

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

## **Cross-Border Programme Croatia – Serbia 2007-2013**

**May, 2007**



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## ABBREVIATIONS

|                |  |
|----------------|--|
| <b>CADSES</b>  | Central Adriatic Danube South European Space                                   |
| <b>CARDS</b>   | Community Assistance for Reconstruction, Development and Stabilisation         |
| <b>CBC</b>     | Cross-border cooperation   |
| <b>CFCU</b>    | Central Finance and Contracting Unit   |
| <b>CODEF</b>   | Central Office for Development Strategy and Coordination of EU Funds (Croatia) |
| <b>DTD</b>     | Danube-Tisa-Danube Canal System  |
| <b>EC</b>      | European Commission  |
| <b>ECD</b>     | European Commission Delegation   |
| <b>EPOP</b>    | Environmental Protection Operational Programme (Croatia)                       |
| <b>ERDF</b>    | European Regional Development Fund   |
| <b>EU</b>      | European Union   |
| <b>FLP</b>     | Functional Lead Partner  |
| <b>GDP</b>     | Gross Domestic Product   |
| <b>GNI</b>     | Gross National Income  |
| <b>GVA</b>     | Gross Value Added  |
| <b>HROP</b>    | Human Resources Operational Programme (Croatia)                                |
| <b>Ha</b>      | Hectares   |
| <b>ICT</b>     | Information, Communications Technology   |
| <b>IMWG</b>    | Inter-ministerial working group (in Croatia)                                   |
| <b>IPA</b>     | Instrument for Pre-accession Assistance  |
| <b>IRDP</b>    | Integrated Regional Development Plan of Vojvodina                              |
| <b>JDT</b>     | Joint Drafting Team  |
| <b>JMC</b>     | Joint Monitoring Committee   |
| <b>JPC</b>     | Joint Programming Committee  |
| <b>JSC</b>     | Joint Steering Committee   |
| <b>JTS</b>     | Joint Technical Secretariat  |
| <b>MIER</b>    | Ministry of International Economic Relations (Serbia)                          |
| <b>MF</b>      | Ministry of Finance  |
| <b>MSTTD</b>   | Ministry of Sea, Tourism, Transport and Development (Croatia)                  |
| <b>NAO</b>     | National Authorising Officer   |
| <b>NEAP</b>    | National Employment Action Plan (Serbia)                                       |
| <b>NES</b>     | National Environmental Strategy (Serbia)                                       |
| <b>NGOs</b>    | Non Government Organisations   |
| <b>NIPAC</b>   | National IPA Coordinator   |
| <b>NLB</b>     | National Lead Beneficiary  |
| <b>NUTS</b>    | Nomenclature of Territorial Units for Statistics                               |
| <b>OS</b>      | Operating Structure  |
| <b>Phare</b>   | Poland and Hungary Assistance for the Reconstruction of the Economy            |
| <b>Q&amp;A</b> | Questions and Answers  |
| <b>R&amp;D</b> | Research and Development   |
| <b>RCOP</b>    | Regional Competitiveness Operational Programme (Croatia)                       |
| <b>ROP</b>     | Regional Operational Programme   |
| <b>SMEs</b>    | Small and Medium Sized Enterprises   |
| <b>SWOT</b>    | Strengths, Weaknesses, Opportunities and Threats                               |
| <b>TA</b>      | Technical Assistance   |
| <b>UNEP</b>    | United Nations Environment Programme   |
| <b>UNOPS</b>   | United Nations Office for Project Services                                     |

## SECTION I INTRODUCTION AND SUMMARY

### 1.1 Introduction to the Cross-border Programme

This document describes the cross-border programme between Croatia and Serbia, which will be implemented over the period 2007-13. This strategic document is based on a joint planning effort by the Croatian and Serbian parties. The programme is supported by component II (cross-border cooperation) of the EU '*Instrument for Pre-Accession Assistance*' (IPA), under which over 5 M€ have been allocated for its first 3 years. An additional 1.015 M€ will be provided by the partner countries, mostly from the programme's beneficiaries in the border region.

The programming area lies on either side of the river Danube, in the north-east of Croatia (eastern Slavonia) and the north-west of Serbia (western Vojvodina). For historical reasons the border areas contain one of the most ethnically diverse populations in Europe. Both sides of the border having been, at some time in the past, part of both Ottoman and Habsburg empires and subject to large scale migrations from surrounding central and east European countries. The war in the 1990s severed the numerous cultural, social and commercial links across the border. Since that time these links have been slowly recovering but have yet to return to their former levels. This programme addresses the need to re-establish and strengthen cross-border connections with the aim of promoting good neighbourly relations and the sustainable economic and social development of the border areas. This is in line with the objectives of the cross-border cooperation component of IPA (Article 86, IPA Implementing Regulation).

### 1.2 The Programming Area

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

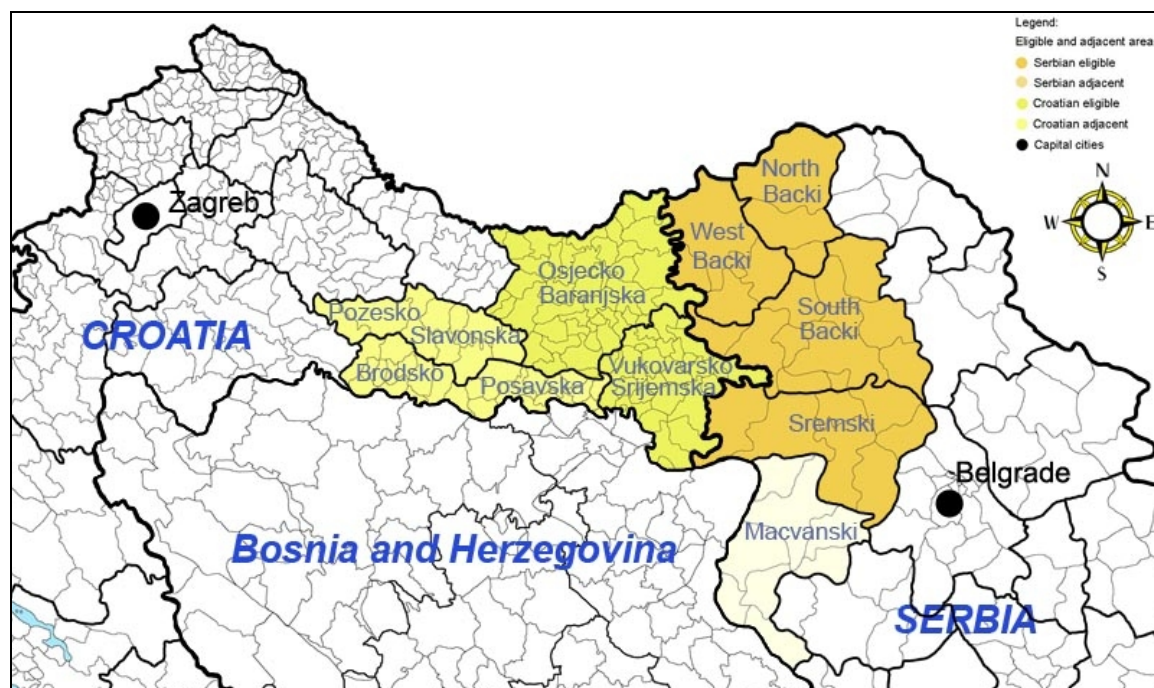
| Regions                 | Article 88                      | Article 97                      |
|-------------------------|---------------------------------|---------------------------------|
|                         | Eligible Region                 | Adjacent Region                 |
| <b>Croatia</b>          |                                 |                                 |
| Osijek-Baranja county   | Equivalent to the NUTS 3 region |                                 |
| Vukovar- Srijem county  | Equivalent to the NUTS 3 region |                                 |
| Požega-Slavonija county |                                 | Equivalent to the NUTS 3 region |
| Brod-Posavina county    |                                 | Equivalent to the NUTS 3 region |
| <b>Serbia</b>           |                                 |                                 |
| Srem district           | Equivalent to the NUTS 3 region |                                 |
| South Bačka district    | Equivalent to the NUTS 3 region |                                 |
| West Bačka district     | Equivalent to the NUTS 3 region |                                 |
| North Bačka district    | Equivalent to the NUTS 3 region |                                 |
| Mačvanska district      |                                 | Equivalent to NUTS 3 region     |

The Croatian eligible regions are the directly bordering counties: Osijek-Baranja and Vukovar-Srijem. The Serbian eligible regions are 3 bordering districts: Sremska, South Bačka and

West Bačka plus the North Bačka district. North Bačka does not have a physical border with Croatia but is included as an eligible region because of its large ethnic Croatian minority.

In addition, the programming area extends to 2 Croatian counties and 1 Serbian adjacent district (see Table above). The reason for extending the programme to these regions is that they have high similarity to the eligible regions in terms of demographic, economic and geographic characteristics. The links between eligible and adjacent regions are specifically emphasized in terms of tradition and culture, resulting from the large migrations in the mid-1990s following the war.

**Figure 1 The Programming Area**



### 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>1</sup>)
- **CARDS 2004 'Border Region Co-operation'** (Grant scheme with Bosnia & Herzegovina, Serbia and Montenegro)
- **Neighbourhood Programme between Croatia, Slovenia and Hungary 2004-06**

<sup>1</sup> MSTTD: Ministry of Sea, Tourism, Transport and Development

- **Phare CBC / INTERREG III A - Adriatic New Neighbourhood Programme 2004-06**
- **Transnational Programme CADSES 2004-06**

**Previous experience of Serbia with cross-border and transnational projects and programmes:**

*Projects currently under implementation:*

- **CARDS 2004 'Strengthening MIER Capacities for Implementation of EU Neighbourhood Programs'** (Capacity building for MIER<sup>1</sup>)
- **CARDS 2004 'Support to Inter-Regional Cooperation'** (Grant scheme)
- **Neighbourhood Programme (CARDS-INTERREG) Serbia-Hungary 2004-06**
- **Neighbourhood Programme (CARDS-Phare CBC) Serbia-Romania 2004-06**
- **Neighbourhood Programme (CARDS-Phare CBC) Serbia-Bulgaria 2004-06**
- **CARDS / INTERREG III A - Adriatic New Neighbourhood Programme 2004-06**
- **Transnational Programme CADSES 2004-06**

Whilst both countries have experience of EU funded cross-border cooperation (CBC) programmes with other countries, they have limited experience of such cooperation with each other. Over the period 2004-6 only the grant scheme '*Cross-Border Regions Co-operation with Serbia, Montenegro, Bosnia & Herzegovina*' (funded from the Croatian CARDS 2004 allocation) has Croatian and Serbian 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 3 projects (out of 36 with Croatian beneficiaries) involving Croatian-Serbian partnerships, however only one of these has partners inside the programming area. An additional 23 projects with Croatian and Serbian partners are in the process of being contracted; of these one has partners within the programming area.

#### **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

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<sup>1</sup> MIER: Ministry of International Economic Relations. This ministry ceased to exist on 16/5/07 and the CBC unit was transferred to the Ministry of Finance

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.

As for Serbian stakeholders, with the introduction of the New Neighbourhood Partnerships 2004-2006, funding for Serbian partners to get involved in projects was enabled. Thanks to this initiative and the first programme with Hungary, Serbian partners gained knowledge and skills from their cross-border partners, and built capacities to independently prepare and implement CBC projects in the future.

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

The small calls for proposals for cross-border actions launched in previous cross-border programmes showed a low capacity in project preparation of most of the final beneficiaries. This could impede the implementation of the programme. Specific training of potential applicants will be essential throughout the programme.

A few municipalities have had a leading role in the past and current cross-border initiatives. These municipalities should have a key role when implementing the programme (transfer of know-how, etc.).

The thematic Evaluation of CBC programmes under the PHARE programme concluded that most projects had a clear impact in one part of the border region, but that joint projects were the exception rather than the norm. Hence the importance to ensure that project is a result of joint local or regional initiatives. Another conclusion of the above evaluation is that synchronisation in joint projects is crucial in terms of results, impact and sustainability. Therefore it is important that the partners have established agreed co-ordination plans and mechanisms before the Financing Agreements are signed.

In addition, Experience has shown that the preconditions for effective implementation include, besides close co-ordination between participating countries at political and operational levels:

- cross-border cooperation between line ministries and effective working relationships between related organisations;
- functioning regional development authorities and local authorities, with appropriate staff in a stable environment;
- close working relationships between regional institutions and the respective Commission Delegations;
- functioning cross-border cooperation between respective organisations of the private sector, such as chambers of commerce, company associations and NGOs.

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

The process of elaborating the IPA Cross-border Programme between Croatia and Serbia started on 16/1/07 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 14/2/07. 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 Serbian 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.

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 consultation process was carried out in 2 ways: **written procedure** (comments sent to JDT); (ii) **meetings/workshops** (comments made directly to JDT) implemented both at national levels (national consultation processes) and cross-border level.

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

|    | Meeting  | Date and place                                      | Outcome  |
|----|--|---|--|
| 1. | Meeting between CODEF <sup>3</sup> and MSTTD <sup>4</sup> and MIER <sup>5</sup>                        | 16 <sup>th</sup> January 2007<br>Zagreb, Croatia    | <ul style="list-style-type: none"> <li>• Jointly agreed timeframe for programme elaboration.</li> <li>• Defined roles of institution and joint structures</li> </ul>             |
| 2  | 1 <sup>st</sup> JPC meeting  | 14 <sup>th</sup> February 2007<br>Belgrade, Serbia  | <ul style="list-style-type: none"> <li>• Rules of working procedures agreed</li> <li>• Members of JDT and JPC confirmed</li> <li>• Programming area discussed/ agreed</li> </ul> |
| 3  | 1 <sup>st</sup> JDT meeting  | 14 <sup>th</sup> February 2007.<br>Belgrade, Serbia | <ul style="list-style-type: none"> <li>• Plan for compilation and processing of data for the Situation Analysis agreed</li> </ul>  |
| 4  | Consultation with IMWG <sup>6</sup> , counties, public, private and social sector- Republic of Croatia | 16 <sup>th</sup> March 2007<br>Zagreb, Croatia      | <ul style="list-style-type: none"> <li>• Comments on Situation Analysis and on SWOT provided by the partners (local, regional and national level) from Croatian side</li> </ul>  |
| 5  | Consultations in Council of Vojvodina with Serbian stakeholders  | 19 <sup>th</sup> March 2007<br>Novi Sad, Serbia     | <ul style="list-style-type: none"> <li>• Presentation of the Serbian SWOT analysis to the Serbian partners</li> </ul>  |
| 6  | 2 <sup>nd</sup> JDT meeting  | 26 <sup>th</sup> March 2007<br>Vukovar, Croatia     | <ul style="list-style-type: none"> <li>• Joint SWOT elaborated</li> </ul>  |
| 7  | 2 <sup>nd</sup> JPC meeting  | 2 <sup>nd</sup> April 2007<br>Zagreb, Croatia       | <ul style="list-style-type: none"> <li>• Joint SWOT approved</li> <li>• Guidelines for elaboration of Strategy part given</li> </ul>   |
| 8  | 3 <sup>rd</sup> JDT meeting  | 23 <sup>rd</sup> April 2007<br>Bač, Serbia          | <ul style="list-style-type: none"> <li>• Priorities, measures and activities discussed and agreed</li> </ul>   |
| 9  | Joint partnership meeting<br>Consultation with Croatian and Serbian partners                           | 4 <sup>th</sup> May 2007<br>Novi Sad, Serbia        | <ul style="list-style-type: none"> <li>• Discussion on Strategy and comments on Strategy received and incorporated</li> </ul>  |
| 10 | 3 <sup>rd</sup> JPC meeting  | 15 <sup>th</sup> May 2007<br>Belgrade, Serbia       | <ul style="list-style-type: none"> <li>• Adoption of Strategic part of programme</li> <li>• Guidelines for elaboration implementation strategy</li> </ul>                        |
| 11 | JDT consultation<br>Written procedure  | 21 <sup>st</sup> May 2007                           | <ul style="list-style-type: none"> <li>• Finalisation of implementing provisions</li> </ul>  |
| 12 | 4 <sup>th</sup> JPC meeting  | 25 <sup>th</sup> May 2007<br>Zagreb, Croatia        | <ul style="list-style-type: none"> <li>• Adoption of the Programme document final draft</li> </ul>   |

#### ▪ 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 Serbia 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 stimulate cross-border cooperation in order to diversify and improve the regional economy in a socially and environmentally sustainable way, whilst at the same time, improving good neighbourly relations across the border.

