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**ANNEX**  
**FINANCING PROPOSAL FOR THE YEAR 2009 OF THE CROSS-BORDER**  
**PROGRAMME BOSNIA AND HERZEGOVINA – MONTENEGRO**

**1. IDENTIFICATION**

Beneficiaries	Bosnia and Herzegovina and Montenegro
CRIS number	Bosnia and Herzegovina: 2009/021-143 Montenegro: 2009/021-583
Year	2009
Cost	Bosnia and Herzegovina: EUR 500,000 Montenegro: EUR 600,000 Total value of the IPA contribution: EUR 1,100,000
Operating structures	Bosnia and Herzegovina: Directorate for European Integration Montenegro: Secretariat for European Integration
Implementing Authorities	For Bosnia and Herzegovina / Montenegro: European Commission
Final date for concluding the Financing Agreements	at the latest by 31 December 2010
Final date for contracting	2 years following the date of conclusion of the Financing Agreement. No deadline for audit and evaluation projects covered by this Financing Agreement, as referred to in Article 166(2) of the Financial Regulation. These dates apply also to the national co-financing.
Final date for execution	2 years following the end date for contracting. These dates apply also to the national co-financing.
Sector Code	33210, 43040, 41010, 14010, 16061, 11120, 91010
Budget lines concerned	22.020401
Programming Task Managers	For Bosnia and Herzegovina: DG Elarg Unit C.1 For Montenegro: DG Elarg C.4
Implementation Task Managers	Operational sections in the Delegations of the European Commission in Bosnia and Herzegovina and Montenegro

**2. SUMMARY**

**2.1. Introduction**

*2.1.1. Programming process*

The cross-border programme between Bosnia and Herzegovina and Montenegro will be implemented during the 2007-2013 period. This strategic document is based on a joint

strategic planning effort between the two countries and is also the result of a large consultation process with the local stakeholders and potential beneficiaries.

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

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

#### *2.1.2. List of eligible areas*

In Bosnia and Herzegovina, the eligible area has been determined in terms of economic regions, as defined nationally. The eligible economic areas are: the Sarajevo Economic Region and the Herzegovina Economic Region. All municipalities included in these two regions are thus considered eligible. The eligible area in Bosnia and Herzegovina covers 20,909 km<sup>2</sup> and has 1,213,046 inhabitants in 56 municipalities. This represents 40.83 % of the territory of Bosnia and Herzegovina and 31.56 % of its population.

In Montenegro, the eligible area consists of 12 municipalities: Pljevlja, Plužine, Zabljak, Savnik, Nikšić, Herceg Novi, Kotor, Tivat, Bijelo Polje, Mojkovac, Berane, and Kolašin. The eligible area in Montenegro covers 8,784 km<sup>2</sup> and has 301,489 inhabitants in 12 municipalities. This represents 63.60% of Montenegrin territory and 48.6 % of its population.

#### *2.1.3. Link with the Multi-annual Indicative Planning Documents*

The respective Multi-annual Indicative Planning Documents for Bosnia and Herzegovina and Montenegro for the period 2008-2010 indicate that support activities will aim at promoting and enhancing cross-border co-operation and the socio-economic integration of border regions. This will be done through the strengthening of economical, social, environmental and cultural ties between respective participating countries, including people-to-people type actions.

### **2.2. Global objective(s) of the programme**

To foster the joint sustainable development of the cross-border area, its economic, cultural, natural and human resources and potentials by strengthening the capacities of human resources and joint institutional networks among local communities and local private and public actors.

### **2.3. Priority axis, the related measures and their specific aspects concerning the implementation of the 2009 budget**

The priorities and measures defined in this cross-border programme are structured in such a manner so as to respect and provide for the implementation of the specific objectives.

