

## **FINANCING AGREEMENT SPECIAL CONDITIONS**

The European Commission, hereinafter referred to as "**the Commission**" or "the party", acting on behalf of the European Union, hereinafter referred to as "the Union",

on the one part, and

the Government of the Republic of Serbia represented by the Minister without portfolio for European Integration hereinafter referred to as "**the IPA II beneficiary**" or "the party",

**on the other part,**

**and together, jointly referred to as "the parties"**

HAVE AGREED AS FOLLOWS:

### **Article 1 - The Action Programme**

- (1) The Union agrees to finance and the IPA II beneficiaries agree to accept the financing of the following Action Programme as described in Annex I:

*Cross-border Cooperation Action Programme Serbia-Montenegro for the year 2014,  
2014/037-637*

This Action Programme is financed from the Union Budget under the following basic act: Instrument for Pre-Accession Assistance (IPA II)<sup>1</sup>.

- (2) The total estimated cost of this Action Programme is EUR 998,235 and the maximum Union contribution to this Action Programme is set at EUR 840,000

No financial contribution is required from the IPA II beneficiaries.

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<sup>1</sup> Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II), OJ L 77, 15.03.2014, p. 11.

## **Article 2 – Execution period and operational implementation period**

- (1) The execution period of this Financing Agreement as defined in Article 1(1) of Annex II is fixed at 12 years, from the entry into force of this Financing Agreement.
- (2) The operational implementation period of this Financing Agreement as defined in Article 1(2) of Annex II is fixed at 6 years, from the entry into force of this Financing Agreement.

## **Article 3 – Addresses and Communication**

All communication concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to the Action Programme as identified in Article 1(1) and shall be sent to the following addresses:

### **a) for the Commission**

Ms Catherine Wendt  
Acting Director D, Western Balkans  
European Commission  
Directorate-General for Neighbourhood and Enlargement Negotiations  
Rue de la Loi 15, B-1049 Brussels, Belgium  
E-mail: [NEAR-D2@ec.europa.eu](mailto:NEAR-D2@ec.europa.eu)

### **b) for the IPA II beneficiary**

Office of Ms Jadranka Joksimović  
Minister in charge of European Integration  
National IPA Coordinator (NIPAC)  
Nemanjina 40, Belgrade, Serbia  
E-mail: [kabinet@eu.rs](mailto:kabinet@eu.rs)

## **Article 4 – OLAF contact point**

The contact point of the IPA II beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be: Ms Jelena Sedlaček, Head of Antifraud coordination service (AFCOS), Ministry of Finance, Kneza Milosa, 20, Belgrade - [jelena.sedlacek@mfin.gov.rs](mailto:jelena.sedlacek@mfin.gov.rs) - Tel: +381 113642630

## **Article 5 – Framework Agreements**

The Action Programme shall be implemented in accordance with the provisions of the Framework Agreement between the European Commission and the Republic of Serbia on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA II) which entered into force on 30 December 2014 and following the adherence of Montenegro to this Financing Agreement in accordance with Article 8, in accordance with the provisions of the Framework Agreement between the European Commission and Montenegro on the arrangements for implementation of Union financial assistance to Montenegro

under the Instrument for Pre-Accession Assistance (IPA II) which entered into force on 04 June 2015, respectively (hereafter referred to as “the Framework Agreement(s)”).

**This Financing Agreement** supplements the provisions of the abovementioned Framework Agreements. In case of conflict between, on the one hand, the provisions of this Financing Agreement and, on the other hand, the provisions of the respective Framework Agreement, the latter shall take precedence.

#### **Article 6 - Annexes**

- (1) This Financing Agreement is composed of:
- a) these Special Conditions;
  - b) Annex I: CBC Action Programme Serbia-Montenegro for the year 2014 (C(2014) 9423 final, 10.12.2014);
  - c) Annex IA: IPA CBC 2014-2020 programme between Serbia-Montenegro;
  - d) Annex II: General Conditions;
  - e) Annex III: Model Annual Report CBC on the implementation of IPA II assistance in accordance with Article 80 of the Framework Agreement;
  - f) Annex IIIA: Model annual report on the implementation of IPA II assistance in accordance with Article 58 and 59(1) of the Framework Agreement;
  - g) Annex IV: Model Financial Report as per Article 59(2) of the Framework Agreement;
  - h) Annex V: Accrual Based Accounting System Minimum Specification;
  - i) Annex VI: Conditions related to Indirect Management.
- (2) In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between, on the one hand, the provisions of Annex I, and Annex IA and the provisions of Annex II on the other hand, the latter shall take precedence. In the event of a conflict between, the provisions of Annex I on the one hand, and the provisions of Annex IA, on the other hand, the former shall take precedence.

#### **Article 7 – Provisions derogating from or supplementing Annex II**

Article 11 (1) of the General Conditions is replaced by the following provision:

The IPA II beneficiary shall submit its initial disbursement forecast for the Action Programme, prepared pursuant to Article 10(2), with the first pre-financing payment request after adherence to this Financing Agreement by Montenegro in accordance with Article 8. The first pre-financing payment shall be for 100 % of the forecast disbursements for the first year of the disbursement forecast plan.

Article 17 (5) is added to the General Conditions:

If Montenegro does not adhere to this Financing Agreement by 31<sup>st</sup> March 2016 in accordance with Article 8, the Financing Agreement shall be automatically terminated on 1<sup>st</sup> April 2016. The Commission shall notify the automatic termination to the IPA II beneficiary and recover funds if necessary.

**Article 8 – Entry into force and adherence to this Financing Agreement**

This Financing Agreement shall enter into force on the date on which it is signed by the last party.

Montenegro represented by the Government of Montenegro shall adhere by 31<sup>st</sup> March 2016 to this Financing Agreement after it enters into force in accordance with the preceding paragraph. Montenegro adheres to this Financing Agreement on the day on which the Commission receives notification from Montenegro confirming the completion of the internal procedures necessary for this adherence. The Commission shall inform the Montenegro of the date of the receipt of this notification. By adherence to this Financing Agreement Montenegro accepts all the implementation activities undertaken from the entry into force of this Financing Agreement. From the date of adherence, Montenegro shall become party to this Financing Agreement, and both IPA II beneficiaries shall thereafter be jointly referred to as "the IPA II beneficiaries", or separately as "IPA II beneficiary".

This Financing Agreement is drawn up in triplicate in the English language, one being handed to the Commission and one to the IPA II beneficiary and one shall be handed to Montenegro for adherence to this Financing Agreement.

**For the IPA II beneficiary:**

**For Serbia:**



Ms. Jadranka Joksimović  
Minister in charge of European Integration  
National IPA Coordinator (NIPAC)

Belgrade, 30/12/ 2015

**For the Commission:**



Ms Catherine Wendt  
Acting Director D, Western Balkans  
Directorate-General for Neighbourhood Policy and  
Enlargement Negotiations

Brussels, 14/12/ 2015

**ANNEX 1**

**CROSS-BORDER COOPERATION ACTION PROGRAMME SERBIA –  
MONTENEGRO FOR THE YEAR 2014**

**1 IDENTIFICATION**

<b>Beneficiaries</b>	Serbia and Montenegro
<b>CRIS/ABAC Commitment references</b>	IPA/2014/37637
<b>Union Contribution</b>	EUR 840,000.00
<b>Budget line</b>	BGUE-B2014-22.020401-C1-ELARG
<b>Management mode</b>	Indirect management by the Republic of Serbia
<b>Responsible Structures</b>	<p>The Operating Structure responsible for the execution of the operations is:</p> <p>Serbian European Integration Office – Sector for Cross-border and transnational programmes</p> <p>The Contracting Authority is the Department for Contracting and Financing of EU funded projects (CFCU) at the Ministry of Finance</p> <p>The partner Operating Structure in Montenegro is: National IPA Coordinator (NIPAC); Ministry for European Integration.</p>
<b>Final date for concluding <u>Financing Agreement(s)</u> with the IPA II beneficiary countries (tripartite)</b>	For the budgetary commitment of year 2014 at the latest by 31 December 2015
<b>Final date for concluding <u>procurement and grant contracts</u></b>	3 years following the date of conclusion of the Financing Agreement (signature of the last party) with the exception of the cases listed under Article 189(2) Financial Regulation
<b>Final date for operational implementation</b>	6 years following the date of conclusion of the Financing Agreement (signature of the last party)
<b>Final date for implementing the Financing Agreement</b>  (date by which this programme should be de-committed and closed) after the acceptance of the accounts	12 years following the conclusion of the Financing Agreement (signature of the last party)
<b>Programming Unit</b>	DG ELARG – Dir. C, Unit C2 - Serbia
<b>Implementing Unit/ EU Delegation</b>	EU Delegation in Serbia

## 2 DESCRIPTION OF THE ACTION PROGRAMME

### 2.1 OVERVIEW OF THE 2014-2020 CROSS-BORDER COOPERATION PROGRAMME

In Montenegro, the eligible areas are: Andrijevica, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Pljevlja, Plužine, Rožaje, Šavnik; and, Žabljak.

In Serbia, the eligible areas are: Nova Varoš, Priboj, Prijepolje, Sjenica (Zlatiborski district), Kraljevo, Novi Pazar, Raška, Tutin, Vrnjačka Banja (Raški district); and, Ivanjica (Moravički district).

The situation analysis conducted for the preparation of the Programme pointed out several key challenges and opportunities to be addressed and supported through cross-border cooperation:

#### *Increasing employability and generation of sustainable jobs*

Generation of sustainable jobs is the main economic and social challenge for the programme area. The young people are the most vulnerable. Youth unemployment is caused by the mismatch between the education and the labour market needs, a high share of young people with no qualifications, lack of jobs in general and the high share of the grey economy.

#### *Protecting the environment*

Effective waste management and wastewater treatment are the key environmental challenges. Waste generated by the population living in villages and small settlements is to a large extent not collected due to lack of services and is disposed on illegal dumpsites. Water pollution is also a threat to the area. Discharge of communal and industrial wastewater into natural water flows is done with almost no treatment. An additional problem is the lack of pre-treatment of industrial wastewater discharged into the public sewage systems and a low level of residential connection to the sewerage.

The programme territory includes areas exposed to the risk of floods, fires, earthquakes and landslides. The risk of fires is particularly acute along the border. Joint risk prevention and mitigations measures are of strategic importance, especially with a view of the recent disasters (floods, fires).

#### *Valorisation of natural and cultural assets of the programme area*

The programme area has well preserved environment and significant surface under protection. The eligible areas contain four national parks, which are important assets for sustainable tourism development and have potential to improve the income of the people living within and nearby.

The programme area is also one of the most culturally diverse areas in the Balkan region. It is known for its cultural heritage of national and international importance. It is known for some important monasteries, churches, and mosques. Access to cultural offer in the eligible area varies especially with a view of the urban and rural area. There is generally good coverage of the area with libraries, while other offer such as theatre or concert halls is rare. Each of the municipalities is known for a specific cultural event or festival. There are over 100 events taking place in the area every year.

Based on the above analysis results, thematic priorities and definition of programme strategy have been guided by the following principles:

- Promoting the integration of the programme area;
- Building on strengths and potentials to seize the most relevant opportunities;
- Mitigating the most relevant weaknesses and minimising threats;
- Creating synergies and value added in addressing common needs and challenges by cross border cooperation;
- Building on the objectives and actions set up by the two macro-regional Strategies where both Serbia and Montenegro are members: the EU Strategy for the Danube Region and the EU Strategy for the Adriatic and Ionian Region;
- Respecting specificities within the programme area;
- Promoting sustainable, innovative and inclusive development of the regions aiming at better quality of life for the people;
- Complementing national, EU and other donors programme; and,
- Building on the past experience and aiming at improving the effectiveness of partnerships, feasibility of implementation and the quality and sustainability of results.

*Overview of past and on-going CBC experience including lessons learned*

Serbia and Montenegro benefited from Cross-Border Cooperation Programme under IPA I for a total amount of EUR 8,4 million for the period 2007-2013. Evaluations and audits have been carried out as well as monitoring activities. Key recommendations from interim evaluations and audits on the 2007-2013 CBC programmes have been taken on board in the development of this programme. Thus, the 2014-2020 CBC programmes are more focused as regards the number of thematic priorities addressed and the geographical eligibility, which will help to achieve better results and increased impact. Additionally the implementation of the CBC programmes has been simplified mainly by having a single contracting authority and a single financial envelope per programme.

**2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS**

<b>Action 1</b>	<b>Cross-Border Cooperation Operations</b>	<b>EUR 840,000</b>
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**(1) Description of the action, objective, expected results**

**Description of the action:** Cross-border cooperation in the border region in the fields of Employment, labour mobility and social and cultural inclusion, environment, climate change adaptation and mitigation, risk prevention and management tourism and cultural and natural heritage

**Objective:** Socioeconomic development and strengthening of the neighbourly relations in the cross border area through the implementation of cross-border cooperation operations aiming at:

- Promoting employment, labour mobility and social and cultural inclusion across borders through, inter alia: integrating cross-border labour markets, including cross-border mobility; joint local employment initiatives; information and advisory services and joint training; gender equality; equal opportunities; integration of immigrants' communities and vulnerable groups; investment in public employment services; and supporting investment in public health and social services.
- Protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management through, inter alia: joint actions for environmental protection; promoting sustainable use of natural resources, resource efficiency, renewable energy sources and the shift towards a safe and sustainable low-carbon economy; promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems and emergency preparedness.
- Encouraging tourism and cultural and natural heritage.
- Taking in to account the objectives set up by the macro-regional strategies where both countries participate.

Where applicable, the actions related to the aforementioned objectives as developed in the Action Plan of the Adriatic and Ionian macro-regional strategy and the EU Strategy for the Danube Region where both countries participate shall be taken into account.

***Expected results:***

*Employment, labour mobility and social and cultural inclusion:*

- Improved knowledge, skills and competence, and work experience of unemployed and employed persons to better adjust to the needs of the labour market and to exploit the employment potential in perspective sectors;
- Increased access to social and cultural services for vulnerable/excluded groups.

*Environment, climate change adaptation and mitigation, risk prevention and management*

- Improved capacities of the municipalities and public utility companies for effective and efficient waste management and wastewater treatment; and,
- Better awareness of the inhabitants and industry on the importance of preserving the environment and nature;
- Increased capacities for joint management of nature resources; and,
- Improved level of emergency preparedness and joint risk management

*Tourism and cultural and natural heritage*

- Joint tourism offers and products enhanced through valorisation of natural and cultural potentials; and,
- Complementary products and services developed through complemented, upgraded and diversified tourism offers.

The objectives and expected results, will be achieved over the period of implementation of this programme, from 2014 to 2020.



## **(2) Assumptions and conditions**

As a necessary condition for the effective management of the programme, the participating countries shall establish a Joint Monitoring Committee and provide proper and functioning offices and staff for the Joint Technical Secretariat (to be set up under a separate Financing Decision) and the antenna, in case the latter will be set up.

Under indirect management, the participating countries shall conclude for the whole duration of the programme a bilateral arrangement setting out their respective responsibilities for implementation the programme.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

## **(3) Description of the tasks entrusted**

The operating structures of Serbia and Montenegro jointly prepared the 2014-2020 cross-border cooperation programme and agree on the necessary arrangements for the management and implementation of the programme including establishing a system to monitor the implementation.

The operating structure of Serbia shall arrange for procurement and grant award procedures in the selected thematic priorities of the programme. As regards the call for proposals, the entrusted tasks include drafting guidelines for applicants, launching the calls, selecting the grant beneficiaries and signing grant contracts. The entrusted tasks also include activities linked with the implementation and financial management of the programmes such as monitoring, evaluation, payments, recoveries, expenditure verification, ensuring internal audit, irregularity reporting and the setup of appropriate anti-fraud measures.

## **(4) Essential elements of the action**

### **Grant – Call for proposal: EUR 840,000**

#### a) The essential eligibility criteria:

The list of eligible actions (activities) is set in part 3.2 of the Annex 2 of the Programme, in line with the objectives, specific objectives, and results set. They comprise among others: trainings and capacity building, people to people activities, support to education, enhancement of health care facilities and social services, technical cooperation and development of data's' system exchange, joint risk management activities... etc. Additionally, in the context of the implementation of the programme, preference may be given to the actions related to the macro-regional strategies where both countries participate.

The beneficiaries shall be legal entities and be established in an IPA II beneficiary participating in the CBC programme.

Potential beneficiaries could be: local authorities, local governments and their institutions, associations of municipalities, development agencies, local business support organisations, economic factors such as SMEs, tourism and cultural organisations, NGOs, public and private bodies supporting the workforce, vocational and technical training institutions, bodies and organisation for nature protection, public bodies responsible for water management,

fire/emergency services, schools, colleges, universities and research centers including vocations and technical training institutions.

