Ref. Ares(2020)219723 - 14/01/2020

EUROPEAN COMMISSION
Neighbourhood and Enlargement Negotiations (DG NEAR)

D - WESTERN BALKANS
The Director

Brussels, 14 JAN. 2020

Dear Ambassador Nikaj,

I would like to refer to the verbal note Nr 301/2019 of 31 December 2019 from the Embassy of Kosovo to Belgium to the Directorate General Neighbourhood and Enlargement Negotiations of the European Commission relating to the Financing Agreement between Montenegro, Kosovo and the European Commission on the Cross-Border Cooperation Action Programme Montenegro – Kosovo for the years 2018-2020 global commitment number (CRIS):2018/041-472.

Please note that the European Commission herewith confirms that the date of entry into force of the above-mentioned Financing Agreement is **31 December 2019**, the day on which the European Commission received notification from Kosovo of its ratification of the Financing Agreement in accordance with the internal procedures in Kosovo.

I would appreciate if you could convey this message to Minister Hoxha.

Yours sincerely,

Genoveva Ruiz Calavera

Mr Bernard Nikaj
Ambassador
Kosovo Embassy
Avenue Roger Vandendriessche 38
1150 Brussels

c.c.: Ambassador Bojan Šarkić (Mission of Montenegro to the EU)
Mr. Kushtrim Cukaj – Secretary General of the Ministry of European Integration of Kosovo
D. Cullen, M. Farrar-Hockley, T. Hagleitner, M.T. Moran, G. Purvis, J.B. Kastel, I. Wertheim (DG NEAR)
N. Apostolova, L. Brusa, L. Tolea, A. Tahiri (EU Office, Pristina)

ARIS (2020) 504147 - 27/01/20

EUROPEAN UNION
DELEGATION TO MONTENEGRO

Head of Delegation

Nora GD

ORG7

Podgorica,

Subject: **Signature of the Financing Agreement for IPA II CBC Montenegro-Kosovo (2018 allocations)** - CRIS 2018/041-472

Dear Ms Glisevic-Djurovic,

Please find enclosed one original of the Financing Agreement for IPA II CBC Montenegro-Kosovo (2018 allocations), signed by all parties.

Also please note that one signed original has been kept by Ms Dhurata Hoxha, Minister of EU Integration, National IPA Coordinator in Kosovo. Another signed original has been transmitted to the European Commission, Directorate-General for Neighbourhood and Enlargement Negotiations.

Yours sincerely,

Aivo ORAV

Crna Gora
VLADA CRNE GORE

Primljeno: 30.1.2020			
Org. jed.	Broj	Prilog	Vrijednost
01-004-178			

Ms Ivana Glisevic-Djurovic
NIPAC and Chief Negotiator
Office for European Integration
Bulevar Revolucije 15
81 000 Podgorica
MONTENEGRO

Encl.: Financing Agreement for IPA II CBC MNE-KOS (2018 allocation)

Address: Vuka Karadzica 12, 81000 Podgorica, Montenegro
Tel: +382 20 444600, Fax: +382 20 444666, e-mail: Delegation-montenegro@ec.europa.eu

http://www.delmne.ec.europa.eu/

ARES(2020)452183 17/1/20

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

Montenegro, represented by the Government of Montenegro – European Integration Office, and Kosovo*, represented by the Ministry of European Integration, hereinafter jointly referred to as "the IPA II beneficiaries", or separately 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 2018 allocation of the following Action Programme as described in Annex I:

Cross-border Cooperation Action Programme Montenegro – Kosovo* for the year 2018-2020. (CRIS 2018 / 041-472)

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

(2) The total estimated cost of the 2018 allocation of this Action Programme is EUR 1,411,764 and the maximum Union contribution to this Action Programme is set at EUR 1,200,000.

No financial contribution is required from the IPA II beneficiaries.

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.

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* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

[1] 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 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 Genoveva Ruiz Calavera
Director D, Western Balkans
Directorate-General for Neighbourhood and Enlargement Negotiations
European Commission
15, Rue de la Loi, B – 1049 Brussels, Belgium
E-mail: NEAR-D1@ec.europa.eu

b) **for the IPA II beneficiaries**

For Montenegro:
Ms Ivana Glišević Đurović, Deputy Chief Negotiator and
National IPA Coordinator
Government of Montenegro
European Integration Office
Bulevar Revolucije 15
81000 Podgorica, Montenegro
E-mail: ivana.glisevic@gsv.gov.me

For Kosovo:
Ms Dhurata Hoxha
Minister of European Integration
National IPA Coordinator
Ministry of European Integration
10000 Pristina, Kosovo
Functional e-mail address: mei@rks-gov.net

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:

For Montenegro:
AFCOS contact point/AFCOS office
Ms Nataša Kovačević
Ministry of Finance of Montenegro
Stanka Dragojevića 2, 81000 Podgorica, Montenegro
natasa.kovacevic@mif.gov.me

For Kosovo:
Ms Dhurata Hoxha
Minister of European Integration
National IPA Coordinator (NIPAC)
10000 Pristina, Kosovo
E-mail: dhurata.hoxha@rks-gov.net

Article 5 – Framework Agreements

The Action Programme shall be implemented 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 and in accordance with the provisions of the Framework Agreement between the European Commission and Kosovo on the arrangements for implementation of Union financial assistance to Kosovo under the Instrument for Pre-Accession Assistance (IPA II) which entered into force on 16 April 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: Cross-border Cooperation Action Programme Montenegro – Kosovo* for the years 2018-2020;

c) Annex IA: IPA II CBC Programme Montenegro-Kosovo* 2014-2020;

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;

(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 – Entry into force

This Financing Agreement shall enter into force on the date on which the Commission receives a notification from the last IPA II beneficiary confirming the completion of the internal procedures of the IPA II beneficiary necessary for its entry into force. The Commission shall inform the IPA II beneficiaries of the date the receipt of this notification. The Financing Agreement shall not enter into force if such a notification is not received by the Commission by 31 December 2019.

This agreement is drawn up in triplicate in the English language, one being handed to the Commission and one to each of the IPA II beneficiaries.

For the IPA II beneficiaries:

For Montenegro:

Ms Ivana Glišević Đurović
Deputy Chief Negotiator
and National IPA Coordinator
Government of Montenegro –
European Integration Office

Podgorica, on 11/11/2019

For Kosovo:

Ms Dhurata Hoxha
Minister of European Integration
National IPA Coordinator

Pristina, on 26/12/2019

For the Commission:

Ms Genoveva Ruiz Calavera
Director D, Western Balkans
Directorate-General for Neighbourhood and
Enlargement Negotiations
European Commission

Brussels, on 30/12/2019

ANNEX

to the Commission Implementing Decision
adopting a Cross-border cooperation Action Programme Montenegro – Kosovo*
for the years 2018-2020[1]

Multi-annual Work Programme **This document constitutes the multi-annual work programme in the sense of Article 110(2) of Regulation (EU, Euratom) 2018/1046**

1 IDENTIFICATION

Beneficiaries	Montenegro, Kosovo
CRIS/ABAC Commitment references **Union Contribution** **Budget line**	2018/ 041-472 EUR 1,200,000 22.020401 2019/ 041-474 EUR 1,200,000 22.020401 2020/ 041-475 EUR 1,080,000 22.020401
Management mode **Responsible Structures**	Indirect management by Montenegro. The Operating Structure responsible for the execution of the operations is: Office for European Integration The Contracting Authority is the Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) at the Ministry of Finance The partner Operating Structure in Kosovo is: Ministry of Local Government Administration
Final date for concluding <u>Financing Agreement(s)</u> with the IPA II beneficiaries (tripartite)	For the budgetary commitment of year 2018 at the latest by 31 December 2019 For the budgetary commitment of year 2019 at the latest by 31 December 2020 For the budgetary commitment of year 2020 at the latest by 31 December 2021
Final date for concluding contracting including conclusion of contribution/delegation agreements	3 years following the date of conclusion of the Financing Agreement with the exception of the cases listed under Article 189(2) Financial Regulation
Indicative operational	6 years following the date of conclusion of the

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

[1] This programme concerns 2018, 2019, 2020.

implementation period	Financing Agreement
Final date for implementing the Financing Agreement (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

2 DESCRIPTION OF THE ACTION PROGRAMME

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

The 2014-2020 CBC (Cross-Border Cooperation) programme Montenegro – Kosovo was approved by Commission Implementing Decision C(2014)9307 of 11 December 2014.[2] The adopted 2014-2020 programme constitutes the CBC cooperation strategy for the border region, setting out, among others, the list of geographical eligible areas, the area context, the programme thematic priorities and the indicative budget allocations for the 7 year period.

The 2014-2020 CBC programme Montenegro- Kosovo also serves as a reference for the adoption of the CBC action programmes. The 2018-2020 CBC action programme aims at providing assistance for cross-border cooperation in the thematic areas that are spelled out in the 2014-2020 programme (as indicated in section 2.2).

On 6 February 2018, the European Commission adopted a Communication on "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans"[3]. This Communication aims to generate renewed reform momentum in the Western Balkans and provide significantly enhanced EU engagement to better support their preparations on the European path. The Communication sets the new strategic orientations, in particular as regards the implementation of the six flagship initiatives.

In particular, cross-border cooperation is a key vehicle for fostering reconciliation and dealing with the legacy of the past in the Western Balkans, in line with flagship 6 (supporting reconciliation and good neighbourly relations) and for sustainable local development, in line with flagship 3 (supporting socio-economic development).

List of eligible geographical areas

In Montenegro the eligible areas the municipalities of Andrijevica, Bar, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Podgorica, Rožaje and Ulcinj
In Kosovo, the eligible area is the West Economic Region, which is composed of the municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica.

[2] https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2014/ipa2014_037592_cbc_programme.pdf
[3] https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans_en.pdf

Cross-border cooperation (CBC) eligible area context

The programme area is diverse, but still several common features related to nature, geographic position, demographic trends, economy and human capital could generate synergies and be a good opportunity for developing and implementing CBC initiatives.

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

- *Regional differences in terms of economic and social development*, not only between Montenegro and Kosovo, but even within their regions, constitute a characteristic of the programme area.
- *In terms of private sector development there are clear synergies to be developed within the programme area and to be supported by the CBC programme.* The entrepreneurial tradition identified in the programme area, with a long history of cross-border trade, should be utilized. The challenge will be how to overcome the culture of a short investment horizon, favouring short-term trade opportunities over long-term capital investments.
- *Unemployment is a major economic and social problem across the programme area.* Creation of new jobs and improving unemployment characteristics (especially reducing gender inequalities, stimulating employment of youth and the disabled, addressing the digital literacy deficit), are among the key sustainable development challenges.
- *Common deficiencies in the rural development sector.* A clear agricultural policy, better land management, access to broadband, the improvement of irrigation schemes and infrastructure, and the introduction of a modern agro-processing industry remain key challenges and pre-conditions for an efficient development of agriculture in the programme area.
- *Tourism is a potential for local development in the cross-border area, at different speed.* The importance of tourism in the economies of Montenegro and Kosovo varies a lot - the share of tourism in GDP could be over 30 % in Montenegro, while it is still negligible in Kosovo. This is a sector of potential growth for the cross-border area, thanks to rich natural resources, unspoiled nature and mountainous landscapes, traditional folklore, national parks and the presence of valuable cultural and historic sites. Linking cultural and natural heritage promotion with tourism could provide various opportunities for development and for cross-border cooperation initiatives.
- *Presence of a well-developed local network of community organisations, both in Montenegro and in Kosovo.* Some of them, such as mountaineer associations, environment protection organisations, conservation of the cultural heritage etc. could play an important role in tourism development.
- *Improving the educational system and school infrastructure is a major priority for the programme area.* The CBC programme will have a limited role in addressing this issue, but could support exchanges between schools and vocational training centres in the border areas.
- *Health prevention campaigns and health education* are potential activities, which can be covered within the framework of CBC.

- *The whole programme area is abundant in environmental resources and biodiversity*. Environmental protection and preservation is therefore the key for the sustainable development of this area.

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

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 an 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.

Key lessons learned were also identified by through the final evaluation of IPA CBC Programmes 2007-2013 that was carried out between 2016 and 2017. The lessons learnt and the recommendations were discussed with CBC stakeholders in the Western Balkans and follow-up measures were identified for the short and medium term, both for the on-going CBC programmes and for the future 2021-2027 CBC programmes. The main recommendations regarding all CBC programmes at intra-Western Balkans level include:

- The main objective of promoting good neighbourly relations should be clearly reflected in the CBC projects.
- The calls for proposal should be more focused on a few priority issues that have high cross-border content.
- The intervention logic of programmes and the reporting and monitoring systems must be improved as they are not structured to set out a clear basis for measuring the results at regional level.
- There is a need for continuing capacity building activities for Operating Structures and Joint Technical Secretariats/Antennas.
- There is a need for improving synergies with other policies and donors, capitalising on and sharing experiences with the other CBC environments (e.g. INTERREG (Interregional Cooperation Programme) and ENI (European Neighbourhood CBC programmes).

Following the experience gained in the previous programme period of 2011 to 2013, the Joint Monitoring Committee (JMC) became the cross-border programme's decision making body to oversee the effectiveness and quality of implementation of the programme. The JMC role is in the overall programming and monitoring of the CBC programme, meanwhile, the selection of actions falls under the responsibility of the Contracting Authority.

The experience of the previous years has shown that on one side, the number of interested applicants is steadily increasing – thus reaching a wide variety of stakeholder and small-scale entities. On the other side, participants still require intense capacity building actions so that future potential applicants can better incorporate best practice elements and other features in their actions. Furthermore, previous programmes promoted the establishment of cross-border partnerships, whose long-term cooperation

IGA

needs to be encouraged with the aim of fostering local development. Cross-border cooperation actions have shown to be a powerful instrument for local development processes, bringing people and institutions together by tackling very concrete and local development needs.

The responsible structures at national level for implementing this Cross-Border Programme under indirect management mode have gained experience during the execution of the first four years of the current financial period, from 2014 to 2020. It is expected that this process will continue with increasing efficiency in the management of related calls for proposals and grant contracts under indirect management. In addition, this indirect management method, under the lead of Montenegro and in close partnership with Kosovo, has a strong stimulus for enhancing regional cooperation and trust.

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

Action 1	**Cross-Border Cooperation Operations**	**EUR 3,480,000**

The envisaged assistance to Montenegro and Kosovo is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU[4].

(1) Description of the action, objective, expected results

Description of the action: Cross- Border cooperation operations 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 neighbourly relations in the cross border area, through the implementation of cross-border cooperation operations aiming at:

(a) 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 (including actions to address the digital literacy deficit); 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;

(b) 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

[4] https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en

economy; promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems and emergency preparedness;

(c) encouraging tourism and cultural and natural heritage; through, inter alia, support to cultural and other social exchanges; the promotion of tourism offer and valorisation of cultural heritage of the area, including the improvement of the quality of services, the establishment of networks and partnerships between local government and local stakeholders to promote joint tourist sites; the preservation of cultural heritage; enhancing exchanges of cultural and historical values, and cultural diversity.

Expected results

a) Employment, labour mobility and social and cultural inclusion

- More people seeking employment as a result of the programme actions;
- More unemployed people, including students that finished school, succeed in finding a job;
- The employability of students still attending school is improved;
- More people decide to start their own business;
- Increased participation of socially vulnerable groups in sports and cultural life;
- Increased participation of socially vulnerable groups in education;
- Health of socially vulnerable groups improved.

b) Environment, climate change adaptation and mitigation, risk prevention and management

- Air, water and soil pollution reduced.

c) Tourism and cultural and natural heritage

- Increased number of entrepreneurs in tourism;
- Hotel industry services enhanced;
- Sites and buildings with a cultural and natural value conserved, revitalised and open to public;
- The offer of active tourism services improved.

The objectives and expected results will be achieved over the period of implementation of this programme, from 2014 to 2020. The 2018-2020 CBC Action Programme will contribute to the achievement of the overall objectives and expected results, as defined in the 2014-2020 CBC programme.
For further details see section 3.2 of the 2014-2020 CBC programme (Annex 2 of the Commission Implementing Decision C(2014)9307 of 11 December 2014).[5]

(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

[5] https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2014/ipa2014_037592_cbc_programme.pdf

and functioning offices and staff for the Joint Technical Secretariat (to be set up under a separate Financing Decision) and an Antenna Office, in case the latter will be set up.

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

This bilateral arrangement has been concluded between the two participating countries and shall remain valid for the whole implementation of 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.

So far, the beneficiaries have complied with the above assumptions and conditions, including setting up the Joint Technical Secretariat in Podgorica and the Antenna Office in Pristina. These structures are fully financed by the Support Measure for Technical Assistance for cross-border cooperation programmes between IPA II beneficiaries under the Instrument for pre-accession assistance (IPA II) for the year 2014 C(2014)37629.[6]

Further financial support should be programmed by the European Commission for continuing to provide support to the Joint Technical Secretariat and the Antenna Office from 2020 onwards.

(3) Implementation modalities:

(3)(a) Indirect management with Montenegro

Short description of the tasks entrusted

The operating structures of Montenegro and Kosovo shall agree on the necessary arrangements for the management and implementation of the programme including establishing a system to monitor implementation.

The operating structure of Montenegro 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.

Essential elements of the action

Grant – Call for proposal: EUR 3,480,000

a) The essential eligibility criteria:

The list of eligible actions (activities) is set in section 3.2 of the Annex 2 of the Commission Decision C(2014) 9307 of 11 December 2014. The following list is a

[6] http://ec.europa.eu/transparency/regdoc/rep/3/2014/EN/3-2014-9421-EN-F1-1-ANNEX-1.PDF

summary indicating the main eligible actions/operations: improving public sewage and solid waste collection and processing systems; exchange of good practices between local authorities and environmentally friendly initiatives; joint environmental management of river banks and national parks; fight against illegal landfills; training for upgrading hospitality skills in the tourism sector, involving the regional education and private sector; promote and stimulate joint tourism products (for example: hiking and biking tours etc.) as well as (multi-sector) clusters in the tourism sector; support initiatives to preserve, restore and maintain natural, cultural and historical sites.

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 canters including vocations and technical training institutions. Additional entities can be added if relevant to the programme.

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 3,480,000

f) The responsible structures may decide to publish more than one call for proposals. Every call for proposals will have the same objectives, results, and essential eligibility, selection and award criteria as described above. Each grant contract will be funded from one budgetary commitment. The responsible structures may decide to merge the 2018. 2019 and 2020 allocations with subsequent budget allocations.

g) Indicative date for launch of the call(s) for proposals

   Q3 2020 for the budgetary commitment of years 2018, 2019 and 2020 to be launched in one call for proposals.

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3 BUDGET

(The tables in this section shall be based on the financial tables included in the cross–border programme in Annex 2)

2018				2019				2020				
	Union contribution*	Grant beneficiary/ies Co-financing**	**Total expenditure**		Union contribution	Grant beneficiary/ies Co-financing	**Total expenditure**		Union contribution	Grant beneficiary Co-financing	**Total expenditure**	**Total Financing Decision**
CBC operations	1,200,000	211, 764	1,411,764	CBC operations	1,200,000	211,764	1,411,764	CBC operations	1,080,000	190,588	1,270,588	3,480,000
in %	85	15	100		85	15	100		85	15	100	
TOTALS 2018	**1,200,000**	**211,764**	**1,411,764**	**TOTALS 2019**	**1,200,000**	**211,764**	**1,411,764**	**TOTALS 2020**	**1,080,000**	**190,588**	**1,270,588**	**3,480,000**

**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 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 the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) 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.

The overall progress will be subject to evaluation which will take place following the implementation of activities.

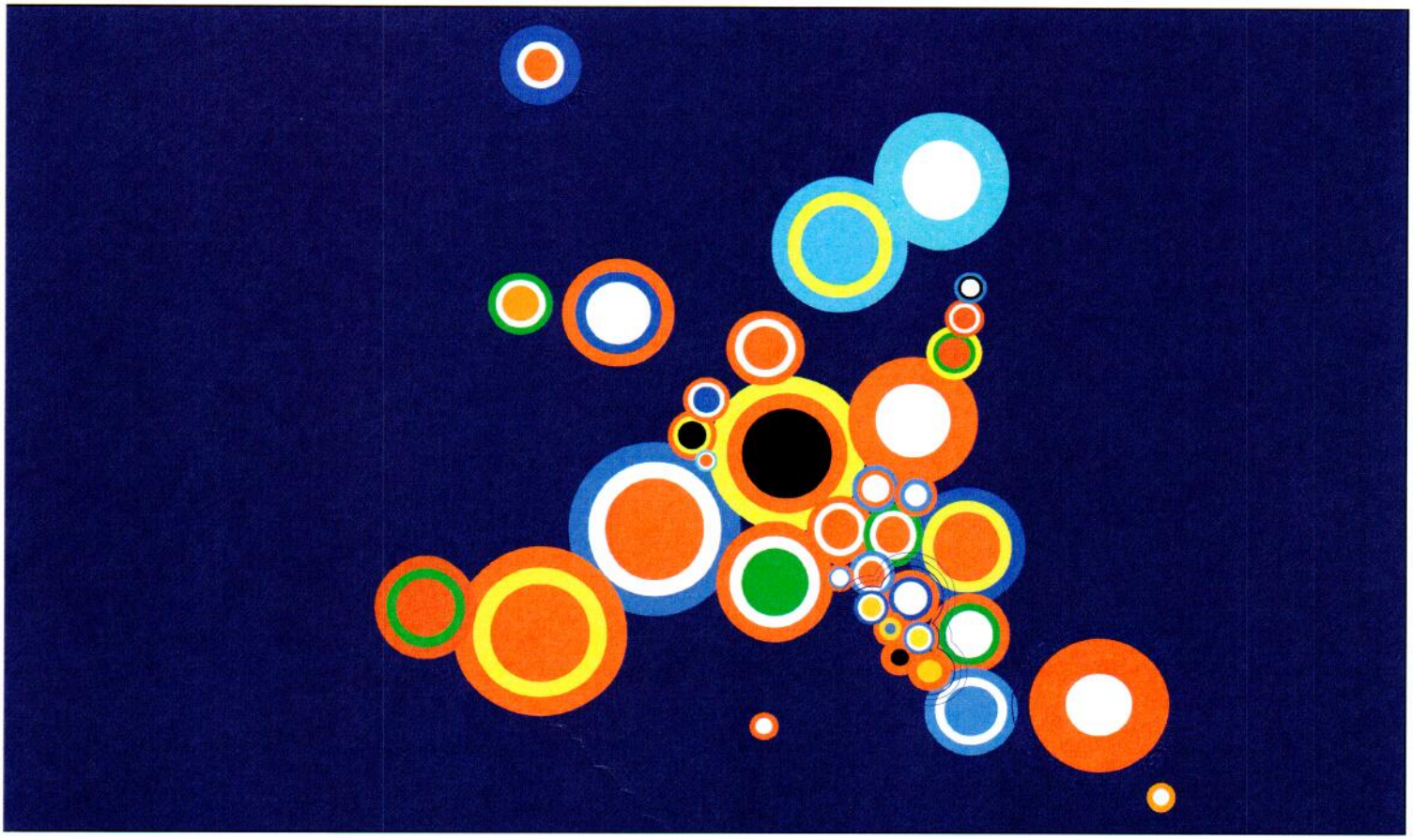
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European Commission

Annex IA

INSTRUMENT FOR PRE-ACCESSION ASSISTANCE

2014-2020



IPA CBC PROGRAMME

MONTENEGRO – KOSOVO*

ADOPTED ON 11/12/2014

* This designation is without prejudice to positions on the status, and in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

Enlargement

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PROGRAMME SYNOPSIS

Programme title	**CBC Programme Montenegro - Kosovo***
Programme area	**Montenegro:** The municipalities of Andrijevica, Bar, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Podgorica, Rožaje and Ulcinj **Kosovo:** West Economic Region, which is composed of the municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica;
Programme overall objective	Improve the standard and quality of living of the people in the programme area through the environmentally sustainable and socially inclusive economic development of the region, with respect for its common cultural and natural heritage.
Programme thematic priorities, (as stated in Annex III to the IPA II Regulation) :	1. Promoting employment, labour mobility and social and cultural inclusion across the border 2. Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management 3. Encouraging tourism and cultural and natural heritage 4. Technical assistance
Programme specific objectives	***Thematic Priority 1: Promoting employment, labour mobility and social and cultural inclusion across the border :*** 1. Improve the access to the labour market 2. Encourage socially vulnerable groups to participate in society ***Thematic Priority 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management:*** 1. Improve the environment, waste management and sustainable use of resources 2. Reduce soil erosion and promote soil conservation ***Thematic Priority 3: Encouraging tourism and cultural and natural heritage:*** 1. Improve the volume, quality and visibility of tourism 2. Promote and improve cultural and natural heritage and values ***Technical Assistance*** To ensure the 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	**Montenegro**: Ministry of Finance Central Finance and Contracting Unit (CFCU) Stanka Dragojevića 2 Tel: + 382 (0) 20 230 630 Fax: + 382 (0) 20 230 657
Relevant authorities in the participating IPA II beneficiary [Operating Structures]	**Montenegro**: Ministry of Foreign Affairs and European Integration Stanka Dragojevića 2 81000 Podgorica Tel: (+382 20) 224 439 Fax:(+382 20) - 224 449 **Kosovo**: Ministry of Local Government Administration

*This designation is without prejudice to positions on the status, and in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

	Former Rilindja Building Floors: 11, 12 and 13, Prishtinë/Priština Tel: (+381 38) 213 010 Fax: (+381 38) 213 904
JTS/Antenna	The JTS will be located in Podgorica, Montenegro. Antenna office will be located in Prishtina, Kosovo.