#### *2.3.1. Priority I: To support the creation of a common socio-economic environment for people, communities and economies of the eligible area*

##### **2.3.1.1. Measure I.1: Cross-border economic development initiatives with an emphasis on tourism and rural development**

An increase in the economic development of the eligible area requires, as demonstrated in the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, the setting up of coordinated activities fostering human resources collaboration in all sectors and the creation of basic mechanisms and facilities promoting investments and fostering economic development. Most of the interventions enhancing economic cooperation will be related to the

tourism, agricultural, and environmental sector and will be aimed at exploiting local cross-border opportunities. In addition, overall interventions will also have an effect by increasing employment potential in the private sector and the mobility of labour force. This has to be sustained by an increased capacity of both private and public entities that will be involved in the analysis of the local situation during the elaboration of new strategies and also in the decision making process. Finally, economic development must be sustained by small-scale investments improving the existing infrastructure that would in turn have a concrete impact on services, tourism, business, trade and transport in the eligible area.

A non-exhaustive list of eligible actions is the following:

- Creating business networks and know-how transfer mechanisms mainly in the tourism and agricultural sector;
- Development of new tourist products/services with clear cross-border identity;
- Development of business information strategies, services and supporting activities (such as data bases, internet sites) addressed to entrepreneurs active in the eligible area;
- Development of consultancy services in business start up, business planning, technology transfer, patents, certifications, legal affairs, finances and marketing strategies (e.g. new products, labelling and quality);
- Development of appropriate and sustainable forms of tourism and environment-friendly agriculture;
- Identification and development of alternative economic activities (ecological production, traditional crafts);
- Establishment and maintenance of mutual traineeship programmes through training sessions, conferences and seminars and development of joint curricula and training standards;
- Improvement of regional labour skills and vocational qualification services relevant to the economic development of the border region;
- Development of small-scale infrastructure for modernising and outfitting marketplaces, premises and facilities for setting up small businesses;
- Networking of SMEs and establishment of cross-border clusters;
- Development of small scale infrastructure improving the accessibility of the area;
- Improvement of public utilities supporting the tourism sector;
- Transfer of know-how and integration of institutional/ capacity building, mainly on social and economic issues;
- Development of joint strategies, cross-border transport plans, studies and concepts serving as the basis for large investments.

2.3.1.2. Measure I.2: Environmental development initiatives, mainly for protection, promotion and management of natural resources.

The aim of this measure is to sustain joint interventions for the protection of natural resources and the improvement of the environment, with a view to ensuring sustainable development of the entire eligible area. These activities will be closely linked with the development of tourism as an alternative economic activity.

A non-exhaustive list of eligible actions is the following:

- Joint research projects, studies, concepts and awareness raising/ training activities related to the protection, promotion and management of natural resources;
- Education and transfer of know-how in environment protection;
- Conservation and enhancement of natural and cultural heritage;
- Improvement of joint management and supporting facilities in water and waste management;
- Development of pollution prevention plans for the border area and effective monitoring systems for air, water and soil quality;
- Develop and increase capacities for the prevention of potential natural disasters (including fires and floods);
- Design and implementation of a policy for the utilization of renewable energy sources.

### 2.3.1.3. Measure I.3: Social cohesion and cultural exchange through institutional and people-to-people interventions.

The goal of this measure is to get communities closer through long term partnerships and networking between civil society organizations, professional associations, local authorities and institutions like schools, faculties and research centres. The measure will contribute to the creation of contacts at different levels and sectors of activities, encouraging cross-border cooperation in the fields of economy, culture, education and sports.

The following list is just a summary indicating the main eligible activities:

- actions supporting the social and cultural flow of information and communication between the communities in the eligible area;
- cultural exchanges among young people, artists, sports activities, folk events and similar actions;
- education and training initiatives, including a wide range of actions, such as promoting the mobility of citizens, academic networks innovative education projects, promoting life-long learning for all citizens as well;
- promotional events in social and economic fields like fairs and exhibitions;
- other actions promoting social inclusion, including exchange of information, joint studies, and researches.

