

*Financed from IPA, Component II for the period 2007 - 2013*

# ***Cross – border Programme***

## ***Serbia – Montenegro***

Updated Version

[Covering 2007 – 2013 period]

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The Republic of Serbia  
European Integration  
Office



Montenegro  
Ministry of Foreign Affairs and  
European Integration



## TABLE OF CONTENT

<b>GLOSSARY OF ACRONYMS .....</b>	<b>4</b>
<b>SECTION I. DESCRIPTION AND ANALYSES OF THE ELIGIBLE AREAS .....</b>	<b>6</b>
<b>1. Summary of Programme and Programming Process .....</b>	<b>6</b>
1.1 Summary of Programme.....	6
1.2 Summary of the Programming Process .....	7
<b>2. The map and the description of the eligible area .....</b>	<b>8</b>
<b>3. Current situation in eligible area .....</b>	<b>9</b>
3.1 History.....	9
3.2 Demography .....	9
3.3 Ethnic Minorities .....	10
3.4 Geographical Description.....	11
3.5 Infrastructure.....	11
3.6 Economy.....	14
3.7 Human Resources.....	19
3.8 Environment and Nature.....	20
3.9 Culture.....	21
3.10 Summary indicating gaps, disparities, and potentials for development .....	21
3.11 SWOT Analyses of eligible area .....	23
<b>SECTION II. PROGRAMME STRATEGY .....</b>	<b>27</b>
<b>1. Experience with cross border activities.....</b>	<b>27</b>
1.1 Lessons Learned .....	27
<b>2. Co-operation Strategy .....</b>	<b>28</b>
2.1 Summary conclusions from description of area .....	28
2.2 Overall Strategic Objective of the Cross Border Programme .....	28
2.3 Specific Objectives .....	28
<b>3. Priority and Measures .....</b>	<b>30</b>
3.1 Priority I .....	30
3.2 Priority II .....	32
3.3 Programme Indicators .....	34
<b>4. Coherence with other programmes.....</b>	<b>40</b>
4.1 Serbian Programmes.....	40
4.2 Montenegro Programmes .....	41
<b>SECTION III. FINANCIAL PROVISIONS.....</b>	<b>44</b>
<b>1. Financing plan for cross-border programme 2007 – 2013 .....</b>	<b>44</b>
<b>SECTION IV. IMPLEMENTING PROVISIONS.....</b>	<b>46</b>
<b>1. Programme Structures .....</b>	<b>46</b>
1.1 National IPA Co-ordinator.....	46
1.2 Operating Structures .....	47
1.3 Joint Monitoring Committee.....	48
1.4 Joint Technical Secretariat .....	51
1.5 Contracting Authorities .....	52
1.6 Programme Beneficiaries .....	53
<b>2. Project Generation .....</b>	<b>54</b>
<b>3. Project Selection .....</b>	<b>54</b>
3.1 Types of projects .....	55



<b>4. Financial Management.....</b>	<b>55</b>
<b>5. Programme Monitoring and Evaluation .....</b>	<b>55</b>
<b>6. Programme Publicity .....</b>	<b>56</b>



## GLOSSARY OF ACRONYMS

<b>CA</b>	Contracting Authority
<b>CBC</b>	Cross-border Cooperation
<b>CBP</b>	Cross-border Programme
<b>CBIB</b>	Cross-border Institution Building
<b>CEFTA</b>	Central European Free Trade Agreement
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investments
<b>GDP</b>	Gross Domestic Product
<b>GSM</b>	Global Service Providers
<b>HPP</b>	Hydropower plant
<b>IPA</b>	Instrument for Pre – accession Assistance
<b>JMC</b>	Joint Monitoring Committee
<b>JTS</b>	Joint Technical Secretariat
<b>JSC</b>	Joint Steering Committee
<b>LED</b>	Local Economic Development
<b>MEI</b>	Ministry for European Integration
<b>MFAEI</b>	Ministry of Foreign Affairs and European Integration
<b>MIPD</b>	Multi-annual Indicative Planning Document
<b>MNE</b>	Montenegro
<b>MoF</b>	Ministry of Finance
<b>NGO</b>	Non Governmental Organization
<b>NUTS</b>	Nomenclature of Units for Territorial Statistics of the European Union in the context of external actions
<b>OS</b>	Operating Structure
<b>PRAG</b>	Practical Guide for Contract Procedures financed from the general budget
<b>PCMU</b>	Programme Coordination and Management Unit, Ministry of Finance, Serbia
<b>RDA</b>	Regional Development Agency
<b>SAA</b>	Stabilization and Association Agreement
<b>SEETO</b>	South East European Transport Observatory
<b>SEI</b>	Secretariat for European Integration
<b>SEIO</b>	Serbian European Integration Office
<b>SRB</b>	Republic of Serbia
<b>SFRY</b>	Socialist Federal Republic of Yugoslavia
<b>SME</b>	Small and Medium Enterprise
<b>SWOT</b>	Strength, Weaknesses, Opportunities, Threats
<b>TA</b>	Technical Assistance
<b>UNESCO</b>	United Nations Educational, Scientific, and Cultural Organization



## Introduction to the revised Programme Document for the IPA Cross Border Cooperation – Serbia / Montenegro 2007 – 2013.

This revised (2012 – 2013) Programme Document (PD) for the Cross – border Programme Serbia – Montenegro financed from the Instrument for Pre – accession Assistance, Component II for the period 2007 – 2013 (the Programme) incorporates changes that are not intended to revise the substance of the Programme.

This is in line with recommendation sent from the European Commission to the National IPA Coordinators in both Montenegro and the Republic of Serbia in July 2011.

Instead of revising substance of the Programme, revision includes amendments limited to the following:

<b>1</b>	<b>Update of of the financing plan:</b> The updated Programme now includes information regarding financial provisions for years 2012 and 2013.
<b>2</b>	<b>Statistical data:</b> The Programme has been updated with newest information available from Montenegro 2011 census and data obtained from relevant institutions from Serbia, since results of Serbia 2011 census were not available at the time of programme revision
<b>3</b>	<b>Programme, Output and Results Indicators:</b> The indicators were slightly revised according to the experience from implementation of project financed under the 1 <sup>st</sup> Call for Proposals

Some minor changes have been incorporated in this version of the PD due to the fact that there were developments in the region which must be reflected in this document.

**November, 2011**



## SECTION I. DESCRIPTION AND ANALYSES OF THE ELIGIBLE AREAS

### 1. Summary of Programme and Programming Process

#### 1.1 Summary of Programme

As component II of the European Union's new financial Instrument for Pre-accession Assistance (IPA), this is the first cross-border programme on the border between the pre-accession countries of the Republic of Serbia (hereafter described as Serbia) and Montenegro, for the period 2007 – 2013. It is implemented under centralised management.

The total surface of the programming is 25,345 km<sup>2</sup> with total of 1,300,753 inhabitants.

Out of that, the total surface of the eligible area is 19,432 km<sup>2</sup> with a total of 854,906 inhabitants. The total border length between the two countries is 203 km. The eligible area covers 10,063 km<sup>2</sup> on the Serbian side (11 % of its territory), with 604,626<sup>1</sup> inhabitants, and 9,369 km<sup>2</sup> on the Montenegrin side (68 % of its territory), with 250,280<sup>2</sup> inhabitants.

On the Serbian side in the adjacent area live 224,772 inhabitants, and on the Montenegrin side 221,066 inhabitants.

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

Demographic trends are negative, with declining and aging populations in the rural areas and migration and emigration of the working age population to towns and cities outside of the eligible area or abroad.

Economic activities are mainly based on the natural resources, and are concentrated on agriculture, forestry and mineral extraction. However, a significant textile industry is located on the Serbian side of the eligible area.

The transport infrastructure is in need of modernisation and rehabilitation, although the rail corridor between the port of Bar and Belgrade is the principle economic artery of the area. Podgorica international airport is the nearest to the area, some three hours' drive by road.

SME development is slow and requires additional incentives to become a significant economic factor of economic growth, particularly in rural areas.

There are significant opportunities for the development of the tourist sector in the area. On the Serbian side, there is a developed tourist base. However, in Montenegro, tourist infrastructure is not developed enough to make full use of the area's attractive scenery and natural resources. This is a consequence of the area's relatively remote position, inadequate transport infrastructure and lack of investments.

The eligible area's environment remains in good shape, despite some hot spots of pollution and the existing over-burdened waste disposal services that cannot cope with significant or uncontrolled growth in population or industrial activity. The mountains and forests, an important environmental asset of the area, are particularly vulnerable to unbalanced economic utilization, increases in air and water pollution initiated by unsustainable economic growth.

The main challenge for the area is to better utilize its considerable assets and resources to revitalise the economy. The objective of increasing regional co-operation is supported by the absence of language barriers and common historic heritage. Economic and social co-operation between the communities is an effective instrument of confidence building and overcoming conflicts from the past and the existence of new state borders. This is the core goal of the Programme's strategic approach.

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<sup>1</sup> Data from the last census organized in the Republic of Serbia in 2002. New census finished on October 18, 2011, but no official results published before revision of the Programme was finished.

<sup>2</sup> Census of Population, Households and Dwellings in Montenegro 2011. Statistical Office of Montenegro, Release No. 83



The overall strategic goal of the Programme is:

***To bring together the people, communities and economies of the border area to jointly participate in the development of a cooperative area, using its human, natural, cultural and economic resources and advantages.***

The programme will be implemented on one Priority axis:

***Social and economic cohesion through joint actions to improve physical, business, social and institutional infrastructure and capacity.***

### 1.2 Summary of the Programming Process

Following the introductory meeting between Serbia and Montenegro in Belgrade on February 1<sup>st</sup>, 2007 and through a number of bilateral meetings the following process was adopted:

- Formation of a Joint Programming Committee/Drafting Team by both countries, representing the competent authorities and beneficiaries (Ministry of Finance, in case of Serbia, and Secretariat of European Integration in case of Montenegro);
- Submission of the proposals for eligible areas of both countries for approval by the EC;
- First draft of the SWOT analysis and description of each side of the eligible area prepared by CBIB on the basis of regional strategic documents and data collection through questionnaires and interviews (98 interviews conducted in total; 58 in Serbia eligible area and 40 in Montenegro eligible area); two SWOTs combined into one joint document;
- Presentation of the combined SWOT analysis and discussion by Drafting Teams at a meeting in Podgorica on April 5<sup>th</sup>, 2007 together with feedback for improvements;
- Ministry of Finance (Serbia) and Secretariat of European Integration (Montenegro) agree on financial allocation from IPA for the Programme;
- Final draft of the Programme prepared and agreed on by both sides at the final meeting of the Joint Programming Committee;
- Joint submission of the Programme to the European Commission by May 31<sup>st</sup> 2007.
- In the context of the revision of the programme to include the 2010–2011 appropriations, at a meeting of the JMC for the Programme, held on 25<sup>th</sup> September, 2009 in Belgrade, the following two modifications were proposed and approved:
  - Moravički District was proposed for inclusion as an adjacent area (Art. 97 IPA IR) in the Republic of Serbia.
  - An additional sum of EUR 100,000 was added to the annual Community Funding for the Serbian Financial Allocation, thereby increasing the annual budget from EUR 500,000 to EUR 600,000. A consequent increase in the National Co-financing was also effected.
- On the initiative of two Operating Structures of the Programme, according to EU recommendation, minor changes related to statistics and the Programme indicators were approved through the Written Procedure by the JMC on **14 November 2011**.

01 February 2007, Belgrade	First bilateral meeting
06 March 2007, Belgrade	1 <sup>st</sup> Drafting Team meeting
06 March 2007, Belgrade	1 <sup>st</sup> Joint Programming Committee meeting



05 April 2007, Podgorica	2 <sup>nd</sup> Joint Programming Committee meeting
10 May 2007, Belgrade	3 <sup>rd</sup> Joint Programming Committee meeting
25 September 2009, Belgrade	JMC Meeting to discuss and approve two changes – adjacent areas and the Budget.
<b>14 November 2011</b>	JMC approved slight revision in terms of statistics and the Programme indicators through the Written Procedure

As regards this Programme, the EU Member States and IFIs have been consulted on the draft programmes during the programming process in order to identify complementarities between donors' assistance projects.

### 1.3 National CBC Committees

In the Republic of Serbia, the National CBC Committees are consultative bodies advising the IPA–Component II co–ordinator and will represent ministries, agencies, local governments and sectors of civil society. They are consulted as part of the programming process and also regularly during implementation, and will serve as a feedback mechanism to the IPA–Component II co–ordinators, but also as a multiplier regarding the opportunities that the Cross–border Programme offers to their respective stakeholders. The members are nominated by the IPA–Component II co–ordinator.

## 2. The map and the description of the eligible area

The eligible area for this cross-border programme covers 10,063 km<sup>2</sup> on the Serbian side (11 % of its territory), with 604,626 inhabitants, and 9,369 km<sup>2</sup> on the Montenegrin side (68 % of its territory), with 250,280 inhabitants.

On the Serbian side in the adjacent area live 224,772<sup>3</sup> inhabitants, and on the Montenegrin side 221,066<sup>4</sup> inhabitants

The total surface of the eligible area is 19,432 km<sup>2</sup> with a total of 854,906 inhabitants. The total border length between the two countries is 249.5 km. It is a land border that mostly runs through a mountainous area, while a minor part of it is a river border.

**Table 1: Map of the programming area**

Legend:	Montenegro		Serbia	
	Eligible	km <sup>2</sup>	Eligible	km <sup>2</sup>
● Montenegro eligible areas	Pljevlja	1,346		
● Montenegro adjacent areas	Bijelo Polje	924		
● Serbian eligible areas	Berane	717	Zlatiborski	6,141
● Serbian adjacent areas	Rožaje	432	Raški	3,922
● Capital cities	Plav	486		
● Adriatic Sea	Andrijevica	283		
	Kolašin	897		
	Mojkovac	367		
	Žabljak	445		
	Plužine	854		
	Šavnik	553		
	Nikšić	2,065		
	<b>Total</b>	<b>9,369</b>	<b>Total</b>	<b>10,063</b>
	Montenegro Adjacent		Serbia Adjacent	
	Podgorica	1,441		
	Danilovgrad	501	Moravički	3,016
	Cetinje	910		
	<b>Total</b>	<b>2,852</b>	<b>Total</b>	<b>3,016</b>
	<b>Total eligible area</b>		<b>19,432 km<sup>2</sup></b>	
	<b>Total population in the eligible area</b>		<b>854,906</b>	
	<b>Total population in the adjacent area</b>		<b>445,838</b>	
	<b>Green Border</b>		<b>244.9 km</b>	
	<b>Blue Border</b>		<b>4.6 km</b>	
	<b>Total Border</b>		<b>249.5 km</b>	
	<b>Border crossings</b>		<b>2 (6)</b>	

Reference: <sup>1</sup> Statistical Office of the Republic of Serbia, Census 2002; <sup>2</sup> Statistical Office of Montenegro, Census 2011

<sup>3</sup> Number of inhabitants in Moravički district according to the Census 2002

<sup>4</sup> Number of inhabitants in Podgorica, Danilovgrad and Cetinje according to the Census 2011





The eligible area in Serbia are two counties, Raški and Zlatiborski, together comprised of 15 municipalities. In addition to these two counties, there is one adjacent county for programming purposes - the county of Moravički.

In Montenegro, the programming area consists of 12 eligible municipalities. In addition to these 12 municipalities there are also three adjacent municipalities for programming purposes – Podgorica, Danilovgrad and Cetinje.