Section 1: Programme Summary

The programme for cross-border cooperation between Montenegro and Kosovo 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 legal provisions for its implementation are stipulated in the following pieces of legislation:

- 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)
- 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 the IPA II regulation

The document has been designed and drafted by the Ministry of Foreign Affairs and European Integration of Montenegro and the Ministry of Local Government Administration in Kosovo, with support of Cross-border Institution Building Project (CBIB+), in accordance with the provisions of the framework for IPA II.

1.1 Summary of the Programme

Main findings

The document covers an extensive range of subjects that have been analysed and that are considered to be relevant to the future development of the programme area, ranging from the regional economy, unemployment, agriculture, tourism, education, health, culture and nature, civil society, infrastructure, the legal framework and environment. These subjects have all been studied thoroughly using the Political, Economic, Social, Technological, Legal, and Environmental (PESTLE)-analysis methodology, based on which the Political, Economic, Social, Technological, Legal and Environmental aspects of regional development with a cross border impact in the programme area have been analysed. For each of the eight potential thematic programme priorities defined by the European Commission, a SWOT analysis was carried out, therewith identifying the Strengths, Weaknesses, Opportunities and Threats of each potential thematic programme priority. In particular, the issues of employment and social inclusion, environment and tourism were considered to be critical for the development of the programme area.

Main areas of intervention

As a result of the above findings and in close consultation with all stakeholders three thematic priorities have been selected for the 2014-2020 Montenegro-Kosovo CBC Programme, with the following specific objectives:

1. Promoting employment, labour mobility and social and cultural inclusion across the border
   - Improve the access to the labour market
   - Encourage socially vulnerable groups to participate in society

2. Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management
   - Improve the environment, (water and solid) waste management and sustainable use of resources
   - Reduce soil erosion and promote soil conservation

3. Encouraging tourism and cultural and natural heritage
   - Improve the volume, quality and visibility of tourism
   - Promote and preserve cultural and natural heritage and values

In addition a fourth Technical Assistance priority has been added in order to support the initiation, implementation, monitoring and evaluation of the Cross Border Programme.

1.2 Preparation of the programme and involvement of the partners

The actual programming process spanned a period of eight months, from mid September 2013 to mid-May 2014. However, preparations involving both Operating Structures started in June 2013 and continued until May 2014 during which the programme document has been revised two times. The document at hand is the result of close and intensive cooperation between Montenegro and Kosovo in this period.

In order to be able to get this document produced and endorsed, stakeholders were frequently consulted and asked to provide information (e.g. municipal and regional statistics and strategies, national and domestic statistics, policy documents and strategies, donor publications and initiatives, etc.).

In addition the following initiatives were taken and events organized as part of the programme process:

- A Joint Task Force (JTF) was established, consisting of a representation of stakeholders from both Montenegro and Kosovo for the preparation of this CBC programme.
- A survey on Cross Border Cooperation among regional stakeholders in the programme area (municipalities, sector associations/NGOs and SMEs) was developed, disseminated, collected, processed and analysed.
- In-depth interviews with representatives of line Ministries were conducted in October 2013.
- Two workshops were organized for central
- JTF members – on 25 September 2013 in Podgorica for the Montenegrin JTF members and on 1 October 2013 in Pristina for the Kosovar JTF members - to inform them about the objective of Cross Border Cooperation, the technicalities of programming this document and their role as JTF members.
- Three JTF meetings were organized, the first one on 18 October 2013 in Pejë/Peć to review the draft situational analysis of this document, the second one on 15 November 2013 in Podgorica to review the draft programme strategy of this document and the third on 25 February 2014 in Podgorica to present the second draft of the document.
- A Western Balkan Regional Forum was organized on 21 and 22 November in Belgrade, where representatives of Kosovo and Montenegro presented the programming process and the main characteristics of the draft programme document submitted to the EC by 15 November 2013.
- Public consultations were held in both Montenegro (30 October 2013) and Kosovo (13 May 2014), and the feedback was taken into account while preparing the final draft of the document.
- The Commission commented on the first and the second draft of the document and provided suggestion on improvements in preparation of the final version submitted to the Commission on 25 May 2014.

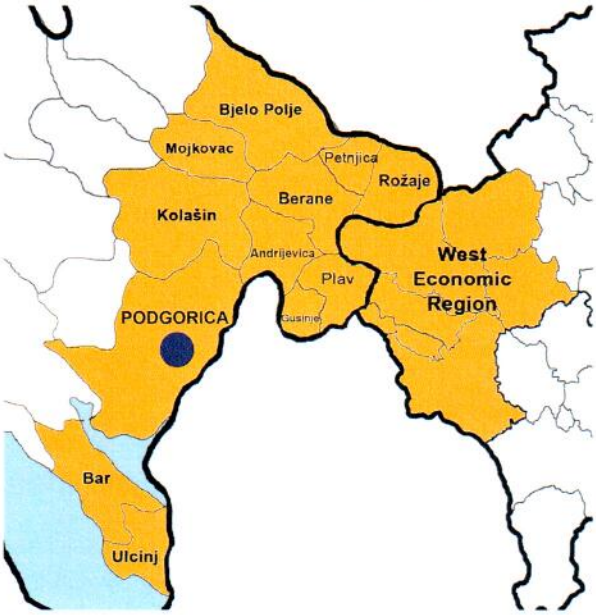
The table below gives an overview of the steps in this programming process.

Date and place	Activity
18 September 2013, Kosovo	Kick off meeting
20.-21 September 2013, Kosovo	Meetings and clarification interviews with OS and line ministries
23 September 2013	Introduction meeting with the MNE OS
25 September 2013	Strategy development and formulation training for the OSs, JTF, JTS of Montenegro
26 September 2013 Podgorica, Montenegro	Kick-off meeting
27 September 2013 Kosovo	Information meetings at central level
01 October 2013 Kosovo	Strategy development and formulation training for the OSs, JTF, JTS
07-11 October 2013 Montenegro	Consultative meetings and clarification interviews with line ministries and OS
18 October 2013 Kosovo	1st JTF meeting
30 October 2013 Bijelo Polje , Montenegro	Public consultation with CBC stakeholders
05-06 November 2013 Kosovo	Consultative meetings with the OS
15 November 2013 Podgorica, Montenegro	2nd JTF meeting on Programme Strategy
15 November 2013	Submission of the first draft of the Programming Document to the Commission
21-22 November 2013 Belgrade	Regional CBC Consultative Forum
23 January 2014 Kosovo	Technical meeting on the programming process,
7 February 2014	Submission of the 2nd draft version to the Commission
25 February 2014 Podgorica, Montenegro	3rd JTF meeting
13 May 2014 Pejë/Peć, Kosovo	Public consultation,
May 2014	Submission of the draft final version to the Commission

Section 2: Programme Area

2.1 Situation Analysis

Figure 1: Map of Programme Area



The programme area for the Cross-border Programme between Montenegro and Kosovo covers a territory of 8,725 km² with a total population of about 706,823 inhabitants. The total borderline length is 75.6 km. There are two border crossing points; in Kulla/Kula (on the road Rožaje–Pejë/Peć), which is also a customs point; and in Qakor/Čakor (on the road from Murino linking Plav and Pejë/Peć municipalities) that has been closed to traffic for the last fourteen years.

In **Montenegro** the eligible area cover 6,400 km² and is composed of 12 municipalities or a total of 624 settlements including the capital city and 11 main towns. There are no administrative regions in Montenegro and the following are the municipalities represented in the programme area:

- The municipalities of Andrijevica, Bar, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Podgorica, Rožaje and Ulcinj;

In **Kosovo** the eligible area covers 2,325 km² and includes the ***West Economic Region***, which is composed of the municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica.

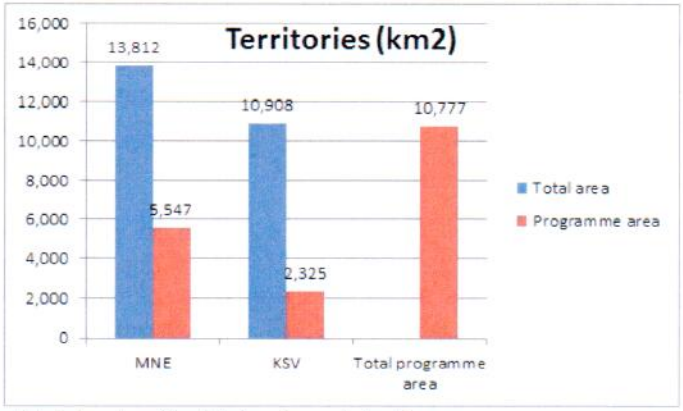
Table 1 – The programme area

	Area (km²)	% of the total territory
Montenegro	**13,812**	**100%**
Programme area	6,400	46%
Municipalities of Andrijevica, Bar, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Podgorica, Rožaje and Ulcinj	6,400	46%
Kosovo	**10,908**[1]	**100%**
Programme area	2,325	21%
West Economic Region (municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani and Gjakovë/Đakovica)	2,325	21%
Total programme area	8,725	MNE: 73% KOS: 27%

[1] Source: KAS (2013). Kosovo in a nutshell. Available at: http://esk.rks-gov.net/eng/

The territory of the programme area is bigger in Montenegro (73% of the programme area) than it is in Kosovo (27% of the programme area). Six municipalities are directly on the relevant border, Berane, Rožaje and Plav in Montenegro and Pejë/Peć, Istog/Istok and Deçan/Dečani in Kosovo. The border line passes through the high mountain ranges of Bjeshkët e Nemuna/Prokletije (Accursed Mountains) and Hajla also called the Albanian Alps. Border crossing posts are located at high altitude and may be difficult to pass during winter.

Figure 2: Programme area in km²



The West Economic Region of **Kosovo** covers 2,325 km² and is bordering with Albania, Montenegro and Serbia. Pejë/Peć represents the centre of the region which covers six municipalities, Pejë/Peć, Istog/ Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica. The area is covered largely by the Dukagjini Plain that borders the Albanian Alps. The highest peak is Gjeravica Mountain (2,656 m) which is also the highest peak in Kosovo.

The eligible area of **Montenegro** covers the north-eastern part of the country, a mountainous area bordering with Kosovo, Serbia and the capital city of Podgorica. Mountain peaks reach up to 2,500 meters and the territory is crossed by rivers, like Lim, Morača and Tara, forming canyons and valleys. The region is dominated in the east by Prokletije and Hajla mountains adjacent to Albania and Kosovo. Another mountain range, Bjelasica forms the centre of the northern part of the eligible area. Podgorica is located in the central part of Montenegro, where the population and economic activities of the country are mainly concentrated. The southern part of Podgorica is among the rare territories in the country where intensive agriculture is possible and is reported to have the largest all-in-one piece vineyard in Europe. The municipality stretches to the northern shore of Skadar Lake, the largest lake in the Balkans.

The eligible area also covers two coastal municipalities of Bar and Ulcinj. The municipality of Bar, with its port infrastructure, is an important entry and exit point for large amounts of goods, not only for Montenegro but also for its neighbouring countries. Consequently, it relies less on tourism than the other coastal municipalities. Even though the North-eastern region of Montenegro is directly located on the border with Kosovo, the coastal area has paradoxically a better access to Kosovo via the new highway in North-West Albania.

The situation in the program area could be summarized as follows:

Economy

In **Montenegro**, in order to reduce disparities in economic and social development across the regions, the Northern region is a priority for all national development strategies. Regional economic development plans are based on the protection and preservation of the natural and environmental resources of the region and on a high priority given to sustainable agriculture and food processing, tourism, sustainable forestry and creation of all types of "green jobs" in environmentally friendly sectors.

In **Kosovo** the same priorities are defined for the eligible economic region, to improve efficiency in agriculture and forestry and to develop additional sources of income from preserving natural assets and tourism. Mining is another economic potential in an area that is known for having the richest mineral resources in Kosovo (lignite and bauxite minerals in Istog/Istok and Klinë/Klina municipalities).

Unemployment

Unemployment in the programme area is high by international standards. A decrease in economic activity has been followed by a significant decrease in labour demand. It could be argued that the labour market has yet to absorb the changes in the system related to the transition to the market economy. Unemployment rate could also be associated with the inadequate skills and education of the working age population.

Transition from the old socialist system to the market economy led to the negative trends in terms of equal rights for all, including the right to employment, right to development and other basic human rights. Social stratification caused the emergence of so called "losers of transition" class. Some of the problems of social inequality, however, have deeper and systemic roots. Such are, for instance, the problems related to gender inequality and social exclusion of Roma, recently increased with the emergence of refugees and displaced persons. From the equity standpoint, refugees and displaced persons are particularly vulnerable categories, whose difficult economic situation is frequently related to the issues of social marginalisation.

The official unemployment rate in **Montenegro** in June 2013 was 13.23% in the programme area excluding Bar and Ulcinj where unemployment rate was 16.24%. The unemployment rates of particularly vulnerable groups, such as the internally displaced persons, refugees and Roma are 10-20% higher than the average ones[2]. In **Kosovo** the unemployment rate is 30.9%. A high share of unemployment of women (in Kosovo 40%) and of young people (55.3% of age group 15-23 in Kosovo) is a common feature. Unemployment is one of the main reasons for internal migration and emigration out of the area, negatively affecting the population growth and structure of the programme area. The overall population in the area is decreasing and the emigration is high both Montenegro and Kosovo, especially from the rural and less developed areas where the unemployment rates are high.

The problem with unemployment is so evident that all the stakeholders pointed out that it has to be addressed through the CBC programme, including the activities which will contribute to the upgrade and development of the vocational education and support the self-employment programs. Particular attention will have to be given to the social integration of marginalized groups.

Table 1: No. of unemployed persons

	Unemployed
Montenegro[3]	**30,372**
Programme area	**20,022**
Kosovo[4]	**226,634**
Programme area	**42,703**
West Economic Region	42,703
Total programme area	**62,725**

Agriculture

Agriculture is an important sector of the economy in the programme area, considering the fact that the majority of the population lives in rural areas and their main revenues come from agriculture-related activities. Kosovo has over 60% rural population. In Montenegro, with the

[2] Montenegrin Strategy of Sustainable Development

[3] Source: Employment Agency, June 2013

[4] Kosovo Agency of Statistics: Labour market data by municipalities 2011: Final Results of the population census 2011

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exception of Podgorica, the share of rural population is also about 60%. Agriculture accounts for 19 % of GDP in Kosovo and about 11% of the GDP in Montenegro.

Due to climate diversity, agriculture in the programme area differs between the regions. The farming systems in the Northern Region in Montenegro and in the programme area in Kosovo have relatively similar features

Tourism

Despite an uneven distribution of the flow of tourists, tourism is considered as an economic opportunity for the whole programme area. Obvious synergies, potentially to be supported by the CBC programme, can be built between the Northern Region in Montenegro and the programme area in Kosovo. They have similar characteristics in terms of environment, wild nature and mountains. These border regions in Montenegro and Kosovo are also sharing the same hinterland location. Some small-scale joint tourism initiatives and packages, for example biking and hiking trails, have already been initiated, but many more initiatives would be needed for tourism to be able to really take off and an integrated tourism development approach backed up with the financial resources required is still lacking.

Table 2: Tourism

	Visitors 2011
Montenegro[5]	**1,373,454**
Programme area	**350,987**
Kosovo[6]	7,907
Programme area	
West Economic Region	7,907
Total programme area	**358,894**

Education

The education system in Montenegro and Kosovo is managed at central level. Improvement of the educational system and school infrastructure is a major priority for both governments. The main problems in the field of education in **Montenegro** are: school infrastructure needs to be upgraded; Roma and marginalised groups need to be better integrated in the education system; there is an insufficient inclusion of children with special needs; existing curricula do not prepare the young people for the market economy and entrepreneurship and there is a lack of financial resources for scientific research and development. In **Kosovo**, a number of educational indicators worsened over the last decade, caused by the closure of schools, shortage of qualified teaching staff, deterioration of school infrastructure and a shortage of funding. On the one hand, school attendance in rural areas is low due to long travelling times and poverty, while on the other hand classrooms are overcrowded in the main urban areas.

Table 3: Primary and Secondary Education

	Primary education		**Secondary education**	
	students	**schools**	**students**	**schools**
Montenegro[7]	**68,035**	**163**	**31,888**	**50**

[5] Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)

[6] Source: Kosovo Agency of Statistics (2012) Series 3. Economic Statistics: Hotel Statistics Q4-2011

[7] Source: Ministry of Education, school year 2012/2013

Programme area	**42,944**	**96**	**19,879**	**28**
Kosovo[8]	**294,419**	**1,029**	**109,516**	**142**
Programme area	**51,855**	**174**	**19,483**	**27**
West Economic Region	51,855	174	19,483	27
Total programme area	**94,799**	**270**	**39,362**	**55**

Health

The health systems are relatively similar in Montenegro and Kosovo, but different demographics, with a very young population in Kosovo versus a population not old but ageing in Montenegro, affect public health differently.

The National Strategy of Sustainable Development of **Montenegro** deplores the fact that "the health care system is to a great extent geared towards the provision of curative services" and therefore considers prevention and health promotion programmes a priority. In **Kosovo**, the health sector is poorly and unevenly developed and the absence of a legal framework for health insurance is still hampering its development.

Table 4: Health services

	Total health workers
Montenegro[9]	**5,138**
Programme area	**3,463**
Kosovo[10]	**4,453**
Programme area	1,056
West Economic Region	1,056
Total programme area	**4,519**

Culture and Nature

In the programme area there are several different religious beliefs, traditions, and cultures. The area is ethnically a mix of communities (Montenegrins, Albanians, Serbs, Bosniaks) that traditionally have been closely connected. There are sometimes strong bonds between the populations on the two sides of the border that are rooted in the common language and commonly shared personal, cultural, commercial and political beliefs and relations throughout history. This cultural heritage and the regional identity at large are an asset for the touristic development of the programme area. Cross-border cooperation could play an important role in protecting and promoting this heritage. The programme area is characterized by rich natural resources, unspoiled nature and mountainous landscapes. The lack of development has helped keep programme area's natural beauty mostly untouched. The main natural features in the programme area in Montenegro are 3 National Parks, water resources and numerous mountain peaks, many of which are above 2,000 meters high. The natural resources in the West Economic Region of Kosovo include the National Park of Cursed Mountains (Bjeshkët e Nemuna/Prokletije), the regional park of the Mirusha Canyons, and other locations along the valleys of the region, which have a great potential for development of winter and summer tourism. The region has potential to offer various sports and recreation activities, health and curative services, as well as to develop eco and agro-tourism[11].

[8] Kosovo Agency of Statistics: Education Statistics 2011-2012.

[9] Source: Health Statistical Yearbook 2010, Institute of Public Health

[10] Source: Source: Kosovo National Institute for Public Health: State of health of Kosovo population 2010

[11] Regional Tourism Strategy for the Western Region of Kosovo, RDA, 2013

Civil Society

Encouraging regional CSO (Civil Society Organisation) networks - including sport, youth and cultural organisations - could contribute to maintaining and strengthening the ties between the communities on both sides of the border in this multi-ethnic programme area.

Infrastructure

Poor infrastructure is a main obstacle to the economic and social development of the programme area. The sustainable development and improvement of transport and public infrastructure could contribute to sustainable economic growth and a general increase of wealth in the programming area. Sustainability could be achieved through the increased use of renewable energy sources and an integrated approach towards improving transport, including non-polluting modes of public and private transport, requiring the involvement of stakeholders from all sectors and at all levels.

Legal framework

Neither in Montenegro nor in Kosovo is there any specific legislation in place, nor any bilateral agreement , that would in some way negatively affect cross border cooperation in the programme areas in particular, differently from how it affects other areas. Of course the legal framework of both IPA II Beneficiaries does regulate - be it prohibit, inhibit, tolerate or stimulate - specific phenomena or developments, like for example measures related to contraband, border safety or human trafficking. But that is what those legal frameworks per definition are for and they do not specifically apply to the programme area.

Environment

With the overall development of the programme area largely relying on natural resources, the environmental protection and preservation of these resources is crucial for the sustainable development of the programme area. Adequate high quality water supplies are necessary both for use by local communities and local ecosystems. Energy conservation and the use of renewable fuels provide cost-effective and more sustainable alternatives to non-renewable sources for power generation. Air quality could be preserved by limiting or eliminating the discharge of harmful chemicals into the air and by minimizing the sources of air pollution. Local communities have to support integrative approaches for managing, protecting, and enhancing wildlife populations and habitats appropriate to their area. While providing a protective covering for soil, water, and the atmosphere, forests are also renewable sources of an endless variety of products. In a healthy ecosystem, policies and programs must balance economic and conservation needs. Land use practices and businesses that both conserve ecosystems and enhance local economies have to be developed. Improved waste management, control of pollution, an efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans. The sustainable production of renewable energy, and in particular in the sector of transport, heating and cooling, is an important issue for the programme area and is in line with the EU objectives of the 2020 "Energy and Climate change package". The conditions in the whole programme area are conducive to the production of renewable energy (production of hydroelectricity but also solar energy, biomass and wind power), which is still at a very early stage of development.