<sup>3</sup> CODEF: Central Office for Development Strategy and Coordination of EU Funds, Zagreb

<sup>4</sup> MSTTD: Ministry of Sea, Tourism, Transport and Development, Zagreb

<sup>5</sup> MIER: Ministry of International Economic Relations, Belgrade. This ministry ceased to exist on 16/5/07 and the CBC unit was transferred to the Ministry of Finance

<sup>6</sup> IMWG: Inter-Ministerial Working Group, Zagreb

- ☛ 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 the territorial cooperation objective of the EU Structural Funds.

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

| Priority 1<br>Sustainable Socio-Economic Development | Priority 2<br>Technical Assistance   |
|--|--|
| Measure 1.1: Economic Development                    | Measure 2.1: Programme Administration and Implementation<br><br>Measure 2.2: Programme Information, Publicity and Evaluation |
| Measure 1.2: Environmental Protection                |  |
| Measure 1.3: People-to-People                        |  |
| Horizontal Theme: Cross-Border Capacity Building     |  |

## SECTION II

## ANALYSIS

### 2. DESCRIPTION OF THE PROGRAMMING AREA

#### 2.1 Eligible and Adjacent Areas

The programming area covers the joint Croatian-Serbian border. The eligible regions are territorial units equivalent to NUTS III level on the Croatian side (Counties) and regions equivalent to NUTS III level on the Serbian side (Districts). On the Croatian side of the border 2 counties fall within the eligible area, these are Vukovar-Srijem and Osijek-Baranja. Two further counties are considered as adjacent regions: Brod-Posavina, and Požega-Slavonija. On the Serbian side the eligible area covers 4 districts - North Bačka, West-Bačka, South-Bačka, Srem, and Macvanski district is considered to be adjacent region. The length of the common border is 317.6 km of which 259.3 km is formed by the River Danube (see Table 1 and Figure 1, below).

**Table 1: Eligible and Adjacent areas for Croatia and Serbia**

| <b>Croatia (Equivalent to NUTS III regions )</b>   | <b>Serbia (Equivalent to the NUTS 3 regions)</b>   |
|--|--|
| <i>Eligible Area</i> <ul style="list-style-type: none"><li>▪ Osijek-Baranja County</li><li>▪ Vukovar-Srijem County</li></ul>     | <i>Eligible Area</i> <ul style="list-style-type: none"><li>▪ North Bačka district</li><li>▪ West Bačka district</li><li>▪ South Bačka district</li><li>▪ Srem district</li></ul> |
| <i>Adjacent Regions</i> <ul style="list-style-type: none"><li>▪ Brod-Posavina County</li><li>▪ Požega-Slavonija County</li></ul> | <i>Adjacent Regions</i> <ul style="list-style-type: none"><li>▪ Macvanski district</li></ul>   |

## 2.2 Description and Analysis of the Border Region

### 2.2.1 Geographical Description

The programming area is geographically located on the Pannonian Plain in the north-east of Croatia (eastern Slavonia) and the north-west of Serbia (western Vojvodina), it extends over an area of 18,312 km<sup>2</sup> (Table 2, below), representing 11.7% and 13.2% of the total surface areas of Croatia and Serbia respectively. The Croatian part of the programming area encompasses 11 towns, 61 municipalities and 348 settlements. The main urban settlements being: Osijek, Vukovar, Đakovo, and Vinkovci. The eligible territory on the Serbian side encompasses 1 town, 26 municipalities and 268 settlements. The main urban settlements are: Novi Sad (the capital of Vojvodina); Subotica, Sombor and Sremska Mitrovica.

**Table 2: Programming Area**

| CROATIA        |                         | SERBIA       |                         |
|----------------|-------------------------|--------------|-------------------------|
| County         | Area (km <sup>2</sup> ) | District     | Area (km <sup>2</sup> ) |
| Osijek-Baranja | 4,155                   | North Bačka  | 1,784                   |
| Vukovar-Srijem | 2,454                   | West Bačka   | 2,419                   |
|                |                         | South Bačka  | 4,015                   |
|                |                         | Srem         | 3,485                   |
| <b>Total</b>   | <b>6,609</b>            | <b>Total</b> | <b>11,703</b>           |

The overall population density in the programming area is 103 inhabitants per km<sup>2</sup> and is highest on the Serbian side of the border (115 /km<sup>2</sup> Serbian side, 81/ km<sup>2</sup> Croatian side), both figures are higher than the respective national averages of 85/ km<sup>2</sup> Serbia and 78 km<sup>2</sup> Croatia (Table 2 and Annex 2).

A large part of the eligible regions lies within the flood plain of the river Danube which runs along most (82%) of the border between the 2 countries. Rivers, waterways and wetlands are a predominant feature of the programming area which includes the lower catchments of the rivers Drava and Tisa and is crossed by the river Sava which runs across the southern part of the border. The Serbian side of the border area is also densely covered with a network of channels as a part of large Danube-Tisa-Danube (DTD) irrigation system, the majority of these waters are navigable.

The programming area is a predominately lowland area characterised by a geomorphology which includes alluvial, river and loess terraces with fluvial-wetland plains. In general the area is highly suitable for the development of agriculture which is the predominant land use, with agricultural land extending over 1,285,815 ha (70%) of the region. The region is also forest rich and contains 219,030 ha of afforested land (28% and 3% of the Croatian and Serbian areas respectively). The southern part of the programming area contains one of the few mountains in the whole Panonian plain– Fruška Gora which is a Serbian national park.

In addition to rich agricultural land and extensive woodlands the natural resources of the programming area include:

- oil and gas fields,
- clay, gravel and sand pits
- water resources (river, spring/thermal),
- areas of high biodiversity

As a result of the war in the early nineties, the Croatian side of the bordering area has still large land strips contaminated with mines or under the suspicion of being contaminated with mines. The demining process is on going and is a Croatian national government priority. In Serbia, UNEP/UNOPS has identified four national environmental hot-spots resulting from the war, one of these is located in the eligible area in Novi Sad. There are several ongoing national and international projects aimed at the clean-up of this environmental hot-spot in Novi Sad. The river Danube was also contaminated with mines and debris from demolished bridges which jeopardises normal navigation. Substantial efforts has been made to clean this important international transportation axes with financial support from EU.

## **2.2.2 Demography**

As is the case for other peripheral regions in Croatia the population on the Croatian side of the border is declining. This decrease has been a constant feature since the 1990s. According to the 2001 census data, the number of inhabitants in the 2 Croatian border counties is almost 9% lower than it was in 1991 (see Annex 2). The pattern of population change has not been consistent across the area since some towns and municipalities have recorded increases, for example the population of Županja (Vukovar-Srijem county) increased by 13.5% over the 1991-2001 period. However, such increases were few, highly localised and resulted largely from refugee returns. The overall trend across the region is one of population decline. The 2 bordering counties were among the most severely war-affected areas in Croatia (it is estimated that 7-8% of the population still lives abroad) and this is one of the factors contributing to the fact that the rate of population decline in the Croatian programming area is much higher than the national average of 6% (see Annex 3).

The Serbian part of the programming area is characterized by having the lowest birth rate in Serbia with a natural rate of increase per 100 inhabitants of -4.9 (as compared to the national level of -3.5). Despite this, the population grew on average by 1% between 1991 and 2001 (Annex 2). However, this growth was due to the inflow of refugees and internally displaced persons to the eligible territory which received the largest number of refugees in Serbia during the period of the war in the 1990s. The striking fact on the Serbian side is that in the majority of districts in the programming area, the aging index is increasing.

In the Croatian programming area, the 2001 census data indicate that the population age structure is younger than the national average (see Annex 3). The much lower ageing index in the border region (0.79 as compared to the national index of 0.91) reflects the higher proportion of the youngest age group (0-14 years) in relation to the oldest (65 years and older). This is particularly so in Vukovar-Srijem county where the low index of 0.74 reflects the high contribution made by the 0-14 cohort (19.3% as compared to the national figure of 17.1%). However, more recent data show that there are rapid demographic changes taking place in the Croatian programming area and that over the period 2001-5 the population on the Croatian side, like that on the Serbian side, has become steadily older with a marked increase in the economically inactive 65+ group.

One reason for these demographic changes is the imbalance between births and deaths with populations in all parts of the programming area showing negative rates of natural growth (Annex 4). These problems are compounded by extensive emigration of the working aged population out of the programming area, this is particularly so on the Croatian side of the border.

The 'push and pull' factors that are causing population changes in the programming area include the following:

- Long term impact of the war
- Fall in the birth rate
- Lack of employment opportunities in the programming area

- Young persons leaving to go to university in Zagreb and Belgrade and not returning
- De-ruralisation

The economic consequences of the observed demographic changes are in the context of increased social costs (for an ageing population) and decreased labour supply, especially in the field of new technologies and modern organisational challenges (since the majority of the existing unemployed population cannot respond to these challenges).

### **2.2.3 Ethnic Minorities**

According to census data (2001) the two bordering Croatian counties host 25,83% of members of ethnic minorities in Croatia, i.e. 85.581 persons. The largest ethnic group are Serbs with 60.510 persons living in this area, i.e. 30,01% of all Serbs living in Croatia or 18,26% of members of all minorities in the Republic of Croatia. The second largest minority group are the Hungarians with 11.831 members, i.e. 71,29% of all Hungarians living in Croatia or 3,57% of all minorities in the Republic of Croatia. The Serbian part of the eligible territory is also characterized by a high diversity of ethnic groups there being 26 ethnic groups in the region. The Serbian eligible territory hosts 34.6% of minorities and non-declared people out of which the largest ethnic groups are Hungarians (12.5%), Croats (3.9%) and Slovaks (2.9%) according to 2002 census (see Annex 4).

### **2.2.4 Transport Infrastructure**

A modern transport network is one of the most important factors enabling connections at the local, regional and international levels and is an essential for developing both regional economies and effective cross border cooperation. The network of state, county and local roads is relatively well developed in the border regions of Croatia and Serbia (see Annex 5). In terms of cross border cooperation the most important roads in the programming area are:

- Highway E70 Zagreb-Belgrade – transnational corridor X – branch A
- Highway E-75 Budapest-Belgrade - transnational corridor X – branch B
- National road N2 Osijek-Novı Sad

The bordering region has a dense railway network. However much of the railway infrastructure particularly at local level needs substantial modernisation and upgrading. In terms of the Croatian-Serbian border the most important railroads are:

- Strizivojna-Tovarnik
- Vinkovci-Drenovici
- Vinkovci-Erdut

The Croatian side of the programme region contains 365 km of waterways which constitutes 45.4% of Croatia's total waterways. The most important port in the region is the port of Vukovar which links the region to the Rheine-Mein-Danube waterway system and is used to tranship commercial bulk goods (agricultural products, iron ore, chemicals etc). Currently much of the port's capacity is underused. In addition the Croatian side of the border encompasses 104 km of the Drava River waterway, which for an 86 km length, is contiguous with the Danube.

The main waterways on the Serbian part of the programming area are on the major rivers – Danube, Sava and Tisa. All 3 rivers are navigable over the whole length of their flow through Serbia. A large part of DTD channel network runs through the territory (420.8km out of the whole system of 929km) The length of the navigable part of the system in the eligible area being 355.4km This network of channels is used for irrigation, navigation, flood prevention tourism, fishing and hunting, and consists of 21 gates, 16 locks, 5 safety gates, 6 pumps and 180 bridges. Major river ports in the Serbian eligible area are Apatin, Bogojovo, Backa

Palanka, Novi Sad (international ports) and Kovin (national port) on the river Danube; national port in Sremska Mitrovica on the river Sava and international port in Senta on the river Tisa.

The programming region has 8 border crossings which cover crossings by international road, rail and waterway traffic. By far the most used, with over 5 million crossings per year is that between Bajakovo-Batrovci (see Annex 6).

### **2.2.5 Economic Description**

It is difficult to make direct comparisons between the Croatian and Serbian parts of the programming area because there is neither Gross Domestic Product (GDP) nor Gross Value Added (GVA) data for the Serbian eligible regions. The analysis below is therefore based on Croatian GDP and GVA data and the available Serbian economic development indicators, namely Gross National Income (GNI) and its distribution per sectors. It is clear that this aspect should be improved during the programme period to enable more informed judgments about policy developments and about the specific interventions to be made via the programme.

The programming area comprises counties, districts and municipalities with very diverse economic characteristics. On the one hand there are relatively developed urban areas such as Osijek and Novi Sad and on the other hand relatively undeveloped rural areas.

In economic terms the Croatian programming area is below the national average whereas the Serbian is above the national average with the exception of District Srem. However the whole programming area is far below the current EU 27 average GDP per capita of 21,503 EUR. The least developed district in Serbian programming area is almost 20 times lower than the EU average while Vukovarsko-srijemska county which is at the same time the poorest region in Croatia is around 4 times less developed than the EU 27 (Annex 7).



### 2.2.5.1 Industry

The sectoral distribution of Gross Value Added (GVA) shows that, on the Croatian side of the border, agriculture and food processing industries are very important economic sectors (Osijek-baranja county with 13,2% GVA and Vukovar with 8.9% GVA of the Republic of Croatia in agriculture and Osijek-baranja county with 4,5% GVA in manufacturing) (Annex 8). For the Serbian side of the border the main economic sector, using Gross National Income (GNI) per sector, is related to industry with 30% and agriculture and fishing with 23%.of Serbian GNI .

The Croatian programming area with its rich natural potentials, has traditionally been the source of raw materials for the food processing industries. Osijek-baranja county has a strong sugar industry, strong potentials in the odder industry (9 factories in the region) and of exceptional importance is Čepin edible oil factory which has the greatest share in production of this commodity in the Republic of Croatia.

The following industries are also important in Osijek-Baranja county:

- The textile industry which has a long tradition,
- Wood and wood processing
- The paper industry which has significant capacities,
- The metal processing and engineering industry
- The chemical industry
- The construction industry.

In Vukovar - Srijem county due to the natural resources of clay deposits, construction products are an important component of the industrial processing sector. In particular brick making is well developed (one large company in Vinkovci and a number of smaller brick and concrete product companies form this sector). Metal-processing industry in Županja is specialised in producing agricultural machinery and appliances.

In the Serbian part of the territory, food processing industry is most developed but the 'economic engine' of the region is actually electromechanical and chemical industry. Very important, especially in South Backa district, is cement industry and brick production.

The importance of the above mentioned sectors in the programming area is reflected also in the percentage of total number of the persons employed per sector : 34.55% (Serbia) and 20.14 % (Croatia) are employed in processing industry, 23.34% (Serbia) and 16% (Croatia) in the sector of wholesale, retail trade and repairs, 6.41% (Serbia) and 9,8% (Croatia) in education, 5.77% (Serbia) and 7.8% (Croatia) in agriculture, forestry and water management and 5.43% (Serbia), 7.5% Croatia in construction (Annex 9).

Each type of industry in the programming area has specific problems that can generally be summarized as: low technological level and obsolete technologies, non-existence of new recognizable products (metal industry), high competition from Eastern Europe countries, very low added value production from raw material /manufacturing production phase (wood industry), lack of educated personnel, engineers and highly-skilled workers, low level of technical and technological equipment and knowledge (construction industry), high labour costs, lack of professional management staff.

### **2.2.5.2 Small and Medium-Sized Enterprises (SMEs)**

The SME sector is relatively well represented and is a potential source of strength. There are 19.268 registered SMEs in Programming area (4.287 on the Croatian side and 14.981 on the Serbian side).

