

# **Instrument for Pre-Accession (IPA)**

## **Cross-Border Programme Croatia – Bosnia and Herzegovina 2007-2013**

*- final-*

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## ABBREVIATIONS

B&H	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CfP	Call for Proposals
CRO	Croatia
EC	European Commission
ECD	European Commission Delegation
ERDF	European Regional Development Fund
ESF	European Social Fund
GDP	Gross Domestic Product
GfA	Guidelines for Applicants
IMWG	Inter-ministerial working group (in Croatia)
IPA	Instrument for Pre-accession
JDT	Joint Drafting Team
JMC	Joint Monitoring Committee
JPC	Joint Programming Committee
JSC	Joint Steering Committee
JTS	Joint Technical Secretariat
MSTTD	Ministry of Sea, Tourism, Transport and Development (Croatia)
NUTS	Nomenclature of Territorial Units for Statistics
PHARE	Poland and Hungary Assistance for the Reconstruction of the Economy
R&D	Research and Development
TA	Technical Assistance

## SECTION I. INTRODUCTION AND SUMMARY

### 1.1 Introduction to the Cross-border Programme

This document describes the cross-border programme between Croatia and Bosnia & Herzegovina, which will be implemented over the period 2007-2013. This strategic document is based on a joint planning effort of the Croatian and Bosnian parties. The programme is supported by component II (cross-border cooperation) of the EU 'Instrument for Pre-Accession' (IPA), under which 6 M€ have been allocated for its first 3 years. An additional 1,058,823 € will be provided by the partner countries, mostly from the programme's beneficiaries in the border region.

The border between Croatia and Bosnia & Herzegovina extends almost over 1,000 km. Despite the heterogeneity of the area, bordering regions are facing similar challenges: an economic downturn linked to the collapse of traditional industries/markets in the wake of Yugoslavia's disintegration, large-scale migrations during and after the war accompanied by continuous depopulation since then and heavy damages to public infrastructure only partly remedied by insufficient investment. Traditional economic and cultural links between the two countries in the border areas have also been severely affected by the conflict and its aftermath. This programme will therefore seek to revive these former cross-border links and activities while addressing some of the common socio-economic and environmental issues.

### 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 April 20, in Sarajevo, are listed below.

Programming area	<i>Relevant articles of the Draft implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)</i>	
	Article 88 Eligible area	Article 97 Adjacent area
<b>CROATIA</b>		
Vukovarsko-Srijemska County	*	
Brodsko-Posavska County	*	
Sisačko-Moslavačka County	*	
Karlovačka County	*	
Ličko-Senjska County	*	
Zadarska County	*	
Šibensko-Kninska County	*	
Splitsko-Dalmatinska County	*	
Dubrovačko-Neretvanska County	*	
Osječko-Baranjska County		*
Požeško-Slavonska County		*
Zagrebačka County		*
Bjelovarsko-Bilogorska County		*
Primorsko-Goranska County		*

**Article 88****Eligible area**

**North-east:** Bijeljina, Teočak, Ugljevik, Lopare, Tuzla, Lukavac, Celic, Brcko, Srebrenik, Petrovo, Gračanica, Doboj istok, Gradačac, Pelagicevo, Donji Zabar, Orašje, Domaljevac-Samac, Samac, Modriča, Vukosavlje, Odžak, Bosanski Brod, Derventa, Doboj, Srebrenica, Bratunac, Milići, Han Pijesak, Vlasenica, Kladanj, Šekovići, Kalesija Osmaci, Zvornik, Banovići, Živinice, Kalesija, Sapna,

**North-west:** Prnjavor,, Srbac, Laktasi, Celinac, Kotor Varoš, Skender Vakuf/Kneževo, Dobretići, Šipovo, Jajce, Jezero, Mrkonjić Grad, Banja Luka, Bosanska Gradiška, Bosanska Dubica, Prijedor, Oštra Luka, Sanski Most, Ključ, Ključ/Ribnik, Mrkonjić Grad/Vlasinje, Glamoč, Bosansko Grahovo, Drvar, Istočni Drvar, Petrovac-Drinić, Bosanski Petrovac, Bosanska Krupa, Krupa na Uni, Novi Grad, Bosanska Kostajnica, Bužim, Velika Kladuša, Cazin, Bihać,

**Herzegovina:** Prozor/Rama, Konjic, Nevesinje, Gacko, Bileća, Trebinje, Ravno, Ljubinje, Berkovići, Mostar, Jablanica, Kupres, Kupres (RS), Tomislavgrad, Posušje, Široki Brijeg, Čitluk, Stolac, Neum, Čapljina, Ljubuški, Grude, Livno, Istočni Mostar.

Economic regions of Bosnia & Herzegovina

The eligible area includes 9 Croatian (NUTS 3 equivalent) counties and 95 B&H municipalities (three economic regions equivalent to NUTS 3 classification). In addition, the Programme includes 5 additional Croatian (NUTS 3 equivalent) counties as adjacent areas: Osječko-baranjska, Bjelovarsko-bilogorska, Požeško-slavonska, Zagrebačka<sup>1</sup> and Primorsko-goranska County. The argument for including these regions within the programming area is primarily that they have common demographic, economic, geographic and cultural characteristics.

Zagrebačka county include Zagreb metropolitan area (excluding city of Zagreb), whereby Sava river is the most important river system, which forms a natural border with BiH in the northern part of programming area. Moreover, Zagrebačka county is closely attached to the Sisačko-moslavačka county in the way of implementation of developmental projects such is, among others, construction of a new motorway system A 11, which connects to transport directions coming from the north-western part of BiH.

Primorsko-goranska county is a neighbouring county to Karlovačka county, whereby both counties include natural region of Croatia known as Gorski kotar with significant wood and recreational potential. Gorski kotar is also a natural habitat for a number of endangered species habitats (Natura 2000) with intensive migrations from Dinaric Mountains over Gorski kotar to the north-western BiH and back. Moreover, this part of Croatia is represented by the common river system of Kupa, Korana (bordering river with BiH), Dobra and Mrežnica.

Primorsko-goranska county has also a strategic importance for Croatian territory as a part of transport system which serves as a link between continental part of Croatia and coastal zone in the form of motorway Zagreb – Karlovac – Rijeka and newly planned speed railway on the

<sup>1</sup> Zagrebačka county does not include the City of Zagreb which is the capitol in the status of separate County

same direction, where it should become operative from 2013 on. In that sense, Karlovačka county and Bihačko – cazinska area in north-western part of BiH is natural hinterland of a most important Croatian harbour Rijeka and its surrounding littoral zone.

### 1.3 Experience in Cross-border Cooperation

**Previous experience of Croatia with cross-border and transnational 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 MSTTD<sup>2</sup>)
- **CARDS 2004 'Border Region Co-operation'** (Grant scheme with Serbia, Bosnia & Herzegovina 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)

**Previous experience of Bosnia & Herzegovina with cross-border and transnational projects and programmes:**

*Projects currently under implementation:*

- **CARDS 2004-6 'Adriatic Neighbourhood Programme'**(Grant scheme)
- **Transnational Programme CADSES** (Grant scheme)

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 2004-2006 only the grant scheme '*Cross-Border Regions Co-operation with Serbia, Montenegro, Bosnia & Herzegovina*' (funded from the Croatian CARDS 2004 allocation) have Croatian and Bosnian partners. This grant scheme is still under evaluation and the exact number of grants to be awarded is still unknown. In addition, Interreg IIIA Adriatic CBC has funded 7 projects (out of 36 with Croatian beneficiaries) involving Croatian-Bosnian partnerships, however only 5 of these has partners inside the programming area. An

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<sup>2</sup> MSTTD: Ministry of Sea, Tourism, Transport and Development

additional 39 projects with Croatian and Bosnian partners are in the process of being contracted under the second call of Adriatic programme.

#### **1.4 Lessons learned**

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

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

The last Call for Proposals of the CADSES Programme resulted in two projects including BiH partners with financial request from the Regional CARDS funds 2004-2006, while out of 93 projects approved within the Adriatic NNP, 28 projects included BiH partners with such

request. Number of projects submitted proved that there was significant interest of BiH partners in this kind of Programmes. However, understanding of requirements related to NNP modalities, quality and size of projects implying level of activities to be implemented in BiH remained low.

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

## **1.5 Summary of Joint Programming Process**

The process of elaborating the IPA Cross-border Programme between Croatia and Bosnia & Herzegovina started on 22 December 2006 with the first bilateral meeting between the representatives of the national institutions responsible for the IPA component II. At that meeting the process of programme elaboration was discussed and agreed between the two sides.

The first meeting of the *Joint Programming Committee* (JPC) was held on 22 March 2007. This meeting approved the JPC membership, adopted rules of procedure, and approved the mandate and membership of the *Joint Drafting Team* (JDT). The 2 joint structures so created have the following descriptions and tasks:

### ▪ *Joint Programming Committee:*

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 programme to the European Commission. The JPC is composed of representatives from the Croatian and Bosnian national authorities in charge of IPA component II together with the regional authorities from the bordering regions which are eligible for participation in the programme. JPC members were nominated by their respective institutions with authority to participate in the decision-making process.

### Main tasks:

- 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 on 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

### • *Joint Drafting Team*

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,

giving inputs and comments in every phase of programme elaboration and participation in consultation workshops.

**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. The composition of the JPC, JDT and partnership groups is given in Annex 1.