2.2 Main findings

The main findings stemming from the situation analysis carried out in the previous chapter may be summarised as follows:

- **Regional differences** in terms of economic and social development, not only between Montenegro and Kosovo but even within their regions, constitute a characteristic of the programme area.
- In terms of **private sector development** there are clear synergies to be developed within the programme area and to be supported by the CBC programme. The entrepreneurial tradition

identified in the programming area, with a long history of cross-border trade, should be utilized. The challenge will be how to overcome the culture of a short investment horizon, favouring short-term trade opportunities over long-term capital investments.

- **Unemployment** is a major economic and social problem across the programme area. Creation of new jobs and improving the unemployment characteristics (especially reducing gender inequalities, stimulating employment of youth and the disabled) are among the key sustainable development challenges. The employability in the programme area has to improve and the entry of young people to the labour market. Also, a mismatch in the demanded and available labour force qualifications has to be reduced. Adequate retraining measures, by recognising previous education, can improve the ratio between the labour force demand and supply and reduce structural unemployment. Also, very important area of intervention will be the development of employment programs for integration of socially marginalized groups.
- A clear agricultural policy, better land management, the improvement of irrigation schemes and infrastructure and the introduction of a modern agro-processing industry, remain key challenges and pre-conditions for an efficient **development of agriculture** in the programme area. One of the main challenges in this thematic area will be the continuous migration from rural to urban areas, which may impede the development of the rural economy in the program area. Both at central and local levels, the development plans for agriculture are often linked with tourism. Their main development priorities could be easily supported by cross-border initiatives.
- The importance of **tourism** in the economies of Montenegro and Kosovo varies a lot - the share of tourism in GDP could be over 30% in Montenegro while it is still negligible in Kosovo. Nevertheless, tourism is a sector of potential growth for the cross-border area, thanks to rich natural resources, unspoiled nature and mountainous landscapes, traditional folklore and the presence of valuable cultural and historic sites. Tourism development could increase the living standard and contribution to local/regional development, by keeping people in the villages and mitigating the problem of "aging" of the villages through the development of agriculture and forms of tourism related to countryside and agriculture – agro-tourism, eco-tourism and countryside tourism. The development of this type of active outdoor tourism in integrated packages (such as mountaineering, rafting, trekking, biking) represents an opportunity for intervention in the geographical area.
- Improving the **educational system** and school infrastructure is a major priority for the programme area. The CBC programme will have a limited role in addressing this issue but could support exchanges between schools and vocational training centres in the border areas. The presence of higher education institutions and research centres in both sides of the programme area is an asset not only for establishing academic cooperation, but also for initiating cross-border research programmes in sectors such as agriculture or tourism. It is well known that vocational training curriculum is not aligned with labour market demand, but there is certain opportunity to better serve the labour market through upgrading and modernisation of VET services offer in the program area.
- **Health** prevention campaigns and health education are potential activities to be covered within the framework of the CBC programme.
- The **cultural and natural heritage** is a highly prospective asset for the touristic development of the programme area, with National Parks on both sides of the border. Linking cultural and natural heritage promotion with tourism could provide various opportunities for development and for cross-border cooperation initiatives. One of the main challenges will be to overcome the lack of experience in organising joint culture activities between communities across the border. Potential areas of intervention will certainly include the development and strengthening of local institutional capacities related to cultural and traditional values and preservation of cultural heritage sights.
- The local network of **community organisations** both in Montenegro and in Kosovo is diverse and rich and some of them, such as the mountaineers associations, environment protection organisations, conservation of the cultural heritage etc. could play an important role in tourism development.
- The whole programme area is abounding in environmental resources and biodiversity. **Environmental** protection and preservation is therefore the key for a sustainable development of this area. The environment in the programme area, is under pressure through a combination of factors: poor water supply and sewage management, uncontrolled waste disposal, unregulated urbanisation and, in some areas, industrial pollution; there is a risk of

deforestation due to uncontrolled logging; rivers and lakes locally risk pollution from illegal landfills and poor industrial and urban waste management; the intensive use of pesticides is harming agriculture; the fauna in and around the lakes and rivers is suffering from over-fishing and illegal hunting. All these challenges are at the same time the areas of potential intervention, which have to be followed by growing public awareness on environmental protection measures.

Section 3: Programme Strategy

3.1 Rationale

3.1.1 Justification for the selected intervention strategy

The needs and challenges of the programme area as identified in the situational analysis (including PESTLE and SWOT analysis) require an integrated approach that will allow for improving the relatively weak socio-economic situation in the region, with its high **unemployment,** especially among youth and other **vulnerable groups**. This improvement can best be realised by capitalising on the strengths and opportunities of the Montenegrin-Kosovo programme area, which is rich in **natural resources and cultural heritage**, providing opportunities for forestry, agriculture and mining, if carried out in a sustainable way. The beauty of the area provides a good basis for **tourism**, provided that it can capitalize on these cultural and natural assets and is therefore developed in a sustainable way, with respect for the **environment**.

The overall objective of the Montenegro-Kosovo Cross Border Cooperation can thus be summarized as follows:

Overall Programme Objective:

"Improve the standard and quality of living of the people in the programme area through the environmentally sustainable and socially inclusive economic development of the region, with respect for its common cultural and natural heritage."

In order to achieve this overall objective - fully supported by the situational analysis and in line with the outcome of the survey conducted among regional stakeholders - the following three thematic priorities have been identified:

Thematic Priority 1:
Promoting employment, labour mobility and social inclusion

Justification: The basis of individual wealth is income and the main source of income comes from having a job. Currently unemployment and consequently emigration is high. In order to revert the pattern of migration, the economic situation should improve, especially for younger people. The prospect of attractive forms of (self-) employment available in the region is a key factor for young people and young families to build their future in the region, which will in turn allow the regional economy to become more productive and grow further. This calls for an inclusive economic development, with opportunities not only for the healthy, talented and well-to-do, but also for the most vulnerable groups in society.

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

Justification: the programme area is blessed with natural beauty, but at the same time suffers from some serious problems (like erosion and pollution) that should be addressed urgently if nature is to remain an asset and an opportunity for the sustainable economic development of the region. As a matter of fact that is not only crucial for the development of the agro- and forestry sector, but also for the well-being of the population at large. Moreover, it becomes a critical success factor for the next thematic priority:

Thematic Priority 3:
Encouraging tourism, culture and natural heritage

Justification: Tourism is still relatively underdeveloped, especially in the border area, and offers a great potential to capitalise on the rich cultural and natural heritage of the region, provided of course that the environment is clean. If people realise that, then tourism development could in return be a driving force for developing cleaner and more sustainable

environment, while offering job opportunities and a source of income to the rural community. Mostly unspoiled natural heritage in the programme area, which includes National Parks, water resources, numerous mountain peaks and other locations along the valleys and rivers of the region, along with preserved cultural heritage, have a great potential for development of winter and summer tourism, various sports and recreation activities, health and curative services, as well as to develop eco and agro-tourism.

Thematic Priority 4:
Technical Assistance

In addition to the above three thematic priorities, this CBC programme also includes a fourth, **technical assistance priority** aiming amongst others at reinforcing the administrative capacity of the authorities implementing the CBC programme and of the beneficiaries. This priority will also include the preparatory, management, monitoring, evaluation, information and control activities related to the implementation of the programme.

3.1.2 Coherence and compatibility with policies and projects

Annex 5 gives an elaborate overview to illustrate the coherence and compatibility of the three selected thematic priorities with policy and donor documents and initiatives. To this end the relevant documents and initiatives related to policies and to donor involvement are listed for each thematic priority and per IPA II beneficiary.

The selection of **Thematic Priority 1: Promoting employment, labour mobility and social inclusion** is justified by high unemployment rates and high emigration rates out of the region, which hinder the economic development of the region. Kosovo's Private Sector Development Strategy 2013 – 2017, developed by the Ministry of Trade and Industry underlines the need for a sustainable economic development of Kosovo and defines private investments and further development of entrepreneurship as main generators of economic growth. At the same time, the Montenegrin Strategy for Employment and Human Resources Development 2012-2015 aims to create better conditions for new jobs and investment in human capital in order to achieve higher level of employment and improve the economic competitiveness, while Montenegrin Strategy on Development of Small and Medium Sized Enterprises 2011-2015 aims to achieve a more favourable business environment which would reflect positively in the strengthening of SME competitiveness, innovation and export, as well as lead to an increase in employment and uniform regional development. The European Commission, through the European Office in Kosovo, in its "2013 Annual Programme for Kosovo" formulated the initiative on "Education and Employment", targeted specifically at young people and long-term unemployed people, stressing the need for social inclusion of all groups in society. International organisations supported Montenegro's economic policies and human resources development through numerous projects. In the EU and regional context – this thematic priority is in line with the South East Europe 2020 (SEE 2020), the regional growth and development strategy which aims to address the challenge of unemployment as the major social challenge these countries face in a coordinated manner. The strategy envisages clear targets, indicators and policy measures to guide cooperation in line with IPA II beneficiaries' priorities. The strategy rests on five pillars (integrated, smart, sustainable, inclusive growth and good governance), all of which make an important contribution in stimulating the economy to create new jobs, while ensuring that the right combination of skills is available for those jobs.

Thematic Priority 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management is justified with the undeniable fact that degradation of the environment negatively affects the quality of life and constrains the sustainable economic development of the region. Kosovo's Strategy and Action Plan for Biodiversity 2011 – 2020, prepared by the Ministry of Environment and Spatial Planning, defines the following strategic objectives: development of legal and institutional framework in line with the EU standards and its effective implementation; conservation, protection and improvement of plant and animal species; integrated protection of nature through cooperation with other sectors, sustainable use of biodiversity and equal sharing of benefits and promotion of effective education and communication for biodiversity. Montenegro's Development Directions 2013-2016, a document produced by the Ministry of Finance, defines environmental protection policy as a pre-condition for preserving a healthy environment and

the health of people, sustainable tourism, agriculture, forestry, rural development, transport and energy as priority development sectors in the ecological state of Montenegro. The selection of this thematic priority is in line with the climate policy objectives of the EU. The alignment with EU standards in the environment and climate change sector contributes to strengthening administrative capacities and accelerating integration of Montenegro into and the approximation of Kosovo to the EU's economic and political community. Therefore, it is no surprise that the EU and other international donors were particularly active in the field of environmental protection and funded a number of projects in both IPA II Beneficiaries (non-exhaustive list in Annex 5).

Thematic Priority 3: Encouraging tourism, culture and natural heritage was selected because tourism is recognised as the potential growth sector for this region, with its cultural and natural heritage. Tourism requires a clean environment and offers possibilities to create employment, so this thematic priority clearly complements the other two thematic priorities. Successful development of tourism could ensure employment and income for a sizeable segment of the population. Montenegro Tourism Development Strategy until 2020 defines 5 operational objectives: creation of tourism-related and accompanying infrastructure; creation of unique sale offer; development of all-year-round tourist destination principle; development of an appropriate institutional and legal framework as the basis for creating a successful and sustainable tourism development, and increased participation of the local population in the tourism industry. Kosovo's Regional Development Agency West published a Regional Tourism Strategy for the Western Region of Kosovo and established a thematic Working Group on tourism involving municipal representatives of the region, civil society, businesses and institutions of higher education. Several international donors implemented projects in the field of tourism, cultural and natural heritage in the programme area on both sides of the border.

Against this background, the three thematic priorities are coherent and compatible with policies of both Kosovo and Montenegro, as well as with donor programmes and projects. It should furthermore be noted that the thematic priorities are in full compliance with the "IPA Cross–Border Programme Montenegro – Kosovo 2011 – 2013", which was also focused on the socio-economic development of the programme area, and with special attention for tourism and environment. The Call for Proposals for supporting economic, environmental and social development in the eligible areas under the IPA Cross Border Cooperation Programme Montenegro – Kosovo 2011-2013 was launched early in 2014. As this was the first Call for Proposals and the evaluation process was not concluded when drafting the programme document, no lesson-learned can be concluded from this process. Nevertheless, Montenegro's and Kosovo's experience in other CBC programmes points out to the fact that it is very important to better understand the IPA legal framework and to set up efficient management structures (NIPAC, OS, JMC, JSC, JTS), as well as to run a grant scheme in order to become familiar with EU –funded calls for proposals.

3.2 Description of programme priorities

Below is a tabulated overview of the programme strategy, one table having examples for each thematic priority and a table for the technical assistance priority.

Specific Objective(s)	Results	Indicators*[12]	Sources of verification	Indicative types of activities
1.1. Improve the access to the labour market	**1.1.1.** More people are looking for a job as a result of the programme actions **1.1.2.** More unemployed people, including students that finished the school, succeed in finding a job **1.1.3.** The employability of students still attending school is improved **1.1.4.** More people decide to start their own business	**1.1:** At least 100 unemployed to benefit from the programme, including women, youth and long-term unemployed, managed to find employment by 2022 (baseline 0) **1.1.1.1.** At least 20% of the people being final beneficiaries of the actions registered as active job seekers **1.1.2.1.** At least 10% of the long-term unemployed having been final beneficiaries of the actions found a job **1.1.2.2.** At least 20% of the students who had finished school being final beneficiaries of the actions found a job within a year after graduation **1.1.3.1.** At least 20% of the students who went through an internship hired by the host enterprises **1.1.4.1.** At least 15% of the potential entrepreneurs having been final beneficiaries of the actions set up a new business	Official statistics Registers of employment agencies Registers of Chambers of commerce Monitoring/project reports	• Cooperation among and between (vocational) education institutions and the private sector to improve the chances of graduates on the labour market, e.g. through officially recognised internships • Joint research & development activities in labour market and social policies involving research and educational centres of the programme area • The development of continued (e-)learning to improve skills of employed and unemployed people to improve their chances in the labour market • Support initiatives and campaigns for self-employment • Support labour intensive local and regional economic initiatives (like regional food markets) with a cross border outreach • Create employment and career information centres for youth • Support to internships in companies

12 All indicators are time bound to up to 2022.

		initiative		
1.2. The social inclusion of vulnerable and marginalised groups has been furthered	**1.2.1.** Increased participation of socially vulnerable groups in sportive and cultural life **1.2.2.** Increased participation of socially vulnerable groups in education **1.2.3.** Health of socially vulnerable groups improved	**1.2**: At least 20% of vulnerable and marginalised groups' population in the programme area benefited from programme activities by 2022 (baseline 0) **1.2.1.1.** At least 10 new cultural and sports events included socially vulnerable groups as participants **1.2.2.1.** At least 100 people out of the final beneficiaries of the action (socially vulnerable groups) are enrolled as new pupils or students **1.2.3.1.** The sickness incidence amongst the socially vulnerable groups being the beneficiaries of the action is reduced by 10%	Official statistics Reports from the relevant authorities/ministries Monitoring/project reports	• Support the organization of regional culture, music and sports initiatives and events for vulnerable groups with a cross border outreach • Enhancement of health care facilities, promoting access to health services • Organise youth exchange programs, for example through school exchange programmes or other NGO initiatives • Support initiatives targeted specifically at socially marginalized groups such as Roma, Ashkali and Egyptians (RAE), patients suffering from socially stigmatized diseases, etc. • Support initiatives targeted specifically at emphasizing the importance of human values in cross border cooperation • Organise job fairs/round tables/promotional events and internships for vulnerable groups in existing companies

*-Most indicators have as a baseline "0". Namely the limited availability of statistical information and resources does not allow defining the indicators precisely at the baseline level. Please note that wherever there are targets these cannot be but tentative since the amounts of programme allocations are still unknown.

Specific Objective(s)	Results	Indicators	Sources of verification	Indicative types of activities
2.1. Improve the wastewater and solid waste management and sustainable use of resources	**2.1.1.** Air, water and soil pollution has been reduced	**2.1**: At least 10% of the population of the programme area have direct or indirect benefits as a result of the actions undertaken under this specific objective by 2022 (baseline 0) **2.1.1.1.** At least 10 sites of illegally dumped litter have been permanently cleaned **2.1.1.2.** The control on the levels of pollution of air, water and soil in urban, rural and industrial areas has become technically more accurate and regular **2.1.1.4.** The amount of recycled solid waste increased by 10% **2.1.1.5.** The percentage of houses not connected to the existing sewage system decreased by 10% **2.**1.1.6. At least 2 platforms established in order to improve the management of river banks and national parks	Official statistics Reports from the relevant authorities/ministries Reports of municipal authorities/institutions Monitoring/project reports	• Improving public sewage and solid waste collection and processing systems and facilities • Exchange of good practices between local authorities and environmentally friendly initiatives • Promotional campaigns and activities (e.g. at schools) to raise the public awareness about the need for a cleaner environment • Joint environmental management of river banks and national parks • Fight against illegal landfills • Small scale infrastructure investments and procurement of equipment • Transfer of know-how on pollution control systems and

Specific objective(s)	Results	Indicators	Sources of verification	Indicative types of activities
3.1. Improve the volume, quality and visibility of tourism related to valorisation of cultural and natural heritage and values	**3.1.1.** More people become entrepreneur in tourism **3.1.2.** The hotel industry services enhanced **3.1.3.** Sites and buildings with a cultural and natural value conserved, revitalised and open to public **3.1.4.** The offer of active tourism services improved	**3.1:** The number of tourists visiting the eligible area by 2022 increased by at least 10% (baseline[13]): • Kosovo eligible area - 7,907 visitors • Montenegro eligible area - 85,759 visitors) **3.1.1.1.** The number of registered small business initiatives with a tourism related function (tourist guide, hotel, restaurant, bar, taxi driver) increased by at least 10% **3.1.2.1.** The number of hotels and restaurants with internationally recognised certificates increased by 10% **3.1.2.2.** The number of and length of hotel bookings by international tourists increased by 20% **3.1.3.1.** The number of upgraded cultural and natural sites increased by at least 10% **3.1.3.2.** The number of visitors to cultural and natural sites and buildings increased by at least 10% **3.1.4.1.** The number of mountain lodges, and kilometres of developed and upgraded biking and hiking trails increased by at least 10%	Official statistics Reports from the relevant authorities/ministries Reports of central and local tourist organisations Monitoring/project reports	• Encourage entrepreneurship in the tourism sector • Support the development and upgrading of small-scale (public) tourism infrastructure • Create and improve training for upgrading hospitality skills in the tourism sector, involving the regional education and private sector • Promote and stimulate the introduction of (international) certifications and standards in order to improve the stable quality of tourism providers • Promote and stimulate joint tourism products (for example: hiking and biking tours etc.) as well as (multi-sector) clusters in the tourism sector • Improve and integrate (web-based) possibilities to find (cross border) tourism information and booking facilities • Support initiatives to preserve, restore and maintain cultural and historical sites • Support the upgrading,

[13] The most recent statistical data for both IPA II Beneficiaries are from 2011.

		• maintenance and promotion of National Parks and other environmentally precious areas • Support research on and protection of vulnerable and valuable flora and fauna • Support youth initiatives addressing conservation of cultural heritage and values • Promote the creative industry (e.g. women producing handicraft) • Support joint initiatives to promote, preserve and innovate the cultural heritage in the programme area • Promotion of outdoor tourism services and facilities

Thematic Priority 4: 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 central , regional and local communities and, in general, the population in the eligible programme area. It also supports awareness-raising activities 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 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 Montenegro and an Antenna Office on Kosovo. 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 (2021-2027).

Result indicators:

Indicator	*Unit*	*Baseline*	*Target 2022*
Average share of beneficiaries satisfied with the programme implementation support[14]**	Percentage	No data	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

[14] Requires a regular and simple survey using a standard questionnaire with closed types of questions.

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*
Average increase in the number of proposals received within each consecutive call	Percentage	No data	No data*
Average increase in the number of concept notes that would qualify for further assessment	Percentage	0	10%

* Please note that in the financial perspective 2014-2020 possible tailored/strategic Calls for Proposals are envisaged with clear focus and/or certain requirements regarding potential beneficiaries. Also, Calls for Proposals might use the rotating principle for the selection of thematic priorities (TP) and their specific objectives and in that respect the number of proposals might not necessarily be increased. For these reasons, the potential expected increase in the number of applications received could be calculated for each consecutive call individually and will be affected by a factor that could be calculated based on: 1) Total financial envelope available, 2) Thematic priorities, specific objectives and results included in the Call for Proposals, 3) Minimum and maximum amounts of grants allowed, 4) Number of applications and grants allowed per applicant/co-applicant/affiliated entity and 5) Any other special provisions influencing various eligibility criteria applicable for a specific call for proposals.

4.1.3. 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.

Result indicators:

Indicator	*Unit*	*Baseline*	*Target 2022*
Increase in the number of people participating in promotional events	Percentage	500	100%
Visits to the programme website	Number	0	30,000

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

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

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

3.3 Horizontal and cross-cutting issues

Horizontal and cross-cutting issues play an important role in the preparation and implementation of this programme. Because of their very nature they are namely per definition a priority.

Protection and preservation of environment, natural resources and cultural heritage is the key to the sustainable development of the program area. Efficient use of energy resources and better waste and land management, as well as the control of pollution are amongst the key priorities of both governments. Better quality of air, water and soil, together with a rich historic-cultural-artistic heritage in the bordering area that needs to be preserved, are the prerequisite for the development of tourism. Both cultural and environmental heritage are assets for the economic development of the programme area. Rich natural biodiversity, untouched and attractive environment, diversity of natural landscapes call for the development of eco-tourism related type of outdoor "experiences" as an integrated tourism package (e.g. mountaineering, rafting, trekking, biking). Favourable natural conditions and resources for diversified and sustainable agriculture created specific culinary tradition where agro-food products contribute to strengthening the identity and tourist experience of the region. Further valorisation of natural resources in the view of economic development is a key issue for the development of the area. Absence of employment opportunities resulting in emigration of young and qualified workers could be best addressed by opening new jobs in the field of agriculture, production of eco food and other related products and tourism.

Development of employment programs for social integration of socially marginalized groups and the issue of equal opportunities will be closely monitored in order to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the preparation, design and implementation of the cooperation programme. Dissemination of information, for example on an upcoming Call for Proposals, will therefore be widespread, without any prejudice or preference for whatever background of eligible participants. And when organising information events it will be made sure that the venue will be accessible for disabled persons also.