**For the purposes of this cross-border programme, situation, SWOT, and statistical analyses were performed only on eligible areas.**

The NUTS III classification is not yet adopted in Serbia and in Montenegro. In Serbia, for the purpose of this Programme, the counties have been considered as NUTS III equivalent areas. In Montenegro, there is no classification on a regional level. Therefore, for the purpose of this Programme, the existing classification has been chosen in order to represent an equivalent interpretation of NUTS III classification, thus the eligible area consists of 12 municipalities: Pljevlja, Bijelo Polje, Berane, Rozaje, Plav, Andrijevica, Kolasin, Mojkovac, Zabljak, Pluzine, Savnik, Niksic. Adjacent areas, according to art 97 of the IPA Implementing Regulation are: Podgorica, Danilovgrad, Cetinje.

### **3. Current situation in eligible area**

#### **3.1 History**

Both republics existed in common state since the First World War. After the SFRY ceased to exist they formed the Federal Republic of Yugoslavia which existed from 1992 until 2002 when an agreement was achieved to redefine relations among the both republics. With the support of EU in 2002 Belgrade Declaration was signed. On the base of this declaration new Constitution was adopted establishing the State Union of Serbia and Montenegro.

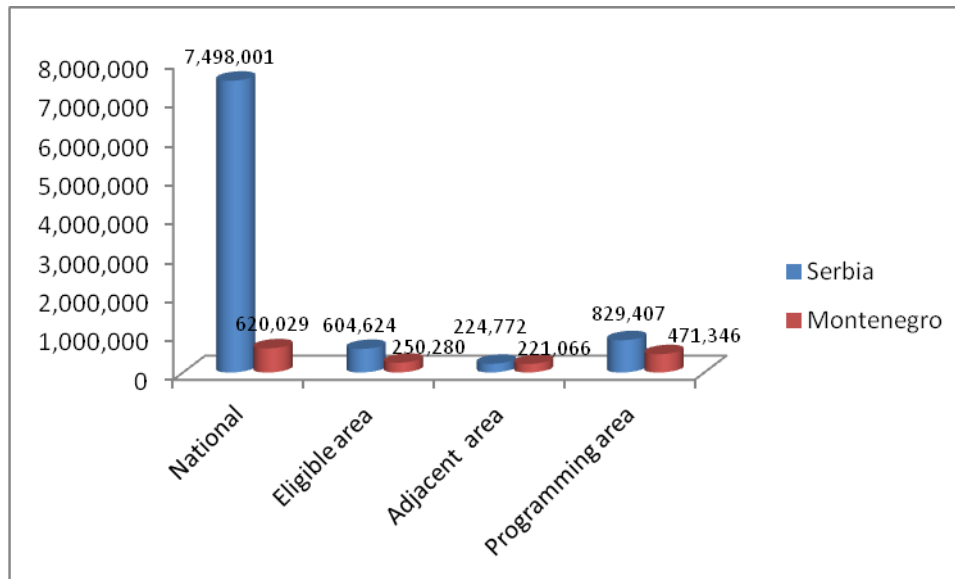
On May 21<sup>st</sup> 2006, Montenegro held a referendum seeking full independence. Final official results released on May 31<sup>st</sup> 2006 indicated that 55.5% of voters had opted for Montenegro's independence. The State Union effectively came to an end after Montenegro's formal declaration of independence on June 3<sup>rd</sup>, 2006 (recognized on June 8<sup>th</sup>, 2006). On June 5<sup>th</sup> 2006, the National Parliament of Serbia declared Serbia the successor to the State Union.

After the disintegration, Montenegro and Serbia have established the policy of good and open neighbourly relations.

In a progress report, the EU's Executive Commission recommended on October 12, 2011 that the Republic of Serbia be granted the status of a candidate for membership in the EU, while Montenegro has been granted the status of candidate for full membership in the 27-nation bloc on December 17, 2010.

#### **3.2 Demography**

The total number of inhabitants in the programming area is 854,906, of which there are 604,626 inhabitants on the Serbian side, and 250,280 inhabitants on the Montenegrin side.



The main demographical characteristics of the programming area are the following: sparse aging population, small size settlements, and few towns with underdeveloped local and regional economies. The Serbian part of the area has small population density - 60 inhabitants per km<sup>2</sup> which is below the average of 85 inhabitants per km<sup>2</sup> in Serbia, while in Montenegro the average population density is even smaller - 27 inhabitants per km<sup>2</sup> which is below the Montenegro average density of 45 inhabitants per km<sup>2</sup>.

On the Montenegrin side of the border, there has been an decrease in the number of inhabitants by 7.35% since 2003 (according to the Census in April 2011). On the Serbian side of the border, the eligible area has seen a decrease of 3,4% in the number of inhabitants in the period 1991 – 2002.

In the Montenegrin part of the eligible area, the population is concentrated in the rural areas, as these are the main labour centres. It seems that the natural growth rate is positive as the mortality rates in these areas are lower than the birth rates, on both sides of the border. In Montenegro, the birth rates are higher than mortality rates in the municipalities from the southern and central parts of this region, while municipalities with negative natural growth are Žabljak, Plužine, Šavnik, Kolašin and Andrijevića in the north. The negative growth rate in these municipalities is the result of internal migrations occurring due to better economic possibilities in the southern and central parts of Montenegro. With regard to the age structure, the 2002 census data indicate that in the Serbian part of the programming area the population is younger than the national average - in particular the age group between 0-14 is higher than the national average. Such an age structure, on mid-term basis, could compensate potentially negative economic impacts due to the fact that current percentage of the active population is slightly below national average.

### 3.3 Ethnic Minorities

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

**Table 2: Ethnic distribution in the eligible area**

Ethnic groups	Serbs	Montenegrins	Bosniaks	Muslims	Albanians	Romas	Other
Eligible area-average	%	%	%	%	%	%	%
Serbia <sup>1</sup>	74.35	0.45	22.19	1.38	0.03	0.29	1.31
Montenegro <sup>2</sup>	33.43	35.11	18.78	4.76	1.54	0.55	5.83
<b>Programming area average</b>	<b>61.68</b>	<b>17.30</b>	<b>14.21</b>	<b>1.89</b>	<b>1.05</b>	<b>0.60</b>	<b>3.27</b>

Reference:<sup>1</sup>Statistical Office of the Republic of Serbia , Census 2002; <sup>2</sup>Statistical Office of Montenegro, Census 2011



### 3.4 Geographical Description

The eligible area is located in the south-west part of Serbia and the northern and central parts of Montenegro. On the Serbian side, it extends over an area of 10,063 km<sup>2</sup> and covers 11% of the territory of Serbia. On the Montenegrin side, it extends over an area of 9,369 km or 68% of the territory of Montenegro. The area is predominantly a mountainous one and is divided right across the middle by a part of the Dinaric Alps - a mountain chain which connects Croatia, Bosnia-Herzegovina, Serbia and Montenegro. The mountains in this region include some of the most rugged terrain in Europe and they average more than 2,000 meters in elevation. The area is rich with canyons, fast mountain rivers, forests and rugged terrain. Its Western part in particular is a protected natural area.

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

The Serbian part of the eligible area encompasses 2 counties, 15 municipalities and 797 settlements. The Montenegrin side covers 12 municipalities in central and northern Montenegro with 747 settlements.

The main cities within the eligible area are Kraljevo, Užice, Novi Pazar, Prijepolje, Priboj, Požega and Sjenica on the Serbian side, and Pljevlja, Bijelo Polje, Nikšić and Berane on the Montenegro side.

### 3.5 Infrastructure

Infrastructure is an important pre-requisite for the economic and social development, as it secures accessibility of goods and people to and from the eligible area.

In general, the transport infrastructure in the area is of poor quality. Significant investments are required in order to guarantee uninterrupted power supply, as well as to restore and modernize the water and sanitation systems.

#### 3.5.1 Road infrastructure

In the eligible area, there is a road network consisting of national, regional and local roads, but the extent of the network on both sides of the border is insufficient and the quality of the roads is to a large extent poor.

The largest part of the road network consists of local roads – in the Serbian part of the eligible area even up to 70,74%, while only 11,42% of roads are of national and 17,83% are of regional character. Most of these roads are in bad condition.

In Montenegro, there is no official statistics on the classification of the roads. However, most roads in Montenegro are two-lane. In the north, the road from Podgorica to Kolašin through the Morača canyon to Serbia is considered as one of the most dangerous routes in Europe, especially during winter. Preparatory works have started to bypass the canyon. This project is of strategic importance for Montenegro, as this corridor is currently the weak link in Montenegro's road network.

There are two main transport routes going through the eligible area:

1. Požega – Užice – Prijepolje - Bijelo Polje – Mojkovac – Kolašin - Podgorica
2. Kraljevo – Raška - Novi Pazar – Rožaje – Berane – Andrijevica – Podgorica

Currently, there is no highway which passes through the eligible area. However, both governments are dedicated to build highway that will connect Belgrade with Bar. The highway



construction in Montenegro will be done through four stages, but the first one from Podgorica to Mateševo is expected to start in the mid of the year 2012.

Government of Serbia started with construction of highway which will provide connection between Horgoš (border crossing between Serbia and Hungary) and port Bar (Adriatic seaside in Montenegro). This highway will join with the highway Bar-Boljare in the Programme eligible area, on the border between Serbia and Montenegro in the place Boljare and its route will go through the centre of the Programme eligible area.

There are plans in Montenegro to further develop the road network (such as a proposed route from the City of Podgorica to Gusinje).

### *3.5.2 Railways*

The most important railway which passes through the eligible area is Belgrade-Bar railway that was open in the year 1976, which connects Serbia and Montenegro. The most important railway stations within the eligible area are: Kosjerić, Požega, Užice, Priboj, Prijepolje and Bijelo Polje. About one-third of the Montenegrin part of the railway runs through tunnels or on viaducts which makes it a unique construction in Europe. Having in mind that the railway lifetime is 20 years, Serbian and Montenegrin Government signed agreement on making feasibility study that was financially supported by Italian Government. The agreement was signed on June 16<sup>th</sup>, 2009 and it foresees the rehabilitation and reconstruction of Belgrade-Bar railway to be done in three steps: making the feasibility study, making project documentation and implementation of project.

Apart from this corridor, there are a few minor railway links passing through eligible area, such as Kraljevo - Raška - Peć as well as Kraljevo - Čačak - Požega. However, much of the railway infrastructure needs substantial modernisation and upgrading.

Both countries are participating in the work of SEETO (South East Europe Transport Observatory) which coordinates development of core regional infrastructure network including roads, rails and ports.

### *3.5.3 Border crossings*

Along the length of the border, there is a total of six border crossings. Only two of these (Gostun and Jabuka) are recognized as multi-functional border crossings while the other four are mainly for passenger purposes.

### *3.5.4 Airports*

There is no international airport in this border area. However, the closest one is in Podgorica, in the adjacent area, and this airport is the main international entrance port for Montenegro. Still, due to the configuration of the terrain, regardless of the fact whether one is coming from Belgrade airport, Podgorica airport or, as alternatives, Tivat (Montenegro coast); Dubrovnik (Croatian coast) or Sarajevo (Bosnia and Herzegovina) airports, it takes a minimum three-hour drive to reach this area.

There are initiatives on the Serbian side for the reconstruction of former army airports (Ponikve, Sjenica, Lađevci), into airports for both freight and passengers. There are also small airports on the Montenegrin side in Berane, Žabljak and Nikšić, however not equipped to handle larger aircraft. These initiatives will demand significant resources and, apart from sport flying, it is not envisaged to have those airports functional for large-scale traffic in the near future.

### *3.5.5 Ports*

There is one sea port - Bar - just outside of the eligible area. It was one of two major cargo ports in former Yugoslavia. It is capable of handling circa 5 million tons of cargo, and is a port for ferries to Bari and Ancona in Italy. It is directly connected to the Bar - Belgrade railway. Although the port of Bar is not within the boundaries of the Programme eligible area, it is nevertheless an important factor for accessibility of people and goods to and from the area.



### 3.5.6 Telecommunications

The telecommunication network in the eligible area is quite developed. The fact that in the end of August 2011<sup>5</sup>, there were 1,272,365 mobile phone users in Montenegro is impressive (2.05 mobile phones per inhabitant) when compared to European levels. In Serbia at the end of 2010<sup>6</sup> were 9,915,300 mobile users (penetration of 132.24%).

The internet is widely used in the eligible area: 13 providers on the Serbian side of the border and 10 on the Montenegrin side. There is a large number of internet users in Serbia and Montenegro. According to the data published by Internet World Stats ([www.internetworldstats.com](http://www.internetworldstats.com)), number of internet users in Montenegro in June 2011 was around 303,480 which is 48.95% of total population. In Serbia, in the same period there were 4,197,000 of internet users, which is 55.97% of total population. This number includes internet subscribers as well as users alone (not internet subscribers, but use internet on work, in school, in internet cafes, etc). Percentages as high as these imply that mobile as well as internet services should be developed.

### 3.5.7 Water supply, waste water treatment, heating, waste disposal

In general, the area has an abundance of natural water resources. However, there are insufficient waste water treatment facilities, as well as water resources management. Furthermore, the water supply and waste water systems have deteriorated gravely over the past years and are basically left without resources for maintenance and improvement.

On the Serbian side of the border, 89% of the households are being supplied with clean, potable water through the existing waterworks infrastructure, while on the Montenegrin side of the border, due to the fact that households are usually scattered far and wide in the settlements, the percentage of households connected to the water supply network is negligible.

The treatment of household and industrial waste throughout the eligible area is below internationally acceptable standards. Municipal waste landfills are full - the legal landfills are overburdened and should be closed. In the rural areas in particular, there are many illegal, "wild" garbage dumps. On the Serbian side, an initiative has been taken to establish several regional landfills: "Barnjik" for Raška, Novi Pazar and Tutin; and "Banjica" for Priboj, Nova Varoš, Prijepolje and Sjenica. Landfill "Duboko" in Užice that cover area of Užice, Bajina Bašta, Požega, Arilje, Čajetina, Kosjerić, Lučane and Ivanjica is open on October 20, 2011. Works at the landfill "Duboko" began in 2008. The investment of 15.325 million EUR, co – financed by the municipalities that this landfill cover, the Regional Fund for Environmental Protection and loan provided by European Bank for Reconstruction and Development, NIP funds and grants from Swedish Agency for International Development and Cooperation, the French government and the EU.

Montenegrin government ordered Master plan for establishing regional landfills, which had been made in January 2005. This plan defines establishing of seven regional landfills on Montenegrin territory which will be used for solid waste disposal. Five out of these seven landfills are to be built in the eligible area as follows: in Nikšić for Nikšić, Plužine and Šavnik; in Pljevlja for Pljevlja and Žabljak; in Berane for Berane, Andrijevića, Plav and Rožaje; in Bijelo Polje for Bijelo Polje, Mojkovac and Kolašin. In addition regional landfill has been built in adjacent area in Montenegro, in Podgorica for Podgorica, Cetinje and Danilovgrad.

On the Serbian side, eight municipalities have central district heating systems, while only one has established a heating system using natural gas. A few municipalities are in the process of connecting to natural gas heating systems. On the contrary, on the Montenegrin side, there is no district heating.

