



Cross-border programme 2007 – 2013

IPA CBC

Serbia – Bosnia and Herzegovina

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GLOSSARY OF ACRONYMS

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



SECTION I. DESCRIPTION AND ANALYSES OF THE ELIGIBLE AREAS

1. Summary of Programme and Programming Process

1.1 Summary of Programme

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

The eligible area covers 32,982.01 km² and has 2,967,023 inhabitants. The Serbian side part of the eligible area consists of 31 municipalities, while on the BiH side there are 66 municipalities.

Geographically, the eligible area is divided into three distinct parts: a fertile, flat, and more populous northern part with a mixed agricultural and industrial economy, a hilly, mainly agricultural central area, and a southern, mountainous and sparsely populated part that is more isolated, dependent on small farms, exploitation of minerals and forestry. The climate is continental.

The eligible area is characterised by a static or declining population, aging in rural areas, with a lack of employment opportunities. Despite being close to high quality raw material resources and energy, the existing industrial and agricultural base is largely obsolete, or in need of repair and modernisation, marginalised from expanding markets due to inadequate transport infrastructure. Although, the basic education of most of the population is adequate and opportunities exist for higher and vocational education, the skills required to operate a modern economy are lacking.

SME development is taking place, but at a slow pace and is largely confined to micro-enterprises. The area has many opportunities for tourism development, which will attract larger and more diverse enterprises as the sector modernises and increases its offer to a wider market.

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

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

The overall strategic 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 and economic resources and advantages.



The programme will be implemented on one major Priority axis:

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

1.2 Summary of the Programming Process

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

Following the introductory meeting between Serbia and Bosnia and Herzegovina in Belgrade on February 1st and through a number of bilateral meetings the following process was adopted:

- Formation of a Task Force/Drafting Team by both countries representing the competent authorities and beneficiaries supported by CBIB Technical Assistance.
- Submission of the eligible programming area of both countries for approval by the EC.
- First draft of the SWOT analysis and description of each side of the Programming Areas prepared by CBIB, and combining the SWOTs into one joint document;
- Presentation and discussion by joint drafting team at a meeting in Uzice on April 11th, together with feedback for improvements.
- Ministry of European Economic Relations (SRB) and Directorate of European Integration (BiH) agree financial allocation from IPA for Cross Border Programme;
- Second meeting of Joint Drafting Team to consider updated combined Programme document to agree final amendments, held in Sarajevo on May 4th;
- Final draft of Programming document prepared and agreed by both sides at final meeting of the Joint Programming Committee, on May 28th in Belgrade;
- Joint submission of Programming Document to European Commission by May 31st.

01 February 2007, Belgrade	First bilateral meeting
06 March 2007, Belgrade	1 st Drafting Team meeting
06 March 2007, Belgrade	1 st Joint Programming Committee meeting
11 April 2007, Uzice	2 nd Drafting Team meeting
04 May 2007, Sarajevo	2 nd Joint Programming Committee meeting
28 May 2007, Belgrade	3 rd Joint Programming Committee meeting

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

In line with Article 20 of the IPA Regulation and Article 6 (3) of the IPA Implementing Regulations, the EC has asked the representatives of Member States and local IFIs in BiH and Serbia to provide their comments regarding the draft cross-border co-operation programmes submitted to the Commission.



1.3 National CBC Committees

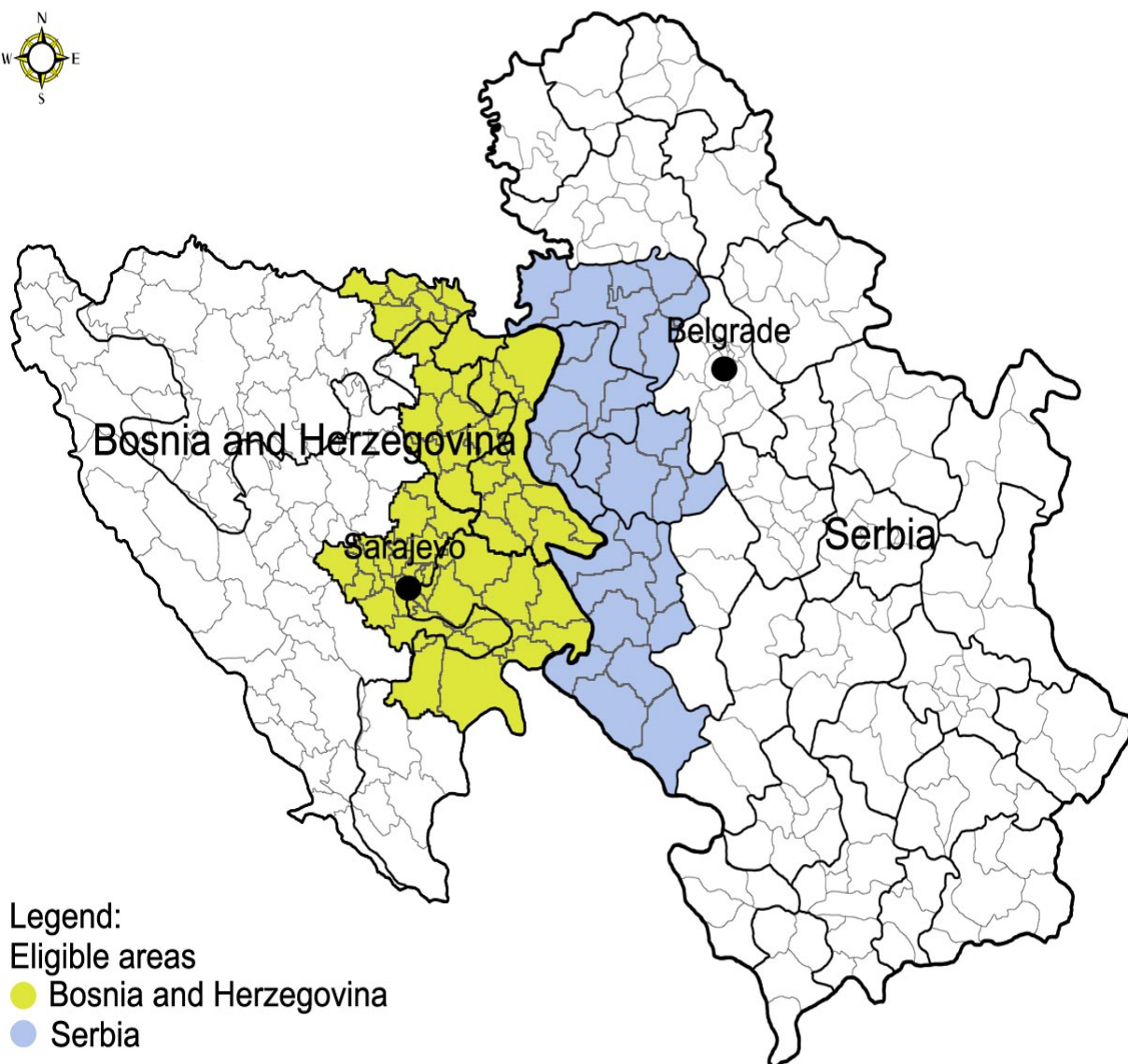
In the Republic of Serbia, the National CBC Committees are consultative bodies advising the IPA–Component II co-ordinators and will represent ministries, agencies, local governments and sectors of civil society. They are consulted as part of the programming process and also regularly during implementation, 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-ordinators and approved by governmental decision.

In Bosnia and Herzegovina, the National CBC Committees have been established based on the decision of the Council of Ministers of August 30th, 2007. The National CBC committees will have the same roles as those in the Republic of Serbia.



2. The map and the description of the eligible area

The part of the eligible area in the Republic of Serbia covers 15,370 km² with 1,171,126 inhabitants, and the Bosnia and Herzegovina part covers 17,612.01 km² with 1,795,897 inhabitants.



