs	2
	Number of municipalities involved	Outputs	8
	Number of partners involved	Outputs	5

Measure I.3: Social and territorial cohesion and cultural exchange through institutional and people-to-people interventions.

Typology	Indicator	Target	
Social, cultural and economic initiatives	Number of projects activated	Outputs	12
	Number of events organised	Outputs	6
	Number of people involved	Outputs	5000
	Number of beneficiaries involved	Outputs	30
	Number of partnerships developed	Outputs	5
	Number of new business initiatives launched	Outputs	2
	Number of new project ideas generated	Outputs	7
Education and training initiatives	Number of courses and other initiatives organised	Outputs	7
	Number of people trained	Outputs	400
	Number of institutions involved	Outputs	14



4. Coherence with other programmes

4.1 BiH Programmes

This Programme is in line with the main goals and areas of intervention of the following Bosnia and Herzegovina national strategic documents:

- **Integration Strategy of BiH** is the main document that the entire EU accession process will be based on. It indicates basic aims and avenues of action, and encompasses a set of general guidelines for work of state and entity institutions and other stakeholders involved in the integration process.
- **IPA Multi-annual Indicative Planning Document (MIPD)** is the key strategic document for EC assistance to BiH under IPA, with the main strategic objective to support the country in the transition from potential candidate to a candidate country and through to membership of the EU. The main priority and the objective of the cross-border programme are in correspondence to the priorities and objectives defined under the CBC component of the MIPD 2007-2009.
- **Strategy for Implementation of the Decentralised Implementation System in BiH** – The objective of the present paper is to assist DEI's Aid Coordination Division and the Ministry of Finance and Treasury to develop Roadmap for implementation of the Decentralised Implementation System (DIS) in BiH.
- **Medium-term Development Strategy (MTDS)** (previously called Poverty Reduction Strategy Paper - PRSP) for Bosnia and Herzegovina is the medium term document that covers period 2004 – 2007. The strategy is based on accomplishing three ultimate strategic goals: to create conditions for sustainable development, to reduce poverty and speed up the process of EU integrations in Bosnia. This strategy paper also contains a number of sectoral priorities and its corresponding measures. MTDS will be substituted by the NDP (National Development plan), expected to be in place by the beginning of 2008.
- **National Environmental Action Plan (NEAP)**, which was prepared with support of the World Bank in both entities in parallel, represents a strategic document for planning sustainable development. It includes list of priority projects in the field environment. In addition, many Local Environmental Action Plans are already in place.



