

Instrument for Pre-Accession (IPA)

Cross-Border Programme

Croatia – Montenegro

2007-2013

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Abbreviations

CADSES	Central Adriatic Danube South European Space
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CFCU	Central Finance and Contracting Unit
CODEF	Central Office for Development Strategy and Coordination of EU Funds (Croatia)
EAR	European Agency for Reconstruction
EC	European Commission
ECD	European Commission Delegation
ERDF	European Regional Development Fund
EU	European Union
FLP	Functional Lead Partner
GDP	Gross Domestic Product
GfA	Guidelines for applicants
GNI	Gross National Income
GAV	Gross Added Value
HROP	Human Resources Operational Programme (Croatia)
Ha	Hectares
HE	Hydroelectric Power Plant
ICT	Information, Communications Technology
IMWG	Inter-ministerial working group (in Croatia)
IPA	Instrument for Pre-accession
IUCN	International Union for the Conservation of Nature and Natural Resources
JDT	Joint Drafting Team
JMC	Joint Monitoring Committee
JPC	Joint Programming Committee
JSC	Joint Steering Committee
JTS	Joint Technical Secretariat
MIFF	Multi-annual indicative financial framework
MSTTD	Ministry of Sea, Tourism, Transport and Development (Croatia)
NAO	National Authorising Officer
NGOs	Non Government Organisations
NIPAC	National IPA Coordinator
NLB	National Lead Beneficiary
NUTS	Nomenclature of Territorial Units for Statistics
OS	Operating Structure
Phare	Poland and Hungary Assistance for the Reconstruction of the Economy
PCB	Poly-chloride Biphenyl
PRAG	Practical guide to contract procedures for EC external actions
R&D	Research and Development
RCOP	Regional Competitiveness Operational Programme (Croatia)
ROP	Regional Operational Programme
SFRJ	Socialist Federative Republic of Yugoslavia
SMEs	Small and Medium Sized Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	United Nations World Tourism Organisation

SECTION I. INTRODUCTION AND SUMMARY

1.1 Introduction to the Cross-border Programme

This document describes the cross-border programme between Croatia and Montenegro which will be implemented over the period 2007-2013. This strategic document is based on a joint planning effort by the Croatian and Montenegrin parties. The programme is supported by component II (cross-border cooperation) of the EU 'Instrument for Pre-Accession' (IPA), under which 2,7 M€ have been allocated for its first 3 years. In addition, slightly over 0.5 M€ will be provided by the partner countries, mostly from the programme's beneficiaries in the border region.

The programme target area is the area of the common Croatian-Montenegrin border. The units concerned are the territorial units on the NUTS III level in Croatia and municipalities in case of Montenegro. The main challenges of the cross-border area are the impact of globalization on regional economy, the introduction of new quality and legal standards as a part of EU accession process, the need to develop competitive economy based on knowledge and new technologies without which regions and business sector are not competitive against bigger markets, environmental challenges and challenges in relation to reestablishment of social, cultural and economical connections between two countries which were destroyed because of war in the nineties. This programme addresses the need to re-establish and strengthen cross-border connections with the aim of promoting good neighbourly relations and the sustainable economic and social development of the border areas. This is in line with the objectives of the cross-border cooperation component of IPA (Article 86, IPA Implementing Regulation).

1.2 The Programming Area

The programming area is made up of 'eligible' and 'adjacent' regions as defined by Articles 88 and 97 of the IPA Implementing Regulation. These regions, which were decided in a meeting of the Joint Programming Committee (see Section 1.4) held on 30/03/07 in Kotor, are listed below.

Table 1.1: Eligible and Adjacent areas for Croatia and Montenegro

Croatia (NUTS III, Counties)		Montenegro (Municipalities)	
Eligible area (Art. 88)	Adjacent area (Art. 97)	Eligible area (Art. 88)	Adjacent area (Art. 97)
Dubrovnik-Neretva County	Split-Dalmatia County	Herceg Novi Kotor Tivat Budva Bar Ulcinj Cetinje	Nikšić Podgorica Danilovgrad

The Croatian eligible region is Dubrovnik-Neretva County which has land and marine border with Montenegro. The Montenegrin eligible regions are coastal municipalities of Herceg Novi, Kotor, Tivat, Budva, Bar, Ulcinj and municipality of Cetinje, the only municipality which is not situated on the coast but is included as an eligible municipality due to its close connections and gravitation toward the costal area.

In addition the programming area extends to 1 Croatian county and 3 Montenegrin municipalities (see Table above). The reason for the extending the programme to these areas is that they provide to the eligible area services of utmost importance (e.g. health, educational, R&D services, as well as transport services in terms of connecting the eligible area in the national and international traffic systems) and have similarities with the eligible area in terms of demographic, economic and geographic characteristics. Additionally, its inclusion in the Programming area ensures reciprocity regarding the size of population and surface area of the Programming area on each side of the border.

1.3 Experience in Cross-border Cooperation

Previous experience of Croatia with cross-border and trans-national projects and programmes:

Projects carried out:

- **CARDS 2001 'Strategy and Capacity Building for Border Region Co-operation'** (Identification of future projects on borders with Serbia, Montenegro, Bosnia & Herzegovina)
- **CARDS 2002 'Strategy and Capacity Building for Regional Development'** (Institutional arrangements for management of CBC)
- **CARDS 2003 'Local Border Regional Development'** (Grant scheme with Slovenia)
- **CARDS 2003 'Technical Assistance for Management of Neighbourhood Programmes'** (Support to JTS for trilateral programme Croatia-Slovenia-Hungary)

Projects currently under implementation:

- **CARDS 2004 'Institution and Capacity Building for CBC'** (Support for MSTTD¹)
- **CARDS 2004 'Border Region Co-operation'** (Grant scheme with Bosnia & Herzegovina, Serbia and Montenegro)
- **Phare 2005 'Cross-Border Cooperation between Croatia, Slovenia and Hungary'** (Trilateral grant scheme)
- **PHARE 2005 'Adriatic Cross-Border Cooperation between Croatia and Italy, Phare CBC / INTERREG III A - Adriatic New Neighbourhood Programme'** (Grant scheme)
- **Phare 2006 'Cross-Border Cooperation between Croatia, Slovenia and Hungary'** (Grant scheme)
- **Phare 2006 'Adriatic Cross-Border Cooperation between Croatia and Italy, Phare CBC / INTERREG III A - Adriatic New Neighbourhood Programme'** (Grant scheme)
- **Transnational Programme CADSES** (Grant scheme) – (Croatian partners were included into 9 projects)

Previous experience of Montenegro with cross-border and trans-national projects and programmes:

- **CARDS 2006 INTERREG IIIA Adriatic New Neighbourhood Programme** (on the last Call for proposal under Adriatic programme the Steering Committee in L'Aquila on 25 January 2007 selected 12 projects in which Montenegrin partners took part)
- **Transnational Programme CADSES** (Montenegrin partners were included in 2 projects).

Joint Montenegro - Croatian projects:

¹ MSTTD: Ministry of Sea, Tourism, Transport and Development

- **CARDS 2006 INTERREG IIIA Adriatic New Neighbourhood Programme**
(Montenegro took part in 9 projects with Croatian partners within this multilateral Programme on the last Call for proposal)
- **CADSES**
(Under the 4th Call for project proposals the project partners from Croatia and Montenegro participated and cooperated in the project **PlanCoast** – Spatial Planning in Coastal zones)

Whilst both countries have experience of EU funded cross-border cooperation (CBC) programmes with other countries, they have limited experience of such cooperation with each other. Over the period 2004-6 only the grant scheme '*Cross-Border Regions Co-operation with Serbia, Montenegro, Bosnia & Herzegovina*' (funded from the Croatian CARDS 2004 allocation) was targeting cooperation between candidate countries and potential candidate countries. This grant scheme is still under evaluation and the exact number of grants to be awarded is still unknown.

On the governmental level cooperation between two countries is enhancing, especially since Montenegro became an independent country. Until now several bilateral agreements have been signed (see Annex II, Table 1.2.).

1.4 Lessons learnt

Croatian stakeholders had their first opportunity to participate in cross-border projects in 2003 under the cross-border cooperation programmes with Hungary, Slovenia and Italy. Thanks to those initial cross-border projects, Croatian partners gained knowledge and skills from their cross-border partners, and built capacities to independently prepare and implement CBC projects in the future.

With the introduction of the New Neighbourhood Partnerships 2004-2006, funding available for Croatian partners increased, and therefore interest of many local stakeholders along the borders with Hungary, Slovenia and Italy increased as well.

In the first calls for proposals under NP Slo/Hu/Cro and NP Adriatic, a number of municipalities and civil society organisations successfully engaged in cross-border cooperation with their partners demonstrating their capacity to prepare and implement EU funded projects.

In the second round of calls for proposals under the two NPs, an even larger number of project proposals were submitted. However, only a small number of applications were of satisfactory quality.

One can therefore conclude that interest and capacities exist to a certain extent in areas bordering Member States. However, the latter need to be strengthened especially having in mind the increased level of resources available under IPA cross-border programmes.

On the other hand, Croatian stakeholders on eastern borders (with non-MS) have very limited experience in cross-border cooperation. Croatian counties bordering BiH, Serbia and Montenegro had their first opportunity to apply for small CBC projects in the second half of 2006. It is evident from this experience that there is a general lack of knowledge and capacity for project preparation and management, and local stakeholders found it difficult to find partners on the other side of the border.

It can be concluded that counties bordering MSs have more capacities for and knowledge of CBC than counties bordering non-MSs whose experience is still minimal or non-existing. Under existing programmes, project beneficiaries mostly dealt with small size projects. The relatively higher grant allocation, which will be

available under IPA cross-border programmes will represent a real challenge for many local stakeholders whose financial capacity remain small.

In terms of capacity for cross-border project preparation and management, the situation in Montenegro is more-less similar to described situation in Croatia. Moreover, until 2006 Montenegro was a part of Union of States with Serbia and therefore all experience regarding cross border cooperation was mainly related to programmes where these two countries participated as one country. First experience of Montenegro was participation within INTERREG IIIA Adriatic Programme. Through those initial cross border projects Montenegrin partners gained opportunity to start increasing awareness of cross border programmes and start achieving the knowledge and skills from their cross-border partners. However, there is still low capacity in project preparation of final beneficiaries (particularly in the northern part where almost no activities have been carried out). Having this in mind it is important to stress that specific trainings of potential applicants will be essential for this programme. Furthermore, it is important to mention that several municipalities and civil society organizations, located in south and central part, have been partners in implementation of projects within the programme.

Although awareness was reached it is necessary to continue with creation of cross border structures, intensive communication and provision of information in order to provide establishment of operational and sustainable cross-border partnerships. Therefore, very important issue is providing trainings for writing and implementation of projects relating to programme.

1.5 Summary of Joint Programming Process

The programming process started on 19th of February 2007 with the first preparatory meeting of the national institutions responsible for the IPA component II, during which the process of programme elaboration was discussed and agreed between the two sides. The process was lead by two bodies established for that purpose and with specific responsibilities: the *Joint Programming Committee (JPC)* and the *Joint Drafting Team (JDT)*.

The first meeting of the *Joint Programming Committee (JPC)* was held on 1st of March 2007 in Zagreb when that Committee and Joint Drafting Team were officially established (the composition of the JPC, JDT and partnership groups is given in Annex I.) and during which their rules of procedure, mandate and membership were adopted. The 2 joint structures so created have the following descriptions and tasks:

The Joint Programming Committee (JPC) is a joint decision-making body established at the beginning of the programming process, whose mandate lasts from the beginning of the programming process until final submission of the JPD to the European Commission. JPC consists of representatives from national authorities in charge of IPA component II and regional authorities from the bordering regions eligible for participation in the Programme. Members are nominated and authorised by respective institutions and were approved at 1st PC *Joint Programming Committee*

Main tasks of JPC:

- Confirm members of the JPC once they are nominated by each country
- Agree on working procedures of the JPC (adoption of Rules of Procedure)
- Discuss and reach agreement an all phases of programme preparation
- Give clear guidelines to the Joint Drafting Team on the preparation of the programme and its annexes
- Ensure timely preparation of all phases of the programme and relevant annexes

The Joint Drafting Team (JDT) is a joint technical body established by the JPC at the beginning of the programming process whose mandate lasts from the beginning of the programming process until adoption of the final programme by the JPC. The JDT is composed of representatives from the national institutions in charge of cross-border cooperation, contracted TA and representatives from regional authorities. The core JDT work (see below) was done by the representatives of the national institutions and TA. The regional representatives were responsible for ensuring the accuracy of regional data and its analysis.

Main tasks:

- Compile all relevant data for the elaboration of the programme
- Draft texts for all chapters and relevant annexes in accordance with JPC guidelines
- Organise and conduct a consultation process with all relevant institutions from the national, regional and local levels
- Improve texts according to a partnership consultation process (see below) and inputs from the JPC
- Timely preparation of all relevant documents (draft texts) for JPC meetings

In addition to the representatives from local, regional and national government included in the memberships of the JPC and JDT, arrangements were made to consult with a wider partnership drawn from the public, civil and private sector by means of regional workshops and questionnaire surveys. In Croatia such representation was secured through involvement of Inter-ministerial working group (the composition of the Inter-ministerial working group-IMWG is given in Annex I) and representatives from Dubrovnik-Neretva County. Representatives from the County were mainly members of its County partnership, body that was established through process of drafting Regional Operational Program for Dubrovnik-Neretva County, and in which all main sectors from the County level (public, civil, business) have been represented. On Montenegrin side representatives of all municipalities from the eligible area have been involved in the process as well as respective line ministries, NGOs and other relevant stakeholders who have given necessary inputs, and have estimated draft of the programme having in mind their own responsibilities.

The consultation process has been implemented through two types of procedures: **written procedure** and **meetings/workshops** implemented both on national levels (national consultation processes) and cross-border level. Joint cross-border consultation process has been processed through involvement of Drafting team members and representatives of national, regional and local stakeholders from both sides of the border and through the involvement of JPC members.

The main meetings held during the preparation of the programme are shown below:

	Meeting	Date and place	Outcome
1.	Bilateral meeting between CODEF ² and MSTTD ³ and Secretariat for European Integration (Montenegro)	19 th February 2007, Zagreb, Croatia	<ul style="list-style-type: none"> ▪ Jointly agreed timeframe for programme elaboration. ▪ Defined roles of institution and joint structures
2	1 st JPC and JDT meetings	1 st March 2007, Zagreb, Croatia	<ul style="list-style-type: none"> ▪ Rules of working procedures agreed ▪ Members of JDT and JPC confirmed ▪ Programming area discussed ▪ Agreements on next steps: Plan for compilation and processing of data for the Situation Analysis agreed
3	1 st Croatian National consultation workshop	19 th March 2007, Dubrovnik, Croatia	<ul style="list-style-type: none"> ▪ Presentation and collection of comments on Situation Analysis and on SWOT provided by the partners (local, regional and national level) from Croatian side
4	1 st Montenegrin National consultation workshop	19 th March 2007, Kotor, Montenegro	<ul style="list-style-type: none"> ▪ Presentation and discussion on Situation and SWOT Analysis to the potential beneficiaries
5	2 nd JDT meeting	20 th March, Dubrovnik, Croatia	<ul style="list-style-type: none"> ▪ Joint SWOT discussed and agreed ▪ Suggestions for priorities and measures of the programme
6	2 nd JPC meeting	30 th March, Kotor, Montenegro	<ul style="list-style-type: none"> ▪ Agreement and adoption of the Programming area ▪ Definition of the framework financial allocation for the Programme implementation ▪ Presentation and discussion on the joint situation and SWOT analysis ▪ Guidelines for elaboration of the Programme strategic part
7	JPC consultation - Written procedure	16 th April 2007	<ul style="list-style-type: none"> ▪ Approval of Situation and SWOT analysis
8	2 nd Croatian National consultation workshop	3 rd May 2007, Dubrovnik	<ul style="list-style-type: none"> ▪ Priorities, measures and activities discussed and agreed ▪ Estimate of financial allocations per measure and delivery mechanisms
9	2 nd Montenegrin National consultation workshop	3 rd May 2007, Kotor, Montenegro	<ul style="list-style-type: none"> ▪ Presentation and discussion on priorities, measures and financial allocations for each measure
10	3 rd JDT meeting	4 th May 2007, Kotor, Montenegro	<ul style="list-style-type: none"> ▪ Priorities, measures and activities discussed and agreed ▪ Estimate of financial allocations per measure and delivery mechanisms
11	4 th JPC meeting	16 th May 2007, Zagreb, Croatia	<ul style="list-style-type: none"> ▪ Adoption of Strategic part of programme ▪ Presentation and discussion of main issues on the Implementing Provisions ▪ Guidelines for further elaboration of the Implementing Provisions
12	JDT consultation: Written procedure	18 th May 2007	<ul style="list-style-type: none"> ▪ Finalisation of Implementing Provisions
13	4 th JPC meeting	28 th May 2007. Zagreb, Croatia	<ul style="list-style-type: none"> ▪ Adoption of the Programme document final draft

Donor co-ordination

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 International Financing Institutions in Croatia and Montenegro to provide their comments regarding the draft cross-border co-operation programmes submitted to the Commission.

² CODEF: Central Office for Development Strategy and Coordination of EU Funds, Zagreb

³ MSTTD: Ministry of Sea, Tourism, Transport and Development, Zagreb

1.6 Summary of the proposed Programme Strategy

The vision of the programme has been defined as follows:

Cross-border area between Croatia and Montenegro is recognized as a region for high quality of life and one of the most successful European tourist destinations because of its unique and preserved natural resources, cultural and historical heritage and high quality of services, as well as a region in which socio-economic partners are empowered to achieve and manage the optimal development potential of the area.