SMEs provide a significant source of employment (Annex 10) and there are clear opportunities to decrease unemployment in the programming area through the expansion of this sector.

The majority of these SMEs are however very small facing the following problems:

- Insufficient entrepreneurial skills and activity (especially in those sectors with considerable growth potential such as technologically based and academic entrepreneurship)
- Low profitability of the SME sector (low productivity, low quality of products, limited innovation capacity and lack of export orientation)
- Regional and local disparities in entrepreneurial activity (concentration in the bigger regional centres such as Osijek and Novi Sad)
- Insufficient support (services, tax incentives, guarantee schemes) and administrative barriers
- Lack of business education and training

### **2.2.5.3 Tourism**

Neglecting the development of continental for the benefit of coastal tourism which has been an ongoing trend in Croatia for some 30 years is the main reason for the slow development of tourism in the Croatian programming area. However, tourism today develops new destinations which particularly rely on natural resources, favourable climate and ecological conditions, historical diversity and reach cultural heritage. All these advantages open the possibility for the area to develop various types of tourism: ecological and cultural tourism, rural tourism, health and recreational tourism, gastronomic, excursions, hunting and fishing and recently also transit and business tourism.

By far the biggest nature resource and also tourist attraction is Nature Park Kopački rit as the best preserved natural catchment basin of the river Danube in the whole of Central Europe. Exquisite biological habitats and landscape variety and constant changes under influence of flooded waters are the basic tourist attraction of this area. In addition to this there is rich cultural and gastronomic offer (Đakovo, Valpovo, Donji Miholjac, Našice).

The Castle Tikveš located within the Nature park Kopački rit has been foreseen as the central place where all types of eco-tourism, such as protection, research, monitoring of the nature and environment and education could be developed, along with various cultural-artistic contents. Another important content in area is Bizovac, i.e. Bizovačke thermal waters, oriented toward the development of recreational and health tourism.

The programming area has also very rich archaeological pre-historical sites and cultural heritage (Vinkovci, Vučedol, Ilok).

The main tourism features of the Serbian programming area are relatively similar. Cultural and religious tourism is developed in Srem (16 monasteries of mountain of Fruška Gora) and on several locations in Backa (castle Dundjerski, Novi Sad fortress etc.).

An important part of the tourist offer of Serbian eligible territory is sports – especially horse back riding, bicycle, sailing, rowing and golf. Two lakes – Palicko and Ludosko, in the north part of the eligible territory are valuable tourism resources – for sports (sailing regattas), health (lake mud is being used for therapeutical purposes), hunting and fishing. As for hunting the eligible territory has 8 hunting areas (Plavna, Koviljski rit, Apatinski rit, Kamariste,

Subotičke šume, Karadjordjevo and Morović). Regarding spa tourism which has a long tradition there are four spa's in the Serbian part of the programming area (Kanjiza, Vrdnicka, Junaković and Stari Slankamen). All of them are rich in therapeutic waters but still not exploited enough due to the deteriorated infrastructure. On the very south of the territory is Obedska bara – nature protected area.

Starting from 2001, when it was established, musical festival Exit is being large tourist attraction. It is being held in Petrovaradin fortress in Novi Sad.

The main problems of tourist sector in both sides of the border are: poor tourism infrastructure, lack of high-standard accommodation facilities, low level of marketing of cultural heritage, lack of information exchange within the tourism industry and co-operative marketing, undiversified tourist offer.

In 2005, there were 93.965 visitors and 199.310 overnights on the Croatian side of the border. On the Serbian side of the border, there were 166.719 visitors and 404.561 overnights

The indicator tourist nights per inhabitant shows the intensity of tourism in the regions/counties. Due to the above mentioned problems of tourist sector in programming area the tourist intensity is very low. (Annex 11)

#### **2.2.5.4 Agriculture**

In 2001 the agricultural population of the target area within the Republic of Croatia amounts to 40.314 inhabitants out of 535.274, i.e. 7,5% of the total population of the two bordering counties. This represents 16,38% of the agricultural population of the Republic of Croatia. 58,16% of the agricultural population of the target area is active. In the Serbian part of the programming area, 123,544 inhabitants out of 1,343,718 are agricultural which represents 9.2% the total population of the two bordering districts. This represents 15,1% of the agricultural population of the Republic of Serbia. They are either self-employed on own farm with workers, self-employed on own farm without workers or unpaid family workers.

According to Agricultural census figures for 2003, 67.419 agricultural households or 15,03% of all agricultural households in the Republic of Croatia are located in the target area. Cultivated land extends over a surface area of 305.171,37 ha. The bordering area has 28,32% of cultivated land in the Republic of Croatia. However these figures could be larger if the demining process would advance. A large part of agricultural land area is contaminated with mines as a result of the recent war.

Agriculture is also the main land use on the Serbian part of the programming area with 875.815ha surface of agricultural land which represents 26.2% of cultivated land on national level.

These indicators show the importance of the agricultural sector in the programming area.

The process of regulation of agricultural land in the programming area is very difficult due to the fact that land is not measured and records in cadastral and land registers are not adjusted. A further problem is the small size of parcels of land which is cultivated by households. Most of them fall within the category 0,11-0,50 ha.

### **2.2.6 Human Resources**

#### **2.2.6.1 Education**

The educational system in the programming area is well developed. It consists of 594 elementary schools, 159 secondary schools and 51 institutions of higher education in the school year 2005/06. The area has two major universities, one being in Osijek, the other in

Novi Sad. Both of them are the main centres for activities in the field of research and technology development within the wider area.

Given the growing importance of technology and knowledge –based economies the levels of educational attainment are clearly significant in developing national and regional economies. There is much evidence showing the linkage between education level (particularly at tertiary level) of the labour market and economic growth. Annex 12 shows that the level of educational achievement in the programming area is lagging behind both national levels whereby the situation on the Croatian part is more accentuated. This is particularly marked at the tertiary level (university or equivalent) with only 6.6% of the population on the Croatian side and 8.5% on the Serbian side being educated to degree level or above, as compared to the respective national averages of 9.8% and 9.3%. There is clearly a need to address this problem with regard to the future development of the border region economy particularly through the development of high technology and information based businesses.

#### **2.2.6.2 Employment and Unemployment**

Employment and unemployment rates for the programming area are given in Annex 13, below. It is clear from this table that unemployment rates on both sides of the border are higher than their respective national averages i.e. 25.6% and 21.9% as compared with the national rates of 17.9% (Croatia) and 19.4% (Serbia). The highest unemployment rates in programming area are on the Croatian side of the border. The rate for Vukovar-Srijem county is significantly high at 27.6% and is the highest in the whole of Croatia. Conversely employment rates in a large part of the programming area are low by national standards with the lowest rates being on the Serbian side of the border in Srem and West Backa . Clearly high rates of unemployment and low levels of employment are an issue which should be urgently tackled in the programming area.

One important reason for high unemployment is the reliance on agriculture, agricultural processing and traditional manufacturing industries. There is also a heavy dependence on manufacturing and processing industries, particularly in the Serbian area, which together with the crafts sector (in Croatia) are the major employers in the programming area. Agriculture and manufacturing are both in the process of economic restructuring which usually leads to job losses and as has already been noted there are relatively few job opportunities in the SME sector to fill the employment gap. It is notable that employment rates in the service sectors related to tourism on the Croatian side are very low by national standards (1.5% in the Croatian programming area as compared to the national average of 3.2%) and this is both an opportunity to develop future employment possibilities and a threat to the future development of regional tourism.

Other factors in the high unemployment rates are an ageing work force and poor educational qualifications of many workers. Also it can be noted that high unemployment is, to a certain extent, a result of the decreased production in the 1990's, as well as restructuring and privatization of formerly state-owned companies. At the same time, there is a need to improve economic efficiency and transform the region's economy into a competitive, market-oriented and knowledge based economy which results in high unemployment and low employment rates.

#### **2.2.7 Environment and Nature**

With the exception of certain areas in the Republic of Serbia the programming area shows no serious environmental problems. This is largely due to the absence of heavy industry within the Croatian part, whereas on the Serbian side certain industries (chemical, petrochemical, machinery manufacture, metallurgical, food and oil industries) cause increased pollution levels in certain parts.

An immediate environmental challenge facing the bordering area is waste management. The target area is lacking an integrated waste management system. A great number of non-sanitary landfills, the so-called “wild “ dumpsites, represent a serious threat for the environment as well as the hazardous waste which is not regulated in a satisfactory manner.

A key feature of the environment in the programming area is that for a large part of its length the border is constituted by the river Danube. The river is a defining and common feature and any environmental issues linked to the Danube clearly require joint action. In this respect one major common environmental challenge for both sides of the border is the damage caused by serious flooding of the river. In addition there is considerable scope for joint actions to prevent cross-border pollution given that pollutants generated in and beyond the programming region are carried by waterways and tributaries which ultimately flow into the Danube.

Regarding the river Danube it is important to state that the pollution of the Grand Canal running through the medium sized city of Vrbas (25,000 inhabitants) has been characterized as being «the worst in Europe». The area of influence starts in Crvenka, a village belonging to Kula municipality, 17 km to the west of Vrbas, and ends 23 km downstream, at the so called «Triangle», which is a point of confluence between the Grand Canal from the north-west and the Bečej - Bogojovo canal from the west. (This is where the planned Central Waste Water Treatment Plant will be located.). From there on, the resulting canal continues with Bečej – Bogojovo canal and runs for 12 km before entering the river Tisa that comes from Romania and Hungary and empties into the Danube downstream the city of Titel.

The programming area encompasses 352,3 km<sup>2</sup> of protected nature. All natural attractions designated as protected nature are mentioned in Annex 14. Fruška Gora is the only national park in area rich with more than 1.500 herbal species, 38 protected mammals and more than 200 birds. The most important protected area on the Croatian side of the border is the Nature park Kopački rit (17700 ha, 4,24 % of the territory of Osijek-baranja county), the ornithological reserve Podpanj and the Zoological reserve Kopački rit which is situated within the boundaries of the Nature park. Kopački rit is situated at the point where the river Drava flows into the Danube. It is seen as one of the best preserved fluvial marsh territories in Europe which is characterised by the stunning beauty of its landscape and its bio diversity.

### **2.2.8 Culture in the Eligible and Flexibility Areas**

The programme regions provide a rich cultural variety. This is partly due to the fact that it has an above average percentage of members of minorities living on its territory. These minorities have an established institutional background, cultural organizations and bilingual and minority education, which is favourable for cultural exchange.

The programming area's position at the interface of three languages and cultures offers an especially promising potential in the field of culture. There are many interesting objects of cultural heritage, various museums and numerous social and cultural clubs are active. A number of cultural goods is officially protected.

The Croatian part has a rich historical and cultural heritage. The town of Vinkovci is one of the oldest permanently inhabited places in Europe and the first European calendar “Vučedol Orion” was found in Vinkovci and Vučedol. Near Vukovar is the world known archaeological site “Vučedol”, which represents eneolit European culture from the 3<sup>rd</sup> century BC. Famous castles are the castle of the roman family Odeschalchi in Ilok, the castle of the Eltz family in Vukovar and the complex of the Tikveš castle located within the Nature park Kopački rit. There is a rich Slavonian culture which is expressed in traditional costumes, music and dances. A series of international cultural festivals are held annually (“Vinkovačke jeseni”, “Iločka berba grožđa”, “Otočko proljeće”, “Babogredski konji bijelci”, Vukovarske adventske svečanosti, etc.) Within the Serbian part numerous cultural monuments are mainly of

religious nature - 16 monasteries in Fruška Gora (12-17 century), Catholic Church and monastery in Sombor and Subotica (18 century) etc. Famous castles are the following ones: castle Dundjerski and Novi Sad fortress.

The agreement between the Republic of Croatia and the Republic of Serbia on cultural and educational cooperation has been signed on the 23<sup>rd</sup> of April 2002. Cultural cooperation between the Republic of Croatia and the Republic of Serbia is present at the national level in different fields, such as theatre, cinematography, music concerts, etc. However, on the level of municipalities and towns within the target area cultural cooperation proves to be present to a much lesser extent than on the national level. This can be explained by the recent war activities within the Croatian bordering area.

## 2.3 SWOT Analysis

| INFRASTRUCTURE & GEOGRAPHICAL LOCATION |  |            |   |
|--|--|------------|---|
| Strengths                              | <ul style="list-style-type: none"> <li>▪ Favourable geographic and strategic location</li> <li>▪ Potential for development of efficient interregional transport networks (roads, railway, river ports)</li> <li>▪ Natural potential for water supply in most parts of the region.</li> <li>▪ Potential for development and modernization of canal network and network of dams for the protection of floods.</li> </ul> | Weaknesses | <ul style="list-style-type: none"> <li>▪ Local and regional transport infrastructure in poor condition and insufficient capacity of major transport corridors (particularly roads &amp; rail network)</li> <li>▪ Underused capacities of ports and waterways</li> <li>▪ Low level of maintenance for canal networks used for irrigation and navigation</li> <li>▪ Insufficiently developed water supply system/network</li> <li>▪ Existence of war damaged facilities</li> <li>▪ Land mines in Croatia</li> </ul> |
| Opportunities                          | <ul style="list-style-type: none"> <li>▪ Potential development of traffic/transport networks, waterways and an irrigation systems</li> </ul>   | Threats    | <ul style="list-style-type: none"> <li>▪ Lack of maintenance of the canal network and of local and regional roads</li> </ul>  |

| ENVIRONMENTAL PROTECTION |  |            |   |
|--------------------------|--|------------|---|
| Strengths                | <ul style="list-style-type: none"> <li>▪ Unique natural environment</li> <li>▪ Potential for development of well preserved natural habitats/environment (nature parks, reserves, marshes)</li> </ul>   | Weaknesses | <ul style="list-style-type: none"> <li>▪ Inadequate waste and wastewater management</li> <li>▪ Environmental pollution in certain important locations (large settlements and industrial centres)</li> <li>▪ Lack of awareness and information among the population on environmental protection and sustainable development</li> <li>▪ Certain areas still have land mines</li> <li>▪ Poor management/ monitoring/ maintenance systems for protected natural areas</li> <li>▪ Lack of capacity for management and implementation of environmental protection at local level</li> </ul> |
| Opportunities            | <ul style="list-style-type: none"> <li>▪ Development and use of renewable energy sources</li> <li>▪ Promotion of new technologies related to energy and environmental protection and management</li> <li>▪ Protection and strengthening of biodiversity</li> <li>▪ Sustainable use of water resources</li> </ul> | Threats    | <ul style="list-style-type: none"> <li>▪ Potential increase of pollution from industries, traffic and agriculture</li> <li>▪ Slow rate of de-mining</li> <li>▪ Floods of the river Danube</li> </ul>  |

| HUMAN RESOURCES |
|-----------------|
|-----------------|

|                      |  |                   |  |
|----------------------|--|-------------------|--|
| <b>Strengths</b>     | <ul style="list-style-type: none"> <li>▪ Available labour force</li> <li>▪ Availability of high/higher education institutions</li> </ul>   | <b>Weaknesses</b> | <ul style="list-style-type: none"> <li>▪ High unemployment rate (especially among youth)</li> <li>▪ Low educational level of the workforce</li> <li>▪ Lack of specialized knowledge and skills</li> <li>▪ Inadequate number of adult education programmes which meet the needs of the labour market</li> <li>▪ Lack of life long learning possibilities</li> <li>▪ Low labour market mobility within the programming area</li> <li>▪ Insufficiently developed educational infrastructure</li> <li>▪ Poor development of social dialogue</li> <li>▪ Social exclusion</li> </ul> |
| <b>Opportunities</b> | <ul style="list-style-type: none"> <li>▪ Harmonisation of the vocational education to meet the needs of the economy</li> <li>▪ Increased cooperation of economic and non-economic organisations with educational institutions in order to educate people of a certain profile.</li> <li>▪ Exchange of experiences regarding the creation of new workplaces</li> <li>▪ Establishment of a network of educational institutions and capacity building of these institutions (RoC and RoS)</li> <li>▪ Implementation of the Bologna process</li> </ul> | <b>Threats</b>    | <ul style="list-style-type: none"> <li>▪ Highly educated people are leaving the region.</li> </ul>   |