4.2 Montenegrin Programmes

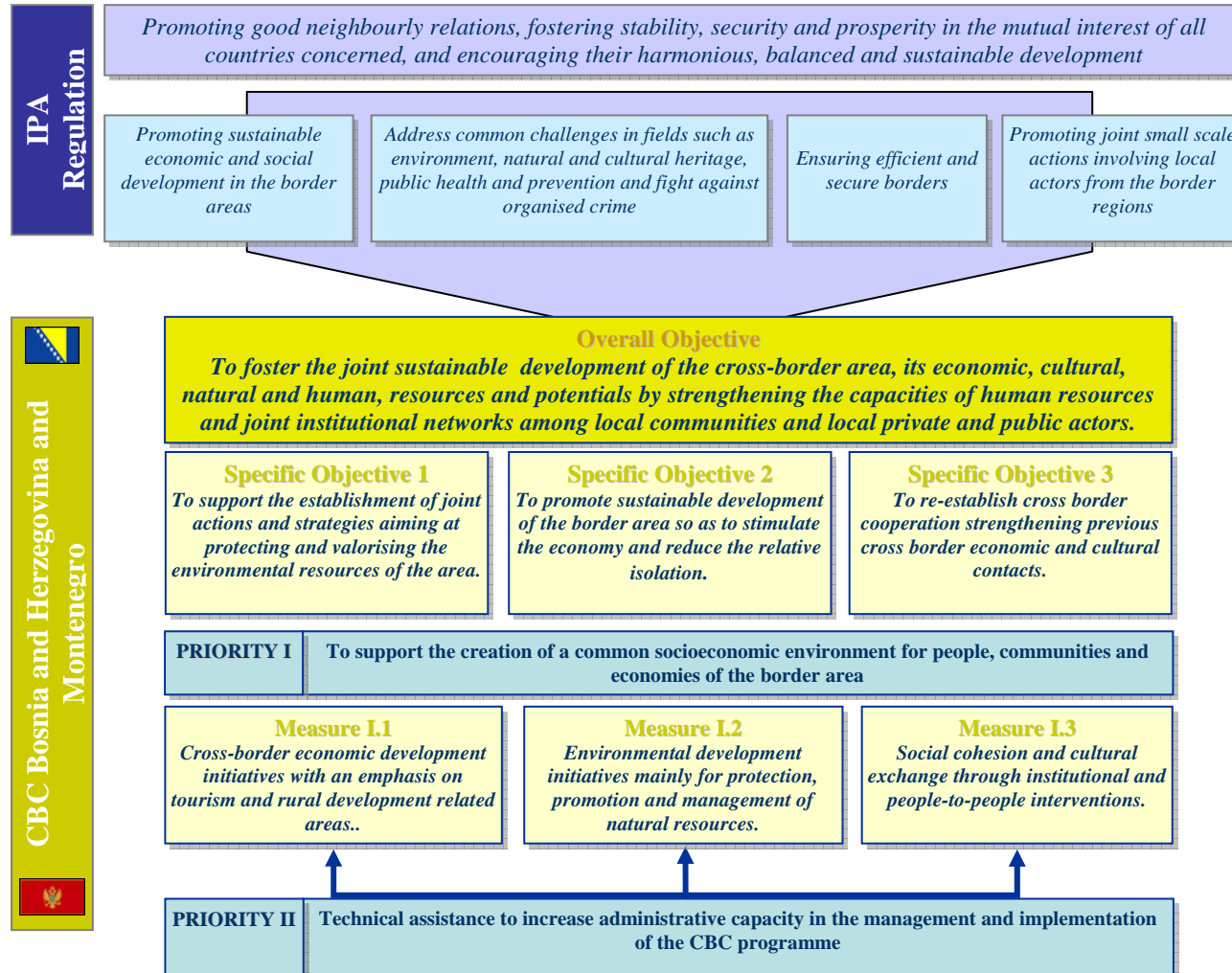
As the newest independent state among the Western Balkan countries, Montenegro is currently preparing national programmes, strategies and master plans for economic development, environmental protection, spatial planning and development of tourism. This cross-border programme is coherent with the following documents:

- National Strategy of Sustainable Development of Montenegro, designed to meet the challenges of environmental protection and management of natural resources, economic and social development;
- The Economic Reform Agenda, setting out a series of interconnected actions that will transform the Montenegrin economy;
- Master Plans for wastewater and solid waste management, providing direction for the efficient control and reduction of the existing water pollution;
- The Master Plan for the development of tourism, the main strategic document for tourism as a main development vehicle of the national economy;
- The Spatial Plan of the Republic of Montenegro, currently in draft version, that defines the use of space for the purpose of planned development up to 2020.

In addition, it will be duly consistent with the up-coming roadmap towards Implementation of the Decentralised Implementation System and its implementation.



PROPOSED PRIORITY AND MEASURES





SECTION III. FINANCIAL PROVISIONS

1. Financing plan for cross-border programme 2007 – 2009

PRIORITIES		Bosnia and Herzegovina				Montenegro			
		Community funding	National funding	Total funding	Rate of Community contribution	Community funding	National funding	Total funding	Rate of Community contribution
		(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)	(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)
2007	1 -Economic & Social Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85%
	2 -Technical Assistance	50,000	8,824	58,824	85%	60,000	10,588	70,588	85%
	TOTAL	500,000	88,235	588,235	85.00%	600,000	105,882	705,882	85.00%
2008	1 -Economic & Social Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85%
	2 -Technical Assistance	50,000	8,824	58,824	85%	60,000	10,588	70,588	85%
	TOTAL	500,000	88,235	588,235	85.00%	600,000	105,882	705,882	85.00%
2009	1 -Economic & Social Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85%
	2 -Technical Assistance	50,000	8,824	58,824	85%	60,000	10,588	70,588	85%
	TOTAL	500,000	88,235	588,235	85.00%	600,000	105,882	705,882	85.00%
Grand total		1,500,000	264,705	1,764,705		1,800,000	317,646	2,117,646	