The overall objective of the Programme is:

☛ Improved quality of life in cross border area between Croatia and Montenegro

This objective will be achieved through the implementation of actions under the following set of programme priorities and measures:

Priority 1 Creation of favourable environmental and socio-economic conditions in the programming area by improvement of the co-operation in the jointly selected sectors and good neighbourly relations in the eligible area	Priority 2 Technical Assistance
Measure 1.1: Joint actions for environment, nature and cultural heritage protection	Measure 2.1: Programme Administration and Implementation
Measure 1.2: Joint tourism and cultural space	
Measure 1.3: Small cross-border community development projects	
Horizontal Themes: Cross-Border Capacity Building Equal opportunities Gender equality and gender mainstreaming Sustainable development and environment protection	

SECTION II. ANALYSES FOR CROSS-BORDER PROGRAMMES

2. Description of the Programming Area

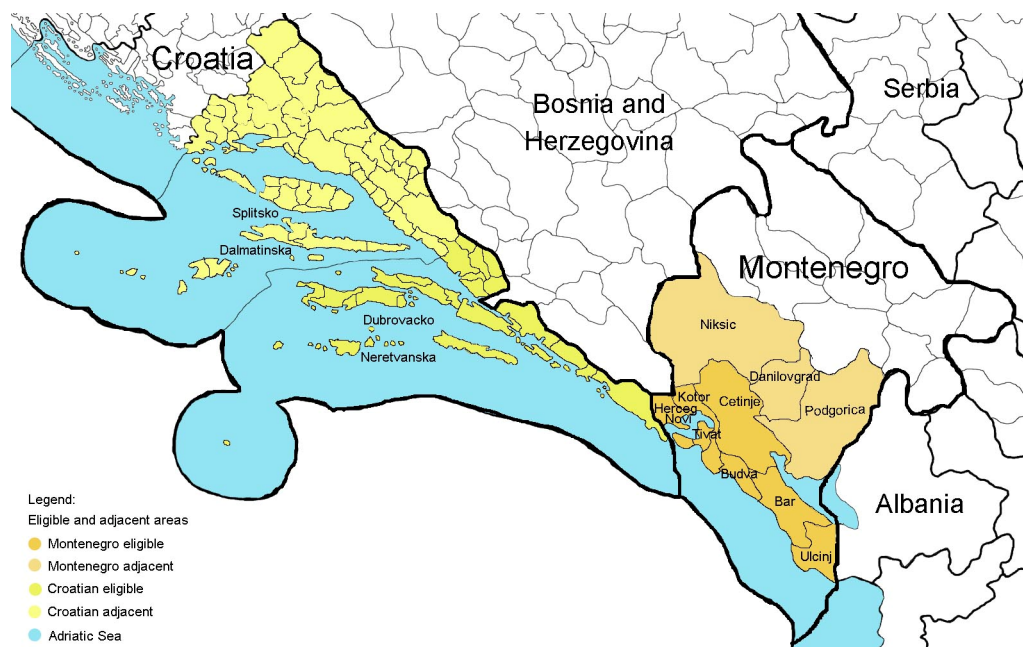
2.1 Eligible and Adjacent Area

The programme target area is the area of the common Croatian-Montenegrin border. The units concerned are the territorial units at a level corresponding to NUTS III classification in Croatia and municipalities in the case of Montenegro. Eligible area covers 1 (NUTS III equivalent) region in Croatia and 7 municipalities in Montenegro while adjacent regions cover also one (NUTS III equivalent) region in Croatia and 3 Montenegrin's municipalities.

Table 2.1: Eligible and Adjacent areas for Croatia and Montenegro

Croatia (NUTS III, Counties)		Montenegro (Municipalities)	
Eligible area	Adjacent area	Eligible area	Adjacent area
Dubrovnik-Neretva County	Split-Dalmatia County	Herceg Novi Kotor Tivat Budva Bar Ulcinj Cetinje	Nikšić Podgorica Danilovgrad

Map 1: Eligible and adjacent area in Croatia and Montenegro



2.2 Description and Analyses of The Border Region

2.2.1 History

The biggest part of today's Dubrovnik-Neretva County used to be a part of The Republic of Dubrovnik which has officially been abolished in 1808 and became a part of Croatia, Slavonia and Dalmatia State union and consequently of the Austro-Hungarian Monarchy. Montenegrin part of eligible area was a part of independent kingdom from the late Middle Ages until 1918. After the Second World War both countries were part of Socialist Federative Republic of Yugoslavia (SFRJ). In 1991 Croatia has become an independent country while Montenegro remained in federation with Serbia until 2006 when, on June 3rd, the Parliament of Montenegro declared the independence of Montenegro, formally confirming the result of the referendum on independence. After dissolution of SFRJ and at beginning of the Homeland War, Croatian part of the eligible area was exposed to serious bombing and has suffered severe direct and indirect war damages that are still visible and can be felt in different ways.

2.2.2 Demography

In general, aging of population and concentration of population in urban and coastal areas as main labour centres are the main characteristics of the eligible area. In terms of demographic trends there are differences between Croatian and Montenegrin part of the eligible area. According to last Census (2003), number of inhabitants in Montenegrin part increased for 15% compared to situation in 1991 while in Dubrovnik-Neretva County the population decreased by 1,4% (making comparison between two censuses 1991-2001, see Annex III, Table 2.2).

In that terms Dubrovnik-Neretva County follows the present trend of depopulation in Croatia but the rate of depopulation in the county is still lower than for the whole Croatia. In adjacent regions of the both countries the situation in terms of population change more-or-less follows the pattern of their parts of the eligible area. In Dubrovnik-Neretva County natural growth is not as significant as in Montenegrins municipalities and in last few years it slightly varies from decline to growth. In addition to natural decline (or very low natural growth) registered in last couple of year (see Annex III, Table 2.3), in Dubrovnik Neretva County, mainly due to the consequences of the war, there are parts of municipalities and cities that are practically abandoned. The consequences of the Homeland war speeded up negative demographic processes in some parts of the County (e.g. in the areas bordering Bosnia and Herzegovina) especially in the eastern part of the hinterland and on some islands (aging population). In both countries demographic processes reflect mostly differences in development of their areas.

2.2.3 Ethnic Minorities

In terms of ethnic belonging, there is also a difference on both sides of the border. While in Dubrovnik-Neretva and Split-Dalmatia County high degree of ethnic homogeneity is visible, in Montenegrins municipalities heterogeneity is present. In Croatian part of the programming area the main ethnic minorities are Serbs and Bosnians and in Montenegrin part these are Serbs, Albanians, Croats and Moslems (see Annex III, Table 2.4)

In the past in some of the coastal parts of Montenegro Croat population were significant and now days most of the Croats that live in Montenegro are settled in the coastal municipalities (e.g. Tivat, Kotor).

2.2.4 Geographical Description

The programming area covers continental surface of 12.829km² (6321km² in Croatia and 6508km² in Montenegro). Croatian part of the eligible area is located in the far

south of the Republic of Croatia and it takes 3,15% of the continental territory and 22,56% of the sea territory of the Republic of Croatia. It is located predominantly alongside state continental or sea border. The continental part borders Bosnia-Herzegovina (majority of the territory) and Montenegro (in the municipality of Konavle). The state border on the territorial sea (sea border) touches Republic of Italy (island areas), Montenegro and Bosnia-Herzegovina (area around Neum). Montenegrin part of the eligible area located in the south-west of Montenegro and it takes 2501km² of the territory of the Republic of Montenegro. The border line between Croatia and Montenegro is in length of 25km on land and 27km on sea⁴. There are two border crossings between Croatia and Montenegro. Montenegro has land border with Serbia, Bosnia-Herzegovina and Albania while sea border touches, apart from Croatia and Albania, Italy, as well.

2.2.4.1 Mediterranean

The major part of the programming area belongs to Mediterranean geographical region (except Montenegrin part of adjacent region that belongs to Dinaric Mountains) and possesses all characteristics of Mediterranean climate. Summers are hot with periods of drought, while other periods are characterized by ample rain and moderate temperatures. Due to such climate conditions and specific Mediterranean vegetation, fires are very often during summer time. Since fire-fighting is not on the satisfactory level, fires cause major problems to people but also to vegetation and natural and cultural heritage. Montenegrin part of the eligible area is famed for its sandy beaches and abundant sub-tropical vegetation. It is divided from the rest of the country by the high Dinaric Mountains of Orjen, Lovćen and Rumija that rise steeply from the sea, forming a magnificent background to the coastal strip, but at the same time representing an obstacle to communications between the coastal and inland parts of Montenegro. Dubrovnik area can be divided into three main parts: islands, coastal part and hinterland. The coast is 1.024,63 km long, well-indented and varies from protected bays with sand beaches of exotic beauty to steep coast line with cliffs exposed to the open sea. Delta of Neretva (as a part of hinterland) is the most fertile soil surface in Adriatic part of Croatia. On island part the terrain is of great porosity due to Debris – Dolomits substance, thus there are no surface streams and fertility of soil surface is not so high.

The landscape diversity is complemented by the biological diversity on the continent and sea, which puts the area among the unique ones in the Mediterranean. Natural conditions of the area are favourable for growing early vegetables, wine, fruit and flowers growing and *mariculture*.

2.2.5 Infrastructure

General overview

The infrastructure within the programming area differs on both sides of the border. In Montenegrin part it is obsolete, due to lack of investment. Roads and railways are in very bad condition while port equipment, airstrips dams are in slightly better condition. Supply of drinking water is also inadequate in the Montenegrin part the eligible area. On the Croatian side infrastructure conditions are better but there is also room for improvement (e.g. road infrastructure, infrastructure related to waste and waste water management). Generally, communal and other supporting infrastructure within the programming area, as key factors in developing tourism as one of the main sectors in the area and creating a stable economic setting in which

⁴ source: Central Bureau of Statistics RH, Statistical yearbook 2006

small and medium-sized enterprises are able to thrive, should be considered as priority area in terms of focusing development actions in the near future.

2.2.5.1 Energy

The main source of electric power of Dubrovnik-Neretva County is the exploitation of the rivers and there are no major problems in power supply. The largest producer of power is HE "Dubrovnik", high-pressure derivational power plant, which underground winding engine house is placed on the mere coast near the place Plat.

Montenegrin part of the area, as well as the whole country, has a great potential for providing uninterrupted supplies of power thus reducing its dependence on foreign power supplies. Apart from the mentioned dependence, there is also a problem in consuming of more than half of disposable electric energy in Montenegro by Kombinat Aluminijuma Podgorica.

2.2.5.2 Transport

A modern transport network is one of the most important factors enabling economic development and connections on all levels (local, regional and international), as well as cross-border cooperation.

In terms of road transport system, roads in the whole programming area are mainly in a bad condition, primarily used for internal connections and almost all have bad transport-technical elements, and thus require reconstruction and modernization. Road transport network on the area of the Dubrovnik-Neretva County is comprised of 17 state roads, 31 county roads and 65 local roads⁵ (length of the roads in Croatian part of the Programming area can be seen in Annex III, Table 2.5). Road connection between the area and rest of Croatia (and beyond) is poor because there is no road, which would connect the utmost south of the Republic of Croatia and its capital Zagreb and other parts of the state in an optimal way. Traffic Development Strategy foresees that remaining 65 km of motorway from Ploče to Dubrovnik needs to be built in order to connect Dubrovnik with Split and rest of the Croatia.⁶

Road network in Montenegro includes 850 km of highways, 950 km of regional roads and very extensive network of country roads (5,300 km) (data on length of roads are not available per municipalities). In recent years road connection between Podgorica and the coastal towns have improved significantly with the completion of Sozina tunnel, which shortened the journey from Podgorica to Bar to less than half an hour and made the trip significantly safer. The great opportunity for the programming area is construction of Adriatic –Ionian corridor which would open road communication between south-eastern Europe and middle Europe and connect south-west and south-eastern Europe

The major road link between Croatia and Montenegro is E65/E80/Route 2.

In terms of railway transport, in Dubrovnik-Neretva County there is only one railway line, which passes from Ploče through Metković towards Sarajevo and further to the Central Europe. It is a part of the Corridor Vc (Budapest–Osijek–Sarajevo–Mostar–Metković–Ploče) and as such of great importance as the nearest connection of the Central Europe and the Mediterranean Sea (length of the railways in Croatian part of the Programming area can be seen in Annex III, Table 2.6; information on length of railways per municipalities are not applicable for Montenegro). Important railway connections in Montenegrin part of the programming area are those which connect

⁵ Undertaken from ROP of Dubrovnik-Neretva County

⁶ Croatian Chamber of Economy, Transport and Communications Department, Report 2006, http://www2.hgk.hr/en/depts/transport/ceste_zeljeznice_zracni_2006.pdf

the Port of Bar with Podgorica and Podgorica with Niksic. The railway Podgorica–Nikšić is used only for freight, while railway Bar–Podgorica is used for both transport of passengers and freight. There is no railway connection between Croatia and Montenegro

2.2.5.3 Seaports

Due to the geographical position of the eligible are, sea transport system is the important one. The two ports located in the Dubrovnik-Neretva County are of particular (international) importance for the Republic of Croatia: passenger port «Gruž» and freight port «Ploče».⁷ The catchments areas of Dubrovnik are reduced to a narrow hinterland area, which makes them in regards to traffic only locally important. Dubrovnik is the only port that is not connected with the inland by rail. Dubrovnik Port will build a modern passenger terminal for scheduled passenger ships and cruise ships on the place of old cargo warehouses. Apart from that, there are a number of ports of county and local importance.

Bar is the major seaport in Montenegrin part of the programming area and in Montenegro as a whole (it accounts for 95% of the total transportation of passengers and freight).

2.2.5.4 Airports

The air transport system is the most important for the eligible area. There are three international airports (Dubrovnik, Podgorica and Tivat airports) but there is no direct line between Podgorica or Tivat and Dubrovnik. Dubrovnik airport has highest number of passengers after Zagreb airport and although this number is increasing every year it is still 35% lower then the pre-war figures.⁸

2.2.5.5 Telecommunications

The telecommunication system within the eligible areas (especially telephone wire-line and wireless connection) can be appraised as satisfactory. The coverage is satisfactory and, in general, the sector is satisfactory developed in terms of technology and human resources as well. Mobile telephony and Internet services are, as well as in other countries, quite propulsive and on the satisfactory level of development.

2.2.5.6 Public utilities (water supply, waste water management, waste management)

Water supply, waste water management and solid waste management are insufficiently developed in the whole programming area, especially having in mind their importance and relation towards tourism industry which is, as mentioned above, one of the key sectors there. In Dubrovnik-Neretva County inhabitants are supplied with water on the level of 83% (see Annex III, Table 2.7; there are no data for Montenegrin part related to water supply per inhabitant per municipality), but since water supply systems are connected just to cities, towns and larger settlements some parts of the County still don't have a water supply system. Water supply system of the significant part of the eligible area is based on pipeline that supplies Dubrovnik-Neretva County and Montenegrin municipality of Herceg Novi and its construction was co financed by citizens of Herceg Novi in a period of joint state of Yugoslavia. The part of pipeline which supplies Herceg Novi is managed by communal company

⁷ According to the Law on maritime good and seaports (Official gazette no.158/03) the ports of high (international) importance for the Republic of Croatia are Rijeka and Ploče (cargo transshipment), and Zadar, Split and Dubrovnik (passenger transport)

⁸ Croatian Chamber of Economy, Report 2006

of Croatian municipality Konavle and regulation of expenses and supply is based on contracts between those two municipalities, but there are still many unresolved issues which cause conflicts and sometimes irregular water supply of Herceg Novi area.

Furthermore, large part of the area is not covered by sewage networks while the constructed sewage systems already in use is not connected to waste water treatment facilities. Connection to public drainage system in Dubrovnik-Neretva County is 41% which is below national average (see Annex III, Table 2.7; there are no data for Montenegrin part related to public drainage system per inhabitant per municipality). Namely, from the whole County, there is only one waste water treatment plant in Dubrovnik. Such situation causes endangerment of surface and ground waters, as well as the sea that are mainly endangered by uncontrolled sluicing of industrial and faecal waste water under the ground and into rivers. In terms of endangerment of surface and ground waters the same applies to Montenegrin part of the programming area. Situation regarding water supply system in the Montenegrin part of the Programming area is quite similar to Croatian part since 85% of households are connected to water supply systems. In terms of waste waters system in Montenegrin part there are 48 % of households connected to waste water system. In Croatian part of the Programming area, most of the occupied dwellings are connected with water supply system installations, electricity installations and sewage system installations (see Annex III, Table 2.8)

In regard to landfills within the eligible area there are 10 official landfills, out of which one is on the Montenegrin side of the border - "Lovanja" – which is the only regional sanitary landfill in Montenegro that was built in line with EU standards for waste management. In Dubrovnik-Neretva County sanitary measures are undertaken only at the landfill of the City of Dubrovnik. Apart from the registered landfills, waste has been deposited in several dumps founded near settlements which often do not have organized collecting of waste (in Dubrovnik-Neretva County organized collecting and removing waste on the County level covers 75 % of inhabitants⁹) and they are not functioning as sanitary landfills. Besides communal waste, there is waste from technological processes in production and services processes which is also not properly treated.

2.2.6 Economic Description

2.2.6.1 GDP

The programming area comprises counties and municipalities with very diverse economic characteristic. On one hand there are relatively developed urban areas and on the other relatively underdeveloped rural areas (e.g. there are significant development differences between City of Dubrovnik and Port Ploče and other areas of Dubrovnik-Neretva County) Compared to Croatian average, GDP per capita of Dubrovnik-Neretva County is below the national average. Data for 2004 show that regional GDP index was 84, 5% of national GDP per capita. However, taking into account this indicator the county is among the richest counties in Croatia and what is more important, according to the development potentials of the County there is a possibility for further growth. The Montenegrin part of eligible area has lower GDP than Croatian part butt it also has a big development potential (according to data form Central bank of Montenegro estimated GDP growth is around 9% un 2007) and it includes some of the richest municipalities in the country (see Annex III, Table 2.9).

⁹ Undertaken from ROP of Dubrovnik Neretva County

2.2.6.2 Agricultural and Rural Development

Intensive agriculture is characteristic of the area with the most favourable natural conditions. Natural conditions (favourable climate, land fertility, and existence of water this region) of the programming area give a possibility of breeding numerous sorts of agriculture cultures: fruits, vegetables, grape wine and olives. Citriculture, olive and wine growing, as well as mariculture are very important in the economic sector of the area. However, the space for better and more intensive exploiting of favourable agriculture conditions is still large. The problems related to agriculture production are small farms and average size of parcels. In that respect there is a possibility within the whole area of enlarging land and exploiting available surfaces by business subjects. One of the problems in relation to small agricultural and food producers is their segmentation, small number of quality certified products and lack of joint presentation on bigger markets which causes their low competitiveness. There is a need to combine agricultural and food production with tourism sector services through support to rural tourism development, integration of producers and service providers, integration into marketing activities of the regions, and quality certification procedures, specially those targeting geographical origin of the products. In Dubrovnik-Neretva County most intensive agricultural production is placed in Neretva basin but is being endangered by increased salinity of the Neretva River. Data on Agriculture population, households and utilized agriculture land can be seen in Annex III, Table 2.10.