Also, the individual thematic priorities themselves have been chosen taking into account horizontal and cross cutting issues, even though it is obvious that selected priorities are tightly integrated throughout and across the supported activities within the programme. Taking an isolated view of the selected priorities, it could be concluded that:

- The selected thematic priority "Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management" **is** a horizontal and cross-cutting issue itself and through a separate financial allocation will therefore be well covered in this programme.
- The selected thematic priority "Promoting employment, labour mobility and social and cultural inclusion across the border" even mentions the aspect of social and cultural inclusion, which means: inclusion for **all**. This is moreover expressed and explicitly covered through its Specific Objective to "Encourage socially vulnerable groups to participate in society".
- The tourism sector, which is targeted through the selected thematic priority of "Encouraging tourism and cultural and natural heritage" is known to employ a relatively higher percentage of women compared to, for example, the industry sector, thus providing an additional opportunity to address and reduce female unemployment in the programme area.

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 characterized 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 Montenegro and Kosovo.

Double funding must be avoided and complementarity of the activities with other programmes must be ensured.

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 MONTENEGRO – KOSOVO							Total (EUR)
	2014	2015	2016	2017	2018	2019	2020	2014-2020
CBC Operations (*all thematic priorities*)	840 000	1 200 000	1 200 000	840 000	1 200 000	1 200 000	1 080 000	**7 560 000**
Technical Assistance	360 000	0.00	0.00	360 000	0.00	0.00	120 000	**840 000**
Total (EUR)	**1 200 000**	**1 200 000**	**1 200 000**	**1 200 000**	**1 200 000**	**1 200 000**	**1 200 000**	**8 400 000**

Table 2: Indicative financial allocations per priority over the 2014-2020 period and rate of Union contribution

PRIORITIES	IPA II CBC PROGRAMME MONTENEGRO – KOSOVO			
	Union contribution	Beneficiaries co-financing	Total funding	Rate of Union contribution
	(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)
1. Thematic Priority 1 - Promoting employment, labour mobility and social and cultural inclusion across the border	2 100 000.00	370 588.24	2 470 588.24	85%
2. Thematic Priority 2 - Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management	2 520 000.00	444 705.88	2 964 705.88	85%
3. Thematic Priority 3 - Encouraging tourism and cultural and natural heritage	2 940 000.00	518 823.53	3 458 823.53	85%
4. Technical Assistance	840 000.00	0	840 000.00	100 %
GRAND TOTAL (EUR)	**8 400 000.00**	**1 334 117.65**	**9 734 117.65**	

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 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

The overall aim of the cross border programme is to implement high quality, result oriented projects with a clear added value and of a strategic nature, relevant for the cross border programme area.

As a main rule, this programme will be implemented through calls for proposals (CfP). 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. It is foreseen that each call for proposals would be focused on two or maximum three specific objectives at the time.

Based on the priorities defined for each call for proposals, specific elements in order to achieve projects with high level cross-border impact will be defined. These elements may include among others:

a) General calls for proposals (open to all interested operators that are normally eligible for the activity(ies)). In the case of general calls for proposals, the JMC may limit each call for proposals to one or maximum two thematic priorities per call;
b) Targeted calls for project proposals narrowing the target group of potential project beneficiaries.

Operations selected shall include final beneficiaries from both Montenegro and Kosovo which shall co–operate in the development and implementation of operations. In addition they shall cooperate in either the staffing or the financing of operations or both.

As only four specific objectives were selected it would be easy to rotate selected specific objectives in groups of two to three in subsequent calls for proposal. Furthermore, the call can have a greater impact if it is open to a reduced group of potential beneficiaries, such as municipalities, civil society organisations or similar. The intended results should rotate in subsequent calls for proposals following an example similar to the one illustrated in the table below:

Round of CfPs	Specific objectives	Type of CfPs
First	Specific objective 1.1, result 1.1.1 More people are looking for a job as a result of the actions Specific objective 3,1, result 3.1.1. more people become entrepreneur in tourism Specific objective 3,1, result 3.1.2.	General CfP

Round of CfPs	Specific objectives	Type of CfPs
	Hotels, pensions and tourism attractions increase and improve their facilities	
Second	Specific objective 1.1, result 1.1.2. More unemployed people, including students that finished or still in the school, succeed in finding a job Specific objective 1.1, result 1.1.3. More people decide to start their own business Specific objective 3,1, result 3.1.4. Outdoor tourism activities and facilities created and improved Specific objective 3,1, result 3.1.3. Sites and buildings with a cultural value conserved, revitalised and open to public	General CfP
Third	Specific objective 1.2, result 1.2.1. Increased participation of socially vulnerable groups in sportive and cultural life Specific objective 1.2, result 1.2.2. Increased participation of socially vulnerable groups in education Specific objective 1.2, result 1.2.3. Health of socially vulnerable groups improved	Targeted CfP
Fourth	Specific objective 1.2, result 2.1.1. Better quality of air, water and soil	Targeted CfP

Strategic Projects are defined as those which have a significant cross–border impact throughout the Programme area and which will, on their own or in combination with other Strategic Projects, achieve in particular a specific objective. 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 IPA II beneficiaries to address specific strategic priorities which clearly follow common objectives and prove to have a clear cross-border impact.

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 and shall produce durable changes and effects that extend beyond the cross border area and beyond current project content. Some general criteria for selecting the strategic projects would be: impact on both sides of the programme area; link with local, regional or other strategies for development of the bordering areas; level of contribution and co-financing from local authorities; number of population benefiting from the intervention; cost effectiveness of the intervention; complementarily with parallel actions, sustainability of intervention.

ANNEXES

ANNEX 1: Description and Analyses of the Programme Area

A1.1 Political

In Kosovo, the public administration requires reforming in order to implement its reform policies. These reforms are formulated in the "Public administration reform strategy 2010 - 2013" of the Government and include:

1. Policy management, for a reorganised system and institutional capacity building for the transparent planning, development and debate of public policies
2. Legislative drafting, for a reorganised system and institutional capacity building for the planning, drafting and monitoring of legislation
3. Ethics and transparency, for a public administration that is ethical, transparent, responsible, incorrupt, non-discriminatory and with equal opportunities.
4. Communication with and participation of citizens, for a reorganized communication system and strengthened participation of citizens in the drafting process of policies, legislation and decision-making
5. Budgetary planning, for a planned budget in accordance with the priorities set by the government
6. Budgetary execution, for a better effectiveness (performance) in budget execution and dealing with requests from budgetary organizations in accordance with a set of criteria for controlling revenues and for making budget revisions
7. Internal control and auditing, for the improvement of the internal audit and control system
8. Public procurement, for a modernisation of public procurement procedures in accordance with the international best practices and standards.
9. Organization of the public administration, for the reorganization of the executive and its subordinated organs in accordance with the approved recommendations
10. Human resources management and development, for a civil service which is professional, impartial, independent, merit based, including reform of salary system, oriented towards citizens and businesses
11. Rationalisation of administrative processes through digitalization (e-governance), for improved administrative services that are provided by the government institutions for citizens, businesses and itself, resulting in a modern, transparent, and well performing Government

In Montenegro the national reform process is focused on the efficient and reliable provision of adequate public sector services, essential for achieving a higher level of life quality of citizens and for creating a favourable economic and social environment. In view of the fact that Montenegro is in the advanced stage of EU integration, close attention is paid to the administrative capacities needed for enforcing the EU Acquis communautaire. The alignment with the EU Acquis communautaire means not only the harmonization of laws but also the development of different sector policies related to administrative capacities that are now not qualified enough to cope with new challenges and requirements.

The Strategy for Public Administration Reform for the period 2011 – 2016 has been adopted as well as its implementation Framework Action Plan under which actions are undertaken during the reform of public administration, local self-governments and organizations and holders of public authorisations. This is to result in a "structural adjustment of the public administration system to the best European standards; rationalization of public administration; its increased efficiency and savings; improvement of coordination inside public administration; its openness, accessibility; and the participation of citizens in public duties performance".

The fiscal policy of the public sector and its effects on the national budget has been an issue since Montenegro regained independence. Measures have been undertaken for ensuring fiscal discipline, among which also the one restricting the wages fund, while at the same time

measures have to be taken and funded to improve the efficiency of public administration and to build capacities for managing the process of accession to the European Union.

As far as the **country status regarding EU accession of Montenegro** is concerned, the decision establishing the Negotiating Structure for the Accession of Montenegro to the European Union was adopted on 2 February 2012. On 29 December 2012 the Government of Montenegro appointed the Chief Negotiator for conducting negotiations regarding accession of Montenegro to the EU. 33 working groups were established to conduct negotiations for certain chapters of the acquis, and 12 negotiators - members of the Negotiating Group - were appointed. By the end of 2013 the negotiating structure consists of approximately 1,300 members, including representatives of all social structures, public institutions, the academic community and civil society.

In March 2012, Montenegro initiated the screening process, a detailed analysis of the level of compliance of Montenegrin legislation with EU legislation. The screening of all negotiating chapters was completed on 27 June 2013. In the course of that process 66 explanatory and bilateral screening meetings were held for 33 negotiating chapters. Following the reception of the EC Screening Report (for individual chapters), the Negotiating Structure will work on the negotiating positions and development of reports on the negotiating chapters.

The EU's relations with the Western Balkan countries take place within a special framework known as the **Stabilisation and Association Process**. It has 3 aims:

1. Stabilising the countries politically and encouraging their swift transition to a market economy
2. Promoting regional cooperation
3. Eventual membership of the EU

A country is offered the prospect of membership (it becomes a potential candidate). This means it should be offered official candidate status when it is ready. This process helps the countries concerned build their capacity to adopt and implement EU law, as well as European and international standards. It is based on an ever-closer partnership, with the EU offering a mixture of:

1. Trade concessions (duty-free access to EU markets
2. Economic and financial assistance
3. Assistance for reconstruction, development and stabilization
4. Stabilisation and association agreements – a far-reaching contractual relationship with the EU, entailing mutual rights and obligations.

Each country moves step by step towards EU membership as it fulfils its commitments in the stabilisation and association process. The Commission assesses progress made in annual progress reports.

On **Kosovo** the European Commission observed in a Feasibility Study In October 2012 that increased alignment of legislation with the acquis was recommended in order for Kosovo to meet its obligations under a possible future Stabilisation and Association Agreement. Underlining that the pace of progress depends on Kosovo itself, the European Commission invited Kosovo to intensify reforms and focus on implementation in the areas of *rule of law, judiciary, public administration, electoral reform and the Assembly, human and fundamental rights, protection of minorities, trade and internal market issues, and phytosanitary and veterinary issues.*[15]

But a year later, in October 2013, the Commission also observes that Kosovo has made substantial progress in these areas.[16]

In the context of the ***political criteria***, the Kosovo government has increased its capacity to address priorities of the European approximation process. It has demonstrated this capacity

[15] Source: European Commission - Feasibility study for a Stabilisation and Association Agreement with Kosovo, October 2012

[16] Source: European Commission – Kosovo 2013 Progress Report, October 2013

by its follow-up to the short-term priorities of the feasibility study and the preparations for the negotiations of the Stabilisation and Association Agreement. Steps have also been taken to improve the Assembly's oversight of the government's work. However, the decision of the Assembly to debate the outcome of a judicial case was a setback to Kosovo's efforts to strengthen its institutions of democratic governance.

Kosovo has demonstrated a commitment to deliver results in the fight against organised crime and corruption, including launching investigations and strengthening the legislative framework. First steps have been taken to produce harmonised statistics in this area. Kosovo has also continued its good cooperation with EULEX. The judicial system underwent important reform. Its coherent implementation will be essential for bringing further positive changes and will need to be closely monitored. In January, the laws on courts and on prosecution entered into force, introducing new court and prosecution structures. The new legal framework is expected to contribute to the independence, effectiveness, accountability and impartiality of the judicial system. Kosovo has also continued the readmission of persons from Member States.

Following feasibility study recommendations, the Assembly has modified the articles of the Criminal Code on criminal liability of the media and the protection of journalists' sources. The Implementation Monitoring Council, which brings Kosovo authorities and the Serbian Orthodox Church together, has been established and functions well. Public broadcasting in the Serbian language has also started. A new Language Commissioner was appointed and his office has started to perform its functions. The budget and staff of the Ombudsperson have increased so that this institution can now deliver on its role as protector of good governance and human rights in Kosovo.

Kosovo still needs to ensure that ***electoral reform*** is completed and the legal framework reflects best practice in the EU. The ***Assembly*** needs to enhance its oversight of the executive by improved scrutiny of draft legislation and by monitoring the implementation of policies and laws. The government needs to ensure adequate participation in the work of the Assembly. Financial independence of the Assembly has improved, but further steps are needed (for example improving rules of procedure and legislation on the Assembly) to enhance the financial and administrative independence of the Assembly.

On the ***rule of law***, Kosovo needs to provide concrete evidence of results in fighting organised crime and corruption as a matter of priority, and strengthen legislation and its implementation. Kosovo needs to improve further the reliability of statistics in these areas. Kosovo needs to actively support EULEX in the implementation of its mandate, including the Special Investigative Task Force. Kosovo is progressively taking on increasing responsibilities from EULEX. The Structured Dialogue on the Rule of Law is an essential forum for Kosovo and the EU to review progress in this regard.

Political interference in the work of the ***judiciary*** remains a serious concern. The Judicial and Prosecutorial Councils need to strongly respond to attacks against judges, prosecutors and the judicial institutions. The Assembly and the government need to do the same. Appropriate security and protection measures for judges and court staff, as well as prosecutors, witnesses and plaintiffs, are necessary. Kosovo needs to take further measures to reduce the total backlog of cases, including the enforcement of court rulings, and ensure trials are conducted in appropriate premises and in line with court procedures. The recruitment of judges and prosecutors from minorities in accordance with the legislative framework needs to continue. Kosovo needs to ensure that the special prosecution responsible for cases of organised crime, war crimes and corruption maintains its competencies.

As concerns ***public administration***, Kosovo needs to focus on the implementation of legislation, the strategy and the action plan, which requires strong political guidance. The professionalism of the civil service needs to be enhanced, and the persons belonging to minorities need to be well represented in line with the legislation. Political interference with recruitment and appointment of public employees needs to stop. In the area of ***human and fundamental rights***, the complex and overlapping institutional set-up for their promotion and protection needs to be simplified. More efforts are needed in investigating and prosecuting physical attacks against journalists. The same applies to violent incidents against the lesbian, gay, bisexual, transgender and intersex (LGBTI) community. Progress is also needed in enforcing property rights, for example through decreasing the backlog of cases and improving

enforcement of judicial and administrative decisions. Personal data protection legislation needs to be better enforced. The Assembly needs to design a sustainable long-term funding mechanism for the public broadcaster; appointments to its board still need to be completed.

On the ***protection of minorities***, legislation on cultural heritage and the Serbian Orthodox Church needs to be implemented. Local authorities need to be further supported to continue the process of decentralisation. The strategy and action plan for the Roma, Ashkali and Egyptian communities need to be implemented vigorously, as the situation of these minorities on the ground remains a major concern. This is also important in the context of the visa liberalisation process. Attacks motivated by ethnicity or religion have to be investigated, prosecuted and perpetrators brought to justice.

As regards the ***economic criteria***, Kosovo has made some progress towards establishing a functioning market economy. Considerable reforms and investments are needed to enable it to cope over the long term with competitive pressure and market forces. The challenging economic situation in the region and the EU has started to affect Kosovo's economy, although less than in other countries of the region. Kosovo's GDP grew by 2.5% in 2012. Fiscal policy has been prudent and budget performance has been on track. A legally binding fiscal rule was introduced, to be implemented in 2014. Unemployment has remained very high. Kosovo has continued significant investments in its infrastructure. Continuous efforts are needed to support macroeconomic stability and improvement in the social situation. Kosovo needs to improve its competitiveness and business environment, and support the private sector so as to reduce unemployment. A sound business environment demands further measures to tackle the weak rule of law and corruption. Privatisation needs to continue. The informal sector remains an important challenge.

The priorities in the area of ***European standards*** need to be tackled in the context of negotiations on the Stabilisation and Association Agreement. Kosovo has completed the restructuring of the Ministry for Trade and Industry so as to be able to negotiate the trade-related parts of the agreement effectively and it has completed an impact analysis. Kosovo has also undertaken efforts to prepare the agricultural census.

As regards ***trade and internal market issues***, improving Kosovo's business statistics is essential. Kosovo needs to continue implementing the legal framework for trade, competition and the internal market. Kosovo needs to step up its efforts in a number of ***phytosanitary and veterinary areas*** that affect food safety, as defined in the feasibility study. In the energy sector, efforts to decommission the Kosovo A power plant need to be enhanced. The focus on the priorities of the feasibility study, on preparing the negotiations of the agreement with the EU and on the visa liberalisation dialogue has had an impact on progress in other sectors.

So although progress has clearly been made, al lot of work still remains to be done. But 2013 has been a very important year for Kosovo on its path to the European Union. The decisions of the European Council in June 2013 authorising the opening of negotiations for a Stabilisation and Association Agreement (SAA) represented the start of a new phase in EU-Kosovo relations, and the Commission aims to complete these negotiations in spring 2014, to initial the draft agreement in summer 2014 and thereafter to submit the proposals for the Council to sign and conclude the agreement.

The **Stabilisation and Association Agreement with Montenegro** (SAA) entered into force on 1 May 2010, following ratification in all EU Member States. During the ratification process – which lasted just over two and a half years – the so called Interim Agreement was implemented, referring to trade and trade-related issues falling under the competence of the EC. When the Stabilisation and Association Agreement entered into force the Interim Agreement ceased to be valid and a new institutional framework for cooperation between the EU and Montenegro was established.

Although the Stabilisation and Association Committee of Montenegro and the EU jointly concluded that progress was made in all areas of SAA implementation, annual Progress reports also pointed to the need for additional legislative and institutional harmonisation in the following areas:

1. Agriculture and rural development– it is necessary to establish the Payment Agency in the sector of agriculture, and to continuously strengthen the capacities of the Payment Agency which by the day of accession needs to establish the Integrated Administration

and Control System (IACS) for the enforcement, monitoring and control of direct payments, identification of land parcels (Land Parcel Identification System LPIS), and monitoring of the intervention measures for the market management (CMO) – Common Market Organisation;

2. Food safety – Montenegro should establish a working body which would coordinate all activities in the area of food safety, including the control;
3. Taxes and customs – It is necessary to further strengthen IT sectors in the Tax Administration and the Customs Administration. According to recommendations from the last Progress Report, the last Law Amending the Law on Excise (Official Gazette of Montenegro 38/13) was adopted and it envisages the abolition of the coffee excise effective from 1 January 2015;
4. Financial control– It is necessary to make additional efforts in strengthening the independence of the State Audit Institution and the strengthening of the administrative capacities of this institution.
5. Commercial law –it is necessary to establish an independent body for the control of work of auditors;
6. Judiciary and fundamental rights and Justice, freedom and security– The most important recommendations in this area are related to the constitutional reforms, capacity building in the Administration for Anti-Corruption Initiative and the Public Audit Institution, asylum, etc. Some activities have already been carried out regarding the fulfilment of obligations stemming from these two chapters. A detailed set of reform measures has been envisaged by the action plans for Chapters 23 and 24 which were adopted by the Government on 27 June 2013;
7. External relations – It is necessary to clearly define the institution which would deal with the export loans;
8. Environmental protection – the lack of strategic approach in the area of water quality and waste management. It is necessary to strengthen administrative capacities regarding environmental inspectors.

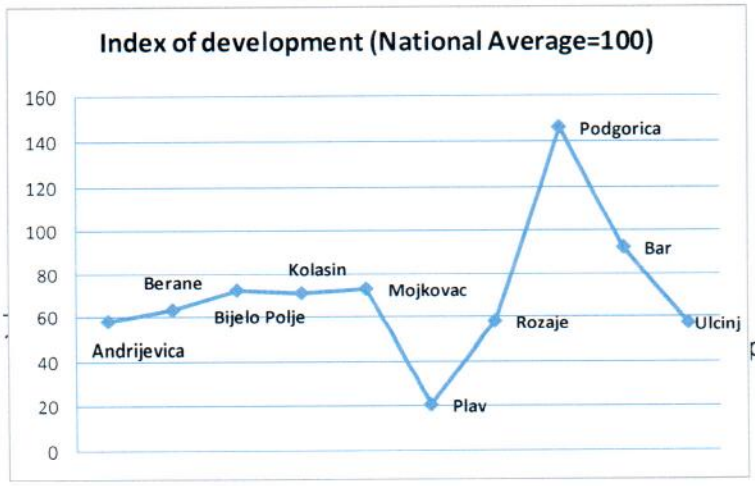
A1.2 Economic

Regional Disparities

Regional differences in terms of economic and social development, not only between Montenegro and Kosovo but even within their regions, constitute a characteristic of the programme area.

The Regional Development Strategy of **Montenegro** measures these differences by calculating a development index, which is a weighted average of basic socio-economic indicators. According to this index, the situation of the municipalities within the programme area in Montenegro is as shown in the *graph 6*.[17]

Figure 3: Index of development of municipalities in Montenegro



The capital city of Podgorica is located within the Montenegrin part of the programme area and is having a level of development above the national average. All municipalities of the Northern Region are below

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the national average. The municipalities of Plav and Gusinje, in a landlocked location, have the lowest level of development in the country. The municipalities of Bar and Ulcinj, unlike the other coastal municipalities, are also below the national average. However Bar is in a better situation due to the economic weight of its port.

Relatively industrialised at the time of Yugoslavia, the northern region has faced a major economic decline. The whole northern region contributes to the national GDP with only 18%. The average unemployment rate as well as the poverty rate are significantly higher than in the central and coastal regions. This situation leads to a constant de-population of this region, which may hamper further development plans. However, the region has valuable resources which are mainly linked to its unique environment. This is particularly the case for the agriculture and forestry sectors, for the production of renewable energy and for developing all types of mountain and eco tourism. Small production activities mainly related to food processing (meat, fruit and vegetable) and wood processing are re-developing and a lot of efforts are devoted to develop new tourism products.

The Capital city of Podgorica, having a central position, is concentrating on services and industries. It also benefits from favourable soil and climate conditions for intensive agriculture.

The coastal region, apart from the activities related to the port of Bar, is highly depending on tourism and related activities. However, foreign and national investments in tourism sector were so far mainly concentrated in the western part of the cost. In terms of tourism infrastructure, Ulcinj and Bar are still far from being at the level of the other municipalities of the Montenegrin Adriatic coast.

In Kosovo, the programme area has a predominantly industrial-agrarian based economy. Agriculture, trade, construction and food processing are generating the majority of local turnover and revenues.