The Community contribution has been calculated in relation to the eligible expenditure, which is based on the total expenditure, as agreed by the participating countries and laid down in the cross-border programme. The Community contribution at the level of priority axis shall not exceed the ceiling of 85% of the eligible expenditure. The co-financing under priority axis I will be provided by the final grant beneficiaries and it can be from public and private funds. Final grant beneficiaries should contribute with a minimum of 15% of the **total** eligible cost of the project, both for investment and institution building projects. The co-financing under priority axis II will be provided by the national authorities.



SECTION IV. IMPLEMENTING PROVISIONS

The implementing provisions for the Bosnia and Herzegovina – Montenegro IPA Cross-border programme are in accordance with the Commission Regulation (EC) No 718/2007 (hereinafter referred to as the 'IPA Implementing Regulation'), implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance.

In line with Article 10(2) IPA Implementing Regulation, both countries will be managing the programme according to the centralised management model, where the respective Delegations of the European Commission will be the Contracting Authorities.

1. Programme Structures

1.1 Organisational structures at national level

In accordance with Art. 32(2) IPA Implementing Regulation, in each country the National IPA Co-ordinators (NIPAC) has designated an IPA-Component II Co-ordinator:

In Bosnia and Herzegovina: **Directorate for European Integration.**

In Montenegro: **Secretariat for European Integration.**

The IPA-Component II Co-ordinator is also the main liaison between the each beneficiary country and the European Commission for all issues related to participation of the respective country in all programmes under the IPA Cross-border Co-operation Component.

1.2 Operating Structures at Programme level

The implementation of the cross-border programme will operate through an Operating Structure (OS) (Art 139 IPA Implementing Regulation) that will be appointed in each country. These are:

Bosnia and Herzegovina	Republic of Montenegro
Directorate for European Integration Council of Ministers Trg BiH 1 71000 Sarajevo	Secretariat for European Integration Stanka Dragojevic 2 81000 Podgorica

The OS of each country will co-operate closely in the programming and implementation of the relevant cross-border programmes establishing common co-ordination mechanisms. The OS are responsible for the implementation of the programme in their respective countries.

The Operating Structures are, inter-alia, responsible for:

- Preparing the cross-border programme in accordance with Article 91 IPA Implementing Regulation;
- Preparing the programme amendments to be discussed in the Joint Monitoring Committee (JMC);
- Nominate their representatives to the JMC;
- Setting up of the Joint Technical Secretariat (Art. 139.4 IPA Implementing Regulation) and guiding its work;



- Preparing and implementing the strategic decisions of the JMC, where necessary with the support of the Joint Technical Secretariat;
- Reporting to the respective NIPAC/IPA–Component II co-ordinators on all aspects concerning the implementation of the programme;
- Establish a system, assisted by the JTS, for gathering reliable information on the programme’s implementation and provide data to the JMC, the IPA–Component II coordinator and the Commission;
- Ensuring the quality of the implementation of the cross-border programme together with the Joint Monitoring Committee;
- Ensuring that grant beneficiaries make adequate provisions for project progress and financial reporting (monitoring) and sound financial management (control);
- Sending to the Commission and the respective national IPA co-ordinators the annual report and the final report on the implementation of the cross-border programme after examination by the JMC;
- Organising information and publicity-actions with a view to awareness raising of the opportunities provided by the Cross–border Programme, or mandating the JTS to support these or to carry them out;
- Carry out monitoring – where necessary with the support of the Joint Technical Secretariat – by reference to the indicators referred to in Article 94(1)(d) IPA Implementing Regulation;

1.3 Contracting Authorities

In both countries the European Commission will be the Contracting Authority (CA)

Bosnia and Herzegovina	Republic of Montenegro
Delegation of the European Commission to Bosnia and Herzegovina Dubrovacka 6 71000 Sarajevo Tel: +387 33 254 731 Fax: +387 33 666 037	Delegation of the European Commission to Montenegro Podgorica

Delegation of the European Commission to Montenegro which is expected to be established till end of 2007.