Legend:
Eligible areas
● Bosnia and Herzegovina
● Serbia



Bosnia and Herzegovina				Serbia	
Eligible	Km ²	Eligible	km ²	Eligible	km ²
Gradacac	218	Vlasenica	234	Sremski	3,485
Brcko District	493,30	Sekovici	202	Macvanski	3,269
Doboj East	40	Kladanj	325	Kolubarski	2,474
Gracanica	219,50	Pelagicevo	20	Zlatiborski	6,141
Srebrenik	248	Han Pijesak	335		
Celic	136,80	Milići	285		
Lopare	280	Srebrenica	527		
Ugljevik	164	Višegrad	448		
Bijeljina	734	Rogatica	640		
Teocak	29	Sokolac	729		
Sapna	118	Pale	492		
Kalesija	201	Pale Praca	103		
Tuzla	302,35	Novo Gorazde	123		
Lukavac	352,66	Rudo	344		
Petrovo	118	Čajnice	275		
Banovici	183	Gorazde	248,80		
Zivinice	291	Foca Ustikolina	188		
Zvornik	387	Foca	1115		
Bratunac	293	Kalinovik	678,92		
Donji Zabar	49.30	Orasje	125		
Domaljevac-Samac	41.70	Samac	188		
Modrica	297	Vukosavlje	96		
Odzak	158.40	Bosanski Brod	234		
Derventa	517	Doboj	813.90		
Kalesija-Osmaci	71	Trnovo	338.40		
Trnovo RS	138	Hadzici	273		
Istocna Ilidza	28	Ilidza	162		
Ist.Novo Sarajevo	45	N.Grad Sarajevo	47.98		
Vogosca	72	S.Grad Sarajevo	55		
Ist.S.Grad Sarajevo	105	Ilijas	320		
Vares	390	Breza	73		
Visoko	232	Kiseljak	164		
Fojnica	308	Kresevo	148		
Total		17,612.01 km²		Total	15,370 km²
Total eligible programming area				32,982.01 km²	
Total population in the eligible programming area				2,967,023.00	
Total border length				382.8	
Green border				228.5	
Blue border				154.3	
Total border crossings				8	

Source: Statistical Office of the Republic of Serbia (Statistical Yearbook, Municipalities of Serbia 2005); Ministry of Internal Affairs. Statistical Agency of Bosnia and Herzegovina

The total surface of the eligible area is 32,982.01 km² with a total of 2,967,023 inhabitants. The total border length between the two countries is 382.8 km of which 154.3 km is a land border and 185.2 km is a river border (rivers Drina and Sava). Along the length of the border there are eight (8) border crossing points.

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

In the Republic of Serbia, in the absence of NUTS classification, the counties are considered NUTS level III equivalent areas. The eligible counties are: Sremski, Macvanski, Zlatiborski, and Kolubarski comprising of 31 municipalities. In Bosnia and Herzegovina the NUTS level 3 equivalent areas are the economic regions. The eligible economic areas are: the Sarajevo Economic Region and the North-East Economic Region. All municipalities included in these two Regions are thus considered eligible.



The KOLUBARSKI District occupies the central part of western Serbia. It encompasses the municipalities of: Osecina, Ub, Lajkovac, Valjevo, Mionica, and Ljig. It has a population of 200,560. The seat of the District is in the city of Valjevo, on the banks of the Kolubara river.

Though not bordering Bosnia and Herzegovina directly, Kolubarski district should be a part of the eligible programming area for the following reasons:

- Strong economic links with BiH. Regional Chamber of Commerce Valjevo, covers for both Kolubarski and Macvanski districts, whose major partner in export is Bosnia and Herzegovina with 24% of total foreign exports - USD 107.5 M in 2004 (Source: Ministry of finance, Customs Authority). In addition, BiH is in the 4th position as a major import partner with 6% of total import share of USD 242.2 M in 2004.

- Business Academy, Valjevo (Singidunum University)

Within the Serbian part of the proposed programming area of cross border program Serbia – Bosnia and Herzegovina, this is the only accredited faculty of this type, covering program studies from finance, banking and accounting, to ICT and tourism. Taking into account the proposed Priority 1 of the program: “Social and economic cohesion through actions to improve physical, business, social and institutional infrastructure and capacity.” It would be very important that Kolubarski district and institutions, such as business faculties, be eligible and involved in cross-border cooperation.

- Proximity of border with Bosnia and Herzegovina

Although not directly bordering with Bosnia and Herzegovina, parts of this district are in the proximity of border line of only 5-6 km, while the administrative center of Kolubarski district, Valjevo, is only 70 km away from the border crossing with B&H.

3. Current situation in eligible area

3.1 History

Both countries share a common history as constituent republics of the former Socialist Federal Republic of Yugoslavia. Bosnia and Herzegovina and Serbia are now independent countries in the Balkan region of South Eastern Europe, directing their efforts at rebuilding their economies and becoming future members of the European Union. Until the mid 1990s, there were no borders between the two countries. Current state of affairs means that renewed commitment to institution building in the eligible areas will do much to reinforce relationships between the countries and prepare them for the future membership in the European Union.

3.2 Demography

The total population of the eligible area is 2,967,023 inhabitants; with 1,171,126 in the Serbian part of the eligible area and 1,795,897 in the BiH part. The population as a whole is either static or declining, especially in rural areas.

The age profile is different in each country:

Country	0-14 years	15-65 years	65+ years
Serbia	16.19	66.77	16.32
BiH	22.14	67.70	10.16

Reference: Statistical Office of the Republic of Serbia 2006. Municipalities statistic department in BiH.

The main demographic characteristics of the eligible are the following: sparse aging population in Serbia, a younger, female dominated population in BiH, and inhabiting small size settlements, complimented with a few developed towns with semi developed local and regional economies.



In Serbia, a 1% decline in overall population has been recorded since 1991. Low birth-rates, accompanied by migration either abroad or to the capital or large towns, away from the eligible area, are the main reasons behind this trend.

In BiH, a marked swing in the balance towards the young and a reduction of the aged population is visible. Only in Bijeljina has the population increased. Elsewhere, as in Serbia, the migration away from the eligible area has been a prevailing demographic feature. A further demographic change in BiH is that ratio of men to women now favours women (51.3% / 48.7%). In 1991, it was 50/50.

The northern part of the eligible area, that possesses more economic advantages in both agricultural and industrial production, has a more favourable demographic outlook than the rural and more isolated central and southern parts where the trends of migration and an aging population will continue.

3.3 Ethnic Minorities

Ethnicity has played an important role in the recent history of the region and is reflected in the current profile of the eligible area. According to the 2002 census, the four Serbian eligible counties are home to 5.47% of all ethnic minorities in Serbia. Out of the total population of the Serbian part of the eligible area, 70.335 persons or 8.40% of all inhabitants are members of ethnic minorities. The largest ethnic group is the Bosniaks with 40.364 inhabitants, or 29.66% of all Bosniaks living in Serbia. The second largest ethnic group is the Muslims with 8.366 inhabitants, or 42.90% of all Muslims living in Serbia.

In BiH, there are no current statistics reflecting the ethnicity of the population specific to the eligible area, however, it is noted that a significant Roma minority is present around Bijeljina, and as a whole the minority population now represent less than 1% of the area's inhabitants.

Today, all inhabitants in the eligible area enjoy full national equality in each country with the constitutions of both countries strongly guaranteeing the rights of the minorities.

3.4 Geographical Description

The border between Serbia and BiH has 383 km in length, 229 km out of which is river border.

Situated in the south-eastern part of Europe, the eligible area between Serbia and BiH consists of three highly diversified geographic parts. The northern part is a fertile plain, the central part of the area is hilly while the southern part is mountainous. On the Serbian side of the eligible area to the north, there is fertile agricultural land. Further south the terrain becomes more mountainous in the region of mountains Divcibare, Golija, Zlatar, Tara, which are potential areas for economic development due to the presence of natural resources, and expanding opportunities for tourism.

However, only the northern part of the eligible area is in close proximity to major traffic corridors (motorways and railways), providing fast access to markets in western, central, and south-east Europe. By comparison, the central and southern parts are more isolated, and the movement of goods and people is slower.

In BiH, the northern, low land (300 metres above sea-level) contains the basins of the Sava and Drina rivers, with the valleys of the rivers Tolisa, Tinja, Brka, Gnjica and Janja, offering the most favourable conditions for agricultural production. This is the most important BiH area for grain production.



The climate in the eligible area is continental, defined by hot, dry summers and autumns and cold winters with heavy snowfall due to the presence of mountains. Recently, the climate has experienced changes similar to those seen in other countries, with apparent global warming and rapid weather changes. Winters have been mild without much snowfall, and summer weather has started earlier in the spring and lasted later into the autumn.

The middle, hilly part of BiH (average height above sea-level 300 to 700 meters), contains the most municipalities in the BiH eligible region. This part is very rich in various minerals and hydro-electric potential as important resources for industrial production. Due to the configuration of terrain, most arable land in this area is on slopes, subject to erosion, impeding the use of agricultural mechanisation. This land is climatically and physically more suitable for fruit growing and pasture. There are thick forests along the river Drina in the eastern part of BiH.