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

	<b>Meeting</b>	<b>Date and place</b>	<b>Outcome</b>
1.	December 22, 2006	Bilateral meeting (national institutions responsible for the IPA component II)	Jointly agreed timeframe for programme elaboration. Defined roles of institutions and joint structures.
2	March 13, 2007. Zadar, Croatia	Workshop of the Croatian DT and Inter-Ministerial Working Group	Elaboration of the SWOT and Situation Analysis for the Croatian side of the Programming Area.
3	March 22, 2007. Zagreb, Croatia	1st meeting of JPC	Adoption of JPC and DT membership and mandate, and adoption of timetable for programming.
4	April 04, 2007. Šibenik, Croatia	Workshop of the Joint DT	Elaboration of the SWOT and Situation Analysis of the Programming Area
5	April 20, 2007. Sarajevo, BiH	2nd meeting of the JPC	Adoption of the SWOT and Situation Analysis of the Programming Area, and giving guidelines for the Strategy.
6	April 25, 2007. Split, Croatia	Consultation with Croatian socio-economic partners (from 5 counties) on proposed priorities and measures.	Discussion on proposed priorities, measures, eligible types of activities and applicants.
7	April 27, 2007. Vinkovci, Croatia	Consultation with Croatian socio-economic partners (from 4 counties) on proposed priorities and measures	Discussion on proposed priorities, measures, eligible types of activities and applicants.
8	May 08, 2007. Neum, BiH	Workshop of the Joint DT	Elaboration of the Strategic part of the Programme (priorities, measures, eligible types of activities and applicants).
9	May 11, 2007. Zagreb, Croatia	3rd meeting of the JPC	Adoption of the Strategic part of the Programme, and introduction to Implementing chapter.
10	May 25, 2007. Zagreb, Croatia	4th meeting of the JPC	Adoption of the draft Cross-border Programme

- *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 Financial Institutions in Croatia and Bosnia and Herzegovina to provide their comments regarding the draft cross-border co-operation programmes submitted to the Commission.

## **1.6 Summary of the proposed Programme Strategy**

The programme objectives are:

- ☞ to encourage the creation of cross-border networks and partnerships and the development of joint cross-border actions with a view to revitalizing the economy, protecting the nature and the environment and increasing social cohesion of the programming area.
- ☞ to build the capacity of local, regional and national institutions to manage EU programmes and to prepare them to manage future cross-border programmes under objective 3 of the EU Structural Funds.

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

<b>Priority 1</b> <b>Creation of a Joint Economic Space</b>	<b>Priority 2</b> <b>Improved Quality of Life and Social Cohesion</b>	<b>Priority 3</b> <b>Technical Assistance</b>
<b>Measure 1.1:</b> Joint development of tourism offer	<b>Measure 2.1:</b> Protection of nature and environment	<b>Measure 3.1:</b> Support to Programme Administration and Implementation
<b>Measure 1.2:</b> Promotion of entrepreneurship	<b>Measure 2.2:</b> Improved accessibility of community based services in the border area	<b>Measure 3.2:</b> Support to Programme Information, Publicity and Evaluation
<b>Horizontal Theme:</b> Cross-Border Capacity Building		

## **SECTION II. SITUATION AND SWOT ANALYSIS**

### **2.1 Eligible and Adjacent Areas**

The programme targeted area is the area of the common Croatian - B&H border. The counties concerned are the territorial units on the NUTS III level in case of Croatia, and territories equivalent to NUTS III level in case of Bosnia and Herzegovina.

There are 9 eligible counties on the Croatian side of the border: Vukovarsko-srijemska, Brodsko-posavska, Sisačko-moslavačka, Karlovačka, Ličko-senjska, Zadarska, Šibensko-kninska, Splitsko-dalmatinska and Dubrovačko-neretvanska. The eligible area on the Croatian side covers 30,882 km<sup>2</sup> of the territory and has 1,623,886 inhabitants.

The 95 eligible municipalities on the Bosnian side of the border cover 38.022 km<sup>2</sup> of territory with 2.770.945 inhabitants.

The following territories have been proposed for adjacent regions under this Programme: Osječko-baranjska, Požeško-slavonska, Bjelovarsko-bilogorska, Zagrebačka and Primorsko-goranska. The proposed adjacent territories cover 15.266km<sup>2</sup> and have 854.926 inhabitants.

Map with eligible and adjacent area in Croatia and Bosnia and Herzegovina is in Annex 4.

### **2.2 Description of the Border Region**

#### **2.2.1 History**

Throughout history, territories and peoples of the programming area were periodically belonging to the same states, and then again periodically divided by borders and wars. That caused links between communities in the bordering area to be strong and interdependent.

From the 9<sup>th</sup> century, parts of today's B&H were integral territory of the Kingdom of Croatia. At that time, influences from Western Europe brought Christianity to the programming area. In the 12<sup>th</sup> century, Croatia and parts of B&H were integrated into the Hungarian Empire (Personal Union of Hungary and Croatia), while other parts of B&H were integrated into the Byzantine Empire. After a short period of independence under Kulin Ban in 13<sup>th</sup> century B&H was part of the Ottoman Empire from 14<sup>th</sup> to 19<sup>th</sup> century. During that long period, Croatia remained part of the Hungarian Empire, and later the Austro-Hungarian Empire. Those long 500 years were most troubled times for the people of the bordering regions with constant military conflicts, migration of local population, and very different cultural and religious influences on the two sides of the border.

In the late 19<sup>th</sup> century, intellectuals in the area started to promote the idea of united Slavic nations which eventually resulted in the creation of the first Yugoslavia<sup>3</sup>. The Kingdom fell apart with the outburst of the Second World War, and a second Yugoslavia<sup>4</sup> was created in 1945. Territories of today's Croatia and Bosnia and Herzegovina were defined, and Croatia and B&H were two out of the six Yugoslav Republics.

#### **2.2.2 Geographical description**

With a length of 992 km, the eligible border is the longest border in the entire CBC IPA Programme.

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<sup>3</sup> Kingdom of Serbia, Croatia and Slovenia 1918 – 1941

<sup>4</sup> Socialist Federative Republic of Yugoslavia

The natural regions of CRO-B&H cross border area are divided in three main zones from the north to the south: 1) lowland with possibilities for agricultural activity and significant energy resources; 2) mountainous with wood potential and recreational value; 3) maritime with tourism potential based on the Adriatic Sea and the valorisation of cultural heritage.

The relief of the area comprises both flat land and mountainous areas. It is more predominantly flat on the Northern flank with the mountainous land stretching almost the entire Western border area.

The powerful Sava river forms the border between the two countries and there are a number of international donor projects focused on the navigability and rehabilitation of the Sava.

### **2.2.3 Demography**

#### **Population**

The total population of the Programming area of the IPA CBC Programme Croatia – Bosnia and Herzegovina amounts to 4,394,811 inhabitants. The border region was characterized by large migrations within and out from the region due to the war in 1990's which has significantly changed demographic structure. Today Croats are one of the constituent nations in Bosnia and Herzegovina which makes the necessity for cooperation between the two countries even stronger. At the same time, Serbs who are also one of the constituent nations in B&H are the biggest national minority in Croatia, and their links need to be strengthened and supported.

The population of the eligible Programming Area on the Croatian side represents more than one third of the total population of the Republic of Croatia. It amounted to 1,623,866 inhabitants according to the 2001 census, which was considerably less than a decade earlier<sup>5</sup> (Annex 2, table 01). Extensive migrations of inhabitants between Croatia and B&H took place on both sides of the border in the nineties. As a result, today's demographic picture in the Programming Area is significantly different from the one which existed before the war. These changes seem irreversible given the slow and difficult return of refugees. Most of the population fall is visible in municipalities - mostly rural areas - along the border with B&H.

The total population on the B&H side of the Programming Area amounts to 2,770.945 inhabitants including all three constituent nations: Bosniaks, Croats and Serbs as well as several ethnic minorities.

#### **Age structure**

There is a continuous trend of slow population decrease with more deaths than births throughout the Croatian side of the programming area in the last 10 years. Exceptions are Splitsko-dalmatinska, Zadarska and Dubrovačko-neretvanska Counties due to the increased number of young families living in towns on the coastline.

As shown in table 02, Annex 2, the age structure on the Croatian side of the programming area is not far away from the national average. Ličko-senjska, Karlovačka and Šibensko-kninska Counties have characteristically populations older than the national average. Younger population is concentrated in regional urban centers, while older population mostly resides in rural micro regions at the border.

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<sup>5</sup> The population in the border area has decreased by almost 300,000 inhabitants in the last 15 years: there were 1,894,885 inhabitants according to the 1991 census

The age structure is relatively young on the B&H side of the programming area (table 03 in Annex 2). This high percentage of working-age population is certainly one of the very important resources for the future development of projects in the region.

#### **2.2.4 Ethnic minorities**

The biggest minority group in Croatia is the Serbian minority.<sup>6</sup>

The Bosniak minority group is rather small (0.47% in Croatia) but most of them live in the programming area.

Relations between Croats and Serbs have been tensed and difficult during the nineties, but the situation has somewhat improved since the beginning of the new century<sup>7</sup>.

The ethnic structure in B&H is complex. B&H consists of three constituent nations: Bosniaks, Serbs and Croats. Relations of those constituent nations have been, and continue to be a main challenge for the stability and development of the country.

The biggest national minority in B&H is the Roma minority.

#### **2.2.5 Infrastructure**

The density of categorized road network in the Programming Area amounts to 45,18 km/100 km<sup>2</sup> on the Bosnia and Herzegovina side and 45,5 km/100 km<sup>2</sup> on the Croatian side.

The density of roads along the border is far under the national level. The existing roads are in a very poor condition and badly connected to national roads. Moreover, there has been very little resources allocated for developing the road network in border areas since the latter is not considered a priority at the national level.

There are six airports in the Programming Area based in Split, Dubrovnik, Zadar, Banja Luka, Tuzla and Mostar. In the northern part of the Programming Area, airports in Osijek and Zagreb are in relative proximity.

Significant possibilities for utilization of river traffic in the system of the programming area are related to the Sava river. The opportunities for integrating traffic (roads, rail and waterways) in the area were already identified in pre-war research but have not yet been seized. The key river harbours on Sava are Luka Brčko District, Sisak and Slavonski Brod. The potential of those harbours were not used in the nineties, and it is necessary to invest in docking, warehouses and equipment in order to reach European standards.

Water supply systems in the Programming Area cover the population living in narrow areas, around municipality centres and larger settlements. In addition to water supply networks in larger municipalities and settlements, there are many small and low capacity water supply systems in villages. Suburban and rural areas without water supply networks are using alternative systems such as local springs and wells, cisterns, tanks etc. The quality of water, which is being supplied, is not always good.

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<sup>6</sup> Serbs in Vukovarsko-srijemska, Sisačko-moslavačka, Karlovačka and Ličko-senjska counties represent over 10% of the total population and 7.59% in the Croatian side of the programming area

<sup>7</sup> In late 2002, the Croatian Parliament passed a new Constitutional Law on the Rights of National Minorities which provides for better protection of minority rights and their representation in the institutions of the local, regional and national governments.