Currently, the major strengths of the West Economic Region lie in its geographical location as a gateway to neighbouring countries (Albania and Montenegro) with which it has a long tradition of trade. The quality of its natural environment, the potential for agriculture production and especially tourism, as an attraction for visitors, are also factors favouring the economic development of the area. The region has a relatively developed food industry with enterprises supplying the Kosovo market and exporting to the neighbouring countries. The construction sector (apartment buildings) and the food and beverage industry are particularly expanding. The region is very rich with forest products which are very much required in the external market and the timber industry is reviving. In addition capitalizing on the traditional advantages in these sectors, RDA West (the Regional Development Agency for Western Kosovo) underlines the need and potential for foreign direct investments (FDI) in the innovative sectors of information and communication technology (ICT) and business services.[18]

The private sector and its main economic sectors

Montenegro	No of Active entrepreneurs and SMEs	% of the total Montenegro SMEs	Kosovo	No of registered businesses	% of the total Kosovo registered businesses
Total programme area	12,903	57.82%	West Economic region	18,174	17%

With well over 40,000 businesses in the programme area the private sector is becoming an important factor in job generation in both IPA II Beneficiaries. **In Kosovo** there are currently 18,174[19] registered businesses operating in the programme area, accounting for 17% of total number of businesses registered in Kosovo. The overwhelming majority of companies are

[18] Source: RDA West - Regional Promotion Strategy of investments in the western region of Kosovo, 2013

[19] Source: SME Support Agency : A statistical Overview of Enterprises as of 30.09.2011

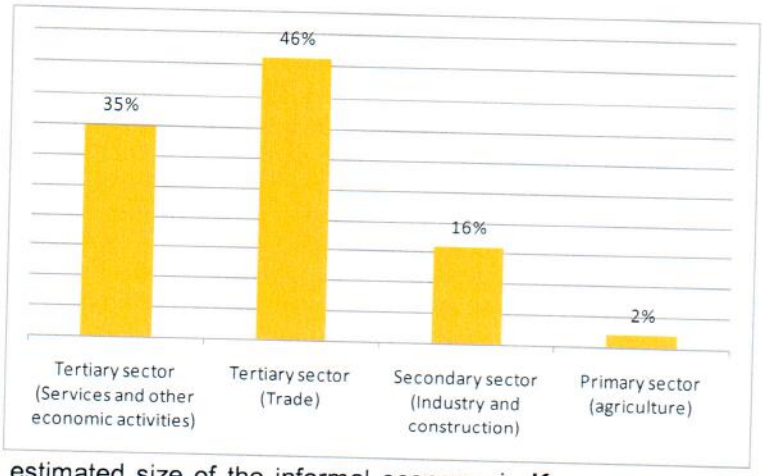
SMEs, just like the overwhelming majority of SMEs are micro companies with less than 10 employees[20]. In Kosovo for example over 98% of all companies are micro companies.[21]

Classification by Size	Number of Employees	Number of Enterprises	Percentage of Total
Micro	1-9	102,070	98.37
Small	10-49	1,406	1.35
Medium	50-249	221	0.22
Large	250 or more	58	0.06
	Total	103,755	100.00

In **Montenegro**, 12,903 active entrepreneurs and SMEs were operating in 2012 in the programme area (counting for 57.82% of the total number of active SMEs in Montenegro) but 54.73% of them are concentrated in the municipality of Podgorica[22].

As shown in the graphs 7 and 8, the distribution of SMEs per economic sectors is similar in the two IPA II beneficiaries. The main SMEs activity is concentrated in the trade sector (retail and wholesale trade) dominating with 46% in Kosovo[23] and 43% in Montenegro, followed by other activities in the tertiary sector (35% in Kosovo and 39% in Montenegro). SMEs in the primary sector were represented with only 2% and 1 % in both beneficiaries, but the number is believed to be much higher due to the fact that majority of farmers operate as family business not officially registered in the tax offices.[24]

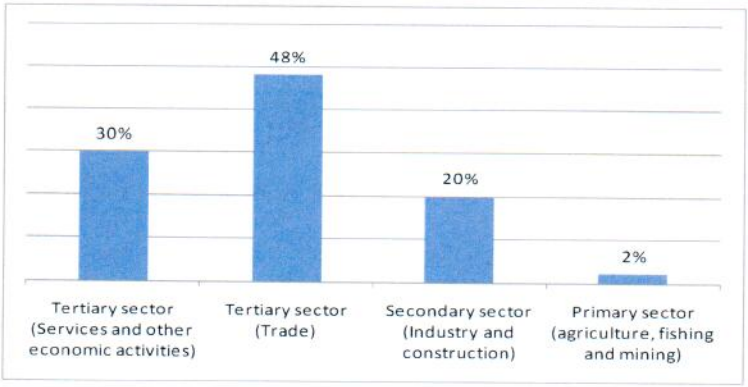
Figure 4: Businesses by economic sectors in Kosovo



In the **Kosovo** part of the programme area and in the Northern Region in Montenegro, the private sector is dominated by small shops, which sell mostly imported goods. Generally speaking, the manufacturing sector is underdeveloped, there is a flourishing informal economy, and businesses have difficulties in obtaining capital for investment due to high credit interest rates of commercial banks. The estimated size of the informal economy in **Kosovo** ranges from 40 to 50% of GDP[25]. This weakens the trust between SMEs and the financial institutions and reduces SMEs' access to credit and ability to make use of formal mechanisms for disputes resolution. It also discourages foreign investment and in that sense cross border cooperation. Amongst the important factors representing a constraint for the economic development of the programme area are the lack of technological know-how and labour skills necessary to respond to the market demand for high-quality services and products. In the food industry, the lack of distinctiveness (packaging, marketing strategy, etc.), poor branding and lack of quality

[20] Source: Kosovo Business Registration Agency (KBRA), 2013
[21] Source: SME Development Strategy for Kosovo 2012 - 2016
[22] Source: Directorate for Development of SMEs, 2012
[23] Source: Kosovo MTI/ SMEs Support Agency, "SME Annual Report" 2009
[24] Source Monstat "Analysis of businesses by municipality and sector" Sept 2012
[25] Source: Government Programme for Prevention of the Informal Economy in Kosovo 2010-2012

Figure 5: Businesses by economic sectors in Montenegro



standards are major constraints not only for export but also for supplying the internal markets.

In **Montenegro**, the national market and the tourist flow in the Coastal Region offer possibilities for marketing local products, something still largely unexploited by the Northern Region. Linking the northern production capacity (e.g. high quality and traditional agro-food products) with the southern market is a priority emphasized by many stakeholders and could also benefit to Kosovo.

In **Kosovo**, the Ministry of Trade and Industry has launched Industrial Parks and Business Incubator initiatives as a concrete measure to stimulate SMEs development. In the West Economic Region an incubator is established in Deçan/Dečani and another one is planned for Pejë/Peć municipality. In the West Economic Region of Kosovo, and with the support of EU funding, a Regional Development Agency (RDA) is established, aiming to supporting the economic development of the area. RDA has recently prepared a Regional Development Strategy 2010 – 2013. In addition the RDA West is is currently, with EC technical assistance, repositioning itself in order to become more active as a business advisory centre in regional private support development.

In Montenegro business support mechanisms are in place, but not always up to standard. Chambers of Commerce are present in each region of the programme area but their activity is limited in scope. There is a business centre in each municipality, providing support and advice to the entrepreneurs. Business incubators, under the umbrella of the Directorate for Development of SMEs (SMEDA) are operating in Podgorica and Bar and the opening of another one is planed in Berane.

In Kosovo a strategy for regional development, providing an overall and integrated framework for regional and/or cross-regional priorities, is not in place. This issue is currently being addressed, with the support of EC technical assistance and has already resulted in the creation of an association of RDAs, ARDA. Meanwhile the main regional strategy for the West Economic Region is in place, prepared by the RDA West, and in close cooperation with the municipalities in the region and incorporating the municipal strategies.

In **Montenegro**, on the other hand, economic development strategies, although defined by national authorities, local governments and international organisations, are top down oriented and struggle to find relevant interlocutors at the local level. Here the insufficient cooperation between municipal and regional authorities, sector associations and farmers associations is seen by some as an obstacle for developing business activities, particularly in the field of tourism, which requires strong local, national and international interconnections.

In Kosovo and Montenegro it is worth noting though that policy reforms to stimulate private sector development are paying off, and that it is becoming easier to develop a business. In the World Bank's ranking of "Doing Business 2014" the situation in both Kosovo[26] (going up from rank 96 to 86) and Montenegro[27] (going up from rank 50 to 44) improved.

[26] Source: http://www.doingbusiness.org/data/exploreeconomies/kosovo

[27] Source: http://www.doingbusiness.org/data/exploreeconomies/montenegro

KOSOVO[28]

Topics	DB 2014 Rank	DB 2013 Rank	Change in Rank
Starting a Business	100	126	26
Dealing with Construction permits	136	152	16
Getting Electricity	121	120	-1
Registering Property	58	75	17
Getting Credit	28	24	-4
Protecting Investors	98	95	-3
Paying Taxes	43	42	-1
Trading Across Borders	121	122	1
Enforcing Contracts	138	139	1
Resolving Insolvency	83	86	3

Recent business reforms in Kosovo:

1. Starting a business: Kosovo made starting a business easier by creating a on-stop shop for incorporation
2. Dealing with construction permits: Kosovo made dealing with construction permits easier by eliminating the requirement for validation of the main construction projects, eliminating fees for technical approvals from the municipality and reducing the building permit fee.
3. Registering property: Kosovo made transferring property easier by introducing a new notary system and by combining procedures for drafting and legalizing sale and purchase agreements.

MONTENEGRO[29]

Topics	DB 2014 Rank	DB 2013 Rank	Change in Rank
Starting a Business	69	57	-12
Dealing with Construction permits	106	174	68
Getting Electricity	69	68	-1
Registering Property	98	114	16
Getting Credit	3	3	No change
Protecting Investors	34	32	-2
Paying Taxes	86	85	-1
Trading Across Borders	53	51	-2
Enforcing Contracts	136	134	-2
Resolving Insolvency	45	45	No change

Recent business reforms in Montenegro:

1. Dealing with construction permits: Montenegro made dealing with construction permits easier by introducing a one-stop shop and imposing strict time limits for the issuance od approvals
2. Registering property: Montenegro made registering property easier by introducing a notary system

[28] Source: World Bank - Doing Business 2014, Kosovo (Ranking out of 189 economies)

[29] Source: World Bank - Doing Business 2014, Montenegro (Ranking out of 189 economies)

In sum, in terms of private sector development there are clear synergies to be developed within the programme area and to be supported by the CBC programme.

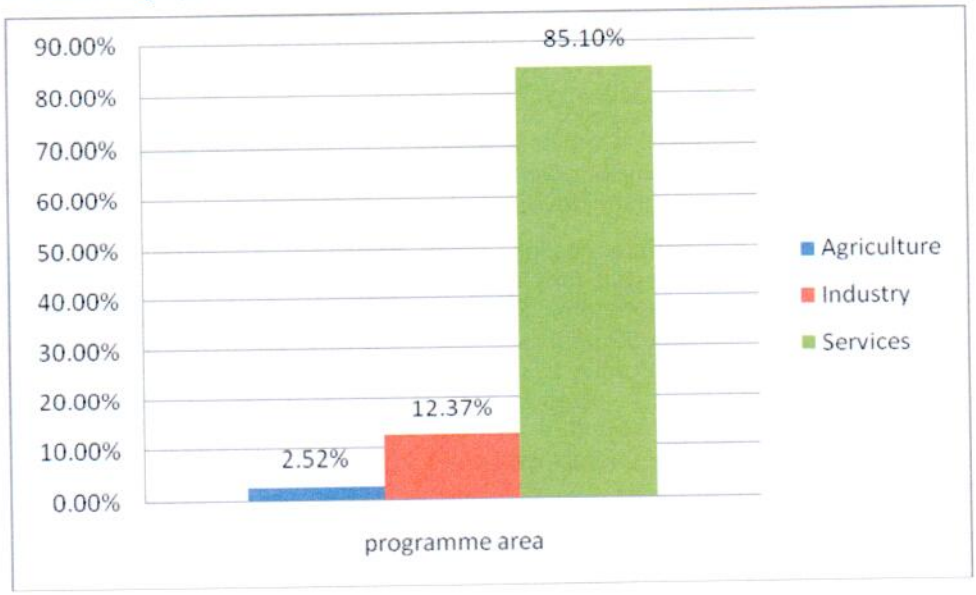
In **Montenegro**, in order to reduce disparities in economic and social development across the regions, the northern region is a priority for all national development strategies. Regional economic development plans are based on the protection and preservation of the natural and environmental resources of the region and on a high priority given to sustainable agriculture and food processing, tourism, sustainable forestry and creation of all types of "green jobs" in environmentally friendly sectors.

The same priorities are defined for the two economic regions in **Kosovo** to improve efficiency in agriculture and forestry and to develop additional sources of income from preserving natural assets and tourism. Mining is another economic potential in an area that is known for having the richest mineral resources in Kosovo (lignite and bauxite minerals in Istog/Istok and Klinë/Klina municipalities).

Labour market and unemployment

In Kosovo, with micro companies (i.e. companies with up to 9 employees) representing more than 98% of all companies, it should come as no surprise that private sector employment also in the programme are is largely based on small-scale enterprises and self-employment. But in rural areas the main opportunities for development and creation of employment and for increasing or compensating for limited family income are still in agriculture. The private sector in Kosovo employs about two third of the total number of employees, whilst the public sector employs about one third.

In Montenegro agriculture is more important for employment in the rest of the programme area than in the Bar and Ulcinj. Services, mainly in trade and tourism sectors, are predominant. Public services (particularly municipal services), are a major and often main employer. The distribution of employment per region and per economic sector in Montenegro is shown in graph 9.



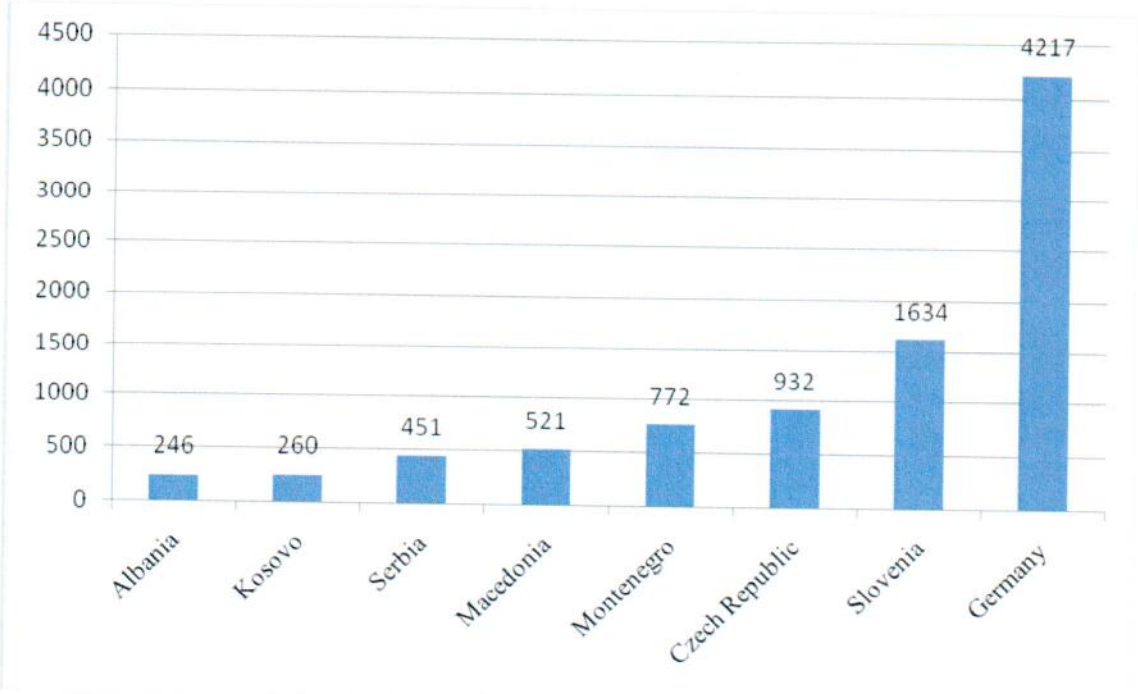
The average net salary per month in Montenegro is reported to be lower in the Northern Region than in than the national average[30]. As regards the difference in salary level, salaries in Montenegro are according to Eurostat statistics about three times higher than in Kosovo[31]

30 Source: MONSTAT, Official Statement , salaries in September 2010

31 Source: UNDP – Kosovo Human Developmemt Report 2012, private sector and employment

where on estimate 34,5% of the population lives in poverty and 12,1 even in extreme poverty.[32]

Figure 6: Average monthly salaries (in Euros) in central European and Balkan countries, EuroStat 2010



It should be noted however that in programme area of both Montenegro and Kosovo, considerable number of people work outside the programme area or even abroad and are very active in providing aid to their families. Remittances, thus, play an important role in subsidizing incomes and local consumption.

In Montenegro unemployment is still a major economic problem and is characterised by significant regional differences. The official unemployment rate in June 2013 was 13.58% in the programme area. A high share of unemployed are women and of young people.

In Kosovo unemployment is also a major challenge, and the regions West and North are no exception to this, with an unemployment rate of around 50%. The number of registered employed people in 2011 in the West Economic Region was 42.703, while the total number of registered unemployed then was 45,050 people (unemployment just over 50%), with the majority of them belonging to the age group from 29-35. However, this might not reflect the real situation considering that people involved in agriculture are counted as self-employed and the rate of employment in agriculture is most probably overestimated (hidden unemployment). Approximately 40% of unemployed are women.

In conclusion, regardless of the fact that the statistics may have a relatively big error margin, the consensus is that unemployment in the Kosovo programme area is still extremely high.

Agriculture and rural development

Agriculture is an important sector of the economy in the programme area, considering the fact that the majority of the population lives in rural areas and their main revenues come from agriculture-related activities. Kosovo has over 60% rural population. In Montenegro, with the

[32] Source: Economic Statistics 2011 - 2012

exception of Podgorica, the share of rural population is also about 60%. Agriculture accounts for 19 % of GDP in Kosovo and about 11% of the GDP in Montenegro.

Due to climate diversity, agriculture in the programme area differs between the regions. The farming systems in the Northern Region in Montenegro and in the programme area in Kosovo have relatively similar features.

In Montenegro, the agriculture in the Central Region (Podgorica) is more intensive and export oriented; while in the Coastal Region agriculture is oriented by the growing importance of the tourism industry. The Northern Region in Montenegro has the largest share of arable land in the country. The share of population living from agriculture is also much higher than in the Southern Regions (about or over 10% in most municipalities while the national average is only 5.3%). The alluvial soils in lowlands and abundance of water make this region suitable for crop and vegetable production, fruit as well as livestock. Plateaus are adequate for high quality potato production. A large part of the territory is covered with grasslands, proper for summer pasture of cattle. Particularly important for the identity of the region are the summer pastures or "katuni", temporary settlements for cattle and sheep breeders. A few hundreds are still used, some of which are owned and used by breeders from Kosovo. Small and medium processing units for meat and vegetables are operating in the region. Due to an insufficient production in Montenegro they are often buying a part of the raw material in Kosovo. Forests constitute a major asset for the sustainable development of the country. With 54% of its territory covered with forests, Montenegro is one of the more forested countries in Europe and more particularly of the northern region. One third of forests are privately owned. Forest fruits, medical and aromatic plants are a potential which is still to be developed.

As far as the Central and coastal regions in Montenegro are concerned, Podgorica is the main lowland region and has optimal conditions for diversified production: vegetable, field crop production, livestock, fruit and wine. Wine is the main export oriented production in Montenegro and 75% of the Montenegrin vineyards are located in Podgorica municipality.

The coastal region in Montenegro is especially suitable for subtropical fruit and olive production. Over 80% of the total number of citrus trees in Montenegro grows in Ulcinj and Bar. Olive production is a tradition in Ulcinj and Bar where 50% of the total production in Montenegro is concentrated. The olive oil, known for its quality, is produced in small processing units and almost exclusively sold on site and in local green markets. Considering the demand for domestic olive products, this production has a big potential for development. The hilly relief of the coastal area is also rich with honey plants and medical herbs and is suitable for cattle breeding.

In Kosovo the natural conditions in the programme area are suitable for a diversified development of agriculture. Agricultural productivity is often based on small plots of arable land and small-scale family households. Most agricultural products are for self-consumption, but a good part of the West Region's production is traded on the Albanian side of the border. The large-scale migration of labour force from rural areas has caused a decline of the utilization of arable land

West Kosovo, with a total agricultural land of 141,287 hectares, of which 100 thousand hectares of arable land, has potential for the further development of the sector. The West Economic Region grows cereals, and has viniculture. Fruit-growing is increasing rapidly, making the region one of the main suppliers of the Kosovo market with apples. The mountain part of the territory is dedicated to cattle-breeding, milk production and forestry. The area is also well-known for the cultivation of trout, truck farming, viticulture and beekeeping. The cattle-breeding sector, including the processing of milk, with one of the biggest milk production plants in Kosovo located in the region, as well as developed small-scale meat processing industries, make the region important for supplying the Kosovo market. The Dukagjini Plain is of particular importance for the agriculture development of the region. Its geographical location, the fertile soil and climatic conditions are ideal for the development of horticulture, fruit production and beekeeping as well as arable and livestock (including poultry) farming. The largest part of the territory is covered by pastures. Agricultural land consists of arable land, gardens, orchards, vineyards, greenhouses, meadows, pastures, and land left fallow.

An overall observation for the whole programme area is that a clear agricultural policy, better land management, the improvement of irrigation schemes and infrastructure and the introduction of a modern agro-processing industry, remain key challenges and pre-conditions for an efficient development of agriculture in these regions. At the governmental and local levels, the development plans for agriculture are often linked with tourism.

Tourism

The importance of tourism in the economies of Montenegro and Kosovo varies a lot. On estimate[33], by including the grey market, the share of tourism in GDP could be over 30% in Montenegro while it is still negligible in Kosovo.

In Montenegro, the Coastal Region is a very popular tourist destination, in contrast to the Northern Region where tourism is still in an early stage of development. The whole Coastal Region makes up over 95% of all overnight stays in the country, mostly during the holiday months of July and August. Within the programme area, in 2011, Ulcinj and Bar made up almost a quarter of all overnight stays in the country. It was only just over 1% for Podgorica and even less than 1% for the programme area in the Northern Region[34].

Under the brand "Montenegro-Wild Beauty", all efforts are now oriented towards "integrating all regions into a single high quality destination"[35]. This integrated approach includes improvement of public infrastructures, environmental protection and preservation of traditional agriculture and handicrafts. Promoting "quality instead of quantity", the goal is to decrease the pressure on the coast by extending the tourist season and by including the northern municipalities in the tourism offer.

Despite the current low level of tourist visits, the Northern Region of Montenegro has a potential for developing tourism related to mountain sports (skiing, hiking, biking, rafting, etc.). Donors' initiatives and private investments in hotels already succeeded to increase tourism in the North and new hiking and biking trails are being developed. And Kolašin (the only ski centre in the programme area) is becoming a tourist centre for the region. In spite of the intended integrated approach there is a tendency however for municipalities in the region to develop their own facilities and capacities.

The Central Region, Podgorica, is not relying on tourism for its further economic development, but nevertheless in particular wine tourism is developing.

The Coastal Region is a popular tourist destination during the summer period. In 2011 as much as 1,130,387 overnight stays were registered in Bar and 878,305 in Ulcinj[36]. In Ulcinj about two third of the tourists are reported to originate from Kosovo. However, both municipalities are suffering from insufficient investment in the tourism sector. Particularly, the hotel industry is less developed than in the other coastal municipalities and private accommodation is predominant (often not registered, which reduces tax income of the municipalities). In addition, the municipal infrastructure and urban planning are not adapted to this seasonal influx, adding pressure on the environment and quality of life of the inhabitants.