Potential beneficiaries of the three measures could be:

- national authorities/institutions with operations in the eligible area;
- local governments and their institutions;
- development agencies;
- tourism and cultural organisations/associations;
- local business support organisations;
- SMEs
- organisations (including NGOs) working on nature protection;
- cultural associations,
- non-governmental organisations;

- public and private entities supporting the work force;
- public bodies responsible for water management;
- schools, colleges, universities, including vocational and technical training institutions.

The measures will be implemented through grant schemes.

### 2.3.2. *Priority II: Technical assistance to increase administrative capacity in the management and implementation of the CBC programme*

Technical assistance will be provided through two measures.

#### 2.3.2.1. Measure II.1: Programme administration, monitoring and evaluation

Technical assistance will be used to support the work of the national Operating Structures (OSs) and of the Joint Monitoring Committee (JMC), ensuring the efficient implementation, monitoring and evaluation of the programme, as well as an optimal use of resources. This will be achieved through the operation of a Joint Technical Secretariat (JTS) in Bosnia and Herzegovina and a JTS antenna in Montenegro. The JTS will be in charge of the day-to-day management of the programme and will be responsible to the OSs and the JMC.

#### 2.3.2.2. Measure II.2: Programme Information and Publicity

The specific objective of this measure is to ensure programme awareness amongst national, regional and local communities and, in general, among the population in the programming area. It also supports awareness-raising activities at country level in order to inform citizens in both countries about the programme.

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

Measures I.1, I.2 and I.3 will be implemented through grants schemes. The essential selection and award criteria for the award of grants as laid down in the practical guide (PRAG) to contract procedures for EC external aid should apply. The detailed selection and award criteria for the award of grants will be laid down in the Call for proposals –Application Pack (Guidelines for applicants). It is foreseen that the calls for proposals, for a total amount of IPA and national co-financing of around EUR 1,164,705, will be launched in the second quarter of 2010.

Measures II.1 and II.2 consisting in technical assistance will be implemented through individual direct grant agreements without call for proposals to be established between the European Commission and the respective national authorities, in accordance with article 168 1 (c) of the Implementing Rules to the Financial Regulation, considering that the relevant national authorities, i.e. the CBC coordinator in the meaning of Art. 22 (2) (b) of the IPA Implementing Regulation or the Operating structures, enjoy a de facto monopoly situation for the implementation of the cross-border programme. Subcontracting of the activities covered by the direct grant agreements is allowed under the conditions provided by Article 120 of the Financial Regulation<sup>1</sup> and Article 184 of the Implementing Rules<sup>2</sup> to the Financial Regulation. The direct grant agreements, for a total amount of EUR 129,412, can be signed as soon as the Financing Agreements are concluded. The IPA allocation for measures II.1 and II.2 will be completed by a total amount of EUR 19,412 of national co-financing provided by the authorities of both countries.

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<sup>1</sup> Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1).

<sup>2</sup> Regulation 2342/2002 (OJ L 357, 31.12.2002, p.1).

The calls for proposals will be prepared with the help of technical assistance provided under Priority axis II of this programme. In particular, this technical assistance will fund the functioning of the Joint Technical Secretariat (JTS) which will, *inter alia*, draft the calls for proposals' guidelines for applicants, under the supervision of the Joint Monitoring Committee (JMC).

A potential concern could be the lack of absorption capacity in terms of project generation from local stakeholders. This will be addressed through outreach activities, under the technical assistance axis, in order to explain the programme to potential beneficiaries.

The activities foreseen under this programme have been designed on the basis of a SWOT analysis and take into account the limited financial allocations. The co-financing guarantees that the EU principle of additionality will be respected.

## **2.4. Overview of past and on-going CBC experience, including lessons learned and donor co-ordination**

### *2.4.1. Past experience*

Having been a part of the State Union of Serbia and Montenegro, Montenegro had limited experience with cross-border cooperation. Bosnia has limited experience having participated only in the Adriatic neighborhood programme with Italy and in the INTERREG IIIB CADSES programme.