| <b>CULTURE</b>       |   |                   |  |
|----------------------|---|-------------------|--|
| <b>Strengths</b>     | <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> <li>▪ Multicultural tradition and ethnic diversity</li> </ul>  | <b>Weaknesses</b> | <ul style="list-style-type: none"> <li>▪ Insufficient protection and unsuitable use of cultural heritage</li> <li>▪ Lack of effective promotion and information sharing</li> </ul>   |
| <b>Opportunities</b> | <ul style="list-style-type: none"> <li>▪ Large potential for cross-border cooperation in the field of culture and tradition</li> <li>▪ Preservation and revitalization of common cultural heritage</li> <li>▪ Inclusion of culture and cultural heritage into development and marketing of tourist products</li> <li>▪ Sustainable protection of existing cultural and territorial diversity</li> </ul> | <b>Threats</b>    | <ul style="list-style-type: none"> <li>▪ Insufficient social involvement of ethnic minorities may reduce cultural diversity</li> <li>▪ Impoverished traditional heritage</li> <li>▪ Negligence of the traditional heritage</li> <li>▪ Reduction of resources for culture per se (without explicit economic effect/impact)</li> </ul> |

|                |
|----------------|
| <b>ECONOMY</b> |
|----------------|



|           |  |            |
|-----------|--|------------|
| Strengths | <p><u>INDUSTRY</u></p> <ul style="list-style-type: none"> <li>▪ Tradition in food processing, textile, wood and metal processing industries</li> <li>▪ Potential for SME development is being fostered from national and regional sources</li> <li>▪ Potential for favourable conditions for investors (land price, communal costs, government incentives)</li> <li>▪ Increase in production and export in recent years.</li> </ul> <p><u>AGRICULTURE</u></p> <ul style="list-style-type: none"> <li>▪ Tradition in agricultural production</li> <li>▪ High potential for agricultural production based on favourable climate and geomorphologic conditions</li> <li>▪ Significant surface area is non-cultivated and fertile land</li> <li>▪ Good historical basis for R&amp;D and existence of institutions in the field of agriculture</li> </ul> <p><u>TOURISM</u></p> <ul style="list-style-type: none"> <li>▪ Potential for selective forms of tourism (e.g. rural tourism, eco-tourism, culture tourism, Spa tourism, thematic tourism)</li> <li>▪ Rich and diverse natural resources (Rivers Danube &amp; Sava, Kopački rit, Hunting terrains, Fruška Gora )</li> </ul>  | Weaknesses |
|           | <p><u>INDUSTRY</u></p> <ul style="list-style-type: none"> <li>▪ Privatization process and restructuring of the economy still not finished.</li> <li>▪ Low-technology production and as a result low added-value and quality of produced goods</li> <li>▪ Low level of innovation and cooperation with R&amp;D institutions</li> <li>▪ Lack of a high-level business related infrastructure</li> <li>▪ Significant share of micro-businesses with low survival rate</li> <li>▪ Low networking and clustering and difficult access to funding sources for SMEs</li> <li>▪ Underdeveloped entrepreneurial culture</li> </ul> <p><u>AGRICULTURE</u></p> <ul style="list-style-type: none"> <li>▪ Large number of small and not interrelated agricultural businesses, low level of cooperation</li> <li>▪ Insufficiently developed protection systems in case of natural disasters (droughts, floods, hailstorms)</li> <li>▪ Insufficiencies of protected/ standardized/ autochthonous products and insufficiencies of production infrastructure (e.g. storehouses, cold storage rooms, drying rooms)</li> <li>▪ Inadequate irrigation of agricultural surfaces</li> <li>▪ Agricultural products are not competitive on the market</li> <li>▪ Low level of agricultural product processing</li> </ul> <p><u>TOURISM</u></p> <ul style="list-style-type: none"> <li>▪ Insufficient quality and diversity of accommodation</li> <li>▪ Insufficiently developed capacities for selective forms of tourism</li> <li>▪ Low utilization level of existing tourist facilities</li> <li>▪ Weak marketing of tourist destinations</li> <li>▪ Low awareness of tourism potential</li> </ul> |            |

|   |  |   |   |
|---|--|---|---|
| <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Opportunities</b></p> | <p><u>INDUSTRY</u></p> <ul style="list-style-type: none"> <li>▪ Increasing added value of produced goods</li> <li>▪ Modernisation and specialisation of leading industrial sectors.</li> <li>▪ Change in usage/ restructuring/ transformation of existing industrial facilities</li> <li>▪ Potential for cross-border cooperation and economic links</li> <li>▪ Increase in FDI</li> <li>▪ Improving and developing business-related infrastructure and business support institutions</li> <li>▪ Creation of new financial mechanisms (risk capital, venture capital)</li> <li>▪ Establishment of a network of economic entities (clusters)</li> <li>▪ Promoting cooperation between economic, science &amp; research institutions (transfer of technologies)</li> <li>▪ Creation of a free trade area South-East Europe</li> </ul> <p><u>AGRICULTURE</u></p> <ul style="list-style-type: none"> <li>▪ Creation of brands and marketing for local products</li> <li>▪ Improved quality of agricultural products</li> <li>▪ Potential for cooperation between farmers, producers (industry) and distributive channels and development of cooperatives, clusters ...</li> <li>▪ Development of high income agricultural cultures</li> <li>▪ Potential of ecological/organic production</li> <li>▪ Enlargement of agricultural plots/land parcels</li> </ul> <p><u>TOURISM</u></p> <ul style="list-style-type: none"> <li>▪ Cooperation between the following sectors: tourism, culture and rural development /agriculture</li> <li>▪ Valorisation of tourist potential</li> <li>▪ Tourism promotion</li> </ul> | <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Threats</b></p> | <p><u>INDUSTRY</u></p> <ul style="list-style-type: none"> <li>▪ High competition on the global market – cheaper products</li> <li>▪ Existence of a grey and black market</li> </ul> <p><u>AGRICULTURE</u></p> <ul style="list-style-type: none"> <li>▪ Slow progress in introducing new standards.</li> <li>▪ Large areas still under landmines</li> </ul> <p><u>TOURISM</u></p> <ul style="list-style-type: none"> <li>▪ Second rate image of the region as a tourist destination</li> </ul> |
|---|--|---|---|

| Issues Relating to all Sectors  |
|---|
| <ul style="list-style-type: none"> <li>▪ Insufficient institutional capacity for cross-border cooperation</li> <li>▪ Limited access to financial resources</li> <li>▪ Challenges of EU borders</li> </ul> |

## SECTION III

## PROGRAMME STRATEGY

### 3.1 Overall Objective

The preceding Situation Analysis shows that the cross-border region is rich in natural and cultural resources which provide good opportunities to promote the region's image as a high value tourist destination. However, significant parts of the programming area are economically poor by respective national standards and generally the cross-border regional economy is heavily dependent on agriculture, raw material processing and machinery manufacturing industries which are uncompetitive and in the process of being restructured. Connections between both sides of the border are weak and there is a general need to re-establish administrative, business, social and cultural connections between the two countries which were destroyed because of the war in the 1990s.

The overall objective of the programme is therefore:

- ☛ To stimulate cross-border cooperation in order to diversify and improve the regional economy in a socially and environmentally sustainable way, whilst at the same time, improving good neighbourly relations across the border.

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 the territorial cooperation objective 3 of the EU Structural Funds.

The above objectives will be achieved by means of 2 priorities:

- Priority 1: Sustainable Socio-Economic Development
- Priority 2: Technical Assistance

These priorities will be implemented by 5 separate measures; the programme strategy is shown below in Table 18.

**Table 3: Programme Strategy**

| <b>Priority 1<br/>Sustainable Socio-Economic<br/>Development</b> | <b>Priority 2<br/>Technical Assistance</b>                             |
|--|--|
| <b>Measure 1.1:</b> Economic Development                         | <b>Measure 2.1:</b> Programme Administration<br>and Implementation     |
| <b>Measure 1.2:</b> Environmental Protection                     | <b>Measure 2.2:</b> Programme Information,<br>Publicity and Evaluation |
| <b>Measure 1.3:</b> People-to-People                             |  |
| <b>Horizontal Theme:</b> Cross-Border Capacity Building          |  |

Cross-border capacity building will be an important horizontal theme underpinning the whole programme and, as much as is possible, will be integrated into all programme measures.

The specific objectives of the *Cross-Border Capacity Building* theme are:

- ☛ To improve the collaboration and sharing of experience between local, regional and national stakeholders in order to increase cross-border co-operation
- ☛ To intensify and consolidate cross border dialogue and establish institutional relationships between local administrations and other relevant local or regional stakeholders

- ☛ To equip local and regional 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 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 2007-13 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; privatisation of state industries; modernisation of border crossings; and the provision of transport 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 - provides the legal base for this programme and Commission Regulation (EC) No 718/2007 constitutes the IPA Implementing Regulation.

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

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

### **National Programmes – Croatia**

The programme is in line with main goals and areas of intervention of the following National Programmes. 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, IV and V (Regional, Human Resources and Rural Development).

**Strategic Development Framework**, which has its main strategic goal defined as: “growth and employment in a competitive market economy acting within a European welfare state of

the 21st century“. This goal is to be achieved by simultaneous and harmonised action in 10 strategic areas of which 6 are relevant for this programme, these are:

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

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

**Draft IPA Operational Programme Regional Competitiveness (RCOP)** has 2 objectives: (i) to achieve higher competitiveness and balanced regional development by supporting SME competitiveness and improving economic conditions in Croatia’s lagging areas; (ii) to develop the capacity in Croatian institutions to programme and implement activities supported by the ERDF upon accession. This programme focuses on improvement in the Croatian border regions through economic diversification and complements the RCOP priority ‘Improving development potential of lagging areas’. It will also build institutional capacity for the future management of ERDF territorial cooperation programmes under the territorial cooperation objective of the Structural Funds and is thus in line with both RCOP objectives.

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

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

**Regional Operational Programme (ROP) of Vukovar-Srijem County** recognizes the following as the county’s main development goals:

- To enhance the conditions for a competitive and sustainable economy
- To bridge the gap between education and economy demands
- To improve the quality of life, protect cultural heritage and exploit tourism/ traditional craft opportunities
- 

**Regional Operational Programme (ROP) of Osijek-Baranja County (2006-2013)** recognises the following as the county’s main development goals:

- Sustainable economic development, especially aimed at agriculture, industry, tourism, service sector and rural area along with development and improvement of communications in the whole county as well as communications and traffic connections with a narrow and wider environment.

- To develop human potentials in accordance with the challenges of globalization, mainly through education and employment, to be carried out in accordance with the county's needs and the community in general.
- To achieve development based on material welfare and social justice, with a balanced development of social and communal infrastructure.

With its orientation towards economic development, environmental protection and social inclusion, this programme is fully in line with the above ROPs and as such it will be contributing to achievement of the main development goals of both of these border counties.

Furthermore, the program is in line with the following main national sectoral strategies in Croatia: 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 high national priorities, given that 18 out of 21 counties have external borders.

*It can be concluded that this programme is complementary with mainstream national programmes and strategies and reinforces rather than duplicates them since its focus is on strengthening, first and foremost, those activities that are recognized as important for both partner countries.*

#### **National Programmes - Serbia**

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

**Multi – Beneficiary IPA Programme** which amongst others addresses the following areas of intervention related to this programme: regional cooperation, infrastructure development, democratic stabilisation, education, youth and research and market economy.

**Needs of the Republic of Serbia for International Assistance in the period 2007-2009** is a document defining programme activities within sectors and intersectoral priorities for international assistance. Its purpose is to serve as a platform for programming international assistance to make it more effective. The document is based on the existing strategic framework and defined medium-term objectives. Its goal is to enable establishment of an operational programme of priority activities and projects and its implementation in the future. The purpose of the document is to support implementation of the Government's reforms and strategic objectives within the 3- year framework and secure satisfactory level and structure of international assistance. The document will be presented to the donor community. The Government will estimate the level of grants needed on the annual basis to fill financial gaps in the implementation of its priority reform policies and programmes and to present the donors national development priorities which will be in its focus in the following years. The document should:

- define priority objectives and plans/programmes for implementing these objectives by sectors,
- identify intersectoral priorities for international support in the next three year period,
- offer a financial assessment of the international assistance at the annual level, bearing in mind macroeconomic projections for a three year period.

For that purpose, the document will serve as an instrument for donor harmonization within the Paris Declaration adopted by donors and the aid recipient countries at the Paris Forum on Aid Effectiveness, held in March 2005. The programmes defined by this document will be a basis for programming international assistance in 2007.

**National Employment Action Plan of the Republic of Serbia 2006-2008 (NEAP)** which sets forth measures and activities for the realization of the National Employment Strategy for the period 2005-2010 with the aim to increase the level of employment, to reduce

unemployment, and to overcome the labour market problems, which the Republic of Serbia is facing during the process of its transition to a market-based economy.

**National Environmental Strategy of the Republic of Serbia (NES)- October 2005** which addresses the general causes of identified environmental problems. Its general policy objectives related to this programme are firstly to raise awareness on environmental problems through improving formal and informal education on environmental issues and secondly to strengthen institutional capacity for the development and enforcement of environmental policy as well as the development of emergency systems.

**Agricultural Strategy of the Republic of Serbia (AS)- October 2004** which defines the following related objectives:

- Sustainable and efficient agricultural sector that can compete on the world market, contributing to increasing the national income
- To ensure support of life standards for people who depend on agriculture and are not in condition to follow economic reforms with their development
- To preserve the environment from the destructive influences of agricultural production

**Poverty Reduction Strategy paper for Serbia** which is a medium -term development framework directed at reducing key forms of poverty. The activities envisaged by the PRS are directed at dynamic development and economic growth, prevention of new poverty as a consequence of economic restructuring and care for the traditionally poor groups.

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

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

By its nature and focus, the program will encompass the main EU policies on: regional policy, environmental protection, equal opportunities and information society. Also 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 the tourism sector (which is key driver of regional economies), human resource development, protection of natural and cultural heritage, as well as environment. Strengthening the competitiveness and economic and social integration of the cross-border area is inline with Community Strategic Guidelines for the cohesion policy in 2007-2013 (COM (2005)0299) on cross-border cooperation. In addition, the program will also support the Gothenburg objectives with promotion of sustainable management of the environment through establishment of cooperation among institutions and implementation of joint actions for nature and environment protection.

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

In addition, when awarding public contracts Croatian and Serbian authorities will have to follow EC procurement rules, as currently defined in the Practical Guide for Contract Procedures financed from the General Budget of the EU in the Context of External Actions (PRAG).

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

#### **3.4.1 Priority 1: Sustainable Socio-Economic Development**

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

This priority addresses the weakness of the border economy, since this is seen to be a key factor in determining the quality of peoples' lives in the programming area. At present large parts of the programming area have high unemployment rates and since there are few job opportunities, this has led to the outward emigration of working-aged adults. Emigration and falling birth rates have resulted in a decreasing and steadily ageing population in much of the programming area. Both sides of the border have populations of displaced people and refugee returnees who are not fully integrated into their local economies.

In large part, the weak border economy is a consequence of its dependence on uncompetitive industries engaged in the processing of raw materials (food, textiles, wood, paper, metal, chemicals etc). Many of the enterprises located in the programming area are characterised by their reliance on obsolete technologies; high labour costs; low productivity; low value-added products; lack of new marketable products; and weak export orientation. They generally have low levels of cooperation with R&D institutions; low levels of innovation and lack business know-how, management and technological skills. The programming area has a low level of entrepreneurial activity with the consequence that the rate of business start-ups and the number of SMEs is low by national standards, SMEs make only a small contribution to the overall regional economy.