- b) The essential selection criteria are financial and operational capacity of the applicant.
- c) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- d) Maximum rate of EU co-financing for grants under the calls is 85% of the eligible cost of the action.
- e) Indicative amount of the call(s): EUR 840,000. The responsible structures may decide to merge the 2014 allocation with subsequent budget allocations.
- f) Indicative date for launch of the call(s) for proposals: 1<sup>st</sup> quarter of 2016

### 3 BUDGET

2014			
	Union co-financing*	Grant beneficiary/ies Co-financing	Total expenditure
CBC operations	840,000	148,235	988,235
in %	85%	15%	100%
<b>TOTALS 2014</b>	840,000	148,235	988,235

\* The Union contribution has been calculated in relation to the eligible expenditure, which is based on the total eligible expenditure including public and private expenditure. The Union co-financing rate at the level of each thematic priority shall not be less than 20% and not higher than 85% of the eligible expenditure. The co-financing of the thematic priorities will be provided by the grant beneficiaries. Grant beneficiaries should contribute with a minimum of 15% of the total eligible cost of the project

### 4 IMPLEMENTATION

#### 4.1 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

##### INDIRECT MANAGEMENT:

This programme shall be implemented by indirect management by Serbia in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the Financing Agreement between the Commission and the IPA II beneficiaries participating in the cross-border cooperation programme

### 5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators.

The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

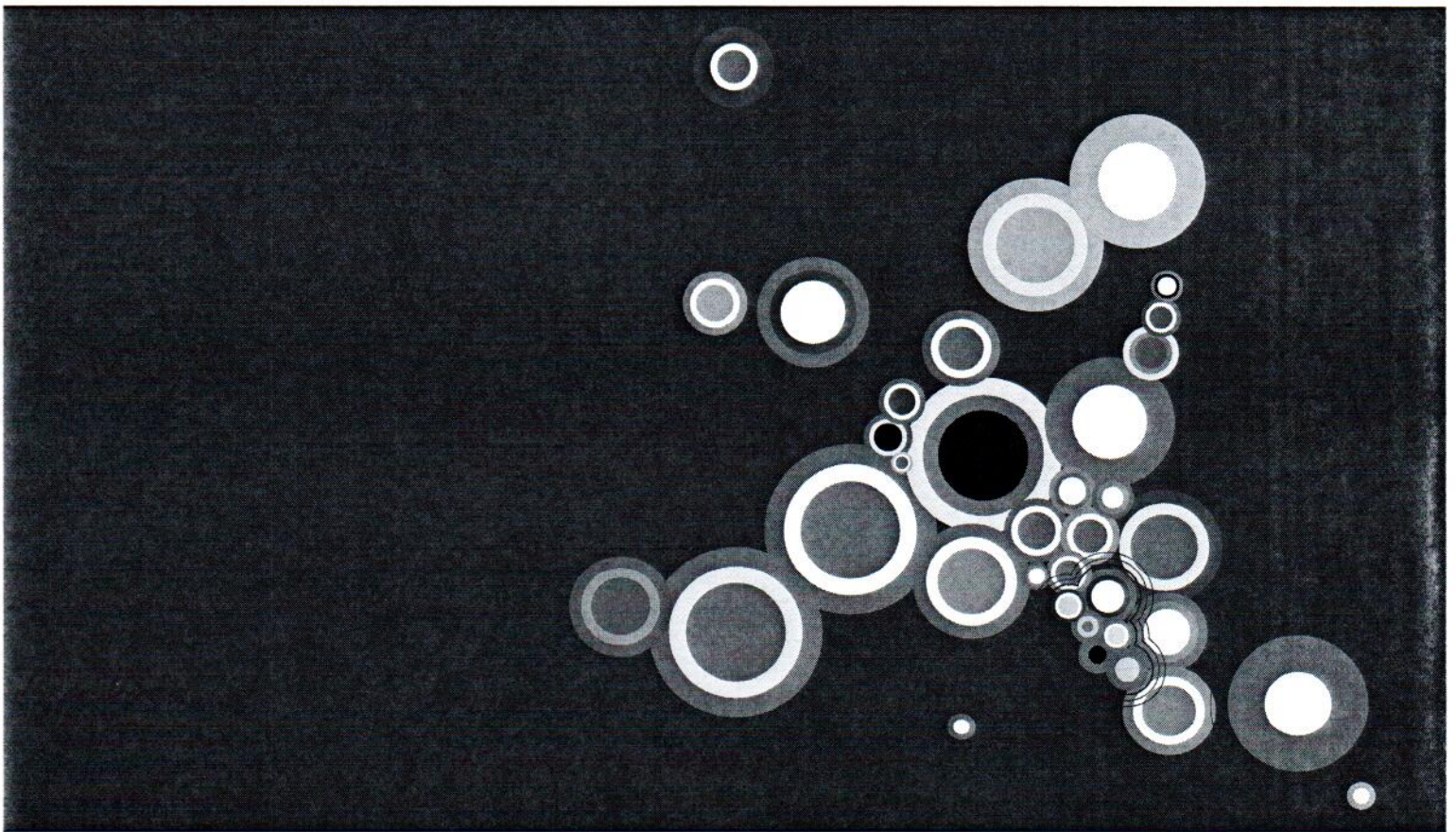
The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.

The National IPA Co-ordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG Enlargement and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by the Joint Monitoring Committee, which will ensure a monitoring process at programme level.



**ANNEX IA**  
**INSTRUMENT FOR PRE-ACCESSION ASSISTANCE**  
**2014-2020**



**IPA CBC PROGRAMME**

**SERBIA – MONTENEGRO**

ADOPTED ON 10/12/2014



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Programme title	CBC Programme Serbia- Montenegro 2014-2020
Programme area	Serbia: municipalities of Nova Varoš, Priboj, Prijepolje, Sjenica in <i>Zlatiborski district</i> ; municipalities of Vrnjačka Banja, Kraljevo, Novi Pazar, Raška, Tutin in <i>Raški District</i> ; and Municipality of Ivanjica in <i>Moravički district</i> .  Montenegro: Municipalities of Andrijevića, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Nikšić, Petnjica, Plav, Pljevlja, Plužine, Rožaje, Šavnik, Žabljak.
Programme general objective	The programme general objective is to contribute to the economic, social and territorial development of the programme area by fostering integration, joint development and use of potentials and opportunities to make the area attractive to live and work.
Programme thematic priorities	TP 1: Promoting employment, labour mobility and social and cultural inclusion across the border TP 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management TP 3: Encouraging tourism and cultural and natural heritage P 4: Technical Assistance
Programme specific objectives	<b>TP 1: Promoting employment, labor mobility and social and cultural inclusion across the border</b> 1.1 Increasing employability and employment opportunities 1.2 Strengthening social and cultural inclusion <b>TP 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management</b> 2.1. Improving waste management and waste water treatment 2.2. Protection of nature resources <b>TP 3: Encouraging tourism and cultural and natural heritage</b> 3.1. Improving capacities for exploiting tourism potentials <b>P 4: Technical Assistance</b> 4.1 Ensuring effective, efficient, transparent and timely implementation of the Programme and awareness raising
Financial allocation 2014-2020	EUR 8 400 000.00
Implementation method	Indirect management (subject to the entrustment of budget implementation tasks)
Contracting Authority	Government of the Republic of Serbia, the Central Financing and Contracting Unit (CFCU) of the Republic of Serbia Address: Sremska 3-5, 11 000 Belgrade, Tel +381 11 2021 389
Relevant authorities in the IPA II beneficiaries	Government of the Republic of Serbia, European Integration Office, Nemanjina 34, 11000 Belgrade, Serbia Government of Montenegro, Ministry of Foreign Affairs and European Integration, Stanka Dragojevića 2, 81 000 Podgorica, Montenegro
JTS/Antenna	JTS: Prijepolje (Serbia) Antenna: Bijelo Polje (Montenegro)



## **Glossary of acronyms**

CA	Contracting Authority
CBC	Cross-border cooperation
CBIB+	Regional EU project for the technical assistance Cross-border Institution Building project (CBIB+)
CfP	Call for proposal
CSO	Civil Society Organisation
EC	European Commission
EU	European Union
EUD	European Union Delegation
GDP	Gross domestic Product
IPA	Instrument for Pre-accession and Assistance
JMC	Joint Monitoring Committee
JTF	Joint Task Force
JTS	Joint technical Secretariat
MNE	Republic of Montenegro
NGO	Non-Governmental Organisation
OS	Operating Structure
RS	Republic of Serbia
SAA	Stabilisation and Association Agreement
SME	Small and Medium Size Enterprise
SO	Specific Objective
SWOT	Strength, Weaknesses, Opportunities, Threats
TA	Technical Assistance
TP	Thematic Priority





## SECTION 1: SUMMARY OF PROGRAMME

The programme for cross-border cooperation between the Republic of Serbia and Montenegro will be implemented under the framework of the Instrument for Pre-accession Assistance (IPA II). IPA II supports cross-border cooperation with a view to promoting good neighbourly relations, fostering union integration and promoting socio-economic development.

The **EU legal basis** for the development of the cross border cooperation programme primarily includes:

- Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing and Instrument for Pre-accession assistance (IPA II)
- Regulation (EU) no 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- Commission Implementing Regulation (EU) no 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) no 231/2014 of the European Parliament and of the Council establishing and Instrument for Pre-accession assistance (IPA II)

### 1.1 SUMMARY OF THE PROGRAMME

The IPA II CBC Serbia – Montenegro 2014-2020 is the second generation of the cross border cooperation programmes between the two countries and is supported by the Instrument for Pre-Accession of the European Union.

The programme was designed on a basis of a detailed analysis of the situation in the programme area and identification of its main strengths, weaknesses, opportunities and threats, which are presented in the Annex 1 of this document.

The programme area stretches across South-Western Serbia and the North and Central parts of Montenegro. It covers **17,402 km<sup>2</sup>** and has a population of **693,412** inhabitants living in twenty-four municipalities. The area is **remote** and is among the least developed compared to country averages. Most of the municipalities/towns are considered highly under-developed.

Economic activities are based on natural resources and concentrated on forestry, agriculture, industry, energy production and tourism. Most employment is generated in the processing sector. The programme area is predominantly mountainous with well-preserved nature, including four national parks and other protected areas. Environmental issues relate to waste management, waste water treatment and risk management.

**Needs and challenges of the programme area** are numerous:

- Making the border area attractive to live and work
- Combating poverty and social exclusion
- Increasing employability and generation of sustainable jobs
- Improving competitiveness and internationalisation of businesses
- Protecting the environment
- Combating climate change
- Valorisation of natural and cultural assets
- Improving the governance at local and regional level
- Activating the innovation potential and improving RTD in all sectors.

**Area's key potentials** are its people, institutional base, networks and existing businesses, diversity of cultural and natural assets and natural resources.



The need for focusing the assistance on the most important needs and challenges and considering several approaches and aspects the programme strategy was defined.

The **programme's general objective** is to contribute to economic, social and territorial development of the programme area by fostering integration, joint development and use of potentials and opportunities to make the area attractive to live and work in.

The programme intervention areas shall build on strengths and potentials to seize the most relevant opportunities, improve the weaknesses and minimise threats. Balance between the integration and development objectives and feasibility of implementation were considered.

The programme therefore focuses on promoting employment and social inclusion, development of the tourist potentials and protection of the environment, which shall be addressed within the following three thematic priorities:

#### **TP 1: Promoting employment, labor mobility and social and cultural inclusion across the border**

The priority responds to growing unemployment, especially between the young and aims at reinforcing the opportunities of specific target groups to access knowledge and skills and competences demanded by the labor market. It also seeks to exploit potentials for the improvement and development of quality social services and social innovation.

#### **TP 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management**

The priority responds to environmental issues caused by low level of quality and range of public utilities (in particular solid waste and waste water treatment). Preservation and sustainable management of natural values (forests, water) is a potential that will be further secured. High vulnerability of the area concerning impacts of climate change, including flood and fires in particular will be addressed jointly.

#### **TP 3: Encouraging tourism and cultural and natural heritage**

The programme area as one of the most culturally diverse and its exceptional nature values provide good potential for the development of sustainable tourism and integration of offers around key product already gaining significance. The actions supported within this priority will complement the objectives and results of the first two priorities.

### **1.2 PREPARATION OF THE PROGRAMME AND INVOLVEMENT OF THE PARTNERS**

A **Joint Task Force** (hereinafter JTF) consisting of the representatives of the Participating Countries was established on 4 October 2013 with the purpose to prepare the programme strategic document. The members of the JTF represent competent authorities of the Programme territory and constitute National Delegations: the Serbian European Integration Office, the Ministry of Energy, Development and Environment, the Standing Conference of Towns and Municipalities from Serbia and the Ministry of Foreign Affairs and European Integration from Montenegro.

**The programming exercise** was supported by the CBIB+ project (Cross Border Institution Building). The following steps were taken: i) preparation of the draft situation analysis and SWOT ( Strength, Weaknesses, Opportunities, Threats) on the basis of inputs from beneficiaries, secondary sources and lessons learned, ii) identification of key needs and challenges of the programme area, iii) selection of thematic priorities and elaboration of a draft strategy, iv) amendments of the programme according to the comments of the Commission and decisions of the JTF.

The draft situation analysis and SWOT were discussed on the 2<sup>nd</sup> JTF meeting. The 1<sup>st</sup> draft strategy was discussed on the 3<sup>rd</sup> JTF meeting which took place on 20 November 2013.



The Operating Structures managed to involve a wide range of stakeholders in the programming process, including public institutions at national, regional and local levels, civil society organisations and social partners. As part of the preparatory activities, questionnaires were circulated to the programme stakeholders to collect data for elaboration of the SWOT analysis.

In total, 79 questionnaires were received and analysed. Furthermore, 11 in depth interviews were conducted with institutions at national and regional level.

Two public consultation events were organised during strategy drafting. High interest of potential beneficiaries for the programme resulted in good attendance and qualitative input.

The 2<sup>nd</sup> draft of the strategy was elaborated on the basis of comments provided by the JTF during its 3<sup>rd</sup> meeting, the comments received by the Commission in January 2014 (dated 20/12/2013) and a meeting with the Operating Structures held on 28/01/2014. The 2<sup>nd</sup> draft was submitted to the Commission in the beginning of February 2014 and was discussed by the JTF during its 4<sup>th</sup> meeting held on 28/02/2014. The focus was placed on further scoping of the programme and improvement of the indicators.

The Commission's comments to the 2<sup>nd</sup> draft were received in May 2014 and were mainly related to narrowing down the programme area and description of implementing provisions regulating the calls for proposals and strategic projects. In the third version of the programming document comments were observed along with the decisions of the 4<sup>th</sup> JTF meeting and results of the consultative meeting held by Operating structures and the CBIB+ experts on 20 May 2014.

The cross border cooperation programme is going to be implemented under indirect management and managed by one Contracting Authority as defined in Article 51 of the IPA II implementing regulation. Before conferral of management of the funds the accreditation process for indirect management needs to be completed. Both Serbia and Montenegro were subject to accreditation process. Management powers relating to Component II - Cross-Border programmes of the Instrument for Pre-Accession Assistance (IPA) on Serbia were conferred by the Commission Decision of 21 March 2014. At the time of submission of the 3<sup>rd</sup> final draft of the programme, Montenegro is expecting Commission decision on conferral of management of funds for IPA II component as well.

A decision of the IPA Steering Committee was to locate the Contracting Authority for the programme in Serbia.

**Table 1: Summary of the programming meetings and events**

Date and place	Event/milestone	No. of participants
Belgrade, 4 October 2013	1 <sup>st</sup> JTF meeting: adoption of Rules of Procedures, overview of the programming activities and timeline	18
Podgorica, 31 October 2013	2 <sup>nd</sup> JTF meeting: discussion of the first draft of situation analysis and SWOT, selection of the Thematic priorities	14
Bijelo Polje, 4 November 2013	1 <sup>st</sup> Public consultation: presentation of the situation analysis and SWOT, consultation on the elaboration of the programme strategy	55
Užice, 5 November 2013	1 <sup>st</sup> Public consultation: presentation of the situation analysis and SWOT, consultation on the elaboration of the programme strategy	83
Belgrade 20 November 2013	3 <sup>rd</sup> JTF meeting: overview of the amended situation and SWOT analysis, discussion on the proposed programme strategy	17
Belgrade 21-22 November 2013	Participation at the Regional Consultative Forum – consultation with the EC on the implementation of the current CBC programmes (2007-2013) and on the programming process 2014-2020 for the IPA/IPA countries of the WB	153

Belgrade 28 January 2014	Consultative meeting of the Operating Structures related to comments received to the 1 <sup>st</sup> draft of Operational Programme. Telephone coordination with the Montenegrin OS.	4
Belgrade 28 February 2014	4 <sup>th</sup> JTF meeting: presentation of the draft no. 2 and discussion on eligible territory and strategy and implementing provisions.	17
Belgrade, Podgorica 20 May 2014	Teleconference - consultative meeting of the Operating Structures: discussion of the EC comments to the draft no. 2 and needed programme amendments.	5
30 May 2014	Submission of the third final draft of the programme document to the EC	
July 2014	Online public consultation	
July 2014	Receipt of comments from the EC on the 3rd programme draft	
July 2014	Revision of the document and approval of changes by the JTF	
August 2014	Submission of the final draft CBC programme to the European Commission	



## SECTION 2: PROGRAMME AREA

### 2.1 SITUATION ANALYSIS

#### *Geography*

The programme area stretches across South-Western Serbia and the North and Central parts of Montenegro. It encompasses 10 municipalities in the Republic of Serbia situated in three districts - Zlatiborski, Moravički and Raški, and 14 municipalities in Montenegro.

