

Moldova – Ukraine Joint Operational Programme

Approved by the Joint Decision Making Committee
on 06 October 2014



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Executive Summary/Introduction

Based on the Action Fiche for the Eastern Partnership Territorial Cooperation Programmes, annexed to the Commission Implementing Decision C(2013)8293 of 22.11.2013, and Strategy for the Eastern Partnership Territorial Cooperation Programmes, the Moldova-Ukraine territorial cooperation programme (hereafter – TC programme) has been prepared jointly under the leadership of the State Chancellery of the Republic of Moldova and the Ministry of Economic Development and Trade of Ukraine, and with advice of the Eastern Partnership Territorial Cooperation Support Programme.

In order to ensure broader ownership of the TC programme by communities of both participating countries – Moldova and Ukraine – the Moldovan and Ukrainian partners established a working group to elaborate the joint operational programme. The working group comprises representatives from the following institutions:

Moldova: State Chancellery, Ministry of foreign affairs, Ministry of finance, Ministry of regional development and construction, representatives of regions and Moldovan National Platform of EaP Civil Society Forum

Ukraine: Ministry of Economic Development and Trade, Ministry of foreign affairs, representatives of regional administrations of Chernivtsi, Vinnytsya and Odesa, and Ukrainian National Platform of EaP Civil Society Forum

The working group met first on the 8th of November, 2013 in Odesa, Ukraine. Further consultations took place during the Moldova-Ukraine territorial cooperation regional conference held on the 12th of December, 2013 in Chişinău, Moldova, and during EaPTC Opening conference on 4 July 2014 in Tbilisi, Georgia. The second working group meeting took place on 15 July 2014 in Chişinău, Moldova.

Public consultations on the joint operational programme were held in June-July 2014 (Annex 5). The final version of the joint operational programme was discussed and accepted at the Joint Decision Making Committee on 06 October 2014 in Kyiv, Ukraine.

The current document includes a description of social, economic and environmental development of the regions on the Moldova-Ukraine state border, summarised in the SWOT analysis table (Section 1), outlines the territorial cooperation strategy and operational objectives (Section 2), sets out priorities and eligible actions (Section 3), defines eligible project beneficiaries and programme implementation modalities (Sections 5-7).

The joint operational programme touches upon specific aspects of territorial cooperation on the border between Moldova and Ukraine. In this regard it takes into account the actual context that involves a variety of national actions of both Moldova and Ukraine in the fields of the regional policies as well as the on-going cross-border cooperation programmes involving Moldova, Ukraine and Romania as well as the Black Sea Basin-programme.

1. Strategic analysis of the bordering regions

1.1 Eligible regions

The eligible area of the TC programme Moldova-Ukraine includes the following regions/administrative units situated along the Moldova-Ukraine state border:

Moldova	Ukraine (<i>oblast</i>)
<ul style="list-style-type: none">• Whole territory	<ul style="list-style-type: none">• Chernivtsi• Odesa• Vinnytsya

The TC programme covers an area of 101,766 km², of which 33,846 km² are located in Moldova and 67,920 km² in Ukraine. In 2012, the total population of the area amounted to 8488.9 thousand inhabitants, of which 3559.5 thousand live in Moldova and 4929.4 thousand in Ukraine.

Region	Area (km ²)	Percentage of total country's area (approx.)	Population (2012, thousand inhabitants)	Percentage of total country's population (approx.)	Density (inhabitants/km ²)
Moldova					
Whole territory	33,846	100	3559.5	100	105.2
Ukraine					
Chernivtsi	8,097	1.3	907.2	2.0	112.0
Odesa	33,310	5.5	2395.2	5.3	71.9
Vinnitsya	26,513	4.4	1627.0	3.6	61.4

1.2 Overview of the current Moldova-Ukraine relations

The Republic of Moldova and Ukraine established diplomatic relations in 1992. As of January 2014, the relations between the two countries are based on 128 different legal acts and documents (treaties, agreements, etc.) in force. The most relevant of these legal documents in the given context are the Treaty on Neighbourhood, Friendship and Cooperation (1992), the Treaty on the State Border (1999), as well as the Consulate Convention between Ukraine and the Republic of Moldova (1995).

