



EUROPEAN UNION  
DELEGATION TO MONTENEGRO

Head of Delegation

Podgorica,

**Subject: Trilateral Financing Agreement for the CBC Programme between European Commission, Montenegro and Kosovo for the year 2019, CRIS Ref.no. 2019/041-474**

Please find enclosed original set of Trilateral Financing Agreement for the CBC Programme between European Commission, Montenegro and Kosovo for the year 2019, initialled and signed by all three parties.

Oana-Cristina POPA  
(e-signed)

Mr Aleksandar Drljevic  
NIPAC and Deputy Chief Negotiator  
Office for European Integration  
Bulevar Revolucije 15  
81 000 Podgorica

Encl.: Set of original of the Financing Agreement and its annexes

# 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 2019 allocation of the following Action Programme as described in Annex I:

Cross-border Cooperation Action Programme Montenegro – Kosovo\* for the year 2018-2020.  
(CRIS 2019 / 041-474)

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

- (2) The total estimated cost of the 2019 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.

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



### Article 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~~ *Ms Aleksandra Držević*  
~~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:

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

*AA*

*[Signature]*

**For Kosovo:**

Ministry of European Integration  
10000 Pristina, Kosovo  
Functional e-mail address: mei@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 2020.

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:

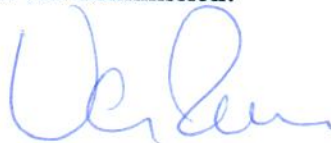


~~Ms Ivana Glišević Đurović~~  
~~Deputy Chief Negotiator~~  
and National IPA Coordinator  
Government of Montenegro –  
European Integration Office

Mr. Aleksandar  
Drijenic

Podgorica, on 25/08/2020

##### For the Commission:



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

Brussels, on 13 March 2020

##### For Kosovo:



Avdullah Hoti, Prime Minister

National IPA Coordinator

Pristina, on 01.10.2020

## ANNEX I

**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

<b>Beneficiaries</b>	Montenegro, Kosovo*
<b>CRIS/ABAC Commitment references</b>	2018/ 041-472 EUR 1,200,000 22.020401
<b>Union Contribution</b>	2019/ 041-474 EUR 1,200,000 22.020401
<b>Budget line</b>	2020/ 041-475 EUR 1,080,000 22.020401
<b>Management mode</b>	Indirect management by Montenegro.
<b>Responsible Structures</b>	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
<b>Final date for concluding <u>Financing Agreement(s)</u> with the IPA II beneficiaries (tripartite)</b>	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
<b>Final date for concluding contracting including conclusion of contribution/delegation agreements</b>	3 years following the date of conclusion of the Financing Agreement with the exception of the cases listed under Article 114(2) Financial Regulation
<b>Indicative operational implementation period</b>	6 years following the date of conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement</b> (date by which this programme	12 years following the conclusion of the Financing Agreement

\* 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.




should be de-committed and closed) after the acceptance of the accounts	
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## 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.<sup>1</sup> 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"<sup>2</sup>. 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/Deçani, Gjakovë/Đakovica.

#### 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.

<sup>1</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2014/ipa2014\\_037592\\_cbc\\_programme.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2014/ipa2014_037592_cbc_programme.pdf)

<sup>2</sup> [https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans_en.pdf)

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**

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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 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**

<b>Action 1</b>	<b>Cross-Border Cooperation Operations</b>	<b>EUR 3,480,000</b>
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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<sup>3</sup>.

**(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 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

<sup>3</sup> [https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en)

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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).<sup>4</sup>

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

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

<sup>4</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2014/ipa2014\\_037592\\_cbc\\_programme.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/kosovo/ipa/2014/ipa2014_037592_cbc_programme.pdf)

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.<sup>5</sup>

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 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

<sup>5</sup> <http://ec.europa.eu/transparency/regdoc/rep/3/2014/EN/3-2014-9421-EN-F1-1-ANNEX-1.PDF>

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 centers 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.