### *2.4.2. Lessons Learned*

Experience with border region cooperation so far indicates that a solid preparatory phase is of utmost importance prior to the launching of specific activities. For the cross-border cooperation to be effective, it is crucial that there is good understanding of the rules and procedures, adequate capacity and functioning management bodies. The results of the thematic evaluation of the Phare Cross-Border Cooperation Programmes 1999-2003 will be duly taken into account.

### *2.4.3. Donor co-ordination*

In line with Article 20 of the IPA Regulation and Article 6 (3) of the IPA Implementing Regulation, the European Commission has asked the representatives of EU Member States and International Financial Institutions present in Bosnia and Herzegovina and Montenegro to provide their comments regarding the draft cross-border programme.

## **2.5. Horizontal issues**

The joint applications must cover both parts of the project and fulfil the following criteria:

- benefit partners from both sides of the border;
- support links between relevant institutions and organisations from both sides of the border;
- encourage equal participation of women and marginalized groups;
- meet the particular needs of ethnic minorities;
- be environmentally sustainable;
- Project partners should establish agreed co-ordination mechanisms to synchronise the joint projects throughout their implementation.

## 2.6. Conditions

- Re-organisation of the Operating Structures (OSs) in each country: the existing OSs were established for the purpose of preparation of the cross-border programme. The implementation of the programme may require a different set-up.
- Establishment of the Joint Monitoring Committee.
- Establishment and organisation of the Joint Technical Secretariat in Bosnia and Herzegovina and of its antenna in Montenegro.
- Appointment of relevant staff to participate in training activities, INFO days and monitoring activities.

## 2.7. Benchmarks

	N	N+1 (cumulative)	N+2 (cumulative)
Direct grant agreement in Bosnia and Herzegovina	0	1	1
Direct grant agreement in Montenegro	0	1	1
Number of joint calls for proposals in Bosnia and Herzegovina and Montenegro	0	1	1
Contracting Rate (%) in Bosnia and Herzegovina	0	100	100
Contracting Rate (%) in Montenegro	0	100	100

"N" being the date of conclusion of the Financing Agreement

## 2.8. Roadmap for the decentralisation of the management of EU funds without ex ante controls by the Commission

According to Article 8, paragraph 4, point c, of the IPA Implementing Regulation, the beneficiary country shall establish a roadmap with indicative benchmarks and time limits to achieve decentralisation without ex ante controls by the Commission

In **Bosnia and Herzegovina**, preparations for decentralised management of EU funds are ongoing. In June 2008, the Council of Ministers adopted a Strategy for the Implementation of the Decentralised Implementation System (DIS). Main DIS structures and functions are in place. Technical assistance foreseen under CARDS and IPA supports the preparation process. Bosnia and Herzegovina aims at accreditation within the next two years.

In **Montenegro**, preparatory work leading to DIS with ex-ante controls is progressing. The government adopted in February 2008 the "Information on establishing the decentralised implementation system (DIS) in Montenegro", which includes an indicative schedule for different activities on the way to DIS. The government has also set up the first DIS institutions and nominated the heads of DIS functions and structures. The Secretariat for

European Integration (SEI) receives CARDS assistance for the implementation of the DIS roadmap, and for training of staff of the DIS structures.

### 3. BUDGET FOR 2009

#### 3.1. Indicative 2009 financial table for Bosnia and Herzegovina

	IPA Community contribution		National contribution		Total (IPA plus National contributions)	
	EUR (a)	% <sup>(1)</sup>	EUR (b)	(%) <sup>(1)</sup>	EUR (c)=(a)+(b)	(%) <sup>(2)</sup>
Priority axis 1	450,000	85	79,411	15	529,411	90
Priority axis 2	50,000	85	8,824	15	58,824	10
<b>TOTAL</b>	<b>500,000</b>	<b>85</b>	<b>88,235</b>	<b>15</b>	<b>588,235</b>	<b>100%</b>