The programme territory covers **17,402 km<sup>2</sup>**, of which 46% belongs to Serbia and 54% to Montenegro. The programme territory on the Serbian side represents 9% of the total country surface, while in Montenegro it covers 68% of the country's territory.

The programme area is predominantly mountainous with well-preserved nature. The most important nature resources include forests, water and mineral resources.



*Map of the programme area*

Montenegro				Republic of Serbia			
Eligible area (km <sup>2</sup> ):			Total 9,369	Eligible area (km <sup>2</sup> ):			Total 8,033
Andrijevica	283	Petnjica	173	<i>Zlatiborski District:</i>		<i>Raški District:</i>	
Berane	544	Plav	329	Nova Varoš	581	Kraljevo	1,530
Bijelo Polje	924	Pljevlja	1,346	Priboj	553	Novi Pazar	742
Gusinje	157	Plužine	854	Prijepolje	827	Raška	670
Kolašin	897	Rožaje	432	Sjenica	1,059	Tutin	742
Mojkovac	367	Šavnik	553	<i>Moravički District:</i>		Vrnjačka Banja	239
Nikšić	2,065	Žabljak	445	Ivanjica	1,090		
<b>Total programme area (km<sup>2</sup>):</b>			<b>17,402</b>				
<b>Total border (km):</b>			<b>249.5</b>				
<b>Border crossings (road traffic):</b>			<b>5</b>				



### *Demography*

The total **population of the programme area is 693,412** (Census 2011) of which 36% live in Serbia and 64% in Montenegro. 6% of the total population of Serbia and 40% of Montenegro is included in the programme.

The population density in the programme area is 40 inhabitants/km<sup>2</sup>. There are however substantial differences between the areas. The population density on both parts of the programme area is far below national average. People mainly live in smaller settlements and a few urban centers. A significant part of the programme territory includes sparsely populated high mountain areas.

**Overall demographic trends are negative** and characterised by both depopulation and ageing of the population. The average age of the population is above national averages. Migration flows of the working population are directed from mountain areas to urban centers within the area as well as outside and abroad. Between the 2002/2003 and 2011 censuses the population decreased by 9,914. The average age of the population in 12 out of 24 municipalities/cities is above the country averages. In 2011 the number of emigrants exceeded the number of immigrants by 1,127.

### *Economy*

The programme area is among the **least developed compared to country averages**. Most of the municipalities/towns are considered highly under-developed.

The area is characterised by a low level of investments (both actual and potential), low export orientation, low labor productivity, lack of innovation, lack of coherent strategies within and between local administrations and production units, lack of communication and cooperation between industries, low level of managerial and business know-how and a concentration of production in urban centers.

Economic activities are based on natural resources and concentrated on **forestry, agriculture, industry, energy production and tourism**.

Industry has an important role in the overall economic structure of the programme territory, especially wood processing, textile production, food processing, and metal industry. Some of the main employers are still undergoing restructuring and a few thousand jobs are endangered.

The energy sector is well represented. Thirty percent of the hydro energy in Serbia is produced in the programme area. The hydro potential is however not sufficiently exploited. Moreover, there is a potential for production of energy from other renewable sources (biomass, wind energy, solar and geo-thermal energy).

Forestry and agriculture are important economic activities of the area although small sized family agricultural holdings with low production capacity prevail. Cattle, sheep and goat breeding are the main activities in the majority of the territory. Fruit and vegetables are mainly produced in Raški District.

17,328 small and medium enterprises (SME) were registered as economic operators in 2012. The density of SMEs in the eligible area is 19 per 1,000 inhabitants, which is much lower than the EU average. SMEs are characterised by a low level of internationalisation and integration in transnational chains or trade channels. Many operate as small family businesses.

There is a good potential for sustainable tourism development. In general, well-preserved environmental areas of high nature values and rich cultural heritage are the main assets. On the Serbian side, 70% of overnight stays in the programme area were generated in the ski and spa resorts of Kopaonik and Vrnjačka Banja. Domestic tourists prevail on the Serbian side and foreign on the Montenegrin. Tourist infrastructure is underdeveloped to seize the area's attractive scenery and natural resources. This is a consequence of the area's relatively remote position, inadequate transport infrastructure and lack of investments.



### *Labor market*

The most employment is generated in the processing sector. The main employment centers are Kraljevo, Novi Pazar and Nikšić. Unemployment is one of the greatest challenges. It is characterised by structural unemployment, long-term unemployment, growing unemployment of the young and unemployment of people aged 50+. The unemployment rates are particularly high in the Raški district and in the Northern part of Montenegro.

### *Infrastructure*

The area can be described as remote. The extent of the road network on both sides of the border is insufficient and the quality of the roads is to a large extent poor. There is no highway. The transport infrastructure needs modernisation. There is no international airport in the programme area.

### *Environment and Climate change*

A significant surface of the programme area is under different forms of nature protection. Out of the four national parks located in the area, three, representing 75% of the park territory, are situated on Montenegrin side. The area has well-preserved environment, despite some hot spots of pollution and the existing over-burdened waste disposal services.

Approximately 80% of the population in Montenegro and 30% in Serbia are covered by an organised system of waste collection and disposal at municipal waste landfills. Despite the system being organised, the collected waste is disposed without prior treatment. Municipal waste landfills are full - the legal landfills are overburdened and should be closed. In the rural areas in particular, there are many illegal, "wild" garbage dumps. It is also one of the causes of water pollution in the programme territory.

Wastewater treatment in the area is poor, with the exception of some industrial plants and part of the communal wastewater in Mojkovac.

Due to the region's high vulnerability to climate change, risk of flooding and forest fires have increased in the last decade. The climate change will also put an additional stress on hydropower production, and adaptation measures will have to take this into consideration. The programme territory's potential for renewable energy sources, especially in sustainable biomass, has not been tapped in.

### *Social development*

The overall poverty rate of Montenegro for 2009 increased by almost 2% compared to the previous year. In Serbia, 9.2% of the population lived under the absolute poverty line in 2010, which represented an increase of 2.3% compared to 2009.

The access to social and health services in general is good in urban centers or the centers of municipalities. Access in rural parts is more problematic.

For more detailed information please see Annex 1.

## **2.2 MAIN FINDINGS**

The situation and SWOT analyses identified a number of potential intervention areas that were regarded as instrumental for the development of the programme area. The main **needs and challenges** are summarised as:

### **- Making the border area attractive to live and work in**

This is one of the overall challenges of the programme. The programme territory is diverse, ranging from extremely sparsely populated areas to a few urban centers with above average population density and better access to different services. The level of development between the municipalities differs. Depopulation and ageing of the population is characteristic for the most of the territory. Lack of job opportunities is among the main reasons for the emigration of the workforce.

#### **- Improving connectivity of the programme area internally and externally**

The programme is poorly connected internally, but also to main transport routes. The closest Corridor 10 is more than four hours drive away from the central part of the programme area. Projects for the construction of a highway and modernisation of the railway Belgrade-Bar are being prepared which may significantly increase the connectivity and opportunities for economic development.

#### **- Combating poverty and social exclusion**

Poverty in both countries is rising and has become critical in rural parts. According to available data, the following groups are at a disadvantage: rural population, especially elderly, women, young age group of 0-17, single parents, single persons households age 65+, families that have three and more dependent children, the households with their head being unemployed. The needs of single parents, the elderly in rural areas, persons with disabilities, persons with mental health problems, etc. are not fully covered since adequate local services are often unavailable. When such services do exist, they are usually provided in urban centers.

#### **- Increasing employability and generation of sustainable/green jobs**

Generation of sustainable jobs is the main economic and social challenge for the programme area. The highest unemployment rates amount to 36.5% in Northern Montenegro and 44.5% in Raški District (2012). The young are the most vulnerable. In 2012, the unemployment rate of the young (age of 15-24) in Montenegro was 43.7%. In Serbia every second young person aged 15-30 is a job seeker; the unemployment rate of the young aged 15-30 is 51.2%. The share of young unemployed has increased for 16% in the last 4 years. Youth unemployment is caused by the mismatch between the education and the labor market needs, a high share of young people with no qualifications, lack of jobs in general and the high share of the grey economy. An increase in use of renewable energy sources, such as solar, wind, geothermal and bio-mass, could create green jobs, particularly in smaller communities with few employment opportunities.

#### **- Improving competitiveness and internationalisation of the businesses**

The programme territory is characterised by a number of small businesses that at present represent a minor employment creation potential. The innovation capacity and cooperation with research and development institutions is not sufficiently developed. Most of the companies operate on local markets; potentials for clustering and internationalisation are not yet exploited.

#### **- Protecting the environment and promoting climate change mitigation and adaptation**

Effective waste management and wastewater treatment are one of the key environmental challenges. Waste generated by the population living in villages and small settlements is to a large extent not collected due to lack of services and is disposed on illegal dumpsites. Water pollution is also a threat to the area. Discharge of communal and industrial wastewater into natural water flows is done with almost no treatment. An additional problem is the lack of pre-treatment of industrial wastewater discharged into the public sewage systems and a low level of residential connection to the sewerage.

The programme territory includes areas exposed to the risk of floods, fires, earthquakes and landslides. The risk of fires is particularly acute along the border. Joint risk prevention as well as adaptation and mitigations measures are of strategic importance, especially with a view of the recent disasters (floods, fires). Efforts should be made in ensuring the sustainable supply of hydro resources and biomass, given the programme territory's importance in energy supply and its potential for useenergy production by of renewable energy sources. Sustainable forest management would also contribute to this end.

#### **- Valorisation of natural and cultural assets of the programme area**

The programme area has well preserved environment and significant surface under protection. Four national parks cover 675.8 km<sup>2</sup> or around 4% of the programme area, of which 75% on the





Montenegrin side. The parks are important assets for sustainable tourism development and have potential to improve the income of the people living within and nearby.

The programme area is also one of the most culturally diverse areas in the Balkan region. It is known for its cultural heritage of national and international importance. It is known for some important monasteries, churches, and mosques. Access to cultural offer in the eligible area varies especially with a view of the urban and rural area. There is generally good coverage of the area with libraries, while other offer such as theatre or concert halls is rare. Each of the municipalities is known for a specific cultural event or festival. There are over 100 events taking place in the area.

**- Improving the governance at local and regional level**

There are 24 local self-governments in the programme area, of which two have only recently been established (Gusinje and Petnjica). On both sides reform of the local governments is taking place, which will give more competences to local level and to increase efficiency and quality of services. Municipalities/cities showed high interest in the cross border cooperation during 2007-2013 period. There are examples of inter-municipal cooperation particularly in the area of public services, tourism and environment by cooperation of municipal public utility companies.

**- Activating the innovation potential and improving Research and Development (R&D) in all sectors**

There are more than 40 science and research and development institutions in the programme area, of which 5 universities with different faculties, some being present in the rural parts as well. Cooperation between universities and business sector is low. Awareness on the possible application of R&D results in business sector is low. The innovation potential of SMEs is not encouraged. The programme area lacks business infrastructure (business innovation centers, university incubators, technology and science parks, centers of excellence).

**Key potentials** of the programme area:

- People, institutional base and networks;
- Diversity of natural and cultural potentials;
- Nature resources;
- Businesses.

## SECTION 3: PROGRAMME STRATEGY

### 3.1 RATIONALE - JUSTIFICATION FOR THE SELECTED INTERVENTION STRATEGY

The following approaches were considered in the selection of thematic priorities and design of the intervention strategy:

- Promoting the integration of the programme area;
- Building on strengths and potentials to seize the most relevant opportunities;
- Mitigating the most relevant weaknesses and minimising threats;
- Creating synergies and value added in addressing common needs and challenges by cross border cooperation;
- Respecting specifics within the programme area;
- Promoting sustainable, innovative and inclusive development of the regions aiming at better quality of life for the people;
- Building on the past experience and aiming at improving the effectiveness of partnerships, feasibility of implementation and the quality and sustainability of results;
- Complementing national, EU and other donors programmes;
- Focusing on a limited number of thematic priorities;
- Complying with the objectives set up by the relevant macro-regional strategies where both countries are members.

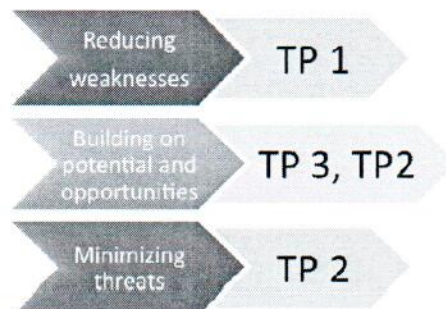
#### Programme general objective

**The programme general objective is to contribute to economic, social and territorial development of the programme area by fostering integration, joint development and use of potentials and opportunities to make the area attractive to live and work in.**

#### Selection of thematic priorities

There has been an intensive process carried out by the programme stakeholders in making strategic choices on the selection of thematic priorities. The basis was provided by the proposal of the IPA Strategic Framework for Programming and the priorities identified in the draft Country Strategy Papers.

Needs and challenges identified on the basis of the situation and SWOT analysis of the programme were used for further assessment of thematic priorities. Different aspects, such as feasibility of the implementation, contribution to the integration of the programme area, value added of the cross border cooperation, and others were examined. Outcomes of the consultation process with potential beneficiaries and lessons learned from the 2007-2013 CBC programme, including the results of evaluations, and the coherence and compatibility with other EU and other donors' programmes were also taken into account. Against this background, a strategic choice was made to address **three thematic priorities** in the programme:





TP 1: Promoting employment, labor mobility and social and cultural inclusion across the border

TP 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management

TP 3: Encouraging tourism and cultural and natural heritage

TA as a horizontal priority aiming at supporting the implementation of the entire programme.

**Table 2: Synthetic overview of the justification for selection of thematic priorities**

Selected thematic priorities	Justification for selection
Promoting employment, labor mobility and social and cultural inclusion across the border	<ul style="list-style-type: none"> <li>- Growing unemployment, high share of unemployed young people, emigration of the young</li> <li>- There is an institutional network; however cooperation between labor market, education and RTD institutions and business with regard to improving employability and employment opportunities remains underdeveloped across the border</li> <li>- Disparities between rural areas and urban centers; low level of access to social and cultural services in rural areas</li> <li>- Potential for the development of social economy, social entrepreneurship and green jobs not seized. It exists in sustainable use of local resources, inclusion of vulnerable groups and building of partnerships between public sector and civil society.</li> <li>- Large interest and a number of initiatives of potential beneficiaries</li> </ul>
Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management	<ul style="list-style-type: none"> <li>- Environmental degradation due to the low level of quality of public utilities (in particular solid waste, waste water treatment)</li> <li>- Low level of awareness on the importance of environmental protection</li> <li>- High vulnerability of the region concerning floods and fires</li> <li>- Relatively well preserved nature environment, need to increase awareness and further protection</li> <li>- Potential for production of energy by renewable sources (biomass, wind energy, solar and geothermal energy)</li> <li>- Complementarity and added value to national interventions</li> </ul>
Encouraging tourism and cultural and natural heritage	<ul style="list-style-type: none"> <li>- Diversity of exceptional natural and cultural assets with low level of valorisation</li> <li>- Considerable overnight stays generated in some parts of the programme area (RS) and potential to attract tourist already visiting other destinations in the country (MNE)</li> <li>- Low level of integration and visibility of tourist products, cooperation opportunities in joint destination development and</li> </ul>



	<p>promotion not exploited</p> <ul style="list-style-type: none"> <li>- Lack of programmes offering experience, things to do and explore which can generate new employment opportunities and income from tourism</li> <li>- Lack of tourist infrastructure and need for improvement of complementary services (e.g. mountain rescuing, guiding, etc.)</li> <li>- Interest of potential beneficiaries, experience from the current period</li> </ul>
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**Financial allocation of funds** to each thematic priority shall be as follows:

- Approximately 25% shall be allocated to the Thematic priority 1 – due to the significant needs and expressed interest of potential beneficiaries it is expected to support a larger number of employment and social inclusion initiatives. Capacity building activities and development of new services supporting will also require equipment or minor adaptations of facilities supporting employment.
- Approximately 40% shall be allocated to the Thematic priority 2 – beside soft measures and capacity building actions supplies and minor climate resilient infrastructure complementing waste and waste water management on regional level and nature protection shall be supported. Pilot or small-scale cross-border projects on renewables shall be supported.
- Approximately 25% shall be allocated to the Thematic priority 3 – integrated tourist product development is expected to include arrangement of light tourist infrastructure and purchase of equipment to enhance facilities and services provided by public and civil society organisations.
- A maximum of 10% of the programme allocation shall be used for Technical Assistance.