### 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
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
in %	85	15	100		85	15	100		85	15	100
<b>TOTALS 2018</b>	<b>1,200,000</b>	<b>211,764</b>	<b>1,411,764</b>	<b>TOTALS 2019</b>	<b>1,200,000</b>	<b>211,764</b>	<b>1,411,764</b>	<b>TOTALS 2020</b>	<b>1,080,000</b>	<b>190,588</b>	<b>1,270,588</b>
											<b>3,480,000</b>

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

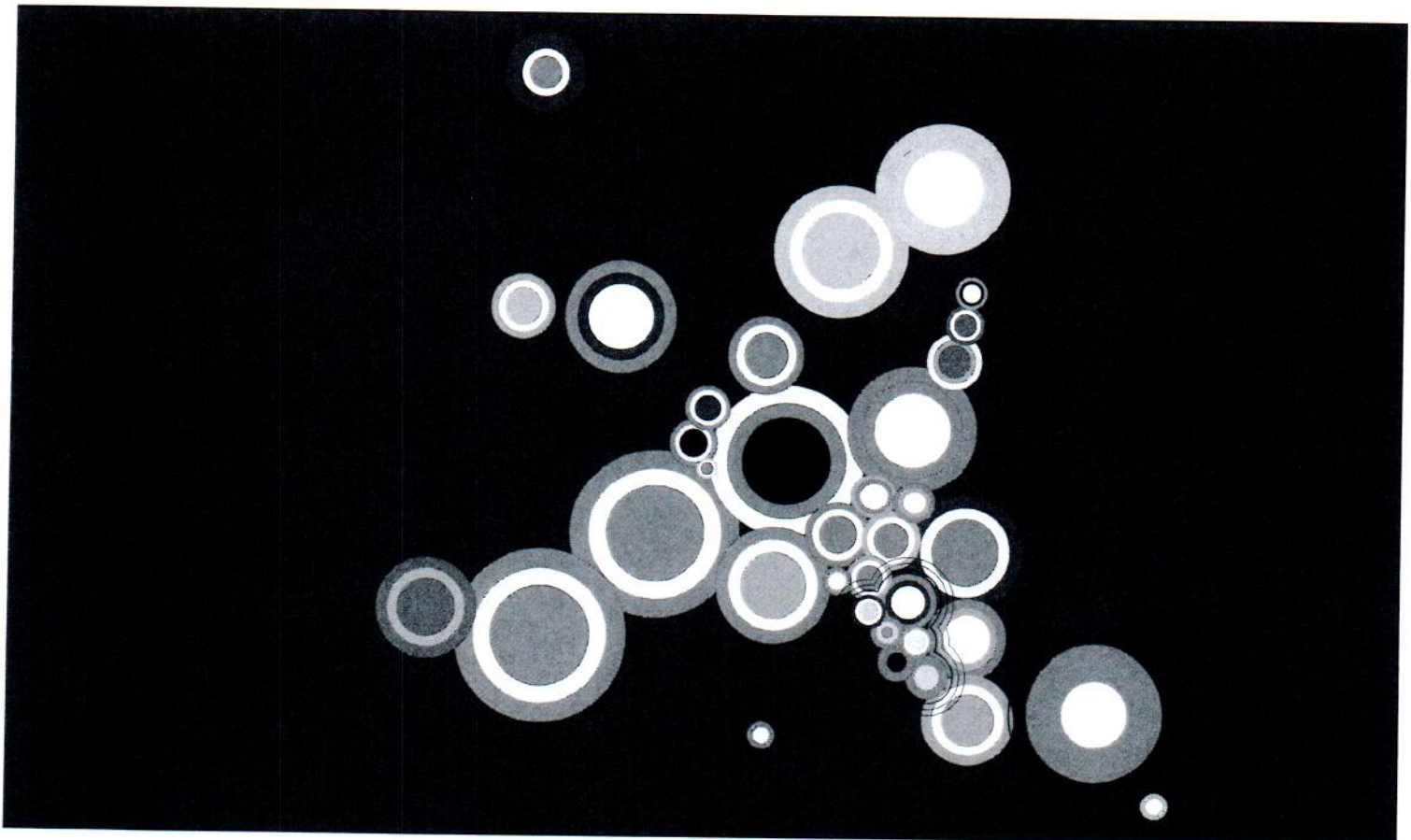
The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.

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.