2.2.6.3 Industry

The eligible area has been mostly oriented towards the tourism industry and services in general. Shares in Gross Added Value index show that on the Croatian side of the eligible area highest share comes from sector H - Hotels and restaurants (see III, Table 2.11) On Montenegrin side the most important industries are shipbuilding and ship-repairing. The "Adriatic Shipyard Bijela" is the biggest ship-repairing yard in the Southern Adriatic which holds The International ISO 9001:2000 certificate. "Arsenal" from Tivat is a regional leader in ship-repairing business. However, in terms of employment structure by economic sector, services employ more population than industry in the whole eligible area (see Annex III, Table 2.14).

2.2.6.4 SMEs

SME sector is of great importance for the eligible area; data for Dubrovnik-Neretva county show that in 2005 95,96% out of total number of entrepreneurs in the County were small entrepreneurs and they employed around 46% of all employed persons in the County¹⁰. On the Montenegrin side SMEs in the eligible area have 39,3% of all SMEs in the country. Total number of SMEs in the Croatian eligible area in 2004 was 2292 and 5265 in the Montenegrin part of eligible area in 2006 (see Annex III, Table 2.12) The geographical/territorial dispersion is uneven so the most of the SMEs are concentrated around City of Dubrovnik, Budva and Herceg Novi. Data on employment structure in entrepreneurship show that highest number of employees in the whole eligible area is in service sector(s) (see Annex III, Table 2.13).

2.2.6.5 Services

Different kinds of services are mainly developed in the urban parts of the programming area. Administrative, banking, judiciary, education, social and health services are available in major cities. The level of development of different services varies across the eligible area. However, it is worthwhile mentioning that in the area there are universities and colleges, different kind of educational centres that provide

¹⁰ Undertaken from Regional Operational Programme of Dubrovnik-Neretva County 2007-2013

variety of specific courses. Furthermore, only in Dubrovnik-Neretva County there are 5 health centres 1 General and 1 Special Hospital, 1 Institute of public health, 12 Polyclinics, 6 Care organisation, 2 Organisations for occupational health. Some of the services as educational and R&D are provided by the main urban centres within adjacent region, i.e. Split, Podgorica.

The organizational structure of health institutions in Montenegro consists of three levels – primary, secondary and tertiary. The primary level of health institutions in the programming area is consisting of 10 health centres (7 in eligible and 3 in adjacent area), the secondary level includes 4 general hospitals (3 in eligible and 1 in adjacent area) and three specialization hospitals (2 in eligible and 1 in adjacent area), while the tertiary level institution includes the Clinical Centre of Montenegro and Institute for Public Health which are located in Podgorica.

2.2.6.6 Regional and local development

Regional and local development is mainly being managed by regional and local self-government offices and Regional development agency in case of Dubrovnik-Neretva County. Important role in development activities is also in hands of the SME supporting institutions.

Local economic development in Montenegro is highly decentralized with municipalities leading the process. However, many important institutions are still rather linked to the national level. Entrepreneurial activity and private sector development in Montenegro is the priority of the Government and is supported through both governmental and non-governmental institutions including business associations and consulting companies. All of them are however located in Podgorica. There are plans to open 2 business incubators one in Bar and the other one in Podgorica.

2.2.6.7 Tourism

Due to extremely rich natural and cultural heritage, tourism is main economic activity in the Programming area. The area is attractive for cultural, sun-and-beach, rural and eco tourism. Problem that have been encountered in connection with the sector are water supply and tourism supporting infrastructure in general, as well as seasonality and lack of permanent and focused/specified education for labour force in tourism

Number of tourist visits in 2005 in the eligible area reached 1 665 762 of guests (909 400 in Dubrovnik-Neretva County and 756 362 on Montenegrin side) and each year there is an increase in relation to the previous one (e.g. in Dubrovnik-Neretva County increase of 14,1% in relation to previous year but it is significant that there is constant decrease of visits from domestic tourists and increase of foreign tourists.¹¹). Total number of overnight stays in 2005 was 9 534 292 (4 478 500 in Dubrovnik-Neretva County and 5 055 792 in eligible area on Montenegrin side) which is 33.1 guest night per inhabitant¹² (see Annex III, Table 2.15). Dominant tourist centres are Dubrovnik, Korčula, Konavle, Orebić, Budva, Herceg Novi and Bar.

Number of beds in the eligible area is 171 213 in total (55 388 in Dubrovnik-Neretva County¹³ and 115 825 on Montenegrin side). In Dubrovnik-Neretva County tourism income has average of 15% in total economy of the county (Croatian chamber of economy). In relation to the total number of tourists and overnight stays in Croatia, Dubrovnik area has 9% of total number and is on the 4th place after Istra, Kvarner and Dalmatia.¹⁴

¹¹ Regional Operational Programme of Dubrovnik-Neretva County 2007-2013.

¹² Statistical Yearbook of the Republic of Montenegro 2006; Regional Operational Programme of Dubrovnik-Neretva County 2007-2013.

¹³ Statistical Yearbook 2003, Central Bureau of Statistics RH,
http://www.dzs.hr/Hrv_Eng/ljetopis/2003/tabele/45_696_tab.pdf

¹⁴ Croatian Chamber of Economy, Tourism Department, Report 2006

Dubrovnik-Neretva county is leading region in relation to culture tourism, in 2005 the number of visitors of tourist attractions was 1.26 million (18% of visitors in Croatia) and second in rural tourism (after Istria). It has 75 registered tourist rural households (24% of total number of registered rural households in Croatia), but with significantly small number of beds - only 17 or 2% of the total number of beds in Croatian rural tourism industry which shows that further investment in rural tourism enterprises are needed.¹⁵

2.2.7 Human resources

2.2.7.1 Education

The system of education in Dubrovnik-Neretva County is satisfactory but very often educational institutions lack adequate investments which then results with poorly equipped premises and influences realization of requested pedagogic standard. For example just 4 out of 14 secondary schools have gyms. Education level of inhabitants in Dubrovnik-Neretva County is the following: 1,7% of inhabitants is without any formal education, 4% has up to 3 grades of primary school, 9,2 % has up to 7 grades of primary school and 19,3% has finished primary school. 30% of inhabitants has finished vocational schools lasting 1-3 years and schools for skilled and unskilled workers, 16,3 % has finished 4 year vocational school and 5,5 % has finished Grammar school.¹⁶ 5,6% of inhabitants has finished Non-university colleges, I. (VI.) level of faculty or professional study and 7,7% has finished Faculties, art academies and university studies. 0,2 % of inhabitants has Master degree and 0,1% Doctorate (PhD).¹⁷ Education level of inhabitants in Montenegrin part of the Programming area is the following: there are between 6.81% (Budva) and 27.2% (Ulcinj) inhabitants without formal education; between 15.60% (Herceg Novi) and 25.55 (Cetinje) of inhabitants has finished primary school and between 37.86% (Ulcinj) and 59.52% (Tivat) of inhabitants has finished secondary school. In terms of University education attainment, it goes from 9,37% of inhabitants (Danilovgrad) to 16.8% of inhabitants with such kind of education (Podgorica) (see Annex III, Table 2.16).

Major University centres are Dubrovnik and Split and Podgorica (as parts of the adjacent area) but different faculties (e.g. Faculty of Electrical Engineering, Faculty of Mechanical Engineering, Faculty of Metallurgy and Technology, Faculty of Natural sciences and Mathematics, Faculty of Civil Engineering, Faculty of Architecture, Faculty of Economics, Faculty of Marine studies and Faculty Tourism and Hotel Management etc) are also located in Opuzen (RoC), Kotor, Cetinje and Nikšić (RoMN). In Dubrovnik-Neretva County there are 3 higher education and science institutions: University of Dubrovnik, (it offers several academic programs as for example, Aquaculture, Economy, Business economy, Electrical engineering etc.) American college of management and technology which is currently the only private educational institution granting both American and Croatian degrees in Croatia and Department of University of Split in Opuzen – Department for IT and SMEs. The American Colleague of management and technology attends significant number of Montenegrin's students.

2.2.7.2 Employed and unemployed

Analyzing the work capable citizens in the eligible area (men in the age 15-64 and women 15-59), it is noticeable that its share in the total population is around 59% in Dubrovnik–Neretva County and cca. 43% on Montenegrin side of eligible area.

¹⁵ Ibid. footnote 14

¹⁶ Census 2001, Central Bureau of Statistics RH, www.dzs.hr

¹⁷ Regional Operational Programme of Dubrovnik-Neretva County 2007-2013.

52,9% of work capable citizens are employed in Dubrovnik-Neretva County and 67% on Montenegrin side of eligible area (see Annex III Table 2.19.). Percentage of unemployed in Dubrovnik–Neretva county was 18,3% in 2005 which is slightly higher than Croatian national average (Croatian national average in 2005 was 17,9%)¹⁸. Average percentage of unemployed in eligible area on Montenegrin side was 14,4% which is lower than the national average in both countries (Montenegrin national average is 15.05%). Among the unemployed, the biggest share is within population with finished vocational school (70,8% in Dubrovnik-Neretva County, in total 5888 unemployed and cca. 70% in eligible area on the Montenegrin side (see Annex III, Table 2.18.). Share of women in unemployed population is 60,5% (see Annex III, Table 2.17.) in Dubrovnik-Neretva County. Unemployment is distributed unevenly since major towns employ more than peripheral small municipalities/towns. Very often, due to lack of adequate jobs for highly educated people in some parts of the area, these areas are losing their human resource potential.

2.2.7.3 Research and development

In Croatia's part of the Programming area, R&D is mainly concentrated in major urban areas outside the eligible area (e.g. Split). In Dubrovnik-Neretva County there are Research and Development Centre for Mariculture, placed in Zaton Doli (Bistrina Bay) and a branch of Institute of Oceanography and Fisheries.

There are no specific R&D activities linked to any of particular institutions in Montenegro. However, on its way to EU, Montenegro is gradually taking a part in such projects. In the newly defined Strategy for SME development significant attention is given to this subject as well.

2.2.8 Environment and Nature

In the Programming area there are 3 National Parks (National park Mljet, Skadar Lake; Lovćen); 1 Nature Park Lastovsko otočje and two localities under UNESCO protection (Boka Bay; and City of Dubrovnik).

In Dubrovnik-Neretva County protected areas together with the belonging sea cover 25.468,5ha which is 12,42% of land and 3,01% of the sea of the County (see Annex III, Table 2.21). Also, ecological network as protected nature value covers 112.705,48ha of land (63%) and 392.265,07ha of sea (cca 50%). (see Annex III, Table 2.20).

In eligible area of Montenegrin side there is 908 km² of protected area in status of National park but there is no available data on other categories of protection.

Damages to human natural environment along the sea belt are specially caused with the process of urbanization of larger places and dispersion of housing projects that were not accompanied by the construction of communal infrastructure. Main contamination of the sea and beaches is caused by waste waters due to lack of suitable sewage and purification system for waste waters. Biggest industrial contaminator is Aluminium Company in Podgorica which causes contamination of land and under soil waters with PCBs and fluorides. One of the biggest problems in the Programming are lack of monitoring system for air and soil contamination, lack joint cross-border actions and prevention systems in decreasing environmental damages from fires and environmental accidents on sea and land caused by transport of dangerous waste.

¹⁸ Croatian Employment service, Yearbook 2005

2.2.9 Culture in the Eligible and Flexibility/adjacent Areas

Programming area is rich in cultural heritage. There are lot of protected monuments and seaside localities with valuable historical urban communities (Dubrovnik, Korčula, Ston, Cavtat, Orebić, Slano, Lumbarda, Kotor bay with historical town of Kotor and surroundings, Budva, Ulcinj, Bar etc.). Valley of the river Neretva according to the value of the findings (from the Greek and Roman period) as well as the area of the old Dubrovnik Republic deserves the right of priority according to the importance of the locality. Special emphasis is put to the zone of the village Vid, for which it is presumed that it is the broad locality of the Roman metropolis Naron and the broad zone of the City of Dubrovnik, the jewel of construction and civilization of the European and Mediterranean cultural ring from the period of XV to XVII century. In Dubrovnik-Neretva County there are a total of 1 334 registered cultural heritage, 667 of them are immovable cultural goods, 241 of them are moveable cultural goods and 25 are cultural – historical sites. In Montenegrin part of the Programming area there are 24 monuments of the first category of protection and 104 monuments of the second category of protection. In Croatia, the protection of cultural goods (of a legal and expert character prescribed in the provisions of Law on the Protection and Preservation of Cultural Goods, and in accordance with the rules of the conservationist profession) in this County is under jurisdiction of Conservation Department in Dubrovnik. In Montenegro protection of cultural heritage was put on a solid legal basis and its care was given to the specialized organization Institute for Protection of Cultural Monuments. Based on the Law on Protection of Cultural Monuments from 1991, in terms of protection of cultural heritage, municipalities are obliged to take care, maintain and use, and protect monuments from damaging impact of nature and men activities, to make them publicly available, bear the costs of regular maintenance of cultural monuments.

2.2.10 SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Cultural and nature resources suitable for accelerating economic development; 2 cities under UNESCO protection (Dubrovnik and Kotor) and 3 National parks • Long tradition and internationally recognized cultural events and festivals • Three international airports • Improved development of tourism infrastructure (tourist accommodation facilities, food and catering, sport activities);increase in quality of service • World wide known tourist destination • Natural potential for agricultural development and mariculture (specifically eco-agriculture) • Implementation of internationally accredited education program especially at university level (Bologna declaration); • Using almost the same language on both sides of the border 	<ul style="list-style-type: none"> • Isolation due to bad road traffic infrastructure and isolation of islands • Lack of proper waste water treatment and sewerage; • Lack of solid waste dumps and recycling practices; • Problems with water supply and waste water treatment especially during the summer season; • Lack of joint protection programs and actions from dangerous merchandise transported through the region (either by roads or sea) • Inadequate electrical infrastructure • Lack of cross-border cooperation and proper equipment in fire fighting activities • Lack of specialised educational programs in tourism • Depopulation of old town centres • Underdeveloped civil society sector • Destroyed social connections between neighbouring areas • Discrepancies between the regions and municipalities in the area of social and economic development; high inequality in urban and rural development;
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Accessible funds for Cross-border cooperation programs and projects • Availability of pre-accession funds for development initiatives and development of social services • Corridor 5 and Adriatic –Ionian corridor development–development of road infrastructure which would open communication between south-eastern Europe and middle Europe and connect south-west and south-eastern Europe • Opportunity to create and develop integrated tourism product including both coastal and mountain area of the country 	<ul style="list-style-type: none"> • Negative migration trends • Further salinisation of rivers endangering their bio-sustainability • Increased ecological risks due to new road and sea corridors • Impact of pollution from Mediterranean sea

SECTION III

PROGRAMME STRATEGY

3.1. Overall Objective

The cross-border area between Croatia and Montenegro has quite the similar development preconditions characterized with enormous potential for tourism development and rich natural and cultural heritage that provide a solid base for cooperation.

Main challenges of the cross-border area are impact of globalization on regional economy, introduction of new quality and legal standards as a part of EU accession process, extremely competitive global economy based on knowledge and new technologies without which regions and business sector are not competitive on bigger markets, environmental challenges and challenges in relation to reestablishment of social and cultural connections between two countries which were destroyed because of war in 90s. Accordingly, the main impacts of the Programme would be related to establishment of links between the partner countries, development of common understanding of the CBC and its meaning in terms of sustainable economic development and improving capacities for stimulating and managing the development trajectories of the Programming area.

To maximise the level of cross-border cooperation and impact, within the Programme special attention will be given to projects that will:

- a) Improve the collaboration and pooling of experience between local and regional stakeholders in order to increase cross-border co-operation;
- b) Intensify and consolidate cross border dialogue and establish institutional relationships between local administrations and other relevant local or regional stakeholders.
- c) Equip local and regional authorities' actors with information and skills to develop, implement and manage cross-border projects.

All the mentioned challenges will be addressed through Programme's strategic orientation to sustainable development which encompasses: economic development, human resources development, social justice and environmental protection, so that the following Vision can be reached:

Cross-border area between Croatia and Montenegro is recognized as a region for high quality of life and one of the most successful European tourist destinations because of its unique and preserved natural resources, cultural and historical heritage and high quality of services, as well as a region in which socio-economic partners are empowered to achieve and manage the optimal development potential of the area.

Accordingly, **the overall objective** of the Programme is: **To improve quality of life in cross border area between Croatia and Montenegro**, which is inline with understanding of development and prosperity stated in Croatian Strategic Development Framework for 2006-2013 "...A rich Croatia is a country where people wish to live and work, and to which people come in order to live and work because it has preserved what perhaps more developed nations have lost on their way to wealth: a good quality of life, and a fine quality of nature and space. „

This objective is also recognized by Montenegrin strategic documents such as National Strategy for Sustainable Development and Development goals of Montenegro as ecological state where social well being and economic prosperity are put in a balanced manner with environmental protection and sustainable use of natural resources. The basic directions of Montenegrin Master plan for tourism

development and Economic Reform Agenda, as a broader framework for economic development, are also based on improvement of life quality, including progress achievement in the cross border area between Croatia and Montenegro.

According to the situation and SWOT analysis, the long-term opportunities for the programming area are competitive regional economies based on high quality service sector in tourism, efficient protection of the environment, natural and cultural heritage and sustainable use of nature resources, as well as high quality public and social services necessary for community development. On the other side, the problems detected are mainly related to the lack of cooperation and joint actions in the above mentioned areas. This is why Program will support projects which will establish cooperation of the institutions, authorities at local and national level and other eligible entities for common acting and interventions in the areas of tourism, environment, nature and cultural heritage protection and community development, and which at the same time will be focusing on the improvement of the capacities of concerned institutions/partners, in terms of performing cross-border development activities. It is important to note that the scope of the 2007-13 Cross-border Programme is limited by the availability of funding. This means that some of the issues identified in the situation and SWOT Analyses as being of significance for the development of the border region cannot be addressed by this programme (e.g. infrastructure related to transport).

