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COMMISSION IMPLEMENTING DECISION

of 10.12.2014

adopting a Cross-border cooperation Programme Kosovo* - the former Yugoslav Republic of Macedonia for the years 2014-2020 and the Cross-border cooperation Action Programme Kosovo – the former Yugoslav Republic of Macedonia for the year 2014

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action¹, and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Article 84(2) thereof,

Whereas:

- (1) The Regulation (EU) No 231/2014³ down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex 1 of that Regulation.
- (2) In accordance with Article 7 of the Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual programmes, country specific or multi-country programmes, as well as cross-border cooperation programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of the Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex 1 of the Regulation (EU) No 231/2014. The Commission adopted an indicative multi-country strategy paper for 2014 – 2020 which provides indicative allocations for the 2014-2020 territorial cooperation programmes⁴.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

¹ OJ L 77, 15.03.2014, p. 11.

² OJ L 298, 26.10.2012, p.1.

³ The Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II), OJ L 77, 15.03.2014, p. 11.

⁴ C(2014)4293 of 30 June 2014.

- (4) The responsible authorities of Kosovo and the former Yugoslav Republic of Macedonia submitted to the Commission on 27 May 2014 a proposal for a cross-border cooperation programme between Kosovo and the Former Yugoslav Republic of Macedonia for the period 2014-2020. The programme has been draw up in accordance with Article 49 of Commission Implementing Regulation (EU) No 447/2014.⁵ It aims at providing assistance for cross-border cooperation in the following thematic priorities: Enhancing competitiveness, business and SME development, trade and investment; encouraging tourism and cultural and natural heritage; and protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management, and sets out the indicative allocations for the period 2014-2020. In accordance with Article 31(4) of the Commission Implementing Regulation (EU) No 447/2014 the Commission shall approve such programme.
- (5) The Cross-border cooperation programme between Kosovo and the former Yugoslav Republic of Macedonia for the period 2014-2020 annexed to the present decision, will serve as a reference for the adoption of the relevant financing decisions, without constituting a financial commitment itself.
- (6) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012⁶.
- (7) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of the Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Commission Delegated Regulation (EU) No 1268/2012.
- (8) Pursuant to Article 94(4) of Commission Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (9) The action programmes or measures provided for by this Decision are in accordance with the opinion of the IPA II Committee set up by Article 13 of the Regulation (EU) No 231/2014⁷,

⁵ Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II), OJ L 132, 3.5.2014, p. 32.

⁶ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union, OJ L 362, 31.12.2012, p. 1.

⁷ The Member States have declared, recalling the Council Conclusions of 18 February 2008 that the adoption of this programme does not prejudice the position of each individual Member State on the status of Kosovo, which will be decided in accordance with their national practice and international law.

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

The cross-border cooperation action programme Kosovo – the former Yugoslav Republic of Macedonia under the Instrument for Pre-accession Assistance (IPA II) for the year 2014 as set out in the Annex 1, is hereby approved.

The 2014-2020 cross-border cooperation programme Kosovo – the former Yugoslav Republic of Macedonia under the Instrument for Pre-accession Assistance (IPA II) as set out in the Annex 2, is hereby approved.

Article 2

Financial contribution

The maximum amount of the Union contribution for the implementation of the cross-border cooperation action programme Kosovo – the former Yugoslav Republic of Macedonia under the Instrument for Pre-accession Assistance (IPA II) for year 2014 referred to in Article 1 is set at EUR 840,000 to be financed from budget line 22.02.04.01 of the general budget of the EU for year 2014.

The financial contribution referred to in the first sub-paragraph may also cover interest due for late payment.

Article 3

Implementation modalities

This programme shall be implemented by direct management.

A Financing Agreement shall be concluded between the Commission and the Governments of Kosovo and the former Yugoslav Republic of Macedonia **in conformity with the Framework Agreement concluded between the Commission and Kosovo and the former Yugoslav Republic of Macedonia respectively.**

Article 4

Non-substantial changes

The following changes shall not be considered substantial provided that they do not significantly affect the nature and objectives of the actions:

- (a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2 and not exceeding 10 million;
- (b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- (c) extensions of the implementation and closure period;

- (d) within the limits of 20% referred to in points a) and b) above, up to 5 % of the contribution referred to in the first paragraph of Article 2 of this financing decision may serve to finance actions which were not foreseeable at the time the present financing decision was adopted, provided that those actions are necessary to implement the objectives and the results set out in the programme.