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

*A.A.*





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## PROGRAMME SYNOPSIS

<b>Programme title</b>	<b>CBC Programme Montenegro - Kosovo*</b>
<b>Programme area</b>	<b>Montenegro:</b> The municipalities of Andrijevisa, Bar, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Podgorica, Rožaje and Ulcinj <b>Kosovo:</b> West Economic Region, which is composed of the municipalities of Pejë/Peć, Istog/Istok, Klinë/Klina, Junik, Deçan/Dečani, Gjakovë/Đakovica;
<b>Programme overall objective</b>	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.
<b>Programme thematic priorities, (as stated in Annex III to the IPA II Regulation) :</b>	<ol style="list-style-type: none"> <li>1. Promoting employment, labour mobility and social and cultural inclusion across the border</li> <li>2. Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management</li> <li>3. Encouraging tourism and cultural and natural heritage</li> <li>4. Technical assistance</li> </ol>
<b>Programme specific objectives</b>	<p><b>Thematic Priority 1: Promoting employment, labour mobility and social and cultural inclusion across the border :</b></p> <ol style="list-style-type: none"> <li>1. Improve the access to the labour market</li> <li>2. Encourage socially vulnerable groups to participate in society</li> </ol> <p><b>Thematic Priority 2: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management:</b></p> <ol style="list-style-type: none"> <li>1. Improve the environment, waste management and sustainable use of resources</li> <li>2. Reduce soil erosion and promote soil conservation</li> </ol> <p><b>Thematic Priority 3: Encouraging tourism and cultural and natural heritage:</b></p> <ol style="list-style-type: none"> <li>1. Improve the volume, quality and visibility of tourism</li> <li>2. Promote and improve cultural and natural heritage and values</li> </ol> <p><b>Technical Assistance</b> To ensure the effective, efficient, transparent and timely implementation of the programme and awareness raising</p>
<b>Financial allocation 2014-2020</b>	EUR 8 400 000.00
<b>Implementation method</b>	Indirect Management (subject to the entrustment of budget implementation tasks)
<b>Contracting Authority</b>	<b>Montenegro:</b> Ministry of Finance Central Finance and Contracting Unit (CFCU) Stanka Dragojevića 2 Tel: + 382 (0) 20 230 630 Fax: + 382 (0) 20 230 657
<b>Relevant authorities in the participating IPA II beneficiary [Operating Structures]</b>	<b>Montenegro:</b> Ministry of Foreign Affairs and European Integration Stanka Dragojevića 2 81000 Podgorica Tel: (+382 20) 224 439 Fax:(+382 20) - 224 449  <b>Kosovo:</b> 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

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



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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.

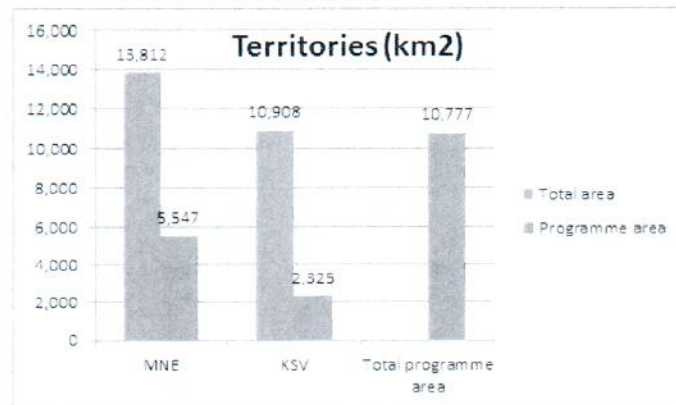


Date and place	Activity
18 September 2013, Kosovo	Kick off meeting
20.-21 September 2013, Kosovo	Meetings and clarification interviews with OS and line ministries
23 September 2013	Introduction meeting with the MNE OS
25 September 2013	Strategy development and formulation training for the OSs, JTF, JTS 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	1 <sup>st</sup> 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	2 <sup>nd</sup> 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



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 Dečan/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 km<sup>2</sup>



The West Economic Region of **Kosovo** covers 2,325 km<sup>2</sup> 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, Dečan/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).



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
<b>Montenegro<sup>5</sup></b>	<b>1,373,454</b>
<b>Programme area</b>	<b>350,987</b>
<b>Kosovo<sup>6</sup></b>	<b>7,907</b>
<b>Programme area</b>	
West Economic Region	7,907
<b>Total programme area</b>	<b>358,894</b>

### 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
<b>Montenegro<sup>7</sup></b>	<b>68,035</b>	<b>163</b>	<b>31,888</b>	<b>50</b>

<sup>5</sup> Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)

<sup>6</sup> Source: Kosovo Agency of Statistics (2012) Series 3. Economic Statistics: Hotel Statistics Q4-2011

<sup>7</sup> Source: Ministry of Education, school year 2012/2013



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### **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



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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.