The lack of large and integrated water supply systems at the municipal, inter-municipal and regional level contribute to poor living conditions for the population and is hampering economic development. Moreover, since most of the existing systems are old, suffered war damages and were sporadically maintained, water leakages are enormous i.e. they amount on average to 35%, and sometimes even up to 70%. There are a lot of water supply interruptions in particular in dry summer seasons.

Only larger municipalities benefit from organized wastewater networks. In many municipalities, the sewage system is not capable of receiving all sewage water, which is released without any prior treatment. In other places, this issue is being solved through alternative ways, which are unsatisfactory from an ecological point of view such as direct discharging into water streams, tanks, septic dumps etc.

The system of solid waste management is based on the collection, transportation and disposal of solid waste quantities, by public utility companies at municipal level. Disposal of solid waste is being done in landfills, which often do not meet minimum sanitary and hygienic standards. Waste treatment such as compression, recycling, combustion etc. is also very badly organized or does not exist at all.

### 2.3 Economic description

Most eligible counties within the programming area are confronted with the grave consequences of the war and serious economic and financial difficulties. Evidences gathered from different sources show widespread socio-economic disparities. This was mostly caused by lack of communication among different subjects involved in data delivering i.e. municipal bodies, in charge of economy, are not provided with the actual data on certain economic entity, by judicial organs-municipal courts or by tax authorities. The overall level of economic development of the programming area is very low compared with the EU27 average. The area is characterized by its low GDP, the predominance of the agricultural sector, the lack of investments and the undercapitalization of local businesses. A number of factors explain the area's poor economic performance. These include a high degree of dependency on agriculturally based employment and income, and an under-representation in the higher value added business sectors. The area has not enjoyed the economic and wider benefits of inward investment to the same degree as other regions.

**Table 02: GDP per capita in Power Purchase Parity**

2003.	GDP per capita PPP
B&H programming area	Data is not available
B&H – total	2,100
Croatian programming area	7,460
Croatia – total	9,684

Source: Croatian Central Bureau of Statistics, 2003, and National Statistic Office BiH, 2003.

In order to make best use of regional comparative advantages which are linked to natural resources, the structure of the economy in programming area is oriented towards tourism (particularly the Adriatic counties), wood industry, metal working industry, agriculture and processing industry, tobacco industry, textile, leather goods and footwear industry. Orientation on these groups of industries enables specialization according to comparative advantages and thus increases competitiveness of programming area. Analyzing the industry potential and having in mind global trends it becomes evident that the future of producers in programming area lies in increasing productivity by means of increased investment in R&D, innovation, use of new technologies, enhanced cooperation with scientific institutions, integration of science, technology and production and different ways of connecting with partners and leading producers on the global market in order to ensure availability of resources and access to foreign markets. Furthermore it is necessary to specialize as much as possible in high value-added products, to move from products with a low degree of processing to those with a high degree of processing, to emphasize training and life long learning of employees, to develop networking and clusters that would connect producers, enable the development of brands and adopting of international standards.

### **2.3.1 Agriculture and rural development**

The programming area is relatively abundant with agricultural land, and the agricultural sector employs quite high number of population. On the other side – the percentage of agricultural production in the overall GDP is low which indicates serious problems in the sector. The main problems facing the sector are small size of farms and average parcels, ageing farm holders, the low education level of the farm population, the low productivity and value added, the high proportion of part-time farmers, the unorganized marketing of farm products and the low level of managerial knowledge among farmers. There are also insufficient linkages between the food industry and the tourism sector preventing the establishment of clusters or vertical links which would generate recognizable agricultural brands.

### **2.3.2 SMEs**

The SME sector is relatively well represented and is a potential source of strength. There are 42,904 registered SMEs in the Programming Area (24,362 on B&H side and 18,542 on Croatian side). The majority of these SMEs are, however, very small and lack professional support and services to help them build up performance and strengthen their competitiveness. The internal problems of the SME sector are: insufficient entrepreneurial activity (especially in sectors with considerable growth potential, including technologically based and academic entrepreneurship), non-profitability of the SME sector (the consequence of low productivity, quality of products, innovation and export orientation), and regional disparities in entrepreneurial activities (concentration in bigger regional centres). The problems of insufficient support to entrepreneurship: administrative barriers in various phases of an enterprise life cycle, absence of education for entrepreneurs, lack of business support institutions (business centres, business incubator, technological parks), inconsistency in implementation of education/training for entrepreneurship needs, lack of coordination between government policies in creation of supportive environment for entrepreneurial activities, underdevelopment of financial market for fulfilling needs of the SME sector and insufficiently developed institutional support on regional level for entrepreneurship development.

### **2.3.3 Tourism**

Due to its geographical position and its proximity to the rapidly developing tourism sector on the Croatian coastline, the Western part of the Programme area has a distinct tourism potential. A lot of tourist resources (such as: mineral waters, salt lakes or mud) create the possibility of different forms of health/wellness tourism in addition to the well-developed seaside tourism on the Adriatic coast. Central and eastern continental parts of the programming area have underdeveloped tourism. Mountainous areas of the programming area possess comparative advantage for skiing, hiking, cycling, etc. Cultural tourism can be developed in some urban centers given the rich cultural heritage and the great variety of cultural events organized throughout the year. The potential for agri-tourism and eco-tourism have not yet been seized. Religious tourism at the southern part of the B&H programming area is additional strength for development of joint tourist products. The main obstacles to the development of tourism are poor tourism infrastructure (primarily in non-coastal areas), low level of marketing, lack of information exchange within the tourism industry and co-operative marketing, low level of networking between tourism operators and other sectors (especially agriculture).

In 2005, there were 4,637,936 visitors, and 22,756,292 overnights on the Croatia side of the border. On B&H side of the border, there were 564,948 visitors and 451,884 overnights.

## **2.4 Human resources**

### **2.4.1 Education, Research, and Development**

The educational system in Croatia and Bosnia and Herzegovina is similar with compulsory primary education and non obligatory secondary and high education, which is mainly performed in public schools.

There are 382 primary and 184 secondary schools on the B&H side of the border and 892 primary and 269 secondary schools on the Croatian side. The basic situation in primary and secondary education is satisfactory with an adequate number of public schools. However, there is also a number of functional difficulties such as destroyed/inadequate infrastructure, lack of qualified teaching staff (for example IT teachers) and high costs of transport for students from rural areas.

Secondary school attendance is relatively low on the B&H side of the border (only 68% of children in age 15 – 19) while most of the inhabitants have secondary school degree on the Croatian side of the border.

As for higher education, there is a low level of university and high school degrees in the entire programming area. A positive trend is the increase in the number of regional higher education institutions (universities, faculties and polytechnics), and greater diversity of undergraduate programmes they offer. At present there are regional universities, faculties and higher education institutions in Bihać, Banja Luka, Prijedor, Laktaši, Doboje, Mostar, Tuzla and Trebinje in B&H, and Universities in Split and Zadar, and Faculties and other higher school institutions in Slavonski Brod, Šibenik, Dubrovnik, Sisak, Vukovar, Gospić, Petrinja, Knin and Karlovac.

The number of people in education dropped in the past 10 years mainly due to demographic decline. One of the problems encountered in the border region is related to the education infrastructure. The situation of the latter worsened for the pre-university level in terms of buildings safety, basic utilities and equipment. The rural area is more affected due to difficult access.

Links between education institutions and the business sector are weak and result in low innovation and underdeveloped research and development sector. The R&D institutions in the programming area on the Croatian side are the Institute for Oceanography and Fisheries, the Institute for Adriatic

Crops and Karst Reclamation, the Mediterranean Institute for Life Research and the Technological Centre in Split, and the Development and Research Centre for Mari culture in Ston.

## 2.4.2 Labour Market

**Table 03: Employment and Unemployment rate**

	<b>Unemployment rate in 2005 (HR) and 2006 (B&amp;H).</b>	<b>Employment rate in 2005(HR) and 2006 (B&amp;H).</b>
B&H programming area	36.57 %	36,06%
B&H	41 %	49,06 %
Croatian programming area	21.5%	50.5%
Croatia – total	16.6%	54.9%
EU 25	9.0%	62.8%

**Source:** Croatian Bureau of Statistics, 2005. and Unemployment Bureau BiH, 2006.

As shown in the table above, the Croatian side of the programming area (except Dubrovačko-neretvanska County) has significantly higher unemployment rates than the national average. Employment rates in all counties are also below the national average. Those figures reflect the economic backwardness, the dependence on public sector employment and the lack of entrepreneurial initiative. The regional distribution of unemployment is very uneven, with the highest unemployment rates in rural micro regions where it often causes serious social problems.

Unemployment is most frequent among unskilled workers, the elderly, the youth and women. In some counties (Sisačko-moslavačka and Splitsko-dalmatinska), there is a significant number of unemployed people with university degrees.

In B&H the employment structure changed a great deal due to structural reforms leading to the collapse of big traditional employers. Another important factor is the peripherality or rurality of most of the region. The remote location of the border region from the centre and bigger cities makes it relatively unattractive for FDI. The employment rate in the service sector is very weak and almost half of employed people are in the public sector. The highest unemployment rate is recorded among people aged 31-50 years, who represented 45.13% of the total number of unemployed persons in 2006. The percentage for the age group from 18-30 years, is 41.36% in the same year. This is one of the most important reasons for the exodus of many young people from this area.

## 2.5 Environment

The Republic of Croatia and Bosnia and Herzegovina programming area is fairly homogeneous from a natural, geographical and environmental point of view. Both sides of the border face similar challenges to ensure a balanced path towards socio-economic development, while preserving the outstanding natural and cultural heritage and meeting the EU environmental requirements.

There is a lack of integrated and co-ordinated interventions on both sides of the border to protect the environment and promote sustainable development despite numerous opportunities to do so, for example through the development and upgrading of special protected areas, special areas of conservation, visitor information systems, exchange programmes, development of information systems, implementation of public private partnerships in nature protection.