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 10.12.2014

For the Commission
Johannes HAHN
Member of the Commission

ANNEX 1

CROSS-BORDER COOPERATION ACTION PROGRAMME KOSOVO* - THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA FOR THE YEAR 2014

1 IDENTIFICATION

Beneficiaries	Kosovo and the former Yugoslav Republic of Macedonia
CRIS/ABAC Commitment references	2014/037-619
Union Contribution	EUR 840.000,00
Budget line	22.020401
Management mode	Direct management by the European Commission
Responsible Structures	In Kosovo: the Ministry of Local Government Administration In the former Yugoslav Republic of Macedonia: the Ministry for Local Self-Government
Final date for concluding <u>Financing Agreement(s)</u> with the IPA II beneficiary countries (tripartite)	For the budgetary commitment of year 2014: at the latest by 31 December 2015
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement (signature by the last party) with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreement (signature by last party) .
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed) after the acceptance of the accounts	12 years following the conclusion of the Financing Agreement (signature by the last party)
Programming Unit	DG ELARG Unit C3: Kosovo
Implementing Unit/ EU Delegation	European Union Office, Operations Section

*This designation is without prejudice to positions on the status, and in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 OVERVIEW OF THE 2014-2020 CROSS-BORDER COOPERATION PROGRAMME

- List of geographical eligible areas

The Kosovo part of the programming area includes two economic regions and 17 municipalities with a total of 529 settlements:

- East Economic Region (eligible area), is composed of the municipalities of Gjilan/Gnjilane, Kamenicë/Kamenica, Viti/Vitina, Novo Bërdë/Novo Brdo, Ferizaj/Uroševac, Kaçanik/Kaçanik, Shtërpçë/Štrpce, Hani i Elezit/Elez Han, Ranillug/Ranilug, Partesh/Parteš and Kllokot/Klokot.
- South Economic Region (eligible area), is composed of the municipalities of Prizren, Suharekë/Suva Reka, Malishevë/Mališevo, Dragash/Dragaš, Rahovec/Orahovac, and Mamusha/Mamuša.

The eligible area of the former Yugoslav Republic of Macedonia includes three Regions: the Polog, Northeast and Skopje Regions. It consists of 32 municipalities plus the city of Skopje including 518 settlements (six towns and 512 villages):

- Polog Region (eligible area) includes nine municipalities: Bogovinje, Brvenitsa, Gostivar, Jegunovtse, Mavrovo and Rostusha, Teartse, Tetovo, Vrapchishte, and Zhelino.
- Northeast Region (eligible area) includes six municipalities: Kratovo, Kriva Palanka, Kumanovo, Lipkovo, Rankovtse and Staro Nagorichane.
- Skopje Region (eligible area) includes 17 municipalities: Arachinovo, Chucher-Sandev, Ilinden, Petrovets, Sopište, Studenichani, and Zelenikovo. The City of Skopje is an administrative unit and also includes 10 municipalities: Aerodrom, Butel, Chair, Centar, Gazi Baba, Gjorche Petrov, Karposh, Kisela Voda, Saraj, and Shuto Orizari.

- Cross-border cooperation (CBC) eligible area context

The five regions in the programme area have many common characteristics (geography, demographic trends, agricultural production system, etc.). Such common characteristics have to be seen as an opportunity for building or strengthening synergies between them. These synergies are particularly important for the development of tourism in the mountain areas, agriculture and trade exchange and in overall economic development and improving citizens life:

- Both countries are becoming attractive for foreign investors, but the preconditions necessary for foreign direct investments (FDIs) to operate differ. Kosovo authorities and business community could learn from the positive results achieved in the former Yugoslav Republic of Macedonia in terms of creating a proper business climate. Production of renewable energy is an important sector which could be a source for attracting more FDI.
- It is also important that the economy of the area becomes more competitive and the quality of products and services is improved through use of more innovative technologies. Strengthening of SME networks and service connections existing in the bordering areas is crucial for SMEs to grow and become more competitive. Investment on know-how transfer, in particular on

the use of new technologies and development of the human capital, will be equally important for the area. Promotion of e-business will be instrumental.