The border between the Republic of Moldova and Ukraine stretches to a length of 1,222 km, of which 955 km is a land border, while the river border constitutes 267 km. There are 67 permanent official border crossing points along the Moldavian-Ukrainian border of three categories:

international - for crossing by persons and transport belonging to any state,

interstate - for crossing by persons and transport from the Republic of Moldova and Ukraine, and

local - for crossing by citizens of the Republic of Moldova and Ukraine residing in bordering administrative districts.

Moldova-Ukraine relations have to face the fact that one of the distinctive characteristics of the state border between the two states is the situation of the region of Transnistria in Moldova, over which the government of the Republic of Moldova has no full control. This region lies adjacent to 454 km of the state border with Ukraine; 25 official Moldova-Ukraine border crossing points are positioned along the border line. The internal boundary between the Transnistria region and other regions of Moldova is not monitored by Moldovan border guards. However, there are some customs check-points supported by police at road crossing points.

Another aspect which has been taken into account is the specific situation caused by the geographic location of the Moldovan village Palanca: its territory extends into the Odesa oblast of Ukraine in such a way that makes it impossible to drive from one (northern) part of Ukraine to the southern parts without crossing the territory of the Republic of Moldova.

1.3 Overview of the bordering regions

The eligible bordering regions have similar geographical conditions and share a common economic and social history in transition. But their starting conditions at the beginning of transformation were rather diverse and have shaped the current development status. The western parts of Moldova served as providers of agricultural products, while bigger industrial sites were developed only in the eastern parts that now form the region of Transnistria. On the Ukrainian side of the border, agriculture was also developed but industry played a more important role. Moreover, Odesa oblast was always in the special position as a maritime transport hub to the Black Sea.

Disruption of former economic ties posed a problem, especially to Moldova due to its limited internal demand: it was in no position to substitute falling exports. At the same time, the Ukrainian agrarian bordering regions could profit from the bigger country size and growing internal demand as well as from world-wide growing trade volumes. Additionally, the necessary re-direction of trade was much easier for more standardized industrial

products than for agricultural products. Thus, Moldova fell behind in economic development and still has to find its place.

Contrary to economic development, the institutional background of the countries, as well as educational levels and administrative rules, are similar. Russian language still remains a *lingua franca* that can be understood throughout the eligible region – factors that ease cross-border cooperation.

Geography and Infrastructure: The geographic conditions of the eligible regions are slightly diverse. They vary from the Carpathian Mountains that form a part of the Chernivtsi oblast in the north to the hilly areas of Vinnytsya oblast and Moldova to the flat pre-costal and costal zones of the Black Sea in the south in Odesa oblast. Climate conditions on average are favourable with mild winters and summers. The area is not a subject to extreme climatic conditions, but increasing incidents of draughts and floods that occur with climate change require adaptation and mitigation measures to be taken.

Regions in the programme area benefit from their geographical position: a number of European and international transport corridors and connections intersect the regions in question or run close along, e.g. Europe-Caucasus-Asia, Baltic Sea-Black Sea, Moscow-Kyiv-Bucharest transport corridors. Transport routes between the regions are generally very well developed for all means of transport, although the quality often does not meet European standards. Disturbances and disruptions of transport routes result from the specific status of Transnistria region, but the important railway line connecting Chişinău and Odessa has already been re-opened. Several international airports exist in the eligible region, albeit not all of them are fully operational. Two biggest – Chişinău and Odesa international airports – boast 1.3 million and over 1.0 million passengers respectively.

Demography and Population: The programme area is characterised by a natural decrease of the population size: the trend that started with independence of both countries in early 1990-ies and continues till nowadays. Moldova's population has shrunk by about 10 per cent since 2004; the similar trend is being observed in the case of Chernivtsi and Vinnytsya oblast, while Odesa oblast underwent a slightly lesser decline. The negative dynamics on the Ukrainian side of the border stem from low birth rates, while migration inflow to the regions remained positive, albeit making only several hundreds of people. The surge from the rural areas towards cities and especially the capital city Kyiv is pronounced and growing over recent years. In Moldova, the same tendency towards bigger urban centres - the capital, Chişinău and the second largest city, Balti – can be also observed since 2009. The urbanization process in Moldova is partly attributable to students moving to the capital provoking brain drain and depopulation in rural areas. But as far as worker migration is concerned, the process is partly unmanaged and implies growing social and infrastructural problems for the cities. Despite these developments, the majority of the population of the programme area still lives in rural areas. In Moldova and Chernivtsi oblast, rural population makes up more than 57 per cent, while in Vinnytsya oblast – around one half, in Odesa oblast – one third of total regional population.