The need to make enterprises more competitive, to increase skills in the labour force and to stimulate entrepreneurial activity is common to both sides of the border and is addressed by Measure 1.1 *Economic Development*. In addition, the measure will encourage economic diversification in the programming area by supporting the development of tourism based on integrated culture, environmental, agriculture products and their joint promotion /marketing. The development of tourism will have the added benefit of stimulating business development and therefore employment in rural areas. At present most enterprises and jobs are concentrated around urban centres, many rural areas have a high levels of unemployment.

The connections between Croatian & Serbian enterprises, regional development organisations & municipalities are weak and there is little common understanding of the cross-border region's economic opportunities. Cross-border trade is low. Measure 1.1 will support the re-establishment of cross-border economic links with a view to creating a common economic space across the programming area. The measure will encourage the development of joint business advisory services; promote cooperation between enterprises and the regions universities and research institutions in the provision of innovation and vocational training services. It will support actions which improve and promote the programming area's image to potential investors and visitors.

One of the main strengths of the programming area is that it contains areas of high ecological and landscape value. Many of these sites are biodiverse, contain many rare species and are of international significance. Such sites are attractive to visitors and provide an opportunity to develop eco-based tourism. However, the development of ecological sites for their tourism potential must be done in a sustainable way to ensure that their value is not diminished by visitor activities. This issue is addressed by Measure 1.2. *Environmental Protection*. The measure will support the cooperation of environmental protection organisations active in the programming area to prepare and implement management plans for eco-tourism sites. It will promote the development of joint management for shared natural assets such as the river Danube and its flood plains and encourage joint waste management strategies for minimising cross-border pollution.



The programme objective of ensuring good neighbourly relations across the border will be further supported by Measure 1.3 *People to People* which aims to bring people, local communities and civil society organisations of the border region closer to each other to establish a sound basis for economic and social development on both sides of the border.

Overall Priority Objective:

- ☛ To promote the sustainable development of the cross-border region through effective use of the region's economic potential, in synergy with friendly and appropriate use of natural resources ensuring the preservation of regional biodiversity

Specific Priority Objectives:

- ☛ To promote business cooperation, increase cross-border trade, develop labour market mobility, cross-border RDI and joint economic planning
- ☛ To stimulate tourism development based on the cross-border regional identity and the natural and cultural assets of the cross-border region
- ☛ To protect and safeguard the natural assets of the cross-border region by taking joint actions and by increasing public awareness
- ☛ To promote good neighbourly relations across the border between local communities

### **3.4.1.2 Measures Priority 1**

#### **Measure 1.1 Economic Development**

The measure will stimulate regular interaction between businesses located across the cross-border region via: business-to-business networks; development of SME support services and joint access to these; joint marketing & promotion on domestic & EU markets; enhancement of innovativeness by cooperation of SMEs with educational and R&D organisations; exchange of know-how; selected investments in business infrastructure

The measure is expected to diversify economic development by the supporting the development & improvement of tourism products & services; integration of cultural heritage & environment into tourism products; and the joint marketing of these products

Improve knowledge of people working in tourism and culture & agriculture. Use of ICT tools for developing and marketing products and training people

Direct beneficiaries of this measure 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 /local public authorities
- Chambers of commerce, crafts, agriculture, industry
- Clusters registered as non-profit legal entities
- Public /non-profit organisations (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, local and regional development agencies, tourist agencies and associations, etc.,
- Non-governmental organisations such as associations and foundations
- Private institutes established by private law entities for meeting needs of general interest as long as they operate on non-profit basis
- Agricultural associations and cooperatives

Types of actions eligible under this measure are:

- Development of SMEs support services for improving business cooperation and joint marketing of SMEs
- Cross-border business partner finding activities (trade fairs, conferences, databases, websites, study tours)
- Cross-border labour mobility events and services
- Development of cooperation between SMEs, education, research & development organisations for improving business innovativeness and technology
- Joint vocational /adult training projects addressing skills needs & sectoral needs
- Research studies to identify market gaps, market opportunities, high value products, dissemination of results across border region
- Common marketing initiatives promoting local products, services
- Joint cluster initiatives (e.g. electronics, multi-media, ICT, food processing, biotechnology)
- Improving knowledge and skills of people in entrepreneurship, new technologies, marketing, promotion;
- Stimulating use of ICT in production, marketing and management of SMEs.
- Support to joint initiatives for certification of local products
- Support to development of new tourism products (development of thematic routes, joint promotion events and materials, site exploitation)
- Small-scale business infrastructure
- Heritage reconstruction to ensure growth in tourist capacity
- Improvement of recreational and small-scale tourism infrastructure (walking paths, cycle routes, equipping visitor centre, information points, networking tourism centres)
- Networking of agricultural producers

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

Output indicators:

Number of cross-border business networks established

Number of university /research institute-business / networks established

Number of cross-border trade fairs

Number of enterprises involved in, or benefiting from, cross-border projects

Number of adults participating in training courses on vocational skills

Number of cross-border market research studies

Number of promotional events for local /regional products

Number of joint cluster initiatives

Number of integrated tourism products /offers

Number of heritage sites reconstructed /restored

Number of tourism infrastructure projects

Number of projects actively involving women and people from marginalised groups

Result indicators:

Number of people successfully completing vocational training

Increase in visitor numbers / visitor revenues to assisted sites (i.e. where facilities have been improved, or new products launched, or promotional events realized)

Increased level of business innovation through R&D transfer via university /research institute-SME partnerships

Project selection criteria and delivery mechanism

In general, the eligible projects will be those which:

- encourage and improve cross-border business cooperation
- support links between relevant institutions/organisations from both side of the border
- have partners from both sides of the border.
- encourage equal participation by women and marginalized groups
- are environmentally sustainable

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

The measure will be implemented through grants schemes and/ or procurement contracts – service, works and supply (depending on the decision made by Joint Monitoring Committee). In the case of grant schemes, the size of available grants will be as shown below.

|  |            |
|--|------------|
| Minimum and maximum EU grant size (€)              | 50-200,000 |
| Maximum size EU funding to total eligible costs(%) | 85%        |

**Measure 1.2: Environmental Protection**

This measure will support awareness raising activities on environmental issues and joint actions to ensure that sites of high environmental and landscape value are managed so that they can sustain the pressures of tourism development without losing their value. In addition, the measure will support the development of more effective systems and approaches to emergency preparedness in relation to flood prevention and control; cross-border pollution, food safety and health issues. The measure will also support the development of joint waste management and minimisation strategies. A selected number of actions will be supported which result in the clean-up and restoration of polluted /damaged sites

Direct beneficiaries of this measure 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 /local public authorities
- Public /non-profit organisations including universities, colleges, secondary and elementary schools (this has been suggested at the partnership workshop)
- Research institutes

- Non-Government Organisations dealing with environmental and nature protection
- Public companies in charge of communal infrastructure and waste management
- Agencies in charge of environmental and nature protection
- Agencies dealing with emergency planning
- Regional and local development agencies

Types of actions eligible under this measure are:

- Development of joint management plans for protected /sensitive areas
- Preparation of cross-border emergency strategies and action plans to deal with natural and man-made environmental hazards
- Awareness and information campaigns in relation to environment and emergency preparedness which focus on key areas of concern such as waste management, preservation of biodiversity and responses to flooding.
- Development and implementation of training and training products for specialists involved in the areas of environmental protection and emergency preparedness.
- Cross-border cooperation between organisations involved in environmental protection and management of protected sites
- Joint awareness-raising among polluters and inhabitants on the need for environment protection and the sustainable use of natural resources
- Joint actions to develop solid waste management systems
- Joint actions to establish environmental monitoring systems
- Joint management and joint preservation of water resources and improvement of water quality
- Identification and clean-up of uncontrolled waste disposal sites and development of prevention measures;
- Preparation of feasibility studies and other technical documentation for large-scale infrastructure which will have clear cross-border benefits (e.g. wastewater treatment plants, flood prevention barriers, landfill sites) to be financed by sources other than this programme.
- Construction of small-scale, regional level, environmental and emergency preparedness infrastructure
- Cross border partner finding activities
- Studies and direct actions on applicability of renewable energy sources

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

Output indicators:

Number of joint management plans for protected areas

Number of cross-border emergency plans

Number of people trained in emergency planning

Number of cross-border partnerships between environmental organisations /agencies

Number of awareness-raising events held

Number of joint waste management plans

Increased coverage by joint monitoring systems

Number of feasibility studies and/or other technical documentation prepared for wastewater treatment facilities, flood prevention barriers, landfill sites

Number of projects actively involving women and people from marginalised groups

Result indicators:

Number of cross-border emergency teams created

% 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

Increased awareness of cross-border environmental issues

Decrease in waste and wastewater

Increase in surface and number of protected areas

Improved quality of protection on protected areas

Project selection criteria and delivery mechanism

In general, the eligible projects will be those which:

- encourage and improve joint protection and management of natural resources and prevent environmental risks
- support links between relevant institutions/ organisations from both sides of the border
- have partners from both sides of the border.
- encourage equal participation by women and marginalized groups
- are environmentally sustainable

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

The measure will be implemented through grants schemes and/ or procurement contracts – service, works and supply (depending on the decision made by Joint Monitoring Committee). In the case of grant schemes, the size of available grants will be as shown below.

|   |            |
|---|------------|
| Minimum and maximum EU grant size (€)               | 50-200,000 |
| Maximum size EU funding to total eligible costs (%) | 85%        |

**Measure 1.3: People to People**

This measure will encourage contacts, communication and cooperation between local communities and local community organisations /agencies within the cross-border region, particularly in support of women and marginalised groups (unemployed youth and disabled), local democracy and the development of civil society

Direct beneficiaries of this measure 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:

- Local organisations, associations and foundations
- Inter-communal cooperation organisations
- Professional organisations
- Organisations responsible for providing social and health services
- Trade Unions
- Public /non-profit organisations including universities, colleges, secondary and elementary schools,
- Cultural organisations including museums, libraries, and theatres
- Local government bodies
- NGOs
- Regional and local development agencies

Types of actions eligible under this measure are:

- Legal counselling for marginalised groups
- Joint community building programs with emphasis on inter-ethnic cooperation
- Joint health services delivery
- Developing cross-border cooperation between organisations providing social and welfare services
- Awareness raising activities on the effects of social exclusion
- Support to non government organisations active in combating social exclusion
- Actions in support of local democracy
- Cross-border networking of cultural and youth institutions
- Creation of joint cultural exchange programs (meetings and exchanges between youth, artistic and cultural organisations)
- Cross border partner finding activities

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

Output indicators:

Number of joint community programmes

Number of awareness-raising events on social exclusion

Number of regional NGOs supported

Number of events in support of local democracy

Number of cross-border youth and cultural partnerships

Number of cultural exchange events organised

Number of projects actively involving women and people from marginalised groups

Result indicators:

Improved access to community-based social services by vulnerable groups/ local populations

Decrease in number of ethnic based incidents

Increase in the success rate of court cases related to marginalized groups

Project selection criteria and delivery mechanism

In general, the eligible projects will be those which:

- develop contacts and links between local communities in the programming area
- support links between relevant institutions/ organisations from both sides of the border
- have partners from both sides of the border.
- encourage equal participation by women and marginalized groups
- are environmentally sustainable

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

The measure will be implemented through grants schemes and/ or procurement contracts – service, works and supply (depending on the decision made by Joint Monitoring Committee). In the case of grant schemes, the size of available grants will be as shown below.

|  |           |
|--|-----------|
| Minimum and maximum EU grant size (€)              | 30-50,000 |
| Maximum size EU funding to total eligible costs(%) | 85%       |

### **3.4.2 Priority 2 Technical Assistance**

The objective of this Priority axis is to provide effective and efficient administration and implementation of the CBC Programme.

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

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

Overall Priority Objective:

- ☛ To improve the capacity of national and joint structures to manage cross-border programmes

Specific Priority Objectives:

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

Main beneficiaries include:

- 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.

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

The implementation of the TA measures may require subcontracting by the national authorities for the provision of services or supplies.

For the purpose of an efficient use of TA funds, a close coordination between national authorities (Operating Structures, CBC coordinators) of the participating countries is required.

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

### **3.4.2.2 Measures Priority 2**

#### **Measure 2.1: Programme Administration and Implementation**

This measure will provide support for the work of national Operating Structures and the JMC in programme management. It 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 training for staff in national Operating Structures
- Providing support to the JMC in carrying out its responsibilities in project selection and programme monitoring



- Providing logistical and technical support for JMC meetings
- Providing assistance to potential final beneficiaries in the preparation of projects
- Provision of appropriate technical expertise in the assessment of project applications
- 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

In general terms, Measure 2.1 should be used to provide support to Operating Structures, Joint Monitoring Committee, Joint Technical Secretariat and its antenna, and any other structure (e.g. Steering Committee) involved in the management and implementation of the programme. It should also 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. TA funds can cover the cost of staff of JTS except salaries of seconded public officials.

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

Output indicators:

Number of JTS staff recruited  
 Number of JMC meetings  
 Number of staffing Operating Structures trained  
 Number of training events for potential final beneficiaries  
 Number of project proposals assessed  
 Number of on-the-spot visits carried out  
 Number of monitoring reports drafted

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

**Measure 2.2: Programme Information, Publicity and Evaluation**

This measure will ensure programme awareness amongst local, regional and national decision-makers; funding authorities; the inhabitants of the programming area and the general public in Croatia and Serbia. The measure will support the provision of expertise to the JMC for the planning and carrying out of external programme evaluations. It should also

cover, inter alia, the preparation, translation and dissemination of programme related information and publicity material, including programme website.