The implementation of the thematic priorities and specific objectives of the programme shall be, where applicable, in compliance with the objectives set up by the EU Strategy for the Danube Region (COM(2010) 715) and the EU Strategy for the Adriatic and Ionian Region (COM(2014) 357)".

### **3.2 DESCRIPTION OF PROGRAMME PRIORITIES**

#### **3.2.1 TP1 – PROMOTING EMPLOYMENT, LABOR MOBILITY, SOCIAL AND CULTURAL INCLUSION ACROSS THE BORDER**

The situation and SWOT analyses identified significant needs and common challenges regarding promotion of employment and social inclusion. The priority aims at reinforcing the opportunities of specific target groups to gain knowledge, skills and competences demanded by the labor market as well as to improve the quality and range of social services for vulnerable groups in the programme area.

##### **Specific objectives and intended results**

##### **Specific objective 1.1.: Increasing employability and employment opportunities**

Lack of jobs, threat of further redundancies resulting from restructuring and mismatch between the supply and demand on the labor market are common features of the programme area.

Relatively large number of SMEs and entrepreneurs provide a certain potential to generate future employment. Access to high education in the programme area has increased. However, the potential



for effective cooperation between the business sector, labor market institutions and education and research is not adequately exploited.

Access to life-long learning is also weak which additionally hinders opportunities of the unemployed to be re-trained and to adapt to the needs of the labor market. It is often argued that young unemployed lack work experience. These all are common challenges that can be addressed jointly.

There is room for cross border exchange and development of innovative approaches promoting employability and employment opportunities. These should primarily focus on perspective sectors and encourage the use of local resources for creation of jobs. Green economy, development of services, activation of innovation potentials resulting from cooperation between business and education centers, use of modern technologies, promotion of self-employment are some of the examples. The programme support is seen as an upgrading of the existing employment policies and instruments rather than replacing the existing ones.

### Intended results:

**1. NEW KNOWLEDGE, SKILLS AND COMPETENCES** – Improved knowledge, skills and competence, and work experience of unemployed and employed persons to better adjust to the needs of the labor market and to exploit the employment potential in perspective sectors

The intended change is in increased cross border cooperation between relevant actors aiming at improving access of both unemployed and employed to gain new knowledge, skills and competences sought by the labor market. This includes the development of new programmes or qualifications for which there is an evident demand (e.g. professions related to ICT sector, tourism, social services, green economy, etc). Access to lifelong learning programmes should be increased.

Focus should be put on providing facilities and capacities for the inclusion of the young, women and rural population. Opportunities to gather work experiences should be promoted through linking the business, education and research, especially by encouraging cooperation in innovation and research where future employment can be generated.

The potential for self-employment, support to individual producers who recognise opportunities for joint cooperation (e.g. cooperatives, clustering, etc.) and those supporting social innovation and development of social enterprises can be addressed jointly. Employment initiatives should primarily focus on activating local resources and promoting creation of green jobs (e.g. agriculture and processing, wood construction, sustainable forest management, renewable sources of energy, tourism, and other). It is critical that employment initiatives are developed in partnerships that will be able to sustain results after the programme support is finished. In this respect, cooperation between the public and civil sector should be thought of, in particular under employment initiatives in social entrepreneurship.

Competences of the actors creating the support environment should be advanced as well under this result.

### Result indicators<sup>1</sup>:

Indicator	Unit	Baseline	Target 2022
Participants with increased employability and employment competences, of which young, women rural population	number	0	200
Organisations/institutions with increased competences for development of new programmes and services	number	0	15

<sup>1</sup> Note: target values for all indicators were set on the estimation of EUR 1.5 million programme funds per year.



New services offered	number	0	1
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### **Specific objective 2.: Strengthening social and cultural inclusion of vulnerable groups**

The programme area shows significant disparities in access to social, health and cultural services between rural and urban parts. Besides, the overall level of social and health services is quite low compared to more developed countries. Quality and access to services is a specific challenge for vulnerable groups (e.g. elderly, rural population, single parents, young unemployed, women, and other vulnerable groups). A relatively well-developed network of public and civil organisations exists, however with limited financial and human resource capacities. It is expected that both countries will in the near future adopt the legislation on social entrepreneurship. This will create opportunities for joint development of partnerships and promotion of social innovation.

#### **Intended result:**

- 1. BETTER SERVICES** – Increased access to social and cultural services for vulnerable/excluded groups.

The intended change is of particular importance for ensuring equal opportunities for different groups of citizens in the programme area. There is a great demand identified for a number of services. Taking into account the financial limitations of the programme, the focus should be placed on addressing challenges of cross border relevance that can provide common solutions through pilot projects with the highest potential for sustainability and transfer to other interested regions. Solutions contributing to improving the quality of life of people in remote areas, particularly for the most vulnerable groups at risk of social exclusion, along with improved access to health and social care facilities and services should be at the programme focus. Social innovation should be promoted. Support to social and cultural inclusion of ethnic groups should also be considered as well as options for joint use of public infrastructure and services across the border (e.g. joint agreements).

#### **Result indicators:**

<b>Indicator</b>	<b>Unit</b>	<b>Baseline</b>	<b>Target 2022</b>
Vulnerable persons with access to better services, of which women and elderly	number	0	1,000
New services developed	number	0	at least 1
Organisations with increased competences	number	0	at least 25

#### **Type of activities and main target groups and final beneficiaries**

**Type of activities** supported within the thematic priority include:

- Cross border transfer of knowledge, experience and capacity building activities for specific target groups and final beneficiaries
- Capacity building (training, placements, employment initiatives) for the target groups
- Development of new qualifications, educational and training programmes addressing the needs of the labor market
- Demonstration and pilot projects supporting joint development of employment initiatives and social enterprises
- Cross border exchanges of students, unemployed, graduates
- Enhancement of facilities (works and supplies) to provide social care, health and cultural services
- Other.

For more details please see Table 3 – overview of the programme strategy.



**Target groups and final beneficiaries (the list is non-exhaustive):**

- Employment services,
- Educational and research institutions and organisations
- Chambers of commerce and crafts, associations of enterprises, clusters,
- Trade unions
- Civil society organisations/NGOs
- National, local and regional authorities
- Local and regional development agencies
- Organisations providing business support environment
- Unemployed persons, particularly those hard to place
- Employed searching for other employment opportunities
- Vulnerable groups (ethnic minorities, young, people with disabilities, women, elderly, and other vulnerable groups at risk of exclusion)
- Local communities
- Other

**3.2.2 TP2 – PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE ADAPTATION AND MITIGATION, RISK PREVENTION AND MANAGEMENT**

**Specific objectives and intended results**

The situation and SWOT analyses showed needs and common challenges that have been narrowed down to the most critical ones within this thematic priority.

**Specific objective 2.1.: Improving waste management and wastewater treatment (WWT) in the programme area**

An ineffective solid waste and wastewater management is a joint problem affecting the programme area and its solution has become one of highest national priorities in both countries. The problem is particularly evident along the rivers running through the programme area. Planning the regional solutions for waste management has only recently started. There are significant needs for extension of public utility services in rural areas, while at the same time complementary services need to be developed and supported (reducing waste, primary selection, arrangement of recycling yards, etc.). Sparsely populated areas require different solutions, in particular with regard to treatment of wastewaters.

**Intended results:**

- 1. IMPROVED CAPACITIES** of the municipalities and public utility companies for effective and efficient waste management and wastewater treatment

The intended change consists of increasing the capacity of municipalities and their public utility companies to better address the waste management and WWT by increasing knowledge transfer, promoting inter-municipal cooperation and preparing joint solutions or introducing pilot services to complement planned regional infrastructure. The priority should be given to solutions of joint problems affecting the programme area (e.g. along the rivers) and common solutions for rural areas where municipal infrastructure will not be constructed or where services are not yet available. Learning and exchange of good practice, introduction of pilot solutions in cooperation with research and development institutions can add value to promoting environment friendly approaches.

**Result indicators:**



Indicator	Unit	Baseline	Target 2022
Municipalities benefitting from waste management and WWT solutions/measures supported by the programme	number	0	at least 4
Households benefitting from common waste management and WWT solutions/measures <sup>2</sup> supported by the programme	number	0	50

### Specific objective 2.2.: Protecting nature resources and promoting climate change adaptation and mitigation

The programme area has a relatively well preserved environment, which however is under pressure for several reasons. The most common are insufficient network of public utility services and insufficient level of environmental awareness of the inhabitants and industry. These result in inappropriate practices endangering the environment and the quality of life. Increasing awareness of the relevant actors is necessary along with concrete environmental measures to ensure long-term effects. Joint solutions for the identified common problems shall be supported.

Considerable surfaces are already under nature protection. Preserving the biodiversity is a challenge to be addressed jointly especially with a view of the designation of the NATURA 2000 sites and standards. Good practice in nature preservation and potential for joint management of nature resources especially along the border where actions can have a cross border effect should be explored (forests, water resources, etc) and promoted.

The programme area has recently been exposed to a higher incidence in the number of hazards, in particular floods and fires. The climate change will also put an additional stress on hydropower production, and adaptation measures will have to take this into consideration. Further protection of nature resources is critical and cooperation should be promoted especially along the border (joint interventions, equipment, introduction of new technologies, and similar).

#### Intended results:

**1. BETTER AWARENESS** of the inhabitants and industry on the importance of preserving the environment and nature

The change is to be sought in an increased competence and environment friendly behavior of different target groups in their everyday practice. Children and young can have a positive effect on their families. Schools, local communities, and civil society can play an important role in changing the attitudes through the use of new and innovative approaches to promote the concepts of 'reduce, re-use and re-cycle'. Industry is a specific target groups to be addressed. Cooperation in exchange of good practices and development of joint programmes and solutions to increase environmental consciousness in the programme area shall be supported.

#### Result indicators:

Indicator	Unit	Baseline	Target 2022
People directly taking part in awareness raising activities (of which young )	number	0	900
Organisations taking part in awareness raising activities	number	0	12

**2. IMPROVED NATURE PROTECTION** – Increased capacities for joint management of nature resources

<sup>2</sup> (Waste collection services; separate collection of paper, glass, metal, plastic, metal waste, organic waste; recycling, rehabilitated waste dumps and others)





Increased level of cooperation between the responsible institutions for nature protection on national, regional and local levels in the programme areas is expected. Sharing of experience and learning about joint and common problems create the basis for finding joint solutions and exchange of information related to nature conservation and protection (e.g. assessment of populations of endemic and endangered species). Potential for putting together competences, equipment and human resources and development of joint protection measures should be promoted.

**Result indicators:**

Indicator	Unit	Baseline	Target 2022
Number of institutions participating in joint management initiatives	number	0	4
Area covered by joint management measures	ha	0	13,000

**3. BETTER EMERGENCY PREPAREDNESS AND CLIMATE RESILIENCE–**  
Improved level of emergency preparedness and joint risk management

Cross border cooperation in development of risk management plans and coordination of actions in emergency situation as well as capacity building should increase the preparedness of the actors and their effectiveness and efficiency in real situations. Improved climate-resilience through the implementation of adaptation measures should be pursued in all the planned actions. Priority should be placed on territories along the border (mountain areas, rivers, tangible areas such as nature parks, etc.).

**Result indicators:**

Indicator	Unit	Baseline	Target 2022
Area covered by joint risk measures / management plans	ha	0	33,000
People with increased competence related to emergency preparedness and risk management, of which women	number	0	250
Population benefitting from emergency preparedness and risk prevention measures supported by the programme	number	0	500

**Type of activities and main target groups and final beneficiaries**

The main types of activities supported under this thematic priority include:

- Cross border transfer of knowledge and experience, capacity building and awareness raising activities
- Enhancement of facilities and equipment (waste and wastewater treatment, emergency preparedness, risk prevention and mitigation, nature conservation)
- Development of joint solutions, management plans, monitoring, etc.
- Demonstration and/or pilot projects
- Other.

For more details please see Table 3 – overview of the programme strategy.

**Target groups and final beneficiaries (the list is non-exhaustive):**



- Public utility companies, local self-governments
- National, regional and local institutions and organisation dealing with environment protection, nature conservation and emergency situations
- Educational and research institutions and organisations
- Civil society organisations/NGOs
- National, local and regional authorities
- Local and regional development agencies
- Organisations responsible for management of nature resources and nature protected areas
- Local population
- Others.

### 3.2.3 TP3 – ENCOURAGING TOURISM AND CULTURAL AND NATURAL HERITAGE

#### Specific objectives and intended results

##### **Specific objective 3.1.: Improving capacities for exploiting tourism potentials of the programme area**

The programme area is one of the most culturally diverse and has exceptional nature values that provide good potential for the development of sustainable tourism. There are already specific products and sites well recognised, and some of them well visited. A considerable number of tourists are attracted to the Serbian side (ski centres, mountains, spas) while there is still potential to attract tourists travelling to the seaside in Montenegro to make a sideway and visit the mountainous parts. At present cooperation between tourist providers across the border is not yet well developed. Integrating and enhancing the offer around key products or destinations (e.g. hiking, biking, skiing, nature parks, culture and others) could increase the visibility and provide opportunities to better valorise the offer. Capacities for joint development, marketing and monitoring of the effects should be supported.

Tourism can be seen as a trigger for the development of other sectors and services in the programme area (e.g. agriculture and processing of traditional food products, handicrafts, transport services, etc.). Growing interest for things to do, explore and experience offers a number of opportunities to develop complementary programmes that at present are underdeveloped, e.g. outdoor activities, programmes for specific niche target groups.

##### **Intended results:**

#### **1. JOINT TOURIST PRODUCTS ENHANCED**

Valorisation of the natural and cultural potentials in the programme area is rather weak. For an effective integration of the tourist offer, it is necessary to improve the cooperation between tourist providers and support organisations from both sides of the border around main products with cross border development potential (nature protected areas, religious tourism, culture, outdoor and others).

The programme intends to enhance these potentials by creating a joint vision and strategies for the development and management of integrated products and/or destinations. These shall be supported by the arrangement of light tourist infrastructure, development of new attractions, related services and promotion tools. An increase in the capacities of the human resources (new competences, use of standards, and similar) is also necessary.

##### **Result indicators:**

Indicator	Unit	Baseline	Target 2022
Existing offers integrated	number	0	10
Visitors to enhanced facilities supported by the programme	number	0	at least 5,000



Existing tourist providers with improved competences	number	0	10
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## 2. COMPLEMENTARY PRODUCTS AND SERVICES DEVELOPED

The expected change is sought by revealing the potential of other sectors to complement, upgrade and diversify the tourist offer in the programme area. The priority should be given to the activation of local resources (e.g. traditional products, handicrafts, outdoor activities, nature and cultural interpretation programmes, tourist farms, tourist clusters, etc.). High mountain areas represent a specific challenge. Opportunities for development of complementary services in transport, marketing, booking, safety, etc. could be tackled. Talents and potential of the young should be promoted, especially those attending tourism related schools and faculties.

### Result indicators:

Indicator	Unit	Baseline	Target 2022
New tourist offers developed	number	0	5
New offers commercialised	number	0	2

**The main types of activities** supported under this thematic priority include:

- Establishment of cross border networks/clusters/platforms for joint development and promotion
- Cross border transfer of knowledge and experience and capacity building activities related to development of integrated tourist products and destinations
- Capacity building activities for potential new businesses
- Enhancement of tourist facilities and development of tourist infrastructure
- Development of new products, services, promotion tools
- Other.

For more details please see Table 3 – overview of the programme strategy.

### Target groups and final beneficiaries (the list is non-exhaustive):

- Tourism providers
- Tourism and related clusters
- Tourism organisations at national/regional/local levels,
- National/nature park organisations,
- Educational and research institutions and organisations,
- Civil society/NGOs,
- National, local and regional authorities,
- Local and regional development agencies,
- Associations of producers (agri-food),
- Cultural institutions,
- Chambers,
- Others.

### 3.2.4. P4 – TECHNICAL ASSISTANCE

*Specific objective:*



The specific objective of the technical assistance is to ensure the efficient, effective, transparent and timely implementation of the cross-border cooperation programme as well as to raise awareness of the programme amongst national, regional and local communities and, in general, the population in the eligible programme area. It also supports awareness-raising activities at country level in order to inform citizens in both IPA II beneficiaries. Moreover, as experience has shown under the programming cycle 2007-2013, this priority will also reinforce the administrative capacity of the authorities and beneficiaries implementing the programme with a view to improve ownership and suitability of the programme and projects' results.