The river Drina, with several high dams, forms 185.3km of the border between Serbia and BiH. It joins the river Sava in the north. Both rivers are rich with natural resources, various types of fish, and other fauna. The eligible area is home to Tara National park and lake Perucac. The southern mountainous area in both countries is characterized by a very well preserved natural environment offering natural resources and biodiversity, suggesting a high potential for the development of agriculture, energy, and tourism.

3.5 Infrastructure

Although a widespread network of road and rail connections are present in the eligible area, they have been neglected in the recent past due to the lack of adequate funds to begin a major reconstruction programme.

3.5.1 Road infrastructure

In Serbia, local roads account for nearly 70%, regional highways 20%, and national highways only 10% of the total road network. The Pan-European corridor 10 passing through the Srem county is the main transportation link between Western and Eastern Europe, connecting Salzburg and Thessalonica.

In BiH, local roads make up 56%, while regional roads are only 27%, and motorways even less (17%) of the total road network.

In both countries, the road network is more developed in the north, leaving the more isolated communities of the south with a less than satisfactory road network. Although, the north-south road network is extensive on both sides of the border, there are fewer east-west connections.

3.5.2 Railways

The Serbian railway system has suffered major setbacks over the course of the last ten years. Lack of investment and maintenance, the result of the poor state of the economy, have led to the decline of the railway system. Since the early 1990s it has operated at levels much below its full capacity.

Bosnia and Herzegovina rail network is in poor condition. It is underdeveloped and is not fully electrified, limiting its potential for providing effective transport infrastructure. There are three rail border crossings between Serbia and BiH.

Improvements in almost every aspect are necessary to enable the railway systems of the Western Balkans to act as an important transportation gateway from Europe to the other parts of the world.



3.5.3 Border crossings

Along the length of the border, between two countries, there are a total of eight border crossings. The number of the border crossings is sufficient, but the quality of infrastructure and capacity need improvement and modernization

3.5.4 Airports

In the BiH part of the eligible area region there are two fully functioning and well equipped international airports: at Tuzla, located in Dubrave-Zivinice, 8 km south-east of Tuzla that opened for traffic in 1998 and at Sarajevo airport fully renovated in 2005.

3.5.5 Ports

In Sremski county in Serbia, the Danube and the Sava rivers are navigable along the whole part of this portion of the eligible area. The river Drina is not navigable along most of the eligible area, although it offers many opportunities for water sports and tourism.

In BiH, significant possibilities for river traffic in the eligible area are to be found along the river Sava, according to a survey carried out in the early 1990s. The key river harbour is in the Brcko district, designed to handle construction materials from the river (gravel and sand). Other significant ports are located in Samac and Brod. Of the three main ports in BiH, the Brcko harbour is the largest in terms of cargo turnover.

3.5.6 Telecommunications

The telecommunication network in the eligible area is generally well developed, both fixed and mobile networks. In addition, the existing network of internet providers is currently covering the needs, but this is a constantly growing sector providing more advanced services.

3.5.7 Water supply, waste water, heating, waste disposal

The treatment of household and industrial waste throughout the eligible area is below internationally acceptable standards. In Serbia, the capacities of the municipal landfills are overburdened. Disposal and treatment of waste water and sewage is on a particularly low level in BiH.

3.5.8 Energy, electricity

The hydro power plant in Visegrad, BiH is a major power production and supply facility in the eligible area. In the Serbian part of the eligible area, the energy production is quite a dominant feature of the local economy with a thermal power plant in Kolubara county and a complex of Drinsko-Limske power plants in the Zlatiborski county, on the rivers Drina, Lim and West Morava (HPP Bajina Basta, HPP Uvac, HPP Potpec, HPP Kokin Brod, HPP Bistrica, HPP Zvornik, HPP Ovcar Banja and HPP Medjuvsje). The Drinsko-Limske power plants have 1,083 MW available capacities which make up for 13% of the total electric potential of Serbia.

3.6 Economy

The area is characterised by an underperforming economy that deteriorated as a result of the region's marginalisation and instability in the 1990s. Relative isolation of most of the region from external markets, and the low level of investments have resulted in limited economic expansion. The closure and restructuring of aged, uncompetitive, and obsolete manufacturing facilities has added to the unemployment in the region. However, some recovery has occurred as the rebuilding of the economy progresses.



3.6.1 GDP

In BiH, during a period of intense reconstruction of the economy between 1995 and 2003 high growth rates (above 7% per annum) in GDP have been noted. National level of GDP is 2,100 €.

In Serbia, the eligible region's GDP is 2,800 euros per capita, which makes up for 70% of the national level in 2005. Annual growth over the past 5 years is estimated at 2.5%.

3.6.2 Agriculture and Rural Development

The favourable conditions for agricultural production are one of the strengths of the eligible area. It is estimated that some 20-25% of the area's working population are employed in this sector. Except in the southern mountainous part, the soil and climate is ideally suited for a wide range of quality agricultural produce and livestock breeding, including organic food production. However, there are a number of negative trends that are limiting productivity and competitiveness.

In Serbia, privately owned farms are not included in official statistics. The predominance of small family-owned farms, managed by traditional methods, without access to modern equipment, makes the sector relatively unproductive by EU standards.

In BiH, 57% of agricultural land is privately owned. However, the arable land has been reduced owing to neglect and use for other purposes. Cattle breeding are in decline, reduced by 50% since the early 1990s. The larger agricultural conglomerates, currently undergoing the process of restructuring and privatization, are suffering due to poor access to both capital and markets and undefined legal status.

Conformity with EU regulations on agricultural products is incomplete. The high transport cost of bringing produce to markets is a common problem for both communities.

3.6.3 Industry

A significant industrial base is present throughout the eligible area. Despite its problems, the sector remains a cornerstone of the area's economy and is in the process of restructuring. In general, the problems of the sector can be summarized as: low labour productivity, the painful restructuring process of traditional industries, the lack of investment capital, the low level of export orientation and - with a few exceptions – the lack of competitiveness, low level of innovation and co-operation with research and development institutions and a lack of networking links between common sectors. There is a trend towards a further concentration of the industrial potential in urban areas, while peripheral areas are in decline. Overall, a low level of business and managerial know-how is perceived.

The industrial sector was the main segment of the BiH economy in the eligible region, accounting for nearly 50% of employment and investment in the period up to 1990. Considerable cross-border movement of goods was a constant process in that period that now needs to be re-established. The main activities of the area are: industry, power production and mining, concentrated mainly in Tuzla basin and the agriculture-based industries concentrated around Posavina and Semberija (in the Bijeljina and Brcko municipalities) and Zvornik in the middle part. There are no industrial activities in the southern part.

Today, unfavourable economic and financial conditions, the consequences of devastation and migration of population, the lack of capital, obsolete technologies, low utilisation of capacities and the loss of markets have significantly lowered the economic strength of the region.



Similarly in Serbia, the industrial base in the eligible area is characterised by under utilised capacity and obsolete facilities. A number of major industrial facilities are located in the area. The most important is the “Matroz” cellulose and paper factory in Sremski County, currently undergoing privatization. The following key industrial activities are present: food-processing, wood-processing and furniture manufacturing, light metal industry, textile industry and chemical industry.

The privatisation of state owned enterprises continues, often leading to significant unemployment. However, companies capable of undergoing change in the short-run, while creating a viable and competitive industrial and production base in the long-run, will present the basis for the economic development of the eligible area.

3.6.4 SME Sector

SME development is a major pillar of both governments’ policies as a means for achieving the dynamic levels of economic expansion needed in the eligible area to reach economic parity with its European neighbours. However, a culture of entrepreneurial spirit is not well developed throughout the eligible area. In addition, most SMEs are micro enterprises, family concerns, mainly shops and small services. They make no significant contribution to the overall economy and offer very limited employment opportunities.

In BiH, although the number of SMEs has almost quadrupled since 1990, when compared with the dynamics of small businesses growth in the surrounding countries, the situation is still considered unsatisfactory.

In Serbia, a lack of favourable funding, difficulties in accessing credit lines, bureaucratic procedures, tax policy, inability to access new markets, and lack of skilled labour in the eligible area are barriers to the development of the SME sector. Nevertheless, the SME sector provides a significant source of employment. 28% of all employees in the eligible area work in registered companies (including owners) and they are the most significant source of self-employment.