The above objective will be achieved by means of two priorities that will be implemented by 5 separate measures (see 3.5. Summary of priorities and measures):

- Priority 1: Creation of favourable environmental and socio-economic conditions in the programming area by improvement of the co-operation in the jointly selected sectors and good neighbourly relations in the eligible areas
- Priority 2: Technical assistance

Cross-border capacity building has been envisaged as a horizontal theme that will be underpinning Priority 1 and 2 with so that local and regional stakeholders become as much as possible prepared for managing future cross-border programmes under the territorial cooperation objective of the Structural Funds. As such, cross-border capacity building represents an additional Programme's objective and its achievement will be measured by means of the following programme indicators:

- Number of organisations that establish cross-border cooperation agreements
- Number of cross-border networks established aimed at: improving public services; and/or carrying out joint operations, and/or developing common systems
- Number of projects which are jointly implemented and/or jointly staffed

Implementation of Programme's priorities will contribute to general objective by covering majority of areas which are used as life quality indicators: employment, education, social participation, environment and nature, leisure (culture and sports).

¹⁹

¹⁹ European Foundation for improvement of living and working conditions

3.2. Correspondence with EU Programmes and National Programmes

Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-accession Assistance – the IPA Regulation - provides the legal base for this programme and Commission Regulation (EC) No 718/2007 constitutes the IPA Implementing Regulation.

Other EU regulations or documents that have been taken into account in the elaboration of the priorities and measures of this Programme: Council Regulation (EC) No 1083/2003 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing regulation (EC) NO 1260/1999; Council and the European Parliament Regulation (EC) No 1080/2006 of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999; Council decision No 11807/06 of 18 August on Community strategic guidelines on cohesion; Council and the European Parliament Regulation (EC) No 1082/2006 of 5 July 2006 on a European grouping of territorial cooperation (EGTC). Multi-annual Indicative Financial Framework 2008-2010.

The Multi-annual Indicative Planning Document for Croatia for the period 2007 – 2009 indicates that Cross-Border Cooperation, managed through Component II, will support Croatia in cross-border, and trans-national and interregional cooperation with EU and non-EU Member States. It will concentrate on improving the potentials for tourism, creating closer links between border regions and supporting joint environmental protection activities. The Multi-annual Indicative Planning Document for Montenegro for the period 2007-2009 indicates that IPA Component II will support cross-border co-operation programmes with neighbouring candidate and potential candidate countries and Member States. The present programme is consistent with the cross-border objectives expressed in the Multi-annual Indicative Planning Documents for both countries.

National Programmes – Croatia

The programme is in line with main goals and areas of intervention of the following National Programmes;

Strategic Development Framework, which has its main strategic goal defined as: “growth and employment in a competitive market economy acting within a European welfare state of the 21st century“. This goal is to be achieved by simultaneous and harmonised action in 10 strategic areas of which 6 are relevant for this programme, these are:

- ‘knowledge and education’; ‘science and IT’; ‘entrepreneurial climate’ these issues are addressed by programme measure 1.1 (Economic Development)
- ‘environmental protection and balanced regional development’ are addressed by programme measures 1.1 and 1.2 (Environmental Protection)
- ‘people’; ‘social cohesion and justice’ are addressed by programme measure 1.3 (People-to-People’)

Joint Inclusion Memorandum, specifies policy priorities and measures related to social inclusion and fight against poverty. The issue of social exclusion in the programming area is dealt with in the People-to-People measure.

Draft IPA Operational Programme Regional Competitiveness (RCOP) has 2 objectives: (i) to achieve higher competitiveness and balanced regional development by supporting SME competitiveness and improving economic conditions in Croatia’s lagging areas; (ii) to develop the capacity in Croatian institutions to programme and

implement activities supported by the ERDF upon accession. This programme focuses on improvement in the Croatian border regions through economic diversification and complements the RCOP priority 'Improving development potential of lagging areas'. It will also build institutional capacity for the future management of ERDF territorial cooperation programmes under objective 3 of the Structural Funds and is thus in line with both RCOP objectives.

Draft IPA Operational Program Human Resource Development (HRDOP) has 3 priorities: *Enhancing access to employment and sustainable inclusion in the labour market; Reinforcing social inclusion and integration of people at a disadvantage; Expanding and enhancing investment in human capital.* These priorities are in line with this programme which will support actions which contribute toward increasing the employability of the border region population and improving access to social services.

Draft IPA Operational Program Environment Protection (EPOP) has 2 priorities: Developing waste management infrastructure for establishing an integrated waste management system in Croatia; Protecting Croatia's water resources through improved water supplies & wastewater integrated management systems. This programme will support small-scale infrastructure which is in line with both these priorities. It will also prepare larger scale projects which could be funded under the 2 EPOP measures: Establishment of new waste management centres at county/regional levels; Construction of wastewater treatment plants for domestic and industrial wastewaters and build / upgrade the sewerage network.

Regional Operational Program of Dubrovnik-Neretva County 2007- 2013 (ROP) recognizes the main development goals of the County that are connected with achievement of balanced development of the coast, islands and hinterland of the County; insurance of environmental, nature and culture protection and human resource development. With its orientation towards tourism development and increase in tourism income through development of new tourist products and improvement of tourism services, culture and nature heritage protection, environment protection and human resource development, this Programme is fully in line with the ROP ad as such will be contributing to achievement of the main development goals of Dubrovnik-Neretva County.

Furthermore, Program is in line with main national strategies in Croatia (e.g. National Employment Action Plan for the period of 2005 to 2008, Education Sector Development Plan 2005-2010, Adult Learning Strategy and Action Plan; Strategic Goals of Development of Croatian Tourism by 2010; National Environmental Strategy and National Environmental Action Plan, Waste Management Strategy of the Republic of Croatia; National Biodiversity and Landscape Strategy; draft National Strategy for Regional Development, Pre-Accession Economic Programme 2006-2008 etc) and the Government Programme 2003-2007 which states that the development of border regions is one of high national priorities, given that 18 out of 21 counties have external borders.

It can be concluded that this Programme is complementary with the mainstream programmes and do not overlap with them due to its focus on strengthening first and foremost on those activities that are recognized as important for both partner countries.

National Programmes – Montenegro

Starting from the visions of sustainable development of Montenegro and identification of problems and challenges in the field of environmental protection and management

of natural resources, economic and social development, the following general goals of *National Strategy of Sustainable Development of Montenegro* - NSSD Montenegro have been defined:

1. Accelerate economic growth and development, and reduce regional development disparities;
2. Reduce poverty; ensure equitable access to services and resources;
3. Ensure efficient pollution control and reduction, and sustainable management of natural resources;
4. Improve governance system and public participation; mobilise all stakeholders, and build capacities at all levels;
5. Preserve cultural diversity and identities

All of them are further elaborated through definition of the priority goals and measures in 24 areas for priority actions including the integrated coastal zone management, nature protection, sustainable use of water resources, macro-economic developments, regional development and employment, tourism and social protection.

The goal of the Economic Reform Agenda is to set forth a series of discrete but interconnected tasks that will transform the Montenegrin economy. Expected outcomes of sixteen individual sections each dedicated to a particular aspect of economic reform.

The Master Plan for tourism development, as the main strategic document for tourism as main development vehicle of national economy, projects a significant increase in the tourism facilities. A higher level of integration of sustainability requirements at the level of tourism development plans, as well as at the level of individual projects, is under process through the current revision of Master plan.

The efficient control and reduction of the existing water pollution due to the low level of communal and industrial wastewater treatment and inadequate waste disposal present main directions of the Master Plans for wastewater and solid waste management. On the other hand securing sufficient quantity of good quality drinking water and necessary legal and institutional changes and improvements in the quality control and monitoring of waters according to EU standards and WFD provisions present the main orientations of the Master plan for water supplying and institutional and legal reforms in this area according to EU accession process.

Spatial Plan of Republic of Montenegro which is currently in draft version and Coastal Area Spatial Plan which is in the process of Parliament adoption defines use of space for the purpose of planned development up to 2020. This is of special importance in coastal area where is evident high pressure of urbanisation on the natural sources protection and there valorisation for the purpose of sustainable tourism.

In the scope of the complex legal and institutional reforms in the process of association and stabilization development of National Contingency Plan for sea pollution incidents is under preparation. NCP developed following IMO regulations is going to define institutional organization and implementation mechanism which will enable national authorities to provide efficient response on all types of pollution particularly those caused by unintended incidents at sea. In such a way developed NCP will be part of Sub-regional one currently implemented by Croatia, Slovenia and Italy.

Strategy for fishery development defines sustainable use of sea products in a balance with sustainable management of marine eco system.

3.3. Compliance with other Community Policies

By its nature and focus, the Program will encompass main EU policies: regional policy, environmental protection, equal opportunities and information society.

The Programme is in line with the main EU objectives until 2010 set in the Lisbon strategy by improving economic competitiveness of the border area and better employability through investment in cooperation and networking in tourism sector (which is key driver of regional economies), human resource development, protection of natural and cultural heritage, as well as environment. Strengthening the competitiveness and economic and social integration of the cross-border area is inline with Community Strategic Guidelines for the cohesion policy in 2007-2013 (COM (2005)0299) on cross-border cooperation. In addition, the Program will also support the Goeteburg objectives with promotion of sustainable management of the environment through establishment of cooperation among institutions and implementation of joint actions for nature and environment protection.

The Program will support gender mainstreaming and equal opportunities policies through implementation of projects that will clearly demonstrate their efforts to create equal opportunities for genders, ethnicities and disabled according to the principles of European Union. In general, Implementation of horizontal principles will be guaranteed through definition of target groups, eligible actions under defined measures, evaluation procedures and indicators on the level of Priorities and measures.

In addition, when awarding public contracts, Croatian and Montenegrin authorities will have to implement PRAG – Practical guide to contract procedures for EC external actions.

3.4. Description of Specific Priority Axes and Measures

3.4.1. Priority Axis 1

Creation of favourable environmental and socio-economic conditions in the programming area by improvement of the co-operation in the jointly selected sectors and good neighbourly relations in the eligible areas

3.4.1.1. Background and Justification

The Situation and SWOT analyses have shown that, among others, weaknesses of the Programming area are connected with lack of cross border cooperation in ecological protection and interventions, lack of cooperation in nature and cultural heritage protection, undeveloped civil sector, lack of cooperation in the development and promotion of the Programming area as an integral tourist destination, lack of cooperation between local self government in joint solution of similar problem, as well as destroyed social and cultural connections between people in the bordering area. Main risks for the area are those in environmental area: pollution from the Mediterranean Sea and risks deriving from new road and sea corridors. Furthermore, there is a lack of specific/targeted educational programs for adults as well as targeted education programs for tourism workers.

On the other hand main strengths of the area are cultural and nature resources suitable for accelerating economic development. The whole area is a world wide known tourist destination containing 2 cities under UNESCO protection (Dubrovnik and Kotor) and 3 National parks. It is also considered as a part of the ecological network covering areas of national and international ecological importance for biodiversity conservation. The Situation Analysis shows that income generated from tourism and other related services have highest share in GDP of the regions. In

recent years quality of services is rising and there is a clear strategic orientation for their further development. In addition, the area has natural potential for agricultural development, specially organic-agriculture, mariculture and high quality food production. These natural preconditions would be best used to network producers and tourist infrastructure (hotels, restaurants) and in the certification and branding of the products.

Among others, one of the main opportunities for the area is mainly connected with development of integrated tourism products including both coastal and mountain tourism offer. In addition, availability of IPA funds for both countries will enable local and regional level government to raise funds for economic and social development and IPA funds for cross-border programs will specifically enable regions to invest in actions recognized as joint priorities (i.e. actions in area of environmental protection, in development of joint tourist and cultural space and community development).

According to the above described strengths, weaknesses and opportunities on the one hand and very limited resources on the other hand, during the joint consultative process relevant stakeholders decided to define just one Priority plus TA priority and up to three measures per priority. Also, due to limited resources and lack of overall capacities to manage cross-border development activities, they decided not to address problems such as underdeveloped infrastructure, discrepancies between urban and rural areas, low employability of work force etc., but to focus rather on soft activities that can boost local development in general and enhance level of cooperation.

Therefore and in order to cover as much as possible of jointly recognized problems and needs in selected areas of cooperation, Priority 1 is defined in the broadest possible sense rather than being focused on a limited number of specific issues: Priority 1: Creation of favourable environmental and socio-economic conditions in the programming area by improvement of the co-operation in the jointly selected sectors and good neighbourly relations in the eligible areas.

Specific objectives of Priority 1 are:

1. To establish cooperation between institutions in charge of environment protection, as well as natural and cultural heritage protection through implementation of joint programs, education, know-how transfer and awareness raising activities
2. To create recognizable tourist products based on the natural and cultural assets of the Programming area and re-establish social connections in cross-border area through supporting traditional and contemporary culture;
3. To increase and enhance cooperation between institutions, citizens and civic organizations in the areas such are tourism, education, culture and other that are in line with Programme objective, in order to boost community development and improve neighbourhood relations

Following to the specific objectives, this priority will be implemented through three measures, one of which (c) will be specifically focused on bringing together people, local communities and civic organizations via people-to people actions , in order to establish a solid base for economic and social development of the Programming area: The 3 measures are:

- a) Joint actions for environment, nature and cultural heritage protection
- b) Joint tourism and cultural space
- c) Small cross-border community development projects

3.4.1.2. Measures

3.4.1.2.1. Measure 1.1.: Joint actions for environment, nature and cultural heritage protection

Improvement of systems for environment, nature and cultural heritage protection in the Programming area has been identified by Program beneficiaries as a priority cooperation activity since environment and natural heritage are the main economic resource of the area.

This measure is expected to establish sustainable cross-border networks for joint environmental, nature and cultural protection. It is intended to encourage cross-border cooperation in projects related to finding solutions to joint environmental problems. The development of waste management (solid waste and waste water management), land based and sea based pollution reduction, improvement of the monitoring and reporting on the state of marine and coastal eco-systems, taking into account importance of cross-border pollution reduction and control, fire protection systems and joint intervention systems in ecological threats at land and sea, including technical capacities building for realization of those measures are of utmost priority. The aim of cooperation under this measure is to stimulate development of other innovative measures and strategies for joint environmental, nature and cultural heritage protection and to educate and raise awareness of local population and local/regional government units on environmental protection and need for cooperation in that sector through public information and participation. In order to implement EU horizontal policies related to innovation and technology, this measure will support actions that will bring new innovative solutions and strategies for environmental and nature protection.

Care will be taken to ensure that there is no operational or financial overlap with any of the measures incorporated in the Operational Programmes for Croatia under IPA Component III Regional Development.

Direct beneficiaries of this measure are non profit legal entities established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest, belonging to one of the following groups:

- Public companies in charge of communal infrastructure and waste management (Utility companies - Komunalna poduzeća)
- Emergency services
- Local and regional self-government units
- Agencies and other public bodies in charge of environmental and nature protection
- Educational and Research Public Institutes
- NGOs
- Regional/local development agencies, etc.

Types of activities eligible under this measure are:

- Joint planning and capacity building activities for solid waste management and waste water management systems
- Joint planning and capacity building activities for water supply, waste water and solid waste systems with cross border impacts
- Planning and establishment of networks for joint environmental interventions on land and sea (joint fire fighting schemes, joint interventions in case of sea pollution, purchase of equipment of joint interest/use, etc)
- Joint environmental programmes and initiatives (river catchments management, air pollution, sea pollution etc.)
- Identification and clean-up of uncontrolled waste disposal sites and development of prevention measures
- Cross-border studies and direct actions on applicability of renewable energy sources
- Cross-border studies on environmental impacts of human activities
- Awareness raising activities – public information and participation
- Education and know how transfer in environmental protection
- Elaboration of cross-border regional plans and programs for interventions related to environment protection
- Elaboration of joint plans and programs for management of protected areas and NATURA 2000 sites
- Small-scale reconstruction of cultural/architectural heritage
- etc.

Achievement of the measure will be measured on the basis of the following indicators:

Output indicators: Number of joint programmes, strategies and measures in relation to environmental management created and implemented, number of joint awareness raising campaigns, number of studies, project documentations in terms of protection of nature and cultural heritage elaborated, number of joint networks for environmental interventions on land and sea, number of joint education programs for general population and experts (trainings, seminars etc.), number of new local initiatives for environmental and nature protection

Result indicators: Decrease in financial and environmental damage caused by unexpected pollutions, decrease in pollution emissions in the sea, permanent access to data on the state of the environment, increase in percentage of land/habitat protected, increased management of protected areas, increased capacities to deal with cross-border man-made and natural environmental risks, increased public awareness of cross-border environmental issues.

3.4.1.2.1.1. Project selection criteria and delivery mechanisms

In general, the eligible projects will be those which:

- encourage and improve joint protection and management of natural resources and prevent and manage environmental risks
- support links between relevant institutions/organizations from both side of the border
- have partners from both side of the border
- are environmentally sustainable.

The measure will be implemented through grants schemes and/or procurement contracts – service, works and supply (depending on the decision made by Joint Monitoring Committee).

The detailed selection and award criteria for the award of grants will be laid down in Call for proposals–Application Pack (Guidelines for applicants).

Minimum and maximum EU grant size (€)	50-300 000
Maximum size EU funding to total eligible costs(%)	85%

3.4.1.2.2. Measure 1.2. Joint tourism and cultural space

Measure 1.2 is the main economic measure of this Program since tourism and tourism related services are main impetus for economic development of the area. As already mentioned these services have highest share in regional GDP. Tourism related services also employ the highest number of people in the force, therefore it is essential to broaden the spectra of services, prolong tourist season, offer higher quality of services based on authentic local products, tradition and culture. The measure is intended to enhance and improve cross-border cooperation between tourism and cultural institutions in the region.

Direct beneficiaries of this measure are non profit legal entities established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest, belonging to one of the following groups:

- Tourist associations /tourist boards
- Regional/local development agencies
- Local and regional self-government units
- NGOs
- Public and private educational and research institutes
- Chamber of commerce/crafts
- Tourism and agriculture clusters
- Institutions and associations in culture, etc

Types of actions eligible under this measure are:

- Education schemes for SMEs and work force in tourism, particularly language training, hospitality training, researches;
- Promotion of the attractiveness of the region through tourist events
- Support to development of new tourism products (development of thematic routes, joint promotional events and materials, site exploitation etc)
- Establishment of cross border clusters in tourism
- Quality improvement schemes
- Quality Certification of local products and services
- Support to joint certification of local products
- Joint marketing initiatives
- Archaeological research in bordering areas
- Detection and documentation of common cultural heritage, scientific cave exploration
- Promotion of border region cultural heritage
- Promotion of the Programming area as an integral tourist destination
- IUCN zoning and mapping of natural locations
- IT for regional centres
- Development of UNWTO indicators using UNWTO Book of indicators
- etc.