In Kosovo the tourism industry is still still in an early stage of development in both economic regions and dominated mainly by daily tourism. A main reason fort his is that, contrary to Montenegro, Kosovo is landlocked and lacks the coastal line that Montenegro avails of. Tourism infrastructure is therefore much less developed, which in turn is a cause for attracting less tourists.

Nevertheless, tourism is a sector of potential growth for programme area in Kosovo, thanks to natural resources, unspoiled nature and mountainous landscapes, traditional folklore and some the presence of valuable cultural and historic sites. Pejë/Peć's, with the renowned Rugova Valley for example, could be of interest to mountain tourists. And it has been

33 Source: Montenegro Tourism Development Strategy to 2020 (2008)

34 Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)

35 Source: Montenegro Tourism Development Strategy to 2020 (2008)

36 Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)



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proposed that a joint area in Albania, Montenegro and Kosovo will form the Cursed Mountains (Bjeshkët e Nemuna/ Prokletije) National Park. And the Deçan/Dečane Monastery is a world heritage site, under protection of the UNESCO. It comes as no surprise then that it is widely agreed that "the sustainable development of the tourism sector should be based on natural resources and cultural heritage, which represent a competitive advantage of this region".[37]

In conclusion, despite an uneven distribution of the flow of tourists, tourism is considered as an economic opportunity for the whole programme area. Obvious synergies, potentially to be supported by the CBC programme, can be built between the Northern Region in Montenegro and the Economic Region West in Kosovo. They have similar characteristics in terms of environment, wild nature and mountains. These border regions in Montenegro and Kosovo are also sharing the same hinterland location. Some small-scale joint tourism initiatives and packages, for example biking and hiking trails, have already been initiated, but many more initiatives would be needed for tourism to be able to really take off, requiring an integrated tourism development approach backed up with the financial resources required.

A1.3 Social

Demography

	Inhabitants	Density
Total Montenegro[38]	**620,029**	**45**
Total Montenegro programme area	**386,072**	**60**
Total Kosovo [39]	**1,815,606**	**166**
Total Kosovo programme area	320,751	138
West Economic Region (municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani and Gjakovë/Đakovica) as **eligible area**	320,751	138
Total programme area	**706,823**	**99**

The population living in the programme area accounts for almost 18% of the total population of Kosovo and 62% of Montenegro. Kosovo's estimated population in the programme area is slightly lower than the population of Montenegro. Generally, on Kosovo's territory, the population density is relatively high while it is low in Montenegro, particularly in the mountainous Continental Region which constitutes more than half of the programme area in Montenegro. There is a tendency of internal and outward migration, negatively affecting the growth and structure of the population in the programme area in Kosovo and in the northern region in Montenegro.

In Montenegro the population of the programme area is predominantly urban with almost half of it concentrated in Podgorica. However, in the Northern Region and even in the Coastal Region, the majority of the population is still living in rural areas.

In Kosovo there is a low urbanisation level in the programme area: around 70% of the population is rural. The area is demographically young, with over half of the population younger than 29. Albanians make up the majority of the total population, and the rest is

37 Source: RDA West - Regional Tourism Strategy for the western region of Kosovo, 2013

38 Source: MONSTAT, Census 2011

39 Source: Statistical Office of Kosovo" *Key Indicators of Population*" http://esk.rks-gov.net/eng/, with correction for North

composed of Serbs, Roma, Ashkali, Egyptions, Bosniaks, Turks, Croats, Gorani, Montenegrins.

In Montenegro the age distribution in the programme area is similar, although less extreme, with almost half of the population younger than 29 years old. However, in many mountainous localities, the ageing of the inhabitants is a major constraint for economic development that relies heavily on tourism and traditional agriculture. The majority of the population is composed of Montenegrins and Serbs. However, in the coastal municipalities as well as in the municipalities of Plav and Gusinje in the North, Albanians form a strong minority community and even constitute a majority in the municipality of Ulcinj. In the northern region the Bosniak population is also very important and reported to be traditionally active in trading with Kosovo. The situation of over 10,000 displaced persons from Kosovo residing in Montenegro, in particular those from Roma, Ashkali and Egyptian community, is still an issue. Most of them left Kosovo for Montenegro because of the war in 1999. In addition to this group, the number of asylum-seekers has increased significantly since 2011, but according to UNHCR for them Montenegro is mainly a transit country.[40]

Education

The education system in Montenegro and Kosovo is managed at the central level. Improvement of the educational system and school infrastructure is a major priority for both governments.

In Kosovo a number of educational indicators worsened over the last decade, caused by the closure of schools, shortage of qualified teaching staff, deterioration of school infrastructure and a shortage of funding. Also demographic changes (due to migration and high birth rates) have influenced the functioning of schools. On the one hand, school attendance in rural areas is low due to long travelling times and poverty, while on the other hand classrooms are overcrowded in the main urban areas. In many cases there are 40-50 pupils per classroom, compared to the Kosovar general norms of 30-32 pupils per classroom and a lot of schools operate in shifts. Primary and secondary education in Kosovo is free and financed by the governmental budget. Education is obligatory for all from the age of 6 to 15. In addition to public education in Kosovo, the offer of private education is limited, but increasing. Primary and secondary education is provided in Albanian and Serbian languages through separate curricula.

In the West Economic Region there are 174 primary schools offering education to around 51,855 pupils. As far as secondary schools are concerned, there are 27 high schools for 19,483 pupils, while tertiary education is provided at the, two public universities: the university "**Haxhi Zeka**" in Pejë/Peć and the "Fehmi Agani" university in Gjakova/Đakovica. Although private university institutions have proliferated in Kosovo, the public university system is still the predominant provider of education at that level[41]. In order to upgrade the level of skills and to better link the educational system to the requirements of the labour market and investment opportunities, the central government has proposed the establishment of a Competence Centre. RDA West argues this would be beneficial for the development of the region and that this plan should therefore get more active support from local authorities in the region[42].

In Montenegro primary and secondary schools are considered to be well distributed over the territory and are basically covering the education needs, including in the rural areas. The main problems in education are: school infrastructure needs to be upgraded; Roma and marginalised groups need to be better integrated in the education system; there is an insufficient inclusion of children with special needs; existing curricula do not prepare the

[40] Source: UNHCR, www.unhcr.org/pages/49e48d986, 2013

[41] Source: Center for National Policy – Education, the Key to Kosovo's future, March 2013, http://cnponline.org/ht/d/ViewBloggerThread/i/41895/pid/35636

[42] Source: RDA West - Regional Promotion Strategy of investments in the western region of Kosovo, 2013

young people for the market economy and entrepreneurship; and there is a lack of financial resources for scientific research and development[43].

In the programme area there are 96 primary schools for around 42,944 pupils and 28 secondary schools for 19,879 students (at least one in each municipality)[44]. Education is provided in the Montenegrin language, but also in the Albanian language in municipalities predominantly inhabited by ethnic Albanians. As in Kosovo, education is obligatory for all from the age of 6 to 15 and is directly administrated by the Ministry of Education.

There are three universities based in Podgorica: the public University of Montenegro (19 faculties and 3 institutes) and two private universities, the Mediterranean University (6 faculties and 1 research centre) and the University Donja Gorica. The University of Montenegro and the Mediterranean University have branches in Bijelo Polje, Berane (Faculty for Management in Transport and Communication) and Bar (Faculty for Business Management / Faculty for Business and Economics).

There is no formal cooperation agreement between the universities in Montenegro and the universities in Kosovo, but the two universities in Montenegro have initiated discussions and exchanges with the public and private universities in Pristinë/Priština. They are also collaborating within the framework of several Tempus projects.

In conclusion, improving the educational system and school infrastructure is a major priority for the programme area, particularly in Kosovo. The CBC programme will have a limited role in addressing this issue but may support exchanges between schools and vocational training centres in the border areas. The presence of universities and research centres in both sides of the programme area is an asset and an opportunity not only for establishing academic cooperation, but also for initiating research programmes in the border area and in several sectors such as agriculture or tourism.

Health

The health system is relatively similar in Montenegro and Kosovo, but different demographics, with a very young population in Kosovo versus a population not old but ageing in Montenegro, affect public health differently.

In Montenegro, primary health care services are provided at municipal level and all municipalities have a primary health centres. Private health care centres are rapidly expanding in the urban areas. There are three general hospitals providing secondary health care in the programme area (in Berane, Bijelo Polje and Bar) and the Clinical centre of Montenegro in Podgorica providing secondary health care for the municipality and tertiary health care for the whole country. Health workers are known to be well trained but the health centres are often under-equipped. Some health indicators (e.g. infant mortality rate, maternal mortality rate) show a regular improvement in public health in Montenegro[45]. The National Strategy of Sustainable Development of Montenegro deplores the fact that "the health care system is to a great extent geared towards the provision of curative services" and therefore considers prevention and health promotion programmes a priority

In Kosovo, Public Health Houses and Family Health Centres are established in all towns. A General Hospital and a Mental Health Centre in Pejë/Peć and a Regional Hospital in Gjakovë/Đakovica are the main hospital centres offering hospital services to the population in the West Region. All inhabitants enjoy full and equal access to the health care system. Municipal health care faces difficulties however because of poor infrastructure inadequate funding. In the West Region there are four hospitals. Private health care units have recently been expanding. Overall, the health sector is poorly and unevenly developed and the

43 Source: National Strategy of Sustainable Development of Montenegro

44 Source: Ministry of Education

45 Source: Institute of Public Health, Montenegro Health Statistical Yearbook 2010

absence of a legal framework for health insurance in Kosovo is still hampering its development.

In conclusion, health prevention campaigns and health education are potential activities to be covered within the framework of the CBC programme, along with smaller interventions related to provision of medical equipment.

Culture

In the programme area there are several different religious beliefs, traditions, and cultures. The area is ethnically a mix of communities (Montenegrins, Albanians, Serbs, Bosniaks) that traditionally have been closely connected. There are sometimes strong bonds between the populations on the two sides of the border that are rooted in the common language and commonly shared personal, cultural, commercial and political beliefs and relations throughout history. This cultural heritage and the regional identity at large are an asset for the touristic development of the programme area. Cross-border cooperation could play an important role in protecting and promoting this heritage.

In Montenegro there is cultural centre in each municipality in the programme area, in charge of organising, together with numerous cultural associations, the local cultural life which is relatively diverse. It includes musical and literary events, theatre festivals, art exhibitions, etc. Podgorica is the main centre for international events but a few festivals in the northern region have also an international dimension (e.g. "Mojkovac Film Autumn" at which movies from former Yugoslavia are shown; the international festival of children songs in Rožaje, etc.). The programme area is rich in archaeological sites and ancient monuments (monasteries, churches, mosques). Local handicrafts and specific culinary traditions are also featuring the identity of each region of the programme area. This cultural heritage is endangered by the lack of financial resources and adequate expertise for ensuring its protection. A National Programme of Cultural Development (2011-2016) and a new Law on the Protection of Cultural Heritage were approved in 2010. They contain a plan for improving the protection of this heritage and for decentralising its management and financing[46].

In Kosovo the programming area is rich on religious and historical sites and monuments, as well as traditions and folklore and cultural events and festivals that are organised throughout the year. Cultural life in Pejë/Peć is particularly rich, but also in other parts of the region there are several museums, theatres and other cultural attractions worth visiting. These institutions and NGOs play an important role in feeding, representing and promoting the culture and artistic life of the communities in the whole bordering area..

In conclusion, the cultural heritage is an asset for the touristic development of the programme area. Linking cultural and heritage promotion with tourism could provide various opportunities for development and for cross-border cooperation initiatives.

Civil Society

In **Montenegro**, the most active and influential Civil Society Organisations (CSOs) are located in Podgorica, addressing human rights, public policy, environment and rural development, capacity building, disabilities, etc. Some of them already established cooperation with Kosovo's CSOs, through international networks (e.g. the Balkan Civil Society Development Network) or through bilateral initiatives and have experience in defining CBC projects. In the other regions, and particularly in the northern region, CSOs are much less present however. The local network of community organisations is nevertheless diverse and rich and some of them, such as the mountaineers associations, could play an important role in tourism development.

[46] Source: National Programme of Development of Culture 2011-2016

In **Kosovo**, the CSOs network is also quite active in the programme area. The majority of organisations are established in the main urban areas such as Pejë/Peć and Gjakovë/Đakovica,. .CSOs are working on a variety of fields including democratisation issues, advocacy, environment, conservation of the cultural heritage etc. The CSOs are mainly dependent on foreign donors.

In conclusion, encouraging regional CSO networks (including sport, youth and cultural organisations) could contribute to maintaining and strengthening the ties between the communities on both sides of the border in this multi-ethnic programme area.

A1.4 Technological

The geographical position of the programme area makes it a regional crossroad providing a trading interface between West, North and South. Presently, both sides of the border face challenges with their underdeveloped infrastructure, inefficient public transport networks and frequent power cuts (the latter mainly on the Kosovo side). A good transport and energy infrastructure is considered critical however for the sustainable expansion of trade and enhanced competitiveness.

Roads

In Montenegro there is no highway in the programme area and all roads are two-lane. Podgorica is well connected to the coastal region (less than an hour) with the road going through the Sozina tunnel. In the North, the road from Podgorica to Bijelo Polje and Serbia through the Morača canyon is dangerous in winter and crowded in summer. There is a project to build a highway in order to bypass the canyon, which would highly contribute to opening up the country and to boosting the regional importance of Port of Bar. The secondary and rural road network is managed by local governments and is sometimes in a poor condition, which is considered by the municipalities in the northern region as a major obstacle for the economic development and particularly for developing tourism in the area.

In Kosovo, the roads are ranked in highways, regional roads and local roads. Highways and regional roads are in the competency of the central level institutions, while local roads which are ranked at the lowest category are managed by local government authorities. As of lately there have been considerable investments from the central Government to improve the road infrastructure, and the highway Prishtinë/Priština – Pejë/Peć is under reconstruction.

There are two roads connecting Montenegro and Kosovo. Only the road Rožaje-Kulla/Kula-Pejë/Peć is open while the road Murino (in Plav Municipality) – Qakor/Čakor –Pejë/Peć has been closed since 1999. On both roads, the border is located at high altitude and the passage in winter can be difficult. Re-opening of the border cross point of Qakor/Čakor is of course a priority for the communities living in the area. The Coastal Region in Montenegro has a good connection to Pejë/Peć via the popular new Albania – Kosovo highway. Most often people from central and coastal regions take this road to go to Kosovo, despite the extra kilometres saving time by avoiding the two-lane mountain roads.

Railway

In Montenegro the only railway which passes through the programme area is the line Bar-Belgrade, calling at Podgorica, Kolašin and Bijelo Polje. Connecting Montenegro and Serbia, this railway is of crucial importance for the further development of the Port of Bar. It might also play an important role for the development of the Northern region by improving the connection and trade with Podgorica and the coastal region (as well as with Serbia). However, this railway needs to be modernised in order to be an attractive alternative for road transport. In Montenegro, the reconstruction of some parts of the line will be carried out under EU funding. The railway runs through an impressive mountainous landscape in the Northern region of the Montenegrin programme area and could become a tourism attraction as well.

In Kosovo the railway infrastructure (single-trac) was built in the 1960s. Given the low level of investment and maintenance since then it is nowadays in a poor condition. The maximum

speed allowed in just a couple of places is 80 km per hour.In the West Economic Region however there are daily trains riding between Pejë/Peć and Prishtinë/Priština. But a modernized nationwide railway system is so far not policy priority in Kosovo.

Airports

In Montenegro Podgorica airport is the only airport in the programme area. However, Tivat airport, which serves the coastal region, has an important role during the summer period. People living in the border area also often use Prishtinë/Priština International Airport. An old military airport is located in Berane and there are discussions for re-opening it for civil use.

In Kosovo the nearest airport for both economic regions is Prishtinë/Priština International Airport located in Fushë Kosovë/Kosovo Polje. In West Kosovo, there is an airport located near Gjakovë/Đakovica, but it is used mainly by KFOR.

Seaport

Port of Bar is the only seaport in the whole programme area and is connecting Montenegro with other Adriatic countries, thus potentially playing a major role in the economic development of the country. It is currently however operating below its capacity and with a financial loss. The projects of building the Bar-Boljare highway and of modernising the Bar-Belgrade railway could give an impulse to the future development of the port.

Electricity

In Kosovo the electrical network is not fully reliable. The power cuts create problems for business in general and production companies in particular. Although useful and promising the contribution of alternative sources of energy to the total energy production and consumption is currently still negligible. Nevertheless, especially in remote rural areas and natural resorts, renewable energy certainly has a future as a clean alternative to fossil energy, therewith also enabling the development of eco-friendly tourism.

In Montenegro all regions in the programme area in Montenegro are connected to the electrical network. However, the National Strategy for Sustainable Development of Montenegro identifies some weaknesses of the energy sector: a low level of energy efficiency; high electricity losses in the distribution system; a high import dependence and a low level of use of domestic natural energy resources, especially of hydro energy.

Water

In Kosovo, just over one third of the area is covered by the public water supply system and the coverage of sewage public networks is even lower, in some areas even below 10%. Although the majority of the villages do have some kind of water supply system, the quality of water is often poor due to contamination caused for example by an old local sewage system.

In **Montenegro**, over ¾ of households use water from the public water supply system.[47] The level of coverage with public water systems is particularly insufficient in rural areas. The quality of the water is generally good and in line with EU standards. With the exception of the municipality of Mojkovac and a part of the municipality of Podgorica, there is no waste water treatment system in Montenegro, which is considered as a major environmental and public health problem.

In conclusion, poor infrastructure is a main obstacle to the economic and social development of the programme area. The sustainable development and improvement of transport and public infrastructure could contribute to sustainable economic growth and a general increase of wealth in the programming area. Sustainability is to be achieved through the increased use

[47] Source: National Strategy of Sustainable Development of Montenegro



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of renewable energy sources and an integrated approach towards improving transport, including non-polluting modes of public and private transport[48], requiring the involvement of stakeholders from all sectors and at all levels.

A1.5 Legal

In Montenegro insufficient financial and human capacities as well as high number of staff working in local administrations, particularly in the small municipalities, are often considered as an obstacle for an optimal use of the existing funding opportunities. This is why the development of municipalities is supported by the state. In addition, inter-municipal cooperation is a key issue for the development of the programme area, but not yet common practice. There have been several initiatives however, amongst other supported by the EU, to promote inter-municipal cooperation and there are some organisations participating in strengthening inter-municipal and regional cooperation.

In Kosovo over the past years there has been an institutional and fiscal decentralisation process based on the Local Self Government Law, adopted in 2008 as part of the "Ahtisaari Plan". Kosovo is divided in five economic regions, although it should be noted that this is merely a conceptual division. Formally (i.e. by law) Kosovo does not have a regional policy level represented by regional governmental bodies with regional responsibilities and regional budgets. But with the signature of the Inter-municipal Agreements in December 2008, five economic zones (Centre, East, North, South, and West) and five Regional Development Agencies (RDAs) were established based on the municipal association and cooperation principle outlined in the Local Self Government Law. The Western region is covered by the RDA in Pejë/Peć. But the municipality is the basic unit of local-self government in Kosovo. However, in the future, there could be a law on regional development for economic development purposes.

In absence of a legally formal regional policy level in Kosovo, the establishment of RDAs (Regional Development Agencies) aimed to address the socio-economic development of Kosovo at the regional level, as well as promoting inter-ethnic integration and reconciliation. One of the tasks of the RDAs, in cooperation with local government units and other stakeholders, was to develop Regional Economic Development Strategies. RDAs are also instrumental in preparing, implementing calls for proposals related to grant schemes that contribute to regional development, as well as monitoring and evaluating the projects funded through those grants. And lately, as of 2013 in particular, the RDAs have become more involved and active in private sector development, either directly or by linking with initiatives and funds that support privates sector development, and in particular SME development, in their region. RDA West works very closely with and as it were incorporate the municipal strategy into a regional strategy, which is safeguarded by the fact that the municipal mayors are in the board of the RDA. The strategy directly address the opportunities and needs in place, with different but also similar priorities. In the West these are: Creating the conditions for sustainable economic growth; stimulating an innovative and competitive business base; developing West Kosovo's human capital; and community based sustainable development. As far as legislation in the form of bilateral agreements, the table below lists the most recent ones, since 2010. They are all somehow related to the border.

Bilateral agreements signed between Kosovo and Montenegro:

[48] Source: RDA West - Regional Tourism Strategy for the western region of Kosovo, 2013

Bilateral Agreement	Date
Memorandum of Understanding between Attorney General of Montenegro and Chief Attorney General of Kosovo in the field of combat against terrorism, smuggling and serious cross-border crimes	26/06/2009
Agreement between Governments of Montenegro and Kosovo on mutual assistance on customs' issues	17/03/2010
Memorandum of Understanding between Ministry of Defence of Montenegro and Ministry of Security Forces of Kosovo on cooperation in the field of security	03/11/2010
Agreement between Government of Montenegro and the Government of Kosovo on Later Registration of Displaced Persons from Kosovo residing in Montenegro in Basic Registers and in the Register of Citizens of Kosovo	29/06/2011
Protocol between Customs Administration of Montenegro and Kosovo Customs on electronic exchange of data	04/07/2011
Agreement between Governments of Montenegro and Kosovo on Readmission (return and acceptance) of persons without residing permit along with relevant protocol on the implementation of Agreement	29/06/2013

In neither Montenegro nor in Kosovo there is any specific legislation in place that would in some way affect cross border cooperation in the programme areas in particular apart from other areas. Of course the legal frameworks of Montenegro and Kosovo regulate, be it prohibit, inhibit, tolerate or stimulate specific phenomena or developments, like for example measures related to contraband, border safety or human trafficking. But that is what those legal frameworks per definition are for and they do not apply to the programme area at hand only.

A1.6 Environmental

The whole programme area is rich on environmental resources and biodiversity. Environmental protection and preservation is therefore the key for a sustainable development of this area. The environment in the programme area, is under pressure through a combination of factors: poor water and sewage management, uncontrolled waste disposal, unregulated urbanisation and in some areas industrial pollution; there is a risk of deforestation due to uncontrolled logging; rivers and lakes locally risk pollution from illegal landfills and poor industrial and urban waste management; the intensive use of pesticides is harming agriculture; the fauna in the lakes and rivers is suffering from over-fishing and illegal hunting.

Montenegro is defined in its constitution as an "ecological state". Environmental protection is therewith a main pillar of all development strategies. There are three National Parks in the Montenegrin eligible area:

Skadar Lake, located in the municipalities of Podgorica and Bar. One third of the lake belongs to Albania. The Montenegrin part (about 40,000 hectares) was listed as a National Park in 1983. Biggest lake in the Balkans, it is exceptionally rich in birds and fish as well as in marsh vegetation.

Biogradska Gora, surrounded by the municipalities of Kolašin, Berane and Mojkovac. The National Park was proclaimed in 1952 and covers 5,400 hectares. It is known for its untouched forests (among the last primary forests in Europe), the great diversity of flora and fauna and for its six glacial lakes including the famous Biogradsko Lake.