Types of eligible activities:

- The preparation and dissemination of publicity materials (including press releases)
- Establishment and management of a programme website
- Organisation of promotional events (meetings, seminars, press conferences, TV /radio broadcasts)
- 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 promotional events

Number of visits to programme website

Number of news letters produced

Number of evaluations carried out

Result indicators:

Increased awareness of the programme amongst the general public

Increased awareness of the programme amongst the potential beneficiaries

Improved programme implementation

### **3.5 Summary of Priorities and Measures**

### OVERALL OBJECTIVE

To stimulate cross-border cooperation in order to diversify and improve the regional economy in a socially and environmentally sustainable way, whilst at the same time, improving good neighbouring relations across border

#### PRIORITY 1

##### Sustainable Socio-Economic Development

**Objective:** To promote sustainable development of the cross-border region through effective use of region's economic potentials, in synergy with appropriate use of natural resources ensuring the preservation of regional biodiversity

#### PRIORITY 2

##### Technical assistance

**Objective:** To improve the capacity of national and joint structures to manage CBC programmes

### SPECIFIC OBJECTIVES

|  |   |   |  |  |   |   |
|--|---|---|--|--|---|---|
| <ul style="list-style-type: none"> <li>▪ To promote business cooperation, increase cross-border trade, develop labour market mobility, cross-border RDI and joint economic planning</li> <li>▪ To stimulate tourism development based on the cross-border region identity</li> </ul> | <ul style="list-style-type: none"> <li>▪ To protect and safeguard the natural assets of the cross-border region by taking joint actions and by increasing public awareness</li> </ul> | <ul style="list-style-type: none"> <li>▪ To promote good neighbourly relations across the border between local communities</li> </ul> | <ul style="list-style-type: none"> <li>▪ To ensure the efficient operation of programme relevant structures</li> </ul> | <ul style="list-style-type: none"> <li>▪ To provide and disseminate programme information to national authorities, the general public and programme beneficiaries</li> </ul> | <ul style="list-style-type: none"> <li>▪ To improve the capacity of potential beneficiaries, particularly within the programming area, to prepare and subsequently implement high quality programme operations</li> </ul> | <ul style="list-style-type: none"> <li>▪ To provide technical expertise for external programme evaluations</li> </ul> |
|--|---|---|--|--|---|---|

**Measure 1.1.** Economic Development

**Measure 2.1.** Programme Administration and Implementation

**Measure 1.2.** Environmental Protection

**Measure 2.2.** Programme Information, Publicity and Evaluation

**Measure 1.3.** People-to-People

**HORIZONTAL THEME:**  
Cross-border capacity building

### 3.6 Summary of Indicators

| Priority 1<br>Sustainable Socio-Economic Development. |            |   |
|---|------------|---|
| Measures  | Indicators |   |
| Measure 1.1.<br>Economic Development                  | Output     | <ul style="list-style-type: none"> <li>▪ Number of cross-border business networks established</li> <li>▪ Number of university/research institute-business/ networks established</li> <li>▪ Number of cross-border trade fairs</li> <li>▪ Number of enterprises involved in, or benefiting from, cross-border projects</li> <li>▪ Number of adults participating in training courses on vocational skills</li> <li>▪ Number of cross-border market research studies</li> <li>▪ Number of promotional events for local/regional products</li> <li>▪ Number of joint cluster initiatives</li> <li>▪ Number of integrated tourism products/offers</li> <li>▪ Number of heritage sites reconstructed/restored</li> <li>▪ Number of tourism infrastructure projects</li> <li>▪ Number of projects actively involving women and people from marginalised groups</li> </ul> |
|   | Result     | <ul style="list-style-type: none"> <li>▪ Number of people successfully completing vocational training</li> <li>▪ Increase in visitor numbers/visitor revenues to assisted sites (i.e. where facilities have been improved, or new products launched, or promotional events realized)</li> <li>▪ Increased level of business innovation through R&amp;D transfer via university/research institute-SME partnership</li> </ul>  |
| Measure 1.2<br>Environmental protection               | Output     | <ul style="list-style-type: none"> <li>▪ Number of joint management plans for protected areas</li> <li>▪ Number of cross-border emergency plans</li> <li>▪ Number of people trained in emergency planning</li> <li>▪ Number of cross-border partnership between environmental organisations/agencies</li> <li>▪ Number of awareness-raising events held</li> <li>▪ Number of joint waste management plans</li> <li>▪ Increased coverage by joint monitoring systems</li> <li>▪ Number of feasibility studies and/or other technical documentation prepared for wastewater treatment facilities, flood prevention barriers, landfill sites</li> <li>▪ Number of projects actively involving women and people from marginalised groups</li> </ul>   |
|   | Result     | <ul style="list-style-type: none"> <li>▪ Number of cross-border emergency teams created</li> <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>▪ Increased awareness of cross-border environmental issues</li> <li>▪ Decrease in waste and wastewater</li> <li>▪ Increase in surface and number of protected areas</li> <li>▪ Improved quality of protection on protected areas</li> </ul>   |

|  |            |  |
|--|------------|--|
| Measure 1.3.<br>People- to-People                                  | Output     | <ul style="list-style-type: none"> <li>▪ Number of joint community programmes</li> <li>▪ Number of awareness-raising events on social exclusion</li> <li>▪ Number of regional NGOs supported</li> <li>▪ Number of cross-border youth and cultural partnerships</li> <li>▪ Number of cultural exchange events organised</li> <li>▪ Number of projects actively involving women and people from marginalised groups</li> </ul> |
|  | Result     | <ul style="list-style-type: none"> <li>▪ Improved access to community-based social services by vulnerable groups/local populations</li> <li>▪ Decrease in number of ethnic based incidents</li> <li>▪ Increase in the success rate of court cases related to marginalized groups</li> </ul>  |
| <b>Priority 2<br/>Technical Assistance</b>                         |            |  |
| Measures   | Indicators |  |
| Measure 2.1.<br>Programme<br>Administration and<br>Implementation  | Output     | <ul style="list-style-type: none"> <li>▪ Number of JTS staff recruited,</li> <li>▪ Number of JMC 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> </ul>              |
|  | Result     | <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>   |
| Measure 2.2.<br>Programme Information,<br>Publicity and Evaluation | Output     | <ul style="list-style-type: none"> <li>▪ Number of publicity materials disseminated,</li> <li>▪ Number of promotional events,</li> <li>▪ Number of visits to programme website,</li> <li>▪ Number of news letters produced,</li> <li>▪ Number of evaluations carried out</li> </ul>  |
|  | Result     | <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 proposed for the IPA Cross-border Programme Croatia-Serbia are shown in tables below. The Croatian allocation of IPA funds is slightly lower than that for Serbia (2.4 M€ as compared to 3.0 M€) and reflects the smaller eligible area and lower population density in the Croatian part of the programming area. By contrast, the Croatian rate of co-financing of Priority 2 (Technical Assistance) is higher than that of Serbia (69% and 85% respectively) in recognition of the anticipated costs of hosting the programme Joint Technical Secretariat. In addition, a tentative time table and indicative amount of the call for proposals in 2007 are given in Annex 15.

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

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

The Community contribution for each priority axis shall not be less than 20% of the eligible expenditures.

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

**Table 3.7.1 Allocation of IPA funds per year - Croatia, in €**

|   | IPA CBC Croatia  | National Co-financing Croatia | Total Croatia    | IPA Co-financing rate Croatia |
|---|------------------|-------------------------------|------------------|-------------------------------|
| <b>Priority 1</b><br>Sustainable Socio-Economic Development | 2,160,000        | 381,177                       | 2,541,177        | 85%                           |
| 2007  | 720,000          | 127,059                       | 847,059          | 85%                           |
| 2008  | 720,000          | 127,059                       | 847,059          | 85%                           |
| 2009  | 720,000          | 127,059                       | 847,059          | 85%                           |
| <b>Priority 2</b><br>Technical assistance                   | 240,000          | 105,000                       | 345,000          | 69%                           |
| 2007  | 80,000           | 35,000                        | 115,000          | 69%                           |
| 2008  | 80,000           | 35,000                        | 115,000          | 69%                           |
| 2009  | 80,000           | 35,000                        | 115,000          | 69%                           |
| <b>TOTAL</b>  | <b>2,400,000</b> | <b>486,177</b>                | <b>2,886,177</b> | <b>83%</b>                    |

**Table 3.7.2 Allocation of IPA funds per year - Serbia, in €**

|   | IPA CBC Serbia   | National Co-financing Serbia | Total Serbia     | IPA Co-financing rate Serbia |
|---|------------------|------------------------------|------------------|------------------------------|
| <b>Priority 1</b><br>Sustainable Socio-Economic Development | 2,700,000        | 476,472                      | 3,176,472        | 85%                          |
| 2007  | 900,000          | 158,824                      | 1,058,824        | 85%                          |
| 2008  | 900,000          | 158,824                      | 1,058,824        | 85%                          |
| 2009  | 900,000          | 158,824                      | 1,058,824        | 85%                          |
| <b>Priority 2</b><br>Technical assistance                   | 300,000          | 52,941                       | 352,941          | 85%                          |
| 2007  | 100,000          | 17,647                       | 117,647          | 85%                          |
| 2008  | 100,000          | 17,647                       | 117,647          | 85%                          |
| 2009  | 100,000          | 17,647                       | 117,647          | 85%                          |
| <b>TOTAL</b>  | <b>3,000,000</b> | <b>529,413</b>               | <b>3,529,413</b> | <b>85%</b>                   |

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

### 3.8 Eligibility of Expenditure

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, for operations or part of operations implemented within the beneficiary countries.
- (2) By way of derogation from Article 34(3) of IPA Implementing Regulation<sup>7</sup>, 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, notarial 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.

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<sup>7</sup> Commission Regulation (EC) No. 718/2007 (OJ L170, 29.06.2007, p.1)

## 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. Croatia will be managing the programme according to decentralised management, whilst Serbia 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 management of the programme. The beneficiary countries have also set up a Joint Monitoring Committee, which shall ensure the effectiveness and quality of the implementation of the programme. In line with the IPA Implementing Regulation (Article 139) the Operating Structures have established a Joint Technical Secretariat to assist the OSs and the JMC with their respective duties.

#### 4.1.1 Operating Structures (OS) in Beneficiary Countries

| Croatia  | Serbia   |
|--|--|
| <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>▪ Ministry of Finance – line Ministry responsible for co-ordination of the 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) is the State Secretary in the Ministry of the Sea, Tourism, Transport and Development (MSTTD).<sup>8</sup>

<sup>8</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.



The Operating Structure in Croatia consists of the line ministry responsible for the management and implementation of the Component II of IPA: the MSTTD together with an 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>9</sup>). The Operating Structure will be accredited by June 2008 at the latest, as required by IPA Implementing Regulation (Art. 76).

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 Serbia**

The IPA–Component II Co–ordinator (within the meaning of Art. 32.1 of the IPA Implementing Regulation) is an Assistant Minister in the Ministry of Finance.

The Operating Structure in Serbia is the Ministry of Finance (MF), while the Contracting Authority is the EC Delegation to Serbia.

#### **4.1.1.3 Responsibilities of the Operating Structures**

The Operating Structures are *inter alia* responsible for:

- (a) jointly preparing the cross-border programme in accordance with Art. 91 of the IPA Implementing Regulation;
- (b) jointly preparing programme amendments to be discussed in the Joint Monitoring Committee;
- (c) setting up the Joint Technical Secretariat;
- (d) participating in the Joint Monitoring Committee and guiding the work of the JMC in programme monitoring;
- (e) nominating the representatives of the Joint Steering Committee to be appointed by the JMC;
- (f) preparing and implementing the strategic decisions of the JMC;
- (g) reporting to the NIPAC/ IPA-Component II Co-ordinator on all aspects concerning the implementation of the programme;
- (h) 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;
- (i) ensuring the quality of the implementation of the cross-border programmes together with the JMC;

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<sup>9</sup> Government Decision on the Nomination of the Responsible Persons for the Management of IPA(OG no 18/07)

- (j) 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;
- (k) ensuring reporting of irregularities;
- (l) guiding the work of the Joint Technical Secretariat;
- (m) 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:

- (n) contracting the projects selected by the Joint Monitoring Committee;
- (o) payments accounting and financial reporting aspects of the procurement of services, supplies, works and grants for the Croatian part of the Cross-border programme;
- (p) ensuring that the operations are implemented according to the relevant public procurement provisions;
- (q) 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;
- (r) ensuring the retention of all documents required to ensure an adequate audit trail;
- (s) ensuring that the National Fund and National Authorising Officer receive all necessary information on the approved expenditure and the applied procedures;
- (t) 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. 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 composition of the JMC to be established in the JMC's Rules of Procedures.

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):

- a. it shall consider and approve the criteria for selecting the operations financed by the cross-border programme and approve any revision of those criteria in accordance with programming needs;
- b. it shall periodically review progress made towards achieving the specific targets of the cross-border programme on the basis of documents submitted by the Operating Structures of participating beneficiary countries;
- c. it shall examine the results of implementation, particularly achievement of the targets set for each priority axis and the evaluations referred to in Article 57(4) and Article 141 IPA Implementing Regulation;
- d. it shall examine the annual and final reports on implementation referred to in Article 144 IPA Implementing Regulation;
- e. it shall be 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;
- f. 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;
- g. 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;
- h. it shall consider and approve any proposal to amend the content of the cross-border programme;
- i. it shall approve the framework for the Joint Technical Secretariat's tasks;
- j. 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.

In the first years of the programme the Joint Technical Secretariat is located in the MSTTD in Zagreb (Croatia) with an antenna in the Serbian part of the programming area.

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

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

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

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

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

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

The tasks of the JTS and its antenna should include:

- support to the Operating Structures in the programme implementation;
- perform secretariat function for the Operating Structures and the Joint Monitoring Committee, including the preparation and mailing of documentation for meetings and the meeting minutes;
- set up, regular maintenance and updating of the monitoring system (data input at programme and project level, carrying out on-site visits);
- assist the Operating Structures 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 to 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 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 campaigns, trainings, help-lines and web-based Q&A in order to support potential applicants in the preparation of project applications as defined by the Operating Structures;
- 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 in Article 14(3) of the IPA Implementing Regulation.

Under centralised management in Serbia, 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, the 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) Project Generation**

The Joint Technical Secretariat will proactively support the Lead Beneficiaries and other beneficiaries throughout the life cycle of operations, i.e. during preparation starting from development of applications, and implementation of operations until complete finalization of the respective operation. A comprehensive schedule of general information days ('road shows') will be organized to promote the Cross border programme, followed by more focused information days, workshops and partner search events in the context of calls for proposals. This will be supported by appropriate publicity material, a regularly updated programme website and other events to ensure a stakeholder network is built and good practice experiences are shared.

#### **b) Preparation of the Application Package**

- The JTS, under the supervision of the Operating Structures, 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. However, in view of the nature of the projects (cross-border co-operation) and the IPA Implementing Regulation (art 95, co-operation with cross-border partner and delivery of a clear cross-border benefit) minor adaptations of standard PRAG rules may be required;
- The Application Form should cover both parts of the project (on Croatian/ Serbian sides of the border, i.e. joint application), but with clear separation of the activities and costs on each side of the border. The elements contained in the Application Pack (eligibility and evaluation criteria, etc.) must be fully consistent with the relevant Financing Agreement.

- The drafts of the single calls for proposals, Guidelines for Applicants and the Application Form and other documents related to the implementation of the grant schemes are approved by the JMC;
- OSs submit the final version of the Application Pack to the respective EC Delegations for endorsement.

#### b) Publication of single Calls for Proposals

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

#### 4.2.3 Selection of projects following a call for proposals

As provided by the IPA Implementing Regulation, the submitted project proposals will undergo a joint selection process. The project evaluation should follow the PRAG rules (Chapter 6.4.) as adapted by the provisions of the IPA Implementing Regulation (eg. Article 140 on the role of the Commission in the selection of operations)<sup>10</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 Serbia).

The main steps of the procedure should be as follows:

- The JTS receives and registers the applications.
- The JMC designates the joint Steering Committee and external assessors, which will be provided through the TA allocation of the programme.
- The Steering Committee is established with an equal representation from 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 Serbia 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.

<sup>10</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 JMC receives from the Steering Committee the Evaluation Report and the ranking list of projects and votes on accepting the proposed ranking list. The members of the Steering Committee are present at the JMC meeting to present the evaluation process. The JMC has the possibility to:
  - Accept the Evaluation Report and recommend the Contracting authorities to contract the projects selected.
  - Request one round of re-examination of the project proposals if a qualified majority of its voting members vote for such a process and under the condition that there is a clearly stated technical reason affecting the quality of the Evaluation Report i.e. it is not clear how the projects were assessed and ranked;
  - Reject the Evaluation Report and the list of project, if there is a justified reason to suspect the objectivity or the qualifications of the Steering Committee.
  - Under no circumstances is the JMC entitled to change the Steering Committee's scores or recommendations and must not alter the evaluation grids completed by the evaluators.
- In Croatia, the EC Delegation *ex ante* approves the decision of the JMC on the Projects Proposed for Financing and the Evaluation Report.
- In Serbia the EC Delegation approves the Evaluation Report and the list of project 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 EC Delegation in Serbia) 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 Serbia**

- Contracting is the responsibility of the EC Delegation as the Contracting Authority for the Serbian part of the projects. The format of the grant contract should be drafted according to the Practical Guide using the standard grant contract format and its annexes.
- The EC Delegation issues the grant contract to the selected beneficiaries, normally within 3 months of the decision of the Joint Monitoring Committee.

#### **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 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 Projects**

Operations selected for cross-border programmes shall include final beneficiaries from the 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 project implementation**

- 1) If several partners from the same country are participating in the project, they shall appoint a National Lead Beneficiary (NLB) among themselves prior to the submission of the project proposal. The NLB:
  - is responsible for implementing the part of the project on his side of the border;
  - receives the grant from the Contracting authority and is responsible for transferring funds to the partners on his side of the border;
  - is responsible for ensuring expenditures have been spent for the purpose of implementing the operation;
  - closely cooperates with the Functional Lead Partner (see below) and provides him with all the relevant data on project implementation.
- 2) A Functional Lead Partner (FLP) is appointed in cases where partners from both countries are participating in a project and are separately contracted by the Contracting Authorities of each country. In such cases, the 2 National Lead Beneficiaries shall appoint among themselves a Functional Lead Partner prior to the submission of the project proposal. The FLP is:
  - responsible for the overall coordination of the project activities on both sides of the border;
  - responsible for 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**

#### **4.5.1.1. Contractual obligations**

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

#### **4.5.1.2. Cross-border project level reporting**

The Functional Lead Partners of projects submit Project Progress Reports to the JTS, giving an overview of project activities and achievements on both sides of the border and their coordination according to the indicators defined in the respective project proposals.