Moldova has a strong outward migration of seasonal workers; the bulk of them (75 per cent) heads to Russia, and the rest mainly to the EU countries. According to the available population census data, the number of “temporarily absent” residents in Moldova reaches about 10 per cent of the population; the northern region showing the highest rates. Since this working cohort is mostly young and well educated, a substantial portion of the active labour force abandons the country regularly, posing serious consequences for the potential of country's economic development.

The ethnic composition of the eligible regions is relatively homogenous: there exists a core single ethnic group (Moldovans or Ukrainians) that makes up a majority of regional population. However, ethnic minorities play a role in Moldova as well as in the eligible Ukrainian regions: depending on the region there live Russian, Gagauz, Bulgarian, Romanian, Greek and Jewish communities. The main ethnic groups are also intermingled: around 10 per cent of the Moldova's population is of Ukrainian origin and vice versa. The Diaspora Office in Moldova reports the highest share of Moldovans located in the Chernivtsi oblast, but also in Vynnytsya and Odesa oblast. The majority of Gagauz also reside in Ukraine (mainly Odesa oblast), and not in Gagauzia, the autonomous part of the Republic of Moldova. Additionally, seasonal worker migration between the countries contributes to confusion.

Dispersion of ethnic communities in the programme area opens an opportunity for promotion of cultural diversity and integration of minorities, which would enhance common understanding.

Agriculture: Agriculture forms the economic backbone of all eligible regions with the exception of Odesa oblast where transport services dominate. Climatic conditions in the whole region are favourable for the sector development. However, a number of factors, e.g. deep labour division inherited from the Soviet times and resulting in lack of general skills of today's farmers, hamper the further development of highly competitive farming. In Moldova, the agriculture sector is most noticeable in the southern districts of the country. There, about 60 per cent of the labour force is engaged in agriculture. Many smaller private plots have been leased out to institutional investors who collect lands in order to make use of economies of scale and move on to international markets. In the central districts, farms focus on viticulture; fruits and vegetables are also highly profitable and can be harvested three times per year. In the northern districts, arable land has been split excessively during privatisation. It has resulted in farm sizes so small that they mostly only serve subsistence purposes. In Ukrainian bordering regions, with the exception of the mountainous regions, a similar specialisation of agricultural production prevails. Therefore, many problems related to the agriculture sector are shared on both sides of the border: growing vulnerability to natural disasters, low productivity due to lacking access to technology, underdeveloped infrastructure for storing and collection of harvest and transport to central markets and the need for water management for irrigation purposes are only examples of topics which could be addressed in cross-border farmers associations.

Industry: On the Moldovan side of the border, the core of industrial production is located in Transnistria region. However, as the region is not under control of the government of Moldova, no full statistical information is provided to Moldovan authorities. It is estimated that in Transnistria region, industry contributes about 28 per cent to the gross value added of the territory, electricity generation and the output of the Moldovan Metallurgical Plant being the most important branches. In the other parts of the country, industry plays a minor role and is focused on food and beverages production (43 per cent of the whole industrial production) and on the textile and leather industry (7.2 per cent). The eligible bordering regions on the Ukrainian side are not important contributors to total industrial production of Ukraine. Altogether, industrial production of the three regions constituted only 5.1 per cent of the country's total industrial production, Odesa oblast being the most important contributor of the three. Odessa oblast hosts metallurgic, machine-building, chemical and petrochemical industries that are producing partly for export.

Services Sector, including Tourism: The service sector is the most dynamic sector of the eligible region, developing with two-digit paces since the early 1990-ies. The greatest contribution is made by trade (nearly a quarter of regional value added) in Odesa oblast where the sea ports act as an international transport hub for transporting goods. Port Yuzhny gives the start to an oil pipeline to Poland. The good transport infrastructure and the geographic position of Moldova also makes it a transport knot towards western European countries, albeit road and rail transport suffers from poor quality and out-dated technology. Construction of new buildings is of minor importance for the regional economies, while reconstruction works in the governmental and residential sector offer good opportunities for local business. Telecommunication services including provision of internet access in rural areas are still underdeveloped and require major investments.