The technical assistance allocation will be used to support the work of the national Operating Structures (OS) and of the Joint Monitoring Committee (JMC) in ensuring the efficient set-up, implementation, monitoring and evaluation of the programmes as well as an optimal use of resources. This will be achieved through the establishment and operation of a Joint Technical Secretariat (JTS) based on the territory of Serbia and an Antenna Office on the territory of Montenegro. The JTS will be in charge of the day-to-day management of the programme and will be reporting to the OS and JMC.

**Intended results:**

**1. The administrative support to the Operating Structures (OS) and Joint Monitoring Committee (JMC) of the programme is enhanced**

This priority will secure a smooth programme implementation during all its phases. It includes the availability of the financial means and the deployment of qualified staff in charge of assisting the Operating Structures and the Joint Monitoring Committee, as well as establishing and enforcing management, monitoring and control mechanisms and procedures. If required, it will also contribute to the preparation of the successive financial cycle (2021-2026).

**Result indicators:**

Indicator	Unit	Baseline	Target 2022
Average share of beneficiaries satisfied with the programme implementation support	percentage	<i>No data available</i>	85%

**2. The technical and administrative capacity for programme management and implementation is increased**

This priority will also provide opportunities for improving the competences and skills of the management structures of the programmes, as well as of the potential applicants and grant beneficiaries. Specific capacity building activities will be planned and executed on the basis of identified needs in the course of the implementation of the programme. As part of the lessons learned from the programme cycle 2007-2013, (i) an increased participation of the JMC members in the tasks stipulated under the IPA II legal framework will be expected; (ii) the capacity of potential applicants to develop sustainable cross-border partnerships will be enhanced; and (iii) the capacity of grant beneficiaries to satisfactorily meet the obligations of their contracts will be reinforced.

**Result indicators:**

Indicator	Unit	Baseline	Target 2022
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Average increase in the number of proposals <sup>3</sup> received within each consecutive call		<i>No data available</i>	<i>No data</i>
Average increase in the number of concept notes that would qualify for further assessment	percentage	<i>No data available</i>	50%

### 3. The visibility of the programme and its outcomes is guaranteed.

The CBC programmes have been very popular in the eligible areas thanks, amongst other things, to the visibility actions undertaken during the 2007-2013 programme cycle. Looking at the number of applicants in subsequent calls, it has been noted that there is an increasing interest for cooperation initiatives. These achievements should be maintained and even improved during the implementation of the financial perspective 2014-2020. A variety of communication channels and publicity tools should be developed to ensure regular information between programme stakeholders and a wider audience. CBC programmes are invited to present their best practice achievements in the annual fora and other events related to the macro-regional strategies where the countries are members, including participation in events related to the macro-regional strategies where the countries are both participating.

#### Result indicators:

Indicator	Unit	Baseline	Target 2022
People participating in promotional events	percentage	2,103	110%
Visits to the programme websites	percentage	39,474	110%

#### Type of activities:

A non-exhaustive list of potential activities covered by the technical assistance allocation would include:

- Establishment and functioning of the Joint Technical Secretariat and its Antenna.
- Organisation of events, meetings, training sessions, study tours or exchange visits to learn from best practice of other territorial development initiatives
- Participation of staff of the management structures in Western Balkans or EU forums
- Preparation of internal and/or external manuals/handbooks
- Assistance to potential applicants in partnership and project development (partners search forums, etc.)
- Advice to grant beneficiaries on project implementation issues
- Monitoring of project and programme implementation, including the establishment of a monitoring system and related reporting
- Organisation of evaluation activities, analyses, surveys and/or background studies
- Information and publicity, including the preparation, adoption and regular revision of a visibility and communication plan, dissemination (info-days, lessons learnt, best case studies, press articles and releases), promotional events and printed items, development of communication tools, maintenance, updating and upgrading of the programme website, etc.
- Support to the work of the Joint Task Force in charge of preparing the programme cycle 2021-2026

<sup>3</sup> Please note that in financial perspective 2014-2020 possible tailored/Strategic Call for Proposals are envisaged with clear focus and/or certain requirements regarding potential beneficiaries. Also, Calls for Proposals might use the rotating principle for selection of TPs and their specific objectives and in that respect the number of proposals will not necessarily be increased.



- Participation in the annual fora and other events related to the macro-regional strategies: EU Strategy for the Adriatic and Ionian Region and the EU Strategy for the Danube Region
- 

**Target groups and final beneficiaries (non-exhaustive list):**

- Programme management structures, including the contracting authorities
- Potential applicants
- Grant beneficiaries
- Final project beneficiaries
- General audience

**Table 3: Overview of the programme strategy**

<b>Thematic priority: PROMOTING EMPLOYMENT, LABOUR MOBILITY AND SOCIAL AND CULTURAL INCLUSION ACROSS THE BORDER</b>			
<b>Specific objective(s)</b>	<b>Results</b>	<b>Indicators</b>	<b>Types of activities</b> (The list is non-exhaustive)
1.1 Increasing employability and employment opportunities	<b>1.1.1 New knowledge, skills and competences</b>	<p>No. of participants with increased employability and employment competences, of which young, women rural population</p> <p>No. of organisations/institutions with increased competences for development of new programmes and services</p> <p>No. of new services offered</p>	<p>Training and capacity building actions to increase knowledge and skills required on the labor market (ICT, life skills, social skills, new or shortage occupations, etc.)</p> <p>Activities aiming to increase contacts and cooperation of students, graduates and educational institutions with potential employers (e.g. internships, on the job training/placement, engagement in research and innovation within the business sector, mentoring, and similar)</p> <p>Development of lifelong learning programmes, VET systems, new qualification programmes</p> <p>Enhancement of facilities (works and supplies) of the relevant actors providing training, work experience, research and innovation support concerning employment and employment initiatives</p> <p>Establishment of training centers addressing common/shared needs</p> <p>Activities fostering CB use of infrastructure/services</p> <p>Promotion of entrepreneurship, especially among young and rural population (e.g. green jobs using local resources and materials, organic production and processing, medicinal herbs sustainable tourism, social innovation, ICT services, RES, etc.)</p> <p>Pilot employment initiative projects,</p>



			<p>including those supporting the development of social economy and social enterprises</p> <p>CB employment initiatives addressing common employment potentials of rural areas (cooperatives, joint processing and marketing facilities, crafts, branding, etc.)</p>
<p>1.2 Strengthening social and cultural inclusion</p>	<p><b>1.2.1 Better services</b> - Increased access to social and cultural services for vulnerable/excluded groups</p>	<p>No. of vulnerable persons with access to better services, of which women and elderly</p> <p>No. of new services developed</p> <p>No. of organisations with increased competences</p>	<p>Enhancement of health care facilities, promoting access to health services in rural areas (mobile units, etc.)</p> <p>Promotion of healthy life style and prevention activities</p> <p>Exchange of experience and good practice, capacity building related to social innovation</p> <p>Demonstration/pilot projects developing new programmes and services for vulnerable groups (deinstitutionalisation, women empowerment, services for elderly, children and young, and other vulnerable groups at risk of social exclusion etc.)</p> <p>Activities fostering CB use of infrastructure/services</p> <p>Establishment of centers/facilities providing opportunities for excluded groups to work, develop talents, socialise, etc.</p> <p>Activities, events promoting cultural and social inclusion</p>



**Thematic priority: PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE ADAPTATION AND MITIGATION, RISK PREVENTION AND MANAGEMENT**

<b>Specific objective(s)</b>	<b>Results</b>	<b>Indicators</b>	<b>Types of activities</b> The list is non-exhaustive
2.1. Improving waste management and waste water treatment	<b>2.1.1. Improved capacities -</b> of the municipalities and public utility companies for effective and efficient waste and wastewater management	No of households benefiting from common waste management and WWT solutions/measures  No of municipalities benefiting from waste management and WWT solutions/measures supported by the programme	Exchange of experience and capacity building for the (regional) public utility companies to introduce inter-municipal/regional solutions to waste management and WWT Developing joint solutions for effective waste management and WWT in particular in rural areas and along the main rivers – feasibility studies, joint management, Activities leading to establishment of recycling yards in the municipalities, provision of placement for recyclable waste, establishing of system for specific waste streams, removal of illegal dumps and the establishment of regular collection and transport of waste Development of systems for exchange and collection of data on the quantities and composition of waste generated in the municipalities across the programme area, Development of cadastre of water polluters, air polluters, soil polluters, planning and protection of agricultural land area Demonstration projects of CB relevance (promotion of primary waste selection, establishment of recycling yards, establishment of cattle cemeteries, WWT in rural areas, etc.) e.g. along the rivers of Ibar and Lim, rural areas
2.2. Protection of nature resources	<b>2.2.1. Better awareness -</b> Improved awareness of the inhabitants and industry on the importance of environmental and nature protection	No of people directly taking part in awareness raising activities - of which young  No of organisations taking part in awareness raising activities	Environmental education and awareness raising for specific target groups (inhabitants, children and young, public and private sector, rural population, city etc.) Strengthening capacities of NGOs and their networks Joint environmental actions (e.g. rehabilitation of illegal wastes, creative/innovative recycling, nature protection actions, composting, environmental and nature protection research camps, etc.) Joint media activities, policy monitoring, Informative and educational programmes in schools, Innovation in the presentation of the monitoring results on environmental quality, etc.
	<b>2.2.2. Improved nature protection -</b> Increased capacities for	Number of institution included in joint management initiatives	Developing joint management plans for nature protected areas, protection of nature resources, monitoring and exchange of monitoring data, bio-diversity and geo-diversity maps etc. Introduction to NATURA 2000 standards Assessment of populations for endemic and





	joint management of nature protected areas	Area covered by joint management measures (ha)	endangered species Demonstration projects addressing protection of nature resources, such as biodiversity, conservation of natural habitats by invasive species, etc.
	<b>2.2.3. Better emergency preparedness and climate resilience -</b> Improved level of emergency preparedness and joint risk management	Area covered by joint risk measures / management plans (ha)  No of people with increased competence related to emergency preparedness and risk management and adaptation action, of which women  % of population benefitting from emergency preparedness and risk prevention measures	Joint risk management activities (risk assessment, development of measures for fire prevention, flooding, pollution, management and coordination, etc.) Common capacity building (training on preparedness, rescuing, awareness raising among specific target groups, prevention, etc.) Demonstration projects of CB relevance (implementation of measures, purchase of equipment, establishment of joint emergency centers, etc.)

**Thematic priority: ENCOURAGING TOURISM AND CULTURAL AND NATURAL HERITAGE**

Specific objective(s)	Results	Indicators	Types of activities (Examples to be further elaborated)
3.1. Improving capacities for exploiting tourism potentials of the programme area	<b>3.1.1. Joint tourist products enhanced</b>	No of existing offers integrated  No of visitors to enhanced tourist facilities  No of existing tourist providers with improved competences	Activities related to encourage cooperation and coordination among tourist organisations and providers from both sides of border, Development of joint concept, visions, and future programme development Promotion of the institutional cooperation with public and nongovernmental organisations connected to tourism Activities aiming at encouraging investment opportunities in tourism of the programme area Integration of existing individual offers into joint ones centered around main products, e.g. hiking, biking, spa, skiing, religious tourism, art and culture routes, nature protected areas, traditional food, ... Arrangement of light infrastructure to support development of key products (e.g. visitor centers, sign posting, minor renovation of historical/cultural sites for the tourism purpose, recreational facilities,



			<p>etc.)</p> <p>Capacity building activities for tourist providers focusing on the development, quality and integration of offers, destination development and management</p>
	<p><b>3.1.2. Complementary products and services developed</b></p>	<p>No of new tourist offers developed</p> <p>No of new tourist offers commercialised</p>	<p>Capacity building for the development of complementary services valorising natural and cultural, potentials (e.g. nature interpretation, guiding programmes for specific target groups, outdoor and indoor programmes) involving local population, the potential and existing businesses and organisations</p> <p>Activities related to diversifying the offer by inclusion of other sectors (e.g. agriculture processing, organic food supply, handicrafts and other local products, culture, sustainable transport, etc.),</p> <p>Activities encouraging supply chains and clusters</p> <p>Development of specific offers in rural and mountainous areas, especially for involvement of women</p> <p>Development of innovative offers and services using ICT and other available technologies (e.g. GPS routes, booking systems, etc.)</p> <p>Development of attractions</p> <p>Increasing capacities of specific services (e.g. mountain rescuing, guiding services,)</p> <p>Development of innovative niche offers focusing on specific target groups (disabled, young, elderly,...)</p> <p>Development of tourist statistics, and a system of monitoring of the influence of tourism on the regional</p> <p>Assurance of the standards of international quality in hotel industry</p> <p>Preparation and implementation of a professional and comprehensive hospitality</p>



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			programme Improvement of system of secondary professional schools for hotels and catering with provision of new profiles of professions in tourism Promotion of activities that will lead to raising of quality of destination management
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The promotion of local cross-border **people to people actions** is considered as a horizontal modality that may be applied, where relevant, in pursuing all the selected thematic objectives.

### 3.3 HORIZONTAL AND CROSS-CUTTING ISSUES

**Environmental and climate change issues** are ranked very high in the programme. Needs and challenges regarding environmental protection, resource efficiency, risk prevention and climate action shall be addressed under the Thematic priority no 2. Environmental issues shall also be observed under the other two thematic priorities. Particular focus of the thematic priority 1 is placed on promotion of employment in the emerging green economy sector. The programme area's nature resources and protected areas shall be addressed through development of sustainable tourism offers under the Thematic priority no 3. Environmental issues shall be observed in the quality assessment of the proposed operations.

**Equal opportunities and prevention of discrimination** based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation shall be observed during the preparation, design and implementation of the cooperation programme. During the programme design the needs of various target groups at risk of such discrimination were considered. The programme put attention on promoting equal opportunities for vulnerable groups (ethnic minorities, unemployed, young, elderly, women, disabled and others) under the Thematic priority no 1. Equal opportunities are also promoted in the sense of addressing the specific needs of the population in the mountainous rural parts of the programme area where access to different public services is limited. During the programme implementation the inclusion of vulnerable groups as target groups or final beneficiaries shall be monitored all across its priorities.

**Equality between men and women** shall also be respected in all phases of the cooperation programme. In the course of preparation of the situation analysis and during public consultation the particular needs of women were highlighted in terms of access to employment and social care. The potential beneficiaries shall be encouraged to observe the situation of women and men where appropriate during planning and implementation of the projects. Gender disaggregated data shall be monitored through indicators of performance where appropriate.

Projects prepared under the Area Based Development (ABD) approach to facilitate sustainable growth in defined geographical areas in cross-border regions in the Western Balkans, in particular rural areas characterised by specific complex development problems, may be considered for funding under this cross-border cooperation programme. Account will be taken of the preparatory work for the ABD approach already carried out in the cross-border region covering Serbia and Montenegro.

**SECTION 4: FINANCIAL PLAN**

Table 1 shows the indicative annual amount of Union contribution to the cross-border cooperation programme for the period 2014-2020. Table 2 provides an indicative distribution of the allocations per thematic priority as well as an indication on the maximum amount of Union co-financing

**Table 1: Indicative financial allocations per year for the 2014-2020 cross-border cooperation programme**

Year	IPA II CBC PROGRAMME SERBIA – MONTENEGRO							Total (EUR)
	2014	2015	2016	2017	2018	2019	2020	2014-2020
<b>CBC Operations (all thematic priorities)</b>	840.000	1.200.000	1.200.000	840.000	1.200.000	1.200.000	1.080.000.	<b>7,560,000</b>
<b>Technical Assistance</b>	360.000	0	0	360.000	0	0	120,000	<b>840,000.00</b>
<b>Total (EUR)</b>	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	<b>8,400,000</b>

**Table 2: Indicative financial allocation per priority and rate of Union contribution**

PRIORITIES	IPA II CBC PROGRAMME SERBIA- MONTENEGRO 2014-2020			
	Union contribution	Beneficiary/ies co-financing	Total funding	Rate of Union contribution
	(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)
TP1: Promoting employment, labor mobility and social and cultural inclusion across the border	2 100 000.00	370 588.24	2 470 588.24	85%
TP 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management	3 360 000.00	592 941.18	3 952 941.18	85%
TP 3: Encouraging tourism and cultural and natural heritage	2 100 000.00	370 588.24	2 470 588.24	85%
P4 : Technical Assistance	840 000.00	0.00	840 000.00	100%
<b>GRAND TOTAL</b>	<b>8 400 000.00</b>	<b>1 334 117.66</b>	<b>9 734 117.66</b>	

The Union contribution has been calculated in relation to the eligible expenditure, which is based on the total eligible expenditure including public and private expenditure. The Union co-financing rate at



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the level of each thematic priority shall not be less than 20% and not higher than 85% of the eligible expenditure.