3.6.5 Services

Apart from tourism, services are not considered a discrete sector of the Serbian or BiH economies, and from a statistical point of view are bundled within other sectors of the economy. However, both countries recognise that a well developed service sector can contribute to a positive development of the economy, by generating employment and adding value to existing industries and businesses.

3.6.6 Regional and Local Development

In BiH there are five economic regions, each covered by a Regional Development Agency:

1. ARDA covers the North-West economic region
2. NERDA covers the North-East economic region
3. REDAH covers the Herzegovina economic region
4. REZ covers the Central economic region
5. SERDA covers the Sarajevo economic region.

These are non profit organizations, founded by the public, private, and non-governmental sectors, to contribute to overall economic development. They were established within the “EU Support to Regional Economic Development-EURED” Project framework from March 2004 to September 2005, as a tool to support economic regeneration, job creation and human resource and infrastructure development in the various regions.



On both sides of the border there are a considerable number of NGOs and community initiatives to stimulate regional economic growth. Throughout the border area there are Chambers of Commerce, Regional Centres for the development of SMEs, and community revitalisation agencies.

In Serbia local economic development strategic plans were completed and accepted in 8 municipalities of the programme area, and drafts have been prepared for two further municipalities. In these documents the priorities are agriculture, food processing, and tourism.

These organizations are crucial players in the cross-border programme since they provide a direct link to potential beneficiaries as well as people-to-people contact with the local population in the eligible area. Despite a slow start, they enjoy a high level of confidence and trust and are in position to strongly support programmes of this nature.

3.6.7 Tourism

The tourist industry is more developed in the Serbian part of the border area than in BiH, although this country possesses exceptional natural, cultural and historical sites, and is well placed for tourism. The river Drina, marking the border between the countries can offer a large number of water-based tourist activities.

The region of Mount Zlatibor is a well known tourist destination for Serbians, and possesses many facilities for sport, families, congresses, and medical tourism.

The development of tourism in BiH is a clear opportunity for the southern part of the eligible area that is less endowed with industry or agriculture. Tourism can provide the area with additional employment and economic opportunities for growth. In both countries the protection of the outstanding natural environment is a priority, and will be balanced against the uncontrolled development of tourism.

3.7 Human Resources

3.7.1 Education, Research, and Development

Education facilities at primary secondary and university levels exist in both countries' border regions. Three fully fledged universities at Tuzla, Sarajevo and Istocno Sarajevo are present in the eligible area. Although the educational facilities at primary level are considered adequate, those at secondary level are described as outdated and inadequate since they lack modern IT and laboratory facilities. However, vocational training institutions are present in the larger towns and cities. In BiH, a large percentage of children of school age, often from ethnic minorities, are absent from school. Opportunities exist to correct this problem, which has implications on the development of this particular eligible area. In Serbia, the lack of specialised secondary schools meeting current standards, has led to a migration to the larger cities, where better facilities exist.

Research and Development in the region is modestly organised in universities and research institutes. Apart from Uzice, there are no important centres for R&D in the eligible area.

3.7.2 Labour Market (employment and unemployment)

The combination of the transition to a market economy, the closure or decline in traditional heavy industry, a generally low level of education and the turbulent situation in the region has led to above average unemployment and the migration of the work force from the eligible area. In Serbia, the unemployment rate is above 22%, and amongst people between the ages of 25 to 49, over 60%. In BiH, the need to reconstruct much of the area's infrastructure at first has reduced unemployment, but the underlying unfavourable economic situation has reversed this



trend, except in Bijeljina, which has been a magnet for migrating job-seekers. Today 54% of people between the ages of 16 and 30 have expressed a desire to leave the country in order to achieve an improved economic standard of living.

3.8 Environment and Nature

Most of the eligible area is characterised by its clean natural environment with low levels of pollution.

The eligible area is located between three rivers: Bosna on the west, Sava on the north, and Drina, dividing the area in two. The mountainous and sparsely populated southern part possesses a strong biological diversity in flora and fauna. The Zlatibor, Fruska Gora, Golija, Tara, Zlatar, Jahorina, Bjelasnica and Igman mountains are heavily forested, unpolluted, and contain many natural resources.

In Zlatiborski county, mountain Zlatibor covers 300km² at an altitude of approximately 1,000 m with its highest peak of 1,496 m. Tara, the largest Serbian national park covers 220 km² is clad in dense, supremely preserved forests of fir, spruce, beech, and pine trees, some of the best and well preserved in Europe. This is the only place in the world where a very rare species – Pancic's spruce has found its natural habitat. Furthermore, mount Golija is under UNSECO protection defined as natural biosphere reservation covering 53,804 ha with the highest peak of 1,833 m.

In the eligible area, but closer to the Montenegrin border is Sutjeska, BiH oldest national park. Encompassing 17,500 ha, it is the home of Perucica, one of Europe's last primeval forests, and of Maglic mountain, BiH highest peak. It is Europe's last natural habitat of the brown bear, and is home to wolves and eagles.

3.9 Culture

The eligible area possesses a wealth of cultural assets, demonstrating the region's diverse historical, cultural, and religious background. In particular, south-western Serbia is abundant with medieval churches and monasteries. In BiH the country's strong sporting culture is celebrated by the existence of sport halls and sporting centres, many of which are in need of repair. Cultural activities and festivals are organised by the schools and faculties of the area.

3.10 Summary indicating gaps, disparities, and potentials for development

The eligible cross border area between BiH and Serbia contains a wide diversity of landscapes, resources, population and economies. Since no formal borders existed before the break up of the former SFRY, the two countries share a common history of cooperation. However, recent turbulent events have left the economies of both countries in a worse state than before 1990, and with a declining and less productive population. Nevertheless, much of the economic base remains, and both economies are showing modest growth. However, the obsolete manufacturing and agricultural equipment and transport infrastructure is in urgent need of modernisation and repair.

Due to a decrease in the economic activities, lack of access to the markets and restructuring of heavy industry, widespread employment and migration of younger population from the area have occurred. The agricultural sector, also in need of modernisation, produces high quality food on fertile land irrigated by the extensive river network in the area.

The road network of the eligible area is also in need of modernisation. No major highways exist in the eligible area. The road system in the southern part consists mainly of narrow local roads. The railway systems of both countries are operating below full capacity, and are in urgent need of investment, particularly in BiH.



The SME sector is growing; however, its impact on the economies of the two countries is thus far negligible.

The area has outstanding natural landscape and resources. Tourism is a well developed, yet under-exploited, sector in Serbia. In BiH, it has only started developing. Particularly in the mountainous southern part of the eligible area and along the river Drina, there exist many opportunities for a wide range of tourist activities to be developed or created. The protection of this outstanding environment is of major importance as new commercial and industrial developments encroach on forests and rivers.

In conclusion, the eligible area is clearly in need of major investment in all sectors: public, private, human resources, road and other infrastructure. The existence of an international border between the countries implies the introduction of a considerable body of new regulatory measures that will profoundly affect day-to-day cross-border activities including the small scale import and export of food products by the local population, as well as agricultural movements on a commercial scale. The operations under this cross-border programme will create and strengthen partnerships and promote networks in both countries and can address unemployment by creating new jobs in the short-run.

The proposed strategy, therefore, will be centred on building networks and synergies for stimulating economic development, by focusing on:

- Creating favourable conditions for SME development in the eligible area;
- Maintaining the high quality of the eligible area environment as an economic resource by cooperating in joint protection and exploitation initiatives.

To realise the programme's strategic goal it will first be necessary to establish the joint framework where cooperation between stakeholders can flourish.