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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



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Specific Objective(s)	Results	Indicators <sup>12</sup>	Indicative types of activities
<p><b>1.1. Improve the access to the labour market</b></p>	<p>1.1.1. More people are looking for a job as a result of the programme actions</p> <p>1.1.2. More unemployed people, including students that finished the school, succeed in finding a job</p> <p>1.1.3. The employability of students still attending school is improved</p> <p>1.1.4. More people decide to start their own business</p>	<p><b>1.1:</b> At least 100 unemployed to benefit from the programme, including women, youth and long-term unemployed, managed to find employment by 2022 (baseline 0)</p> <p>1.1.1.1. At least 20% of the people being final beneficiaries of the actions registered as active job seekers</p> <p>1.1.2.1. At least 10% of the long-term unemployed having been final beneficiaries of the actions found a job</p> <p>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</p> <p>1.1.3.1. At least 20% of the students who went through an internship hired by the host enterprises</p> <p>1.1.4.1. At least 15% of the potential entrepreneurs having been final beneficiaries of the actions set up a new business</p>	<ul style="list-style-type: none"> <li>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</li> <li>Joint research &amp; development activities in labour market and social policies involving research and educational centres of the programme area</li> <li>The development of continued (e-)learning to improve skills of employed and unemployed people to improve their chances in the labour market</li> <li>Support initiatives and campaigns for self-employment</li> <li>Support labour intensive local and regional economic initiatives (like regional food markets) with a cross border outreach</li> <li>Create employment and career information centres for youth</li> <li>Support to internships in companies</li> </ul>
		Official statistics	
		Registers of employment agencies	
		Registers of Chambers of commerce	
		Monitoring/project reports	

<sup>12</sup> All indicators are time bound to up to 2022.



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\*-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	Indicative types of activities
<p><b>2.1. Improve the wastewater and solid waste management and sustainable use of resources</b></p>	<p>2.1.1. Air, water and soil pollution has been reduced</p>	<p>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)</p> <p>2.1.1.1. At least 10 sites of illegally dumped litter have been permanently cleaned</p> <p>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</p> <p>2.1.1.4. The amount of recycled solid waste increased by 10%</p> <p>2.1.1.5. The percentage of houses not connected to the existing sewage system decreased by 10%</p> <p>2.1.1.6. At least 2 platforms established in order to improve the management of river banks and national parks</p>	<ul style="list-style-type: none"> <li>Improving public sewage and solid waste collection and processing systems and facilities</li> <li>Exchange of good practices between local authorities and environmentally friendly initiatives</li> <li>Promotional campaigns and activities (e.g. at schools) to raise the public awareness about the need for a cleaner environment</li> <li>Joint environmental management of river banks and national parks</li> <li>Fight against illegal landfills</li> <li>Small scale infrastructure investments and procurement of equipment</li> <li>Transfer of know-how on pollution control systems and</li> </ul>
		<p>Official statistics</p> <p>Reports from the relevant authorities/ministries</p> <p>Reports of municipal authorities/institutions</p> <p>Monitoring/project reports</p>	



- 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

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enhanced; and (iii) the capacity of grant beneficiaries to satisfactorily meet the obligations of their contracts will be reinforced.

**Result indicators:**

<b>Indicator</b>	<b>Unit</b>	<b>Baseline</b>	<b>Target 2022</b>
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:**

<b>Indicator</b>	<b>Unit</b>	<b>Baseline</b>	<b>Target 2022</b>
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



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- 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.



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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	<p>Specific objective 1.1, result 1.1.1 More people are looking for a job as a result of the actions</p> <p>Specific objective 3,1, result 3.1.1. more people become entrepreneur in tourism</p> <p>Specific objective 3,1, result 3.1.2.</p>	General CfP



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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; complementarity with parallel actions, sustainability of intervention.





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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*.<sup>15</sup>

But a year later, in October 2013, the Commission also observes that Kosovo has made substantial progress in these areas.<sup>16</sup>

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

<sup>15</sup> Source: European Commission - Feasibility study for a Stabilisation and Association Agreement with Kosovo, October 2012

<sup>16</sup> Source: European Commission – Kosovo 2013 Progress Report, October 2013

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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, a 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



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 coast. 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.<sup>18</sup>

### The private sector and its main economic sectors

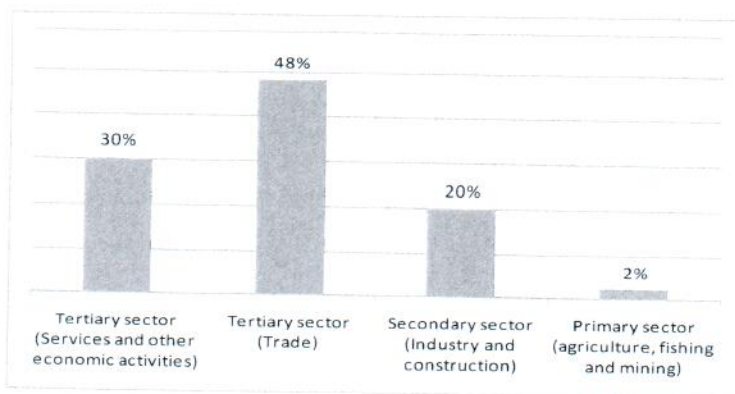
Montenegro	No of Active entrepreneurs and SMEs	% of the total Montenegro SMEs	Kosovo	No of registered businesses	% of the total Kosovo registered businesses
Total programme area	12,903	57.82%	West Economic region	18,174	17%