- Agriculture is another major economic potential in the programme area, with agriculture products being a large share of exports for both countries. Further investment is needed to support farmers for the modernisation of outdated production technologies, through economic incentive schemes.
- There is an unfavourable structure of the labour market, coupled with high unemployment rates among youth, and especially women. There is a great number of young people who completed secondary education seeking employment. Unemployment in rural areas is high. The same is also true among vulnerable groups such as the Roma, Ashkali and Egyptian community. The labour market is dominated by service and trade sectors, with less jobs in industrial production.
- The living standard levels have deteriorated during the last years for the whole community in the border area, most particularly in the remote and mountain areas. Together with the labour market crisis the phenomena of marginalization, social hardships and youth emigration have increased. The presence of strong migration flows has impacted the labour force and resulted in loss of the skilled and educated workers in lower urbanised areas. The continuous depopulation of some regions in favour of the central area is a real threat as the development of tourism and in particular agriculture depends largely on the presence of an active and relatively dense rural population.
- The presence of important private and public universities and business research centres in the programme area is an asset for the CBC programme. Joint actions should be undertaken to establish a network of higher education institutions and well-known research agencies and organisations.
- Natural resources are extremely rich and diverse, and are considered as a main asset for the whole region. A significant part of the border area is covered by either national parks or landscape protection areas on both sides of the border. The presence of the National Park of Sharr/Šar in the programme area, situated at the border between the two countries will certainly be a specificity of this cross-border programme. Further protection of natural resources and sustainable exploitation is therefore a key issue for the economic development of the region. It is important that a more integrated approach is taken: establishment of joint areas, design of joint management procedures and common actions instead of local actions focusing only on an individual side of the area.
- Environmental issues remain a big concern in the programme area: the risk of floods and river pollution is an issue. River pollution is also a problem that requires common actions in controlling industrial waste. Waste management is another matter of concern requiring actions to be taken in both countries. Air pollution is high, particularly in Kosovo, affecting the health of citizens. Strong actions are required to improve the infrastructure in energy in support of the industrial sector and in order to reduce gas emissions to the atmosphere.
- Improved connectivity, road and railway infrastructure in the programme area as well as functional border crossings are seen as a potential for facilitating and promoting economic and social exchanges between the communities living on both sides of the border. Development of infrastructure and the diffusion of networks and services to support business development and

innovation, could contribute to a general increase of wealth and economy in the area. Construction of the R6 road in Kosovo will further facilitate movement of citizens and business between the regions of both countries.

- Further valorisation of historical and cultural heritage will contribute to strengthening the identity of the area. The area has a multi-ethnic population, and consequently, there are multicultural traditions. The cooperation among cultural institutions has started but it should be strengthened.
- Institutional infrastructure for fostering an integrated regional development concept is available in the programme area. Operation of the Regional Development Agencies in Kosovo and the Regional Development Centres in the former Yugoslav Republic of Macedonia is a great administrative asset for the development of regional strategic programmes.
- Overview of past and on-going CBC experience including lessons learned
Key recommendations from interim evaluations and audits on the 2007-2013 CBC programmes have been taken on board in the development of this programme. Thus, the 2014-2020 CBC programmes are more focused as regards the number of thematic priorities addressed and the geographical eligibility, which will help to achieve better results and increased impact. Additionally, the implementation of the CBC programmes has been simplified mainly by having a single contracting authority and a single financial envelope per programme.

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

Action 1	Cross-Border Cooperation Operations	840,000 EUR
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(1) Description of the action, objective, expected results

Description of the action: Cross-border cooperation operations in the border region in the fields of environment, climate change adaptation and mitigation, risk prevention and management, tourism and cultural and natural heritage, competitiveness, business and SME development, trade and investment.

Objective: Socioeconomic development and strengthening of the neighbourly relations in the cross border area through the implementation of cross-border cooperation operations aiming at:

- (a) protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management through, inter alia: joint actions for environmental protection; promoting sustainable use of natural resources, resource efficiency, renewable energy sources and the shift towards a safe and sustainable low-carbon economy; promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems and emergency preparedness;
- (b) encouraging tourism and cultural and natural heritage;
- (c) enhancing competitiveness, the business environment and the development of small and medium-sized enterprises, trade and investment through, inter alia, promotion and support to entrepreneurship, in particular small and medium-sized enterprises, and development of local cross-border markets and internationalisation.

Expected results:

The programme will address three priorities, each underpinned by a specific objective and results to be achieved over the whole of the programme's duration:

Priority I: Enhancing competitiveness, business and SME development, trade and investment. The specific objective under this thematic priority is to improve labour market skills and access to the international market for economic operators.

The intended results are:

- Employment opportunities enhanced among young and marginalised groups; and
- Opportunities to intensify cross-border trade are utilised, while upgrading services for access to regional and international markets.

Priority II: Encouraging tourism, culture and natural heritage. The specific objective under this thematic priority is to enhance tourism potentials and further promote regional values.

The intended results are:

- New tourism opportunities are exploited and tourism sector capacities are increased;
- The quality of tourist products and services is improved;
- The identity of the programme area is strengthened through the enhancement of cultural and natural heritage values.

Priority III: Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management. The specific objective under this thematic priority is to enhance joint efforts to address environmental pollution issues in the area.