In both countries, in line with Article 140(1) of the IPA Implementing Regulation, the European Commission retains overall responsibility for *ex ante* evaluation on calls for proposal and for awarding grants, tendering, contracting and payment functions.

The Contracting Authorities’ responsibilities are, *inter alia*, the following:

- Approving calls for proposals documentation;
- Approving composition of joint Steering committees;
- Approving the evaluation reports and list of projects;
- Sitting in the joint monitoring committee in an advisory capacity;
- Signing contracts with grant beneficiaries, including budget revisions (with support provided as appropriate by OSs and JTS);



1.4 Joint Monitoring Committee

Within three months after the entry into force of the first financing agreement relating to the programme, the beneficiary countries will establish the Joint Monitoring Committee under Article 142 of the IPA Implementing Regulation.

The JMC is the cross-border programme's decision making authority, and is made up of representatives at national, regional and local level of the beneficiary countries, including representatives of the OSs, and of socio-economic stakeholders in the eligible area. The European Commission shall participate in the work of the JMC in an advisory capacity.

The JMC shall meet at least twice a year, at the initiative of the participating countries or of the Commission and is chaired by a representative of one of the participating countries on a rotating basis.

At its first meeting, the joint monitoring committee shall draw up its rules of procedure, and adopt them in order to exercise its missions pursuant to the IPA Implementing Regulation.

The responsibilities of the Joint Monitoring Committee are, *inter alia*, as follows:

- Oversees the programming and effective implementation of the Programme;
- Considers and approve the criteria for selecting the operations financed by the cross-border programme and approve any revision of those criteria in accordance with programming needs;
- It shall periodically review progress made towards achieving the specific (and quantified) objectives of the programme on the basis of documents submitted by the OSs;
- It shall examine the results of implementation, particularly achievement of the targets set for each priority axis and the evaluations referred to in Article 57(4) and Article 141 IPA Implementing Regulation;
- It shall examine the annual and final implementation reports prior to their transmission, by the OS, to the respective NIPAC and to the Commission (*Art 144 IPA Implementing Regulation*);
- It shall be responsible for selecting operations. To this aim, as appropriate (and on a case-by-case basis), it may delegate this function to a Steering Committee (to perform the role of an evaluation committee) whose member should be designated by the OSs. The composition of the Steering Committee shall be endorsed by EC Delegation;
- It may propose any revision or examination of the cross-border programme likely to make possible the attainment of the objectives referred to in Article 86(2) IPA Implementing Regulation or to improve its management, including its financial management;
- It shall consider and approve any proposal to amend the content of the cross-border programme;
- It shall approve the framework for the JTS tasks;



1.5 Joint Technical Secretariat

According to Article 139(4) of the IPA Implementing Regulation, the OS shall set up a Joint Technical Secretariat (JTS) to assist the JMC and the OSs in carrying out their responsibilities. Job descriptions of the JTS members, as well as detailed Rules of Procedures for JTS will be developed conjunctly by the OS.

JTS is jointly managed by both OSs.

The costs of the JTS and its antenna are co-financed under the programme's Technical Assistance budget provided they relate to tasks eligible for co-financing according to EU rules.

The JTS is the administrative body of the programme responsible for its day-to-day management and for administrative arrangements.

The JTS is located in **Sarajevo, Bosnia and Herzegovina** and will have an Antenna in **Niksic, Montenegro**. The JTS will consist of employees from both sides of the border thus providing different, versatile, language skills, and specific/targeted background knowledge. The staff should be contracted by the respective OS.