3.11 SWOT Analyses of eligible area

Population / Culture / Society	Strengths	Weaknesses
	<ul style="list-style-type: none"> Historical links provide a solid basis for cultural understanding, confidence-building, and cross-border cooperation; No language barriers in the eligible area; People-to-people and NGO cross-border cooperation well established. 	<ul style="list-style-type: none"> Negative population growth leads to unfavourable demographic trends; Internal economic migration to urban centres and emigration depletes border area of skilled, productive workforce; Low living standards and increasing age of rural population; Common cultural heritage had no impact on the concept of common identity.
	Opportunities	Threats
	<ul style="list-style-type: none"> A positive regional identity and regional development programmes will encourage economic and social development targeted at keeping - and attracting - young people in the area; Developing or re-building traditional cultural and economic connections to generate opportunities for positive cooperation; Opportunities for multi-ethnic population to cooperate in building confidence amongst civil society groups; Opportunities for media and cultural networks to engage border area population to participate in the cross-border initiatives. 	<ul style="list-style-type: none"> Absence of, or non-implementation of, national and regional programmes for promoting regional development could eventually accelerate migration; Different demographic trends between the south and north areas of the border region could cause unbalanced development and further isolation of certain parts of the border region; Further economic migration to cities and abroad (especially from the southern part of eligible area) could accelerate economic decline in border areas.
Economy	Strengths	Weaknesses
	<ul style="list-style-type: none"> Ideal conditions for organic and traditional agriculture production; Existing industrial base (e.g. textiles, chemical, metal-processing and food-processing) is undergoing restructuring towards a more competitive future; Abundant available natural resources (water, mineral wealth, thermal springs, forests, etc.) to support further economic development; Regional and local development structures (LED offices, SME agencies, Chambers of Commerce, RDAs, tourist organizations) have been introduced on both sides of the border with strategies to alleviate social exclusion and reverse economic decline; Significant number of SMEs throughout the whole border area; Experience of cross-border municipal cooperation and representation of municipalities exists in border area; The Sava-Drina-Majevica Euro region has been established to support intensified cooperation between municipalities; The region is an important generator of hydro-electric power; Basic tourism infrastructure, in particular for winter tourism, already exists. 	<ul style="list-style-type: none"> Both sides lack robust policy frameworks for local economic development; Weak border area economy relies on central government funding to sustain population and subsidise industry; Lack of availability of national and regional funds, and perceived risks to FDI sources, inhibits modernisation and restructuring of border area's obsolete and uncompetitive industrial and agricultural resources; Lack of institutions and laboratories for standardization and certification of agricultural products (food in particular) in BiH; SME sector is mainly micro businesses with limited employment opportunities – medium-size sector is underdeveloped and lacks effective support to develop labour absorption capacity, reducing overall impact of SMEs on economic growth; Low level of innovation and limited cooperation between local research and development institutions, public authorities and the labour market seriously hinders real economic development; Lack of high-standard accommodation and support services for tourism; Centralised decision making processes for regional development lead to insufficient cooperation and coordination at local level.



Cross-border Programme



Opportunities	Threats
<ul style="list-style-type: none">• Exploiting benefits of Central European Free Trade Agreement (CEFTA) to increase export potential;• Developing and exploiting networking links between economic sectors (e.g. agriculture, chemicals, forestry, tourism) to take advantage of supply chain benefits and clusters to improve competitiveness;• Increased public sector support to develop coordinated joint business support services to encourage SME growth and build management skills and competences;• Support to the targeted development of specific tourism sectors: e.g. rivers, spas, cultural, agricultural, wild-life etc.• Cooperation between research and development institutions and industry can boost innovation and increase competitiveness of industry especially in the northern part of the border area;• Capacity building in strategic planning, programming and project implementation in both private and public sectors will increase access to sources of funding;• Support to increased institutional cooperation at the level of regional and local authorities such as Euro regions, standing committees of municipalities to expand business opportunities;• Mapping eligible area's economic resources and enterprises as a step towards creating networking links and the exchange of experiences to assist and guide entrepreneurs and target investment;• Sharing joint management and experience amongst large energy producers in border area;• Joint identification and planning of economic development areas.	<ul style="list-style-type: none">• Lack of opportunities for entrepreneurs to have access to high-quality, needs driven services to assist them to better compete in global markets;• Perception of area as a low value added economy;• Slow implementation - or lack of - relevant National strategies, to support economic development of the border region (Regional Development Strategies incl. Operational Plans, National Development Plan for Tourism Development, etc);• Centralisation of economic development decision making processes makes it difficult for municipalities at local level to cooperate;• Delays or uncertainties in EU accession progress will deter foreign investment in area;• Inadequate incentives, subsidies and tax exemptions to further stimulate employment, innovation, and investment in SME sector;• Lack of transport infrastructure and insufficient coordination and cooperation in (between services, marketing, agriculture, public sector, etc.) of tourism sector will limit potential opportunities;• Continuing dependence of local government on the central budget reduces role of municipalities in local development;• The lack of management and business skills in medium size SME sector will result in fragmented and uncoordinated business development, reducing the potential benefits to the border area economy.



Employment and equal opportunities / education	Strengths	Weaknesses
	<ul style="list-style-type: none"> Widespread primary, secondary and advanced education is available throughout the border area; Tuzla, Sarajevo and Istocno Sarajevo Universities and proximity to technical and vocational training centres support a wide range of specialist educational needs (e.g. teacher training, agricultural colleges etc); Serbian and BiH local branches of State Employment Services already cooperate in initiating development of public - and private - employment services in the area; Existence of internationally accredited educational programs; Policies to reinforce inclusion of minorities in education. 	<ul style="list-style-type: none"> Generally poor education and qualification structure of the population, and mismatching of secondary and higher education programs to meet the immediate needs of the labour market; Low levels of participation in primary and secondary education in rural areas throughout the regions (BiH); Lack of lifelong learning culture, especially foreign languages and computer skills; Increasing unemployment due to redundancies of skilled and unskilled work force from former state enterprises; Limited employment opportunities for unskilled work force; Lack of modern sector-specific tourism education facilities.
	Opportunities	Threats
	<ul style="list-style-type: none"> Increased focus on education and training programmes adapted to the needs of labour market, making a strong link between education and economic strengths; Development of adequate training/retraining opportunities for redundant workers from former state enterprises in areas relevant to the economic development of the border area; Improvement of the business management and entrepreneurial skills by business education facilities; Development of cross border opportunities for the employment of young professional and well educated persons via cooperation between educational institutions and labour market institutions; Development of new curricula, meeting international standards, to support technical and vocational education, including distance learning for those with poor access to schools and colleges; Provision of transport facilities to schools in remote and rural areas; Increased emphasis on poverty reduction initiatives, and social inclusion of minorities. 	<ul style="list-style-type: none"> Slow adoption of appropriate secondary education systems will increase the gap between labour market demand and supply; Limited access of the rural population to the formal educational system due to further migration from rural to urban centres will maintain or worsen existing disadvantages; National development policies insufficiently developed to meet the specific needs for employment creation in border areas; No change to vicious circle of poverty, lack of education and poor unemployment prospects marginalises border areas and hinders economic development.



Transport infrastructure	Strengths	Weaknesses
	<ul style="list-style-type: none">• Tuzla and Sarajevo International Airport are located in the region;• Presence of basic network of national, district and local roads;• Well developed energy network;• Existence of navigable river networks including port facilities in northern part of the area;• Existence of many crossing points facilitate effective cross-border economic cultural cooperation;• Good telecommunication infrastructure.	<ul style="list-style-type: none">• Imbalanced transport infrastructure marginalises southern border area and inhibits investment;• Lack of quality east-west road network restricts cross-border commerce;• Poor local roads in the southern part increases isolation of communities;• Lack of fast motorways throughout the area;• Most roads are in need of radical modernisation or repair;• Poor public transportation network reduces mobility of population;• The road and rail network cannot cope with increased traffic;• Spatial planning and procedures resulted in new urban areas, especially in tourism centres.
	Opportunities	Threats
	<ul style="list-style-type: none">• Increased cooperation between public (local and regional) actors in joint traffic planning policies;• Improving selected border crossing points to increase cross-border traffic and economic cooperation;• Reconstruction of roads, regional airports and development of tourism related infrastructure (such as ski centres, sport facilities, hiking and cycling paths, etc.) to improve tourist access in both countries;• Plan for construction of the Corridor V C in BiH which would cover part of the Sarajevo region;• Increased commercial use of river and railway transport.	<ul style="list-style-type: none">• Underdevelopment of transport infrastructure will restrict economic growth in border areas;• Slow implementation of national strategic approach for investment in infrastructure can lead to unbalanced or static regional development;• Lack of spatial planning policies and property related ownership issues may result in delaying the implementation of infrastructure projects;• Transport and infrastructure improvements in difficult mountainous regions can be limited by high construction and access costs, especially in the southern part.