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<sup>19</sup> registered businesses operating in the programme area, accounting for 17% of total number of businesses registered in Kosovo. The overwhelming majority of companies are

<sup>18</sup> Source: RDA West - Regional Promotion Strategy of investments in the western region of Kosovo, 2013

<sup>19</sup> Source: SME Support Agency : A statistical Overview of Enterprises as of 30.09.2011

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 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 planned 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<sup>26</sup> (going up from rank 96 to 86) and Montenegro<sup>27</sup> (going up from rank 50 to 44) improved.

<sup>26</sup> Source: <http://www.doingbusiness.org/data/exploreeconomies/kosovo>

<sup>27</sup> Source: <http://www.doingbusiness.org/data/exploreeconomies/montenegro>

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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.

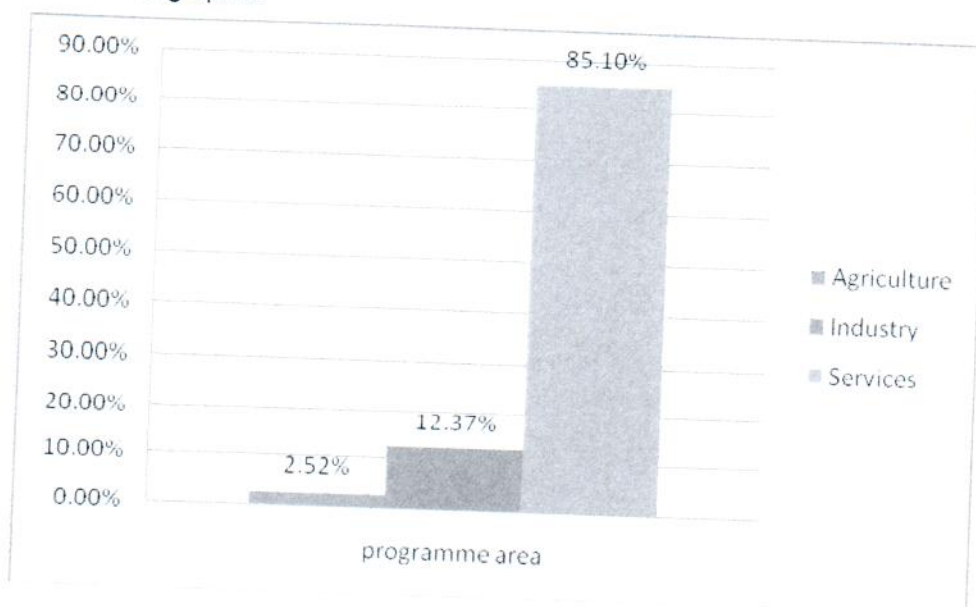
In **Montenegro**, in order to reduce disparities in economic and social development across the regions, the northern region is a priority for all national development strategies. Regional economic development plans are based on the protection and preservation of the natural and environmental resources 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 area 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<sup>30</sup>. As regards the difference in salary level, salaries in Montenegro are according to Eurostat statistics about three times higher than in Kosovo<sup>31</sup>

<sup>30</sup> Source: MONSTAT, Official Statement, salaries in September 2010

<sup>31</sup> Source: UNDP – Kosovo Human Development Report 2012, private sector and employment



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 viticulture. 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.

proposed that a joint area in Albania, Montenegro and Kosovo will form the Cursed Mountains (Bjeshkët e Nemuna/ Prokletije) National Park. And the Deçan/Deçane 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".<sup>37</sup>

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

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

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

<sup>38</sup> Source: MONSTAT, Census 2011

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

young people for the market economy and entrepreneurship; and there is a lack of financial resources for scientific research and development<sup>43</sup>.

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)<sup>44</sup>. 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<sup>45</sup>. 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/Dakovica 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

<sup>43</sup> Source: National Strategy of Sustainable Development of Montenegro

<sup>44</sup> Source: Ministry of Education

<sup>45</sup> Source: Institute of Public Health, Montenegro Health Statistical Yearbook 2010

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

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of renewable energy sources and an integrated approach towards improving transport, including non-polluting modes of public and private transport<sup>48</sup>, 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 private 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:*

<sup>48</sup> Source: RDA West - Regional Tourism Strategy for the western region of Kosovo, 2013

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<sup>49</sup>. 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".