### 3.5.8 Energy, electricity

<sup>5</sup> <http://www.ekip.me/download/MOBILNA%20AVGUST.pdf>

<sup>6</sup> <http://www.ratel.rs/>



Energy and electricity supply is relatively well developed on both sides of the border. Energy is the main economic priority of the Montenegrin government, so the Perucica hydropower plant is being modernised (investments of 3.6 million euros) with a potential to provide the entire country with uninterrupted supply of power at the same time reducing the dependency on foreign supplies of power. Apart from HPP Perucica, there are the following electricity generating facilities in the Montenegrin part of the eligible area: coal-fired thermal power plant Pljevlja, HPP Piva and various small hydro-power plants.

In the Serbian part of the eligible area, the energy production is quite a dominant feature of the local economy with a complex of Drinsko-Limske power plants in the Zlatiborski county, on the rivers Drina, Lim and West Morava (HPP Bajina Bašta, HPP Uvac, HPP Potpeć, HPP Kokin Brod, HPP Bistrica, HPP Zvornik, HPP Ovčar Banja and HPP Međuvršje). The Drinsko-Limske power plants have 1,083 MW available capacities which make up for 13% of the total electric potential of Serbia. However, there are large differences in the access to uninterrupted supply of energy/electricity between cities, towns and rural areas.

### 3.6 Economy

The overall economic development/activity of the eligible area is relatively low compared to the national averages. The average GDP per capita on the Serbian side of the eligible area is 2,821<sup>7</sup> EUR (national average 3,949 EUR in 2009<sup>8</sup>), while the average of national GDP per capita in Montenegro is 4,720 EUR in 2009<sup>9</sup>).

In both countries, privatisation and/or restructuring of the state-owned enterprises is almost completed. Fragmented land ownership, weak land registration systems, and unresolved property issues, coupled with the informal labour market, present an obstacle for attracting more investments. Recently, new legislation on land ownership and property issues have been introduced in both countries.

Foreign direct investments are playing an important role in restructuring and boosting the economies of both countries. In Montenegrin economy, this is concentrated along the coast line and in Podgorica, which are outside of the eligible area. Also, a very small fraction of the foreign capital entering Serbia has been invested in the Serbian part of the eligible area.

#### 3.6.1 GDP

Even though reliable data for the eligible area are hard to find, it is clear from existing data that the average GDP and income per capita are lower in the eligible area on the Serbian side compared to the national average. Raška County - one of the two counties in the eligible area - is second to last when ranking Serbian counties according to the national income. There are, in general, large discrepancies between the different counties in all economic performance figures.

On the Montenegrin side of the eligible area, the local development in economic terms is lagging behind national levels, even though the picture is a bit more diverse compared to the Serbian side of the border (as the statistical units are smaller in Montenegro, this could account for some of the diversification).

**Table 3: GDP comparisons with EU and national index**

Area	Regional GDP per capita (EURO)	Regional GDP index Country=100	Regional GDP index EU (27)=100
Serbian eligible area (average)	2,821	71.4	12.00
Serbian national level (average)	3,949	100.00	16.80
Montenegrin national level (average)	4,720	100.00	20.08

Reference: <sup>1</sup> Statistical Office of the Republic of Serbia; <sup>2</sup> Statistical Office of Montenegro; EU-27 in 2009 = 23,505

<sup>7</sup> GDP for 2009 for Region of Šumadija and Western Serbia, Statistical Office of the Republic of Serbia

<sup>8</sup> National GDP in 2009, Statistical Office of the Republic of Serbia

<sup>9</sup> National GDP in 2009, Statistical Office of Montenegro



The higher GDP rates in Montenegrin municipalities of Plužine and Pljevlja are due to presence of the hydro power plant and thermal power plant which have a big share in the GDP, on the one hand, and a small number of inhabitants, on the other hand. It is, however, important to note that there is a large difference in the level of income when comparing sectors.

### *3.6.2 Agriculture and Rural Development*

In the eligible area on both sides of the border, there is agricultural land and traditional agricultural production. A large part of the land, however, consists of pasture and meadows, which is mainly used for animal feeding. Farms are relatively small - in Serbia 4 ha on average - and production is not large-scale, or industrialised. Potatoes, fruit (plums, apples), berries, vegetables, and cattle feed are mainly grown in the area.

With regards to livestock, sheep and goats are predominant in the eligible area, on both sides of the border. There are slight differences in the two areas: breeding of large cattle makes up a relatively large percentage of livestock production in Montenegro, while on the Serbian side of the border sheep and pig breeding is predominant. The production of poultry is relatively insignificant on both sides.

### *3.6.3 Industry*

Industrial production in the eligible area is concentrated around a few larger towns and cities such as Kraljevo, Novi Pazar, Užice, Nikšić and Pljevlja. Transitional process is taking place in most of the factories. The transition in bigger economic centres such as Novi Pazar, Prijepolje, Priboj, Bijelo Polje and Berane, not being efficient enough had made the production level in the factories to be decreased significantly which lead to bankruptcy of many of them. Result of this process is decreased GDP in the eligible area.

There is both some light and heavy industrial production, but production levels are low in general. At the same time, the area is characterised by low investments (both actual and potential local investment base), low export orientation, low labour productivity, lack of innovation, lack of coherent strategies within and between local administrations and production units, lack of communication and cooperation between industries, low level of managerial and business know-how and a concentration of production in urban centres.

In the rural areas in particular, there is light industrial production in sectors such as forestry and timber (wood processing, furniture), textile (fur and leather), agricultural light-industry (grain mills, bakeries, beer and fruit production).

Larger-scale industry is found mainly in the urban centres mentioned above - and mainly consists of textile production, copper and aluminium production, wood processing, some construction industry, agricultural products (fruit processing, dairy), electric power supply and mining.

The relatively few large-scale enterprises in the area are at the same time employing the largest part of the labour force - one example is from one of the urban centres, Užice, which employs 1/3 of the labour force in the Serbian part of the eligible area.

The positive aspect of the industrial production in the area is that it is mostly based on existing resources and integrated production chains of which mining/smelting is the most important. The existing resources could be the basis for a more developed processing industry.

### *3.6.4 SME Sector*

SMEs are usually less capital intensive than large-scale businesses and they are more consumer-oriented. Such enterprises are, therefore, suitable for the region as they create employment opportunities, promote a diversification of economic activity, support sustainable growth and contribute to export and trade.



Over the past few years, the number of SMEs on both sides of the border has increased, although insufficiently so as to make a noticeable contribution to the overall economic development in the eligible area. Furthermore, in Montenegro, the number of SMEs in some municipalities has been decreasing recently. The private and service sectors as such are still underdeveloped in the eligible area.

The relative importance of the SME sector has, however, increased. An important indicator of entrepreneurial activity in the SME sector (covering crafts, cooperatives and SMEs) is 'company density' as measured by the number of firms per capita.

In 2010, in Serbian part of the eligible area, the number of SMEs was 4,891, and in the adjacent area - 2411. Total number of SMEs in the Republic of Serbia was 89,860. In 2010, the company density in Serbia was 12 per 1000 inhabitants. This figure in Raška County was 7.81, in Zlatiborski County is 7.26, and in Moravički County this figure was 11.09 per 1000 inhabitants. The average company density in the Serbian part of the eligible area is 7.54 which show that entrepreneurial activity in this area is significantly lower than the national average.

In the Montenegrin part of the eligible area, the number of SMEs is 4.763 which constitute 22.86% of registered SMEs in Montenegro. In the adjacent area in Montenegro, the number of SMEs is 7,806 which constitute 37.47% of registered SMEs in Montenegro in 2010. Most SMEs in the eligible area are based in Nikšić,(30.93%) and Bijelo Polje (22.17%) on the Montenegrin side, while on the Serbian side of the border SMEs seem to be concentrated in Užice, Kraljevo and Novi Pazar.

**Table 4: Numbers of SMEs and SME Employment in the Programming Area**

Area	Number of SMEs	Total Number of Employed	Share of Employed
Serbian eligible area	4,891	35,031	6.01%
Serbian adjacent area	2,495	18,760	3.22%
Serbian national level	89,860	582,409	100%
Montenegrin eligible area	4,763	32,597	26.92%
Montenegrin adjacent area	7,806	50,056	41.34%
Montenegrin national level	20,832	121,073	100 %
<b>Programming area</b>	<b>19,955</b>	<b>136,444</b>	-

Reference: <sup>1</sup>Statistical Office of the Republic of Serbia; <sup>2</sup> Statistical Office of Montenegro;

Despite the positive trends in the SMEs development, the dominant majority of businesses in the region are small in size, mainly characterised as family businesses, thus offering little opportunities for job generation. Generally, businesses are poorly organized and take no count of modern and up-to-date technologies or management techniques. They involve little investments without much long-term sustainability. In addition, the non-agricultural businesses struggle against the odds of poor infrastructure, and the high running costs.

Support structures surrounding SMEs, such as business incubators, business associations, Chambers of Commerce, relations between research institutions, education institutions and the business environment, economic free zones are important for the growth of SMEs. Also more advanced support structures such as technology parks, research and development institutions and innovation activities can be important for certain SMEs, but most likely not in the short-term in the eligible area. Innovation in terms of support for making it easier for small producers to forward ideas and get the necessary motivation to start new production is, however, necessary. There are business support institutions established on both sides of the eligible area. However, framework conditions and support structures for the development of a thriving and healthy SME sector with real impact on GDP and economic development are still insufficient.

Entrepreneurial activity and private sector development in Montenegro is the priority of the Government and is mainly supported through different institutions, such as Directorate for Development of Small and Medium Sized Enterprise, Montenegro Business Alliance, Centre for





Entrepreneurship and Economic Development, Institute for Strategic Studies and Projections, Euro Info Correspondent Centre, Centre for Applied Research and Analysis. However, all of them are located in Podgorica. In Serbia, there is a network of SME support institutions: LED offices, Regional Chambers of Commerce in Kraljevo, Užice and Čačak, Regional Development Agencies in Kraljevo and Užice, Regional Centre for development of SMEs – Kraljevo office, Sandžak Economic Development Agency (Novi Pazar) and several local SME support centres - in particular Užice, with sub-offices in Kosjerić, Priboj and Prijepolje.

Business zones in the eligible area, where the big state-owned enterprises functioned, are mainly old type, while modern industrial zones have been established in a couple of towns on the Serbian side of the border (Užice and Prijepolje).

### *3.6.5 Services*

Apart from tourism, services are at this moment not considered statistically as a separate sector of Serbian and Montenegrin economies - figures are usually included with other sectors.

A variety of services such as administration, banking, education, social and health care, are mainly available in urban areas, while the development of this sector in the rural areas is lagging behind. Administrative services are related to legally define administrative units, i.e. municipalities, towns and counties, and thus located within them.

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

### *3.6.6 Regional and Local Development*

In general, both countries are characterised by an imbalanced regional development, with lower rate of development in the eligible area. There are large differences between urban centres and rural areas, between different geographical locations, as well as between the centre and periphery. This is in particular the case for Serbia - being a big country; the eligible area is periphery compared to the centre (Belgrade) and ranks very low in terms of economic indicators compared to the most of the regions in Serbia. Also, in Montenegro, the northern municipalities in the eligible area are considered - and are in real terms - as lagging behind the centre (Podgorica) and the municipalities situated along the Adriatic coast line.

Traditionally, there has been no vertical cooperation between municipalities, but recently, new laws have made it possible in Serbia for municipalities to cooperate through their district boards. In Montenegro, municipalities are much more dependent on the Government and cooperate only on the unofficial basis. However, the Union of Municipalities exists in Montenegro with a key role to facilitate regional development initiatives.

Regional development plans do not exist for the eligible area. However, there are local economic development plans (LED) or strategies of sustainable development developed and approved in all municipalities in the eligible area on the Serbia side of the border. In Montenegro, municipalities in the eligible area have Strategic Development Plans and Multiannual Investment Plans approved. All the developed LEDs define agriculture, food processing and tourism as priorities.

The local government development is expected to be a priority for both governments in the coming years and a large TA project has been implementing focusing on local government and fiscal decentralisation. This project will most likely have an impact on the visibility of the situation in local governments in two countries - and could also put an emphasis on the necessary economic cooperation between municipalities, in particular in areas lagging behind in economic development terms.



It is expected that large funds will, in the mid-term and long-term periods, be channelled to the eligible area - on both sides of the border - to level out the imbalances in regional development. It is also expected that the main problem in this regard will be the capacity of local key stakeholders to develop and agree on project ideas relevant for financing, how to link them with existing strategic operational plans (e.g. local economy development plans, local action plans on various issues, etc.) and finally to implement the projects since there is practically no experience with such activities at present.

There are several Agencies, NGOs and community initiatives in the eligible area, which already are or will become important vehicles for stimulating economic and social growth. Apart from these, the institutions already mentioned under the section on SMEs that are involved in regional development activities have evolved which led to forming two Regional Development Agencies (RDAs) – in Užice and Kraljevo in Serbia. Northern Montenegrin municipalities initiated forming of several regional development agencies/foundations in order to additionally promote resources related to tourism and agriculture development, as well as to attract foreign investments in this region.

### 3.6.7 Tourism

The eligible area has abundant natural resources such as vast forests, ski resorts, and a large number of spas. This makes it one of the most important tourist areas for Serbia, as well as an important inland tourist area in Montenegro - even if the latter has a more developed and focused tourism industry along the Adriatic coast line.

The importance of the area as a tourist destination at present is, however, not fully utilised - only 5.49% of the total number of tourists visiting Montenegro are visiting the eligible area. On the Serbian side, figures show that the number of tourists visiting the part of the eligible area and staying overnight is slightly higher than the national average, but still very low.

**Table 5: Number of visitors and tourist nights per county/municipality**

Country	Visitors	Tourist nights	Tourist nights per inhabitant
Serbian eligible area <sup>1</sup>	490.187	1.887.355	3.12
Serbian adjacent area <sup>1</sup>	62.112	301.260	1.34
Serbian national level <sup>1</sup>	2.000.597	6.413.515	0.85
Montenegrin eligible area <sup>2</sup>	69,291	176,598	0.71
Montenegrin adjacent area <sup>2</sup>	62,862	144,975	0,65
Montenegrin national level <sup>2</sup>	1,262,985	7,964,893	12.85
<b>Programing area</b>	<b>684.452</b>	<b>2.510.188</b>	<b>1.93</b>

Reference: <sup>1</sup>Statistical Office of the Republic of Serbia, data collected for 2010); <sup>2</sup> Statistical Office of Montenegro, data collected for 2010.

This area has great tourism potential as it is already a major Serbian tourist area with highlights such as the mountains Zlatibor, Kopaonik, Tara, Zlatar, Goč, Golija; spa centres: Vrnjačka Banja, Mataruška Banja, Bogutovačka Banja, Novopazarska Banja, Pribojska Banja; rivers: Drina, Lim, Uvac; lakes: Perućac, Zlatar, Potpeć, Radonja, Zaovine, Ribnica; and historical and cultural monuments: Studenica, Žiča, Mileševa, Stari Ras with Sopoćani, Rača, etc.

Apart from "traditional" - in particular, winter - tourism, the northern part of Zlatibor has a well-developed ethno-tourism industry, but also "medical/wellness tourism" with cardio-vascular and blood disease treatment centres etc.

The major tourist centres on the Montenegrin side of the border are Kolašin, Žabljak, Mojkovac and Plav. Kolašin and Žabljak are an all-year-round vacation centre, because of the favourable climate. Of special interest to tourists is the Biogradsko Lake, which is located in the National park "Biogradska Gora", one of three preserved virgin forests of Europe. Mojkovac is located between the mountains Bjelasica and Sinjajevina. Žabljak is situated in the northern-east of Montenegro, in the very heart of Durmitor National Park, at 1456 m above the sea level. It is



the town at the highest altitude in the Balkans. The town is surrounded with 48 mountain peaks higher than 2000m, with 18 mountain lakes of which the most attractive is Black Lake.