Achievement of the measure will be measured on the basis of the following indicators:

Output indicators: Number of new tourist products developed or certified, number of joint marketing initiatives, number of quality improved schemes, number of new joint initiatives in culture etc.

Result indicators: Enriched/diversified tourist supply market due to new tourist products and higher quality of offered services, income increase from tourism services (per assisted facilities and per sector), and increased number of visitors for assisted facilities.

3.4.1.2.2.1. Project selection criteria and delivery mechanisms

In general, the eligible projects will be those which:

- promoting the integration of the tourism market and encourage cross-border contacts at regional and local level in order to improve quality of services

- encourage entrepreneurship in tourism
- support links between relevant institutions/organizations from both side of the border
- have partners from both side of the border
- encourage equal participation by women and marginalized groups
- are environmentally sustainable.

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

The measure will be implemented through grants schemes and/or calls for proposal (depending on the decision made by Joint Monitoring Committee).

The detailed selection and award criteria for the award of grants will be laid down in Call for proposals–Application Pack (Guidelines for applicants).

Minimum and maximum EU grant size (€)	50-300 000
Maximum size EU funding to total eligible costs(%)	85%

3.4.1.2.3. Measure 1.3. Small cross-border community development projects

This measure aims at improving cooperation between people, educational institutions and civil society organizations from both sides of the border in order to boost community development and to improve neighbourhood relations. It will support people-to-people actions organized by different organizations in fields such as culture, tourism, education and others that are in line with the Programme’s objective, and will be particularly supporting marginalized groups, local democracy and the development of civil society.

Care will be taken to ensure that there is no operational or financial overlap with any of the measures incorporated in the Operational Programme for Croatia under IPA Component IV Human Resources Development.

Direct beneficiaries of this measure are non profit legal persons established under public or private law for the purposes of public interest or specific purpose of meeting needs of general interest, belonging to one of the following groups:

- Educational and research institutions
- NGOs
- Social service providers (Centres for social welfare, Health centres etc.)
- Local and regional self-government; local/municipal boards
- Local / regional Tourism Organizations
- Regional/local development agencies

Types of actions eligible under this measure are:

- Common cross-border educational programs between educational institutions
- Community building programs with emphasis on interethnic cooperation
- Cooperation between national minorities
- Assistance to marginalised groups
- Local campaigns focused on raising awareness regarding the meaning of the CBC activities as a development instrument
- Implementation of national equality instruments on local and regional level (gender equality policies, youth policy, national minority policies etc.)
- Developing cross-border cooperation among organizations providing social and welfare services
- Actions supporting local democracy
- Small-scale collaborative projects and pilot actions between local self-governments
- Development of joint local development plans and strategies in areas of local governance
- Education schemes in culture
- Creation of cross border culture networks
- Development of cultural exchange programmes
- Joint preservation of tradition
- Creation and implementation of sustainable joint culture programs (except one off events)
- Establishment of cooperation and joint implementation of programs in new media culture
- Establishment of youth cross border networks and joint culture production centres
- Capacity building of NGOs and support to intersector cooperation

Achievement of the measure will be measured on the basis of the following indicators:

Output indicators: Number of contact established through joint educational and cultural projects, number of joint education programmes, number of new joint programs for social service delivery, number of community building initiatives, number of cross-border culture networks etc.

Result indicators: Increased cross-border cooperation through joint initiatives/projects, accessibility rate of social services for local population, decrease in number of ethnic based incidents.

3.4.1.2.3.1. Project selection criteria and delivery mechanisms

In general, the eligible projects will be those which:

- promoting the sharing of human resources and facilities
- support links between relevant institutions/organizations from both side of the border
- have partners from both side of the border
- encourage equal participation by women and marginalized groups
- are environmentally sustainable.

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

The measure will be implemented through grants schemes.

The detailed selection and award criteria for the award of grants will be laid down in Call for proposals–Application Pack (Guidelines for applicants).

Minimum and maximum EU grant size (€)	10 000 -75 000
Maximum size EU funding to total eligible costs(%)	85%

3.4.2. Priority 2

Technical Assistance

3.4.2.1. Background and Justification

The overall objective of priority 2 is to provide effective and efficient administration and implementation of the CBC programme. Technical assistance will be used to support the work of the 2 national Operating Structures and the Joint Monitoring Committee (JMC) ensuring the efficient and effective implementation, monitoring, control and evaluation of the programme. Principally this will be achieved through the establishment and operation of a Joint Technical Secretariat (JTS) and one national JTS antenna. The JTS will be in charge of the day-to-day management of the programme and will be responsible to the Operating Structures and the JMC. Technical assistance will support actions which ensure the preparation and selection of high quality programme operations and the dissemination of information on programme activities and achievements. Under the direction of the JMC the technical assistance budget will be used to carry out external programme evaluations (*ad-hoc*, mid-term and *ex-post*).

Specific objectives of the Priority 2 are:

- ☞ To improve the capacity of national and joint structures to manage cross-border programmes
- ☞ To ensure the efficient operation of programme-relevant structures
- ☞ To provide and disseminate programme information to national authorities, the general public and programme beneficiaries
- ☞ To improve the capacity of potential beneficiaries, particularly within the programming area, to prepare and subsequently implement high quality programme operations
- ☞ To provide technical expertise for external programme evaluations

The main beneficiaries are:

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

In accordance to the scope of this priority, it will be implemented through two measures.

Considering that the relevant national authorities (Operating Structures in Croatia and Montenegro) enjoy a de facto monopoly situation (in the sense of Art. 168, paragraph 1, sub-paragraph c of the Implementing rules to the Financial Regulation) for the implementation of the cross-border programme, the relevant contracting authorities in both countries will establish an individual direct grant agreement without call for proposals with the Operating Structures for the amount provided under the TA Priority 2 in each country. Subcontracting by the Operating Structures of the activities covered by the direct agreement (e.g. TA, evaluation, publicity etc.) is allowed.

3.4.2.2. Measures

3.4.2.2.1. Measure 2.1: Programme Administration and Implementation

This measure will provide support for the work of national Operating Structures, the Joint Monitoring Committee, the Joint Technical Secretariat and its antenna as well as any other structure (e.g. Steering committee) involved in the management of the programme. It will cover the 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. It should be noted that the TA funds can cover the costs of staff of the Joint Technical Secretariat except salaries of seconded public officials. The measure will also ensure the provision of advice and support to final beneficiaries in project development and implementation.

Types of eligible activities:

- Staffing and operation of the JTS and its antenna
- Providing support to national Operating Structures in programme management
- Providing support to the JMC in carrying out its responsibilities in project selection and programme monitoring
- Providing logistical and technical support for JMC meetings
- Programme awareness-raising and training for potential final beneficiaries
- Providing assistance to potential final beneficiaries in the preparation of projects
- Provision of appropriate technical expertise in the assessment of project applications
- Providing support to final beneficiaries in project implementation
- Establishment and support of project monitoring and control systems including first level controls

- Carrying out on-the-spot visits to programme operations
- Drafting of project monitoring reports and programme implementation reports

Achievement of the measure will be measured on the basis of the following indicators:

Output indicators: number of JTS staff recruited, number of JMC 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.

Result indicators: Increased capacity of staff in Operating Structures, increased quality of project proposals, % of IPA funding absorbed, decreased % of non-eligible costs claimed by final beneficiaries

3.4.2.2.2. Measure 2.2: Programme Information, Publicity and Evaluation

This measure will cover, *inter alia*, the preparation, translation and dissemination of programme related information and publicity material, including programme website. It will ensure programme awareness amongst local, regional and national decision-makers, funding authorities, the inhabitants of the programming area and the general public in Croatia and Montenegro. The measure will support the provision of expertise to the JMC for the planning and carrying out of external programme evaluations.

Types of eligible activities:

- The preparation and dissemination of publicity materials (including press releases)
- Establishment and management of a programme website
- Organisation of promotional events (meetings, seminars, conferences, media events)
- Regular production and dissemination of news letters
- Carrying out regular programme evaluations

Achievement of the measure will be measured on the basis of the following indicators:

Output indicators: 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

Result indicators: Increased awareness of the programme amongst the general public, increased awareness of the programme amongst the potential beneficiaries, improved programme implementation

3.5. Summary of priorities and measures

VISION							
Cross-border area between Croatia and Montenegro is recognised as a region for high quality of life and one of the most successful European tourist destinations because of its unique and preserved natural resources, cultural and historical heritage and high quality of services, as well as a region in which socio-economic partners are empowered to achieve and manage the optimal development potential of the area.							
GENERAL OBJECTIVE							
Improved quality of life in cross border area between Croatia and Montenegro							
Priority 1				Priority 2			
Creation of favourable environmental and socio-economic conditions in the programming area by improvement of the co-operation in the jointly selected sectors and good neighbourly relations in the eligible areas.				Technical assistance			
SPECIFIC OBJECTIVES							
To establish cooperation between institutions in charge of environment, as well as nature and cultural heritage protection through implementation of joint programs, education, know-how transfer and awareness raising activities	To create recognizable tourist product based on the natural and cultural assets of the Programming area and re-establish social connections in cross-border area through supporting traditional and contemporary culture.	To increase and enhance cooperation between institutions, citizens and civic organizations in the areas such as tourism, education, culture and other that are in line with Programme objective, in order to boost community development and improve neighbourhood relations	To improve the capacity of national and joint structures to manage CBC programmes	To ensure the efficient operation of programme relevant structures	To provide and disseminate programme information to national authorities, the general public and programme beneficiaries	To improve the capacity of potential beneficiaries, particularly within the programming area, to prepare and subsequently implement high quality programme operations	To provide technical expertise for external programme evaluations
Measure 1.1. Joint actions for environment, nature and cultural heritage protection			Measure 2.1. Programme Administration and Implementation				
Measure 1.2. Joint tourism and cultural space			Measure 2.2. Programme Information, Publicity and Evaluation				
Measure 1.3. Small cross-border community development projects							
HORIZONTAL ISSUES:							
Cross-border capacity building Equal opportunities Gender equality and gender mainstreaming Sustainable development and environment protection							

3.6. Indicators

Priority 1 Creation of favourable environmental and socio-economic conditions in the programming area by improvement of the co-operation in the jointly selected sectors and good neighbourly relations in the eligible areas.		
Measures	Indicators	
Measure 1.1. Joint actions environment, nature and cultural heritage protection	Output	Number of joint programme, strategies and measures in relation to environmental management created and implemented, Number of joint awareness raising campaigns, Number of studies, project documentations elaborated, Number of joint networks for environmental interventions on land and sea, Number of joint education programs for general population and experts (trainings, seminars etc.), Number of new local initiatives for environmental and nature protection
	Result	Decrease in financial and environmental damage caused by unexpected pollutions, Decrease in pollution emissions in the sea, Permanent access to data on the state of the environment Increase in percentage of land/habitat protected, Increased rate of management of protected areas Increased capacities to deal with man-made and natural cross-border environmental risks Increased public awareness of cross-border environmental issues
Measure 1.2 Joint tourism and cultural space	Output	Number of new tourist products developed or certified, Number of cross-border tourism zones, Number of joint marketing initiatives, Number of quality improved schemes, Number of new joint initiatives in culture etc.
	Result	Enriched/diversified tourist supply market due to new tourist products and higher quality of offered services Increased number of visitors Income increase from tourism services (per assisted facilities and per sector)
Measure 1.3. Small cross-border community development projects	Output	Number of joint education programmes, Number of new programs for social service delivery, Number of community building initiatives, Number of contact established through joint educational and cultural projects Number of cross-border culture networks etc.
	Result	Increased cross-border cooperation through joint initiatives/projects Accessibility rate of social services for local population, Decrease in number of ethnic based incidents
Priority 2 Technical Assistance		
Measures	Indicators	

Measure 2.1. Programme Administration and Implementation	Output	Number of JTS staff recruited, Number of JMC 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.
	Result	Increased capacity of staff in Operating Structures, Increased quality of project proposals, % of IPA funding absorbed, decreased % of non-eligible costs claimed by final beneficiaries
Measure 2.2. Programme Information, Publicity and Evaluation	Output	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
	Result	Increased awareness of the programme amongst the general public, Increased awareness of the programme amongst the potential beneficiaries, Improved programme implementation

3.7. Financing Plan

Based on the given allocations in MIFF and envisaged priorities the national and EU co-financing amounts are proposed for the IPA Cross-border Programme Croatia-Montenegro as shown in tables below. In addition, a tentative time table and indicative amount of the call for proposals in 2007 are given in Annex IV.

The Community contribution has been calculated in relation to the eligible expenditure, which for the cross-border programme Croatia – Montenegro 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 Community contribution for each priority axis shall not be less than 20% of the eligible expenditures.

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

Table 3.1 Allocation of IPA funds per year, in € Croatia.

	IPA CBC Croatia	National Co-fin Croatia	Total Croatia	IPA Co-fin rate Croatia
Priority 1 To create favorable environmental and socio-economic conditions in the programming area	1.080.000	190.588	1.270.588	85%
2007	360.000	63.529	423.529	85%
2008	360.000	63.529	423.529	85%
2009	360.000	63.529	423.529	85%
Priority 2 Technical assistance	120.000	70.000	190.000	63,2%
2007	40.000	30.000	70.000	57,0%
2008	40.000	20.000	60.000	66,6%
2009	40.000	20.000	60.000	66,6%
TOTAL	1.200.000	260.588	1.460.588	82,2%

Table 3.2. Allocation of IPA funds per year, in € Montenegro

	IPA CBC Montenegro	National Co-fin Montenegro	Total Montenegro	IPA Co-fin rate Montenegro
Priority 1 To create favorable environmental and socio-economic conditions in the programming area	1.350.000	238.235	1.588.235	85%
2007	450.000	79.412	529.412	85%
2008	450.000	79.412	529.412	85%
2009	450.000	79.412	529.412	85%
Priority 2 Technical assistance	150.000	60.000	210.000	71,4%
2007	50.000	20,000	70,000	71,4%
2008	50.000	20,000	70,000	71,4%
2009	50.000	20,000	70,000	71,4%
TOTAL	1.500.000	298.235	1.798.235	83,4%

The IPA grant will be co-financed by a minimum of 15 % from state national budget and final beneficiaries co-financing.

Croatia has allocated 400.000 EUR of IPA funds on yearly basis and Montenegro 500.000 EUR. As for national co-financing priority 2, Croatia has allocated 43% for the first year and 33,4% for the next two years. For priority 2, Montenegro has allocated 28,6% for all three years. This decision is linked to the fact that the Joint Technical Secretariat is placed in Kotor, Montenegro. The higher amount of allocated IPA funds from the Montenegrin side is related to enhancement of neighbourly relations, especially due to well known happenings in the programming area from the past decade. Furthermore, in terms of project activities, current capacities of the Montenegrin municipalities along the border with Croatia are significantly higher than the capacities of the municipalities along the borders with other Montenegrin neighbours. In addition, the municipalities neighbouring Croatia have already

established certain cooperation with Dubrovnik-Neretva County (e.g. Kotor and City of Dubrovnik) and have expressed high interest for further continuation and strengthening of cooperation. In that respect, the above mentioned allocation is proposed by Montenegro.

3.8. Eligibility of Expenditure

As laid down in Article 89 of IPA Implementing Regulation the following expenditure shall be considered as eligible:

- (1) Expenditure incurred after the signature of the financing agreement.
- (2) By way of derogation from Article 34(3) of IPA Implementing Regulation, expenditure related to:
 - (a) value added taxes, if the following conditions are fulfilled:
 - (i) they are not recoverable by any means,
 - (ii) it is established that they are borne by the final beneficiary, and
 - (iii) they are clearly identified in the project proposal.
 - (b) charges for transnational financial transactions;
 - (c) where the implementation of an operation requires a separate account or accounts to be opened, the bank charges for opening and administering the accounts;
 - (d) legal consultancy fees, notaries fees, costs of technical or financial experts, and accountancy or audit costs, if they are directly linked to the co-financed operation and are necessary for its preparation or implementation;
 - (e) the cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or Community legislation;
 - (f) overheads, provided they are based on real costs attributable to the implementation of the operation concerned. Flat-rates based on average costs may not exceed 25% of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed.
- (3) In addition to the technical assistance for the cross-border programme referred to Article 94 of IPA Implementing Regulation, the following expenditure paid by public authorities in the preparation or implementation of an operation:
 - (a) the costs of professional services provided by a public authority other than the final beneficiary in the preparation or implementation of an operation;
 - (b) the costs of the provision of services relating to the preparation and implementation of an operation provided by a public authority that is itself the final beneficiary and which is executing an operation for its own account without recourse to other outside service providers if they are additional costs and relate either to expenditure actually and directly paid for the co-financed operation.

The public authority concerned shall either invoice the costs referred to in point (a) of this paragraph to the final beneficiary or certify those costs on the basis of documents of equivalent probative value which permit the identification of real costs paid by that authority for that operation.

The costs referred to in point (b) of this paragraph must be certified by means of documents which permit the identification of real costs paid by the public authority concerned for that operation.

SECTION IV IMPLEMENTING PROVISIONS

The implementing provisions of this document are based on the provisions of Commission Regulation (EC) No 718/2007 (hereinafter referred to as the 'IPA Implementing Regulation'), in particular those for the cross-border co-operation component (Part II, Title II, Chapter III, Sections 1 and 3), as well as on the Financial Regulation (EC, Euratom) No 1605/2002, as amended by Council Regulation No 1995/2006, and in particular Articles 53, 53a, 53c, 54 and 57 thereof, which lay down provisions for centralised and decentralised management of the EC funding.

While Croatia will be managing the programme according to decentralised management, Montenegro will be managing the programme according to the centralised management model.

4.1. Programme Structures and Authorities

The programme management structures are:

- National IPA and/or IPA–Component II Co-ordinators
- Operating Structures
- Joint Monitoring Committee (JMC)
- Joint Technical Secretariat (JTS)

Each participating country has established an Operating Structure (OS) for the part of the programme concerned. The Operating Structures of each participating country shall cooperate closely in the programme management.

The beneficiary countries have also set up a Joint Monitoring Committee, which shall ensure the effectiveness and quality of the implementation of the programme.

In line with the IPA Implementing Regulation (Article 139), the Operating Structures have established a Joint Technical Secretariat to assist the OSs and the JMC with their respective duties.