Till date, the tourism sector generally plays a minor role in the economies of the eligible regions, contributing only 1-3 per cent to the gross value added, but the potential is considered as high. Touristic infrastructure on both sides of the border, however, is relatively out-dated and tailored to collective-routed tourism services provided in former Soviet times. In the Moldovan part, with the exception of Chişinău, it does not meet expectations of international tourists. Accommodation capacities for regular tourists in Moldova have developing slowly over the last decade. Only recreation sites for children saw a substantial increase of capacities by nearly 20 per cent and now have a share of over 50 per cent in overall accommodation capacities. In the Ukrainian regions, recreational sites in the Carpathian Mountains are relatively well developed, as is hotel infrastructure in Odessa city. But neither capacities, nor qualities of service and knowledge of staff could likely satisfy demand if the potentials in the tourism sector were unlocked and opened.

Environment, Natural and Cultural Heritage Resources: The eligible regions in the programme area are rich in cultural heritage and monuments, museums and fortresses, and also offer numerous nature reserves and nature sites - ranging from the Carpathian Mountains to coastal areas of the Black Sea. The famous Wine Road has its main route through the central part of Moldova, and the most important monasteries of the country (Capriana, Hancu, Dobrusa just to name some) are located there. The eligible regions on the Ukrainian side boast some sites entered into the UNESCO list of world cultural heritage (e.g. Residence of Bukovian and Dalmatian Metropolitans in Chernivtsi, or historic centre of Odesa that is included in the tentative list).

Despite the richness of natural resources, environmental damage and the poor condition of the environment in general make local and regional administrations concerned. Technically, all of them have included environmental protection among their priorities for regional development. Agricultural lands washed away during occasional floods of Danube, Prut and Dnestr rivers call for better river management measures. Air pollution from stationary sources is limited due to comparably low degree of industrialisation. Steeply increased volumes of waste in rural areas and low recycling rates in the whole eligible programme area however are a major concern for regional development on both sides of the border. E.g. in Chernivtsi the increase of waste generated since 2000 was 8-fold; in Moldova household waste in cities doubled since 2008; as a result, the stocks of not recycled industrial waste keeps on growing.

Living Conditions: Living conditions across the programme area are rather diverse, as are areas of economic activity of the population and development levels in general. Income levels in Moldova are relatively low: on average, disposable income of households only slightly exceeds calculated subsistence levels. These can be reached only with the help of remittances which contribute about 17 per cent to the total disposable income and social transfers (20 per cent). Income from self-employment in agriculture adds another 10 per cent. A large part of the workforce is engaged in agriculture – more than 60 per cent in the south, and about 40 per cent in the other regions, mostly in subsistence work. The official unemployment rate has been recently decreasing: it is recorded quite low with 5.6 per cent, according the International Labour Organisation (ILO) definition used in the official statistics. However, hidden unemployment in agriculture and migration of workers show that there would be enough labour supply if new jobs and business opportunities were created in other spheres of the agricultural value chain than primary production or in other fields of the underdeveloped services sector.

In the Ukrainian side of the border, unemployment rates by the same methodology ranges from nearly 10 per cent in Vinnitsya oblast to 6 per cent in the booming Odesa region. There the demand for labour force increased steeply in the trade and transport sectors and joblessness remains below the national average. The share of people employed in agriculture is much lower than in neighbouring Moldova: it ranges between 30 per cent in Vinnitsya oblast to 15 per cent in the Odesa oblast. On average only 10 per cent of the inhabitants of the three bordering regions are below subsistence levels. Accordingly, income generated by employment plays a more evident role compared to Moldova (41 per cent of total disposable income of households in Vinnitsya -55 per cent in Odesa oblast).Dependency from social transfers is lower and remittances contribute a statistically insignificant portion on average.

Similarly, with respect to housing and living infrastructure the absolute levels of the countries differ. Infrastructure is in poor condition in the rural areas of Moldova. It consequently impedes economic participation of a part of the workforce. Some smaller roads are not paved and villages are cut off from transport during poor weather. Poor health care capacities and the absence of higher education institutions force people to move to the cities. Sewage connectivity is only at 22 per cent for all households, while many villages are not connected at all. Water treatment technologies applied are out-dated and partly inoperable: as a result considerable volumes of waste water are discarded directly into the (partly bordering or border-crossing) rivers. In the Ukrainian eligible regions, the overall living conditions with respect to housing and infrastructure are better, but problems with sewage and resulting poor quality of drinking water also prevail. A further problem shared across the programme area is disposal of solid waste from households, as well as waste from industrial sites which can be partly toxic and dangerous. Waste management technologies and waste recycling are underdeveloped: waste is mostly stored

in open landfills, parts of them illegal. The problems shared on both sides of the border build up a array of items to be addressed through the cooperation across the border.