The co-financing of the thematic priorities will be provided by the grant beneficiaries. Grant beneficiaries should contribute with a minimum of 15% of the total eligible expenditure

The amount dedicated to technical assistance shall be limited to 10% of the total amount allocated to the programme. The Union co-financing rate shall be 100%.

Funds for the thematic priorities will be committed through Commission Implementing Decisions covering one to three years allocations, as appropriate. Funds for technical assistance will be committed through a separate Commission Implementing Decision.

## **SECTION 5: IMPLEMENTING PROVISIONS**

### **Calls for proposals:**

The responsible authorities in the participating countries are planning to implement the majority of interventions through grant schemes based on public calls for proposals. They will ensure full transparency in the process and access to a wide range of public and non-public entities. The Joint Monitoring Committee will be responsible for identifying the thematic priorities, specific objectives, target beneficiaries and specific focus of each call for proposals which shall be endorsed by the European Commission.

The dynamics of publication of calls for proposals depends on a number of factors, including logistics, timing of the evaluation and level of interest from the potential applicants. It cannot be therefore defined at this stage how many calls for proposals will be published during the programme period. The responsible authorities are anyway committed to publish calls for proposals avoiding overlapping of TPs between different CBC programmes. The calls for proposals will in principle use the rotating principle for selection of TPs and their specific objectives.

Before the publication of the calls for proposals (and the definition of the tendering documents) the responsible authorities will review the current needs/perspectives and achievement of indicators in previous CfPs. On this basis a list of TPs and specific objectives to be published in the CfPs will be proposed. The plan will be coordinated with other programmes/CfPs that could be eventually open/published at the same time, to avoid overlapping. For subsequent calls for proposals under this financial cycle, those TPs and/or specific objectives which had not been previously published would be selected.

### **Strategic projects:**

During the preparation of the programme no strategic projects have been identified. However during the programme implementation period it might be considered to allocate part of the financial allocation of the programme to one or more strategic projects. The identification of strategic projects will depend on whether specific interest is demonstrated by both countries to address specific strategic priorities. Strategic projects may relate to all three thematic priorities, whereas the biggest potential lies within the Priority 2. Projects of a preparatory character, such as the compilation of project documentation, cannot be considered strategic projects.

The strategic framework of the projects can be defined in the relevant macro-regional strategies where both countries are members.

Strategic projects can be selected through calls for strategic projects or outside call for proposals. In the latter case the programme partners will jointly identify and agree on any strategic project(s) that



will be approved by the JMC at the appropriate moment along the programme implementation. After the identification and confirmation of the strategic approach by the responsible authorities and the JMC, relevant institutions (lead institutions for strategic projects) will be invited to submit their proposals in the form of terms of reference, technical specifications or bills of quantities. In that event, after being proposed and approved by the JMC and endorsed by the Commission, the CBC programme must be amended to incorporate such a strategic project.

In both cases the received proposals will be evaluated on the basis of pre-defined and non-discriminatory selection criteria. Strategic projects shall deliver clear cross border impacts and benefits to the border area and its people. The following shall also be observed: relevance and contribution of the project for the programme specific objectives and expected results, maturity and feasibility of the project sustainability of results.

**Macro-regional strategies:**

As the two countries are participating in the EU Strategy for the Danube Region (COM(2010) 715) and the EU Strategy for the Adriatic and Ionian Region (COM(2014) 357)", the definition and development of the strategic projects can be made in the framework of the priority areas or the topics identified in both, communication and action plan of those strategies. The same also applies for the call for proposals which can be launched in relation to the priority areas or topics of the macro-regional strategies where the programme is a part.



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## **Part One: General Provisions**

### **Article 1 - Execution period, operational implementation period and contracting deadline**

- (1) The execution period is the period during which the Financing Agreement is implemented and includes the operational implementation period as well as a closure phase. The duration of the execution period is stipulated in Article 2(1) of the Special Conditions, and shall start on the entry into force of this Financing Agreement.
- (2) The operational implementation period is the period in which all operational activities covered by procurement and grant contracts of the Action Programme are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions, and shall start on the entry into force of this Financing Agreement;
- (3) The execution and operational implementation periods shall be respected by the Contracting Authority when concluding and implementing procurement and grant contracts within this Financing Agreement.
- (4) Costs related to the operations of this Action Programme shall be eligible for EU financing only if they have been incurred during the operational implementation period.
- (5) The procurement and grant contracts shall be concluded at the latest within three years of the entry into force of the Financing Agreement, except:
  - (a) amendments to contracts already concluded;
  - (b) individual procurement contracts to be concluded after early termination of an existing procurement contract;
  - (c) contracts relating to audit and evaluation, which can be signed after operational implementation;
  - (d) change of the entity charged with entrusted tasks.
- (6) A procurement or grant contract which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed.

### **Article 2 - The IPA II beneficiaries and their joint duties**

- (1) As provided for in Article 76(3) of the respective Framework Agreements, the IPA II beneficiaries shall cooperate closely, and shall jointly fulfill in particular the following functions and assume the following responsibilities:
  - (a) prepare the cross-border cooperation programmes in accordance with Article 68 of the respective Framework Agreements, or revisions thereof;
  - (b) ensure participation to the Joint Monitoring Committee (JMC) meetings and other bilateral meetings;
  - (c) nominate their representative(s) to the JMC;
  - (d) set up the Joint Technical Secretariat (JTS) and ensure that it is adequately staffed;
  - (e) prepare and implement the strategic decisions of the JMC;
  - (f) support the work of the JMC and provide it with the information required to carry out its tasks, in particular data relating to the progress of the operational programme in achieving the specific objectives and targets per thematic priority as set up in the cross-border cooperation programme;
  - (g) establish a system to gather reliable information on the cross-border cooperation programme's implementation;
  - (h) draw up the annual and final implementation reports as referred to in Article 80 of the respective Framework Agreements in accordance with Article 3;
  - (i) prepare and implement a coherent plan on communication and visibility;
  - (j) draw up an annual work plan for the Joint Technical Secretariat, to be approved by the JMC.

### **Article 3 - Reporting requirements**

- (1) For the purpose of the reporting requirements set out in Article 80(1) of the respective Framework Agreements, the operating structures shall use the template provided for in Annex III to this Financing Agreement.
- (2) For the purpose of the general reporting requirements to the Commission set out in Article 58 of the Framework Agreement and the specific reporting requirements under indirect management set out in Articles 59(1) of the respective Framework Agreements on the annual report on the implementation of IPA II assistance, the NIPACs shall use the template provided for in Annex IIIA to this Financing Agreement.
- (3) For the purpose of the specific reporting requirements under indirect management set out in point (a) of Article 59(2) of the Framework Agreement on the annual financial report or statements, the NAO in the IPA II beneficiary that is the Contracting Authority shall use the templates provided for in points (a) and (b) of Annex IV to this Financing Agreement.
- (4) For the purpose of Article 59(4) of the Framework Agreement the NIPAC in the IPA II beneficiary that is the Contracting Authority shall submit a final report on the implementation of IPA II assistance of this Action Programme to the Commission no later than four months after the last disbursement to its contractors or grant beneficiaries.
- (5) For the purpose of Article 59(6) of the Framework Agreement the NAO in the IPA II beneficiary that is the Contracting Authority shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 10(5). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex IV.

### **Article 4 - Visibility and Communication**

- (1) As provided for in the provisions of Articles 24(1), 76(3)(k), and Article 78(8)(f) of the respective Framework Agreements, the IPA II beneficiaries shall prepare a coherent plan of visibility and communication activities which shall be submitted to the Commission for an agreement within 6 months of the entry into force of this Financing Agreement.
- (2) These visibility and communication activities shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission, in force at the time of the activities.

### **Article 5 - Intellectual property rights**

- (1) Contracts financed under this Financing Agreement shall ensure that the IPA II beneficiaries acquire all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.
- (2) The IPA II beneficiary that is the Contracting Authority shall guarantee that the Commission, or anybody or person authorised by the Commission, and the other IPA II beneficiary shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

### **Article 6 - Eligibility of costs**

- (1) The following expenditure shall not be eligible for funding under this Financing Agreement:
  - (a) debts and debt service charges (interest);
  - (b) provisions for losses or potential future liabilities;

- (c) cost declared by the beneficiary(ies) and financed by another action or work programme receiving a Union grant;
  - (d) currency exchange losses;
  - (e) credits to third parties;
  - (f) fines, financial penalties and expenses of litigation.
- (2) The purchase of land not built on and land built on in the amount up to 10% of the total eligible expenditure for the operation concerned shall be eligible for funding under IPA II cross-border cooperation assistance if it is justified by the nature of the action and provided in Annex I.

## **Part Two: Provisions Applicable to Indirect Management by the IPA II beneficiary**

### **Article 7 - General principles**

- (1) The purpose of Part Two is to lay out the rules for implementing the Action Programme under indirect management and in particular the rules related to the entrusted budget implementation tasks as described in Annex I and to define the rights and obligations of the IPA II beneficiary that is the Contracting Authority and the Commission respectively in carrying out these tasks.
- (2) As provided for in point (b) of Article 76(3) of the respective Framework Agreements, the IPA II beneficiaries shall jointly prepare a bilateral arrangement and ensure its implementation.
- (3) The IPA II beneficiary that is not the Contracting Authority shall cooperate with the IPA II beneficiary that is the Contracting Authority to ensure that the following tasks are fulfilled:
  - (a) carry out operational follow-up and management of the operations as provided for in point (b) of Article 76(4) of the Framework Agreement;
  - (b) verifications in accordance with Article 76(5) of the Framework Agreement;
  - (c) protection the financial interest of the Union as provided for in Article 51 of the Framework Agreement.

### **Article 8 - Procurement and grant award procedures**

- (1) The tasks referred to in Article 7(3) shall be carried out by the IPA II beneficiary that is the Contracting Authority in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in force at the time of the launch of the procedure in question (PRAG), as well as in accordance with the required visibility and communication standards referred to in Article 4(2).
- (2) In accordance with Article 18(2) of the Framework Agreement the Commission will provide the IPA II beneficiary that is the Contracting Authority with further guidance as to the adaptation of the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions to the specific case of cross-border cooperation.
- (3) The IPA II beneficiary that is the Contracting Authority shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement.
- (4) The IPA II beneficiaries shall fully cooperate in establishing evaluation committees as provided for in point (a) of Article 76(4) of the respective Framework Agreements.

- (5) The IPA II beneficiary that is the Contracting Authority shall inform the Commission when a candidate, tenderer or applicant is in a situation of exclusion from participating in procurement and grant award procedures, or has been found in serious breach of its contractual obligations.

In such cases, without prejudice to the power of the Commission to take measures against such an entity according to the applicable Financial Regulation, financial penalties mentioned in the provisions on administrative and financial penalties of the General Conditions of procurement and grant contracts concluded by the IPA II beneficiary that is the Contracting Authority may be imposed on the contractors and grant beneficiaries by this IPA II beneficiary if this is allowed by its national law. Such financial penalties shall be imposed following an adversarial procedure ensuring the right of defense of the contractor or grant beneficiary. The IPA II beneficiary that is the Contracting Authority shall take into account the information contained in the Central Exclusion Database, when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation with the Commission<sup>1</sup> (European Commission, Directorate- General for Budget, Accounting Officer of the Commission, BRE2-13/505, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu in copy to the Commission address identified in Article 3 of the Special Conditions).

- (6) The IPA II beneficiary that is the Contracting Authority shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement, or as from an earlier date in case if the procurement procedure, call for proposals or direct grant award procedure was launched prior to the entry into force of this Financing Agreement:

- (a) For procurement procedures in particular:

- a) Forecast notice with proof of publication of the procurement notice and any corrigenda;
- b) Appointment of shortlist panel;
- c) Shortlist report (incl. annexes) and applications;
- d) Proof of publication of the shortlist notice;
- e) Letters to non-shortlisted candidates;
- f) Invitation to tender or equivalent;
- g) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;
- h) Appointment of the evaluation committee;
- i) Tender opening report, including annexes;
- j) Evaluation / negotiation report, including annexes and bids received;<sup>2</sup>
- k) Notification letter;
- l) Cover letter for submission of contract;

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The IPA II beneficiary shall be allowed to have direct access to the Central exclusion database through a liaison point when the Beneficiary certifies to the Commission service responsible that it applies the adequate data protection measures as provided in the Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).

<sup>2</sup> Elimination of unsuccessful bids five years after the closure of the procurement procedure.

- m) Letters to unsuccessful candidates;
  - n) Award / cancellation notice, including proof of publication;
  - o) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.
- (b) For calls for proposals and direct award of grants in particular:
- a) Appointment of the evaluation committee;
  - b) Opening and administrative report including annexes and applications received;<sup>3</sup>
  - c) Letters to successful and unsuccessful applicants following concept note evaluation;
  - d) Concept note evaluation report;
  - e) Evaluation report of the full application or negotiation report with relevant annexes;
  - f) Eligibility check and supporting documents;
  - g) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
  - h) Cover letter for submission of grant contract;
  - i) Award/cancellation notice with proof of publication;
  - j) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 6(a) and (b) of this Article shall be complemented by all relevant supporting documents as required by the procedures referred to in section 1 of this Article, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spots checks reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.

All relevant financial and contractual documents shall be kept for the same duration in accordance with Article 49 of the Framework Agreement.

**Article 9 - Ex-ante controls on grant and procurement procedures and ex post controls on contracts and grants to be performed by the Commission**

- (1) The Commission may exercise *ex ante* controls on the tendering of contracts, launch of calls for proposals and the award of contracts and grants for the following stages of procurement or grant award:
- (a) approval of contract notices for procurement, work programmes for calls for proposals and any corrigenda thereof;
  - (b) approval of tender dossiers and guidelines for applicants on grants;
  - (c) approval of the composition of Evaluation Committees;
  - (d) approval of evaluation reports and award decisions<sup>4</sup>;
  - (e) approval of contract dossiers and contract addenda.
- (2) With regard to ex ante controls the Commission shall decide:
- (a) to perform *ex ante* controls on all files, or
  - (b) to perform *ex ante* controls on a selection of such files, or

<sup>3</sup> Elimination of unsuccessful applications three years after the closure of the grant procedure.

<sup>4</sup> For service contracts this steps includes ex ante controls concerning approval of the shortlist.

- (c) to completely dispense with *ex ante* controls.
- (3) If the Commission decides to perform *ex ante* controls in accordance with paragraph 2, letters (a) or (b) of this Article, it shall inform the IPA II beneficiary that is the Contracting Authority of the files selected for *ex ante* controls. This IPA II beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex ante* control, at the latest at the time of submission of the contract notice or the work programme for publication.
- (4) The Commission may decide to perform *ex post* controls, including audits and on-the-spot controls, at any time on any contracts or grants awarded by the IPA II beneficiary that is the Contracting Authority arising out this Financing Agreement. This IPA II beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex post* control. The Commission may authorize a person or an entity to perform *ex post* controls on its behalf.

#### **Article 10 - Bank accounts, accounting systems, and cost recognised**

- (1) After the entry into force of this Financing Agreement, the National Fund and the operating structure of the IPA II beneficiary that is the Contracting Authority for the Action Programme shall open at least one bank account denominated in euro. The total bank balance for the Action Programme shall be the sum of the balances on all the Action Programme bank accounts held by the National Fund and all participating operating structures in the IPA II beneficiary that is the Contracting Authority.
- (2) The IPA II beneficiary that is the Contracting Authority shall prepare and submit to the Commission disbursement forecast plans for the duration of the implementation period of the Action Programme. These forecasts shall be updated for the annual financial report referred to in Article 3(2) and for each request for funds. The forecasts shall be based on a documented detailed analysis (including the planned contracting and payment schedule per contract for the following twelve months) which shall be available to the Commission on request.
- (3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole implementation period and monthly disbursement forecasts for the first twelve months of the Action Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the implementation period of the Action Programme and monthly disbursement forecasts for the following fourteen months.
- (4) The IPA II beneficiary that is the Contracting Authority is required to establish and maintain an accounting system in accordance with Clause 2(3)(b) of Annex A to the Framework Agreement which will hold at least the information for the contracts managed under the Action Programme indicated in Annex V.
- (5) Cost recognised in the accounting system maintained under the section 4 of this Article must have been incurred, paid and accepted and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA II beneficiary that is the Contracting Authority under local contracts.
- (6) The cost recognised in the accounting system shall be used by the Commission for its own provisional recognition of cost during the implementation of the Action Programme (including clearance of pre-financing paid to the IPA II beneficiary that is the Contracting Authority), the approval process for payments, the final clearance of accounts procedure at the end of the Action Programme, the annual cut-off exercise and any other management implementation and performance reviews.