There are more than 200 protected areas on the Croatian side of the border out of which 6 are National Parks. On the side of BiH programme area, there is also potential in this regard (National Park Kozara, Bardaca (Ramsar's place), Hutovo Blato, Blidnje, etc). Furthermore, there is natural and obvious need for cooperation on protection of river basins of Sava, Una, Krka, Neretva and other rivers in the programming area.

Underdeveloped wastewater systems have been identified as one of the main risk factors for rivers and ground waters.

As a legacy from the war, there are still *suspected mine areas* in the programming area. The total suspected mine area in both countries cover 1,844 km<sup>2</sup> with approximately 305,000 mines most of which is in the programming area.

## **2.6 Culture**

Cultural cooperation has been and still is a very important connector for communities on each side of the border. The programming area shares very similar traditions, customs, language and cultural heritage. There are a large number of cultural, minority associations and clubs whose purpose is to preserve local tradition and specificities.

In addition to cooperation of small cultural associations, there is an untapped potential for the valorisation of cultural heritage in the programming area and its linkage to the tourist offer.

## **2.7 SWOT Analysis**

The analysis of strengths, weaknesses, opportunities and threats is based on the Situation Analysis of the programming area, and on workshops with representatives of national and regional/local levels held in both countries during the programming process.

This is a summary SWOT which presents the main joint potentials and problems of the cross-border region which will serve as basis for developing as strategy under this Programme.

GEOGRAPHY, INFRASTRUCTURE			
Strengths	<p>Good geographical position – proximity to important road and railway connections</p> <p>River ports on Sava nad Dunav</p> <p>Sea ports in Dubrovnik, Ploce, Split and Zadar</p> <p>Airports in Dubrovnik, Split, Zadar, Mostar, Banja Luka, Tuzla, (and Osijek and Zagreb)</p> <p>Good railway infrastructure in the southern part of the Programming area</p>	Weaknesses	<p>Local and regional transport infrastructure (local roads, railway) insufficiently developed and maintained.</p> <p>Destroyed and inadequate basic infrastructure</p> <p>Water supply and waste-water systems insufficiently developed</p>
Opportunities	<p>Development of local transport connections (local roads, railway terminals)</p> <p>Development of river transport</p> <p>Construction of highway Budapest – Osijek – Sarajevo – Ploce (and connection to Dubrovnik highway), and highway Banja Luka - Gradiška</p>	Threats	<p>Possible decrease of border-crossings in the near future due to insufficient investment in infrastructure and supplies</p> <p>Insufficient financial instruments for construction of large infrastructural projects</p> <p>Insufficient investment in water supply, waste water, and waste management systems due to small municipal and county budgets</p>
ENVIRONMENT			
Strengths	<p>Rich natural resources (water, sea, forests, agricultural soil, minerals)</p> <p>Landscape and nature areas are suitable for protection or are already protected</p>	Weaknesses	<p>Inadequate waste management</p> <p>Lack of flood systems (in continental part – Sava river)</p> <p>Significant areas still covered with mine-fields</p> <p>Inadequate fire protection systems</p> <p>Lack of system for monitoring of pollution</p>
Opportunities	<p>Sustainable management of water resources</p> <p>Improved waste management</p> <p>Development and usage of renewable energy sources</p>	Threats	<p>Continuation of pollution</p> <p>Slow de-mining process</p>
DEMOGRAPHY, HR, EDUCATION AND LABOUR MARKET			
Strengths	<p>Access to high education in regional centres in the programming area</p> <p>No language barriers in the programming area</p> <p>Existing cooperation of civil society organizations from Croatia and BiH</p> <p>High density of population in some areas (coast, area along Sava river)</p>	Weaknesses	<p>Significant migrations in the bordering region in 1990's due to war in Croatia and BiH</p> <p>High level of unemployment, specially in rural areas</p> <p>Large discrepancies between demand and supply on labour market</p> <p>Lack of opportunities for life-long learning</p> <p>Brain drain to urban areas and out of the region</p> <p>Depopulation in some areas</p> <p>High number of elderly people in the bordering region (they do not contribute to the regional economy)</p> <p>Insufficient number of hospitals and medical doctors</p>

Opportunities	Improved joint health and education system Joint approach to the labour market problems	Threats	Continuation of brain drain Continuation of depopulation in some areas (mostly rural) Increased poverty rate Increased social exclusion
ECONOMY			
Strengths	<p><b>INDUSTRY</b> Tradition of food, wood and metal processing industries Expanding SME sector Trend of developing Business Related infrastructure Growth in services industries</p> <p><b>AGRICULTURE AND RURAL DEVELOPMENT</b> Tradition in agricultural sector Significant surface is unpolluted cultivated land</p> <p><b>TOURISM</b> Comparative advantages for the development of tourism (natural, cultural and anthropological resources)</p>	Weaknesses	<p><b>INDUSTRY</b> Industry with underdeveloped technologies Insufficient interaction between base and processing industry Lack of links between industry, science/education and RDI Lack of clusters and SME networks Destroyed business related infrastructure in 1990's (and slow recovery).</p> <p><b>AGRICULTURE AND RURAL DEVELOPMENT</b> Small size of farms and old-fashioned management of farms Lack of networking between farmers</p> <p><b>TOURISM</b> Inadequate marketing of tourist destinations in the programming area (except Croatian coast) Tourism infrastructure is insufficiently developed Lack of financial instruments for development of tourism in continental part of the programming area</p>

Opportunities	<p><b>INDUSTRY</b></p> <ul style="list-style-type: none"> <li>➤ Focus on development of economic links between Croatia and BiH</li> <li>➤ Potential for FDI</li> <li>➤ Product finalization degree</li> <li>➤ Branding and marketing of local products</li> <li>➤ Development of new financing mechanisms</li> <li>➤ Development of cross-border information and consultancy services for businesses</li> </ul> <p><b>AGRICULTURE</b></p> <ul style="list-style-type: none"> <li>➤ Establishment of cooperation between producers, processing industry and distributors</li> <li>➤ Potential for organic farming due to natural resources</li> </ul> <p><b>TOURISM</b></p> <ul style="list-style-type: none"> <li>➤ Development of joint tourist offer and products</li> <li>➤ Valorisation of cultural heritage</li> <li>➤ Cooperation between tourist and agricultural sector and rural development</li> </ul>	Threats	<p><b>INDUSTRY</b></p> <ul style="list-style-type: none"> <li>➤ Lack of favourable conditions for FDI</li> <li>➤ Further existence of black and grey markets</li> <li>➤ Raising influence of global market economies and Single Market—cheaper products</li> <li>➤ Reinforcement of position and image as a low value-added destination</li> </ul> <p><b>AGRICULTURE</b></p> <ul style="list-style-type: none"> <li>➤ Continuation of small size farms that cannot compete on market</li> <li>➤ Insufficient exploitation of capacities in agriculture</li> <li>➤ EU accession demands higher standards</li> </ul> <p><b>TOURISM</b></p> <ul style="list-style-type: none"> <li>➤ Competitive offer of the already developed foreign tourism areas</li> <li>➤ Lack of investment in infrastructure continues to be an obstacle to tourism development</li> </ul>
<b>CULTURE</b>			
Strengths	<ul style="list-style-type: none"> <li>➤ Common rich cultural and historical heritage and diversity of cultural practices</li> <li>➤ Unique tradition, customs and crafts, common Slavic origin of the languages and a long tradition of close linkage and mutual interaction</li> </ul>	Weaknesses	<ul style="list-style-type: none"> <li>➤ Insufficient protection and unsuitable use of cultural heritage</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>➤ Preservation and revitalization of common cultural heritage</li> <li>➤ Sustainable protection of existing cultural and territorial diversity</li> </ul>	Threats	<ul style="list-style-type: none"> <li>➤ Marginalisation of ethnic minorities may reduce cultural diversity</li> </ul>
<b>SECURITY AND CAPACITIES FOR COOPERATION</b>			
Strengths	<ul style="list-style-type: none"> <li>➤ Traditional relations in all sectors</li> <li>➤ Knowledge of language and mentality</li> </ul>	Weaknesses	<ul style="list-style-type: none"> <li>➤ Insufficient experience in work on projects (specially CBC projects)</li> <li>➤ Insufficient institutional capacities for support to potential project beneficiaries</li> </ul>

<p>Opportunities</p>	<ul style="list-style-type: none"> <li>➤ Cooperation of services for protection and rescue on the two sides of the border</li> <li>➤ Increase of financial instruments for cooperation – IPA CBC</li> <li>➤ Education on CBC and regional development</li> </ul>	<p>Threats</p>	<ul style="list-style-type: none"> <li>➤ Potential political instability in the region</li> </ul>
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## **SECTION III      PROGRAMME STRATEGY**

### **3.1      Overall Objective**

The length of the Croatian-Bosnian border (992 km) and the heterogeneity of the programme area make it difficult to single out issues common to all territories involved. The level of economic development is however similar throughout the whole programming area as shown in the Situation Analysis. On both sides of the border, a declining population continues to cope with the adverse consequences from the war and the disappearance of old industries and markets, which followed the collapse of former Yugoslavia. Even Croatian counties situated on the coast and benefiting heavily from the development of tourism are facing tremendous difficulties in their hinterland, which are often former war zones economically disconnected from the seaboard. The Cross-border programme between the Republic of Croatia and Bosnia and Herzegovina aims to address these weaknesses by directing assistance into areas for which the analysis identifies concrete potential. The programming area possesses undeniable natural and cultural assets, which are not sufficiently exploited to develop the local economy. The peripherality of the programming area has been reinforced by the decline in cross-border activities in the aftermath of the war. Given the limited resources available under IPA 2007-2013 and the size of the programming area, the ambition of this programme is first and foremost to contribute to the revival of border links and activities in the programming area by encouraging co-operation at local level on common environmental and socio-economic problems.

- ☛ The overall objective of the programme is to encourage the creation of cross-border networks and partnerships and the development of joint cross-border actions with a view to revitalizing the economy, protecting the nature and the environment and increasing social cohesion of the programming area.

The main indicator of success of the programme will be the number and quality of the networks, links and projects, which the programme will help establish. These are easily measurable and do not require sophisticated data.