4.1.1. Operating Structures (OS) in Beneficiary Countries

Croatia	Montenegro
<ul style="list-style-type: none"> • Ministry of the Sea, Tourism, Transport and Development (MSTTD) - line ministry responsible for the management and implementation of the Component II of IPA • CFCU in the Ministry of Finance - Implementing Agency 	<ul style="list-style-type: none"> • Secretariat for European Integration - institution responsible for coordination of the Instrument for Pre-Accession Assistance (IPA 2007-2013)

The OS of each country cooperate closely in the programming and implementation of the cross-border programme establishing common coordination mechanisms. The OSs are responsible for the implementation of the programme in their respective countries.

4.1.1.1. Croatia

The IPA–Component II Co–ordinator (within the meaning of Art. 22.2.b of the IPA Implementing Regulation) is the State Secretary in the Ministry of the Sea, Tourism, Transport and Development (MSTTD).

The Operating Structure in Croatia consists of the line ministry responsible for the management and implementation of the Component II of IPA: the Ministry of the Sea, Tourism, Transport and Development (MSTTD) and the Implementing Agency: the CFCU in the Ministry of Finance (The Programme Authorising Officer is the Head of

CFCU Assistant Minister in the Ministry of Finance)²⁰. The Operating Structure will be accredited by June 2008 at the latest in line with IPA Implementing Regulation (Art. 76 & 139).

The Division of Responsibilities between the MSTTD as the responsible line ministry and the CFCU as the Implementing Agency is defined in the Government Decree on the Scope and Contents of the Responsibilities and Authorities of the Bodies Responsible for the Management of IPA (OG no. 18/07).

4.1.1.2. Montenegro

The National IPA Co-ordinator (NIPAC) in Montenegro is the Deputy Prime Minister for European Integration.

The IPA-Component II Co-ordinator is the Secretary of the Secretariat for European Integration

The Operating Structure in Montenegro is the Secretariat for European Integration (which is the institution responsible for coordination of both Component I and II of the Instrument for Pre-Accession Assistance (IPA 2007-2013) which are available to Montenegro as a potential candidate country)

4.1.1.3. Responsibilities of the Operating Structures

The Operating Structures are *inter alia* responsible for:

- jointly preparing the cross-border programme in accordance with Art. 91 of the IPA Implementing Regulation;
- jointly preparing programme amendments to be discussed in the Joint Monitoring Committee (JMC);
- participating in the Joint Monitoring Committee and guiding the work of the JMC in programme monitoring
- nominating the representatives of the Joint Steering Committee to be appointed by the JMC
- setting up the Joint Technical Secretariat;
- preparing and implementing the strategic decisions of the JMC;
- reporting to the NIPAC/ IPA-Component II Co-ordinator on all aspects concerning the implementation of the programme;
- establishing a system, assisted by the JTS, for gathering reliable information on the programme's implementation and providing data to the JMC, NIPAC/ IPA-Component II Co-ordinator or the European Commission;

²⁰ Government Decision on the Nomination of the Responsible Persons for the Management of IPA(OG no 18/07)

- ensuring the quality of the implementation of the cross-border programmes together with the JMC;
- sending to the Commission and NIPAC the annual report and the final report on the implementation of the cross-border programme after examination and approval by the JMC;
- ensuring reporting of irregularities;
- guiding the work of the Joint Technical Secretariat;
- promoting information and publicity-actions;

In Croatia, where the programme is implemented under decentralised management, the Operating Structure and the Implementing Agency are also in charge of:

- contracting the projects selected by the Joint Monitoring Committee;
- payments accounting and financial reporting aspects of the procurement of services, supplies, works and grants for the Croatian part of the Cross-border programme;
- ensuring that the operations are implemented according to the relevant public procurement provisions;
- ensuring that the final beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- ensuring the retention of all documents required to ensure an adequate audit trail;
- ensuring that the National Fund and National Authorising Officer receive all necessary information on the approved expenditure and the applied procedures;
- carrying out verifications to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct.

4.1.2. Joint Monitoring Committee (JMC)

The participating beneficiary countries shall set up a Joint Monitoring Committee for the programme within 3 months of entry into force of the first financial agreement relating to programme.

The Joint Monitoring Committee consists of representatives of the two Operating Structures and the national, regional and local authorities and socio-economic partnership representatives of both participating countries, equally represented. The Commission shall participate in the work of the Joint Monitoring Committee in an advisory capacity.

The JMC shall draw up its Rules of Procedures in order to exercise its mission in accordance with the IPA Implementing Regulation. It shall adopt them at its first meeting.

The Joint Monitoring Committee shall meet at least twice a year, at the initiative of the participating countries or of the Commission and is chaired by a representative of one of the countries on a rotating basis

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 (according to the Article 142 of IPA Implementing Regulation):

- 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;
- 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;
- 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;
- it shall examine the annual and final reports on implementation referred to in Article 144 IPA Implementing Regulation;
- it shall be informed, as applicable, of the annual audit activity report(s) referred to in Article 29 (2)(b) first indent IPA Implementing Regulation, and of any relevant comments the Commission may make after examining that report;
- it shall be responsible for selecting operations. The JMC may delegate the function to assess project proposals to a Joint Steering Committee appointed by the JMC;
- 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;
- it shall consider and approve any proposal to amend the content of the cross-border programme;
- it shall approve the framework for the Joint Technical Secretariat's tasks;
- it shall adopt an information and publicity plan drafted under the auspices of the Operating Structures;

4.1.3. Joint Technical Secretariat (JTS)

The Operating Structures have agreed to establish a Joint Technical Secretariat (JTS) to assist the Joint Monitoring Committee and the Operating Structures in carrying out their respective duties. The JTS is therefore the administrative body of the programme dealing with its day-to-day management.

The Joint Technical Secretariat will be based in Kotor, Montenegro, with an antenna in Dubrovnik, Croatia. Having in mind institutional capacities of the MSTTD (Croatian OS) in terms of CBC management, OS in Zagreb will help the JTS staff in gaining specific knowledge and skills necessary for successful administration and implementation of the Programme, if such help will be needed. It will be done occasionally through on the job trainings and similar activities in MSTTD premises in Zagreb.

It is composed of the representatives nominated by both Operating Structures.

The Joint Technical Secretariat and its antenna perform their activities under the Operating Structure in Montenegro, in co-operation with the Operating Structure in Croatia.

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

The costs of the Joint Technical Secretariat and its antenna are co-financed under the programme's Technical Assistance budget provided they relate to tasks eligible for co-financing under EU rules.

The Joint Technical Secretariat will be set up through two separate grant contracts directly awarded by the Contracting Authorities (CFCU in Croatia and EC Delegation in Montenegro²¹) to the respective Operating Structures.

Part of the JTS staff contracted in Croatia should be located in the JTS premises in Kotor (RoMN) and part in the antenna in Dubrovnik (RoC).

All Montenegrin representatives are located in the JTS premises in Kotor.

Tasks to be performed by the Joint Technical Secretariat:

The tasks of the JTS and its antenna should include:

- support to the Operating Structures in the programme implementation;
- perform secretariat function for the Operating Structures and the Joint Monitoring Committee, including the preparation and mailing of documentation for meetings and the meeting minutes (in two or more languages if required);
- set up, regular maintenance and updating of the monitoring system (data input at programme and project level, on site visits);
- assist the OSs and the JMC in drawing up all the monitoring reports on the programme implementation;
- prepare and make available all documents necessary for project implementation (general information at programme level, general information at project level, guidelines, criteria, application for collecting project ideas, application pack -guidelines, criteria for project selection, eligibility, reporting forms, contracts);
- act as a first contact point for potential applicants;

²¹ EC Delegation in Podgorica should be operational by the end of 2007

- run info-campaigns, trainings, help-lines and web-based Q&A in order to support potential applicants in the preparation of project applications;
- organise selection and evaluation of project proposals and check whether all information for making a decision on project proposals are available;
- provide a secretary of the Steering Committee and organise and administrate its work;
- make sure that all the relevant documentation necessary for contracting is available to the Contracting Authorities on time;
- assists the Contracting Authorities in the process of „Budgetary Clearing“ prior to contract signature;
- support final beneficiaries in project implementation, including the advice on secondary procurement procedures;
- organise bilateral events including “partner-search” forums;
- develop and maintain a network of stakeholders;
- create and update a database of potential applicants and participants in workshops and other events;
- carry out joint information and publicity activities under the guidance of the Operating Structures, including setting up and maintaining an official programme website;
- plan its activities according to a work plan annually approved by the JMC;

4.1.4. Role of the Commission

Under decentralised management in Croatia, the Commission has a right to exercise *ex-ante* control of the selection of operations, as laid down in the Commission decision on conferral of management in accordance with Article 14(3) of the IPA Implementing Regulation.

Under centralised management in Montenegro, in line with Article 140(1) of the IPA Implementing Regulation, the European Commission retains overall responsibility for *ex-ante* approval over the grant award process and, acting as Contracting authority, for awarding grants, tendering, contracting and payment functions.

In addition to these standard roles, the Commission participates in an advisory capacity in the work of the Joint Monitoring Committee.

4.2. Procedures for programming, selection and awarding of funds

4.2.1. Joint Strategic Projects/ (Operations outside calls for proposals)

Preference is given to implementation through single open calls for proposals. However, JMC has the possibility in some cases to identify 'Joint Strategic Projects' compliant with the provisions of Art. 95 IPA Implementing Regulation.

Joint Strategic Projects are defined as those which have a significant cross-border impact throughout the Programming Area and which will, on their own or in combination with other Strategic Projects, achieve measure-level objectives.. The Terms of Reference (services) and/or Technical Specifications (supplies and works) are drafted by the Operating Structures with the assistance of JTS. The respective Contracting Authorities will tender and contract projects based on the standard PRAG procedures for the relevant types of contracts.

4.2.2. Calls for Proposals

The Cross-Border programme operates predominantly through grant schemes based on single calls for proposals and single selection process covering both sides of the border.

Grant award procedures shall be compliant with provisions of the IPA Implementing Regulation (e.g. Articles 95, 96, 140, 145, etc.)

Where appropriate, PRAG procedures and standard templates and models should be followed unless the provisions of the IPA Implementing regulation and/or the joint nature of calls require adaptation.

a) Preparation of the Application Pack

- The JTS, under the supervision of the JMC, drafts the single call for proposals, the Guidelines for Applicants and the Application Form and other documents related to the implementation of the grant schemes, explaining the rules regarding eligibility of applicants and partners, the types of actions and costs, which are eligible for financing and the evaluation criteria, following as closely as possible the formats foreseen in PRAG;
- The Application Form should cover both parts of the project (on Croatia/Montenegro sides of the border, i.e. joint application), but with clear separation of the activities and costs on each side of the border. The elements contained in the Application Pack (eligibility and evaluation criteria, etc.) must be fully consistent with the relevant Financing Agreement.
- The drafts of the single calls for proposals, Guidelines for Applicants and the Application Form and other documents related to the implementation of the grant schemes are approved by the JMC.
- OSs submit the final version of the Application Pack to the respective EC Delegations for endorsement.

b) Publication of single Calls for Proposals

- The OSs, with the assistance of the JTS, take all appropriate measures to ensure that the nationally and regionally publicised Call for Proposals reaches the target groups in line with the requirements of the Practical Guide (see below Information and Publicity). The Application Pack is made available on the Programme website and the web-sites of the Contracting Authorities and in paper copy.
- The JTS is responsible for information campaign and answering questions of potential applicants. JTS provides advice to potential project applicants in understanding and formulating correct application forms.
- Q&As should be available on both the Programme and Contracting Authorities' websites.

4.2.3. Selection of projects following a call for proposals

As provided by the IPA Implementing Regulation, the submitted project proposals will undergo a joint selection process. The project evaluation should follow the PRAG

rules (Chapter 6.4.) as adapted by the provisions of the IPA Implementing Regulation (e.g. Article 140 on the role of the Commission in the selection of operations)²².

A joint Steering Committee, designated by the JMC, will evaluate projects against the criteria set in the Application Pack and will establish a ranking list according to PRAG. On that basis, the Joint Monitoring Committee will then bring the final decision on the projects to be recommended for financing to the Contracting Authorities (Implementing Agency in Croatia, EC Delegation in Montenegro).

The main steps of the procedure should be as follows:

- The JTS receives and registers the applications.
- The JMC designates the joint Steering Committee and, if necessary, external assessors, which will be provided through the TA allocation of the programme.
- The Steering Committee is established with an equal representation of representatives of the 2 countries. The voting members shall be proposed by the Operating Structures. Members of the Steering Committee are designated exclusively on the basis of technical and professional expertise in the relevant area. The JTS provides a secretariat to the Steering Committee.
- Both OSs may propose the same number of external assessors to be financed from the respective TA allocations.
- The EC Delegations in Croatia and in Montenegro should *ex ante* approve the composition of the Steering Committee and the external assessors.
- The Steering Committee assesses the projects against the conditions and criteria established in the Call for proposals–Application Pack and according to PRAG procedures.
- The JMC receives from the Steering Committee the Evaluation Report and the ranking list of projects and votes on accepting the proposed ranking list. The members of the Steering Committee are present at the JMC meeting to present the evaluation process. The JMC has the possibility to:
 - Accept the Evaluation Report and recommend the Contracting authorities to contract the projects selected.
 - Request one round of re-examination of the project proposals if a qualified majority of its voting members vote for such a process and under the condition that there is a clearly stated technical reason affecting the quality of the Evaluation Report i.e. it is not clear how the projects were assessed and ranked;
 - Reject the Evaluation Report and the list of project, if there is a justified reason to suspect the objectivity or the qualifications of the Steering Committee.
 - Under no circumstances is the JMC entitled to change the Steering Committee's scores or recommendations and must not alter the evaluation grids completed by the evaluators.
- In Croatia, the ECD *ex ante* approves the decision of the JMC on the Projects Proposed for Financing and the Evaluation Report.

²² IPA Implementing Regulation for Component II provides, *inter alia*, a certain degree of decentralisation in the evaluation and selection process, namely in beneficiary countries where IPA funds are managed under a centralised approach (e.g. where the evaluation committee is nominated by the national authorities sitting in the JMC, not by the Commission i.e. the Contracting Authority).

- In Montenegro the ECD approves the Evaluation Report and the list of projects selected.
- The JTS notifies each applicant in writing of the result of the selection process.
- JTS shall send all the documentation necessary for contracting to both Contracting authorities within 2 weeks of the decision of the JMC.

4.3. Procedures for financing and control

4.3.1. Financing decision and contracting

Financing decisions are taken by the respective Contracting Authority (CFCU in Croatia and ECD in Montenegro) based on the decision of the Joint Monitoring Committee and, in the case of Croatia, the *ex ante* approval of the EC Delegation. In doing so, they ascertain that the conditions for Community financing are met.

Contracting Authorities and OSs may rely on the assistance of the JTS in communicating with potential grant beneficiaries during the „budgetary clearing“ process.

4.3.1.1. Croatia

- Contracting is the responsibility of the CFCU as the Implementing Agency for the Croatian part of the projects. The format of the grant contract is drafted according to the Practical Guide using the standard grant contract format and its annexes.
- The CFCU issues the grant contracts to the selected beneficiaries normally within 3 months of the decision of the Joint Monitoring Committee. If there are no derogations from the standard contract conditions annexed to the Guidelines for Applicants, the EC Delegation's approval of the Evaluation Report including the list of award proposals counts as global endorsement of the corresponding contracts.

4.3.1.2. Montenegro

- Contracting is the responsibility of the ECD as the Contracting authority for the Montenegro part of the project.
- The ECD issues the grant contract to the selected beneficiaries.

4.3.2. National Co-financing

The European community contribution shall not exceed 85% of the eligible expenditure and shall not be less than 20% of the eligible expenditure. The national co-financing shall amount to a minimum of 15% and a maximum of 80% of the total eligible expenditure of the action. Contributions in kind are not eligible under the IPA regulation although they may be mentioned in project proposals as non-eligible funding

Co-financing for the Technical Assistance Priority from the Croatian side will be 43% in the first year of the Programme implementation and 33,4% in the following two years.

Co-financing for the Technical Assistance Priority from the Montenegrin side will be 28,6% for the first three years of the programme implementation.

4.3.3. Financial management, payments and control

Financial management, payments and financial control are to be carried out by the responsible institutions on the basis of the Financial Regulation (EC, Euratom) 1605/2002 and the IPA Implementing Regulation. The procedures for financial management and control are defined in the Framework Agreements between the Beneficiary Countries and the European Commission.

4.4. Project Implementation

4.4.1. Project

Operations selected for cross-border programmes shall include final beneficiaries from at least two participating countries which shall co-operate in at least one of the following ways for each operation: joint development, joint implementation, joint staffing and joint financing.

Individual calls for proposals will further detail the types of cooperation eligible for financing.

4.4.2. Project Partners and their roles in the joint project implementation

- 1) If several partners from the same country are participating in the project, they shall appoint a National Lead Beneficiary (NLB) among themselves prior to the submission of the project proposal. The NLB:
 - is responsible for implementing the part of the project on his side of the border;
 - receives the grant from the Contracting authority and is responsible for transferring funds to the partners on his side of the border;
 - is responsible for ensuring expenditures have been spent for the purpose of implementing the operation;
 - closely cooperates with the Functional Lead Partner (see below) and provides him with all the relevant data on project implementation.

- 2) A Functional Lead Partner (FLP) is appointed in cases where partners from both countries are participating in a project and are separately contracted by the Contracting Authorities of each country. In such cases, the 2 National Lead Beneficiaries shall appoint among themselves a Functional Lead Partner prior to the submission of the project proposal. The FLP is:
 - responsible for the overall coordination of the project activities on both sides of the border;
 - responsible for organising joint meetings of project partners, meetings and correspondence;
 - responsible for reporting to the JTS on the overall project progress.

The FLP role will be detailed in the grant contract between the FLP and his Contracting authority.

The contractual and financial responsibilities of each of the NLB towards the respective Contracting authorities remain and are not to be transferred from the NLB onto the FLP. The NLBs also hold the contractual responsibilities also for the other partners and associates on their side of the border as contracted.

4.5. Monitoring and Evaluation

4.5.1. Monitoring on Project Level

4.5.1.1. Contractual obligations

National Lead Beneficiaries send narrative and financial Interim and Final Reports to their respective Contracting Authorities according to the standard terms of their grant contracts.

4.5.1.2. Cross-border project level reporting

The Functional Lead Partner of the project submits Project Progress Reports to the JTS, giving an overview of the project activities and achievements on both sides of the border and their coordination according to the indicators defined in the joint project proposal.