- (7) The IPA II beneficiary that is the Contracting Authority shall provide to the Commission reports as follows:
- (a) Cut-off report - as set out in Article 3(5);
  - (b) Annual reports as set out in paragraphs (2) to (4) of Article 3;
  - (c) Request for funds reports as referred to in Article 11.

**Article 11 - Provisions on payments made by the Commission to the IPA II beneficiary that is the Contracting Authority**

- (1) The IPA II beneficiary that is the Contracting Authority shall submit its initial disbursement forecast for the Action Programme, prepared pursuant to Article 10(2), with the first pre-financing payment request. The first pre-financing payment shall be for 100 % of the forecast disbursements for the first year of the disbursement forecast plan.
- (2) The IPA II beneficiary that is the Contracting Authority shall submit subsequent pre-financing payment requests when the total bank balance for the Action Programme falls below the disbursements forecast for the following five months of the Action Programme.
- (3) Each request for additional pre-financing shall be supported by following documents:
- a) A summary of all disbursements made for the Action Programme;
  - b) The bank balances for the Action Programme at the cut-off date of the request;
  - c) A forecast of disbursement for the Action Programme for the following fourteen months at the cut-off date of the request in accordance with Annex IV point (d).
- (4) The IPA II beneficiary that is the Contracting Authority may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the cut-off date of the request, less the balances referred to in section 3(b) of this Article at the cut-off date of the request for funds increased by any amount funded by the IPA II beneficiary under paragraph 5 of this Article and not yet reimbursed.

The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA II beneficiary that is the Contracting Authority under this Programme and on all other IPA I or IPA II programmes managed by the IPA II beneficiary that is the Contracting Authority exceeds the disbursement forecast for the next fourteen months.

- (5) Where the payment is reduced under paragraph 4 of this Article, the IPA II beneficiary that is the Contracting Authority must fund the Programme from its own resources up to the amount of the reduction. The IPA II beneficiary that is the Contracting Authority may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph 4 of this Article.
- (6) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA II beneficiary that is the Contracting Authority to give reasons for the delay in disbursing the funds and demonstrate a continuing need for them within the next following two months.
- (7) Interest generated by pre-financing of the Action Programme bank balances shall not be due.
- (8) Following Article 33(4) of the Framework Agreement, if interruption of time limit for payment request exceeds two months, the IPA II beneficiary that is the Contracting Authority may request a decision by the Commission on whether the interruption of time limit is to be continued.
- (9) The final financial declaration referred to in Article 37(2) of the Framework Agreement shall be submitted by the NAO no later than 16 months after the end of operational implementation period.

### **Article 12 - Interruption of payments**

- (1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 16 and 17 respectively, and in addition to Article 39 of the Framework Agreement, the Commission may interrupt payments partially or fully, if:
  - (a) the Commission has established, or has serious concerns that the IPA II beneficiary that is the Contracting Authority has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Action Programme, or has failed to comply with its obligations under this Financing Agreement;
  - (b) the Commission has established that or has serious concerns, whether the IPA II beneficiary that is the Contracting Authority has committed systemic or recurrent errors or irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the reliability of the IPA II beneficiary's internal control system or the legality and regularity of the underlying expenditure;

### **Article 13 - Recovery of funds**

- (1) In addition to cases referred to in Article 41 of the Framework Agreement, the Commission may recover the funds from the IPA II beneficiary that is the Contracting Authority as provided in the Financial Regulation, in particular in case of:
  - (a) the Commission established that objectives of the Action Programme set out in Annex I are not achieved;
  - (b) non eligible expenditure;
  - (c) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Action Programme, in particular in the procurement and grant award procedure.
- (2) In accordance with national law, the IPA II beneficiary that is the Contracting Authority shall recover the Union contribution paid to the IPA II beneficiary that is the Contracting Authority from recipients who were in any situation defined in paragraph 1 points b) or c) of this Article or referred to in Article 41 of the Framework Agreement. The fact that the IPA II beneficiary that is the Contracting Authority does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA II beneficiary that is the Contracting Authority.
- (3) The IPA II beneficiary that is not the Contracting Authority shall do its utmost to support the IPA II beneficiary that is the Contracting Authority in the recovery when the recipient is established on its territory. The arrangement for recoveries shall be provided in the bilateral arrangement to be concluded in accordance with Article 69 of the respective Framework Agreements.
- (4) Amounts unduly paid or recovered by the IPA II beneficiary that is the Contracting Authority, amounts from financial, performance and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA II beneficiary that is the Contracting Authority on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA II beneficiary that is the Contracting Authority shall be either re-used for the Action Programme or returned to the Commission.



### **Part Three: Final Provisions**

#### **Article 14 - Consultation between the IPA II beneficiaries and the Commission**

- (1) The IPA II beneficiaries and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 18 of these General Conditions.
- (2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA II beneficiaries to remedy the situation and take any steps that are necessary.
- (3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.
- (4) The Commission shall regularly inform the IPA II beneficiaries of the implementation of activities described in Annex I which do not fall under Part Two of these General Conditions.

#### **Article 15 - Amendment of this Financing Agreement**

- (1) Any amendment of this Financing Agreement shall be made in writing.
- (2) If the IPA II beneficiaries request an amendment, the request shall be submitted jointly to the Commission at least six months before the amendment is intended to enter into force.
- (3) The Commission can amend the Model Documents in Annex III, IIIA, IV and V without this necessitating an amendment to this Financing Agreement. The IPA II beneficiaries shall be informed in writing about any such amendment and its entry into force.

#### **Article 16 - Suspension of this Financing Agreement**

- (1) The implementation of this Financing Agreement may be suspended in the following cases:
  - a) If any IPA II beneficiary breaches an obligation under this Financing Agreement.
  - b) If the IPA II beneficiary that is the Contracting Authority breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the respective Framework Agreements without prejudice to the provisions in Article 8(2).
  - c) If the IPA II beneficiary that is the Contracting Authority does not meet requirements for entrusting budget implementation tasks.
  - d) If the IPA II beneficiaries do not jointly fulfil the functions and responsibilities referred to in Article 2(1) and when applicable in indirect management Article 7(3).
  - e) If any IPA II beneficiary decides to suspend or cease the EU Membership accession process.
  - f) If any IPA II beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption.
  - g) In cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour

disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.

Neither of the parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.

- (2) The Commission may suspend this Financing Agreement without prior notice.
- (3) The Commission may take any appropriate precautionary measure before suspension takes place.
- (4) When the suspension is notified, the consequences for the on-going procurement and grant contracts and delegation agreements and for such contracts, delegation agreements to be signed shall be indicated.
- (5) A suspension of this Financing Agreement is without prejudice to the termination of this Financing Agreement by the Commission in accordance with Article 17.
- (6) The parties shall resume the implementation of the Financing Agreement once the conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Action Programme to the new implementing conditions, including, if possible, the extension of the implementation period, or the termination of this Financing Agreement in accordance with Article 17.

#### **Article 17 - Termination of this Financing Agreement**

- (1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- (2) This Financing Agreement shall be automatically terminated, if within a period of two years of its signature:
  - (a) it has not given rise to any payment;
  - (b) no implementing contract or delegation agreement has been signed.
- (3) When the termination is notified, the consequences for the on-going procurement and grant contracts, and such contracts or grants to be signed shall be indicated.
- (4) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 43 and 44 of the Framework Agreement.

#### **Article 18 - Dispute settlement arrangements**

- (1) Any dispute concerning the Financing Agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 14 may be settled by arbitration at one of the parties' request.
- (2) Each party shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within

30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.

- (3) Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.
- (4) Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

# **MODEL**

## **Annual CBC Report on Implementation**

**IPA II Cross-border cooperation between  
IPA II beneficiaries  
(Article 80 of the Framework Agreement)**

Annex III CBC annual report – CBC Financing Agreement IPA II

**1. Identification**

CROSS-BORDER PROGRAMME	Programme title: Cross-border programme <country A> – <country B> <year>/<year>
	20xx appropriations:
	20xx appropriations:
	20xx appropriations:
ANNUAL REPORT ON IMPLEMENTATION	Reporting year (from 1 <sup>st</sup> January 20xx until 31 December 20xx)
	Prepared by: – <operating structure country X> – <operating structure country Y>
	Date of examination of the annual report by the Joint Monitoring Committee

Legal basis: Article 80 of the IPA II Framework Agreement

## **2. Overview of the implementation of the Cross-border cooperation programme**

### **2.1 Achievement and analysis of the progress**

- *A summary of programme implementation during the period covered (activities carried out, calls launched, partner search forums, JMC meetings, etc).*
- *If relevant , include also information on the 2014-2020 programme preparation or revision*

### **2.2 Progress made in implementing the cross –border cooperation programme (Art.80.1a IPA II FWA)**

Progress made in implementing the cross-border cooperation programme and in particular in achieving the specific objectives per thematic priority (and also of the TA priority), including qualitative and quantitative elements indicating progress in relation to targets.

#### **2.2.1 Quantitative analysis**

- *Information on the progress made in implementing the cross-border programme with quantifications when possible using the targets and indicators included in the programme (Fill Annex 1)*

*Analysis of the achievements as measured by the physical and financial indicators. Indicators shall be broken down by gender, where possible.*

*If the figures (data) are not yet available, information on when they will become available and when they will be included in the annual report on implementation should be provided. In addition, the information may be presented graphically.*

#### **2.2.2. Qualitative analysis**

- *Qualitative analysis of the progress made in implementing the cross-border programme including an analysis of the impact of the programme in the programme area*

### **2.3 Detailed information about the financial execution of the cross –border cooperation programme (Art.801(d) IPA II FWA)<sup>1</sup>**

- *Information on contracting and disbursement of yearly appropriations (\*\*Fill Annex 2)*
- *Analysis of the following factors:*
  - *Financial status*
  - *Information on co-financing*
  - *Factors that impeded and/or delayed the financial implementation*
  - *Factors that had a positive impact on the financial implementation*

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<sup>1</sup> This paragraph shall be included in the reports only in the case of indirect management.

## Annex III CBC annual report – CBC Financing Agreement IPA II

### **2.4. Information on the steps taken by the operating structures and/or the Joint Monitoring Committee to ensure the quality and effectiveness of implementation:**

#### **2.4.1 Monitoring and evaluation**

- *Monitoring measures taken by the operating structures or the Joint monitoring committee, including data collection arrangements.*
- *In programmes implemented in indirect management evaluation measures taken by the operating structure where the contracting Authority is located (article 57 of the FWA).*

#### **2.4.2. Problems encountered and corrective actions**

- *Summary of any significant problems encountered in implementing the programme and any corrective actions taken.*
- *Recommendations for (further) corrective actions.*

### **2.5 Visibility and publicity**

- *Measures taken to ensure the visibility of and publicise the programme (visibility plan), including examples of best practice and highlighting significant events.*

### **2.6 The use made of technical assistance**

- *Detailed explanation of the use made of technical assistance.*
- *Summary of any significant problems encountered in implementing the TA budget*

### **2.7 Changes in the context of the cross-border programme's implementation (if relevant)**

- *Description of any element which, without stemming directly from the assistance of the programme, have a direct impact on the programme's implementation (e.g. legislative changes, relevant socio-economic changes, etc.)*

\*\*\* - include an annex 2 – list of projects and short summary

Period covered by the report:  
01/01/20XX-31/12/20XX

Report issued on XX/XX/20XX

**Annual Report on the implementation of IPA II assistance under direct and indirect management by [country] submitted by the National IPA Coordinator**

**I. Executive Summary**

1. Reference to the objectives of the Country Strategy Papers and a brief overview of challenges in the sectors
2. Involvement in programming
3. Relations with the European Commission.
4. Problems encountered in meeting the required conditions for implementation and in ensuring sustainability, related measures taken/planned, recommendations for further action.
5. Relevant issues stemming from the IPA II beneficiary's participation in the IPA monitoring committee and in sectoral monitoring committees (including Joint Monitoring Committee for CBC), if any.
6. Involvement in Multi-country actions and any related issues.
7. Monitoring and evaluation activities, main lessons learned & follow-up to recommendations.
8. Communication and visibility activities.
9. Donor coordination.

*In case of indirect management the executive summary should also cover:*

10. Overall implementation of IPA assistance under indirect management (max. one page).
11. Main horizontal problems encountered in the implementation of IPA assistance and subsequent measures taken/planned (max. half page).
12. Recommendations for further actions (max. half page).
13. Audits – main findings and recommendations and corrective actions taken



## II. Information per Sector

**Sector title<sup>1</sup>:** [*Transport*]

Narrative part: summary per sector, including the following information:

1. Involvement in programming
2. Overview of results in moving towards a fully-fledged sector approach (i.e. targets reached as per sector roadmap in the Sector planning document).
3. Coordination with other instruments and/or donors/ IFI's within the sector
4. The impact of IPA II actions within the sector on the development of the relevant national administrative capacity in the sector, strategic planning and budgeting

*Under indirect management the following information should also be included:*

5. Operating structure(s) in place and related changes, if relevant: [*Ministry of Transport*]
6. Information on the implementation of programmes in the sector
7. Main achievements in the sector
8. Any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
9. Recommendations for further actions
10. Implemented monitoring and evaluation activities, audits – main findings & lessons learned, recommendations, follow-up and corrective action taken

**Sector title: Cross-Border Cooperation<sup>2</sup>**

1. Involvement in programming as appropriate.
2. Progress made in implementing the CBC programme and in particular in achieving the specific objectives per thematic priority (including qualitative and quantitative elements indicating progress in relation to targets)
3. A summary of problems encountered in implementing the CBC programme and any corrective actions taken, as well as recommendations for further corrective actions.

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<sup>1</sup> As per the sectors in the indicative Strategy Papers.

<sup>2</sup> For Cross-border Cooperation specific reporting is required.

Annex IIIA Model Annual Report

4. Monitoring, including data collection arrangements and where applicable evaluation activities.
5. Communication and visibility activities.
6. Coordination with the partner country.

*Under indirect management the following information should also be included:*

1. Operating structure in place and related changes, if relevant.
2. Any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
3. Recommendations for further actions
4. Implemented audits – main findings & recommendations and corrective action taken

## II a. Performance indicators in the [e.g. Transport] sector covering both direct and indirect management:

### Indicators<sup>3</sup> per programme

Financing Agreement/Programme reference <sup>4</sup>	Indicator for sector [Transport]	Source	Baseline	Milestone (2017)	Target (2020)	Value (2014 <sup>5</sup> )
2014 country programme	<i>Reduction of average travel time of passengers between major urban centres by transport mode</i>					
2014-20xx multiannual programme	<i>Reduced transportation costs per unit of output</i>					

<sup>3</sup> These should be mostly outcome, as well as selected relevant output indicators

<sup>4</sup> It has to be consistent with the way of programming (annual, multi-annual with or without split commitments) and with the NAO report

<sup>5</sup> Number of columns to be adjusted for all years from 2014 up to the year of the reporting period. Values should be cumulative.

**II b. Overview at the action level for sector [e.g. Transport]**

Financing Agreement/ Programme reference	Action	State of play/Progress for particular action (e.g. ToR in preparation, tender launched, contracted, under implementation, completed)	Main achievements and their assessment	Significant problems encountered in implementing the entrusted tasks and the measures taken/planned to overcome them	Developments that influence implementation for the future	Recommendations for corrective further actions
[2014 country programme]	Electrification of the railway line from xxx to border with xxx	e.g. Service contract for preparation of ToR for the works contract signed and under implementation, tender for works contract to be launched in the second quarter of 2015		e.g. The service contract for the preparation of ToR for the works contract was delayed as the negotiated procedure failed and had to be re-launched	e.g. change of local law, like alignment with and implementation of the fourth Railway package	

*Under indirect management the following annexes should also be provided:*

**Annex 1**

Overview of the functioning of the management and control systems (including changes in the institutional structure) (max. one page).