Responsibilities of the JTS and its antenna:

The JTS is the administrative body of the programme responsible for its day-to-day management. It will assist the JMC and the OSs in programme implementation. It will be responsible, *inter alia*, for the following tasks:

- Perform secretariat function for the Operating Structures and the JMC, including the preparation and mailing of documentation for meetings and the meeting minutes (in two or more languages if required);
- Set up, regular maintenance and updating of the monitoring system (data input at programme and project level);
- Prepare and make available all documents necessary for project implementation (general information at programme level, general information at project level, guidelines, criteria, application for collecting project ideas, application pack -guidelines, criteria for project selection, eligibility, reporting forms, contracts);
- Run info-campaigns, trainings, help-lines and web-based Q&A in order to support potential applicants in the preparation of project applications;
- It shall assist potential beneficiaries in partner research and project definition;
- It shall manage the Call for Proposals process, including receiving and registering project applications, carrying out the initial assessment (e.g. examination of the application documents for completeness, and meeting eligibility criteria) and preparing documentation for the evaluation process;
- Make sure that all the relevant documentation necessary for contracting is available to the EC Delegations on time;
- It shall prepare standardized forms for project application, assessment, contracting, implementation, monitoring and reporting based as much as possible on templates and models included in the PRAG;
- It will organise and manage an ad-hoc data base of the programme, on the basis of the information directly collected during the call for proposal process and those transferred regularly by the OSs;
- carry out joint information and publicity activities under the guidance of the JMC and OSs, including setting up and maintaining an official programme website;



- Prepare, conduct and report on monitoring visits projects;
- Provide inputs to annual and final reports on the cross-border programme;
- It will plan its activities according to a work plan annually approved by the JMC;

1.6 Programme Beneficiaries

Definition of lead beneficiaries and other beneficiaries

According to Article 96(3) of the IPA Implementing Regulation, if there are several final beneficiaries of an operation in each participating country, they shall appoint a lead beneficiary among themselves prior to the submission of the proposal for an operation. The lead beneficiary shall assume the responsibilities set out below regarding the implementation of the operation.

Responsibilities of Lead Beneficiaries and other Beneficiaries

Responsibilities of lead beneficiaries

According to the provisions of Article 96(3) of the IPA Implementing Regulation, the lead beneficiary shall assume the following responsibilities for the part of the operation taking place in the respective country :

- It shall lay down the arrangements for its relations with the final beneficiaries participating in the part of the operation taking place in the respective country in an agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
- It shall be responsible for ensuring the implementation of the part of operation taking place in the respective country;
- It shall be responsible for transferring the Community contribution to the final beneficiaries participating in the part of operation taking place in the respective country;
- It shall ensure that the expenditure presented by the final beneficiaries participating in the part of operation taking place in the respective country has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the final beneficiaries participating in the operation.

The lead beneficiaries from the participating countries shall ensure a close co-ordination among them in the implementation of the operation.

Responsibilities of other beneficiaries

Each beneficiary participating in the operation shall:

- Participate in the operation;
- Be responsible for ensuring the implementation of the operations under its responsibility according to the project plan and the agreement signed with the lead beneficiary;
- Co-operate with the other partner beneficiaries in the implementation of the operation, the reporting for monitoring;
- Provide the information requested for audit by the audit bodies responsible for it;
- Assume responsibility in the event of any irregularity in the expenditure which was declared, including eventual repayment to the Commission;
- Be responsible for information and communication measures for the public.



Functional Lead Partner

In case of joint projects (where Lead Beneficiaries from both sides are participating and are separately contracted by the Contracting Authorities of BiH and of MNE) the 2 Lead Beneficiaries shall appoint among themselves a Functional Lead Partner prior to the submission of the project proposal.

The Functional Lead Partner is:

- Responsible for the overall coordination of the project activities on both side of the border;
- Responsible for organising joint meetings of project partners;
- Responsible for reporting to the JTS on the overall progress of the joint project.



2. Implementing Rules

2.1 Basic Implementation Rules

This Cross-border Programme shall finance joint operations which have been jointly selected by the participating countries through a single call for proposals covering the whole eligible area.

Operations selected shall include final beneficiaries from both countries which shall co-operate in at least one of the following ways: joint development, joint implementation, joint staffing and joint financing (Art. 95 IPA Implementing regulation).

The JMC is responsible for selecting the projects.

The Contracting Authority is responsible for issuing the grant contracts as well as ex-ante control of the grant award process.

2.2 Call for proposal

Grant award procedures shall be compliant with provisions of the IPA Implementing Regulation (e.g. Articles 95, 96, 140, 145, etc.)