4.5.2. Programme Monitoring

Based on the project progress reports collected, the JTS drafts the Joint Implementation Report and submit it for the examination of the Joint Monitoring Committee.

The Operating Structures of the beneficiary countries shall send the Commission and the respective national IPA co-ordinators an annual report and a final report on the implementation of the cross-border programme after examination by the Joint Monitoring Committee.

The reports shall also be sent to the NAO in Croatia.

The annual report shall be submitted by 30 June each year and for the first time in the second year following the adoption of the cross-border programme.

The final report shall be submitted at the latest 6 months after the closure of the cross-border programme.

The content of reports shall be in line with the requirements of Article 144 of the IPA Implementing Regulations.

4.5.3. Programme Evaluation

Evaluations shall take place in compliance with Article 141 of the IPA Implementing Regulation.

The evaluation shall aim to improve the quality, effectiveness and consistency of the assistance from the Community funds and the strategy and implementation of cross-border programmes while taking account the objective of sustainable development and the relevant Community legislation concerning environmental impact.

An ex-ante evaluation has not been carried out in line with the provisions of Article 141 in the light of the proportionality principle.

During the programming period, participating countries and/or the European Commission shall carry out evaluations linked to the monitoring of the cross-border programme in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of cross-border programme. The results shall be sent to the Joint Monitoring Committee for the cross-border programme and to the Commission.

Evaluations shall be carried out by experts or bodies, internal or external. The results shall be published according to the applicable rules on access to documents. Evaluation shall be financed from the technical assistance budget of the programme.

4.6. Information and 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.

In Croatia, as well as in Montenegro, the Operating Structure shall be responsible for organising the publication of the list of the final beneficiaries, the names of the operations and the amount of Community funding allocated to operations. It shall ensure that the final beneficiary is informed that acceptance of funding is also an acceptance of their inclusion in the list of beneficiaries published. Any personal data included in this list shall be processed in accordance with the requirements of Regulation (EC) No 45/2001 of the European Parliament and of the Council²³.

In accordance with Article 90 of Regulation (EC, Euratom) No 1605/2002, the Commission shall publish the relevant information on the contracts. The Commission shall publish the results of the tender procedure in the Official Journal of the European Union, on the EuropeAid website and in any other appropriate media, in accordance with the applicable contract procedures for Community external actions.

The information and publicity measures are presented in the form of a communication plan whereby the implementation shall be the responsibility of the respective OSs. Such detailed information and publicity plan will be presented in a structured form to the JMC by the JTS (see below), clearly setting out the aims and target groups, the content and strategy of the measures and an indicative budget funded under the Technical Assistance budget of the CBC programme.

The particular measures of information and publicity will focus mainly on:

- Ensuring a wider diffusion of the cross-border programme (translated in the local language) among the stakeholders and potential beneficiaries
- Providing publicity materials, organising seminars and conferences, media briefings and operating a programme web site to raise awareness, interest and to encourage participation;
- Providing the best possible publicity for the Calls for proposal
- Publishing the list of the final beneficiaries.

²³ OJ L 8, 12.1.2001, p. 1

ANNEX I Joint Programming Committee, Joint Drafting Team, Partnership Group and Inter-ministerial Working Group members of the Cross-Border Programme Croatia-Montenegro

JPC members

Name	Institution
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Mira Buconić	County Prefect, Dubrovnik-Neretva County
Ana Vukadinović	Secretary, Secretariat for European Integration
Siniša Stanković	Assistant Minister, Ministry of Tourism and Environment Protection
Žarko Đuranović	Directorate for SME Development
Ljubinka Radulović	Assistant Secretary, Association of Municipalities

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Ivana GLišević	Advisor, Secretariat for European Integration
Jelena Knežević	Advisor, Ministry of tourism and environmental protection
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Mihaela Muselinović	Associate, Ministry of the Sea, Tourism, Transport and Development
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Partnership group

Name	Institution
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Barbara Savin	County Service for Spatial Planning, Dubrovnik-Neretva County
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Zdenko Medović	City of Dubrovnik
Biserka Simanović	City of Dubrovnik
Marko Kalauz	City of Dubrovnik
Biserka Simatović	City of Dubrovnik
Marijo Dabelić	City of Dubrovnik
Ivo Urlić	Croatian Employment Service
Tomislav Sopjanac	County Roads Directorate

Jany Hansal	Desa Dubrovnik (NGO)
Ane Sindik	Regional Development Agency
Sandra Belko	Ministry of Culture
Miše Miloslavić	Fire Department of Dubrovnik-Neretva County
Nikolina Trojić	Croatian Chamber of Commerce, County Chamber Dubrovnik
Mato Begović	Dubrovnik-Neretva County
Snežana M. Sanušar	Advisor of the President, Montenegro
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Tijana Ljiljanić	Secretariat for European Integrations
Ratka Sekulović	Secretariat for European Integrations
Duška Baličević	Secretariat SOKOSOR
Rafaela Lazarević	Vice-president of the Municipality of Kotor
Saša Ščekić	Advisor for Local Self-government in the Community of Municipalities of Montenegro
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Slađana Petković	Office for Prevention Vice-coordinator
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Miladin Mitrović	Municipality Mojkovac
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Inter-ministerial working group

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Biserka Puc	Ministry of Environmental Protection, Physical Planning and Construction
Jelena Letica	Ministry of Science, Education and Sports
Mojca Lukšić	Ministry of Agriculture, Forestry and Water Management
Željko Ostojić	Ministry of Agriculture, Forestry and Water Management
Sanja Mesarov	Croatian Employment Service
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Marija Rajković	Ministry of the Sea, Tourism, Transport and Development
Zvonimir Nagy	Ministry of the Sea, Tourism, Transport and Development

ANNEX II
Bilateral agreements
Table 1.2. Bilateral agreements

Name of treaty	Date signed	Effective temporarily	Published in NN-MU	Date of effect	Publication of date of effect	Cessation
<i>Protocol between the Government of the Republic of Croatia and the Federal Government of the Federal Republic of Yugoslavia on temporary border regime along the southern border between the two states</i>	12/10/2002	12/10/2002				
<i>Memorandum on the agreement in realising and enhancing the mutual co-operation in fighting all forms of capital crime signed between the General Attorney's Office of the Republic of Croatia and the Supreme State Prosecutor of the Republic of Montenegro</i>	2/25/2005			2/25/2005		
<i>Memorandum between the Croatian Ministry of Agriculture, Forestry and Water Management and the Montenegrin Ministry of Agriculture, Forestry and Water Management</i>	7/27/2005			7/27/2005		
<i>Agreement between the Government of the Republic of Croatia and the Government of the Republic of Montenegro on Co-operation in Plant Protection</i>	10/18/2005					
<i>Agreement between the Government of the Republic of Croatia and the Government of the Republic of Montenegro on Co-operation in the</i>	10/18/2005	10/18/2005				

<i>Veterinary Field</i>						
<i>Agreement between the Croatian Ministry of Interior Affairs and the Montenegrin Ministry of Interior Affairs on police co-operation</i>	11/22/2005			11/22/2005		
<i>Agreement between the Government of the Republic of Croatia and the Government of the Republic of Montenegro regarding Mutual Assistance in Customs matters</i>	12/9/2005		2/2006			
<i>Establishment of Diplomatic Relations between the Republic of Croatia and the Republic of Montenegro</i>	7/7/2006			7/7/2006		
<i>Agreement between the Public Prosecutor's Office of the Republic of Croatia and the Supreme State Prosecutor of the Republic of Montenegro on co-operation and prosecution of the perpetrators of war crimes, crimes against humanity, and genocide</i>	7/28/2006			7/28/2006		

ANNEX III Situation analysis - Tables

Table 2.2: Change in the number of inhabitants and population density

Croatia	Number of inhabitants ¹		Pop. Density (inhabitants per km ²) ²
	1991	2001	2001
Dubrovnik-Neretva County	126.329	122.870	68,8
<i>Split-Dalmatia County*</i>	<i>474.019</i>	<i>463.676</i>	<i>102,1</i>
Counties Total	600.348	586.546	92,8
Croatia Total	4.784.265	4.437.460	78,2
Montenegro	Number of inhabitants ³		Pop. Density (inhabitants per km ²) ⁴
	1991	2003	2003
Herceg Novi	27073	33034	141
Kotor	22137	22947	69
Tivat	11186	13630	296
Budva	11547	15909	130
Bar	34453	40037	67
Ulcinj	1986	20290	80
Cetinje	20171	18482	20
Σ eligible area	Σ128 553	Σ164 329	
<i>Nikšić*</i>	<i>73983</i>	<i>75282</i>	<i>37</i>
<i>Danilovgrad*</i>	<i>14585</i>	<i>16523</i>	<i>33</i>
<i>Podgorica*</i>	<i>146121</i>	<i>169132</i>	<i>117</i>
Σ adjacent region	Σ234 689	Σ 260 937	
Municipalities Total	363242	425266	99
Montenegro Total	615035	620145	45

Source:^{1,2} Census 1991, Census 2001, Central Bureau of Statistics RH, MSTD data base; ^{3,4} Census 1991, Census 2003, Monstat, Statistical Yearbook of the Republic of Montenegro 2006;

*adjacent regions

Table 2.3. : Natural population fluctuation and distribution of inhabitants by age (%)

Croatia ¹	Live births	Mortality	Natural growth	Female population 15 – 49	age 0-14	age 15-64	age >65	Pop. Ageing index (%)
	2005	2005	2005	2001	2001	2001	2001	2001
Dubrovnik-Neretva County	1251	1256	-5	29634 (24,1%)	18,2	65,3	15,9	86,3
<i>Split-Dalmatia County*</i>	<i>4970</i>	<i>4536</i>	<i>434</i>	<i>114465 (24,7%)</i>	<i>18,5</i>	<i>66,8</i>	<i>14,3</i>	<i>77,8</i>
Counties Total	6221	5792	429	144099 (24,6%)	18,4	66,5	14,6	70,2
Croatia Total	42.492	51.790	-9298	1.080.121 (24,3%)	17,0	67,0	16,0	90,7
Montenegro (2003) ²	Live births	Mortality	Natural growth	Female population 15 - 49	age 0-14	age 15-59	Age >60	Pop. Ageing index (%)

Herceg Novi	352	308	44	8396 (25,4%)	17.50	62.81	19.69	83.53
Kotor	252	255	-3	5941 (25,9%)	17.96	62.70	19.34	79.37
Tivat	133	124	9	3508 (25,7%)	18.33	64.41	17.26	68.79
Budva	219	115	104	4475 (28,1%)	19.66	65.18	15.15	55.66
Bar	501	388	113	10237 (25,6%)	21.65	59.89	18.46	70.39
Ulcinj	240	200	40	4876 (24,0%)	17.63	62.85	19.52	61.51
Cetinje	167	224	-57	4657 (25,2%)				83.40
					20.01	62.04	17.94	
<i>Nikšić*</i>	931	663	268	18935 (25,2%)	20.57	59.39	20.04	65.96
<i>Danilovgrad*</i>	182	205	-23	3833 (23,2%)	21.41	63.66	14.93	72.58
<i>Podgorica*</i>	2694	1388	1306	45084 (26,7%)				50.11
Municipalities Total	5671	3870	1801	109942	19.4	62.5	18.1	69.1
Montenegro Total	8344	5704	2641	156786	17.74	67.10	15.16	62.53
EU average ⁴					16,8	66,9	16,3	96,7

Source: ¹Census 2001, Central Bureau of Statistics RH, MSTTD data base; ²Statistical Yearbook 2003, Institute for Public Health;

*adjacent regions

Table 2.4: Nationality structure of inhabitants (%) by selected nationalities

Croatia (2001) ¹	Croats	Bosnians	Montenegrins	Serbs	
Dubrovnik-Neretva County	93,3	1,43	0,3	1,96	
<i>Split-Dalmatia County*</i>	96,3	0,19	0,13	1,19	
Croatia Total	89,63	0,47	0,11	4,54	
Montenegro (2003) ²	Montenegrins	Serbs	Albanians	Croats	Moslems
Herceg Novi	28.60	52.88	0.08	2.42	0.67
Kotor	46.81	30.91	0.33	7.68	0.46
Tivat	29.95	35.19	1.06	19.54	1.14
Budva	45.33	40.87	0.35	1.12	1.28
Bar	47.25	27.68	7.61	0.65	6.43
Ulcinj	11.93	7.44	72.14	0.38	3.36
Cetinje	90.67	4.62	0.23	0.27	0.12
<i>Nikšić*</i>					
<i>Danilovgrad*</i>	62.64	26.74	0.35	0.18	0.92
<i>Podgorica*</i>	67.84	25.51	0.18	0.28	0.35
	56.96	26.27	1.36	2.60	5.50
Montenegro Total	43.2	32.0	5.0	1.1	4.0

Source: ¹Census 2001, Central Bureau of Statistics RH; ²Statistical Office of Montenegro/Census 2003;

*adjacent regions

Table 2.5: Information on the roadways in Croatian part of the programming area

Croatia	Total road length	Length of national roads	Length of county roads	Length of local roads	Density of road network
2005.	Km	km	km	km	m/km ²
Dubrovnik-Neretva County	976	397	260	319	548
<i>Split-Dalmatia County*</i>	2.486	761	780	927	546
Croatia	28.344	7.425	10.544	10.375	501

Source: Statistical Year Book 2006 ;

*adjacent regions

Table 2.6: Information on railways in Croatian part of the programming area

Croatia	Length
2005.	km
Dubrovnik-Neretva County	22.7
<i>Split-Dalmatia County*</i>	45.6
Croatia	2.704

Source: MSTTD, Directorate for railways;

*adjacent regions

Table 2.7: Rate of inhabitants supplied from public waterworks and connected to public drainage system in Croatia

Croatia	Water supply	Waste water
(2006)	%	%
Dubrovnik-Neretva County	83	41
<i>Split-Dalmatia County.*</i>	88	49
Total Average	85,5%	45%
Montenegro	Water supply ¹	Waste water ²
(2005)		
Herceg Novi	N/A	
Kotor	N/A	
Tivat	N/A	
Budva	N/A	
Bar	N/A	
Ulcinj	N/A	
Cetinje	N/A	
<i>Nikšić*</i>	N/A	
<i>Danilovgrad*</i>	N/A	
<i>Podgorica*</i>	N/A	
Total Average		

Source: Croatian Water Resource Management (Hrvatske vode), Source: ¹Ceed calculations using report from USAID HDP 2005

* adjacent regions

Table 2.8: Rate of occupied households/dwellings with installation in 2001 in Croatia and in 2005 in Montenegro

Croatia ¹	Dwellings with water supply system	Dwellings with sewage disposal system	Dwellings with electricity	Dwellings with central heating
2001	%	%	%	%
Dubrovnik-Neretva County	97,99	97,88	99,78	11,86
<i>Split-Dalmatia County*</i>	96,07	95,76	99,83	13,26
Croatia	93,65	92,75	99,48	36,18
Montenegro²	Households with water supply system	Households with waste water system	Households with electricity	Households with central heating
2005	%	%	%	%
Herceg Novi	97	51	N/A	NONE
Kotor	96	43	N/A	NONE
Tivat	96	53	N/A	NONE
Budva	96	62	N/A	NONE
Bar	72	31	N/A	NONE

Ulcinj	63	33	N/A	NONE
Cetinje	85	64	N/A	NONE
<i>Nikšić*</i>	91	60	N/A	NONE
<i>Danilovgrad*</i>	81	24	N/A	NONE
<i>Podgorica*</i>	74	60	N/A	NONE
Total Average	85.1	48.1		
Total Average				

Source: ¹ Central Bureau of Statistics, Census 2001, ² Ceed calculations using report from USAID

HDP 2005, NOTE: dwellings

*adjacent regions

Table 2.9: Gross Domestic Product

Croatia¹	Regional GDP per capita (current prices)	Regional GDP index	% of national GDP ³
(2004)	(EUR*)	Country=100	Country=100 %
Dubrovnik-Neretva County	6.104	84.5	2.6
<i>Split-Dalmatia County*</i>	5.127	79.3	8.5
Croatia	6461	100.0	100.0
Montenegro²			
Herceg Novi	2,116.49	94.0	4.4
Kotor	2,143.49	98.2	3.1
Tivat	1,648.55	117.0	1.4
Budva	4,145.87	107.3	4.2
Bar	4,532.80	100.1	11.5
Ulcinj	1,497.98	136.3	1.9
Cetinje	1,043.33	105.4	1.2
<i>Nikšić*</i>	2,108.74	86.6	10.2
<i>Danilovgrad*</i>	1,353.98	130.6	1.4
<i>Podgorica*</i>	3,963.17	89.7	42.8
Montenegro			100.0

Source: ¹ Central Bureau of Statistics RH; ² Statistical Yearbook of the Republic of Montenegro 2004: Calculation based on GDP structure per municipalities for the period 2002-2004. Data for 2001 and 2002 are used for calculation GDP index.;

* adjacent regions

Table 2.10: Agriculture population, households and utilized agriculture land, 2001, 2003

Croatia	Total agri population	Active agri population ¹	No of agri households**	No of agri business subjects	Utilised agriculture land (ha)		
					Total	Utilized by agriculture households	Utilized by business subjects
	2001	2001	2003	2003	2003		
Dubrovnik-Neretva County	4.773	2.741	9.723	20	7.243	7.120	124
<i>Split-Dalmatia County*</i>	8.092	5.184	31.953	62	20.738	20.054	684
Croatia	246.089	166.044	448.532	1.364	1.077.403,17	860.195,17	217.208,00
Ratio Dubrovnik-Neretva County/national	1,9	1,7	2,2	1,5	0,7	0,8	0,1
<i>Ratio Split-Dalmatia County/national*</i>	3,3	3,1	7,1	4,5	1,9	2,3	3,1
Montenegro²	2003	2003	NA	2003	NA	NA	NA
<i>Herceg Novi</i>	212	102		10			
<i>Kotor</i>	148	58		7			
<i>Tivat</i>	61	29		2			
<i>Budva</i>	127	34		2			
<i>Bar</i>	1184	437		4			
<i>Ulcinj</i>	1141	381		6			
<i>Cetinje</i>	349	205		5			
<i>Nikšić*</i>	2081	821		33			
<i>Danilovgrad*</i>	772	354		13			
<i>Podgorica*</i>	5214	2001		50			

Source: Census 2001, Agriculture census 2003;,, Central bureau for statistics, Republic of Croatia ¹ Difference to "Total" refers to persons active outside their farm². Census 2003 and Statistical Yearbook of the Republic of Montenegro 2006.