An additional objective of the programme is to build the capacity of local, regional and national institutions to manage EU programmes and to prepare them to manage future cross-border programmes under objective 3 of the EU Structural Funds.

The above objectives will be achieved by means of 3 priorities:

- Priority 1: Creation of a Common Economic Space
- Priority 2: Improved Quality of Life and Social Cohesion
- Priority 3: Technical Assistance

These priorities will be implemented by 6 separate measures; the programme strategy is shown below in Table 04.

**Table 04: Programme Strategy**

<b>Priority 1</b> <b>Creation of a Joint Economic Space</b>	<b>Priority 2</b> <b>Improved Quality of Life and Social Cohesion</b>	<b>Priority 3</b> <b>Technical Assistance</b>
<b>Measure 1.1:</b> Joint development of tourism offer	<b>Measure 2.1:</b> Protection of nature and environment	<b>Measure 3.1:</b> Support to Programme Administration and Implementation
<b>Measure 1.2:</b> Promotion of entrepreneurship	<b>Measure 2.2:</b> Improved accessibility of community based services in the border area	<b>Measure 3.2:</b> Support to Programme Information, Publicity and Evaluation
<b>Horizontal Theme:</b> Cross-Border Capacity Building		

Cross-border capacity building will be a horizontal theme underpinning Priority 1 & 2 and, as much as is possible, will be integrated into all the measures in these priorities. Cross-border capacity will be built by giving preference to projects which:

- (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.

Achievement of cross-border capacity building objectives 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.

It is important to note that the scope of the 2007-2013 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. Notable amongst these issues are: agricultural restructuring; de-mining, modernisation of border crossings and the provision of basic infrastructure.

### **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 which 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);

The Multi-annual Indicative Planning Document for Croatia for the period 2007 – 2009 indicate 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 Bosnia and Herzegovina for the same period will support activities aimed 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.

#### **3.2.1 National Programmes – Croatia**

The Programme is in line with the main goals and areas of intervention of the following National Programmes:

- **Strategic Development Framework**, whose main strategic goal is to promote 'growth and employment in a competitive market economy acting within a European welfare state of the 21st century'. This strategic goal is to be achieved by simultaneous and harmonized action in the following ten strategic areas: people, knowledge and education, transport and energy infrastructure; science and IT technology; social cohesion and justice; macroeconomic stability and openness; integrated financial services, environmental protection and balanced regional development; entrepreneurial climate, privatization and restructuring and new role of the state;
- **Joint Inclusion Memorandum**, which specifies policy priorities and measures related to social inclusion and fight against poverty.
- **Draft IPA Operational Programme Regional Competitiveness (RCOP)** which has two objectives: 1/ to achieve higher competitiveness and balanced regional development by supporting SME competitiveness and improving

economic conditions in Croatia's lagging areas and 2/ to develop the capacity of Croatian institutions to programme and implement activities supported by the ERDF upon accession. The priorities of this programme are complementary with the RCOP's two main priorities, which are 1/ to improve development potential of lagging areas and 2/ to enhance the competitiveness of the Croatian economy. This Programme is complementary to the RCOP Priority 2.

- **Draft IPA Operational Program Human resource development (HRDOP)** is proposing three Priority Axis: 1/ *Enhancing access to employment and sustainable inclusion in the labour market*; 2/ *Reinforcing social inclusion and integration of people at a disadvantage*; 3/ *Expanding and enhancing investment in human capital*. Through this Programme special attention will be given to projects which are contributing to increase the employability of local population, and improve access to social services;

Furthermore, the programme is in line with Croatia's main national strategies i.e. 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; Waste Management Strategy of the Republic of Croatia; 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 the highest national priorities given that 18 out of 21 counties have external borders.

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

### **3.2.2 National Programmes – Bosnia and Herzegovina**

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

- **EU Integration Strategy of BiH** which is the main document that the entire EU accession process will be based on. It indicates basic aims and avenues of action and encompasses a set of general guidelines for work of state and entity institutions and other stakeholders involved in the integration process.
- **IPA Multi-annual Indicative Planning Document (MIPD)** is the key strategic document for EC assistance to BiH under IPA, with the main strategic objective to support the country in the transition from potential candidate to a candidate country and through to membership of the EU.
- **Strategy for Implementation of the Decentralized Implementation System in BiH** – The objective of the present paper is to assist DEI's Aid Coordination Division and the Ministry of Finance and Treasury to develop Roadmap for implementation of the Decentralized Implementation System (DIS) in BiH.

- **Medium-term Development Strategy (MTDS)** (previously called Poverty Reduction Strategy Paper - PRSP) for Bosnia and Herzegovina is the medium term document that covers period 2004 – 2007. The strategy is based on accomplishing three ultimate strategic goals: to create conditions for sustainable development, to reduce poverty and speed up the process of EU integrations in Bosnia. This strategy paper also contains a number of sectoral priorities and its corresponding measures. MTDS will be substituted by the NDP (National Development plan), expected to be in place by the beginning of 2008.
- **National Environmental Action Plan (NEAP)**, which was prepared with support of the World Bank in both entities in parallel, represents a strategic document for planning sustainable development. It includes list of priority projects in the field environment. In addition, many Local Environmental Action Plans are already in place.

### **3.3 Compliance with other Community Policies**

By its nature and focus, the Programme will encompass the EU main 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), 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 Programme will also support the Goeteburg objectives by promoting sustainable management of the environment through the establishment of cooperation among institutions and the implementation of joint actions for nature and environment protection.

The Programme will also 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, the 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.

### **3.4 Description of Priorities and Measures**

#### **3.4.1 Priority 1: Creation of joint economic space**

##### **3.4.1.1 Background and Justification**

This priority is a response to the difficult economic situation on both sides of the border, which is characterised by a declining population, a high degree of dependence on an underdeveloped agricultural sector and an SME sector that face problems like lack of access to credit, of expertise and entrepreneurship. The tourism sector is well developed in the western part of the programming area – close to the Adriatic coast – but quite underdeveloped in the central and eastern parts. Some of the main obstacles for the development of the tourism sector are poor tourism infrastructure (mainly in con-coastal areas), low level of marketing as well as lack of information exchange within the tourism operators and other economic sectors (especially agriculture).

The analysis of the programming area has shown that significant growth potential lies with the SME sector and that the R&D is a source of value added for the economy. This potential remains, however, to be realized fully as there are at present a number of weaknesses obstructing both the creation and growth of SMEs, particularly knowledge-based SMEs, which contribute most to regional competitiveness. The promotion of entrepreneurship and the support to SME is essential to improve the economic prospect of border areas. More frequent contacts between SMEs will create new opportunities for cooperation. Joint support to SMEs will help improve the competitiveness of existing SMEs and encourage the setting-up of new companies.

#### **3.4.1.2 Overall & Specific Objectives**

##### **Overall objective**

- ☞ To contribute to the integration of the economy in border areas by encouraging cooperation in the field of tourism and SME support & entrepreneurship promotion.

##### **Specific objectives**

- ☞ To develop recognisable joint tourist offers based on common environmental and cultural heritage and improve the competitiveness of the local tourism economy.
- ☞ To foster the development of the regional economy by strengthening the SME sector and business support institutions and services.

Following the specific objectives, priority 1 will be implemented by two measures:

Measure 1.1: Development of joint tourist offer

Measure 1.2: Promotion of entrepreneurship

##### **Direct Beneficiaries**

Direct beneficiaries of this priority are non profit legal persons 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:

- Regional and local public authorities;
- Public bodies (funds, institutions, agencies) established by the state or a regional/local self-government such as: research and development institutions, education and training institutions, health care institutions, institutions for

- protecting natural and cultural heritage, local and regional development agencies, tourist agencies and associations, etc.;
- Private institutes established by private law entities for meeting needs of general interest (such as educational or research institutes) as long as they operate on non-profit basis;
- Non-governmental organisations such as associations and foundations;
- Chambers of commerce, agriculture, crafts and industry, clusters registered as non-profit legal persons;
- Agricultural associations and cooperatives.

#### **Project selection criteria and delivery mechanism:**

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

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

#### **3.4.1.3 Measures**

##### **Measure 1.1. Development of joint tourist offers**

This measure will support the joint development and promotion of tourist offers. It will encourage the development, improvement and diversification of tourism products and services, the integration of cultural heritage & environment into tourism products and the joint marketing of these products. This will mobilize the productive, environmental and cultural potentialities of the areas involved and contribute to their sustainable development.

The measure will also aim at improving the knowledge of people working in tourism, culture and agriculture. In particular, the measure will encourage the use of ICT tools for developing and marketing products and training people.

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.

#### Types of actions eligible under this measure are:

- Development of new tourist products/services with clear cross-border identity (development of thematic routes, site exploitation, etc);
- Development of small-scale tourist infrastructure related to attractions such as walking and wellness paths, hiking, riding and bicycling trails, picnic places, signposting, visitor centres, leisure and sport facilities, landscaping, lighting, renovation of cultural/historical heritage objects of cross-border importance;
- Complementary training of staff required for the operation of supported attractions and facilities;

- Certification of local products and services
- Joint tourism promotion and marketing initiatives, including in particular initiatives to promote cross-border regional identity as a tourist area: promotion activities such as preparation and distribution of information and promotional materials on the cross border area and its products, participation and organization of joint tourism fairs, visits by travel agents and tour operators and travel journalists, public awareness activities and information services to the local businesses and communities, communication campaigns to improve awareness of natural and cultural heritage and tourism contribution to development etc;
- Establishment and improvement of joint marketing and promotion of tourism and agriculture products and services;
- Integration of cultural heritage into tourism products by revitalization and preservation of cultural heritage and stimulation of cultural exchange and events;
- Implementation of modern technology and information systems aimed at improving visitors' information servicing, marketing and planning of tourist destinations, such as establishment, reconstruction and equipment of tourist information centres, their inclusion in regional or broader networks and information systems, web-based regional information and distribution systems (e-marketing), IT based data-bases etc;
- Creation and implementation of common tourism development strategies and elaboration of analysis, reports, studies, programmes and conferences oriented to protection and promotion of natural and cultural heritage.