Where appropriate, PRAG procedures and standard templates and models should be followed unless the provisions of the IPA Implementing Regulation and/or the joint nature of calls require adaptations.

a) Preparation of the Application Pack

1. The JTS, under the supervision of the JMC, drafts the single Call for proposals, the Guidelines for applicants and the Application form and other documents related to the implementation of the grant schemes, explaining the rules regarding eligibility of applicants and partners, the types of actions and costs, which are eligible for financing and the evaluation criteria, following as close as possible the formats foreseen in the PRAG;
2. The Application Form should cover both parts of the project (on Bosnia and Herzegovina/Montenegro sides of the border, i.e. joint application), but with clear separation of the activities and costs on each side of the border. The elements contained in the Application Pack (eligibility and evaluation criteria, etc.) must be fully consistent with the relevant Financing Agreement;
3. Once approved by the JMC, the respective OS submit the Call for proposals, the Guidelines for applicants and its annexes to the respective EC Delegation for endorsement;

b) Publication of the single Call for Proposals

4. When launching the Call for Proposals, the OS, with the assistance of the JTS, take all appropriate measures to ensure that the nationally and regionally publicised call for proposals reaches the target groups in line with the requirements of the Practical Guide. The Application pack is made available on the programme website and the websites of the EC Delegations (Contracting Authority) and in paper copy ;
5. The JTS is responsible for information campaign and answering questions of potential applicants. JTS provides advice to potential project applicants in understanding and formulating correct application forms;



6. Q&As should be available on both the Programme and ECDs websites.

2.3 Selection of projects following a call for proposals

As provided by the IPA Implementing Regulation, the submitted project proposals will undergo a joint selection process. The project evaluation should follow the PRAG rules (Chapter 6.4.) as adapted by the provisions of the IPA Implementing Regulation (e.g. Article 140 on the role of the Commission in the selection of operations)³.

A joint Steering Committee, designated by the JMC, will evaluate projects against the criteria set in the Application Pack and will establish a ranking list according to PRAG. On that basis, the Joint Monitoring Committee will then bring the final decision on the projects to be recommended for financing to the Contracting Authorities (EC Delegations in Bosnia and Herzegovina and in Montenegro).

The main steps of the procedure should be as follows:

- Incoming project proposals are collected and registered by the JTS;
- The JMC is responsible for evaluating project proposals according to the eligibility criteria. However, when deemed necessary, it can designate a Joint Steering Committee for the assessment of administrative compliance, eligibility and assessment of technical and financial quality of proposals;
- Members of the Joint Steering Committee are designated exclusively on the basis of technical and professional expertise in the relevant area. The EC Delegations endorse the composition the Joint Steering Committee. An observer designated by the EC Delegation (the contracting authority) may participate in its proceedings;
- Both OS may propose the same number of external assessors to be financed from the respective TA allocations;
- The Steering Committee assesses the projects against the conditions and criteria established in the Call for proposal–Application Pack and according to PRAG procedures;
- The JMC receives from the Steering Committee the Evaluation Report and the ranking list of projects and votes on accepting the proposed ranking list. The members of the Steering Committee are present at the JMC meeting to present the evaluation process. The JMC has the possibility to:

³ IPA Implementing Regulation for Component II provides, inter alia, a certain degree of decentralisation in the evaluation and selection process, namely in beneficiary countries where IPA funds are managed under a centralised approach (e.g. where the evaluation committee is nominated by the national authorities sitting in the JMC, not by the Commission i.e. the Contracting Authority).



- Accept the Evaluation Report and recommend the contracting authorities to contract the projects selected;
 - Request one round of re-examination of the project proposals if a qualified majority of its voting members vote for such a process and under the condition that there is a clearly stated technical reason affecting the quality of the Evaluation Report i.e. it is not clear how the projects were assessed and ranked;
 - Reject the Evaluation Report and the list of project, if there is a justified reason to suspect the objectivity or the qualifications of the Steering Committee;
 - Under no circumstances is the JMC entitled to change the Steering Committee's scores or recommendations and must not alter the evaluation grids completed by the evaluators;
- EC Delegations (Contracting Authorities) approve the evaluation report on the selection process and the final list of grants to be awarded. If required the EC Delegations may request clarifications from the JMC;
 - The JTS notifies each applicant in writing of the result of the selection process;
 - EC Delegations in each country issue the grant contract to the respective lead beneficiary of each selected project.