The main drawback of the area as a tourist destination is the lack of adequate infrastructure: accessibility via trains, busses, roads, adequate and modern hotels/accommodation, lack of labour force with necessary competences for modern tourism (management, marketing), all-year round tourist activities (the area is mainly developed for winter tourism), lack of information and awareness about the area as a tourist area.

Modern-day tourists, who focus on "alternative" destinations and activities, could be the target for the areas of unique and untouched beauty. Particular focus on natural resources, favourable climate and ecological conditions, historical diversity and rich cultural heritage should be seen as a major opportunity for the eligible area. These advantages open the possibility for the area to further develop various types of tourism: ecological and cultural tourism, mountaineering, rural tourism, health and recreational tourism, excursions, hunting and fishing.

### 3.7 Human Resources

#### 3.7.1 Education, Research, and Development

Primary and secondary education institutions exist on both sides of the border. In particular, the standard of primary school education (teaching methods, facilities) is considered to be at the same level as the national standard, while secondary specialised education is of lower standard and has outdated facilities due to the lack of investments in the 90ies.

There are no fully-fledged universities in the eligible area, but there are university faculties on both sides of the border: in eligible area in Užice, Kraljevo, Vrnjačka Banja and Novi Pazar in Serbia and in Bijelo Polje, Berane and Pljevlja in Montenegro, as well as in the adjacent areas in Podgorica, Cetinje and Danilovgrad in Montenegro and in Čačak in Serbia.

Given the growing importance of technology and knowledge-based economies, the levels of educational capacities are important for the development of not only national, but also local and regional economies. The link between the level of education (particularly tertiary education), on the one hand, and the labour market and economic growth, on the other hand, is described as very important.

**Table 6: Levels of Education in the Eligible Area<sup>10</sup>**

	Primary or less than primary	Secondary	University, MSc, PhD
Serbian eligible area	51.39%	39.24%	7.86%
Serbian adjacent area	48.89%	41.72%	8.39%
Serbian national level	45.72%	41.07%	11.03%
Montenegrin eligible area	44.42%	44.68%	8.89%
Montenegrin adjacent area	31.33%	51.90%	14.94%
Montenegrin national level	36.90%	48.44%	12.56%
<b>Programming area average</b>	46.49%	42.70%	9.24%

Table 6 shows that the level of education of the population in the eligible area is lower than the national level of both countries. Compared to the Serbian average educational structure, Raška and Zlatibor counties are clearly disadvantaged in terms of school attendance: figures show that half of the inhabitants in the two counties are either without primary school education or they only completed primary school education (51.39%). Compared to a Serbian average figure of 45.72%, this is clearly lower and it indicates that there are problems with school attendance already at primary school level.

<sup>10</sup> Percentages presented in this table calculated on the basis of the Census 2002 in Serbia and Census 2003 in Montenegro. Since two statistical offices did not finalise with analysis of two censuses implemented in 2011, there is no new information related to the levels of education published yet.



In Montenegro, this figure is much lower, but is still showing the problem with school attendance. The area is sparsely populated and towns and villages are scattered over a large mountainous area - the distance and difficult accessibility of schools could account for some of the differences between the national average and the regional levels for primary school attendance in the eligible area.

At secondary level, the figures are levelled out - the percentage of people with secondary education in the eligible area is more or less equal to the national averages. Also for higher education this is the case on both sides of the border. There is no particular difference between the two sides of the border.

### *3.7.2 Labour Market (employment and unemployment)*

The transition to market economy, the closure of traditional state-owned enterprises, generally low level of education and the conflicts during the 90es, have led to high unemployment rates and migration of the work force from the area to other urban centres or abroad.

The national unemployment rate in Serbia is 22.2 %. Unemployment rate in the statistical region of Šumadija and Western Serbia is 22%, according to the Labor Force Survey conducted by Statistical Office of the Republic of Serbia in April 2011. These figures are higher than the country's average of 19.2%, according to the Labour Force Survey conducted by the same institution in October 2010. The level of employment is about 36.2% on the national level, but in the eligible area on the Serbian side it is 37.8%.

In Montenegro in general, the unemployment rate according to the National Employment Agency data for October 27, 2011 is 11.25%. Unemployment rate in the eligible area, on the same date, is 14.66%, clearly shows that the unemployment rate is higher than the national average, which is already higher than in 2010.

According to the Employment Agency of Montenegro, during last years, the majority of non-residential labour force was engaged from Serbia. These are mainly employed in Podgorica, which is one of the adjacent areas.

One important reason for high unemployment is the reliance on agriculture, agricultural processing and traditional manufacturing industries on the Serbian side of the border.

## 3.8 Environment and Nature

Most of the eligible area is characterised by well preserved natural environment with low pollution levels. On the other hand, the area has some "pollution hot spots", which create serious problems.

In general, most of the border consists of mountains, which are sparsely populated, with poor transportation infrastructure and relatively little industry and tourism. The area is, therefore, relatively untouched with large forests, meadows/fields and nature parks.

In Zlatiborski County, the Zlatibor mountain covers 300km<sup>2</sup> at an altitude of approximately 1,000 meters with its highest peak of 1,496 meters. Tara, the largest Serbian national park covers 220 km<sup>2</sup> and is covered by dense, supremely preserved forests of fir, spruce, beech, and pine trees, deemed some of the best preserved in Europe.

On the Montenegrin side of the eligible area, there are four national parks (Biogradska Gora, Durmitor, Skadar Lake and Lovćen). The Durmitor National Park is under UNESCO protection. Town of Žabljak, located on Durmitor, is positioned at 1456 meters above sea level, which makes it a town lying on the highest altitude in the Balkans, and is surrounded by as many as twenty three peaks of more than 2300 meters.



Montenegrin nature resources are mostly well preserved, but there are some locations which are polluted. In Montenegro, Agency for Environmental Protection was formed which is a step toward better protection of natural resources. Still, lack of systematic data collection on the quality of air, water and soil is quite a problem for Montenegro.

The rivers in the region flow either to the Adriatic or to the Black Sea drainage basin. Mountain rivers have deep canyons such as the Tara River Canyon which is the deepest canyon in Montenegro and Europe, at 78 kilometres in length and 1,300 meters at its deepest. On the Piva River there is a hydropower plant. There are around forty natural and seven artificial lakes in the eligible area.

The coal power plant in Pljevlja does not use filters, so that TSP (trisodium phosphate) causes severe air pollution. The foundry in Nikšić operates without any filters. Coal mines in Pljevlja and Berane and the red bauxite mine in Nikšić cause waste and groundwater problems.

### 3.9 Culture

The eligible area between Serbia and Montenegro is marked by many different religious beliefs, traditions, cultures and is one of the most culturally diverse areas in Europe. The area is mixed ethnically (Serbs, Montenegrins, Bosniaks, Albanians, Muslims), but has at the same time been more closely connected throughout the history and due to the similarity of administrative and political systems – cross-border relations are therefore closer and the cultural unity higher than on many other borders of the former Yugoslavia. There are no linguistic barriers in the region.

### 3.10 Summary indicating gaps, disparities, and potentials for development

The main characteristic of the eligible area is that the main economic centres are located at some distance from the actual border which is mainly rural, mountainous and sparsely populated. Similar negative demographic trends, such as a declining and aging population, migration to other areas are occurring here, and the dependence on largely agriculture, forestry and mineral extraction presents a low-wage economy with low standards of living.

As the newest Western Balkan state, Montenegro is in a transition phase, but has nevertheless indicated the need to initiate activities to divert these negative trends. Since the area is endowed with many natural assets and resources, better utilisation of them to achieve positive growth is indicated.

Significant cross-border opportunities can be found for the economic and social development of the eligible area by focussing on some of the following aspects:

- ensuring higher levels of accessibility for goods and people - in particular, the common planning of such accessibility;
- increasing possibilities for inclusion of disadvantaged groups such as ethnic minorities, but people with disabilities and children with development difficulties as well, etc;
- improving mutual confidence by establishing relations grounded in common traditions, culture, language, history;
- providing support to alternative ways of production and reinforcing traditional production methods, in particular in agriculture – enabling branding of locally produced and traditional products for tourists in area;
- supporting development trends – on a small scale, but nevertheless existent - of increasing the number of SMEs in the area by creating quality and visible support structures and framework conditions adequate for the SMEs of that particular area;
- creating a sustainable tourism sector, based on alternative tourism opportunities (not-mass tourism), taking into consideration the unique characteristics of the area;



- ensuring that the natural resources of the area would remain mainly untouched in the future and preserve the status of unique natural beauty in Europe through environmental protection activities which would, at the same time, generate more jobs in the area.

Potential activities could be initiated to support priorities such as the national nature parks, road signalization, people-to-people projects at the local level etc. Initially, work should be concentrated on smaller projects which are easier to manage. It will be necessary to train people and prepare them for the implementation of projects.



### 3.11 SWOT Analyses of eligible area

<b>Population /Culture /Society</b>	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>• Historical and cultural links, and no linguistic barriers provide a solid basis for cultural and cross-border cooperation;</li> <li>• Easy access to border crossing points can facilitate effective cross-border cooperation between population;</li> <li>• Population is motivated to minimise the adverse effects of economic underdevelopment / imbalanced regional development;</li> <li>• Cooperation already exists between cultural institutions in the border area.</li> </ul>	<ul style="list-style-type: none"> <li>• Unfavourable demographic trends on both sides of the border;</li> <li>• Low living standards and increasing age of population;</li> <li>• Economic migration from both sides of the border area to urban centres;</li> <li>• (E)migration deprives area of the young, educated - and fertile - part of the population.</li> </ul>
	<b>Opportunities</b>	<b>Threats</b>
	<ul style="list-style-type: none"> <li>• Development of a positive regional image will encourage economic and social programmes to attract and keep young people in the area;</li> <li>• The multi-ethnic population has potential for promoting intensive cultural and social links to build confidence amongst civil society groupings;</li> <li>• Use the common language to develop local media networks and promote cross-border links.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued lack of regional development programmes will lead to unfavourable demographic trends;</li> <li>• Decline of population threatens to completely depopulate some rural settlements;</li> <li>• Aggravation of the different demographic trends in the density of population on both sides of the border undermines the possibilities for cooperation;</li> <li>• Further isolation and marginalization will undermine any positive development (economic, social and cultural) trends.</li> </ul>

<b>Transport and infrastructure</b>	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>• Existence of Basic rail and roads network;</li> <li>• Rail link between Bar Port and Belgrade passes through the eligible area on both sides of the border;</li> <li>• Basic skiing and other tourist infrastructure exists in eligible area;</li> <li>• Planned development and improvement of railway and road links to international corridors.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of fast highways through the area with most roads and railways in urgent need of modernisation or repair;</li> <li>• Inadequate, poorly maintained local and regional road network;</li> <li>• Podgorica is the only airport, three hours distant from the eligible area;</li> <li>• Limited capacity of existing transport infrastructure.</li> </ul>
	<b>Opportunities</b>	<b>Threats</b>
	<ul style="list-style-type: none"> <li>• Improving access to selected border crossing points to increase cross-border traffic and economic cooperation;</li> <li>• Opportunities jointly to develop sustainable energy resources (e.g. solar, wind, hydro power);</li> <li>• Access to Podgorica international airport and Bar Port can become major regional development assets for transportation of goods and people to and from the eligible area;</li> <li>• Opportunities to develop joint economic strategies for the border region could significantly improve the basis for regional improvement of the infrastructure network.</li> </ul>	<ul style="list-style-type: none"> <li>• Absence of joint national strategic approaches to infrastructure investment will lead to further unbalanced regional development;</li> <li>• Lack of spatial plans plus a new legal framework for construction and land ownership may delay start of infrastructure projects;</li> <li>• Local communities do not have the capacity to manage assets and liabilities in an efficient way;</li> <li>• Unfavourable mountainous terrain restricts infrastructure projects and adds to their cost;</li> <li>• New border regime will increase the administrative procedures necessary to</li> </ul>



## Cross-border Programme



cross the border and increase border crossing times.

<b>Economy</b>	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>• Traditional agriculture production with growth potential;</li> <li>• Basic tourist infrastructure in particular for winter tourism already exists;</li> <li>• Existing spa centres provide basis for local tourism development;</li> <li>• Six natural parks and rich historical heritage provide potential for tourism development;</li> <li>• Existing industrial base (wood and food processing, mining, quarrying and mineral extraction);</li> <li>• Rich natural resources (water, mineral wealth, mountains, etc.) to support economic development;</li> <li>• Electricity production through thermal and hydro energy.</li> </ul>	<ul style="list-style-type: none"> <li>• Obsolete and dilapidated industrial and agricultural infrastructure;</li> <li>• Perception of area as low value added economy, with low levels of innovation, and limited cooperation between faculties/local business;</li> <li>• Unfavourable isolated location adds to perception of high investment risk;</li> <li>• Inadequate management skills and business support to establish and support SME development'</li> <li>• Severe winter weather conditions adversely affect the accessibility of the area;</li> <li>• Limited range of business opportunities to attract investment.</li> </ul>
	<b>Opportunities</b>	<b>Threats</b>
	<ul style="list-style-type: none"> <li>• Co-ordinated SME development and support, including training, networking, innovation, marketing and ICT;</li> <li>• Training programmes on meeting EU standards of production targeted at SMEs;</li> <li>• Existing SME sector has dynamic potential for further development of small-scale businesses;</li> <li>• Intensified promotion and common "branding" of the cross border area's unique products, characteristics and services;</li> <li>• Diversification of production structures in the area;</li> <li>• Joint development of business clusters;</li> <li>• Support for motivating and promoting public-private cooperation and partnerships.</li> <li>• Potential to increase numbers of SMEs on both sides of the border in tourist and service sectors.</li> </ul>	<ul style="list-style-type: none"> <li>• Slow implementation of national and regional development strategies for the area;</li> <li>• Lack of capacity of local stakeholders to plan, prepare and implement projects;</li> <li>• Lack of coordination and cooperation in the tourism sector (between services, marketing, agriculture, public sector etc.) could restrict development of attractive tourist facilities and products;</li> <li>• New border and EU regulations will further increase costs of free movement of goods and people (visas, transportation, different standards etc);</li> <li>• Scarce availability of funds make municipalities highly vulnerable to allocation decisions made at national government level preventing effective joint cooperation;</li> <li>• Decentralisation (of tasks, funds, services) not adequately followed up by training and capacity building prevents fast development of the cross-border region;</li> <li>• Continued dependence of local authorities on central level budgets and lack of tax incentives for the development of local communities;</li> <li>• Environmental issues could effect growth of tourism economy.</li> </ul>