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

Output indicators:

- Number of projects developing joint cross-border small scale tourism/cultural infrastructure,
- Number of joint projects implemented for promoting the area's tourism identity and image (certification of new products, joint promotion campaigns),
- Number of joint projects implemented for tourist sector development,
- Number of heritage sites reconstructed/restored.

Result indicators:

- Increased number of CBC tourists in the border region visiting facilities where a capacity improvement has taken place or for which new product or promotion activities has been realized.

The source of information will be the Programme and project reports and statistics.

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

## **Measure 1.2 Promotion of entrepreneurship**

Measure 1.2 will strengthen connections between Croatian & BiH enterprises and the involvement of regional development agencies & business support organisations in SME development activities. It will foster a common understanding of cross-border regional economic opportunities.

The Measure will also aim at promoting entrepreneurship in border regions and support initiatives that promote up-to-date technology, export orientation, innovativeness and partnership between SMEs and R&D organisations to commercialize scientific innovation.

It will stimulate regular interaction between businesses located on both sides of the border via: business-to-business networks and clustering; development of SME support services and joint access to these; joint marketing & promotion on domestic & EU markets; exchange of know-how; selected investments in small-scale business-related infrastructure.

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 Components III and IV Regional Development and Human Resources Development.

### Types of actions eligible under this measure are:

- Development and implementation of training and educational activities for SMEs;
- Support to schemes promoting the development of innovation and research and development especially involving partnerships between SMEs, universities, R&D institutions;
- Networking of SMEs and establishment of cross border clusters;
- Planning and development of cross border business related infrastructure (industrial areas and business zones);
- Development of joint business support institutions (business centres, business incubators, technology transfer centres, start-up centres);
- Development of services to assist SMEs in the development of related business activities (general advice and training, joint marketing of SMEs, awareness raising about market conditions, etc.).

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

### Output indicators:

- Number of business support centers created
- Number of supported knowledge transfer projects
- Number of projects encouraging the development of cross-border business co-operation, networks and clusters
- Number of implemented joint cooperation projects on development of skills and knowledge
- Number of SMEs/science/R&D networks established
- Number of promotional events and trade fairs for local/regional products
- Number of SMEs involved in/benefit of cross-border projects

Result indicators:

- Increase in the number of SMEs located within programming area
- Increase in number of new jobs creation
- Increased number of permanent business contacts
- Increased number of common strategies and plans
- Increased level of business innovation through transfer of technology via university and R&D institutions to SMEs

The source of information will be the Programme and project reports and statistics.

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

### **3.4.2 Priority 2: Improved Quality of Life and Social Cohesion**

#### **3.4.2.1 Background and Justification**

Priority 2 is a response to the social and environmental problems of the border area. The priority will focus on factors that contribute to the well-being, the quality of life and social cohesion of local communities including the improvement of cross-border relations.

The level of unemployment is high, especially in the rural areas, and there is a lack of active employment measures to address this situation. The Situation Analysis has identified social exclusion as a major threat in the programming area. At the same time, the analysis has also pointed out education, health and labour as major opportunities for cross-border cooperation.

In the environment sector, Croatia and Bosnia and Herzegovina face the same challenges and have the same opportunities. On both sides of the border there are important natural amenities – natural parks, unspoilt forests and rivers. The areas hold a high level of biodiversity (including many rare species) associated with flood plains of the Sava, Una and Neretva rivers. However, there is no co-ordination as to how to protect the environment e.g. through waste water management, nor is there any co-ordinated efforts on how to deal with natural disasters like flooding or fire fighting. Another common problem is the unregulated waste dumping and industrial discharges which has and adverse affect on the quality of life of residents and on the region's overall image. The second priority will also deal with the need to preserve the natural assets of the programming area in order to maintain their potential for tourism development and to improve the overall quality of life in the border area.

#### **3.4.2.2 Overall & Specific Objectives**

### **Overall objective**

- ☞ To enhance the quality of life in border areas by reducing damages/risks to the environment and increasing social cohesion in local communities.

### **Specific objectives**

- ☞ To protect and preserve the environment and encourage the sustainable use of natural resources in border regions through joint actions and awareness raising campaigns
- ☞ To enable access to community based services that impact on the well-being and social cohesion of local citizens and communities.

### **Direct Beneficiaries**

Direct beneficiaries of this priority are non profit legal persons 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:

- Regional and local public authorities;
- Public bodies (funds, institutions, agencies) established by the state or a regional/local self-government such as: research and development institutions, education and training institutions, health care institutions, institutions for protecting natural and cultural heritage, local and regional development agencies, tourist agencies and associations, etc.;
- Private institutes established by private law entities for meeting needs of general interest (such as educational or research institutes) as long as they operate on non-profit basis;
- Non-governmental organisations such as associations and foundations;
- Chambers of commerce, agriculture, crafts and industry, clusters registered as non-profit legal persons;
- Agricultural associations and cooperatives;
- National and Regional Parks, Landscape Parks.

### **Project selection criteria and delivery mechanism:**

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

More detailed project selection criteria will be defined later on within applicable Guidelines for Applicants and calls for proposals notice.

### **3.4.2.3 Measures**

#### **Measure 2.1 Environmental protection**

The Measure will support joint initiatives that contribute to the preservation and protection of the environment and natural diversity. The Measure will also encourage the sustainable use of natural resources and promote the utilisation of renewable

energies. It will also support joint actions that seek to prevent or remedy environmental degradation resulting from economic activity.

Types of actions eligible under this measure are:

- Planning documentation for water supply and water waste systems with cross border impacts;
- Joint environmental programming and initiatives: river catchments management, air pollution, thermal water extraction, awareness campaign targeting industries and general public;
- Prevention of natural risks – intervention actions (in case of floods and fire)
- Studies and direct actions on applicability of renewable energy sources
- Studies on environmental impacts of human activities
- Protection and/or preparation of documentation for nature protected areas
- Awareness raising activities on environmental management and protection
- Education and know how transfer in environmental protection
- Clean-up actions in the border area
- Promotion of renewable sources of energy

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

Output indicators:

- Number of joint projects encouraging and improving protection of area's natural values;
- Number of implemented joint projects developing management systems for environmental protection;
- Number of co-operation agreements/networks between operators/agencies in environmental field;
- Number of awareness-raising events held;
- Number of joint waste management plans created;
- Number of feasibility studies prepared for waste water treatment facilities;
- Number of projects promoting the use of renewable energy sources;
- Number of cross-border emergency teams created;

Result indicators:

- % Reduction in physical and ecological damage arising from emergency incidents
- % Decrease in number of cross border pollution episodes
- Increased planning and management capacity in relation to emergency situations
- % Increase in ecologically sensitive sites protected
- Increased public awareness of cross-border environmental issues

The source of information will be the Programme and project reports and statistics.

Minimum and maximum EU grant size (€)	50,000 – 300,000 Euro
Maximum size EU funding to total eligible	85%

## Measure 2.2 Improved accessibility to community based services

The Measure will support the development of people-to-people actions across the border addressing the needs of local communities in the field of education and labour, social and health care, culture and sport. In particular, activities under this measure are meant to facilitate access to basic community services to all citizens and groups in the border region.

The Measure will encourage the establishment or the strengthening of cross-border partnerships and networks around social cohesion activities and involving local authorities, civil society and social partners. The initiatives promoted under this Measure should also contribute to the improvement of cross-border relations.

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 the IPA Component IV Human Resources Development.

### Types of actions eligible under this measure are:

- Joint youth initiatives and networks
- Assistance to marginalised groups
- Easier access to health services
- Easier access to education
- Development of joint local development plans and strategies in areas of local governance, social development, education, sport and culture

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

### Output indicators:

- Number of joint community programmes involving cooperation between civil society, local authorities and social partners;
- Number of projects improving access to education;
- Number of projects improving access to social and health care services;
- Number of awareness-raising events on social exclusion;
- Number of cross-border youth and cultural partnerships;
- Number of cultural and sport exchange events organised;
- Number of projects actively involving women and people from marginalized groups.

### Result indicators:

- Improved access to community-based services by vulnerable groups/ local populations;
- Decrease in number of ethnic based incidents;
- Increased public awareness of organizational/institutional structure of neighbouring country;

- Improved knowledge of neighbours' culture/history.

The source of information will be the Programme and project reports and statistics.

Minimum and maximum EU grant size (€)	20,000 – 50,000 Euro
Maximum size EU funding to total eligible costs (%)	85%

### 3.4.3 Priority 3: Technical Assistance

#### 3.4.3.1 Background and Justification

Technical Assistance (TA) will be used to finance costs related to the preparation, administration and management, information, publicity and training, development and operation of computerized data exchange systems, acquisition of necessary equipment, monitoring, evaluation and control of the 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 two JTS antennas. 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).

Considering that the relevant national authorities (Operating Structures in Croatia and Bosnia and Herzegovina) 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 (EC Delegation in Bosnia and Herzegovina) 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.

#### 3.4.3.2 Overall & specific objectives:

The overall objective of this priority axis is to provide effective and efficient administration and implementation of the CBC programme.

#### Specific objectives

- ☞ To enhance the quality and coherence of actions under the Programme;
- ☞ To improve the capacity of national and joint structures to manage cross-border programmes.
- ☞ To provide and disseminate programme information to national authorities, the general public and programme beneficiaries and to ensure that the assistance is published in a manner that raises awareness and aids the development of the Programme
- ☞ 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

**Direct beneficiaries:**

The main beneficiaries for this priority are:

- Operating Structures
- Joint Monitoring Committee
- Joint Technical Secretariat (Main and JTS antenna)
- All other structures/bodies related to 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.

**3.4.3.3 Measures**

**Measure 3.1: Support to 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, and any other structure (e.g. Steering Committee) involved in the management and implementation of the programme. Furthermore, the measure 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 JTS 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
- Acquisition, installation and integration of IT equipment for management, monitoring, evaluation and coordination of the Programme

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

Output indicators:

- Number of JTS staff recruited;
- Number of JTS meetings;
- Number of staffing Operating Structures trained;
- Number of training events for potential final beneficiaries;
- Number of project proposals assessed;
- Number of on-the-spot visits carried out;
- Number of monitoring reports drafted;
- Number of relevant studies/survey carried out;
- Number and quality of IT/office equipment;

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

Source of Information will be Annual implementation report, evaluation reports and monitoring reports.