Bjeshkët e Nemuna/Prokletije (Accursed Mountains) in Kosovo, a mountain range that extends from northern Albania, to south-western Kosovo and eastern Montenegro. Exceptional and untouched natural site, it was proclaimed a National Park in Montenegro in 2009 (the Park covers about 21,000 hectares mainly in Plav municipality). In addition, the management unit of the park lies within the Plav municipality..

Industry and agriculture are not the big polluters in the Montenegrin part of the programme area. Main threats for the environment there are related to poor waste water treatment systems (only Mojkovac and partly Podgorica are equipped with proper wastewater treatment plants) and adequate solid waste management and treatment facilities. Several planned investment projects (i.e. on waste water and sanitary landfill) are aimed at improving this situation.

In Kosovo the programme area is also very rich in environmental resources and biodiversity. Bjeshkët e Nemuna/Prokletije (Accursed Mountains) (Prokletije in Montenegro), at the border with Montenegro and Albania, is to become tri-border national park (38,000 hectares). The West region of Kosovo is known for its water resources, thanks to the high density of its rivers (e.g. Drini i Bardhë, Ibri, Sitnica, Bistrica of Peja, Ereniku). The area is surrounded by mountains that are part of a mountain range covering the entire Western Balkans. This range contains a number of the highest mountain peaks in Kosovo, such as Kopaonik (2,460 m), Mali Zhlep (2,352 m), Hajla (2,460 m), and Gjeravica (2,656 m), which is the highest peak in Kosovo.

In conclusion, with the overall development of the programme area largely relying on natural resources, the environmental protection and preservation of these resources is crucial for the sustainable development of the programme area. Adequate high quality water supplies are necessary both for use by local communities and local ecosystems. Energy conservation and the use of renewable fuels provide cost-effective and more sustainable alternatives to non-renewable sources for power generation. Air quality could be preserved by limiting or eliminating the discharge of harmful chemicals into the air and by minimizing the sources of air pollution. Local communities have to support integrative approaches for managing, protecting, and enhancing wildlife populations and habitats appropriate to their area. While providing a protective covering for soil, water, and the atmosphere, forests are also renewable sources of an endless variety of products. In a healthy ecosystem, policies and programs must balance economic and conservation needs. Land use practices and businesses that both conserve ecosystems and enhance local economies have to be developed[49]. Controlling flooding and landslides due to soil erosion, improved waste management, control of pollution, an efficient use of energy resources and improved land management are amongst the key priorities to be addressed by governmental and local development plans. The sustainable production of renewable energy, and in particular in the sector of transport, heating and cooling, is an important issue for the programme area and is in line with the EU objectives of the 2020 "Energy and Climate change package".

[49] www.sustainable.org

ANNEX 2: Survey

In order to involve stakeholders in the programme area and give them the opportunity to provide their input in the initial stages of the programming process, three types of questionnaires were developed and disseminated:

1. A questionnaire for local authorities
2. A questionnaire for bodies other than local authorities (Chambers of Commerce, Chambers of Crafts, Local Development Agencies, Professional or Business Associations)
3. A questionnaire for companies (SMEs)

The questionnaire for SMEs was disseminated with the support of Chambers of Commerce in the programme area.

In total 58 filled out questionnaires were returned, divided as follows over the two IPA II Beneficiaries and the target groups:

	Kosovo	Montenegro
Municipalities	9	6
Sector Organization	13	22
SMEs	4	4
Total	26	32

It should be noted that this is a relatively small survey sample. Nevertheless, in view of the total number of municipalities and sector organisations in the programme area, those samples can be considered as representative for the entire population of municipalities and sector associations. We do not consider the sample of 4+4 SMEs to be representative for the entire population of SMEs in the programme area (please note that there are over 40,000 SMEs in the programme area, see the ECONOMIC paragraph of the PESTLE analysis above). Instead we presume the answers of the sector associations to be representative for the SME sector in the programme area.

In the framework of this programme document it is of particular importance what in the view of the respondents the priorities for cross border cooperation in the programme area are. To that end respondents were asked to score eight pre-defined priorities, a score of 1 being the highest and a score of 5 being the lowest. It should be noted that such a type of questionnaire with these eight thematic priorities has been disseminated for all 8 borders for which a similar programme document like the one at hand has been prepared. They are in other words generic thematic priorities and do not apply specifically to Kosovo and Montenegro only.

First the local authorities. They score the eight pre-defined priorities as follows, in order of importance: (1 highest, 5 lowest):

	KSV	MNE	Total
Tourism and cultural heritage	2.25	1.50	3.75
Environmental protection, climate change and risk prevention	1.89	2.00	3.89
Local and regional governance, planning and administration capacity building	1.86	2.40	4.26
Transport and public infrastructures	2.00	2.67	4.67
Competitiveness, business and SME development, trade and investment	2.29	2.67	4.96
Employment, labour mobility and social inclusion	2.00	3.40	5.40
Youth and education	2.25	3.67	5.92
Research, technological development and innovation and ICT	2.75	4.50	7.25

This is consistent with the specific priorities defined under the previous CBC programme between Kosovo and Montenegro: tourism and the environment score high.

Sector associations (including private sector representatives and NGOs) score the thematic priorities as follows, ranked from top to bottom according to level of importance:

	KSV	MNE	Total
Youth and education	2.25	3.00	5.25
Local and regional governance, planning and administration capacity building	3.00	2.33	5.33
Tourism and cultural heritage	2.54	3.00	5.54
Competitiveness, business and SME development, trade and investment.	3.46	2.67	6.13
Employment, labour mobility and social inclusion	2.83	3.33	6.16
Transport and public infrastructures	2.50	4.67	7.17
Environmental protection, climate change and risk prevention	3.08	4.33	7.41
Research, technological development and innovation and ICT	3.15	4.50	7.65

Here we see that the difference in scores is much smaller and in particular that the thematic priority of "Youth and education" score much higher, which is related also to the type of NGOs participating in the survey.

If we aggregate the scores into one overall table, then the result is as follows (from top to bottom, ranked according to level of importance):

	Municip.	Sector organis.	Total
Tourism and cultural heritage	3.75	5.54	9.29
Local and regional governance, planning and administration capacity building	4.26	5.33	9.59
Competitiveness, business and SME development, trade and investment.	4.96	6.13	11.09
Youth and education	5.92	5.25	11.17
Environmental protection, climate change and risk prevention	3.89	7.41	11.30
Employment, labour mobility and social inclusion	5.40	6.16	11.56
Transport and public infrastructures	4.67	7.17	11.84
Research, technological development and innovation and ICT	7.25	7.65	14.90

In conclusion, based on the outcomes of this survey the thematic priorities "Tourism & cultural heritage" and "Local and regional governance, planning and administrative capacity building" are considered to be most important for the regional development of the programme area. "Research, technological development and innovation and ICT" is considered to be least important.

ANNEX 3: SWOT

PROMOTING EMPLOYMENT, LABOUR, MOBILITY AND SOCIAL AND CULTURAL INCLUSION ACROSS THE BORDER			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. Existence of traditional labour force skilled in industrial processes 2. Relatively low cost labour force 3. Relatively young population 4. University branches present, to support and focus closely on local knowledge and skills needs 5. Multi-ethnicity as an advantage for economic, social and cultural inclusion	1. De-population and outflow of skilled and educated people in rural parts of the programme area 2. High unemployment rate 3. Curricula not always aligned with potential employment and deficient employment-oriented vocational training 4. Underdeveloped system of lifelong education 5. Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc.	1. Improvement of the level of vocational education in view of better serving the labour-market situation. 2. Expansion of research & development activities by using existing research and high educational centres 3. Developing employment programs for social integration of socially marginalized groups 4. Supporting the opportunities for self-employment	1. Concentration of people in urban areas generating local unemployment 2. Absence of employment opportunities accelerating the vicious circle of emigration and migration, especially of young and qualified workers 3. The presence of non-registered and informal labour distorting the formal labour market 4. An increase of unemployment that would particularly affect the low educated and vulnerable groups 5. Limited access of the rural population to the formal educational system, due also to poverty, limiting their access to the labour market

PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE ADAPTATION

AND MITIGATION, RISK PREVENTION AND MANAGEMENT			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. Rich natural biodiversity, untouched and attractive environment, diversity of natural landscapes. 2. Wide forest areas and quality of the forests. 3. Favourable natural conditions and resources for a diversified and sustainable agriculture 4. High potential for using renewable energy sources (hydroelectricity, wind power, solar energy and biomass)	1. Inadequate solid waste management and lack of waste water treatment systems 2. Institutional and legal frameworks on environmental protection still weak or incomplete. 3. Inappropriate land management 4. Natural resources insufficiently or not properly exploited and without adequate control 5. Low awareness of environmental issues	1. Better management of forestry 2. Existence of National Parks and protected areas, including potential cross-border initiatives and joint management of such areas 3. An increase in programmes and projects on environmental protection, forestry, sustainable agriculture, solid waste and waste water, etc. 4. Local interest for producing green energy 5. Increased public awareness on environmental protection measures under the pressure of eco-tourists demands	1. Pollution of land and water resources due to inadequate or absent solid waste and waste water treatment system 2. Uncontrolled urbanisation and pressure on agricultural land 3. Uncontrolled exploitation of natural resources (timber, river gravels, forest fruits) 4. Pressures on the coastal environment due to high tourist frequentation 5. Slow development of environmental related infrastructure and the required legal framework

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PROMOTING SUSTAINABLE TRANSPORT AND IMPROVING PUBLIC INFRASTRUCTURES			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. Strategic geographic position in the wider region 2. Easy connections by road and railway networks 3. Relative proximity in the entire programme to the airports in Podgorica, Prishtinë/Priština and Tivat 4. Sufficient water resources 5. Port of Bar, as an important economic asset for the region	1. Limited and under-equipped border crossing points are an obstacle to trade flows by land and cross-border cooperation 2. Secondary road network and railways infrastructure needs upgrading 3. Need for the improvement of public infrastructures (quality water, sewage and solid waste), particularly in rural areas) 4. Shortage and unreliability of electricity supply in Kosovo	1. Programmes for a sustainable improvement of road and rail networks in Montenegro and Kosovo 2. Existing plan and funds (EU, European banks, etc.) for improving solid waste management and waste water systems 3. Easier movement of people and goods through improved roads and new (including re-opened) cross–border points	1. Limited financial resources delaying investments in public infrastructure 2. High cost of road infrastructure project in mountainous areas 3. Unresolved property issues could hamper investments development plans to improve public infrastructure. 4. Underdeveloped urban planning, including planning for sustainable means of public and private transport

ENCOURAGING TOURISM AND CULTURAL AND NATURAL HERITAGE			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. Rich and diverse nature, well suited for outdoor leisure and activities 2. Rich cultural and historical heritage 3. Numerous community associations involved in activities to preserve culture and nature 4. High potential for developing diverse types of tourism throughout the programme area	1. Insufficient efforts and funding for the protection and preservation of nature and of historical and archaeological heritage 2. Limited recognition of the potential of historical and cultural heritage as a source of income through tourism and culture activities 3. Underdeveloped tourism infrastructure in view of international standards	1. On-going and upcoming initiatives for including the cultural heritage in the tourism offer 2. Specific culinary tradition and agro-food products may contribute to strengthening the identity and tourist experience of the region 3. Developing and strengthening local institutional capacities related to cultural and traditional issues 4. The development of eco-tourism related type of outdoor "experiences" as an integrated packages (e.g. mountaineering, rafting, trekking, biking)	1. Insufficient public funds, both at central and regional levels, for proper tourism promotion 2. Lack of experience in organising joint culture activities between communities across the border 3. Lack of public/private partnership initiatives for protecting culture and historical heritage 4. Environmental pollution in areas with a high potential for eco-tourism 5. A lack of cultural modernization and innovation in case of a focus on heritage historical only



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INVESTING IN YOUTH, EDUCATION & SKILLS			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. Relatively young population 2. Regional university branches that can support and focus con local needs and that can prevent youth from migrating 3. Multi-ethnicity as an advantage for social and cultural development 4. The eagerness and motivation of youth to learn	1. Curriculum not aligned with potential employment and deficient employment-oriented vocational training 2. Underdeveloped system of lifelong education 3. Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc.	1. Improvement of the level of vocational education in view of better serving the labour-market situation with skills needed 2. Development of research & development actions by using existing research and high educational centres 3. The use of internet in order to improve the access to education in rural areas and virtual cross border contacts and cooperation 4. An increased cooperation among and between educational institutions and NGOs to cover the needs and aspirations of youth	1. An increase in private school in a way that it would result in a division in education facilities, with an impoverished public education system 2. Limited access of rural population to the formal educational system, due to poverty 3. A poor or absent rural ICT infrastructure, resulting in a digital divide between the rural and urban areas in the programming area

PROMOTING LOCAL AND REGIONAL GOVERNANCE, PLANNING AND ADMINISTRATIVE CAPACITY BUILDING			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. Existing protocol of cooperation between the IPA II Beneficiaries . 2. Existence of Regional development strategy 3. Existence of Regional development plan, incorporating municipal development plans 4. Decentralisation process on-going	1. Limited capacities of the local government units to implement development policies 2. Insufficient financial resources to finance development goals 3. Lack of proper knowledge by the local administration to obtain and implement EU funds.	1. Participation of Local government units into joint initiatives or programs to enhance institutional capacities 2. Training programmes for strengthening capacities of local actors	1. Financially weak local government units 2. Lack of funding for training of Local government administration to increase their policy making and implementing capacities 3. Lack of cooperation between proper regional structures.

ENHANCING COMPETITIVENESS, BUSINESS AND SME DEVELOPMENT, TRADE AND INVESTMENT			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. A programme area rich on natural resources for economic exploitation, be it woods for forestry or precious metals for mining 2. An entrepreneurial culture, with a long tradition of cross-border trade 3. Participation of both IPA II Beneficiaries in CEFTA 4. The existence of support programmes and subsidies for agriculture and agro-business	1. Poor competitiveness of businesses, due to limited formal capital, insufficient knowledge of modern technologies and lack of market information 1. Small scale organisation of farming and low productivity of agribusiness activities; 2. Limited technical support for development of agriculture activities in rural areas 3. Depopulation of rural areas, hampering the development of tourism and agriculture 4. An entrepreneurial culture with a relatively short investment horizon, favouring short-term trade opportunities over long-term capital investments	1. Potential for sustainable agriculture and agro-food processing 1. Improved competitiveness and trade resulting from the introduction of international norms, standards and certifications 2. A legal framework fully harmonized with EU regulations, further fostering foreign direct investments 3. Local businesses capitalizing on regional development trends related to environmental care, tourism development and innovation 4. Improvement of business management and entrepreneurship skills 5. The extensive investment capacity of the diaspora	1. Limited access to credit system for farmers and SMEs may slow down the economic development 2. Continuous migration towards urban areas may decrease the attractiveness of rural areas and hamper development of the rural and regional economy 3. Sustained illegal logging and contraband at large, hindering the development of legal business.

STRENGTHENING RESEARCH, TECHNOLOGICAL DEVELOPMENT, INNOVATION AND ICT			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. Presence of public and private Universities in the programme area 2. Increasing percentage of population actively using ICT technology	1. Poor research and innovation practices of universities and other operators in the programme area 2. Modest Internet penetration 3. Poor computer literacy 4. Poor ICT used by Universities, Schools and businesses.	1. Developing and implementing cross-border ICT projects 2. Investment in ICT and R&D programmes that would fit private sector development needs 3. Strengthening research, technological and innovation in the programme area 4. Student exchange programmes	1. Lack of strategies promoting ICT and R&D 2. Limited of financing for the Research and development and 3. Insufficient interest of private sector for technological development and modernisation of production processes

ANNEX 4: Main Statistical Data

Table 1. Territory and population

	Area (km²)	% of the total territory	Population	% of overall population
Montenegro[50]	**13,812**	**100%**	**620,029**	**100%**
Programme area	**6,400**	**46%**	**386,072**	**62%**
Kosovo[51]	**10,908**	**100%**	**1,815,606**	**100%**
Programme area	2,325	21%	320,751	18%
West Economic Region	2,325	21%	320,751	18%
Total programme area	**8,725**		**706,823**	

Table 2: Municipalities and Settlements

	No of municipalities	No of settlements
Montenegro[52]	**23**	**1,305**
Programme area	**12**	**624**
Kosovo[53]	**38**	**1,467**
Programme area	6	311
West Economic Region	6	311
Total programme area	**18**	**935**

50 Source: Census 2011

51 Kosovo Cadastral Agency, 2013 and Kosovo Agency of Statistics: Estimation of Kosovo Population 2012http://esk.rks-gov.net/

52 Source: Census 2011

53 Source: Agency for Real Estate Cadastre and Kosovo Agency of Statistics: Kosovo in figures 2012

Table 3: Number of registered SMEs

	No of registered SMEs
Montenegro[54]	**22,313**
Programme area	**12,903**
Kosovo[55]	**109,794**
Programme area	18,174
West Economic Region	18,174
Total programme area	**31,077**

Table 4: Primary and Secondary Education

	Primary education		Secondary education	
	students	schools	students	schools
Montenegro[56]	**68,035**	**163**	**31,888**	**50**
Programme area	**42,944**	**96**	**19,879**	**28**
Kosovo[57]	**294,419**	**1,029**	**109,516**	**142**
Programme area	51,855	174	19,483	27
West Economic Region	51,855	174	19,483	27
Total programme area	**94,799**	**270**	**39,362**	**55**

54 Source: Monstat

55 Source: SME Support Agency : A statistical Overview of Enterprises as of 30.09.2011

56 Source: Ministry of Education

57 Kosovo Agency of Statistics: Education Statistics 2011-2012.

Table 5: No. of unemployed persons

	Unemployed
Montenegro[58]	**30,372**
Programme area	**20,022**
Kosovo[59]	**226,634**
Programme area	42,703
West Economic Region	42,703
Total programme area	**62,725**

Table 6: Demographic Data

	Population	Population density
Montenegro[60]	**620,029**	**45**
Programme area	**386,072**	**60**
Kosovo[61]	**1,815,606**	**177.4**[62]
Programme area	320,751	138
West Economic Region	320,751	138
Total programme area	**706,823**	

[58] Source: Employment Agency, June 2013

[59] Kosovo Agency of Statistics: Labour market data by municipalities 2011 : Final Results of the population census 2011

[60] Source: Census 2011

[61] Kosovo Agency of Statistics (2013) Demographic data by municipality

[62] Kosovo Agency of Statistics (2013). Kosovo in a nutshell. http://esk.rks-gov.net/eng/

Table 7: Age structure of population

	Age		
	0-14	15-65	65+
Montenegro[63]	**118,751**	**421,693**	**79,585**
Programme area	**78,875**	**261,505**	**45,692**
Kosovo[64]	**487,577**	**1,135,463**	**116,785**
Programme area	84,652	206,718	23,524
West Economic Region	84,652	206,718	23,524
Total programme area	**163,527**	**468,223**	**69,216**

Table 8: Vital indicators

	Births	Deaths	Natural increase	Vital Index
Montenegro[65]	**7,418**	**5,633**	**1,785**	**131.69**
Programme area	**4,939**	**3,235**	**1,704**	**152.67**
Kosovo[66]	**27,651**	**7,510**	**20,141**	**368.18**
Programme area	**7,988**	**2,240**	**5,748**	326.83
West Economic Region	4,592	1,405	3,187	326.83
Total programme area	**9,531**	**4,640**	**4,891**	**313**

63 Source: Census 2011

64 Kosovo Agency of Statistics: Demographic data by municipality Published March 2013.

65 Source: Health Statistical Yearbook 2010, Institute of Public Health

66 Source: Kosovo Agency of Statistics(2012). Vital Statistics http://esk.rks-gov.net

Table 9: Tourism

	Visitors 2011
Montenegro[67]	**1,373,454**
Programme area	**350,987**
Kosovo[68]	**72,393**
Programme area	7,907
West Economic Region	7,907
North Economic Region as adjacent area	2,646
Total programme area	**358,894**

Table 10: Health services

	Total health workers
Montenegro[69]	**5,138**
Programme area	**3,463**
Kosovo[70]	**4,453**
Programme area	1,056
West Economic Region	1,056
Total programme area	**4,519**

[67] Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)

[68] Source: Kosovo Agency of Statistics (2012) Series 3. Economic Statistics: Hotel Statistics Q4-2011

[69] Source: Health Statistical Yearbook 2010, Institute of Public Health

[70] Source: Source: Kosovo National Institute for Public Health: State of health of Kosovo population 2010

ANNEX 5: IPA II beneficiaries and donor policies and projects

Thematic priority 1: Promoting employment, labour mobility and social inclusion

1.1 Kosovo

1.1.1 Policy documents & initiatives

- "Strategic Development Plan 2012-2014" and "Vocational Training Strategy" (both documents of the Ministry of Labour and Social Welfare), which links the increase of employment to the development of vocational skills based on labour market demands.
- "Kosovo Education Strategic Plan 2011 – 2016" (Ministry of Education, Science and Technology) which emphasis the importance of improved links among educational institutions, between VET-curricula and the needs of the labour market and of research and development programmes related to the economy (food processing and mining)
- "Private Sector Development Strategy 2013 – 2017" (Ministry of Trade and Industry), aiming to create a globally competitive private sector to increase employment and reduce poverty
- "Labour and Employment, 2011" (Ministry of Labour and Social Welfare), which underlines the seriousness of the unemployment problem, especially among youth (15-25 years) and long-term employed (> 12 months).
- "Strategy for the Integration of Roma, Ashkali, and Egyptian Communities in the Kosovo 2009 – 2015" (Office of the Prime Minister), which underlines the necessity for an inclusive society, with equal opportunities in education and on the labour market.

1.1.2 Donor documents & initiatives

- In 2009 the World Bank launched the Sustainable Employment Development Policy Program (SEDPP) for Kosovo. As result the shift from social welfare to regular employment was stimulated and the linkage between higher and vocational education and the labour market was improved[71]
- The ETF (European Training Foundation) through several projects supports the Kosovo Government and the European Commission in the framework of the sector wide approach for education, training and labour market and ETF will continue to contribute to the implementation of the Kosovo Education Strategic Plan (2011-2016) and the Employment Strategy.
- In its "Kosovo Human Development Report 2012, on private sector and employment", UNDP stresses the need for an inclusive and labour intensive growth in Kosovo and for the economic development of Kosovo.
- In the "USAID/Kosovo Strategic Plan 2010-2014", USAID formulates as objective of its assistance in Kosovo: making youth more productive and engaged with an increased private sector-led growth economic growth.
- The European Commission, through the European Office in Kosovo, in its "2013 Annual Programme for Kosovo" formulates the initiative on "Education and Employment",

71 Source: hwww.worldbank.org/en/results/2013/04/08/kosovo-sustainable-employment-development-policy-program-project-brief

targeted specifically at young people and long-term unemployed people, stressing the need for social inclusion of all groups in society.

- In partnership with the Danish Refugee Council the European Union Office in Kosovo has implemented the "Beautiful Kosovo" project, aimed at fostering economic development and reducing poverty in selected municipalities by enhancing economic opportunities for Kosovo's population, especially marginalized groups.