## Cross-border Programme



<b>Education, Employment and equal opportunities</b>	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>• Vocational and teacher training faculties established in the cross border area;</li> <li>• Serbia has recently reformed the National employment services, which can function as a vehicle for sharing experience and best practice transfer in the cross-border area;</li> <li>• Vocational education institutions exist in the area;</li> <li>• Existence of several institutions working to improve living standards of disabled people.</li> </ul>	<ul style="list-style-type: none"> <li>• Poor education and qualification structure of the population – especially in rural areas;</li> <li>• Lack of sector-specific (i.e. tourism, agriculture) education facilities;</li> <li>• Lack of connection between education and needs of labour market;</li> <li>• High unemployment levels - in particular along the immediate border areas;</li> <li>• Limited access of the rural population to the formal educational system due to long distances, and poor public transport.</li> </ul>
	<b>Opportunities</b>	<b>Threats</b>
	<ul style="list-style-type: none"> <li>• Possibility of piloting alternative learning and teaching methods (distance learning, new curricula development etc.) because of poor accessibility to education institutions;</li> <li>• Increased usage of national and private employment services - and cooperation of such institutions - across the border;</li> <li>• Increased inclusion of vulnerable groups (including women, ethnic minorities, disabled etc.) in education system and labour market through activities adapted to their special needs;</li> <li>• Development and introduction of new curricula supporting technical (vocational) education: IT, traditional production methods, skills necessary to run small businesses (bookkeeping, management etc);</li> <li>• Increased cross border cooperation between educational institutions, labour market services and other relevant public institutions;</li> <li>• Common planning of education and employment services on both sides of the border;</li> <li>• Development of new/adapted curricula in vocational education institutions to support the introduction of EU regulations affecting production, sales and exports of goods.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued isolation of the area will accelerate migration of educated or skilled young people;</li> <li>• National employment services not sufficiently developed and adapted to special conditions of the cross-border area;</li> <li>• Vicious circle of poverty and poor education possibilities will hinder further economic development;</li> <li>• Introduction of border controls, and EU regulations will impose further restrictions on the movement of goods and persons across the border.</li> </ul>



## Cross-border Programme



<b>Environment</b>	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>• Unspoiled natural environment with relatively low pollution;</li> <li>• Awareness of the need for environmental protection increasing in both countries;</li> <li>• Existence of several important and unique National Parks;</li> <li>• Large areas covered by forest in good condition;</li> <li>• Unpolluted water resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Pollution hot-spots are threatening sustainable economic development in the areas of nature parks (and towns);</li> <li>• Lack of solid waste, recycling, sewage and waste water treatment systems increase environmental pollution;</li> <li>• Lack of communication and cooperation among different environmental and nature protection initiatives and between local authorities;</li> <li>• Lack of spatial and town-planning regulations- in particular in tourist areas – lead to chaotic and non-sustainable development;</li> <li>• Low level of implementation of EU environmental regulations in both public and private sectors.</li> </ul>
	<b>Opportunities</b>	<b>Threats</b>
	<ul style="list-style-type: none"> <li>• Joint development of environmentally friendly strategies and services to protect the natural resources;</li> <li>• Joint management of National and Nature Parks;</li> <li>• Joint development of local and regional environmental action plans;</li> <li>• Joint development of activities to conserve and protect the rivers Drina and Tara;</li> <li>• Promotion and usage of renewable sources of energy (in particular in towns in the area);</li> <li>• Explore ideas to revitalize existing and constructing new modern solid waste disposal and waste water treatment facilities;</li> <li>• Exchange of environmental knowledge and best practice in the cross–border area to</li> <li>• Identify and control main polluters.</li> </ul>	<ul style="list-style-type: none"> <li>• Slow investment in infrastructure to protect the environment may adversely impact natural attractiveness of the region;</li> <li>• Slow implementation of national strategies, and lack of national investment resources to carry out necessary improvements;</li> <li>• Slow implementation of national strategies for environmental protection and low investment capacities in the business sector;</li> <li>• Waste management techniques are still undeveloped in the cross-border area;</li> <li>• Intensification of agriculture may cause further pollution of the environment;</li> <li>• Increases in tourism may cause intensified pollution of the area.</li> </ul>



## SECTION II. PROGRAMME STRATEGY

### 1. Experience with cross border activities

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

As an extension of the Cross-border Co-operation policy, this programme is coherent within the framework of other EU programmes. Both countries have gained experience through the CBC Neighbourhood Programmes with Member States (SRB-HU, IT-Adriatic) and with candidate countries (SRB-RO, SRB-BG). However, specific CBC experience as such was not experienced by Montenegro since independency. In addition, experience was also gained with for example Strand B of INTERREG III which promotes territorial integration and social cohesion within large groups of European regions or other neighbouring countries, as well as CADSES (Central European Adriatic Danube South Eastern Space), an INTERREG IIIB programme, whose objective is to achieve greater territorial and economic integration and promoting more balanced and harmonious development of the European space. Working in four priority areas (social and economic development, transport, culture and heritage and environment), CADSES involved 18 countries, including all the Western Balkan nations and 9 Member States.

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

These programmes are coherent with both EU and national programmes.

#### 1.1 Lessons Learned

Experience with border region cooperation so far indicates that a solid preparatory phase is the most important prior to the launching of specific activities. In order for border region cooperation to be effective, it is crucial that there is good understanding of the rules and procedures, adequate capacity and functioning management bodies.

One of the most important findings from the 1<sup>st</sup> Call for Proposals (launched on June 25, 2009) is that the requested amount by the applicants was more than 4 times higher than the amount that was available under this CfP. 112 applicants requested EUR 8,679,911.87 (4,583,204.96 requested for grants in Serbia and 4,096,706.91 requested for grants in Montenegro) while funds available under this CfP were 1,98 million EUR (EU financial allocations for 2007 & 2008).



## 2. Co-operation Strategy

### 2.1 Summary conclusions from description of area

Much of the analysis and description provided for the cross-border eligible areas in Serbia and Montenegro is typical for other areas throughout the entire Western Balkans. However, despite the relative success of a few urban localities, large parts of the eligible area are marginalised owing to their distance from, and inaccessibility to important markets, and their dependence on low wage agricultural activities, giving rise to low living standards. The lack of employment opportunities in rural and some industrial areas under restructuring has led to the migration of the workforce to cities and abroad, leaving behind an aging and largely unskilled labour pool that is difficult to employ without retraining. Nevertheless, the basic means of production, including raw materials and agriculture, are present, and the absence of significant language barriers is one of the key strengths of the area, offering the population opportunities of cooperating to achieve higher living standards and employment. In order to achieve this, however, all the key players must be guided in adjusting to the realities of the market economy. The cross-border programme can be an instrument to promote the cooperation of the main actors in the area and optimise these opportunities by sharing experiences and undertaking joint activities.

The area has suffered major upheaval and disruption over the past two decades, leaving its economic output at much the same level as in 1991. The main conclusions concerning barriers to economic growth are: the poor state of the road and rail infrastructure, the obsolete industrial base, an unskilled workforce and the high additional costs of compliance to the regulatory framework for competing internationally. The area's vast and largely unspoilt environment can be viewed as an economic resource that can be selectively exploited. However, the presence of inadequate waste and sewage disposal, an increase in uncontrolled building, the unchecked destruction of forests and unregulated extraction of raw materials will inevitably have a long-lasting negative impact on the environment and potentially diminish its economic role.

The main priority is to accelerate the economic development of the eligible areas by creating employment opportunities in the relatively short term (3-5 years). Cross-border cooperation can assist this progress by joint efforts to stimulate economic growth by implementing the following strategic approach.

### 2.2 Overall Strategic Objective of the Cross Border Programme

The overall strategic goal for the programme recognises the need to stimulate the economy by building on the human, natural and economic resources of the area in a spirit of intense cooperation.

#### **STRATEGIC OBJECTIVE**

***To bring together the people, communities and economies of the border area to jointly participate in the development of a cooperative area, using its human, natural, cultural and economic resources and advantages.***

### 2.3 Specific Objectives

The overall aim of the programme, with the core elements of the strategy derived from the SWOT analysis, have together led to the formulation of the following specific objectives, focussing on what needs to be achieved:

1. Strengthening the incentives for SME development in the border areas;
2. Development of tourism as a key sector of the border economy;



3. Promoting cross-border trade cooperation and accessibility to markets;
4. (Re-)Establishing cross border links between business and trade support organisations to promote joint cooperative initiatives;
5. Maintaining the high quality of the border area environment as an economic resource by cooperating in joint protection and exploitation initiatives;
6. Strengthening cross-border 'people-to-people' interaction to reinforce ethnic, educational and cultural and sporting links and to share in joint areas of common interest.

The above specific objectives focus on the establishment of a sound basis for the joint activities in the eligible areas. The programme will also take into account the following basic principles:

- Equal opportunities for all;
- Meeting particular needs of the disadvantaged, disabled or ethnic minorities;
- Protection of the natural and built environment in order to support sustainable development;
- Partnership and joint ownership of actions.



### 3. Priority and Measures

The strategic and specific objectives are closely targeted to delivering results and favourable outcomes that address the specific needs of the eligible area. The activities foreseen under this programme have been designed on the basis of the SWOT (Strengths, Weaknesses, Opportunities and Threats) and taking into account the limited financial allocations. The co-financing guarantees that the EU principle of additionality will be respected.

The SWOT analysis indicates that the programme assistance should be concentrated on the following Priority.

#### 3.1 Priority I

**Socio - economic cohesion through joint actions to improve physical, business, social and institutional infrastructure and capacity.**

The priority is purposely stated in general wording to permit beneficiaries to propose a wide ranging list of actions to achieve the overall objective. As the first cross-border programme between the two countries, it is recognised that the higher level objectives should not impose too many constraints at the lower level. This priority supports actions to meet all the Specific Objectives, and provides a logical context for the measures.

##### 3.1.1 Measure I.1

**Improving the productivity and competitiveness of the areas' economic, rural, cultural and environmental resources.**

This measure is specifically worded to promote joint efforts to achieve more effective use of the eligible area's resources. Beneficiaries will include (this list is not exhaustive):

- Local governments and their institutions, including public utilities, hospitals, medical and emergency services;
- Schools, libraries, Institutes of culture, community centres, cultural, historic or sporting associations, etc;
- Non governmental, non profit organisations;
- Business support organisations such as chambers of commerce, business centres, SME associations, sectoral associations, local trade associations, etc
- Regional Development and Local Development agencies;
- Authorities responsible for nature protection or nature parks management and public administrations;
- Public - and private - entities supporting the work force (job creation centres, job exchange services etc);
- Schools, colleges and universities in the areas, including vocational and technical training establishments;
- Media;
- Euroregions;
- SMEs.

#### **Rationale:**

The analysis of the eligible area revealed the need to stimulate economic activity in the border areas through more productive use of the resources. Although at national level, each country has its own priorities, and is pursuing different policies to achieve this objective, there exist a



number of cooperation opportunities between neighbouring communities that will complement national actions.

Cooperation between local authorities to coordinate actions such as spatial planning, waste water and sewage disposal, emergency services and educational and adult training services could benefit communities on both sides of the border. Joint frameworks for cooperation could be established within the cross-border programme.

The success of small businesses is seen to be a key objective in both countries' job creation initiatives. Cross-border cooperation between business support groups to work towards achieving a more advantageous business climate, and in developing a tourism support network to stimulate the growth of this sector, would have significant cross-border impact, and benefit both communities.

Further exploitation of the area's natural resources is inevitable. However, cross border cooperation is appropriate in all aspects of environmental protection, as both communities share a common desire to achieve this aim, but without damage to the ecology and natural beauty of the diverse landscapes of the region.

Cooperation in matching educational programmes relevant for the needs of industry, agriculture and the business environment of the area (e.g. tourism development) can be achieved by cross-border institutions focussing on innovative joint curricula and programmes, and sharing experience and expertise.

The cross-border programme cannot directly address the repair and modernisation of the area's transportation infrastructure; however, cross-border cooperation between authorities in establishing priorities in this field will assist and influence national programmes to benefit local communities and economies; this is part of the additionality principle.

### 3.1.2 Measure I.2

#### **Cross-border initiatives targeting the exchange of people and ideas to enhance the professional and civic society cooperation.**

This measure is designed to bring about a more intense cooperation between communities at municipality level in order to develop a common identity between both the inhabitants and professional groups. It will support smaller projects and people-to-people actions. This measure will benefit economic activities in the eligible area and also provide opportunities to celebrate their cultural, historic, ethnic, educational and sporting links. Beneficiaries will include (this list is not exhaustive):

- Local governments and their institutions, including public utilities, hospitals, medical and emergency services;
- Schools, libraries, Institutes of culture, community centres, cultural, historic or sporting associations, etc;
- Non governmental, non profit organisations;
- Business support organisations such as chambers of commerce, business centres, SME associations, sectoral associations, local trade associations, etc
- Regional Development and Local Development agencies;
- Authorities responsible for nature protection or nature parks management and public administrations;
- Public - and private - entities supporting the work force (job creation centres, job exchange services etc);
- Schools, colleges and universities in the areas, including vocational and technical training establishments;



- Media;
- Euroregions;
- SMEs.

**Rationale:**

The concept of international borders between communities in the eligible area is new, and could serve to divide communities. This measure will help reduce the marginalisation implications and promote continuing cooperation to achieve greater economic strength in the eligible areas.

The more obvious areas of cooperation are in preserving their cultural and historical connections; however, cooperation between local professional groups, looking for problem solving assistance at a local level, will help improve the productivity and competitiveness of local businesses. Cooperation between tourist support facilities to produce brochures, information, data bases etc. will generate additional business and improve the overall standard of services available.

The establishment and promotion of cultural or sporting events between border communities will focus attention on people-to-people cooperation to maintain and celebrate the traditions and customs of the eligible area.

3.2 Priority II

**Technical Assistance**

The objective of this Priority axis is to provide effective and efficient administration and implementation of the cross-border programme.

*Measure II.1 Programme administration, monitoring and evaluation*

Technical assistance will be used to support the work of the national Operating Structures (OSs) and of the Joint Monitoring Committee (JMC), ensuring the efficient implementation, monitoring and evaluation of the Programme, as well as an optimal use of resources. This is achieved through the establishment and operation of a Joint Technical Secretariat (JTS) in Serbia and a JTS Antenna in Montenegro. The JTS is in charge of the day-to-day management of the Programme and is responsible to the OSs and the JMC. The JTS should, inter-alia, draft the calls for proposals' Guidelines for applicants under the supervision of the Joint Monitoring Committee (JMC).

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

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



*Measure II.2 Programme Information and Publicity*

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

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

- Preparation, translation and dissemination of the Programme related information and publicity material, including the Programme website [www.cbcsrb-mne.org](http://www.cbcsrb-mne.org)
- Organisation of public events (conferences, seminars, workshops, etc.)
- Awareness raising and training for potential beneficiaries, including partner search forums

**Indicative timetable and amounts for the implementation of the measures:**

The Measures of Priority I will be implemented through grants schemes. The detailed selection and award criteria for the award of grants will be laid down in the Call for proposals – Application Packs (Guidelines for Grant Applicants).

The 1st Call for Proposals under the Cross-border Cooperation Programme Serbia-Montenegro was launched on June 25<sup>th</sup> 2009, and it was closed on September 23<sup>rd</sup> 2009. The overall amount of the 2007 and 2008 CBP SRB-MNE financing made available under this CfP for actions implemented in the programming area was 1,980,000 EUR. Potential applicants were given an opportunity to apply for grants under Priority I – Social and economic cohesion through joint actions to improve physical business, social and institutional infrastructure and capacity and two measures.

Measures and available allocations per Measures for the 1<sup>st</sup> CfP:

Description of the Measures	IPA 2007 and 2008 for Serbia	IPA 2007 and 2008 for Montenegro
Measure I.1 - Improving productivity and competitiveness of the area's economic, rural and environmental resources	€ 630,000	€ 756,000
Measure I.2 Cross-border initiatives targeting the exchange of ideas between people in order to enhance professional and civic society cooperation	€ 270,000	€ 324,000
Total	€ 900,000	€ 1,080,000

Contract Signing Ceremony for 13 selected projects organised in Zlatibor on November 20<sup>th</sup> 2010.