**Measure 3.2: Support to Programme Information, Publicity and Evaluation**

The second TA measure will give support to programme information, publicity and evaluation through activities such as preparation, translation and dissemination of programme related information and publicity material, including a programme website. It will hence 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 BiH. Furthermore, 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)
- Design, maintenance and promotion of a Programme's website
- Organisation of promotional events (meetings, seminars, workshops, conferences, media events, information days, forum, road shows, networking)
- 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

Source of Information will be Annual implementation report, evaluation reports and monitoring reports.



### 3.5 Summary of Priorities and Measures

<ul style="list-style-type: none"> <li>▪ Overall objective</li> <li>▪ To encourage the creation of cross-border networks and partnerships and the development of joint cross-border actions with a view to revitalizing the economy, protecting the nature and the environment and increasing social cohesion of the programming area</li> </ul>					
<ul style="list-style-type: none"> <li>▪ Priority 1</li> <li>▪ To contribute to the integration of the economy in border areas by encouraging cooperation in the field of tourism and SME support &amp; entrepreneurship promotion.</li> </ul>		<ul style="list-style-type: none"> <li>▪ Priority 2</li> <li>▪ To enhance the quality of life in border areas by reducing damages/risks to the environment and increasing social cohesion in local communities.</li> </ul>		<ul style="list-style-type: none"> <li>▪ Priority 3</li> <li>▪ Technical Assistance</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Special objective 1.1.</li> <li>▪ To develop recognisable joint tourist offers based on common environmental and cultural heritage and improve the competitiveness of the local tourism economy.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Special objective 1.2.</li> <li>▪ To foster the development of the regional economy by strengthening the SME sector and business support institutions and services.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Special objective 2.1.</li> <li>▪ To protect and preserve the environment and encourage the sustainable use of natural resources in border regions through joint actions and awareness raising campaigns</li> </ul>	<ul style="list-style-type: none"> <li>▪ Special objective 2.2.</li> <li>▪ To enable access to community based services that impact on the well-being and social cohesion of local citizens and communities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Special objective 3.1.</li> <li>▪ To enhance the quality and coherence of actions under the Programme; and to improve the capacity of national and joint structures to manage cross-border programmes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Special objective 3.2.</li> <li>▪ To provide and disseminate programme information and to ensure that the assistance is published in a manner that raises awareness and aids the development of the Programme</li> </ul>
<ul style="list-style-type: none"> <li>▪ Measure 1.1: Joint development of tourism offer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Measure 1.2: Promotion of entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>▪ Measure 2.1: Protection of nature and environment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Measure 2.2: Improved accessibility of community based services in the border area</li> </ul>	<ul style="list-style-type: none"> <li>▪ Measure 3.1: Support to Programme Administration and Implementation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Measure 3.2: Support to Programme Information, Publicity and Evaluation</li> </ul>

### 3.6 Indicators

▪ Priority 1		
▪ Measure 1.1.	▪ Indicators	
	▪ Output	<ul style="list-style-type: none"> <li>▪ Number of projects developing joint cross-border small scale tourism/cultural infrastructure,</li> <li>▪ Number of joint projects implemented for promoting the area's tourism identity and image (certification of new products, joint promotion campaigns),</li> <li>▪ Number of joint projects implemented for tourist sector development,</li> <li>▪ Number of heritage sites reconstructed/restored.</li> </ul>
	▪ Result	<ul style="list-style-type: none"> <li>▪ Increased number of CBC tourists in the border region visiting facilities where a capacity improvement has taken place or for which new product or promotion activities has been realized.</li> </ul>
▪ Measure 1,2,	▪ Indicators	
	▪ Output	<ul style="list-style-type: none"> <li>▪ Number of business support centers created</li> <li>▪ Number of supported knowledge transfer projects</li> <li>▪ Number of projects encouraging the development of cross-border business co-operation, networks and clusters</li> <li>▪ Number of implemented joint cooperation projects on development of skills and knowledge</li> <li>▪ Number of SMEs/science/R&amp;D networks established</li> <li>▪ Number of promotional events and trade fairs for local/regional products</li> <li>▪ Number of SMEs involved in/benefit of cross-border projects</li> </ul>
	▪ Result	<ul style="list-style-type: none"> <li>▪ Increase in the number of SMEs located within programming area</li> <li>▪ Increase in number of new jobs creation</li> <li>▪ Increased number of permanent business contacts</li> <li>▪ Increased number of common strategies and plans</li> <li>▪ Increased level of business innovation through transfer of technology via university and R&amp;D institutions to SMEs</li> </ul>
▪ Priority 2		
▪ Measure 2,1,	▪ Indicators	
	▪ Output	<ul style="list-style-type: none"> <li>• Number of joint projects encouraging and improving protection of area's natural</li> </ul>

		<ul style="list-style-type: none"> <li>values;</li> <li>• Number of implemented joint projects developing management systems for environmental protection;</li> <li>• Number of co-operation agreements/networks between operators/agencies in environmental field;</li> <li>• Number of awareness-raising events held;</li> <li>• Number of joint waste management plans created;</li> <li>• Number of feasibility studies prepared for waste water treatment facilities;</li> <li>• Number of projects promoting the use of renewable energy sources;</li> <li>• Number of cross-border emergency teams created;</li> </ul>
	▪ Result	<ul style="list-style-type: none"> <li>• % Reduction in physical and ecological damage arising from emergency incidents</li> <li>• % Decrease in number of cross border pollution episodes</li> <li>• Increased planning and management capacity in relation to emergency situations</li> <li>• % Increase in ecologically sensitive sites protected</li> <li>• Increased public awareness of cross-border environmental issues</li> </ul>
▪ Measure 2.2.	▪ Indicators	
	▪ Output	<ul style="list-style-type: none"> <li>• Number of joint community programmes involving cooperation between civil society, local authorities and social partners;</li> <li>• Number of projects improving access to education;</li> <li>• Number of projects improving access to social and health care services;</li> <li>• Number of awareness-raising events on social exclusion;</li> <li>• Number of cross-border youth and cultural partnerships;</li> <li>• Number of cultural and sport exchange events organised;</li> <li>• Number of projects actively involving women and people from marginalized groups.</li> </ul>
	▪ Result	<ul style="list-style-type: none"> <li>• Improved access to community-based services by vulnerable groups/ local populations;</li> <li>• Decrease in number of ethnic based incidents;</li> </ul>

		<ul style="list-style-type: none"> <li>• Increased public awareness of organizational/institutional structure of neighbouring country;</li> <li>• Improved knowledge of neighbours' culture/history.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Priority 3</li> </ul>		
<ul style="list-style-type: none"> <li>▪ Measure 3.1.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Indicators</li> </ul>	
	<ul style="list-style-type: none"> <li>▪ Output</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of JTS staff recruited;</li> <li>▪ Number of JTS meetings;</li> <li>▪ Number of staffing Operating Structures trained;</li> <li>▪ Number of training events for potential final beneficiaries;</li> <li>▪ Number of project proposals assessed;</li> <li>▪ Number of on-the-spot visits carried out;</li> <li>▪ Number of monitoring reports drafted;</li> <li>▪ Number of relevant studies/survey carried out;</li> <li>▪ Number and quality of IT/office equipment;</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Result</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased capacity of staff in Operating Structures</li> <li>▪ Increased quality of project proposals</li> <li>▪ % of IPA funding absorbed</li> <li>▪ Decreased % of non-eligible costs claimed by final beneficiaries</li> </ul>
<ul style="list-style-type: none"> <li>▪ Measure 3.2.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Indicators</li> </ul>	
	<ul style="list-style-type: none"> <li>▪ Output</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of publicity materials disseminated</li> <li>▪ Number of events organized for the publicity and information of the programme</li> <li>▪ Number of participants at the events organized for the publicity and information of the programme</li> <li>▪ Number of visits to programme website</li> <li>▪ Number of news letters produced</li> <li>▪ Number of evaluations carried out</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Result</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased awareness of the programme amongst the general public</li> <li>▪ Increased awareness of the programme amongst the potential beneficiaries</li> <li>▪ Improved programme implementation</li> </ul>



### 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-Bosnia and Herzegovina 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 III.

The Community contribution has been calculated in relation to the eligible expenditure, which for the cross-border programme Croatia – Bosnia and Herzegovina 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 Regulation (EC) No 718/2007 (IPA Implementing Regulation – OJ L 170 of 29.06. 2007, p. 1) apply.

	IPA CBC Croatia	National Co-financing Croatia	Total Croatia	IPA Co-financing rate Croatia	IPA CBC BiH	National Co-financing BiH	Total BiH	IPA Co-financing BiH	Total IPA	Total
<b>Priority 1</b> Creation of a Joint Economic Space	1,350,000	238,235.28	1,588,235.28	85%	1,350,000	238,235.28	1,588,235.28	85%	2,700,000	3,176,470.56
2007	450,000	79,411.76	529,411.76	85%	450,000	79,411.76	529,411.76	85%	900,000	1,058,823.52
2008	450,000	79,411.76	529,411.76	85%	450,000	79,411.76	529,411.76	85%	900,000	1,058,823.52
2009	450,000	79,411.76	529,411.76	85%	450,000	79,411.76	529,411.76	85%	900,000	1,058,823.52

<b>Priority 2</b> Improved Quality of Life and Social Cohesion	1,350,000	238,235.28	1,588,235.28	85%	1,350,000	238,235.28	1,588,235.28	85%	2,700,000	3,176,470.56
<i>2007</i>	450,000	79,411.76	529,411.76	85%	450,000	79,411.76	529,411.76	85%	900,000	1,058,823.52
<i>2008</i>	450,000	79,411.76	529,411.76	85%	450,000	79,411.76	529,411.76	85%	900,000	1,058,823.52
<i>2009</i>	450,000	79,411.76	529,411.76	85%	450,000	79,411.76	529,411.76	85%	900,000	1,058,823.52
<b>Priority 3</b> Technical assistance	300,000	52,941.18	352,941.18	85%	300,000	52,941.18	352,941.18	85% <sup>8</sup>	600,000	705,882.36
<i>2007</i>	100,000	17,647.06	117,647.06	85%	100,000	17,647.06	117,647.06	85%	200,000	235,294.12
<i>2008</i>	100,000	17,647.06	117,647.06	85%	100,000	17,647.06	117,647.06	85%	200,000	235,294.12
<i>2009</i>	100,000	17,647.06	117,647.06	85%	100,000	17,647.06	117,647.06	85%	200,000	235,294.12
<b>TOTAL</b>	<b>3,000,000</b>	<b>529,411.74</b>	<b>3,529,411.74</b>	<b>85%</b>	<b>3,000,000</b>	<b>529,411.74</b>	<b>3,529,411.74</b>	<b>85%</b>	<b>6,000,000</b>	<b>7,058,823.48</b>