<sup>49</sup> [www.sustainable.org](http://www.sustainable.org)



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
<ol style="list-style-type: none"> <li>1. Existence of traditional labour force skilled in industrial processes</li> <li>2. Relatively low cost labour force</li> <li>3. Relatively young population</li> <li>4. University branches present, to support and focus closely on local knowledge and skills needs</li> <li>5. Multi-ethnicity as an advantage for economic, social and cultural inclusion</li> </ol>	<ol style="list-style-type: none"> <li>1. De-population and outflow of skilled and educated people in rural parts of the programme area</li> <li>2. High unemployment rate</li> <li>3. Curricula not always aligned with potential employment and deficient employment-oriented vocational training</li> <li>4. Underdeveloped system of lifelong education</li> <li>5. Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc.</li> </ol>	<ol style="list-style-type: none"> <li>1. Improvement of the level of vocational education in view of better serving the labour-market situation.</li> <li>2. Expansion of research &amp; development activities by using existing research and high educational centres</li> <li>3. Developing employment programs for social integration of socially marginalized groups</li> <li>4. Supporting the opportunities for self-employment</li> </ol>	<ol style="list-style-type: none"> <li>1. Concentration of people in urban areas generating local unemployment</li> <li>2. Absence of employment opportunities accelerating the vicious circle of emigration and migration, especially of young and qualified workers</li> <li>3. The presence of non-registered and informal labour distorting the formal labour market</li> <li>4. An increase of unemployment that would particularly affect the low educated and vulnerable groups</li> <li>5. Limited access of the rural population to the formal educational system, due also to poverty, limiting their access to the labour market</li> </ol>

## PROTECTING THE ENVIRONMENT, PROMOTING CLIMATE CHANGE ADAPTATION



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**PROMOTING SUSTAINABLE TRANSPORT AND IMPROVING PUBLIC INFRASTRUCTURES**

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> <li>1. Strategic geographic position in the wider region</li> <li>2. Easy connections by road and railway networks</li> <li>3. Relative proximity in the entire programme to the airports in Podgorica, Prishtinë/Priština and Tivat</li> <li>4. Sufficient water resources</li> <li>5. Port of Bar, as an important economic asset for the region</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited and under-equipped border crossing points are an obstacle to trade flows by land and cross-border cooperation</li> <li>2. Secondary road network and railways infrastructure needs upgrading</li> <li>3. Need for the improvement of public infrastructures (quality water, sewage and solid waste), particularly in rural areas)</li> <li>4. Shortage and unreliability of electricity supply in Kosovo</li> </ol>	<ol style="list-style-type: none"> <li>1. Programmes for a sustainable improvement of road and rail networks in Montenegro and Kosovo</li> <li>2. Existing plan and funds (EU, European banks, etc.) for improving solid waste management and waste water systems</li> <li>3. Easier movement of people and goods through improved roads and new (including re-opened) cross-border points</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited financial resources delaying investments in public infrastructure</li> <li>2. High cost of road infrastructure project in mountainous areas</li> <li>3. Unresolved property issues could hamper investments development plans to improve public infrastructure.</li> <li>4. Underdeveloped urban planning, including planning for sustainable means of public and private transport</li> </ol>



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## INVESTING IN YOUTH, EDUCATION & SKILLS

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> <li>1. Relatively young population</li> <li>2. Regional university branches that can support and focus on local needs and that can prevent youth from migrating</li> <li>3. Multi-ethnicity as an advantage for social and cultural development</li> <li>4. The eagerness and motivation of youth to learn</li> </ol>	<ol style="list-style-type: none"> <li>1. Curriculum not aligned with potential employment and deficient employment-oriented vocational training</li> <li>2. Underdeveloped system of lifelong education</li> <li>3. Low level of education of the rural population and socially marginalized groups such as Roma, Ashkali, etc.</li> </ol>	<ol style="list-style-type: none"> <li>1. Improvement of the level of vocational education in view of better serving the labour-market situation with skills needed</li> <li>2. Development of research &amp; development actions by using existing research and high educational centres</li> <li>3. The use of internet in order to improve the access to education in rural areas and virtual cross border contacts and cooperation</li> <li>4. An increased cooperation among and between educational institutions and NGOs to cover the needs and aspirations of youth</li> </ol>	<ol style="list-style-type: none"> <li>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</li> <li>2. Limited access of rural population to the formal educational system, due to poverty</li> <li>3. A poor or absent rural ICT infrastructure, resulting in a digital divide between the rural and urban areas in the programming area</li> </ol>



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## ENHANCING COMPETITIVENESS, BUSINESS AND SME DEVELOPMENT, TRADE AND INVESTMENT