The Second CfP was launched on August 15, 2011. Deadline for submission of applications is November 14, 2011. Under the 2<sup>nd</sup> CfP, the overall amount of the 2009, 2010 and 2011, as well as leftover from 2008.

Measures and allocations that were available per Measures for the 2<sup>nd</sup> CfP are presented in the table below:



Description of the Measure	Left over from IPA 2008, and IPA 2009, 2010 and 2011 allocations for SRB	Left over from IPA 2008, and IPA 2009, 2010 and 2011 allocations for MNE
Measure 1.1 - Improving the productivity and competitiveness of the area's economic, rural, cultural and environmental resources	€ 1,073,942.32	€ 1,301,631.15
Measure 1.2 - Cross-border initiatives targeting the exchange of ideas, between people, to enhance the professional and civic society cooperation	€ 460,260.99	€ 557,841.92
Total	€ 1,534,203.31	€ 1,859,473.07

Measures of Priority II, consisting in technical assistance will be implemented through individual direct grant agreements without call for proposals to be concluded between the EU Delegations in Serbia and in Montenegro and the national authorities of both countries (CBC Coordinators, Operating Structures, as appropriate) in accordance with article 168.1.(c) of the Implementing Rules of the Financial Regulation.

Until October 2011, IPA 2007, 2008 and 2009 allocation for Serbia were awarded through three direct grant contracts.

Montenegro started to use funds available under IPA 2007 & 2008 allocations from April 01<sup>st</sup> 2010 through one direct grant contract. Funds available under this grant contract will be used until January 31<sup>st</sup> 2012.

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

### 3.3 Programme Indicators

#### **Notes on programme indicators:**

1. According to the Article 94(d) of IPA Implementing Regulation, each cross-border programme shall contain *information on the priority axes, the related measures and their specific targets. Those targets shall be quantified using a limited number of indicators for output and results, taking into account the proportionality principle. The indicators shall make it possible to measure the progress in relation to the baseline situation and the effectiveness of the targets implementing the priorities.*
2. While the IPA Implementing Regulation ask to provide indicators for output and results, trying to measure the impact of the programme is desirable for both programme managers, and general stakeholders. The programme therefore introduced "light" impact indicators, in addition to the required output and results indicators. In line with the "*proportionality principle*", indicators measure "*perceived benefits*" of various groups of beneficiaries (in the form of case studies, through surveys), rather than measure standard economic indicators. Impact indicators will not be reported in the standard "quantitative analysis" template of the programme's annual report, but in a separate section of the report.



3. Indicators were structured in a logical manner. As the example<sup>11</sup> below shows, **output** indicators relate to the **measure** level, **result** indicators relate to the **priority** level, and **impact** indicators relate to the **objective** level.

Output	Result	Impact
Cross-border Business Networks established in target sectors	Networks are active and function effectively	Improved business relations and economic activity for participating firms
<b>Measure</b>	<b>Priority</b>	<b>Objective</b>

4. All **targets** relate to **end 2016**, on the basis of a **budgetary commitment until 2013+3** for implementation, unless indicated otherwise.
5. Some **process based indicators** (mainly under TA) have **no quantifiable targets**, but are of qualitative nature (e.g. *JTS remains adequately equipped*)
6. Since this is the first CBC programme on that border, all **baselines**<sup>12</sup> are set a **zero**, unless indicated otherwise.
7. A standard “logical framework” approach would usually include an assessment of **risk**. This had not been included in the original programme, and inserting a general risk assessment now would go beyond the scope of a standard programme revision. However, cross-border programmes in the Western Balkans are managed against the reality of political risks. The indicators below are formulated on the assumption that political risks remain low during the implementation of the programme.

<sup>11</sup> See: [http://www.interact-eu.net/interact\\_studies/63](http://www.interact-eu.net/interact_studies/63) “Process Monitoring of Impacts”

<sup>12</sup> For some process based activities, baselines might not be applicable at all



## The Indicators:

Strategic Objective	OVI <sup>13</sup> (impact)	SOV <sup>5</sup>
<p><b>To bring together the people, communities and economies of the border area to jointly participate in the development of a cooperative area, using its human, natural and economic resources and advantages</b></p>	<ol style="list-style-type: none"> <li><b>1. Institutions perceive benefits of cooperation:</b> At least 8 institutions report that they can more effectively address certain problems or exploit local cross-border opportunities in the key areas of the Operational Programme through enhanced cooperation (economic, social, environmental sectors)</li> <li><b>2. Citizens benefit from cooperation:</b> At least 700 people directly or indirectly benefit from enhanced cross-border cooperation and/or from the results achieved by individual projects (related to economic, social, or environmental benefits)</li> <li><b>3. Businesses perceive benefits of cooperation:</b> At least 50% of businesses directly or indirectly participating in or benefitting from the Programme related activities perceive benefits of cooperation (e.g. through market access, cooperation, joint marketing or sales, or enhanced skill and exchange of know how)</li> <li><b>4. Jobs created or maintained</b> by the end of the programme period that can be directly or indirectly linked back to individual projects (<i>no target - maximum number desirable</i>)</li> <li><b>5. Improvement of any economic, social, or environmental indicators</b> that can be linked to the sum of any project related impacts (<i>to be specified on the basis of the objectives of funded projects</i>)</li> <li><b>6. Institutions/organisations (re)established cooperation to address common problems:</b> At least 350 institutions/organisations together developed and applied for grants</li> <li><b>7. Capacities of institutions/organisations in the programming area built:</b> At least 35 projects implemented within the whole programme period; At least 75 persons hired through service contracts for the purpose of the successful projects implementation; Percentage of funds allocated/funds contracted; Percentage of funds contracted/funds used.</li> </ol>	<ul style="list-style-type: none"> <li>• Project reports;</li> <li>• Monitoring reports;</li> <li>• Surveys among project partners and final beneficiaries</li> <li>• Reports by chambers and other relevant institutions</li> </ul>
Priorities	OVI (result)	SOV
<p><b>(1) Social and economic cohesion through joint actions to improve physical, business, social and institutional infrastructure and</b></p>	<ol style="list-style-type: none"> <li>1. Existence of institutional co-operation between 16 Serbian and Montenegrin public services (8+8) to jointly address common challenges identified in cross-border cooperation operations</li> <li>2. At least 700 people have been trained in areas related to the key sectors of this programme (business, tourism, environment, social, institutional) as a result of individual projects</li> </ol>	<ol style="list-style-type: none"> <li>1. Project reports; interviews with participating institutions</li> <li>2. Project training reports</li> <li>3. Project reports, monitoring reports; business surveys</li> <li>4. Project reports, monitoring reports; small surveys</li> </ol>

<sup>13</sup> Objectively Verifiable Indicator

<sup>5</sup> Sources of Verification



## Cross-border Programme



<b>capacity</b>	<ol style="list-style-type: none"> <li>3. Businesses are cooperating: At least 30 businesses participate directly or indirectly in cooperation activities</li> <li>4. People are cooperating: At least 300 people directly participate in cross-border cooperation activities and/or initiatives.</li> <li>5. From the second call onwards, grant project log-frame indicators average at least 60% overall achievement level</li> </ol>	<p>among final beneficiaries</p> <ol style="list-style-type: none"> <li>5. Monitoring reports; mid-term and final evaluations</li> </ol>
<b>(2) Technical Assistance</b>	<ol style="list-style-type: none"> <li>1. Increased awareness by of the programme amongst the potential beneficiaries from the programme area. By end 2013, 450 of local institutions / organisations are familiar with the programme, thereafter, the number increases by 5% every year.</li> <li>2. At least 70% of beneficiaries express satisfaction with the services provided by JTS throughout the programme</li> <li>3. Number of received project applications remains consistently high for each Call. Volume of funds requested per Call exceeds available budget of the Call by at least by a factor of 1.5:1.</li> <li>4. Increased quality of project proposals with every subsequent Call (measured by increase of average scores, decrease of rejected applications due to lack of basic eligibility)</li> <li>5. Improved programme implementation: the number of projects not absorbing at least 70% of EU project funds remains consistently under 20% after the second Call</li> </ol>	<ol style="list-style-type: none"> <li>1. Database of potential applicants (organisations/institutions) based in programme area</li> <li>2. Annual beneficiary survey</li> <li>3. Call information</li> <li>4. Analysis of Call information</li> <li>5. Project reports; communication between Contracting Authority and project beneficiaries</li> <li>6. Monitoring reports; mid-term &amp; final evaluation</li> </ol>
<b>Measures</b>	<b>OVI (output)</b>	<b>SOV</b>
<b>1.1 Improving the productivity and competitiveness of the area's economic, rural and environmental resources</b>	<ol style="list-style-type: none"> <li>1. 10 projects dedicated to cross border business &amp; tourism cooperation (target relates to at least 35% of funds contracted per Call)</li> <li>2. 6 projects dedicated to cross border environmental cooperation (target relates to at least 20% of funds contracted per Call)</li> <li>3. 8 workshops organised/130 participants trained related to strengthening the incentives for SMEs development</li> <li>4. 4 common appearances of SMEs from cross – border region at trade fairs in the SEE region organised</li> <li>5. 10 institutions/organisations developed at least 4 common touristic offers from the eligible area</li> <li>6. 8 workshops organised/120 participants trained related to tourism development</li> <li>7. 10 public campaigns implemented targeting increasing public awareness related to environmental protection</li> <li>8. 4 workshops organised/70 participants trained related to sustainable development topics</li> <li>9. 2 studies related to reducing of pollution and waste management developed</li> </ol>	<p>Grant contracts (description of action &amp; budget)</p> <p>Project reports; communication between Contracting Authority and project beneficiaries; JTS reports</p>
<b>1.2. Cross-border initiatives targeting</b>	<ol style="list-style-type: none"> <li>1. 18 projects dedicated to cross border institutional and civic cooperation (target relates to at least 25%</li> </ol>	<p>Grant contracts (description of action)</p>



<p><b>the exchange of people and ideas to enhance professional and civic society cooperation</b></p>	<p>of funds contracted per Call) selected</p> <ol style="list-style-type: none"> <li>2. 10 cultural and sports events organised in the programming area</li> <li>3. 12 trainings organised in order to strengthen capacities of public servants and civil society organisations</li> <li>4. 100 direct/ 250 indirect beneficiaries that belongs to vulnerable categories (people with special needs, elderly, women, children victims of violent, difficult employable persons, RAE population, etc.) had benefit from selected projects</li> <li>5. 20 submitted / 4 selected projects related to civil society and local democracy</li> <li>6. 15 submitted / 3 selected projects related to people with special needs and difficult employable persons</li> <li>7. 10 submitted / 2 selected projects that treated human/children rights and RAE population issues</li> <li>8. 20 submitted / 4 selected projects related to education and</li> <li>9. 4 submitted / 1 selected project related to the health sector</li> <li>10. 15 submitted / 3 selected projects related to sports and cultural exchange</li> </ol>	<p>Project reports; communication between Contracting Authority and project beneficiaries; JTS reports</p>
<p><b>2.1. Programme Administration and Implementation</b></p>	<ol style="list-style-type: none"> <li>1. JTS fully staffed throughout programme</li> <li>2. JTS offices remain adequately equipped throughout programme</li> <li>3. JMC meetings timely and professionally prepared, held and followed up in line with programme procedures</li> <li>4. At least one relevant trainings for JTS staff per year</li> <li>5. At least two PCM related training events, of at least two days duration for potential final beneficiaries per year (independent of any Calls) with at least 20 participants each</li> <li>6. Each awarded grant project is monitored at least twice throughout its life-time</li> <li>7. From the 2<sup>nd</sup> CfP onwards, all contracts are awarded (after project assessment, all stages evaluation, budget clearing) within 10 months of launching the CfP</li> </ol>	<ol style="list-style-type: none"> <li>1. Employment contracts</li> <li>2. JTS staff reports; equipment inventory</li> <li>3. Feedback from EC (observer) and JMC members</li> <li>4. Staff training reports</li> <li>5. Beneficiary training reports</li> <li>6. Monitoring reports</li> <li>7. Call documentation</li> </ol>
<p><b>2.2 Information, Publicity and Evaluation</b></p>	<ol style="list-style-type: none"> <li>1. Number of publicity materials disseminated (at least 1 information brochure per year from 2010 with at least 500 copies)</li> <li>2. Number of events organized for publicity and information of the programme (at least 3 events per year from 2010 with at least 30 participants each)</li> <li>3. Number of visits to programme website reaches 500 hits per months by the end of 2011, and increases by 10% during each Call for Proposals is open comparing with average websits visits per month</li> <li>4. Number of newsletters produced (at least one per year from 2012 with a distribution to at least 180 organisations or individuals)</li> <li>5. Press-cuttings &amp; media reports:</li> <li>✓ At least five press articles relevant to the</li> </ol>	<ol style="list-style-type: none"> <li>1. Actual brochure, distribution list</li> <li>2. Event documentation</li> <li>3. Website "hits" registry</li> <li>4. Actual newsletter, distribution list</li> <li>5. Collection and analysis of press-cuttings &amp; other media</li> <li>6. Evaluation reports</li> </ol>



	<p>programme per year from 2010</p> <ul style="list-style-type: none"><li>✓ At least two press articles per project</li><li>✓ At least one other media events related to the programme</li></ul> <p>6. Mid-term evaluation carried out by end 2011</p>	
<b>3. Cross-cutting Issues</b>	<p>The number of awarded projects, which systematically address, produce outputs, measure &amp; report on at least 3 of the following cross-cutting issues increases by 10% per Call, so that by 2015, at least 50% of awarded projects incorporate cross-cutting issues in a quality manner.</p> <p><b><i>Cross-cutting issues include:</i></b></p> <ul style="list-style-type: none"><li>• Gender equality and promotion of equal opportunities ;</li><li>• Ethnic minorities rights safeguard and promotion, including promotion of their participation in decision-making processes;</li><li>• Integration of persons with physical and mental disabilities;</li><li>• Safeguard and promotion of children's rights, and promotion of children's participation in decision-making processes;</li><li>• Public participation in decision-making processes</li><li>• Protection of environmental &amp; nature protection, preservation of biodiversity, measures to combat climate change..</li></ul>	<ul style="list-style-type: none"><li>• Project reports and documented outputs</li><li>• Project monitoring visits</li></ul>



## 4. Coherence with other programmes

### 4.1 Serbian Programmes

This programme is in line with the main goals and areas of intervention of the following Serbian national programmes:

**Multi – Beneficiary IPA Programme** which amongst others addresses the following areas of intervention related to this programme: regional cooperation, infrastructure development, democratic stabilisation, education, youth and research and market economy.

**National Employment Strategy of the Republic of Serbia 2011 - 2020** defines policies, goals and priorities of employment until 2020. The main objective of employment policy is to establish an efficient, stable and sustainable employment growth trend, and to fully harmonise employment policies and labour market institutions with EU acquis communautaire.

**National Environmental Strategy of the Republic of Serbia (NES)**- October 2005 which addresses the general causes of identified environmental problems. Its general policy objectives related to this programme are firstly to raise awareness on environmental problems through improving formal and informal education on environmental issues and secondly to strengthen institutional capacity for the development and enforcement of environmental policy as well as the development of emergency systems.