3. Information, Publicity and Consulting

The beneficiary countries and the national IPA Co-ordinators shall provide information on and publicise the programme and operations with the assistance of the JTS, as appropriate.

In accordance with Article 90 of Regulation (EC, Euratom) No 1605/2002, the Commission shall publish the relevant information on the contracts. The Commission shall publish the results of the tender procedure in the Official Journal of the European Union, on the EuropeAid website and in any other appropriate media, in accordance with the applicable contract procedures for Community external actions.

The information and publicity measures are presented in the form of a communication plan whereby the implementation shall be the responsibility of the respective OSs. Such detailed information and publicity plan will be presented in a structured form to the JMC by the JTS (see below), clearly setting out the aims and target groups, the content and strategy of the measures and an indicative budget funded under the Technical Assistance budget of the CBC programme.

The particular measures of information and publicity will focus mainly on:

- Ensuring a wider diffusion of the cross-border programme (translated in the local language) among the stakeholders and potential beneficiaries;
- Providing publicity materials, organising seminars and conferences, media briefings and operating a programme web site to raise awareness, interest and to encourage participation;
- Providing the best possible publicity for the Calls for proposal;
- Publishing the list of the final beneficiaries.

The JTS in co-operation with the JMC will develop an overall strategy for the information and publicity for the implementation of the programme and to develop an overall system for the public relations related to the programme:

- To develop and maintain the internet site;
- To maintain necessary public relations and media communications;
- To develop information and publicity materials;



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- To organize joint project development seminars and conferences;
- To involve representatives of the European Commission in the information and publicity;
- To appoint a person responsible for the information and publicity.



4. Financial Management

Under centralised management, the European Commission will handle all tendering, contracting and payment functions, on the basis of documents provided by beneficiaries, and in accordance with the contracting and procurement rules set out in the EC's Practical Guide to Contracting (PRAG).

The JMC will ensure that reliable computerised accounting, monitoring and financial reporting are in place, that will provide an adequate audit trail.

The European Commission and national auditing authorities will have power of audit over the Cross-border Programme.

5. Monitoring and Evaluation

5.1 Monitoring on Project Level

5.1.1. Contractual obligations

Lead Beneficiaries send narrative and financial Interim and Final Reports to their respective Contracting Authorities according to the standard terms of their grant contracts.

5.1.2. Cross-border project level reporting

In addition, where relevant, the Functional Lead Partner of the project submits Project Progress Reports to the JTS, giving an overview of the project activities and achievements on both sides of the border and their coordination according to the indicators defined in the joint project proposal.

5.2 Programme Monitoring

Based on the project progress reports collected, the JTS drafts the Joint Implementation Report and submit it for the examination of the JMC.

The Operating Structures of the beneficiary countries shall send the Commission and the respective national IPA Co-ordinators an annual report and a final report on the implementation of the cross-border programme after examination by the JMC.

The annual report shall be submitted by 30 June each year and for the first time in the second year following the adoption of the cross-border programme.

The final report shall be submitted at the latest 6 months after the closure of the cross-border programme.

The content of reports shall be in line with the requirements of Article 144 of the IPA Implementing Regulations.

5.3 Programme Evaluation

Evaluations shall take place in compliance with Article 141 of the IPA Implementing Regulation. The evaluation shall aim to improve the quality, effectiveness and consistency of the assistance from the Community funds and the strategy and implementation of cross-border programmes while taking account the objective of sustainable development and the relevant Community legislation concerning environmental impact.



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An ex-ante evaluation has not been carried out in line with the provisions of Article 141 in the light of the proportionality principle.

During the programming period, participating countries and/or the European Commission shall carry out evaluations linked to the monitoring of the cross-border programme in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of cross-border programme. The results shall be sent to the JMC for the cross-border programme and to the Commission.

Evaluations shall be carried out by experts or bodies, internal or external. The results shall be published according to the applicable rules on access to documents. Evaluation shall be financed from the technical assistance budget of the programme.