Transparency, visibility, information and communication activities in line with FWA (max. one page)

**Annex 2**

Success stories (N.B. this section may be used for the annual financial assistance report prepared by the European Commission)

**Annex 3**

Annual procurement plan

*For both direct and indirect management, the following annex should be provided:*

**Annex 4**

Sector approach roadmap – achievements (highlighting whether planned targets have been fulfilled or not)

IPA II benefi

Contract number	Financing Agreement contract number	Programme Budget			Total Amount Contracted			Contracted %			Total Amount Decommited on closure			Decommitted %			Total Amount Disbursed			Disbursed %			Total C
		3a	3b	3c	4a	4b	4c	5a	5b	5c	6a	6b	6c	7a	7b	7c	8a	8b	8c	9a	9b	9c	
	2																						
110	2010/123-456																						
IB 2010																							



**IPA II beneficiary financial report (\*)**

Programme Reference	Financing Agreement contract number	Programme EU Contribution Budget	Local Contract Activities							Total Open Pre-financing	Open Pre-financing %	
			Total Amount Contracted	Contracted %	Total Amount Decommited on closure	Decommited %	Total Amount Disbursed	Disbursed %	Total Costs Recognised			Costs %
1	2	3	4	5 4/3*100%	6	7 6/4*100%	8	9 8/4*100%	10	11 10/4*100%	12	13 12/4*100%
NP2010	2010/123-456											
Sub-programme Action												

(\*) 15 February





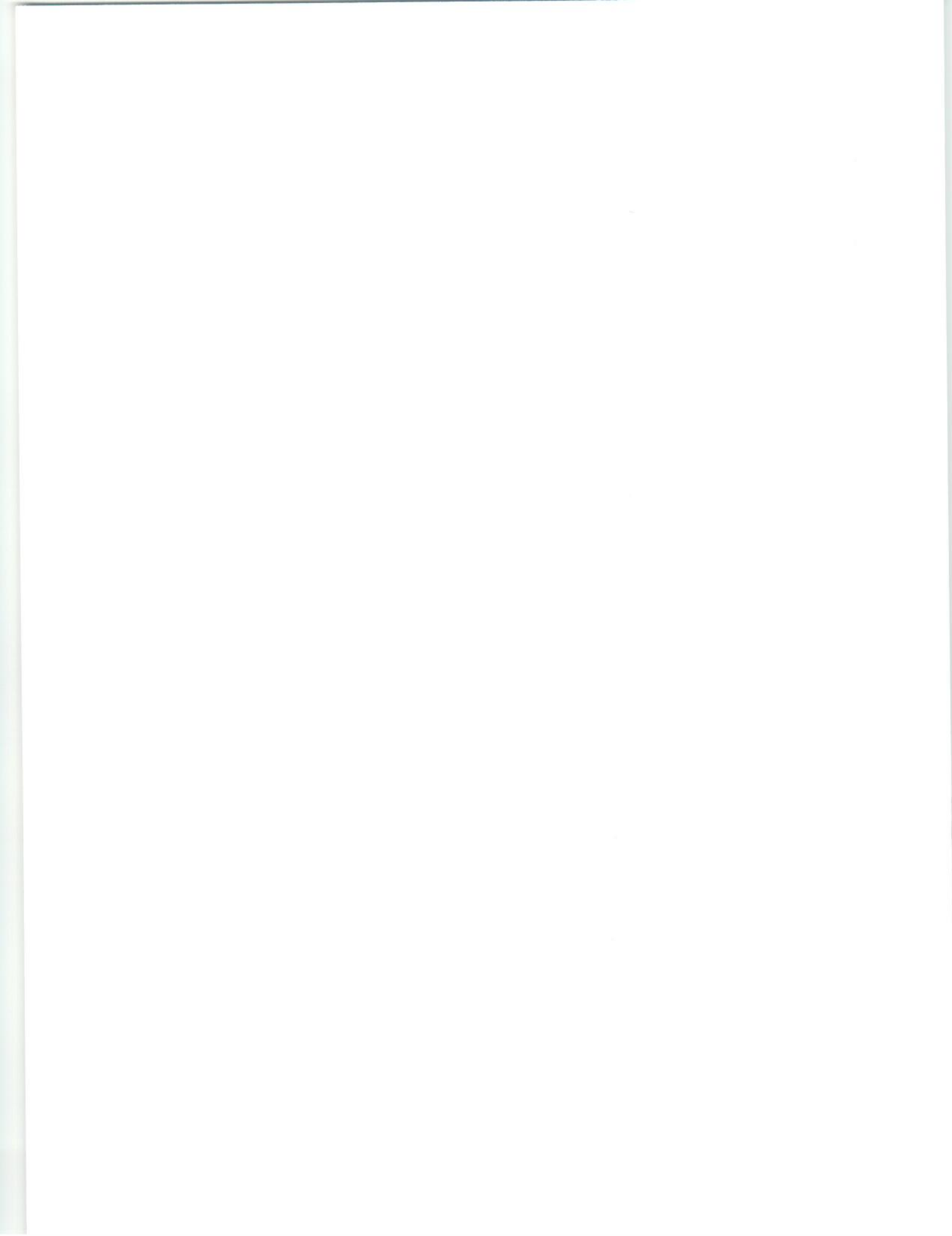
**IPA II beneficiary financial report (\*)**

Programme Reference	Financing Agreement contract number	Programme EU Contribution Budget	Local Contract Activities				Bank Balances	
			Total Amount Contracted	Total Amount Decommited on closure	Total Amount Disbursed	Total Costs Recognised		Total Open Pre-financing
1	2	3	4	5	6	7	8	9
<b>NP2010</b>	<b>2010/123-456</b>							

(\*) 15 January



Programme Reference	Planned Disbursement Forecasts (Add years as necessary)																
	Monthly Disbursement Forecast (12 months for first pre-financing/ 14 months for subsequent prefinancing)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total Year 1	Year 2	Year 3
NP2010 CBC AA/BB 2010															0		
														0			



Annex V to the Financing Agreement  
Accrual Based Accounting System Minimum Specification

The accounting system of the IPA II beneficiary shall meet following requirements:

1. Reflect the organisational structure put in place for the internal control systems suited to the performance of duties. In particular before an operation is authorised, all aspects (both operational and financial) of the operation have to be verified by members of staff other than the one who initiated the operation. The person dealing with the verification cannot be subordinated to the initiator of the transaction.
2. Include an audit trail for all transactions and amendments.
3. Possess adequate physical and electronic security including back-up and recovery systems.
4. The accounting system should hold at least the following information for the local contracts managed under each programme:
  - (a) Contract reference;
  - (b) Contract value including any amendments;
  - (c) Contract signature dates (both parties);
  - (d) Contract implementation start date;

This is in addition to the contract signature date and may differ from it, as when the contract works start date is given after the signature of the contract through an Administrative Order.

- (e) Contract implementation end date including any amendments;

This is the final date on which eligible costs can be incurred. It does not include any guarantee period or time allowed for report preparation by the contractor.

- (f) Total paid (cash) by contract;
  - (g) Pre-financing paid by contract;

Explicit recognition and recording on the balance sheet of contractually required pre-financing.

- (h) Cost recognised – direct (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some payments will directly cover costs already incurred. No pre-financing is involved. They may be final

Annex V to the Financing Agreement  
Accrual Based Accounting System Minimum Specification

payments where any pre-financing has already been cleared or interim payments where pre-financing has been cleared or where the contract does not include the provision of pre-financing.

(i) Cost recognised – indirect (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some invoices or cost claims submitted by a grant beneficiary or contractor will relate to costs that are covered by pre-financing paid earlier in the implementation period of the grant agreement or contract. In these cases the payment made will be less than the reported cost. It may even be zero if all the cost is covered by pre-financing. (it will certainly be zero if the reported costs are insufficient to absorb the pre-financing and a recovery order is issued for the unused balance of the pre-financing.) In all such cases the system should record the full value of the reported eligible cost as expenses for the year and reduce the balance of pre-financing by the amount of cost offset against the pre-financing when determining the amount payable.

(j) Recovery orders to reduce pre-financing (by contract);

Recognition of the reduction of pre-financing on the balance sheet following a recovery of unused pre-financing.

(k) Recovery orders to reduce cost (by contract);

When a recovery is made against cost that had earlier been accepted – possibly following an investigation for fraud. In such cases the recorded costs for the year must be reduced if the cost was accepted in the same year as the subsequent recovery; or income must be recorded where the cost was accepted in an earlier year than that of the recovery.

(l) Supplier's invoice date for each invoice or other document accompanied by a financial report giving rise to recognised costs;

(m) Recovery context information on ineligible cost and recoveries.

## Annex VI: Conditions related to indirect management

The following conditions will need to be addressed at given deadlines:

<b>1. All IPA entities</b>			
<b>Conditions</b>	<b>Concerned party(ies)</b>	<b>Priority</b>	<b>Implementation Deadline</b>
<i><b>Control environment</b></i>			
a) Implementation of the CBC programme can only start in the presence of a stable, adopted legal framework, the key cornerstone being the bilateral arrangement; and enforceable primary and secondary legislation for the IPA CBC entities.	Serbia/ Montenegro	High	1 month after the adherence of the last party to this Financing Agreement
b) Well substantiated workload analyses must be developed, which take account of all activities assigned to every concerned entity.	Serbia	Low	6 months after the adherence of the last party to this Financing Agreement
c) The controls and audits to be carried out in the process of the programme implementation (including for instance verifications of expenditure, management verifications, assurance verifications by the National Authorising Officer Support Office, results-oriented monitoring of operations, internal audits, external audits by the Audit Authority) shall be further elaborated and streamlined in the legal framework and the working arrangements as appropriate.	Serbia	High	1 month after the adherence of the last party to this Financing Agreement
d) The Joint Monitoring Committee (JMC) is yet to be established. The JMC shall adopt its Rules of Procedure (RoP) to be drawn up in consultation with the operating structures and the Commission. Details of the functioning of JMC shall be described in its RoPs, which shall be adopted by unanimity at the first JMC meeting. The final draft of the JMC's RoP shall be sent to the Commission as soon as possible and in any event not later than the implementation deadline.	Serbia/ Montenegro	Medium	3 months after the adherence of the last party to this Financing Agreement
e) The final draft of the Joint Technical Secretariat's (JTS) Manual of Procedures (MoP) shall be submitted to the Commission as soon as possible and in any event not later than the implementation deadline. The national authorities are requested to clearly identify the tasks which are assigned to the JTS by the operating structures of both participating IPA II beneficiaries.	Serbia/ Montenegro	Medium	3 months after the adherence of the last party to this Financing Agreement
<i><b>Information and communication</b></i>			
f) The ICT environment in the CBC structures must comply with the applicable internationally accepted standards (in particular ISO/IEC 27002). The accounting system for IPA funds shall be reliable and stable and ensure full and transparent accounting following accepted accounting principles, in particular in terms of IT security and ensuring the stability of financial data.	Serbia	Low	6 months after the adherence of the last party to this Financing Agreement
<i><b>Monitoring of internal control framework</b></i>			



g) Staff assigned to IPA II internal audit in the CBC structures must meet the job requirements and to be ready to meet the rigours of the internal audit profession (e.g. appropriate training provided, audit plan).	Serbia	Medium	3 months after the adherence of the last party to this Financing Agreement
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**2. National Authorising Officer (NAO), National Authorising Officer Support Office (NAOSO) and National Fund (NF)**

Conditions	Concerned party (ies)	Priority	Implementation Deadline
<i>NAO supervision of proper implementation of the recommendations</i>			
a) All modalities of the supervisory and follow-up tools must be set up for an effective and timely implementation of the recommendations in this Annex.	Serbia	High	1 month after the adherence of the last party to this Financing Agreement
<i>Control environment</i>			
b) The NAOSO and NF must be established in such a way that they are functionally separated and operationally subordinated to the NAO.	Serbia	Low	6 months after entry into force of the Financing Agreement for the National Programme Serbia 2014
<i>Monitoring of internal control framework</i>			
c) The efficiency of the systems must be ensured and respect of the principle of sound financial management shall be strengthened.	Serbia	Medium	3 months after entry into force of the Financing Agreement for the National Programme Serbia 2014
d) The assurance mechanisms in place to ensure NAO and NAOSO have sufficient control over the internal control systems as to their operations, guaranteeing a level of protection of the financial interests of the European Union equivalent to that required under the Financial Regulation must be strengthened.	Serbia	Medium	3 months after entry into force of the Financing Agreement for the National Programme Serbia 2014
e) A mix of operational & budget execution indicators must be developed and used, to ensure that the principle of sound financial management is respected and the functioning of the internal control systems is effective and efficient.	Serbia	Medium	3 months after entry into force of the Financing Agreement for the National Programme Serbia 2014
f) A central set of procedures and training materials for identifying, recognising, reporting and monitoring irregularities, for all implementation levels must be developed.	Serbia	Medium	3 months after entry into force of the Financing Agreement for the National Programme Serbia 2014

**3. NIPAC and Operating Structures (OSs)**

Conditions	Concerned	Priority	Implementation
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	party (ies)		Deadline
<b>Control environment</b>			
a) Segregation of duties within the operating structures and between the NIPACs and the operating structures shall be streamlined and strengthened in both the legal framework and the working arrangements.	Serbia/ Montenegro	Medium	3 months after the adherence of the last party to this Financing Agreement

<b>4. National Fund (NF) and Operating Structures (OSs)</b>			
Conditions	Concerned party (ies)	Priority	Implementation Deadline
<b>Control activities</b>			
a) Accounting procedures in the CBC ICS ensuring complete, accurate and transparent accounting following internationally accepted accounting principles must be finalised.	Serbia	Low	6 months after the adherence of the last party to this Financing Agreement

<b>5. Operating structures</b>			
Conditions	Concerned party (ies)	Priority	Implementation Deadline
<b>Control activities</b>			
a) The different bodies within the operating structure shall put in place appropriate audit, control and accounting systems and standards. Operational management functions and financial management functions shall be organised separately within these bodies. The risk of inadequate segregation of duties must be adequately recognised and evaluated and subsequently it must be ensured that necessary mitigating controls are put in place, and/or supervision increased and/or controls added if necessary.	Serbia	Medium	3 months after the adherence of the last party to this Financing Agreement
b) The control modalities and the control arrangements, including a control guideline, governing the organisation and performance of verifications of expenditure and management verifications of operations shall be much further detailed and structured in both the legal framework and the working arrangements.	Serbia	High	1 month after the adherence of the last party to this Financing Agreement
<b>Information and communication</b>			
c) The national authorities shall establish and maintain a computerised system to record and store data on each project necessary for monitoring, evaluation, financial management, control and audit, including data on individual participants/grant beneficiaries in projects, where applicable. In particular, it will record and store technical and financial reports for each project. The operating structures shall also use this computerised system to collect and summarise the information about the projects to the annual reports and other possible reports and evaluations.	Serbia/ Montenegro	Medium	3 months after the adherence of the last party to this Financing Agreement
d) The IPA II beneficiaries are required to have their communication and visibility plan agreed by the Commission within 6 months of the entry into force of the FA so that planned efforts in raising awareness of potential applicants and final beneficiaries about the	Serbia/ Montenegro	Medium	3 months after the adherence of the last party to this Financing Agreement but not

specific CBC. For this purpose, this plan prepared by the two operating structures, with the assistance of the JTS, shall be drafted within the implementation deadline, in order to be sufficiently examined and timely approved by the JMC. This plan should cover the whole programme area.			later than 6 months after the entry into force of this Financing Agreement
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<b>6. Audit Authority (AA)</b>			
<b>Conditions</b>	<b>Concerned party (ies)</b>	<b>Priority</b>	<b>Implementation Deadline</b>
<i>Control environment</i>			
a) The Group of Auditors (GoA) should be set up within the specified implementation deadline with their Rules of Procedures (RoPs) drafted.  The audit strategy must be issued before the first pre-financing for the 2014 CBC action programme can be made.	Serbia	High	1 month after the adherence of the last party to this Financing Agreement
b) A head of the audit authority who possesses adequate competence, knowledge and experience in the field of audit to carry out the required tasks must be appointed in a clear and consistent selection procedure.	Serbia	High	Before the first pre-financing payment for the National Programme Serbia 2014
c) An effective strategy for staff retention must be prepared, which may include compensation (monetary and non-cash benefits), career development, and employee feedback which, if effectively utilised, should result in increased morale, lower staff turnover (thus lower recruitment expenses), attraction of quality employees, maintaining or improving job performance, higher productivity, and preserving corporate knowledge.	Serbia	High	1 month after the entry into force of the Financing Agreement for the National Programme Serbia 2014
d) The draft legal basis shall ensure that the AA has the full legal authority to fulfil AA's functions. These shall be enshrined through the revision of relevant legal framework (law on EU funds audit, statute of the AA, Rulebook on operations of the AA, Rulebook on internal organisation and job classification of the AA, etc).	Serbia	High	1 month after entry into force of the Financing Agreement for the National Programme Serbia 2014
e) The draft legal basis must ensure the financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources.	Serbia	High	1 month after entry into force of the Financing Agreement for the National Programme Serbia 2014
<i>Monitoring of Staffing policy</i>			
f) Well substantiated workload analyses must be developed, which take account of audit activities related to both 2007-2013 and 2014-2020 IPA funds including CBC programme subject to the AA's review, based on which the number and qualifications (experience and technical skills) of staff are made visible and correspond to the identified needs.	Serbia	High	1 month after entry into force of the Financing Agreement for the National Programme Serbia 2014
g) Staff must be recruited and/or allocated tasks in	Serbia	High	1 month after entry into force of the

accordance with needs identified in updated workload analyses. AA will regularly report to the EC on staffing levels.			Financing Agreement for the National Programme Serbia 2014/every month
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