Environment	Strengths	Weaknesses
	<ul style="list-style-type: none"> • Three major rivers provide border area with abundant water supply; • Presence of National Parks in area (e.g. Tara – SRB, Sutjeska BiH); • Large unspoilt forested areas and unpolluted water resources provide unique habitats to rare flora and fauna (e.g. brown bears); • Policy frameworks have been initiated to establish regional waste dumps at regional cross border level; • Southern part of the area unspoilt and unpolluted region, due to limited industrial activities; • Growing awareness of the need for environmental protection amongst communities in cross border area; • Large parts of the border area provide a regional base for organic food production; • NGOs currently active in environmental protection activities. 	<ul style="list-style-type: none"> • Lack of solid waste disposal and recycling practices, sewage and waste water treatment systems lead too increased pollution of natural water resources; • Existence of a large number of unsupervised waste dumps in rural areas; • Lack of communication and cooperation between environmental and nature protection initiatives; • Low level of environmental consciousness among population; • Very little experience of coordinated actions against pollution, and implementation of EU regulations in public or private sectors; • Explosive remnants of war restrict access to countryside (BiH); • Uncontrolled construction in tourist areas increases environmental problems. • Lack of awareness of EU environmental regulations;
	Opportunities	Threats
	<ul style="list-style-type: none"> • Joint sustainable use of environmentally friendly services and technologies to maintain clean unpolluted natural resources; • Cooperation of regional and local environmental protection institutions; • Joint conservation initiatives to protect natural resources in border areas (e.g. the conservation of the river Drina environment) • Development of joint common information access (databases, lists, information exchange) on main polluters in the border area • Joint programmes to revitalize existing and construction of modern waste dumps; • Joint management initiatives for national parks; • Exploitation of renewable energy potentials; • Co-operation initiatives for management of disaster and emergency services. 	<ul style="list-style-type: none"> • Slow development of environmental protection related infrastructure may decrease the attractiveness of the region and have a negative impact on the welfare of the local population; • Slow implementation of national and local strategies for environmental protection; • Weak implementation and Inadequate funding of environmental initiatives will have long-term effect on environment; • Slow progress in clearing ERWs, will delay future access to parts of the BiH countryside; • Waste management techniques are still at the lowest levels in the cross-border area, constituting a major threat to the environment; • Unchecked intensification of agriculture may cause further water pollution.



SECTION II. PROGRAMME STRATEGY

1. Experience with cross border activities

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

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

Both Serbia and Bosnia and Herzegovina have experience with cross-border cooperation on their external borders. Serbia has experience with four programmes, with Bulgaria, Romania, Hungary and Italy, as well as with transnational programming – CADSES. Bosnia has limited experience having participated in the programme with Italy and CADSES.

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

1.1 Lessons Learnt

Bosnia and Herzegovina

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

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

The last Call for Proposals of the CADSES Programme resulted in two projects including BiH partners with financial request from the Regional CARDS funds 2004-2006, while out of 93 projects approved within the Adriatic NNP, 28 projects included BiH partners with such request. Number of projects submitted proved that there was significant interest of BiH partners in this kind of Programmes. However, understanding of requirements related to NNP modalities, quality and size of projects implying level of activities to be implemented in BiH remained low.

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

Republic of Serbia

With the introduction of the New Neighbourhood Partnerships 2004-2006, funding for Serbian partners to get involved in projects was enabled. Thanks to this initiative and the first



programme with Hungary, Serbian partners gained knowledge and skills from their cross-border partners, and built capacities to independently prepare and implement CBC projects in the future.

At the same time the capacities at the central level for coordination of these programmes is being increased. The following can be concluded:

- Establishment of offices at the local level has proved to be of extreme importance for the good quality of work done in the MIER/MFIN. Not enough attention is being paid to the undeveloped areas, so the additional requirement for beneficiaries from the border areas to come to Belgrade for consultations influences negatively the public opinion on Programs;
- To continue with organization of workshops and info-days with equal intensity and to focus more on specific target groups (high schools, student associations, faculties, cultural institutions, sports associations, undeveloped municipalities), because of the low capacity noticed there;
- To organize workshops, seminars, round tables in periods which are not related to the calls for proposals (continual work); elaborate project ideas with examples, give more information about the application form itself; workshops dedicated to logic matrix and management of the project cycle. Taking into account that basic problems were noticed in many applications (preparation of budget, defining basic logics of a project, submitting complete documentation...), it is necessary to organize one or two-day interactive workshops for providing the less experienced organizations with all the necessary information;
- Continual work on organization of Partner search forums;
- More trainings on tender documentation and evaluation for MIFIN employees and beneficiaries;

2. Co-operation Strategy

2.1 Summary conclusions from description of area

Much of the analysis and description provided for the cross-border programme eligible areas in Serbia and BiH can be applied to the entire countries. However, despite the relative success of some localities, large parts of the eligible area are marginalised, and suffer poor living standards owing to their distance from and inaccessibility to important markets, and their dependence on low wage agricultural activities. High unemployment particularly in rural and former intensive industrial areas has led to the migration of the skilled 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 an industrial base, raw materials and agriculture, are present. The absence of significant language barriers is a key strength of the area, simplifying the process of cooperation to achieve higher living standards and employment opportunities. Nevertheless, 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 eligible area to 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 upsurge 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 area 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 focusing on building networking links connecting the human, natural and economic resources of the area.

STRATEGIC OBJECTIVE

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

OVERALL OBJECTIVE

To stimulate the economies and reduce the relative isolation of the eligible area by strengthening joint institutional networks and the capacities of human resources.

2.3 Specific Objectives

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

1. Improving the institutional frameworks for SME development in the eligible 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 synergies between business and trade support organisations to promote joint cooperative initiatives;
5. Maintaining the high quality of the environment of the eligible area as an economic resource by cooperating in joint protection and exploitation initiatives;
6. Strengthening cross-border people-to-people interaction to reinforce cultural and sporting links and to jointly participate in activities of common interest.



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

- The equality of opportunity for all;
- Meeting the particular needs of those disadvantaged, disabled or from ethnic or minority backgrounds;
- The 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 SWOT analysis indicates that the Programme assistance should be concentrated on the following Priority.

3.1 Priority I

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

This Priority provides beneficiaries with a very wide context in which to propose actions to achieve the overall objective. As this is 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.

Project Selection criteria and delivery mechanism:

More detail project selection criteria will be defined later on within applicable Guidelines for Applicants or/and calls for proposals.

The measures will be implemented predominantly through grant schemes. However, there is a possibility that JMC recognizes a need to finance key joint operations outside calls for proposals. In these cases, delivery mechanism will be the procurement of services, works and supplies.

3.1.1 Measure I.1

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

This measure is designed to promote joint efforts to achieve a 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;
- Euroregions;
- SMEs.

Rationale:

The analysis of the eligible area revealed the need to stimulate economic activity via a more productive use of its 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 to 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.

3.1.2 Measure 1.2

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

This measure is designed to bring about a more intense cooperation between communities at municipality level to develop common interests between both the inhabitants and professional groups. It will support smaller projects and people-to-people actions. This measure will benefit economic activities in border areas 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;
- Euroregions;
- SMEs.

Rationale:

The concept of international borders separating communities of Serbia and Bosnia and Herzegovina is new, and could disrupt previously normal social and economic interaction, by imposing restrictions on the movement of goods and people. By promoting continuing cooperation and cross-border networking, this measure will help reduce the marginalisation implications, and alleviate the effects of the border as a barrier.

The more obvious areas of cooperation are in preserving and celebrating cultural, historical and sporting connections. However, cooperation between local professional groups, looking for joint problem solving assistance at local level, will help improve the efficiency and competitiveness of local businesses facing common issues. Cooperation between tourist support institutions to produce brochures, information, data bases etc. will generate additional business and improve the overall standard of services available.

The establishment and promotion of joint cultural or sporting events between border communities will focus attention on people-to-people cooperation on maintaining and celebrating the traditions and customs in 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 CBC Programme.

Measure II.1 Programme administration and implementation

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

- Support to Operating Structures, Joint Monitoring Committee, Joint Technical Secretariats and any other structure (e.g. Steering Committee) involved in the management and implementation of the programme



- Establishment and functioning of Joint Technical Secretariat and its antennae, 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. Information, Publicity and Evaluation

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

- Preparation, translation and dissemination of programme related information and publicity material, including programme website
- Organisation of public events (conferences, seminars, workshops, etc.)
- Awareness raising and training for potential beneficiaries, including partner search forums
- Development and operation of an up-to-date programme website, directed both at the general public and potential applicants / beneficiaries
- Programme evaluations

The **main beneficiaries** should be:

- Operating Structures;
- Joint Monitoring Committee;
- Joint Technical Secretariat (Main and JTS antennae);
- All other structures/bodies related to development and implementation of the CBC Programme (e.g. Steering /Selection Committee)
- Programme beneficiaries (indirectly).