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> <li>1. A programme area rich on natural resources for economic exploitation, be it woods for forestry or precious metals for mining</li> <li>2. An entrepreneurial culture, with a long tradition of cross-border trade</li> <li>3. Participation of both IPA II Beneficiaries in CEFTA</li> <li>4. The existence of support programmes and subsidies for agriculture and agro-business</li> </ol>	<ol style="list-style-type: none"> <li>1. Poor competitiveness of businesses, due to limited formal capital, insufficient knowledge of modern technologies and lack of market information</li> <li>1. Small scale organisation of farming and low productivity of agribusiness activities;</li> <li>2. Limited technical support for development of agriculture activities in rural areas</li> <li>3. Depopulation of rural areas, hampering the development of tourism and agriculture</li> <li>4. An entrepreneurial culture with a relatively short investment horizon, favouring short-term trade opportunities over long-term capital investments</li> </ol>	<ol style="list-style-type: none"> <li>1. Potential for sustainable agriculture and agro-food processing</li> <li>1. Improved competitiveness and trade resulting from the introduction of international norms, standards and certifications</li> <li>2. A legal framework fully harmonized with EU regulations, further fostering foreign direct investments</li> <li>3. Local businesses capitalizing on regional development trends related to environmental care, tourism development and innovation</li> <li>4. Improvement of business management and entrepreneurship skills</li> <li>5. The extensive investment capacity of the diaspora</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited access to credit system for farmers and SMEs may slow down the economic development</li> <li>2. Continuous migration towards urban areas may decrease the attractiveness of rural areas and hamper development of the rural and regional economy</li> <li>3. Sustained illegal logging and contraband at large, hindering the development of legal business.</li> </ol>



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## ANNEX 4: Main Statistical Data

Table 1. Territory and population

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

Table 2: Municipalities and Settlements

	No of municipalities	No of settlements
<b>Montenegro<sup>52</sup></b>	<b>23</b>	<b>1,305</b>
<b>Programme area</b>	<b>12</b>	<b>624</b>
<b>Kosovo<sup>53</sup></b>	<b>38</b>	<b>1,467</b>
<b>Programme area</b>	<b>6</b>	<b>311</b>
West Economic Region	6	311
<b>Total programme area</b>	<b>18</b>	<b>935</b>

<sup>50</sup> Source: Census 2011

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

<sup>52</sup> Source: Census 2011

<sup>53</sup> Source: Agency for Real Estate Cadastre and Kosovo Agency of Statistics: Kosovo in figures 2012



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Table 5: No. of unemployed persons

	Unemployed
<b>Montenegro<sup>58</sup></b>	<b>30,372</b>
<b>Programme area</b>	<b>20,022</b>
<b>Kosovo<sup>59</sup></b>	<b>226,634</b>
<b>Programme area</b>	42,703
West Economic Region	42,703
<b>Total programme area</b>	<b>62,725</b>

Table 6: Demographic Data

	Population	Population density
<b>Montenegro<sup>60</sup></b>	<b>620,029</b>	<b>45</b>
<b>Programme area</b>	<b>386,072</b>	<b>60</b>
<b>Kosovo<sup>61</sup></b>	<b>1,815,606</b>	<b>177.4<sup>62</sup></b>
<b>Programme area</b>	320,751	138
West Economic Region	320,751	138
<b>Total programme area</b>	<b>706,823</b>	

<sup>58</sup> Source: Employment Agency, June 2013

<sup>59</sup> Kosovo Agency of Statistics: Labour market data by municipalities 2011 : Final Results of the population census 2011

<sup>60</sup> Source: Census 2011

<sup>61</sup> Kosovo Agency of Statistics (2013) Demographic data by municipality

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



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Table 9: Tourism

	Visitors 2011
<b>Montenegro<sup>67</sup></b>	<b>1,373,454</b>
<b>Programme area</b>	<b>350,987</b>
<b>Kosovo<sup>68</sup></b>	<b>72,393</b>
<b>Programme area</b>	<b>7,907</b>
West Economic Region	7,907
North Economic Region as adjacent area	2,646
<b>Total programme area</b>	<b>358,894</b>

Table 10: Health services

	Total health workers
<b>Montenegro<sup>69</sup></b>	<b>5,138</b>
<b>Programme area</b>	<b>3,463</b>
<b>Kosovo<sup>70</sup></b>	<b>4,453</b>
<b>Programme area</b>	<b>1,056</b>
West Economic Region	1,056
<b>Total programme area</b>	<b>4,519</b>

<sup>67</sup> Source: Monstat - Statistical Yearbook of Montenegro 2012 (data for 2011)

<sup>68</sup> Source: Kosovo Agency of Statistics (2012) Series 3. Economic Statistics: Hotel Statistics Q4-2011

<sup>69</sup> Source: Health Statistical Yearbook 2010, Institute of Public Health

<sup>70</sup> Source: Source: Kosovo National Institute for Public Health: State of health of Kosovo population 2010



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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.