The intended results are:

- Coordinated and harmonised future interventions to address environmental pollution;
- Improved management of solid waste and wastewater as well as sewage systems.

(2) Assumptions and conditions

As a necessary condition for the effective management of the programme, the beneficiaries shall provide proper and functioning offices and staff for the Joint Technical Secretariat and the Antenna Office (to be set up under a separate Financing Decision)

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Essential elements of the action

Grant – Call for proposal: EUR 840,000.00

a) The essential eligibility criteria: The list of eligible actions (activities) is set in part 3.2 of the Annex 2 of the Programme, in line with the objectives, specific objectives, and results set. They comprise among others:

1) actions to identify labour skills becoming a bottleneck for further businesses development and competitiveness; development and delivery of advanced training programmes for sectors where lack of particular skills is identified, targeting in particular youth and women groups; joint actions targeting to strengthen the co-

operation in field of education and VET qualifications; actions to contribute to increasing access to employment of youth people and women, with a particular focus on marginalized areas; actions that foster entrepreneurship thinking and promote entrepreneurship skills among young and women; actions to promote and encourage social entrepreneurship.

2) design and development of joint tourism offers, products and services ; actions to encourage entrepreneurship in tourism sector; actions seeking for synergies between recreation tourism, nature tourism and business and rural tourism; exchange of best models and practices in the hospitality industry, in particular actions aiming at introducing new management models and improving service quality; small scale improvements of tourism, transport infrastructure, restoration and/or preservation of cultural, natural and historical sites and procurement of equipment; reinforcement of the existing networks amongst cultural institutions (i.e. museums, historical centres, theatres, libraries, etc.) and/or establishment of new ones; development of joint programmes for protection, promotion and management of cultural assets, and for safeguarding the most valuable cultural heritage monuments and sites; youth initiatives on cultural exchange for promotion of cultural heritage with a particular focus on youth living in rural areas, minorities and vulnerable groups; support to the commercialisation of new artists' and artisans' products; and promotion of creative industries with particular focus on youth and women related initiatives.

3) Development of harmonised plans of actions to address soil contamination in a sustainable way; development of joint design of plans and measures for improvement the quality of water flows through protection of water from different sources of contamination; Support preparation of feasibility studies for future investments in solid waste, water and sewage systems; small infrastructure works and procurement of equipment in the fields of solid waste and wastewater, sewage systems; exchange of good international practices between local authorities on management of solid waste, water and sewage systems; and awareness measures on implementation of environmental standards in solid and wastewater, sewage and water protection.

The beneficiaries shall be legal entities and be established in an IPA II beneficiary participating in the CBC programme.

Potential beneficiaries could be: local authorities, local governments and their institutions, associations of municipalities, development agencies, local business support organisations, economic factors such as SMEs, tourism and cultural organisations, NGOs, public and private bodies supporting the workforce, vocational and technical training institutions, bodies and organisation for nature protection, public bodies responsible for water management, fire/emergency services, schools, colleges, universities and research centres including vocations and technical training institutions.

- b) The essential selection criteria are financial and operational capacity of the applicant.
- c) The essential award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- d) Maximum rate of EU co-financing for grants under the calls is 85% of the eligible cost of the action.
- e) Indicative amount of the call(s): at least EUR 840.000. The responsible authorities may decide to merge the 2014 allocation with subsequent annual allocations.

Indicative date for launch of the call(s) for proposals: tentatively in the first semester of 2016.

3 BUDGET

(The tables in this section shall be based on the financial tables included in the cross-border programme in Annex 2)

2014			
	Union Co-financing*	Beneficiary Co-financing	Total expenditure
CBC Operations	840,000.00	148,235.00	988,235.00
in %	85	15	100
TOTALS 2014	840,000.00	148,235.00	988,235.00

* The Union contribution has been calculated in relation to the eligible expenditure, which is based on the total eligible expenditure including public and private expenditure. The Union co-financing rate at the level of each thematic priority shall not be less than 20% and not higher than 85% of the eligible expenditure. The co-financing of the thematic priorities will be provided by the grant beneficiaries. Grant beneficiaries should contribute with a minimum of 15% of the total eligible cost of the project

4 IMPLEMENTATION

4.1 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

DIRECT MANAGEMENT:

This programme shall be implemented by direct management by the Commission / by the Union Delegations in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation Parts One and Three of the Financial Regulation apply to external actions except as otherwise provided in Part Two, Title IV.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

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

The National IPA Co-ordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG Enlargement and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by the Joint Monitoring Committee, which will ensure a monitoring process at programme level.