* adjacent regions

** Number of agricultural households and number of agricultural business subjects are not available in Population Census 2001 but only in Agricultural census 2003 which defines agricultural household as: "...any family or other community of persons who live together and spend their income together for meeting the basic life needs, or any person living alone (single-person household), which engages in agricultural production, or has an agricultural holding, which has a single management, and uses jointly the means of production (machines, facilities, and land) and the work of the members of the household, regardless of whether its production is for personal needs alone or for sale."

Table 2.11: Shares of the Counties in Gross Added Value (GAV) in certain sectors in the total GAV of the Republic of the Croatia, 2001, %

Croatia ¹									
2001	A	B	C	D	E	F	G	H	
Dubrovnik-Neretva County	2,4	2,2	0,6	0,6	5,8	2,2	1,5	6,2	
<i>Split-Dalmatia County *</i>	3,5	19,2	5,1	6,3	14,9	7,5	8,3	9,7	
2001	I	J	K	L	M	N	O	P	Total
Dubrovnik-Neretva County	4,3	2,8	2,7	3,5	2,8	2,6	2,9	3,6	2,5
<i>Split-Dalmatia County *</i>	9,2	6,3	10,6	8,2	10,8	9,5	8,2	25,3	7,9
Montenegro									
(YEAR)	NA	NA	NA	NA	NA	NA	NA	NA	NA

Herceg Novi									
Kotor									
Tivat									
Budva									
Bar									
Ulcinj									
Cetinje									
<i>Nikšić*</i>									
<i>Danilovgrad*</i>									
<i>Podgorica*</i>									

A - Agriculture, hunting and forestry; **B** - Fishing; **C** - Mining and quarrying; **D** - Manufacturing; **E** - Electricity, gas and water supply; **F** - Construction; **G** - Wholesale and retail trade; repair of motor vehicles, motorcycle and household goods; **H** - Hotels and restaurants; **I** - Transport, storage and communication; **J** - Financial intermediation; **K** - Real estate, renting, business activities; **L** - Public administration and defence, compulsory social security; **M** - Education; **N** - Health and social work; **O** - Other community, social and personal service activities; **P** - Private household with employed persons.

Source: ¹ Central Bureau of Statistics, 2001; *adjacent regions

Table 2.12: Number of SMEs in regions/counties

Croatia ¹	SMEs	SMEs	County SMEs contribution to total SMEs output (County share in national SME revenue)	SMEs contribution to overall GDP
2004	No.	Total revenue	%	%
Dubrovnik-Neretva County	2.292	7.313.645.507	1,51%	N.a.
Split-Dalmatia County *	7.227	33.955.956.235	7,1%	N.a.
Total				
Montenegro ²	SMEs	SMEs	SMEs contribution to total SMEs output	SMEs contribution to overall GDP
2006	No.	Turnover / year	%	%
Herceg Novi	1143	N/A	N/A	N/A
Kotor	611	N/A	N/A	N/A
Tivat	398	N/A	N/A	N/A
Budva	1155	N/A	N/A	N/A
Bar	1044	N/A	N/A	N/A
Ulcinj	552	N/A	N/A	N/A
Cetinje	362	N/A	N/A	N/A
<i>Nikšić*</i>	1101	N/A	N/A	N/A
<i>Danilovgrad*</i>	258	N/A	N/A	N/A
<i>Podgorica*</i>	4580	N/A	N/A	N/A
Total	11.204			

Source: ¹ FINA (Financial Agency) ² Pension and Disability Fund October 2006.;

*adjacent regions

Table 2.13: Entrepreneurs and Employed by Activities

Croatia¹		No. of Entrepreneurs	Rate of entrepreneurs in total number of entrepreneurs (per activity)	No. of Employed	Rate of Employed in total number of employed (per activity)
2005			%		%
Dubrovnik-Neretva County	Agriculture, Hunt and Forestry	53	2.1%	410	2,2%
	Fishery	27	1.1%	64	0.3%
	Mining and Extracting	11	0.4%	259	1.4%
	Processing Industry	202	8.0%	1,979	10.5%
	Power, gas and water supply	10	0.4%	356	1.9%
	Construction	187	7.4%	2,586	13.7%
	Retail sale and wholesale	805	31,9%	3,770	20.0%
	Hotels and restaurants	318	12.6%	4,521	24.0%
	Transport, storage and connections	194	7.7%	2,938	15.6%
	Financial business	6	0.2%	23	0.1%
	Real estates business, renting	584	23,2%	1,183	6.3%
	Public administration and defence, obligatory social insurance	2	0.1%	20	0.1%
	Education	13	0.5%	35	0.2%
	Medical and social care	38	1.5%	114	0.6%
Other social, and private services	72	2.9%	599	2.9%	
Montenegro²		NA	NA	NA	NA
2005					
Eligible area					
	Agriculture, Hunt and Forestry			1183	
	Fishery			65	
	Mining and Extracting			373	
	Processing Industry			4509	
	Power, gas and water supply			1275	

	Construction			1667	
	Retail sale and wholesale			8709	
	Hotels and restaurants			5212	
	Transport, storage and connections			5542	
	Financial business			791	
	Real estates business, renting			1297	
	Public administration and defence, obligatory social insurance			5483	
	Education			2756	
	Medical and social care			3805	
	Other social, and private services			2995	

Source: ¹ FINA (The Financial Agency) ² Statistical Yearbook of the Republic of Montenegro 2006.

Table 2.14.: Employment structure by economic sectors (%)

Croatia¹	Agricultural	Industry	Services	Others
(2005)	%	%	%	%
Dubrovnik-Neretva County	1,95	18,9	79,1	n.a.
<i>Split-Dalmatia County *</i>	1,14	31,28	67,5	n.a.
Montenegro²	Agricultural	Industry	Services	Others
2006	%	%	%	%
Herceg Novi	1.17	16.94	41.39	40.49
Kotor	1.14	12.00	45.85	41.01
Tivat	0.53	10.67	39.90	48.89
Budva	0.53	10.70	66.70	22.07
Bar	3.70	13.61	51.65	31.04
Ulcinj	7.98	19.45	40.95	31.62
Cetinje	3.72	34.20	26.09	35.98
<i>Nikšić*</i>	<i>4.85</i>	<i>38.24</i>	<i>24.78</i>	<i>32.14</i>
<i>Danilovgrad*</i>	<i>7.28</i>	<i>26.67</i>	<i>26.07</i>	<i>39.98</i>
<i>Podgorica*</i>	<i>4.68</i>	<i>21.07</i>	<i>33.94</i>	<i>40.31</i>

Source: ¹ Source: Statistical Yearbook 2006, Central bureau for statistic Republic of Croatia, NOTE: data is compiled by authors on the basis of NCEA classification where Agricultural activity includes primary economic activities: Agriculture, hunting and forestry and Fishing, Industry includes economic activities of Mining and quarrying, Manufacturing, Electricity, gas and water supply, and Construction, and Services include Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods, Hotels and restaurants, Transport, storage and communication, Financial intermediation, Real estate, renting and business activities, Public administration and defense; compulsory social security, Education, Health and social work and Other community, social and personal service activities,

²Statistical Yearbook of the Republic of Montenegro 2006. ;

*adjacent regions

Table 2.15. Visits and overnight stays

Croatia	Foreign Guests/Arrivals	Domestic Guests/Arrivals	Overall Guest nights	Guest nights per inhabitant
(2005)	No.	No.	No.	Ratio No.
Dubrovnik –Neretva County	806 949	102 425	4 478 495	36,4
<i>Split-Dalmatia County*</i>	1 229 648	205 618	8 028 642	17,3
Montenegro	Foreign Guests	Domestic Guests	Overall average Guest nights	Guest nights per inhabitant
(2005)	No.	No.	No.	ratio %
Herceg Novi	43,270	106,007	1,176,977	3562.93
Kotor	19,086	37,722	306,378	1335.15
Tivat	15,607	21,609	280,655	2059.10
Budva	124,394	194,824	2,048,852	12878.57
Bar	25,420	77,600	746,407	1864.29
Ulcinj	16,858	65,337	462,991	2281.87
Cetinje	1,749	6,879	33,532	181.43
<i>Nikšić*</i>	1,787	3,008	11,525	15.31
<i>Danilovgrad*</i>	85	35	121	0.73
<i>Podgorica*</i>	14,826	14,993	53,886	31.86

Source: Statistical yearbook 2006, Central bureau for statistics Republic of Croatia, ¹Statistical Yearbook of the Republic of Montenegro 2006.

* adjacent regions

Table 2.16: Education attainment of inhabitants¹ (%)

Croatia²⁴	< than primary	Primary	Secondary	University, MSc, PhD
2001	%	%	%	%
Dubrovnik-Neretva county	1,7%	32,5	51,8	13,6
<i>Split-Dalmatia County*</i>	3,51%	30,23%	52,09%	13,49%
Montenegro²	< than primary	Primary	Secondary	University, MSc, PhD
2003	%	%	%	%
Herceg Novi	8.08	15.60	57.40	18.92
Kotor	10.78	18.27	52.28	18.67
Tivat	7.53	16.58	59.52	16.38
Budva	6.81	15.70	58.18	19.31
Bar	14.23	23.01	48.43	14.33
Ulcinj	27.02	24.69	37.86	10.44
Cetinje	12.71	25.55	50.07	11.67
<i>Nikšić*</i>	11.98	22.11	53.85	12.06
<i>Danilovgrad*</i>	13.72	24.90	52.01	9.37
<i>Podgorica*</i>	9.50	21.06	53.26	16.18

Source: ¹ Census, 2001, percentages calculated by authors, ²Census 2003, book 4. ;

* adjacent regions

Table 2.17: Unemployment structure by sex and age¹

Croatia ¹	Unemployment rate	Male	Female	Age group		
				15-24	25-49	+50
2005	%	No./%	No./%	No./%	No./%	#/%
Dubrovnik-Neretva county	18,3 %	3288 (39,5%)	5.026 (60,5%)	1291 (15,5%)	5088 (61,2%)	1935 (23,2%)
<i>Split-Dalmatia county</i>	22,3%	14976 (37,76)	24677 (62,2%)	7609 (19,1)	25037 (63,1%)	7007 (17,7%)
Montenegro²	Unemployment rate	Male	Female	15-24	25-49	50-64
2003	%	No.	No.	No.	No.	No.
Herceg Novi	11.73	2,089	1,786	927	2,422	476
Kotor	16.90	2,100	1,778	860	2,535	467
Tivat	15.38	993	1,103	523	1,323	237
Budva	12.01	926	985	479	1,259	157
Bar	13.71	2,842	2,646	1,534	3,419	463
Ulcinj	14.53	1,514	1,334	944	1,704	173
Cetinje	16.68	1,722	1,361	798	1,953	313
<i>Nikšić*</i>	15.99	6273	5765	3429	7933	584
<i>Danilovgrad*</i>	16.32	1412	1285	775	1603	293
<i>Podgorica*</i>	13.66	11554	11557	6645	14445	1831

Source: ¹Croatian Employment service, Yearbook 2005, www.hzz.hr, ²Census 2003, book no. 19 ;
*adjacent regions

Table 2.18: Unemployment structure by education

Croatia ¹	Unemployment rate	Education			
		< than primary	Primary	Secondary	University, MSc, PhD
2005	%	No.	No.	No.	No.
Dubrovnik-Neretva County	18,3%	186 (2,23%)	1.347 (16,20%)	5888 (70,8%)	893 (10,7%)
<i>Split-Dalmatia County *</i>	22,3%	758 (1,9%)	7.200 (18,1%)	27343 (68,9%)	4352 (10,9%)
Montenegro²	Unemployment rate	< than primary	Primary	Secondary	University, MSc, PhD
2003	%	No.	No.	No.	No.
Herceg Novi	11.73	49	345	2838	598
Kotor	16.90	60	473	2650	647
Tivat	15.38	40	220	1542	270
Budva	12.01	22	177	1363	272
Bar	13.71	149	1070	3527	604
Ulcinj	14.53	184	554	1615	220
Cetinje	16.68	54	694	2036	227
<i>Nikšić*</i>	15.99	108	1696	9111	966
<i>Danilovgrad*</i>	16.32	28	553	1886	105
<i>Podgorica*</i>	13.66	505	4222	16143	1876

Source: ¹Croatian Employment service, Yearbook 2005, www.hzz.hr, ²Census 2003, book no.19. ;
*adjacent regions

Table 2.19: Employment information by male / female population classification

Croatia¹	Work capable citizens	Work capable male population age 15-65	Work capable female population age 15-59	Total number of employed in work capable citizens
2001	No.	No.	No.	No.
Dubrovnik-Neretva County	72450	37006	35444	38290
<i>Split-Dalmatia County *</i>	<i>274862</i>	<i>141407</i>	<i>133455</i>	<i>136501</i>
Montenegro²	Work capable citizens	Work capable male population age 15-64	Work capable female population age 15-64	Total number of employed in work capable citizens
2003	No.	No.	No.	No.
Herceg Novi	14280	7619	6508	10405
Kotor	9828	5090	4664	5950
Tivat	6068	3260	2776	3972
Budva	7379	3769	3535	5468
Bar	16914	9535	7116	11426
Ulcinj	7661	4850	2651	4813
Cetinje	8483	4534	3877	5400
<i>Nikšić*</i>	<i>32134</i>	<i>18682</i>	<i>13096</i>	<i>20096</i>
<i>Danilovgrad*</i>	<i>6889</i>	<i>3986</i>	<i>2787</i>	<i>4192</i>
<i>Podgorica*</i>	<i>75557</i>	<i>41187</i>	<i>33604</i>	<i>52446</i>

Source: ¹Census 2001, table 14, ²Census 2003, book no. 19., *adjacent regions

Table 2.20: Nature protection areas

Croatia ¹	Montenegro
<p>Dubrovnik-Neretva County NP - Mljet Special reserves in the sea - Malostonski bay Other special reserves: - <u>Forest vegetation</u> - islands Lokrum, Velika dolina - NP Mljet - <u>zoogical-ornytological</u> - islands Mrkan, Bobara and Supetar – Cavtat, Pod Gredom – Vid, Prud – Metković, Orepek - Kula Norinska - <u>ichtyological-ornytological</u> - southeast part of the delta of the river Neretva and small island Osinj Forest park - Velika and Mala Petka – Dubrovnik, Osmoliš – Brsečine, Trsteno – Brsečine, Donje Čelo – Koločep, Gornje Čelo – Koločep, city park Hober – Korčula, Predolac-Šibanica – Metković, small island Ošjak - Vela Luka bay, cyperus plantings “Pod Gospu” - Orebić Protected area - Rijeka Dubrovačka, Saplunara – Mljet, Vučina bay with the seaside – the peninsula Pelješac, Prapratno bay – Pelješac, Konavoski dvori – Konavle, the island Badija – archipelago of the east Korčula, Modro oko and the lake Desne – the town Ploče, region “Kočje” - Žrnovo on the island Korčula Nature monument: - <u>geomorphological</u> - Močiljska cave - Podbrežje Osojnik, the cave Šipun – Cavtat, the cave Gromačka – Gromača, the cave Rača– Lastovo, Vela spilja - Vela Luka - <u>rare tree specimen</u> - holly oak - Žrnovo on the island Korčula, juniper-tree group– Plat Park architecture monument: - <u>arboretum</u> - Trsteno - <u>park</u> - the park Foretić – Korčula - <u>individual tree</u>- plane 1 – Trsteno, plane 2 – Trsteno , cyperus - Čara on Korčula, caperus – Metković - <u>tree group</u>- cyperus group by the church Gospa od Karmela – Orebić, cyprus avenue by the church Velika Gospa – Orebić, cyprus avenue – Korčula</p>	<p>NP Lovćen protected area is 64km2 NP Skadar Lake protected area is 400km2 Planned protected areas: - Planned NP - Mountain Prokletije - Planned regional parks: Orjen, Ljubišnja, Rumija (especially locality Lušinj), Komovi (especially localities Planinica, Maglić and Žijovo), Morača basin (especially localities Žurim and Captain’s Lake). Important Bird Areas: Skadar Lake, Šasko Lake, Solana, Durmitor and Biogradska gora.</p>

Source: ¹Environmental plan of the Dubrovačko – neretvanska County, County Bureau for Environmental Planning in Dubrovnik, 2003, page 307

Table 2.21: Rate of the protected areas in the region/counties

Croatia ¹	Protected areas
2003	ha
Dubrovnik-Neretva County	25.468,5*
Montenegro	Protected areas
(YEAR)	km ²
Herceg Novi	N/A
Kotor	N/A
Tivat	N/A
Budva	N/A
Bar	N/A
Ulcinj	N/A
Cetinje	N/A

Source: ¹Environmental plan of the Dubrovnik – Neretva County, County Bureau for Environmental Planning in Dubrovnik, 2003, page 143,

* Relates to land and the sea

ANNEX IV Tentative time table and indicative amounts of the call for proposals in 2007

Tentative Timetable and indicative amount of the call for proposals for Priority 1: *Creation of favourable environmental and socio-economic conditions in the programming area by improvement of the co-operation in the jointly selected sectors and good neighbourly relations in the eligible areas.*

For the budget 2007, the proposition is to launch one call for proposals. All three measures will be included into the first call, covering both: "big" (value of €50-300,000) and small (value of €10-75,000) grants.

Country	Call for proposal (priority 1)	Launch date	Signature of contracts	Project completion	Indicative amount IPA	Indicative amount National	Indicative amount TOTAL
Croatia	CfP 1: (all three measures; value of grants €50-300,000 and small grants €10-75,000)	September 2008	May 2009	August 2010	360,000	63,259	423,529
Montenegro					450,000	79,412	529,412
	TOTAL				810,000	142,671	952,941

Tentative Timetable and indicative amount of assistance under Priority 2: *Technical Assistance*

It has been envisaged that the Priority 2 Technical Assistance will be implemented through separate grant contracts directly awarded to the Operating Structures. The same time-table is envisaged for both countries in order to ensure compatibility of advice provided and sound coordination vis-à-vis project implementation.

Country	Request for grant award	Signature of contract	Subcontracting	Project completion	Indicative amount IPA	Indicative amount National	Indicative amount TOTAL
Croatia	March 2008	April 2008	July 2008	September 2010	40,000	30,000	70,000
Montenegro	March 2008	April 2008	July 2008	September 2010	50,000	20,000	70.000
TOTAL					90,000	5,000	140,000