<sup>8</sup> National co-financing on BiH side is not yet officially approved

### 3.8 Eligibility of expenditures

As laid down in Article 89 of IPA Implementing Regulation the following expenditure will 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, notary 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, Bosnia and Herzegovina 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

<b>Croatia</b>	<b>Bosnia and Herzegovina</b>
<ul style="list-style-type: none"> <li>• Ministry of the Sea, Tourism, Transport and Development (MSTTD) - line ministry responsible for the management and implementation of the Component II of IPA</li> <li>• CFCU in the Ministry of Finance - Implementing Agency</li> </ul>	<ul style="list-style-type: none"> <li>• Directorate for European Integration – institution responsible for coordination of Component II of IPA</li> </ul>

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)<sup>9</sup> 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)<sup>10</sup>. 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 Bosnia and Herzegovina**

The IPA Component II Co-ordinator (within the meaning of Art. 32.1 of the IPA Implementing Regulation) is the Assistant Director for Coordination of EU Assistance in the Directorate for European Integration (DEI). DEI is the main coordinative body for all EU integration issues, including coordination of EU assistance programmes (NIPAC) and as there is no line ministry responsible for management and implementation of the Component II of IPA yet, DEI is carrying out this task as well.

#### **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;
- setting up the Joint Technical Secretariat;
- 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;

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<sup>9</sup> In the Government Decision on the Nomination of the Responsible Persons for the Management of IPA(OG no 18/07) referred to as Responsible Person for Management and Implementation of Component II of the IPA Programme.

<sup>10</sup> Government Decision on the Nomination of the Responsible Persons for the Management of IPA(OG no 18/07)

- 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;
- 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 the 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 set up 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 is based in the MSTTD in Zagreb (Croatia) with two antennae on B&H side: Mostar and Banja Luka.

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

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

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

The costs of the Joint Technical Secretariat and its antennae 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 grant contracts directly awarded by the Contracting Authorities (CFCU in Croatia and EC Delegation in Bosnia and Herzegovina) to the respective Operating Structures.

Part of the JTS staff contracted in BiH should be located in the JTS premises in MSTTD in Zagreb and part in the antennae in Mostar and Banja Luka.

All Croatian representatives should be located in the JTS premises in Zagreb.

**Tasks to be performed by the Joint Technical Secretariat:**

The tasks of the JTS and its antennae 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;
- 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 BiH, 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**

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 Croatian/Bosnian 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 submits 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 single 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 (eg. Article 140 on the role of the Commission in the selection of operations)<sup>11</sup>.

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 Bosnia and Herzegovina).

The main steps of the procedure should be as follows:

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<sup>11</sup> 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).

- The JTS receives and registers the applications.
- The JMC designates the joint Steering Committee and 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 Bosnia and Herzegovina 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 projects, 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.
- In BiH 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 BiH) 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 Bosnia and Herzegovina**

- Contracting is the responsibility of the ECD as the Contracting authority for the BiH 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.

#### **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.
  
- 1) 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 organizing 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**

#### *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.

#### *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.

#### **4.5.4 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, 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 Council<sup>12</sup>.

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.

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<sup>12</sup> OJ L 8, 12.1.2001, p. 1

## ANNEXES

### ANNEX 1

#### **Members of the Joint Programming Committee (JPC)**

1. **Davor Čilić**, Deputy State Secretary, Central Office for Development Strategy and Coordination of EU Funds (CODEF), The Republic of Croatia (replacement: Iva Frkić, CODEF)
2. **Franka Vojnović**, Head of Department, Ministry of the Sea, Tourism, Transport and Development (MSTTD), The Republic of Croatia (replacement: Darko Stilinović, MSTTD)
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7. **Nevenka Marinović**, Zadar County, The Republic of Croatia (replacement: Davor Lonić)
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9. **Petar Kulić**, Vukovar-Srijem County, The Republic of Croatia (replacement: Zoran Vidović)
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14. **Zada Muminović**, Head of Department, Ministry of Foreign Trade and Economic Relations, Bosnia and Herzegovina
15. **Azra Alkalaj**, Government of the Federation of Bosnia and Herzegovina
16. **Aida Bogdan**, Government of the Serbian Republic
17. **Jugoslav Jovičić**, Director, ARDA, Banja Luka, Bosnia and Herzegovina
18. **Ivan Jurilj**, Director, REDAH, Mostar, Bosnia and Herzegovina
19. **Enes Drljević**, Director, NERDA, Tuzla, Bosnia and Herzegovina
20. **Milenko Zečević**, Advisor of the Mayor, Brčko District, Bosnia and Herzegovina

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### **JPC Coordinator**

**Ines Franov Beoković**, Ministry of the Sea, Tourism, Transport and Development, The Republic of Croatia

## ANNEX 2

**Table 01: Inter-census change**

County	INTER-CENSUS CHANGE 2001/1991	CENSUS 2001	POP. DENSITY 2001
<a href="#">Vukovarsko-srijemska</a>	90.3	204.768	83.4
<a href="#">Brodsko-posavska</a>	102.6	176.765	87.1
<a href="#">Sisacko-moslavacka</a>	74.8	185.387	41.5
<a href="#">Karlovska</a>	79.1	141.787	39.1
<a href="#">Licko-senjska</a>	65.1	53.677	10.0
<a href="#">Zadarska</a>	76.8	162.045	44.7
<a href="#">Sibensko-kninska</a>	76.8	112.891	37.9
<a href="#">Splitsko-dalmatinska</a>	98.5	463.676	102.1
<a href="#">Dubrovacko-neretvanska</a>	98.6	122.870	68.8
<b>TOTAL ELIGIBLE AREA</b>	87.1	1.623.866	
<b>TOTAL CROATIA</b>	93.9	4.437.460	78.2

Central Bureau of Statistics, Census 1991, 2001.

**Table 02: Age structure**

	age 0-14	age 15-64	age 65 and over	Average age	Aging Index
<a href="#">Vukovarsko-srijemska</a>	39359	134860	29576	37.8	76.5
<a href="#">Brodsko-posavska</a>	34728	114294	26751	37.8	77.5
<a href="#">Sisacko-moslavacka</a>	29948	121393	33585	40.7	109.8
<a href="#">Karlovska</a>	20521	92081	28268	41.9	128.8
<a href="#">Licko-senjska</a>	8200	33035	12176	43	145.7
<a href="#">Zadarska</a>	29496	106144	25430	38.9	86
<a href="#">Sibensko-kninska</a>	18953	71466	21972	41.1	113.1
<a href="#">Splitsko-dalmatinska</a>	85585	309666	66251	38.1	77.8
<a href="#">Dubrovacko-neretvanska</a>	22467	80283	19564	39	86.3
<b>TOTAL ELIGIBLE AREA</b>	289257	1063222	263573	41	86
<b>TOTAL CROATIA</b>	754634	2676275	693540	39.3	90.7

Central Bureau of Statistics, Census 2001.

**Table 03: Number of inhabitants with appropriate education level**

	No school	Primary school	Secondary school	Politechnics	University	MA	PhD
<a href="#">Vukovarsko-srijemska</a>	8782	43516	68380	4506	6242	160	37
<a href="#">Brodsko-posavska</a>	6052	36163	61203	3819	5735	199	53
<a href="#">Sisacko-moslavacka</a>	7759	35875	67550	4699	6821	198	65
<a href="#">Karlovska</a>	4859	24951	53039	4345	5825	216	54

<a href="#">Licko-senjska</a>	2118	9015	18387	1513	1648	40	13
<a href="#">Zadarska</a>	6787	26108	63494	5281	8464	265	111
<a href="#">Sibensko-kninska</a>	7414	16874	44470	3604	5119	113	41
<a href="#">Splitško-dalmatinska</a>	13302	67137	196955	18992	30242	1147	639
<a href="#">Dubrovacko-neretvanska</a>	1996	19081	51337	5813	7812	249	134
<b>TOTAL ELIGIBLE AREA</b>	59069	278720	624815	52572	77908	2587	1147
<b>TOTAL CROATIA</b>	105332	801168	1733198	150167	267885	12539	7443

Central Bureau of Statistics, Census 2001.

### ANNEX 3

#### 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 joint economic space and Priority 2: Improved Quality of Life and Social Cohesion.***

For the budget 2007, the proposal is to launch one single joint call for proposals. All measures under Priority 1 and Priority 2 will be included into the first call, covering both: “big” (value of €50-300,000) and small (value of €20-50,000) grants.

Country	Call for proposal (priority 1)	Launch date	Signature of contracts	End of project impl.	End of project disbursement	Indicative amount IPA	Indicative amount National	Indicative amount TOTAL
Croatia	CfP 1: (all four measures; value of grants €50-300,000 and small grants €20-50,000)	September 2008	May 2009	August 2010	August 2011	900,000	158,823.52	1,058,823.52
Bosnia and Herzegovina						900,000	158,823.52	1,058,823.52
	<b>TOTAL</b>					<b>1,800,000</b>	<b>317,647.04</b>	<b>2,117,647.04</b>

*Tentative Timetable and indicative amount of assistance under Priority 3: Technical Assistance*

It has been envisaged that the Priority 3 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	100,000	17,647.06	117,647.06
Bosnia and Herzegovina	March 2008	April 2008	July 2008	September 2010	100,000	17,647.06	117,647.06
<b>TOTAL</b>					<b>200,000</b>	<b>35,294.12</b>	<b>235,294.12</b>

## ANNEX 4

### Map of eligible and adjacent area in Croatia and Bosnia and Herzegovina