Experience in cross-border cooperation activities: Compared to other Eastern Partnership territorial cooperation programmes, the regions within this programme area can boast the most extensive experience in ENPI cross-border cooperation (CBC) activities where EU member states are involved. The Neighbourhood Programme Ukraine-Romania was implemented in 2004-2006 with the funds from TACIS (6.5m EUR), PHARE (29m EUR) and national contribution from Romania of 9.183m EUR. The programme focused on support to local development, enhancing trans-border infrastructure and people-to-people contacts. It encompassed Zakarpattya, Ivan-Frankivsk, Odesa and Chernivtsi regions of Ukraine. A similar Neighbourhood Programme in the same period was implemented between Romania and Republic of Moldova. The assessment of these two programmes highlighted the relevance of the locally developed projects to the regional needs and regional development targets.

Organisations of Moldova and Odesa oblast take part in two ENPI CBC programmes: Romania-Ukraine-Republic of Moldova Joint Operational Programme 2007-2013 and Black Sea Joint Operational Programme 2007-2013. Chernivtsi oblast is an eligible region in the programme Romania-Ukraine-Republic of Moldova and is involved as an adjacent region in another ENPI CBC Hungary-Slovakia-Romania-Ukraine programme with a limited participation. Vinnytsya oblast may participate in the programme Romania-Ukraine-Republic of Moldova as an adjacent region.

Participation in the ENPI CBC programmes has helped the regions to increase understanding of joint problematic across the borders and develop a strong project base for cross-border partnerships. Results of recent calls for proposals in the ENPI CBC programmes can be as an illustration: out of total number of 1060 concept notes submitted in response to the second call (2011) in the programme Romania-Ukraine-Republic of Moldova, 272 came from Moldovan institutions, and 141 – from Ukraine.

1.4 Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis

Strengths	Weaknesses
Favourable climatic conditions for development of efficient agriculture and ecological production Well-developed network of international transport infrastructure crossing regions in the programme area Geographical proximity to the European markets Richness of natural and cultural heritage resources Extensive experience in cross-border cooperation programmes with EU countries	Decreasing and ageing population, depopulation in rural areas, migration to capital cities and abroad Regional economies are strongly dependent on agricultural sector Regional economies are dependent on low-skilled labour limiting creation of higher value added Out-dated local infrastructure (e.g. sewage networks, roads), poor public services Under-developed small-medium business and services sector in general Strong outward migration from regions of the programme area
Opportunities	Threats
Opening and further liberalisation of trade relations between Eastern Partnership countries and the EU, as well as development of trade routes connecting the EU, Caucasus and Asia Synergetic effects of other regional development programmes that support investments in regions of the programme area Spill-over effects of EU social-economic development programmes positively integrating regions in the programme area into EU markets	Divergence of income levels within the regions (within economic activities; rural and urban areas) Divergent of investment capacities leading to higher inequality within the programme area Negative effects of climate change resulting in a growing number of incidence of natural disasters, especially floods and draughts Escalation of frozen conflict in relation to Transnistria region of the Republic of Moldova resulting in limitations of cross-border contacts

Possible rise of demand for ecologically clean products in national, regional and global markets

Development of strong economic and cultural centres within the programme area that can become engines of the regional development

Further integration to EU markets following the association process

Depopulation of rural areas impedes efficient provision of local public services and investment in infrastructure (maintenance and new development)

2. TC programme strategy

The objective of the territorial cooperation programme is to strengthen cross border contacts between local authorities, communities and civil society organisations to help develop joint solutions to common social and economic development challenges.

The analysis of economic, social, and environmental developments in the programme target area leads to a conclusion that territorial cooperation of the bordering regions of Moldova and Ukraine can be fruitful to address three types of tasks that cannot be addressed by isolated national regional development measures:

First, the task to minimize direct negative spill-over effects: Activities carried out in the bordering region of one country may impose a burden or even harm for a bordering region of the other country. The respective risks can be averted or mitigated only by a joint action of the two countries involved.