### **4.5.2 Programme Monitoring**

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

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

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

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

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

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

### **4.5.3 Programme Evaluation**

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

The evaluation shall aim to improve the quality, effectiveness and consistency of the assistance from the Community funds and the strategy and implementation of cross-border programmes while taking account the objective of sustainable development and the relevant Community legislation concerning environmental impact. An *ex-ante* evaluation has not been carried out in line with the provisions of Article 141 in the light of the proportionality principle.

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

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

## 4.6 Information and Publicity

The beneficiary countries and the national IPA co-ordinators shall provide information on and publicise programmes and operations with the assistance of the JTS as appropriate.

In Croatia, 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>11</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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11 OJ L 8, 12.1.2001, p. 1

# ANNEXES to Appendix 2

## Annex 1: List of Persons Involved in Programming

### JPC Members

#### Republic of Croatia:

- Mr. Davor Čilić, Central Office for Development Strategy and Coordination of EU Funds (replacement: Ms. Jasminka Bratulić)
- Ms. Franka Vojnović, Ministry of the Sea, Tourism, Transport and Development (replacement: Ms. Emina Štefičić)
- Mr. Jovan Ajduković, Vukovar-Srijem County (replacement: Mr. Zoran Vidović)
- Mr. Stjepan Ribić, Osijek-Baranja County (replacement: Ms. Ivana Jurić)

#### Republic of Serbia:

- Ms. Gordana Lazarević, Ministry of Finance (replacement: Ms. Sanda Šimić)
- Mr. Aleksandar Popović, Standing Conference of Towns and Municipalities
- Mr. Igor Bajić, Council of Vojvodina

### JDT Members

#### Republic of Croatia:

- Ms. Emina Štefičić, Ministry of the Sea, Tourism, Transport and Development – Head of the Drafting Team
- Ms. Jelena Mušterić, Ministry of the Sea, Tourism, Transport and Development
- Ms. Gabrijela Žalac, Vukovar-Srijem County
- Ms. Ivana Jurić, Osijek-Baranja County
- Mr. George Chabrzyk – TA

#### Republic of Serbia:

- Ms. Mirjana Nožić, Ministry of Finance – Head of Drafting Team
- Ms. Ljiljana Veljković, Direction for Environmental Protection
- Mr. Djura Krompić, Ministry of Economy
- Ms. Marija Šošić, Standing Conference of Towns and Municipalities
- Mr. Andrija Aleksić, Council of Vojvodina
- Mr. Thomas Pornschlegel - TA

### Consultation with Croatian Stakeholders in Zagreb, 16<sup>th</sup> of March 2007

#### Participants:

- Mr. Ivan Plazonić, Town of Ilok
- Mr. Dragan Njegić, Town of Vukovar
- Mr. Josip Kel, Vukovar-Srijem County
- Mr. Zoran Vidović, Vukovar-Srijem County
- Mr. Ivan Rimac, Vukovar-Srijem County
- Ms. Mirta Štrk, Local Economic Development Agency - Vukovar-Srijem County
- Ms. Ivana Jurić, Regional Development Agency of Slavonija and Baranja
- Mr. Damir Lajoš, Osijek-Baranja County - Development Agency
- Ms. Sandra Filipović, Osijek-Baranja County - Development Agency
- Mr. Igor Medić, Business Incubator BIOS Osijek
- Mr. Marijan Štefanac, Brod-Posavina County
- Mr. Željko Čerti, Požega-Slavonija County

- Ms. Silvija Modrušan, Ministry of Culture
- Ms. Sandra Belko, Ministry of Culture
- Ms. Biserka Puc, Ministry of Environmental Protection, Physical Planning and Construction
- Ms. Anita Kolonić, Ministry of Environmental Protection, Physical Planning and Construction
- Ms. Snježana Pavlovski, Ministry of Economy, Labour and Entrepreneurship
- Mr. Željko Ostojić, Ministry of Agriculture, Forestry and Water Management
- Mr. Alenko Vrđuka, Ministry of Interior
- Mr. Nino Buić, Ministry of Science, Education and Sports - VET Agency
- Ms. Sanja Mesarov, Croatian Employment Service
- Ms. Emina Štefičić, Ministry of the Sea, Tourism, Transport and Development
- Ms. Ines Franov-Beoković, Ministry of the Sea, Tourism, Transport and Development
- Ms. Marija Rajaković, Ministry of the Sea, Tourism, Transport and Development
- Ms. Jelena Mušterić, Ministry of the Sea, Tourism, Transport and Development
- Ms. Andrea Horvat-Kramarić, European Commission Delegation
- Mr. George Chabrzyk, TA

### **Consultation with Serbian Stakeholders in Novi Sad, 19<sup>th</sup> of March 2007**

#### **Participants:**

- Ms. Milica Vračarić, Alma Mons – Regional Agency for SME Development
- Mr. Danilo Tomić, Regional Chamber of Commerce - Novi Sad
- Mr. Josip Piliš, "Petar Drapšin" (metalprocessing company)
- Mr. Radomir Dronjak, Spree Telekom YU
- Ms. Ivanka Čubrić, Town of Novi Sad
- Mr. Nebojša Drakulić, Fair of Novi Sad
- Mr. Radovan Vujaklija, Humanitarian Centre for Integration and Tolerance
- Mr. Hedvig Morvai, Citizen's Pact for South East Europe
- Mr. Aleksandar Popov, Centre for Regionalism
- Mr. Zoran Borčić, "Lito Studio" (graphics company)
- Ms. Ljubica Simić, Centre for Human Rights
- Ms. Slavica Djurdjević, "Osvit"
- Mr. Svetomir Vešić, Municipality Šabac
- Ms. Mirjana Tadić, Municipality Šabac
- Mr. Rade Mujovic, IRD Šabac Office
- Mr. Slaviša Savić, Association for Paraplegic – District Mačva
- Mr. Slobodan Peladić, Independent Association of Artists "Kolektiv"
- Mr. Trifun Drobnyak, Šabac Movement for Ecology
- Ms. Svetlana Popović, "Eksino"
- Mr. Jovica Ninković, "Eksino"
- Ms. Dragica Bozinović, "Novitas"
- Mr. Vojislav Bozinović, "Novitas"
- Mr. Jovan Sijakov, Town of Bačka Palanka

### **Joint partnership workshop in Novi Sad, 4<sup>th</sup> of May 2007**

#### **Participants:**

- Mr. Petar Bor, Fund for the Reconstruction and Development of the Town of Vukovar
- Mr. Stjepan Klučik, Town of Ilok
- Mr. Jugoslav Holik, Croatian Chamber of Commerce – County Chamber Vukovar
- Ms. Lidija Mamić, Local Economic Development Agency – Vukovar-Srijem County
- Ms. Jasna Babić, Tourist Board of the Town of Ilok
- Mr. Tomislav Panenić, TNTL Office – Vukovar-Srijem County

- Mr. Zoran Vidović, Vukovar-Srijem County
- Ms. Gordana Stojanović, Regional Development Agency of Slavonija and Baranja
- Ms. Ivana Jurić, Regional Development Agency of Slavonija and Baranja
- Mr. Jovan Jelić, Municipality Erdut
- Mr. Stojan Petrović, Municipality Kneževi Vinogradi
- Ms. Sandra Filipović, Osijek-Baranja County - Development Agency
- Mr. Damir Lajoš, Osijek-Baranja County - Development Agency
- Ms. Jasna Gorupić, Osijek-Baranja County – Office for Physical Planning
- Ms. Julia Škaro, University of Osijek – Faculty of Economics
- Ms. Emina Štefičić, Ministry of the Sea, Tourism, Transport and Development
- Ms. Jelena Mušterić, Ministry of the Sea, Tourism, Transport and Development
- Ms. Dragica Koldžin, Province Secretariat for Science and Technological Development
- Ms. Elvira Kovač, Province Secretariat for Health and Social Policy
- Mr. Boban Orelj, Province Secretariat for Agriculture, Water Management and Forestry
- Mr. Vladimir Sindjić, Province Secretariat for Agriculture, Water Management and Forestry
- Mr. Milan Čeran, Province Secretariat for Economy
- Ms. Tanja Banjanin, Province Secretariat for Sports and Youth
- Ms. Biljana Panjković, Office for Environmental Protection – Serbia
- Ms. Duška Dimović, Office for Environmental Protection - Serbia
- Ms. Marija Topić, Standing Conference of Towns and Municipalities
- Ms. Ljiljana Milošević, Chamber of Economy – Vojvodina
- Ms. Milica Vračarić, “Alma Mons” Regional Agency for SME Development
- Ms. Mirjana Solarević, “Alma Mons” Regional Agency for SME Development
- Mr. Igor Bajić, Executive Council of the AP Vojvodina
- Mr. Andrija Aleksić, Executive Council of the AP Vojvodina
- Ms. Sanda Šimić, Ministry of Finance
- Ms. Mirjana Nožić, Ministry of Finance
- Mr. George Chabrzyk, TA

## Annex 2: Inhabitants and Population Density

### Change in the Number of Inhabitants and Population Density (inhabitants per km<sup>2</sup>)

| <b>CROATIA</b> | <b>1991</b> | <b>2001</b> | <b>Population Change</b> | <b>Population Density (2001)</b> |
|----------------|-------------|-------------|--------------------------|----------------------------------|
| Osijek-Baranja | 367,193     | 336,421     | -8.4%                    | 80.0                             |
| Vukovar-Srijem | 231,241     | 208,766     | -9.7%                    | 85.1                             |
| Total          | 598,434     | 545,187     | -8.9%                    | 82.5                             |
| Croatia        | 4,784,265   | 4,492,049   | -6.1%                    | 79.4                             |
| <b>SERBIA</b>  |             |             |                          |                                  |
| North Backa    | 202.493     | 200.140     | -1.16%                   | 112.2                            |
| West Backa     | 210.679     | 214.011     | +1.02%                   | 88.5                             |
| South Backa    | 543.878     | 593.666     | +1.09%                   | 147.9                            |
| Srem           | 303.216     | 335.901     | +1.10%                   | 96.4                             |
| Total          | 1.260.266   | 1.343.718   | +0.94%                   | 114.8                            |
| Serbia         | 7.576.837   | 7.498.001   | -1.04%                   | 84.9                             |

Source: Census 2001, Central Bureau of Statistics – Croatia

Serbia: : Statistical Year Book for Municipalities 2005

## Annex 3: Population Change and Age Structure

### Natural Population Fluctuation and Distribution of Inhabitants by Age in the Programming Area

| <b>CROATIA</b> | <b>Live Births</b> | <b>Mortality</b> | <b>Natural Growth</b> | <b>Age 0-14</b>   | <b>Age 15-64</b>   | <b>Age &gt;65</b>  | <b>Ageing Index</b> |
|----------------|--------------------|------------------|-----------------------|-------------------|--------------------|--------------------|---------------------|
| Osijek-Baranja | 3,108              | 3,713            | -605                  | 59,738<br>(17.8%) | 226,032<br>(67.4%) | 49,564<br>(14.8%)  | 0.83                |
| Vukovar-Srijem | 2,084              | 2,136            | -52                   | 40,125<br>(19.3%) | 137,910<br>(66.4%) | 29,611<br>(14.2%)  | 0.74                |
| Total          | 5,192              | 5,849            | -657                  | 99,863<br>(18.4%) | 363,942<br>(67.0%) | 694,261<br>(15.5%) | 0.79                |
| Croatia        |                    |                  |                       | 17.1%             | 67.4%              | 15.5%              | 0.91                |
| <b>SERBIA</b>  | <b>Live Births</b> | <b>Mortality</b> | <b>Natural Growth</b> | <b>Age 0-14</b>   | <b>Age 15-64</b>   | <b>Age &gt;65</b>  | <b>Aging Index</b>  |
| North Backa    | 1961               | 3150             | -6                    | 31148             | 136562             | 31751              | 1.02                |
|                | 9.9                | 15.9             |                       | 15.6%             | 68%                | 15.9%              |                     |
| West Backa     | 1875               | 3298             | -6.8                  | 32381             | 144729             | 26046              | 0.8                 |
|                | 9                  | 15.8             |                       | 15.9%             | 71%                | 12.8%              |                     |
| South Backa    | 6602               | 8107             | -2.5                  | 95955             | 410641             | 85205              | 0.89                |
| Srem           | 11.1               | 13.6             |                       | 16.2%             | 69.45%             | 14.4%              |                     |
|                | 3021               | 4467             | -4.3                  | 53963             | 228584             | 51270              | 0.95                |
| Total          | 8.9                | 13.2             |                       | 16.16%            | 68.5%              | 15.4%              |                     |
| SERBIA         | 13459              | 19022            |                       | 213447            | 920516             | 194272             | 0.91                |
|                | 78186              | 104320           | -4.7                  | 780923            | 5032805            | 1240586            | 1.58                |
| EU-15          |                    |                  |                       | 16.8%             | 66.9%              | 16.3%              | 0.97                |
| EU-27          |                    |                  |                       | 17.1%             | 67.3%              | 15.6%              | 0.91                |

Source: Census 2001, Central Bureau of Statistics – Croatia  
Serbia: Statistical Year Book for Municipalities 2005

## Annex 4: Nationality of Inhabitants

| <b>CROATIA</b> | <b>Croatian</b>   | <b>Serbian</b>  | <b>Others</b>    |
|----------------|-------------------|-----------------|------------------|
| Osijek-Baranja | 277,245 (83.9%)   | 28,866 (8.7%)   | 1% Hungarian     |
| Vukovar-Srijem | 160,277 (78.3%)   | 31,644 (15.5%)  | 0.9% Ruthenian   |
| Total          | 437,522 (81.7%)   | 60,510 (11.3%)  |                  |
| Croatia        | 89.6%             | 4.5%            |                  |
| <b>SERBIA</b>  | <b>Serbian</b>    | <b>Croatian</b> | <b>Others</b>    |
| North Backa    | 49.637 (24.8%)    | 17.227 (8.6%)   | 43.6% Hungarians |
| West Backa     | 134.644 (62.9%)   | 12.960 (6.1%)   | 10.2% Hungarians |
| South Backa    | 409.988 (69.1%)   | 12.040 (2.0%)   | 9.3% Hungarians  |
| Srem           | 283.861 (84.5%)   | 10.516 (3.1%)   | 2.7% Slovaks     |
| Total          | 878.130 (65.4%)   | 52.743 (3.9%)   |                  |
| Serbia         | 6.212.838 (82.9%) | 70.602 (0.9%)   |                  |

Source: Census 2001, Central Bureau of Statistics – Croatia  
 Serbia: Statistical Year Book for Municipalities 2005

## Annex 5: Road Infrastructure

### Road Network in the Programming Area

| <b>CROATIA</b> | <b>Length (km)</b> | <b>State Roads</b> | <b>County Roads</b> | <b>Local Roads</b> | <b>Density road network (m/km<sup>2</sup>)</b> | <b>km road/ 10,000 inhabitants</b> |
|----------------|--------------------|--------------------|---------------------|--------------------|--|------------------------------------|
| Osijek-Baranja | 1,614              | 470                | 624                 | 520                | 389  | 48.0                               |
| Vukovar-Srijem | 1,011              | 305                | 466                 | 240                | 413  | 48.4                               |
| Croatia        | 28,344             | 7,425              | 10,544              | 10,375             | 501  | 63.1                               |
| <b>SERBIA</b>  |                    |                    |                     |                    |  |                                    |
| North Backa    | 688                | 188                | 97                  | 403                | 386  | 34.4                               |
| West Backa     | 576                | 154                | 167                 | 255                | 238  | 26.9                               |
| South Backa    | 1,220              | 327                | 519                 | 374                | 304  | 20.6                               |
| Srem           | 1,200              | 269                | 371                 | 560                | 344  | 35.7                               |
| Serbia         | 38,133             | 4,696              | 10,367              | 23,073             | 3,258  | 50.9                               |