**Agricultural Strategy of the Republic of Serbia** - October 2004 which defines the following related objectives:

- Sustainable and efficient agricultural sector that can compete on the world market, contributing to increasing the national income;
- To ensure support of life standards for people who depend on agriculture and are not in condition to follow economic reforms with their development;
- To preserve the environment from the destructive influences of agricultural production.

**Poverty Reduction Strategy paper for Serbia** which is a medium -term development framework directed at reducing key forms of poverty. The activities envisaged by the PRS are directed at dynamic development and economic growth, prevention of new poverty as a consequence of economic restructuring and care for the traditionally poor groups.

**2005 - 2015 Tourism Development Strategy, Republic of Serbia, developed by the Ministry of Trade, Tourism and Services, Republic of Serbia**, describes the current state of tourism in Serbia, the possibilities for further tourism development in relation to trends in tourism world, the description of the development of competing countries instruments, the strategic advantages and disadvantages of Serbian tourism, tourism development goals, tourism development vision, etc. The strategy includes the competitiveness plan, investment strategy and marketing plan.

**2006 – 2012 National Economic Development Strategy** defines the basic goals and directions of development towards a modern society, developed economy and higher living quality standards for all citizens. Permanent raising the competitiveness of Serbian economy is an essential prerequisite for achievement of development goals. This strategy provides analysis of overall microeconomic and economic dynamic factors flows for the





period 2000 – 2005, define priorities with macroeconomic projections, describe politics and measures, provide action plan and M&E tools.

**2007 – 2012 Regional Development Strategy, Republic of Serbia** is the first strategic document in the area of regional development in Serbia. This document, in a consistent and comprehensive way, defines main development priorities related to the regional development, as well as the mechanisms for implementation during the planning period.

#### 4.2 Montenegro Programmes

As the newest of the Western Balkan countries, Montenegro is currently preparing national programmes, strategies and Master Plans for economic development, environmental protection, spatial planning and tourist development. The cross-border programme is coherent with all aforementioned.

These are:

**National Strategy of Sustainable Development of Montenegro, January 2007**, designed to meet the challenges of environmental protection and management of natural resources, economic and social development. The document provides economic development, social, environmental, ethnical and cultural vision, defines three pillars of sustainable economic development (economic development, environmental and natural resources, and social development), defines priority areas for sustainable development, and process of the strategy implementation.

**Montenegro Economic Reforms and Development Agenda 2007-2011** identifies five basic pillars of development, i.e. education, ecology, culture, EU and rule of law. To enable upgrading of these pillars and, consequently, to increase competitiveness of the Montenegrin economy, economic reforms in the following areas are needed: (i) economic system (institutions and development); (ii) market, economic freedoms, entrepreneurship and development; (iii) macroeconomic policy; (iv) information policy and development of the information society; (v) development policies of individual areas (energy sector, transportation, tourism etc) and (vi) human capital, competitiveness and productivity.

**Master Plans for Wastewater and Solid Waste Management, 2005 - 2030**, provides conditions for the rational and sustainable Republic-Level Waste Management. The aim is to minimise the impact of waste on the environment, to improve resource use efficiency and to remedy past mismanagement of waste. The Master Plan sets the overall objective of ensuring progress towards sustainable management of waste generated on the territory of the Republic and in the medium term achievement of the waste reduction targets as indicated in relevant European Union's waste related directives. Strategic Master Plan for solid waste management in Montenegro was made and adopted in 2005 with the aim to identify investment measures in the field of solid waste for the period 2005 - 2030

**Master Plan for Tourism Development**, as the main strategic document for tourism as a main development vehicle of the national economy. The plan is both an inspiring vision for the long term development of Montenegrin tourism and a great challenge for overall national development up to 2020. The plan is particularly important because it provides full and often original answers on a number of cardinal issues in future tourism development.

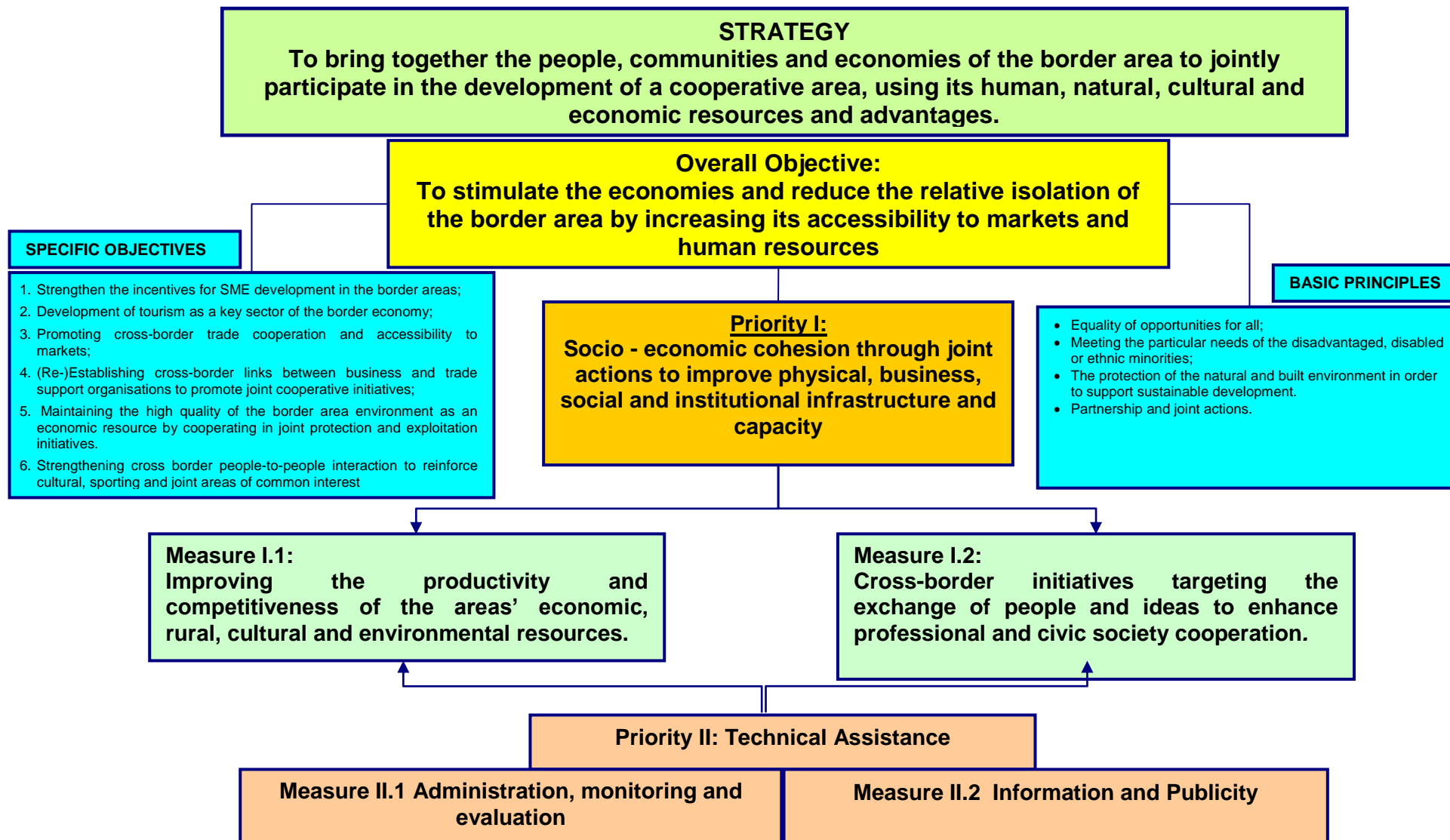


**The Spatial Plan of Republic of Montenegro**, currently in draft version and which defines the use of space for the purpose of planned development up to 2020. This plan defines general principles and objectives of spatial development based on sustainable development, Area and sub-area specific objectives and principles of spatial development based on sustainable development, sector and sub-sector specific objectives and principles as far as requirements of spatial and spatially related sustainable development are concerned, as well as guidelines to be considered in the elaboration of sector policies and more detailed spatial planning documents on the national and local level.

**Montenegro in the XXI Century - In the Era of Competitiveness**, October 2010, which has the ambition to deal with the main challenges of Montenegro's development, such as environment and sustainable development, economic development, integration into the EU and Euro-Atlantic Structures, building and functioning of the state of Montenegro, population aspects, energy, values, cultural environment, education and science and technology.



### PROPOSED PRIORITY AND MEASURES





## SECTION III. FINANCIAL PROVISIONS

## 1. Financing plan for the Programme 2007 – 2013

PRIORITIES		Serbia				Montenegro			
		Community funding	National funding	Total funding	Rate of Community contribution	Community funding	National funding	Total funding	Rate of Community contribution
		(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)	(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)
2007	1 -Econ & Soc Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85.00%
	2 -Technical Assistance	50,000	8,824	58,824	85%	60,000	10,588	70,588	85.00%
	<b>TOTAL</b>	<b>500,000</b>	<b>88,235</b>	<b>588,235</b>	<b>85.00%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>
2008	1 -Econ & Soc Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85.00%
	2 -Technical Assistance	50,000	8,824	58,824	85%	60,000	10,588	70,588	85.00%
	<b>TOTAL</b>	<b>500,000</b>	<b>88,235</b>	<b>588,235</b>	<b>85.00%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>
2009	1 -Econ & Soc Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85.00%
	2 -Technical Assistance	50,000	8,824	58,824	85%	60,000	10,588	70,588	85.00%
	<b>TOTAL</b>	<b>500,000</b>	<b>88,235</b>	<b>588,235</b>	<b>85.00%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>
2010	1 -Econ & Soc Development	540,000	95,294	635,294	85%	540,000	95,294	635,294	85.00%
	2 -Technical Assistance	60,000	10,588	70,588	85%	60,000	10,588	70,588	85.00%
	<b>TOTAL</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>
2011	1 -Econ & Soc Development	540,000	95,294	635,294	85%	540,000	95,294	635,294	85.00%
	2 -Technical Assistance	60,000	10,588	70,588	85%	60,000	10,588	70,588	85.00%
	<b>TOTAL</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>



### Cross-border Programme



2012	1 -Econ & Soc Development	540,000	95,294	635,294	85%	540,000	95,294	635,294	85.00%
	2 -Technical Assistance	60,000	10,588	70,588	85%	60,000	10,588	70,588	85.00%
	<b>TOTAL</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>
2013	1 -Econ & Soc Development	540,000	95,294	635,294	85%	540,000	95,294	635,294	85.00%
	2 -Technical Assistance	60,000	10,588	70,588	85%	60,000	10,588	70,588	85.00%
	<b>TOTAL</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>	<b>600,000</b>	<b>105,882</b>	<b>705,882</b>	<b>85.00%</b>
<b>GRAND TOTAL</b>		<b>3,900,000</b>	<b>688,233</b>	<b>4.588,233</b>		<b>4,200,000</b>	<b>741,174</b>	<b>4,941,174</b>	

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

**November 2009 Revision of the 2010 and 2011 Budget allocations for Serbia:** The sum of EUR 100,000 per annum has been transferred from the Community Funding allocation for Serbia under the Serbia – Bosnia Herzegovina CBP 2010 – 2011 to the corresponding Community Funding allocation for Serbia under this Programme due to the high number of submitted applications and expressed interest for participation in this Programme.



## SECTION IV. IMPLEMENTING PROVISIONS

The Implementing provisions for the Cross-border Programme Serbia-Montenegro have been designed on the basis of Commission Regulation (EC) No 718/2007 (hereinafter referred to as the 'IPA Implementing Regulation') implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).

### 1. Programme Structures

The programme's management structures are as follows:

- National IPA and/or IPA–Component II Co-ordinators
- Operating Structures (OS)
- Joint Monitoring Committee (JMC)
- Joint Technical Secretariat (JTS)
- Contracting Authorities (the Delegations of the European Union)

In line with Article 10.2 IPA Implementing Regulation, at least during a preliminary period, the Programme will be implemented in both countries under a centralised management system, where the respective Delegations of the European Union will be the Contracting Authorities (CA) in charge of awarding grants, overseeing tendering, issuing contracts and effecting payments.

#### 1.1 National IPA Co-ordinator

The National IPA co-ordinators act as the representatives of the beneficiary countries vis-à-vis the Commission (Art 32 IPA Implementing regulation). S/he shall ensure that a close link is maintained between the Commission and the beneficiary country, with regard both to the general accession process and to EU pre-accession assistance under IPA. S/he may delegate tasks relating to the co-ordination of beneficiary country's participation in cross-border programmes, both with member States and with other beneficiary countries, as well as in the trans-national, inter-regional or sea basins programmes under other Community instruments, to a cross-border co-operation co-ordinator (hereinafter referred to as the "IPA–Component II co-ordinator).

The bodies and designated heads (IPA–Component II co-ordinators as per Art 32(2) IPA Implementing Regulation) appointed by the National IPA Co-ordinators for overseeing their country's participation in IPA–Component II programmes are as follows:

Republic of Serbia	Republic of Montenegro
Serbian European Integration Office Sector for Cross - border and Transnational Programmes Nemanjina 34 11 000 Belgrade, Serbia	Ministry of Foreign Affairs and European Integration  Stanka Dragojevića 2 81000 Podgorica, Montenegro



## 1.2 Operating Structures

The Operating Structures of the beneficiary countries under the Programme are responsible for programming and technical implementation of the programme and are designated and put in place by the beneficiary countries as outlined below:

- For the Programme, each participating beneficiary country shall establish an operating structure for the part of the programme relating to the country concerned;
- The duties of the operating structures shall include the preparation of the cross-border programmes in accordance with Article 91 IPA Implementing Regulation;
- The operating structures of the participating beneficiary countries shall co-operate closely in the programming and implementation of the relevant cross-border programme;
- For each cross-border programme among beneficiary countries, the relevant operating structures shall set up a joint technical secretariat to assist the operating structures and the joint monitoring committee referred to in Article 142 IPA Implementing Regulation in carrying out their respective duties;
- In the event of centralised management, functions and responsibilities of the operating structures shall be defined in the relevant cross-border programmes, to the exclusion of tendering, contracting and payments, which are the responsibility of the Commission;
- Each participating country shall appoint its representatives, including representatives of the operating structure responsible for the programme, to sit on the Joint Monitoring Committee. With regard to the composition of the Joint Monitoring Committee, due account shall be taken of provisions of Article 87 IPA Implementing Regulation. The Joint Monitoring Committee shall be chaired by a representative of one of the participating countries. (Article 142(3) IPA Implementing Regulation);
- The Operating Structures of the participating beneficiary countries and the Joint Monitoring Committee shall ensure the quality of the implementation of the cross-border programme. They shall carry out monitoring by reference to the indicators referred to in Article 94(1)(d) IPA Implementing Regulation.