Second, the task to maximize direct positive spill-over effects: Activities carried out in the bordering region of one country can create a surplus benefit in the bordering region of the other country only if the countries collaborate, share information on markets, technologies, customers, and facilitate the flow of goods and people across borders.

Third task is to unlock the potential of relational/social capital across borders. Repeated interpersonal relations create trust and enhance gains from information exchange. The support of people-to-people measures across borders in education, culture and sports will build up relational capital that diminishes obstacles for communication, and can facilitate future cross-border activities in many spheres.

3. Priorities and actions

The territorial cooperation programme will be implemented through three operational objectives:

- I. Improving the living conditions of local communities in the border regions through joint projects supporting economic and social development
- II. Addressing common challenges in the fields of environment, employment, public health and any other field of common interest having a cross border dimension
- III. Culture, education and sports

3.1 Operational objective 1 – Improving the living conditions of local communities

Within this operational objective, activities pursuing the following two priorities will be supported:

- Promotion of closer business links across the border

Moldova and Ukraine are important economic partners. Regional economies on both sides of the border share similar social, economic internal and external challenges and opportunities. Under these circumstances the programme regions can be seen as one economic area of cooperation. This opens possibilities for cross-border exchange of experience and practice, development of synergies or pooling common resources and joint projects.

- Diversification of income sources and development of alternative employment opportunities in rural areas

As described in the Section 2, income of households in the eligible regions is highly dependent on remittances, social welfare and agriculture. The issue is most pronounced in rural areas. With few exceptions the regional

economies in the programme area hinge on agricultural sector, while other economic sectors remain underdeveloped. As the regional agricultural sector gradually increases its productivity, growth of employment rates in the sector will be limited. Thus, considerable amounts of labour force are freed leading to rise of cross-border migrant worker flows. Diversification of rural economic structures, which provides alternatives for the labour force, can bring a balance.

3.2 Operational objective 2 – Addressing common challenges

Within this operational objective, activities pursuing the following priority will be supported:

- Solving cross-border environmental problems, enhancing emergency preparedness

A distinctive environmental feature of the programme area is the shared river basins of Danube, Dniester and Prut. Intervention to environment on one side of the border may have an impact – positive or negative - on the other side. Therefore, addressing the environmental issues – water resources, air pollution, risks of natural disasters – requires joint efforts. Poor quality of infrastructure for water and wastewater management as well as waste management at the local level effects, on one hand, the quality of living conditions and economic activity, and on the other hand, environmental status in the entire region. In this regard, small-scale joint efforts may contribute to a global coherent approach.

3.3 Operational objective 3 – Culture, education and sports

Within the operational objective, activities pursuing the following two priorities will be supported:

- Promotion of multi-cultural diversity and social integration of ethnical minorities across the border

The territorial cooperation programme area has a rich multi-cultural environment with a number of different ethnical communities. For the regional societies at large this environment poses challenges and opportunities to develop their cultural identity and uniqueness. This opens opportunities for people-to-people exchange for building up social capital.

- Facilitation of people-to-people links in social sphere, culture, education and sports with focus on youth issues

The development of cross-border links between the youth can foster common shared values and strong culture of cooperation, thus laying down a solid ground for long-term cooperation. Therefore, investments into the links between youth and their involvement in finding solutions for social, educational, environmental and cultural issues may contribute to higher sustainability of the programme at large.

Examples of actions to be supported under the above priorities are reflected in the Guidelines for applicants.

4. Indicators of achievement

Success of the territorial cooperation programme will be monitored as to what extent it adheres and contributes to the ENPI Regional East Programme Strategy Paper 2010-2013 and Indicative Programme 2010-2013. The following set of quantitative indicators will be applied:

Aspect	Measured by:	Baseline	Target
The increased level of structured and institutionalised contacts between local authorities of the bordering regions	Number of applications received in response to a call for proposals	0	120
	Number of organisations involved in the applications	0	336
The number of joint projects implemented across the borders	Number of grant contracts signed	0	20
	Number of projects completed	0	20
The increased intensity of cross border contacts between the local communities	Number of joint cross-border events implemented within the projects	n/a	75

Annexe 3 contains a set of output and result indicators. These indicators will be used on a pilot-test basis to monitor economic and social effects of the territorial cooperation programme on the regional development.

5. Programme management

The following structures will be involved in the management of the joint operational programme:

Joint Decision Making Committee: a joint structure to ensure full ownership of the territorial cooperation programme by both participating countries;

Managing Authority: bear overall responsibility for operational and financial management and implementation of the programme towards the European Commission.