Source: Statistical Year Book 2006 , Croatia  
 Serbia: Statistical Year Book for Municipalities 2005



## Annex 6: Border Crossings

### Border Crossings for International Traffic

| Border Crossing<br>Croatian side (County)/Serbian<br>side (District) | Type of Border Crossing  |
|--|--|
| Batina (Osijek-Baranja) /Bezdan<br>(440.585 passengers) <sup>a</sup> | International border crossing for road traffic<br>category I   |
| Erdut (Osijek-Baranja) /Bogojevo<br>(505.668 passengers)             | International border crossing for road traffic<br>category I; permanent international border<br>crossings for railway traffic category 1 |
| Vukovar (Vukovar-Srijem) /Backa<br>Palanka<br>(683.237 passengers)   | International border crossing for river traffic<br>category I  |
| Ilok (Vukovar-Srijem) /Neštin<br>(48.070 passengers)                 | International border crossing for road traffic<br>category I   |
| Principovac (Vukovar-Srijem)<br>(171.161 passengers)                 | International border crossing for road traffic<br>category I   |
| Bapska (Vukovar-Srijem)<br>(60.33 passengers)                        | Border crossing for cross-border traffic   |
| Tovarnik (Vukovar-Srijem) /Šid<br>(615.000 passengers)               | International border crossing for road traffic<br>category I; permanent international border<br>crossings for railway traffic category 1 |
| Bajakovo (Vukovar-Srijem)<br>/Batrovci<br>(5.580.966 passengers)     | International border crossing for road traffic<br>category I   |

<sup>a</sup>The figures for border crossing are for the year 2006

Source: MFI , Custom Directorate  
Ministry of interior, border police

## Annex 7: Economic Indicators

### Gross Domestic Product/Gross National income in the Programming Area

| <b>CROATIA</b>                 | <b>GDP per capita<br/>(EUR) in PPP</b> | <b>GDP index<br/>Country=100</b> | <b>GDP index<br/>EU(27)=100</b> |
|--------------------------------|--|----------------------------------|---------------------------------|
| Osječko<br>Baranjska<br>county | 7.402                                  | 76.4                             | 34.4                            |
| Vukovarsko<br>srijemska county | 5.742                                  | 59.3                             | 26.7                            |
| <b>Croatia</b>                 | 9.684                                  | -                                |                                 |
| <b>SERBIA</b>                  | <b>GNI per capita</b>                  |                                  |                                 |
| North Bačka<br>district        | 1.610                                  | 108.3                            | 7.48                            |
| West Bačka<br>district         | 1.797,28                               | 120.9                            | 8.3                             |
| South Bačka<br>district        | 1.869,8                                | 125.8                            | 8.7                             |
| Srem district                  | 1.051,7                                | 70.7                             | 4.9                             |
| <b>Serbia</b>                  | 1.486                                  | -                                |                                 |
| <b>EU 27</b>                   | <b>21 503</b>                          |                                  |                                 |

Source: FINA 2004-Croatia and Statistical year book 2005

Serbia: Statistical Year Book for Municipalities 2005

## Annex 8: Economic Sectors

### Shares of the Counties in Gross Value Added (GVA) in certain sectors in the total GAV of the Republic of the Croatia, 2001, %

|                              | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> | <b>I</b> | <b>J</b> | <b>K</b> | <b>L</b> | <b>M</b> | <b>N</b> | <b>O</b> | <b>P</b> |
|------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Osijek-baranja county</b> | 13,2     | 5,7      | 4        | 4,5      | 3,2      | 5,9      | 5,1      | 2,5      | 5        | 4,9      | 4,4      | 5,4      | 7,4      | 6,9      | 5,1      | 4,5      |
| <b>Vukovar county</b>        | 8,9      | 0,1      | 0,8      | 1,1      | 1,7      | 4,3      | 2,5      | 1        | 2        | 1,3      | 1,1      | 2,9      | 3,6      | 3        | 1,7      | 4,2      |

Source; Central Bureau of Statistics - Croatia

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

## Annex 9: Employment by Economic Sector

### People in Employment in Business Entities According to NKD

|   | Osijek- baranja<br>County | Vukovar-srijem<br>County | Croatian<br>Programming<br>Area | Serbian<br>Programming<br>Area |
|---|---------------------------|--------------------------|---------------------------------|--------------------------------|
| Total   | 71.612                    | 29.599                   | 101.211                         |                                |
| <b>Agriculture,<br/>Hunt and<br/>Forestry</b> | <b>4.440</b>              | <b>3.446</b>             | <b>7.886</b>                    | <b>8.000</b>                   |
| Fishery                                       | 94                        | -                        |                                 |                                |
| Mining and<br>Extracting                      | 247                       | 78                       |                                 |                                |
| <b>Processing<br/>Industry</b>                | <b>15.816</b>             | <b>4571</b>              | <b>20.387</b>                   | <b>48.645</b>                  |
| Power, gas<br>and water<br>supply             | 2.020                     | 937                      |                                 |                                |
| Construction                                  | <b>5.363</b>              | <b>2183</b>              | <b>7.546</b>                    | <b>7.643</b>                   |
| <b>Retail sale<br/>and wholesale</b>          | <b>11.942</b>             | <b>4.175</b>             | <b>16.117</b>                   | <b>32.862</b>                  |
| Hotels and<br>restaurants                     | 1.272                     | 284                      |                                 |                                |
| Transport,<br>storage and<br>connections      | 4.322                     | 2.151                    |                                 |                                |
| Financial<br>business                         | 1.728                     | 426                      |                                 |                                |
| Real estates<br>business,<br>renting          | 3.375                     | 593                      |                                 |                                |
| <b>Education</b>                              | <b>6.614</b>              | <b>3.305</b>             | <b>9.919</b>                    | <b>9.000</b>                   |
| Medical and<br>social care                    | 5.213                     | 2.436                    |                                 |                                |
| Other social,<br>and private<br>services      | 2.312                     | 715                      |                                 |                                |

Source: Statistical Year book 2006 – Croatia

Source: Statistical Year book 2005 – Serbia

## Annex 10: Small and Medium Sized Enterprises

### Numbers of SMEs and SME Employment in Programming Area

| <b>CROATIA</b>  | <b>Number of SMEs</b> | <b>Share of Enterprises</b> | <b>Number Employed</b> |
|-----------------|-----------------------|-----------------------------|------------------------|
| Osijek-baranja  | 3,192                 | 4.6%                        | 45,936                 |
| Vukovar- srijem | 1,095                 | 1.6%                        | 16,227                 |
| Croatia         | 68,981                |                             | 820,219                |
| <b>SERBIA</b>   |                       |                             |                        |
| North Backa     | 2 828                 | 3.78                        | 20 321                 |
| West Backa      | 1 557                 | 2.08                        | 16 401                 |
| South Backa     | 8 357                 | 11.18                       | 56.619                 |
| Srem            | 2 239                 | 3.00                        | 18.305                 |
| Serbia          | 74 736                | xx                          | 554 798                |

Source: FINA 2004 - Croatia

Source: Serbian Agency for SME's data base 2005

## Annex 11: Visitors and Tourists

### Number of Visitors and Tourist Nights

| <b>CROATIA (2005)</b>       | <b>Visitors</b> | <b>Tourist nights</b> | <b>Tourist nights per inhabitant</b> |
|-----------------------------|-----------------|-----------------------|--------------------------------------|
| Osječko-baranjska county    | 62.651          | 143.774               | 0,43                                 |
| Vukovarsko-srijemska county | 31.314          | 55.536                | 0,27                                 |
| TOTAL CROATIA               | 9.995.070       | 51.420.948            | 11,45                                |
| <b>SERBIA</b>               |                 |                       |                                      |
| North Backa                 | 35,110          | 79,362                | 0.40                                 |
| West Backa                  | 21,318          | 80,163                | 0.37                                 |
| South Backa                 | 79,061          | 152,169               | 0.25                                 |
| Srem                        | 31,230          | 92,867                | 0.28                                 |
| Serbia                      | 1,971,683       | 6,642,623             | 0.89                                 |

Source: Statistical Yearbook 2006 – Croatia

Source: Statistical Year Book for Municipalities 2005 - Serbia

## Annex 12: Education

### Levels of Education in the Programming Area

| <b>CROATIA</b> | <b>Primary or less than primary</b> | <b>Secondary</b>  | <b>University, MSc, PhD</b>         |
|----------------|-------------------------------------|-------------------|-------------------------------------|
| Osijek-Baranja | 125,728 (37.4%)                     | 119,444 (35.5%)   | 24,916 (7.4%)                       |
| Vukovar-Srijem | 84,200 (40.3%)                      | 68,380 (32.8%)    | 10,945 (5.2%)                       |
| Total          | 209,928 (38.5%)                     | 187,824 (34.5%)   | 35861 (6.6%)                        |
| Croatia        | 1,486,879 (33.1%)                   | 1,733,198 (38.6%) | 438,034 (9.8%)                      |
| <b>SERBIA</b>  | <b>Primary or less than primary</b> | <b>Secondary</b>  | <b>University, higher education</b> |
| North Backa    | 76,203 (38.1%)                      | 72,814(36.4%)     | 15,343(7.7%)                        |
| West Backa     | 76,039 (35.5%)                      | 81,358(38%)       | 13,872(6.5%)                        |
| South Backa    | 175,418(29.5%)                      | 233,405(39.3%)    | 64,660(10.9%)                       |
| Srem           | 118,229(35.2%)                      | 123,103(36.6%)    | 20,675(6.2%)                        |
| Total          | 445,889(33.2%)                      | 510,680(38%)      | 114,550(8.5%)                       |
| Serbia         | 2,532,436(33.8%)                    | 2,596,348(34.6%)  | 697,000(9.3%)                       |

Source: Statistical Year book 2006 - Croatia

Serbia: Statistical Year Book for Municipalities 2005

## Annex 13: Employment and Unemployment

### Employment and Unemployment in the Programming Area

| <b>CROATIA</b> | <b>Average Number Unemployed</b> | <b>Total Number Employed</b> | <b>Unemployment Rate</b> | <b>Employment Rate</b> |
|----------------|----------------------------------|------------------------------|--------------------------|------------------------|
| Osijek-Baranja | 32,045                           | 104,574                      | 23.5%                    | 49.6%                  |
| Vukovar-Srijem | 19,612                           | 51,491                       | 27.6%                    | 40.5%                  |
| Total          | 51,657                           | 156,065                      | 25.6%                    | 45.1%                  |
| Croatia        |                                  |                              | 17.9%                    | 53.1%                  |
| <b>SERBIA</b>  |                                  |                              |                          |                        |
| North Backa    | 29,612                           | 57,226                       | 21.8%                    | 42.2%                  |
| West Backa     | 32,483                           | 50,013                       | 23%                      | 35.4%                  |
| South Backa    | 79,917                           | 200,708                      | 19.4%                    | 48.6%                  |
| Srem           | 53,172                           | 70,278                       | 23.3%                    | 30.8%                  |
| Total          | 195,184                          | 378,225                      | 21.9%                    | 39.3%                  |
| Serbia         | 969,888                          | 2,050,854                    | 19.4%                    | 40.9%                  |

Source: Statistical year book 2006- Croatia

Serbia: Statistical Year Book for Municipalities 2005

## Annex 14: Protected Areas

### Nature protection areas in the programming area

| Croatia  | Serbia  |
|--|---|
| <ul style="list-style-type: none"> <li>▪ Nature park Kopački rit (Ramsar site)</li> <li>▪ Zoological reserve Kopački rit</li> <li>▪ Reserve Podpanj (ornithological)</li> <li>▪ Erdut (protected landscape)</li> <li>▪ Lože (forest reserve)</li> <li>▪ Radiševo (forest reserve)</li> <li>▪ Vukovarske dunavske ade (forest reserve)</li> <li>▪ Spačva (landscape)</li> <li>▪ Virovi (landscape)</li> <li>▪ Rijeka Vuka (landscape)</li> <li>▪ 6 Natural monuments</li> <li>▪ 16 Parks of special horticultural interest</li> </ul> | <p><b>National Park:</b></p> <ul style="list-style-type: none"> <li>• Fruška Gora mt.</li> </ul> <p><b>Nature park:</b></p> <ul style="list-style-type: none"> <li>• Palić Lake environs</li> <li>• Tikvara Pond</li> <li>• Begečka jama water-filled depression</li> </ul> <p><b>Landscape of outstanding qualities:</b></p> <ul style="list-style-type: none"> <li>• Subotička sandy desert,</li> <li>• Park and Forest Park on Zobnatica Agricultural Estate</li> <li>• Forest Park complex of Panonija Agricultural and Tourist Estate</li> </ul> <p><b>Nature reserve:</b></p> <ul style="list-style-type: none"> <li>• Stara Vratična Forest</li> <li>• Varoš Forest</li> <li>• Majzecova Bašta Forest,</li> <li>• Radjenovci Forest</li> <li>• Raškovića Forest</li> <li>• Vinična Forest</li> <li>• The Upper Danube Basin</li> <li>• Karadjordjevo</li> <li>• Selevenske wildernesses</li> <li>• Swamp forest on Mačkov Sprud Islet</li> <li>• Koviljsko-Petrovaradinski Swamp</li> <li>• Obedska Pond</li> <li>• Stara Vratična Forest</li> <li>• Zasavica River</li> <li>• Ludaško Lake</li> <li>• Ključ Pond</li> <li>• Šaranka Pond</li> <li>• Gornje njive Pond</li> </ul> <p><b>Area in the procedure to be protected:</b></p> <ul style="list-style-type: none"> <li>• Titelski breg hill</li> <li>• Locust forest</li> </ul> |

Source: Ministry of Culture, according to the Law on Nature Protection – Croatia

Source: Tourist Organization of the Republic of Serbia

## Annex 15: 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: Sustainable Socio-Economic Development*

For the budget 2007, the proposition is to launch one call for proposals. All three measures will be included into the first call, covering both: "big" (value of €50-200,000) and small (value of €30-50,000) grants.

| Country | Call for proposal (priority 1)   | Launch date    | Signature of contracts | Project completion | Indicative amount IPA | Indicative amount National | Indicative amount TOTAL |
|---------|--|----------------|------------------------|--------------------|-----------------------|----------------------------|-------------------------|
| Croatia | CfP 1: (all three measures; value of grants €50-200,000 and small grants €30-50,000) | September 2008 | May 2009               | August 2010        | 720,000               | 127,059                    | 847,059                 |
| Serbia  |  |                |                        |                    | 900,000               | 158,824                    | 1,058,824               |
|         | <b>TOTAL</b>   |                |                        |                    | <b>1,620,000</b>      | <b>285,883</b>             | <b>1,905,883</b>        |

### *Tentative Timetable and indicative amount of the tenders for Priority 2: Technical Assistance*

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

| Country      | Request for grant award | Signature of contract | Subcontracting | Project completion | Indicative amount IPA | Indicative amount National | Indicative amount TOTAL |
|--------------|-------------------------|-----------------------|----------------|--------------------|-----------------------|----------------------------|-------------------------|
| Croatia      | March 2008              | April 2008            | July 2008      | September 2010     | 80,000                | 35,000                     | 115,000                 |
| Serbia       | March 2008              | April 2008            | July 2008      | September 2010     | 100,000               | 17,647                     | 117,647                 |
| <b>TOTAL</b> |                         |                       |                |                    | <b>180,000</b>        | <b>52,647</b>              | <b>232,647</b>          |