### Functions of the Operating Structures

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

- Preparing the cross-border programme in accordance with Art 91 IPA Implementing Regulation;
- Nominating their representative(s) to the joint monitoring committee;
- Establishing the Joint Technical Secretariat (JTS) and recruiting its staff;
- Preparing and implementing the strategic decisions of the JMC, where necessary with the support of the JTS;



- Establish a system, with support from the JTS, for gathering reliable information on the programme's implementation and provide relevant information to the JMC, IPA–Component II co-ordinators and EU Commission;
- Ensuring implementation quality of the cross–border programme, together with the JMC, *inter alia* by monitoring with reference to indicators as per Art 94 (1) (d) IPA Implementing Regulation;
- Timely submission of the annual and final reports as per Art 144 IPA Implementing Regulation to the national IPA co-ordinators and the Commission, following examination by the JMC;
- Ensuring the monitoring of commitments and payments at programme level;
- Ensuring that grant beneficiaries make adequate provisions for project progress and financial reporting (monitoring) as well as sound financial management (control);
- Supporting the Contracting Authorities, as appropriate (e.g. by providing models for tender documentation, reviewing grant project budgets, drafting contracts and related documentation to acquire consultancies, goods and services required for the pursuit of the activities of grant beneficiaries or under the TA priority axis for approval and further handling by ECD). This task may be delegated to the joint technical secretariat;
- Ensuring grant beneficiaries are supported in carrying out procurement procedures. This task may be delegated to the JTS;
- Organising information and publicity-actions with a view to awareness raising of the opportunities provided by the Cross–border Programme, or mandating the JTS to support these or to carry them out (including drafting an information and publicity plan for adoption by the JMC);
- If so mandated by the JMC, preparing revisions or examinations of the Cross–border programme likely to make possible the attainment of the objectives referred to in art 86(2) IPA Implementing Regulation or to improve its management.

### 1.3 Joint Monitoring Committee

In accordance with Article 142 of the IPA Implementing Regulation, the beneficiary countries will set up a joint monitoring committee within three months starting from the date of the entry into force of the first financing agreement relating to the programme.

Overall monitoring of the programme implementation lies within the competencies of the Joint Monitoring Committee (JMC). The composition of the JMC includes representatives of the two beneficiary countries, Serbia and Montenegro, who will have an equal status in the JMC.

#### **Functions of the Joint Monitoring Committee**

Pursuant to Article 142(5) of the IPA Implementing Regulation, the Joint Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of the cross-border programme, in accordance with the following provisions:





- a) It shall consider and approve the criteria for selecting the operations financed by the cross-border programme and approve any revision of those criteria in accordance with programming needs;
- b) It shall periodically review progress made towards achieving the specific targets of the cross-border programme on the basis of documents submitted by the operating structures of participating beneficiary countries;
- c) It shall examine the results of implementation, particularly achievement of the targets set for each priority axis and the evaluations referred to in Article 57(4) and Article 141 IPA Implementing Regulation;
- d) It shall examine the annual and final reports on implementation referred to in Article 144 IPA Implementing Regulation;
- e) It shall be responsible for selecting operations, but may delegate this function to a steering committee;
- f) It may propose any revision or examination of the cross-border programme likely to make possible the attainment of the objectives referred to in Article 86(2) IPA Implementing Regulation or to improve its management, including its financial management;
- g) It shall consider and approve any proposal to amend the content of the cross-border programme.

Furthermore, in accordance with Article 143 of the IPA Implementing Regulation, the operating structures and the JMC shall ensure the quality of the implementation of the cross-border programme, as well as carrying out monitoring by reference to the indicators referred to in Article 94(1)(d) IPA Implementing Regulation.

The Joint Monitoring Committee will adopt an **Information and Publicity Plan** to be implemented by the OS / JTS. This plan will include, among others, actions aiming at:

- The guidance of the potential beneficiaries, professional organisations, economic and social partners, organisations for the promotion opportunities provided by the intervention;
- The awareness of the public regarding the role of the EU in favour of the intervention and its outcomes.

The Joint Monitoring Committee will approve the JTS annual work plan.

### **Composition and procedures of the Joint Monitoring Committee**

The composition of the Joint Monitoring Committee is decided by the beneficiary countries in accordance with Article 142 of the IPA Implementing Regulation and taking account of the provisions of Articles 87 and 139 of said regulation. The Joint Monitoring Committee shall have a balanced representation and a limited number of representatives from both national and regional level and other economic, social and environmental partners of both states participating in the programme to ensure efficiency and broad representation.



Representatives of the European Commission shall participate in the work of the Joint Monitoring Committee in an advisory capacity. Representatives of the operating structures shall take part at the meetings of the JMC having a voting right.

The Joint Technical Secretariat shall assist the work of the Joint Monitoring Committee.

A representative of the Operating Structure of one of the participating country shall chair the Joint Monitoring Committee. Rotating chairpersonship between beneficiary countries should ensure balance. Details regarding the practical organisation of the JMC meetings will be provided in the JMC Rules of Procedure.

Decisions taken by the Joint Monitoring Committee shall be made by consensus among the national delegations of both beneficiary countries (one vote per country). Certain decisions of the JMC may also be taken via written procedure.

### **Tasks of the Joint Monitoring Committee in grant project selection**

The JMC is responsible for the joint selection of the projects in compliance with the selection procedure and criteria set out in chapter 3 of this section, which is based, to a large extent, on the “Practical Guide for contract procedures in the context of EC external actions”.

The JMC shall have the main tasks of selecting individual project applications on the basis of the assessment of projects done by the Joint Steering Committee provided for by Art. 142(5)(f) IPA Implementing Regulation (which fulfils the role of the Evaluation Committee foreseen in Section 6.4.7 of the PRAG), and in coordination with other Community and national programmes and policies taking into consideration the project’s relevance for the objectives and priority axes of the Programme.

The JMC reviews and formally approves the evaluation report and the award proposals prepared by the Joint Steering Committee and transmits them, with recommendations as appropriate, to the EU Delegations (contracting authorities) through the OSs.

If required, the JMC may request clarifications from the Joint Steering Committee. In case of disagreement with the conclusions of the evaluation report, or if the JMC wants to deviate from the results of the Joint Steering Committee, it must outline its concerns in their recommendation/approval letter to be transmitted to the EU Delegation.

However, under no circumstances is the JMC entitled to change the Joint Steering Committee's scores or recommendation and must not alter the evaluation grids completed by the evaluators.

### **Convening a meeting**

In accordance with the Article 142(1) of the IPA Implementing Regulation, meetings of the Joint Monitoring Committee shall be held at least twice a year at the initiative of the participating countries or of the Commission, as it will be further specified in the Rules of Procedures.

### **Rules of Procedure of the Joint Monitoring Committee**

At its first meeting, the joint monitoring committee shall draw up its rules of procedure – in compliance with a joint monitoring committee mandate set out by the Commission – and adopt them in order to exercise its missions pursuant to the IPA Implementing Regulation.



## 1.4 Joint Technical Secretariat

### **Set up and organisation**

According to Article 139(4) of the IPA Implementing Regulation, the operating structures shall set up a Joint Technical Secretariat (JTS) to assist the operating structures and the JMC in carrying out their respective duties. The JTS may have antennae established in each participating country.

In the Cross-border Programme Serbia-Montenegro, the JTS will be established by joint agreement between the two co-ordinating authorities. Details will be set out in this agreement.

The JTS is responsible for the day-to-day implementation of the Programme. Also, the JTS will ensure the liaison between the Operating Structures.

The Joint Technical Secretariat is jointly managed by both Operating Structures.

### **Organisation and staffing of the joint technical secretariat**

The JTS shall be based in Prijepolje, Republic of Serbia. An antenna in Montenegro will operate in Bijelo Polje.

The JTS shall be lead by the Head of Secretariat. The JTS shall have international staff, including both Montenegrin and Serbian nationals. The JTS is composed of staff appointed by both Operating Structures. The number and qualification of staff shall correspond to the tasks defined below. Staff of the JTS shall cover the relevant languages – Montenegrin/Serbian and English.

The operation of the JTS, including staffing costs, shall be funded from the Technical Assistance Priority Axis. More detailed rules on the operation of the JTS shall be included in a bilateral agreement between the Operating Structures.

Its activities will be carried out according to a work plan annually approved by the JMC.

### **Tasks of the JTS**

The JTS is responsible for the day-to-day implementation of the programme pursuant to the provisions of the implementing agreement concluded between the Serbian and Montenegrin Operating Structures and according to the provisions of national and EU legislation.

The JTS will assist the Joint Monitoring Committee and the Operating Structures in carrying out their duties, and in particular it will be responsible, *inter alia*, for the following tasks:

- Providing inputs to annual and final reports on the Programme;
- Organising meetings of the Joint Monitoring Committee and of the joint Steering Committee, including drafting and distribution of minutes;
- In close co-operation with the Operating Structures, planning and implementing information campaigns and other activities related to raising public awareness on the programme;
- Receiving and registering project applications and organising the work of joint Steering Committees, including drafting of administrative compliance and eligibility reports;



- Preparing, under the guidance and with the support of the Contracting Authorities and Operating Structures, standardised forms for project application, evaluation grids, guidelines for applicants, implementation, monitoring and grant project reporting (including financial reporting) based as much as possible on templates and models included in the PRAG;
- Organising programmes of info days and workshops for potential applicants, ensuring a good coverage of the eligible region;
- Assisting potential applicants in partner search and project development;
- Encouraging project applications and providing guidance to the applicants;
- Advising grant beneficiaries in project implementation, for example by organising procurement and monitoring workshops;
- Develop and maintain a network of stakeholders;
- Create and update a database of potential applicants and participants in workshops and other events;
- Prepare, conduct and report on monitoring visits to CBC projects;
- Prepare and publish publicity material on the cross-border programme;
- Design and maintain an up-to-date programme website;
- Attendance at regular Operating Structures' meetings and training events.

### 1.5 Contracting Authorities

In both countries the European Commission will be the Contracting Authority.

Serbia	Montenegro
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The Contracting Authorities' responsibilities are, *inter alia*, the following:

- Approving calls for proposals documentation;
- Approving composition of Joint Steering Committees;
- Approving the evaluation reports (more under project selection, chapter 3);
- Sitting in the joint monitoring committee in an advisory capacity;
- Signing contracts with grant beneficiaries, including budget revisions (with support provided as appropriate by OSs and JTS).



## 1.6 Programme Beneficiaries

### Definition of lead beneficiaries and other beneficiaries

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

### Responsibilities of Lead Beneficiaries and other Beneficiaries

#### Responsibilities of lead beneficiaries

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

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

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

#### Responsibilities of other beneficiaries

Each beneficiary participating in the operation shall:

- Participate in the operation;
- Be responsible for ensuring the implementation of the operations under its responsibility according to the project plan and the agreement signed with the lead beneficiary;
- Co-operate with the other partner beneficiaries in the implementation of the operation, the reporting for monitoring;
- Provide the information requested for audit by the audit bodies responsible for it;



- Assume responsibility in the event of any irregularity in the expenditure which was declared, including eventual repayment to the Commission;
- Be responsible for information and communication measures for the public.

### **Functional Lead Beneficiary**

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

The Functional Lead Beneficiary is, *inter alia*:

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

## **2. Project Generation**

The Joint Technical Secretariat will proactively support the Lead Beneficiaries and other beneficiaries throughout the life cycle of operations, i.e. during preparation starting from development of applications, and implementation of operations until complete finalisation of the respective operation. A comprehensive schedule of general info days (“road show”) will be organised to promote the Programme, followed by more focused info days, workshops and partner search events. This will be supported by appropriate publicity material, a regularly updated programme website and other events to ensure a stakeholder network is built and good practice experiences are shared.

Please refer to the chapter on the JTS (1.4 in this section) for the list of measures to be provided by the JTS in support of the generation of operations. Furthermore, guidelines for applicants will provide an extensive list of recommendations for project applicants on how to prepare a good-quality cross-border project.

## **3. Project Selection**

Implementation of the IPA Cross-border Programme Serbia-Montenegro will mainly be done on the basis of grant scheme mechanisms. The procedures followed in the process will be in line with the contracting procedures applying to all EC external aid contracts financed from the European Communities general budget as specified in the applicable version of “Practical Guide to contract procedures for EC external actions” (PRAG) manual.

### **Strategic Projects**

The JMC may, ex ante, identify and approve strategic projects for funding under the programme. Any such projects must clearly contribute to achieving the objectives and priorities of this programme. The rationale for selecting a strategic project should make clear that a strategic project may better address a certain cross-border issue than a grant scheme. Strategic projects may take the form of service, supply or works contracts, and will be tendered in line with standard EU external aid procurement procedures.



Such Strategic Projects may take place on one side of the border only, however, the impact of their implementation should have clear cross-border impact, e.g. environmental improvements or the creation or improvement of a border crossing point or access road to the crossing point.

### 3.1 Types of projects

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

## 4. Financial Management

Under centralised management, the Commission will handle all tendering, contracting and payment functions, on the basis of documents provided by beneficiaries, and in accordance with the Annex IV - Procurement by grant Beneficiaries in the context of European Union external actions<sup>14</sup>.

The Joint Monitoring Committee will ensure that reliable computerised accounting; monitoring and financial reporting is in place that will provide an adequate audit trail.

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

## 5. Programme Monitoring and Evaluation

### Programme monitoring

The contracting authority has overall responsibility for the correctness of management and implementation of the Cross-border Programme Serbia-Montenegro. The OSs are responsible for putting in place the monitoring system of the programme. The monitoring system is important in the framework of ensuring an appropriate audit trail for the programme.

The OSs and the joint monitoring committee will carry out the monitoring of the Programme by reference to the indicators specified in the Programme.

The monitoring tools are as follows:

Annual Implementation Report and Final Report on implementation: by 30 June each year and for the first time in the second year following the adoption of the Cross-border Programme Serbia-Montenegro, the OSs shall submit to the Commission and the respective national IPA co-ordinators, an Annual Report on the implementation of the Programme after examination by the Joint Monitoring Committee.

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<sup>14</sup> Decision C (2007) 2034 adopted by the European Commission 24 May 2007



After examination by the JMC, the OSs shall also submit to the Commission and the respective national IPA co-ordinators, a final report on the implementation of the programme at the latest six months after the closure of the cross-border programme.

Pursuant to article 144(2) of the IPA Implementing Regulation, the reports shall include the following information:

- a) The progress made in implementing the cross-border programme and priorities in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators referred to in article 94(1)(d) at the level of priority axis;
- b) The steps taken by the Operating Structures and/or the Joint Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:
  - i. Monitoring and evaluation measures, including data collection arrangements;
  - ii. A summary of any significant problems encountered in implementing the cross-border programme and any measures taken;
  - iii. The use made of technical assistance.
- c) The measures taken to provide information on and publicise the cross-border programme.

OSs ensure that data are entered into the monitoring system and arrange external monitoring visits to the grant projects. Status reports, including grant project fact sheets, are submitted by the OSs to the JMC twice annually, who decides on any possible action required.

## Programme Evaluation

Pursuant to Article 141 of the IPA Implementing Regulation, under centralised management, evaluations during the programming period shall be carried out under the responsibility of the Commission. Interim evaluation has been carried out in line with the provisions of said Article in the light of the proportionality principle. Findings and recommendations will be taking into consideration while drafting of the Programme Document for 2014 – 2020 financial prospective.

## 6. Programme Publicity

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

As the national IPA co-ordinators will appoint IPA-Component II co-ordinators (as per Art 32 (2) IPA Implementing Regulation), the responsibility for implementing programme information and publicity actions will lie with the IPA-Component II co-ordinators; they may delegate this task, or parts thereof, to the JTS.

The Joint Monitoring Committee will adopt an information and publicity plan drafted under the guidance of the IPA-Component II co-ordinators. It shall be implemented by the OSs and the JTS. This plan will include, among others, actions aiming at:





## Cross-border Programme



- The guidance of the potential beneficiaries, professional organisations, economic and social partners, organisations for the promotion opportunities provided by the intervention;
- The awareness of the public regarding the role of the EU in favour of the intervention and its outcomes.