Concerning the **implementation** of the Measures under the TA Priority, an individual direct grant agreement without call for proposals shall be signed between each of the EC Delegations and the relevant national authorities (Operating Structures or national IPA component II coordinators, as appropriate). The implementation of the Measures may require subcontracting by the national authorities for the provisions of services or supplies.

For the purpose of an efficient use of TA funds, a close coordination between national authorities of the participating countries is required.



3.3 Output and Results Indicators

At Programme Level

Serbia – Bosnia and Herzegovina		
Objectives	Indicator	Measurement
<p><u>STRATEGIC OBJECTIVE</u> 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.</p> <p><u>Overall Objective</u> To stimulate the economies and reduce the relative isolation of the border area by strengthening joint institutional networks and the capacities of human resources</p>	<p>By the end of 2013 cross-border programme, existence of 10 joint co-operation agreements between Serbian and BiH institutions functioning in support of long-term economic and social development of the eligible area.</p>	<p>Number and type of agreements (quantitative and qualitative analysis)</p>
<p><u>Specific Objectives</u></p> <ol style="list-style-type: none"> 1. Improving the institutional frameworks 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 synergies 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 cultural and sporting links and jointly to participate in activities of common interest. 	<p>By the end of 2013 cross-border programme, existence of institutional co-operation between 10 Serbian and BiH public services to jointly address common challenges identified in cross-border cooperation operations.</p> <p>People-to-people actions increase in each year of the cross-border programme's implementation period, demonstrating widening and deepening in the nature, frequency and scale of economic, social and cultural co-operation</p>	<p>Number and type of implemented cross-border projects; number and field of institutional partnerships (quantitative and qualitative analysis)</p> <p>Number of actions 2007, 2008, 2009 plus analysis of cross-border programme reports.</p>



At Priority Level

Objective	Indicator	Measurement
Priority I: Social and economic cohesion through joint actions to improve physical, business, social and institutional infrastructure and capacity.	<ul style="list-style-type: none"> - By the end of 2013 cross-border programme, project Logframe Indicators average at least 75% overall achievement level; - By end of 2009, 85% absorption of cross-border programme financial allocation 	Quantitative and qualitative analysis of cross-border programme reports.
Priority II: Technical Assistance		
Measure II.1: Programme Administration and Implementation	<ul style="list-style-type: none"> - Increased capacity of staff in Operating Structures and JTS - Increased quality of project proposals 	<ul style="list-style-type: none"> - Number of JTS staff recruited; - Number of JTS meetings; - Number of staffing Operating Structures trained; - Number of training events for potential final beneficiaries; - Number of project proposals assessed; - Number of on-the-spot visits carried out; - Number of monitoring reports drafted; - Number of relevant studies/survey carried out; - Number and quality of IT/office equipment
Measure II.2: Programme Information, Publicity and Evaluation	<ul style="list-style-type: none"> - Increased awareness of the programme amongst the general public - Increased awareness of the programme amongst the potential beneficiaries - Improved programme implementation 	<ul style="list-style-type: none"> - Number of publicity materials disseminated - Number of events organized for the publicity and information of the programme - Number of participants at the events organized for the publicity and information of the programme - Number of visits to programme website - Number of news letters produced - Number of evaluations carried out



4. Coherence with other programmes

4.1 Coherence with other Programmes in the Republic of Serbia

This Programme is in line with the main goals and areas of intervention of the following EU and 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.

IPA Multi-annual Indicative Planning Document (MIPD) is the key strategic document for EC assistance to the Republic of Serbia under IPA, with the main strategic objective to support the country in the transition from potential candidate to a candidate country and through to membership of the EU. The main priority and the objectives of the cross-border programme are complementary to the priorities and objectives defined under the CBC component of the MIPD 2007-2009.

National Employment Action Plan of the Republic of Serbia 2006-2008 (NEAP) which sets forth measures and activities for the realization of the National Employment Strategy for the period 2005-2010 with the aim to increase the level of employment, to reduce unemployment, and to overcome the labour market problems, which the Republic of Serbia is facing during the process of its transition to a market-based economy.

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 (AS)- 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.

2005-2010 Tourism Development Strategy, Republic of Serbia, developed by the Ministry of Trade, Tourism and Services, Republic of Serbia, incorporates the first phase report, the competitiveness plan and a strategic marketing plan.

Integrated Regional Development Plan of Vojvodina (IRDP) which is a multisectoral action plan with the main aim of supporting the socio-economic development process of the AP of Vojvodina by stimulation of this process through different integrated measures. The priorities and strategies of the IRDP are to use internal potentials of AP Vojvodina, to



improve the framework for economic development in the region and to improve the quality and use of human resources in the region.

4.2 Coherence with other Programmes in Bosnia and Herzegovina

This Programme is in line with the main goals and areas of intervention of the following EU and national programmes.

EU Integration Strategy of BiH which is the main document that the entire EU accession process will be based on. It indicates basic aims and avenues of action and encompasses a set of general guidelines for work of state and entity institutions and other stakeholders involved in the integration process.

IPA Multi-annual Indicative Planning Document (MIPD) is the key strategic document for EC assistance to BiH under IPA, with the main strategic objective to support the country in the transition from potential candidate to a candidate country and through to membership of the EU. The main priority and the objective of the cross-border programme are in correspondence to the priorities and objectives defined under the CBC component of the MIPD 2007-2009.

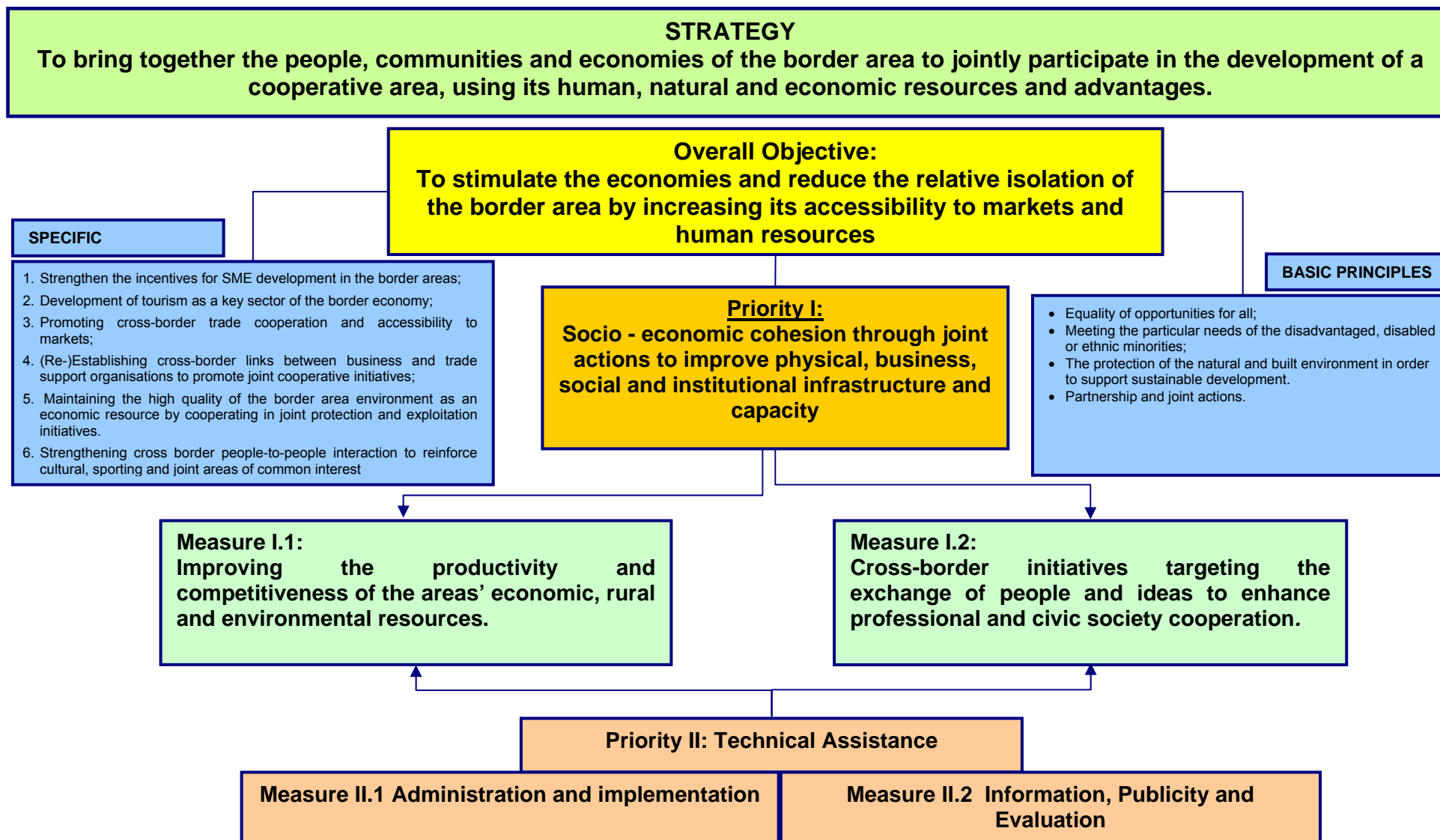
Strategy for Implementation of the Decentralized Implementation System in BiH – The objective of the present paper is to assist DEI's Aid Coordination Division and the Ministry of Finance and Treasury to develop Roadmap for implementation of the Decentralized Implementation System (DIS) in BiH.