1.2 Montenegro

1.2.1 Policy documents & initiatives

- "National Strategy for Employment and Human Resources Development 2012-2015." The overall objective of the Strategy is to create better conditions for new jobs and investment in human capital in order to achieve higher level of employment and improve the economic competitiveness of Montenegro.
- "Strategy for Development of Vocational Education in Montenegro 2010-2014." The Strategy aims at a better responsiveness of vocational educational training to the labour market needs, development, of better qualifications and skills based on learning, and on the improved accessibility and retention in education for youngsters and adults, people who drop out of schools, vulnerable groups and people without qualifications.
- "The National Strategy for Lifelong Career Orientation 2011-2015", which identifies priorities and defines education measures to ensure lifelong career development for the citizens, in accordance with their capabilities, interests, capacities, as well as with the labour market needs.
- "Strategy for Integration of People with Disabilities (2008-2016)". This Strategy, apart from the measures and activities envisaged in the area of health care, social protection and education, formulates also special measures for professional rehabilitation and employment for disabled people, in close cooperation between local Employment Offices and Centres for Social Work.
- "Strategy for Improving the Situation of Roma and Egyptians (2012-2016)", on improving the legal status of the Roma and Egyptian population, education, preservation of culture and traditions, information, employment and labour relations, health and health care, social and child protection, violence against women and domestic violence, improving living conditions and participation in public and political life.
- "Strategy on Development of Small and Medium Sized Enterprises 2011-2015" aims to achieve a more favourable business environment which would reflect positively in the strengthening of SME competitiveness, innovation and export, as well as lead to an increase in employment and uniform regional development.

1.2.2 Donor documents & initiatives

- Harmonization and Implementation of the Regulations of Labour Inspection and Safety at Work, IPA 2009. Beneficiary: Ministry of Labour and Social Welfare
- Identifying Durable Solutions for IDPs and Residents of Konik Camp, IPA 2011. Beneficiary: Justice and Home Affairs
- Support to the Human Resources Management Authority, IPA 2011. Beneficiaries: Ministry of Interior, Human Resources Management Authority
- Economic Development and Employment Promotion in Montenegro, GIZ Montenegro. Beneficiary: Ministry for Economic Development.
- Strengthening Vocational Training in North-East Montenegro, Luxemburg Development. Beneficiaries: Ministry of Education and Science and the Centre for Vocational Education.

- Support to the Inclusive Vocational Training, Austrian Development Agency. Beneficiary: Ministry of Education and Sport.
- Economic Development and Promotion of Employment, GIZ. Beneficiary: Ministry of Economy.

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

2.1 Kosovo

2.1.1 Policy documents & initiatives

- "Agriculture and Rural Development Plan 2009 – 2013" (Ministry of Agriculture, Forestry and Rural Development), of which one of the main pillars is the environmentally responsible use and management of land
- "Energy Strategy 2009 – 2018" (Ministry of Energy and Mining) which proposes to stimulate new forms of sustainable energy
- "Kosovo Agriculture Rural Development Project" (Ministry of Agriculture, Forestry and Rural Development, 2010), with the goal of enhancing investments to promote sustainable rural development
- "Strategy and Action Plan for Biodiversity 2011 – 2020" (Ministry of Environment and Spatial Planning), which advocates the preservation of biodiversity and a sustainable economic development based on the sustainable use of natural resources
- "Policy and Strategy Paper on Forestry Sector Development 2010 – 2020" (Ministry of Agriculture, Forestry and Rural Development), which underlines the need for a sustainable forestry sector, which is so important in the programme area, both economically and environmentally.
- "Kosovo Heating Strategy 2011 – 2018" (Ministry of Economic Development), which proposes measures to reduce the use of energy especially in public buildings (i.e. through improved isolation)

2.1.2 Donor documents & initiatives

- In its "Strategy for Kosovo (2013)" the European Bank for Reconstruction and Development outlines how its involvement in Kosovo has three top priorities. Apart from private sector development these are: upgrading of public infrastructure, including the management of the water and waste-water and solid waste utilities, and the sustainable development of the energy and mining sector.
- UNDP has been assisting the Ministry of Environment and Spatial Planning (MESP) in environmental policymaking in Kosovo, in environmental protection, and in addressing the climate change challenges
- The World Bank in 2013 approved a 5-year project to support KEK (Kosovo Energy Cooperation) and the Ministry of Environment and Spatial Planning to tackle the problem of open dumping of ashes on land, to free land for community development purposes currently taken by waste material and introduce good environmental practices in the mining and energy sector and is
- The EU has been very active through a range of initiatives on "Improving the Environment"[72], in particular in the field of water quality, waste water management, solid waste management and energy efficiency

[72] Source: http://www.eeas.europa.eu/delegations/kosovo/documents/press_corner/improving_the_environment_en.pdf



- During a conference on 14 May 2013 in Pristina all main donors pledged many millions of Euro's for the development of a sustainable energy sector in Kosovo.

2.2. Montenegro

2.2.1 Policy documents & initiatives

- "Energy Development Strategy of Montenegro until 2030", which includes the sustainable development of an energy sector mainly based on the use of own energy resources in compliance with the principles of environment protection, increased energy efficiency and increased use of renewable energy sources.
- "Master Plan for Waste Water of Central and Northern Region 2004-2028", on addressing sewage and wastewater issues in the Central and Northern region of Montenegro.
- "Strategy for waste management in Montenegro 2013-2018", on controlling and reducing the pollution from solid waste and assisting municipalities in preparing and implementing local waste management plans to strengthen their capacities.
- "Action Plan for Fighting Illegal Activities in Forestry (2009-2013)", outlining the need and way to combat illegal activities in forestry and to monitor its implementation.
- "Strategy on planned development of forests and forestry under development 2013-2023", on improving the condition of the forests.

2.2.2 Donor documents & initiatives

- The National Biodiversity Strategy with the Action Plan 2010-2015, funded by the Global Environment Facility with the UNDP as the implementing agency, identifies the areas, species, measures and resources required to preserve biodiversity in Montenegro.
- Implementation of Air Quality Control in Montenegro, Italian Government. Beneficiary: Ministry of Sustainable Development and Tourism.
- Support for Capacity Building in the Forestry Sector, Luxemburg Development. Beneficiary: Ministry of Agriculture Forestry and Water Management.
- Integral Management of Skadar Lake Ecosystem, Global Fund for Environment. Beneficiary: Ministry of Sustainable Development and Tourism.
- Strengthening Sustainability of Protected Areas in Montenegro, UNDP Global Environment Facility. Beneficiary: Ministry of Sustainable Development and Tourism.
- Raising Environmental Awareness, IPA 2010. Beneficiary: Ministry of Sustainable Development and Tourism.
- Energy Efficiency in Public Buildings, GIZ. Beneficiary: Ministry of Economy.
- Renewable Energy Promotion Program, GIZ. Beneficiary: Ministry of Economy.

Thematic priority 3: Encouraging tourism, culture and natural heritage

3.1 Kosovo

3.1.1 Policy documents & initiatives

- Through the Law on Tourism (2013) the government of Kosovo underlines the importance of tourism development and the policy priority it has by providing "the legal basis and institutional framework, principles and rules for tourism development and promotion and the establishment and development of tourist services standards". A similar law has been adopted on cultural heritage.

- The Ministry for Trade and Industry is primarily responsible for supervising and coordinating the implementation of this law, but most of its other competencies in the field of tourism, including promotion, have been transferred to the Investment Promotion Agency of Kosovo, indicating the need and potential for investments.
- The Regional Development Agency West already for years has been an active promoter of sustainable tourism development in the region. The RDA established a thematic Working Groups on tourism involving municipal representatives of the region, civil society, businesses and institutions of higher education and in 2013 published its "Regional Tourism Strategy for the Western region of Kosovo"

3.1.2 Donor documents & initiatives

- USAID, through its Kosovo private Enterprise Program (KPEP), has been active in supporting the tourism sector in the region, primarily focusing on income generation activities.
- The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has been active in supporting the development of a cross-border hiking trail connecting Kosovo, Montenegro and Albania.
- The European Union (EU) Office in Kosovo has also supported a number of activities in the tourism sector in the Pejë/Peć region, including the 'Dear West' project to increase local tourism capacities and the develop and promote local tourism products.
- Cultural Heritage without Borders is an example of an independent (Swedish) organisation that is active in organising (cross border) regional events and projects to preserve the cultural heritage of the Western Balkan region, with support of the international donor community

3.2 Montenegro

3.2.1 Policy documents & initiatives

- "National Program for development of culture 2011 – 2015", on preserving, protecting, developing and promoting all segments of culture.
- "Tourism Development Strategy 2008 – 2020", on tourism development based on natural, historical and cultural attractions.
- "Human Resources Development Strategy for the Tourism Sector in Montenegro 2007", on developing the human capital necessary to support growth of travel and tourism.

3.2.2 Donor documents & initiatives

- Kolasin Municipality Master Plan for Sustainable Development of Tourism, Italian Ministry for Protection of Environment, Land and Sea. Beneficiary: Municipality Kolasin
- Support to Tourism Destinations in Central and Mountain Region of Montenegro, Austrian Development Agency and Norwegian Ministry of Foreign Affairs. Beneficiary: Ministry of Sustainable Development and Tourism.
- Tourism Based on Natural Heritage, Norwegian Government. Beneficiary: Ministry of Agriculture and Rural Development
- Revitalization of Cultural Heritage in the Frame of Sustainable Development in Besac, IPA 2009. Beneficiaries: Ministry of Culture, Bar, Republic Institute for the Protection of Cultural Monuments, State Institute for the Protection of Nature
- Tour-Reg, Support to Education in Tourism, Austrian Development Agency.
- Sustainable Regional Development of Bjelasica, Komovi and Prokletije – Mountain Tourism, Austrian Development Agency. Beneficiary: Ministry of Sustainable Development and Tourism.

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- Montenegro and Natura 2000, Norwegian Ministry of Foreign Affairs. Beneficiary: Ministry of Sustainable Development and Tourism.

ANNEX II - GENERAL CONDITIONS

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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, grant contracts and contribution agreements 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, grant contracts and contribution agreements 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, grant contracts and contribution agreements shall be concluded at the latest within three years of the entry into force of the Financing Agreement, except:
   (a) amendments to procurement contracts, grant contracts and contribution agreements 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, grant contract or contribution agreement 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, except in case of litigation before judicial courts or arbitral bodies.

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.

(2) For the purpose of the application of Article 25 of the Framework Agreement on Data protection, personal data shall be:
- processed lawfully, fairly and in a transparent manner in relation to the data subject;
- collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- accurate and, where necessary, kept up to date;
- processed in a manner that ensures appropriate security of the personal data and
- kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed.

Personal data included in documents to be kept by the IPA II beneficiary in accordance with Article 8.5 has to be deleted once the deadlines set out in Article 8.5 have expired.

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. For the purpose of Part Two of this Financing Agreement every reference to grant contracts shall also include contribution agreement and every reference to grant beneficiaries shall also include organisations having signed contribution agreements.

(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 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;[1]

k) Notification letter;

l) Cover letter for submission of contract;

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:

1 Elimination of unsuccessful bids five years after the closure of the procurement procedure.

a) Appointment of the evaluation committee;

b) Opening and administrative report including annexes and applications received;[2]

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 5(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 8a - Duty to inform, administrative sanctions, and failure to act

(1) When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the IPA II beneficiary shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant who either itself, or a person having powers of representation, decision making or control over it is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.

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

(3) The IPA II beneficiary that is the Contracting Authority shall take into account the information contained in the Commission's 'Early Detection and Exclusion System' (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (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).

(4) Where the IPA II beneficiary that is the Contracting Authority becomes aware of an exclusion situation in the implementation of the tasks described in Annex I, the IPA II beneficiary that is the Contracting Authority shall impose upon an economic operator or a grant applicant an exclusion from its future procurement or grant award procedures. The IPA II beneficiary that is the Contracting

2 Elimination of unsuccessful applications three years after the closure of the grant procedure.

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Authority may also impose a financial penalty proportional to the value of the contract concerned. Exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA II beneficiary that is the Contracting Authority shall notify the Commission in accordance with paragraph 1 of this Article.

(5) In respect of paragraph 4 of this Article, the IPA II beneficiary that is the Contracting Authority commits a failure to act, if it does not impose exclusion and/or a financial penalty upon the economic operator or grant applicant.

(6) In the case of a failure to act, the IPA II beneficiary that is the Contracting Authority shall notify the Commission explaining the reasons for its failure to act. The Commission reserves the right to exclude an economic operator or a grant applicant from future EU financed award procedures, and/or impose a financial penalty on the economic operator or grant applicant between 2 % and 10 % of the total value of the contract concerned.

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[3];
   (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
   (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

3 For service contracts this steps includes ex ante controls concerning approval of the shortlist.

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

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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 IPAII 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 the bank accounts used for this Programme shall not be due to the Commission.

(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, including an exchange of letters.

(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 or if the IPA II beneficiary is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:

- a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
- any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.

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 contribution agreements and for such contracts, contribution 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) 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.

(3) 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.

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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[1]: [*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[2]

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.

[1] As per the sectors in the indicative Strategy Papers.

[2] For Cross-border Cooperation specific reporting is required.

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[3] per programme

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

[3] These should be mostly outcome, as well as selected relevant output indicators

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

[5] 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)



[MODEL]

Annual Implementation Report: <Year>

Cross-border cooperation between IPA II beneficiaries:
<Beneficiary X> - <Beneficiary Y>

(Article 80 of the Framework Agreement)

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Glossary of Acronyms

<...>

1. Identification

CROSS–BORDER COOPERATION PROGRAMME	Programme title: IPA II Cross–Border Cooperation Programme <country A> – <country B>
	<20XX-20XX> appropriations/allocations: <amount including the TASC>
ANNUAL REPORT ON IMPLEMENTATION	Reporting year: <from 1 January 20XX until 31 December 20XX>
	Prepared by: ▪ <operating structure beneficiary X> ▪ <operating structure beneficiary Y>
	Date of examination of the annual report by the Joint Monitoring Committee: <date and type of procedure for its adoption, i.e. meeting or written>
	Programme eligible area: <…>

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 reporting period, that is:

1. Progress with calls for proposals:

-Number of calls planned to be launched until the end of programming period and their schedule;

-State of play of launched calls for proposals (number of calls for proposals launched and on which date, number of calls for proposals closed on which date, duration of evaluation process –total length and per each step,etc);

- Analysis of the evaluation process (number of applications received per type of beneficiary and country, number of applications rejected in each phase of the evaluation process, most common reasons for rejection, list of applications rejected (see model table below);

- List of contracts signed (see model table below);

- Capacity building events implemented for prospective applicants and for grant beneficiaries (number of events, number of participants per type of event per country,number of requests of information from grant beneficiaries addressed,etc)

- Number of operating structures and JTS staff meetings held and outputs; number of JMC meetings and outputs; number of OSs technical meetings and outputs.>

2. Progress with strategic projects;

<If relevant, include also information on the 2014-2020 programme revision or on the 2021-2027 programming.>

<Model table on the CBC contracts signed and under implementation during the reporting period:

Table no. : XX> List of CBC applications received- approved/rejected

Call for proposals number	Thematic priority	Title	Name, type and country of origin of coordinator and partners involved	Amount of EU grant requested	Administrative check (Y/N)	Technical assessment (Y/N)	Approved (Y/N)	Reason for rejection

<Table no. : XX> List of CBC contracts signed and under implementation

Thematic priority: <...>						
Title and contract number	Name, type and country of origin of coordinator and partners involved	Brief project info	Start and end date	Total eligible costs and EU grant value	Main achievements to date	Comments>

2.2 Progress made in implementing the cross –border cooperation programme

<Very brief presentation of the CBC programme thematic priorities and specific objectives, along with a summary description of the 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 quantitate 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 indicators and targets included in the projects and in the programme.

Analysis of the achievements as measured by the outputs, outcomes and impact as well as 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.

<Model table of indicators (output, outcome and impact) with an example per programme thematic priority, specific objective and result:

<Table no. : XX> Data aggregated at programme level based on information collected from the projects

Thematic priority: <...> **Specific objective: <...>** **Result: <...>**											
Name and type[1]	**Definition**	**Baseline**		**Milestones**				**Target**		**Sources of information**	**Data collection responsibility and frequency**
		Value	**Year**	**Value**	**Year**	**Value**	**Year**	**Value**	**Year**		
(%) of students (disaggregated by gender) being employed (outcome indicator)	(%) of young boys and girls finishing secondary education finding employment within one year after the end of studies	50%	2017	60%	2019	65%	2021	70%	2023	Public Employment Service statistics	Grant beneficiaries Quarterly

[1] Each indicator shall be identified as impact, outcome or output indicator.

2.2.2. Qualitative analysis

<Qualitative analysis of the progress (conceptual advances and refinement of interventions) made in implementing the cross-border programme including an analysis of the impact of the programme in the eligible area, with a geographical scope (concentration/harmonious dispersion) and habitat differentiation (rural/urban).

Explain how the programme has contributed or is going to contribute to better neighborly relations as well as how you can measure or demonstrate this.

Describe how operating structures and designated intermediary bodies kept track of the learning that occurs during the programme implementation period, for instance, for the establishment and operation of functional data collecting systems (for both statistical and administrative purposes).

For qualitative analysis, the programme structures have to make recourse to data providing information on people's views, opinions, or observations. These data are mostly collected through evaluations, monitoring visits findings, interviews, meetings, focus groups, opinion polls, surveys, etc. Finally, elaborate on how the cross-cutting issues (in particular those relevant to cohesion policy: equal opportunities, sustainable development and fight against discrimination) run across the design of calls for proposals and the implementation of grant contracts.>

2.3 Detailed information about the financial execution of the cross–border cooperation programme

<Detailed information on contracting and, under indirect management, disbursement of yearly appropriations per thematic priority and per type of grant beneficiary, including the project partners (co-beneficiaries).

<Analysis of the following factors:

- Financial status
- Information on co-financing
- Factors that impeded and/or delayed the financial implementation
- Factors that that had a positive impact on the financial implementation.>

Model table on the financial execution of CBC contracts under implementation during the reporting period:

<Table no. : XX>

	Thematic priority: <…>					
Contract number	Names, type and countries of origin of the coordinator and other partners	Start and end date	Estimated total eligible costs and EU grant value	Cumulated value of payments	Percentage of payments executed[2]	Comments>

[2] [Cumulated value of payments/EU grant value] x 100

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, review of grant contract reports, findings and follow-up on recommendations of the monitoring visits.

In programmes implemented under indirect management, preparation, execution, findings, recommendations and follow-up on evaluation measures taken by the operating structure where the contracting authority is located (see Article 57 of the FWA). In programmes implemented under direct management, support, findings, recommendations and follow-up on evaluation measures undertaken by the Commission.> .>

2.4.2. Problems encountered and corrective actions

<Summary of any significant problems encountered in implementing the programme and in ensuring sustainability, as well as any corrective actions taken and recommendations for further action.

Recommendations for (further) corrective actions.>

2.5 Visibility and publicity

<Measures taken to ensure the visibility and publicity of the programme (i.e. communication and visibility plan, see Article 78 of the FWA), including promotional items, press clipping follow-up, advertising in mass media, examples of best practice, highlighting significant events such as workshops, conferences, round tables, forums, the European Cooperation Day and project fairs; maintenance of a database of prospective applicants, the programme website, etc.>

2.6 The use made of technical assistance

<Detailed explanation of the use made of technical assistance and any significant problems encountered in implementing the TA budget. Finally, an analysis of the output, outcome and impact indicators of the TASC has to be presented in a similar way as in section 2.2.1 above.>

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.)>

2.8 Complementarities with other sector policies or instruments

<A summary of the programme's actual coordination and coherence with other EU Member States and national programmes or initiatives. Coordination and coherence of the programme with other Community policies. Complementarity with other financial instruments and/or international assistance.>

2.9 Success stories

<Describe in terms of results achieved one but preferably two examples of grant contracts whose period of implementation ended during the reporting period and which could be considered under the following parameters as a success story:

- Genuine CBC dimension (Please indicate which definition of CBC was used to assess project proposals , as indicated in the relevant Guidelines for Applicants : a) "*joint implementation of activities by partners resulting in the intensification of cross-border links and sustainable cross-border partnerships and/or the removal of cross-border obstacles to sustainable socio-economic development*" or b) joint implementation of activities by partners resulting in the intensification of cross-border links and sustainable cross-border partnerships and/or the removal of cross-border obstacles to sustainable socio-economic development").
- Genuine CBC impact: better neighbourliness and a benefit to people from both sides in a way that a 'national project' would not have managed.
- Innovative: by field, by the partners involved or the activities and methods applied.
- Efficient: Results achieved in time and in line with the planned budget.
- Good dissemination: visibility, replicability, multiplier and/or spill-over effects.
- Good sustainability prospects: likely benefits beyond the project duration and long-lasting partnership.>

< The stories could have the following structure:

Catching sentence summarising the project success

Title of the project

Thematic priority

Location: Municipalities per country

Type of project partners

Budget amount (incl. EU grant)

Problem background

Objective(-s) achieved (including statements of partners)

Main results attained

Main activities carried out

Start and completion dates

Website

Contact details of the CBC partners>

Annex IV(a): Annual Financial Report - Total Budget

IPA II beneficiary financial report (*)

Programme Reference	Financing Agreement contract number	Programme Budget			Local Contract Activities																											Recovery context				Bank Balances (EU contribution)			Forecast disbursements (EU)	
					Total Amount Contracted			Contracted %			Total Amount Decommitted on closure			Decommited %			Total Amount Disbursed			Disbursed %			Total Costs Recognised			Costs %			Total Open Pre-financing			Open Pre-financing %			Errors	Irregularities	Fraud	No context	Total	Total as % budget	Total as months' forecast disbursements	Next 12 months	% programme budget
1	2	3			4			5			6			7			8			9			10			11			12			13			14	15	16	17	18	19	20	21	22
		3a	3b	3c	4a	4b	4c	5a	5b	5c	6a	6b	6c	7a	7b	7c	8a	8b	8c	9a	9b	9c	10a	10b	10c	11a	11b	11c	12a	12b	12c	13a	13b	13c									
								4a/3a*100%	4b/3b*100 %	4c/3c*100%				7a/4a*100%	7b/4b*100 %	7c/4c*100%				9a/4a*100%	9b/4b*100%	9c/4c*100%				11a/4a*100%	11b/4b*100%	11c/4c*100%				13a/4a*100%	13b/4b*100%	13c/4c*100%									
		EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources	EU contribution	National contribution	Other sources									
NP2010	2010/123-496																																								
CBC AA/BB 2010																																									

(*) 15 February

Annex IV(b): Annual Financial Report - individual programme EU contribution

IPA II beneficiary financial report (*)

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

(*) 15 February

Annex IV (c): Annual Financial Report - simplified consolidated EU contribution

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 Decommitted on closure	Total Amount Disbursed	Total Costs Recognised	Total Open Pre-financing	Total
1	2	3	4	5	6	7	8	9
NP2010	2010/123-456							

(*) 15 January

Annex IV (d) - payments forecast

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

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.