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- 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.



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



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## ANNEX II - GENERAL CONDITIONS

### Contents

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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;<sup>1</sup>
      - 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:

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<sup>1</sup> 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;<sup>2</sup>
- c) Letters to successful and unsuccessful applicants following concept note evaluation;
- d) Concept note evaluation report;
- e) Evaluation report of the full application or negotiation report with relevant annexes;
- f) Eligibility check and supporting documents;
- g) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
- h) Cover letter for submission of grant contract;
- i) Award/cancellation notice with proof of publication;
- j) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 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

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<sup>2</sup> Elimination of unsuccessful applications three years after the closure of the grant procedure.

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<sup>3</sup>;
  - (e) approval of contract dossiers and contract addenda.
- (2) With regard to *ex ante* controls the Commission shall decide:
  - (a) to perform *ex ante* controls on all files, or
  - (b) to perform *ex ante* controls on a selection of such files, or
  - (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

<sup>3</sup> 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

the cut-off date of the request in accordance with Annex IV point (d).

- (4) The IPA II beneficiary that is the Contracting Authority may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the cut-off date of the request, less the balances referred to in section 3(b) of this Article at the cut-off date of the request for funds increased by any amount funded by the IPA II beneficiary under paragraph 5 of this Article and not yet reimbursed.

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

- (5) Where the payment is reduced under paragraph 4 of this Article, the IPA II beneficiary that is the Contracting Authority must fund the Programme from its own resources up to the amount of the reduction. The IPA II beneficiary that is the Contracting Authority may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph 4 of this Article.
- (6) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA II beneficiary that is the Contracting Authority to give reasons for the delay in disbursing the funds and demonstrate a continuing need for them within the next following two months.
- (7) Interest generated by 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.



**[MODEL]**

**Annual Implementation Report: <Year>**

**Cross-border cooperation between IPA II  
beneficiaries:**

**<Beneficiary X> - <Beneficiary Y>**

**(Article 80 of the Framework Agreement)**

*A.A.*

*AD*

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**Glossary of Acronyms**

<...>





1. Identification

CROSS-BORDER COOPERATION PROGRAMME	<p>Programme title: IPA II Cross-Border Cooperation Programme &lt;country A&gt; – &lt;country B&gt;</p> <p>&lt;20XX-20XX&gt; appropriations/allocations: &lt;amount including the TASC&gt;</p>
ANNUAL REPORT ON IMPLEMENTATION	<p>Reporting year: &lt;from 1 January 20XX until 31 December 20XX&gt;</p> <p>Prepared by:</p> <ul style="list-style-type: none"> <li>▪ &lt;operating structure beneficiary X&gt;</li> <li>▪ &lt;operating structure beneficiary Y&gt;</li> </ul> <p>Date of examination of the annual report by the Joint Monitoring Committee: &lt;date and type of procedure for its adoption, i.e. meeting or written&gt;</p> <p>Programme eligible area: &lt;...&gt;</p>

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 quantitative elements indicating progress in relation to targets.>

### 2.2.1 Quantitative analysis

<Information on the progress made in implementing the cross–border programme with quantifications when possible using the 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:

A. H



Annex III CBC Annual Implementation Report – CBC Financing Agreement IPA II. Version January 2018

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

Thematic priority: <...>		Specific objective: <...>		Result: <...>		Baseline		Milestones			Target		Sources of information	Data collection responsibility and frequency
Name and type <sup>1</sup>	Definition	Value	Year	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	

<sup>1</sup> 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 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 <sup>2</sup>	Comments>

<sup>2</sup> [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>



Period covered by the report:

01/01/20XX-31/12/20XX

Report issued on XX/XX/20XX

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

**I. Executive Summary**

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

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

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

## II. Information per Sector

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

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

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

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

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

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

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

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

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

Annex IIIA Model Annual Report

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

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

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

**II a. Performance indicators in the [e.g. Transport] sector covering both direct and indirect management:****Indicators<sup>3</sup> per programme**

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

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

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

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

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

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

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

**Annex 1**

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

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

**Annex 2**

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

**Annex 3**

Annual procurement plan

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

**Annex 4**

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



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

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

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

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

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

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

- (f) Total paid (cash) by contract;

- (g) Pre-financing paid by contract;

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

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

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



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

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

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

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

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

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

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

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

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

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