Medium-term Development Strategy (MTDS) (previously called Poverty Reduction Strategy Paper - PRSP) for Bosnia and Herzegovina is the medium term document that covers period 2004 – 2007. The strategy is based on accomplishing three ultimate strategic goals: to create conditions for sustainable development, to reduce poverty and speed up the process of EU integrations in Bosnia. This strategy paper also contains a number of sectoral priorities and its corresponding measures. MTDS will be substituted by the NDP (National Development plan), expected to be in place by the beginning of 2008.

National Environmental Action Plan (NEAP), which was prepared with support of the World Bank in both entities in parallel, represents a strategic document for planning sustainable development. It includes list of priority projects in the field environment. In addition, many Local Environmental Action Plans are already in place.



PROPOSED PRIORITY AND MEASURES





SECTION III. FINANCIAL PROVISIONS

The Community contribution has been calculated in relation to the eligible expenditure, which for the cross-border programme Bosnia and Herzegovina and the Republic of Serbia is based on the total expenditure, as agreed by the participating countries and laid down in the cross-border programme.

The Community contribution at the level of priority axis shall not exceed the ceiling of 85% of the eligible expenditure.

The provisions of Article 90 of Regulation (EC) No 718/2007 (OJ L170 29.06.2007) (IPA Implementing Regulation) apply.

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

PRIORITIES		Serbia				Bosnia and Herzegovina			
		Community funding	National funding	Total funding	Rate of Community contribution	Community funding	National funding	Total funding	Rate of Community contribution
		(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)	(a)	(b)	(c) = (a)+(b)	(d) = (a)/(c)
2007	1 -Economic & Social Development	990,000	194,100	1,184,100	83,60%	630,000	123,500	753,500	83,60%
	2 -Technical Assistance	110,000	19,412	129,412	85.00%	70,000	12,353	82,353	85.00%
	TOTAL	1,100,000*	213,512	1,313,512	83.70%	700,000**	135,853	835,853	83,70%
2008	1 -Economic & Social Development	990,000	194,100	1,184,100	83,60%	630,000	123,500	753,500	83,60%
	2 -Technical Assistance	110,000	19,412	129,412	85.00%	70,000	12,353	82,353	85.00%
	TOTAL	1,100,000	213,512	1,313,512	83.70%	700,000	135,853	835,853	83.70%
2009	1 -Economic & Social Development	990,000	194,100	1,184,100	83,60%	630,000	123,500	753,500	83,60%
	2 -Technical Assistance	110,000	19,412	129,412	85.00%	70,000	12,353	82,353	85.00%



Cross-border Programme



	TOTAL	1,100,000	213,512	1,313,512	83,70%	700,000	135,853	835,853	83,70%
GRAND TOTAL		3,300,000	640,536	3,940,536		2,100,000	407,559	2,507,559	

* Serbian bigger allocation is the result of the importance and priority, the Republic of Serbia is giving to the cross-border cooperation program with Bosnia and Herzegovina, as well as the consequence of more funds available due to the absence, in 2007, of CBC programme at border with the former Yugoslav Republic of Macedonia.

** Bosnia and Herzegovina has decided to allocate more of its IPA Component II funds to the longer border with Croatia



SECTION IV. IMPLEMENTING PROVISIONS

The Implementing provisions for the Serbia – Bosnia and Herzegovina IPA Cross-border Programme have been designed on the basis of Commission Regulation (EC) No 718/2007¹ (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 (European Commission Delegations).

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

1.1 National IPA Co-ordinators

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 the IPA–Component II programmes are as follows:

Serbia	Bosnia and Herzegovina
Ministry of Finance department in charge of Programming and Management of EU funds and Development assistance Kneza Milosa 20 11000 Belgrade	Directorate for European Integration Council of Ministers Trg BiH 1 71 000 Sarajevo

¹ OJ L170, 29.06.2007, p.1.



1.2 Operating Structures

Introduction

The operating structures of the beneficiary countries under the Serbia - Bosnia and Herzegovina IPA Cross-border 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 cross-border programme Serbia – Bosnia and Herzegovina, 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.

Operating Structures in the IPA cross-border programme Serbia – Bosnia and Herzegovina

Pursuant to the OS functions (as defined by IPA Implementing Regulation) the Operating Structures of IPA cross-border programme Serbia – Bosnia and Herzegovina have, *inter alia*, the following responsibilities:

- Preparing the cross-border programme in accordance with Art 91 IPA Implementing Regulation;
- Nominating their representatives to the joint monitoring committee (JMC);



- 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 (JMC)

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 JMC. The composition of the JMC includes representatives of the two beneficiary countries, Serbia and Bosnia and Herzegovina, 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 countries 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 Committee's 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). Decisions of the Committee 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 a 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 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 EC Delegations (contracting authorities) through the OS. 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 EC Delegations. 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

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, 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 IPA Cross-border Programme Serbia - Bosnia and Herzegovina, the JTS will be established by joint agreement between the two Operating structures. Details will be set out in this agreement.

The Joint Technical Secretariat (JTS) is responsible for the day-to-day implementation of the Programme.

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 Uzice, Republic of Serbia. An antenna in Bosnia and Herzegovina will operate in Tuzla.

The JTS shall be lead by the Head of Secretariat. The JTS shall have international staff, including both Bosnian 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 – Bosnian/Serbian and English.

The operation of the JTS and its antenna, including staffing costs (with the exception of salaries of public officials), shall be funded from the Technical Assistance Priority Axis. More detailed rules on the operations of the JTS shall be included in a bilateral agreement between the OSs.

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 Bosnian OSs 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 Cross-border 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 OSs, 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 OSs, standardized 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 OS meetings and training events.

1.5 Contracting Authorities

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

Serbia	Bosnia and Herzegovina
Delegation of the European Commission to Serbia Krunska 73 11 000 Belgrade Serbia Telephone: +381 11 30 83 200 Fax: +381 11 30 83 201	Delegation of the European Commission to Bosnia and Herzegovina Dubrovacka 6 71000 Sarajevo Bosnia and Herzegovina Phone: +387 33 254 731 Fax: +387 33 666 037

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 Community contribution to the final beneficiaries participating in the part of the operation taking place in the respective country;
- It shall ensure that the expenditure presented by the final beneficiaries participating in the part of the operation taking place in the respective country has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the final beneficiaries participating in the operation.

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

Responsibilities of other beneficiaries

Each beneficiary participating in the operation shall:

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



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

Functional Lead Partner

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

The Functional Lead Partner is:

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

2. 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 Cross-border programme, followed by more focused info days, workshops and partner search events in the context of calls for proposals. 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 - Bosnia and Herzegovina will 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. In view of the nature of the projects (cross-border co-operation) and the IPA Implementing Regulation (Articles 95 and 140) minor adaptations of standard PRAG rules are required.

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

The 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 IPA Cross-border Programme Serbia - Bosnia and Herzegovina. 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 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 - Bosnia and Herzegovina, the OSs shall submit to the Commission and the respective national IPA coordinators, an annual report on the implementation of the cross-border programme after examination by the Joint Monitoring Committee.

After examination by the JMC, the OSs shall also submit to the Commission and the respective national IPA coordinators, 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.

As a general principle, lead beneficiaries will send on a quarterly basis to the JTS written reports with information on project progress, including a financial report.

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

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:

- 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.