<sup>(1)</sup> Expressed in % of the Total (IPA plus National contributions) (column (c))

<sup>(2)</sup> Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

#### 3.2. Indicative 2009 financial table for Montenegro

	IPA Community contribution		National contribution		Total (IPA plus National contributions)	
	EUR (a)	% <sup>(1)</sup>	EUR (b)	(%) <sup>(1)</sup>	EUR (c)=(a)+(b)	(%) <sup>(2)</sup>
Priority axis 1	540,000	85	95,294	15	635,294	90
Priority axis 2	60,000	85	10,588	15	70,588	10
<b>TOTAL</b>	<b>600,000</b>	<b>85</b>	<b>105,882</b>	<b>15</b>	<b>705,882</b>	<b>100%</b>

<sup>(1)</sup> Expressed in % of the Total (IPA plus National contributions) (column (c))

<sup>(2)</sup> Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

#### 3.3. Principle of co-financing applying to the projects funded under the programme

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

The provisions of Article 90 of the IPA Implementing Regulation apply.

### 4. IMPLEMENTATION ARRANGEMENTS

#### 4.1. Method of Implementation

This programme shall be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation<sup>3</sup> and the corresponding provisions of the Implementing Rules<sup>4</sup>.

<sup>3</sup> See footnote 1 above.

<sup>4</sup> See footnote 2 above.

In the event of centralised management the role of the Commission in the selection of operations under a cross–border programme among beneficiary countries is specified in Article 140 of the IPA Implementing Regulation.

#### **4.2. General rules for Procurement and grant award procedures**

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules<sup>5</sup> as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C(2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

Where appropriate, the Contracting Authorities shall also use the standard templates and models facilitating the application of the above rules provided for in the “Practical Guide to contract procedures for EC external actions” (“Practical Guide”) as published on the EuropeAid website<sup>6</sup> at the date of the initiation of the procurement or grant award procedure.

#### **4.3. Environmental Impact Assessment and Nature Conservation**

All investments shall be carried out in compliance with the relevant Community environmental legislation, and ensuring application of the European principles for the environment.

The procedures for environmental impact assessment as set down in the EIA-directive<sup>7</sup> fully apply to all investment projects under IPA. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive.

If a project is likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made, equivalent to that provided for in Article 6 of the Habitats Directive must be documented<sup>8</sup>.

### **5. MONITORING AND EVALUATION**

#### **5.1. Monitoring**

The implementation of the cross–border programme will be monitored by the joint monitoring committee referred to in Article 142 of the IPA Implementing Regulation, established by the participating beneficiary countries, which include representatives of the Commission.

In Bosnia and Herzegovina/Montenegro, the Commission may undertake any actions it deems necessary to monitor the programme concerned.

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<sup>5</sup> See footnotes 1 and 2 above.

<sup>6</sup> current address:  
[http://ec.europa.eu/europeaid/work/procedures/implementation/practical\\_guide/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm)

<sup>7</sup> Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175, 5.7.1985, p. 40).

<sup>8</sup> Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 22.7.1992).

## **5.2. Evaluation**

Programmes shall be subject to evaluations in accordance with Article 141 of the IPA Implementing Regulation, with an aim to improve the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of the cross-border programmes.

## **6. AUDIT, FINANCIAL CONTROL AND ANTIFRAUD MEASURES**

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegations in the Beneficiary Countries.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96<sup>9</sup>.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received Community funds.

## **7. NON SUBSTANTIAL REALLOCATION OF FUNDS**

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the programme, subject to a limit of EUR 4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

## **8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME**

Limited adjustments in the implementation of this programme affecting elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature<sup>10</sup>, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

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<sup>9</sup> Council Regulation (EC, Euratom) No 2185/96 of 11. November 1996, OJ L 292; 15.11.1996; p. 2.

<sup>10</sup> These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.