5.1 Joint Decision Making Committee

The Joint Decision Making Committee (JDMC) is established by the participating countries – the Republic of Moldova and Ukraine – for ensuring the programme’s ownership. Each participating country nominates central, regional and local government as well as civil society organisations which will delegate their representatives to the JDMC; the appointment is functional and not personal.

The authorised representatives of the following institutions will compose the Committee on the permanent basis:

Republic of Moldova	Ukraine
<ul style="list-style-type: none"> • State Chancellery • Ministry of Foreign Affairs and European Integration • Ministry of Finance • Ministry of Regional Development and Construction • Association of Heads of Districts of Moldova • Moldovan National Platform of the Eastern Partnership Civil Society Forum 	<ul style="list-style-type: none"> • Ministry of Economic Development and Trade • Ministry of Foreign Affairs • Chernivtsi Regional State Administration • Vinnytsya Regional State Administration • Odesa Regional State Administration • Ukrainian National Platform of the Eastern Partnership Civil Society Forum

The following institutions will take part in the Committee meetings in advisory capacity without voting rights:

<ul style="list-style-type: none"> • European Commission represented by the Delegation of the European Union to Moldova and the Delegation of the European Union to Ukraine • Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in its capacity of Managing Authority • Team of Eastern Partnership Territorial Cooperation Support Programme

The JDMC shall perform the following functions:

- Approve the Joint Operational Programme describing the objectives and priorities of the territorial cooperation programme Moldova-Ukraine and make amendments to the programme;
- Decide on the optimal allocation of the programme’s resources to territorial cooperation priorities;
- Advise the Managing Authority on the project selection criteria and the guidelines for applicants; approve the application package for further endorsement by the European Commission;
- In coordination with the Managing Authority, select the projects to be financed by the territorial cooperation programme, which will have to be confirmed by the European Commission
- Monitor progress towards the objectives of the programme by reviewing the reports submitted by the Managing Authority.

Decisions at the JDMC shall be taken by a principle of “one country=one vote”. The detailed working and decision making methods shall be specified in the JDMC Rules of Procedure.

5.2 Managing Authority

The Managing Authority (MA) shall be responsible for the operational and financial management of the territorial cooperation programme. It shall perform the following functions:

- Prepare and announce the call for proposals;
- Provide informational support to applicants during the call for proposals;
- Collect and register project applications;
- Organise project selection;
- Sign grant contracts and make payments;
- Supervise the operational and financial implementation of projects;
- Report to the EC on the financial and operational implementation of projects;

The MA can sign the contracts with the grant beneficiaries only after the JDMC and the EC have approved the final list of projects selected for funding.

For the execution of the above functions, the European Commission has nominated Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to act in the capacity of the Managing Authority. In addition to the functions of operational and financial management of the programme, the MA will also perform functions of JDMC Secretariat.

The Managing Authority North, headquartered in Kyiv, Ukraine, is in charge of the territorial cooperation programme Moldova-Ukraine. Additionally, the MA North operates a Technical Secretariat in Chişinău, Moldova.

6. Programme implementation

6.1 Eligibility of projects

Only projects of a genuine cross-border character and involving at least one partner from each of the participating countries shall be eligible for funding under the territorial cooperation programme. As a rule, activities carried out in a scope of the projects must take place within the eligible programme areas. Exceptions to it, if any, may be specified in the guidelines for applicants. Immediate results that the projects shall deliver must have effects on both sides of the border and remain within the eligible programme area.

Non-profit rule shall apply for the projects financed by the programme: the projects may not have the purpose or effect of producing a profit within the framework of the programme. Support to commercial activities in the meaning of state aid will not be provided.

The duration of project implementation period shall be limited to a minimum of 9 and a maximum of 18 calendar months. At the time of grant contract signature between the beneficiaries and the MA, the maximum duration may be revised so that the projects supported by the programme are completed by the 31st of December, 2016.

Infrastructure development contributing to the achievement of the operational objectives is considered eligible.

6.2 Eligibility of project beneficiaries

Public bodies, public equivalent bodies¹, regional and local authorities, non-governmental and non-profit organisations implementing projects for the public general interest are eligible for the support of the territorial cooperation programme. Specifically, the following legal forms as defined by the national legislation of the participating countries will be eligible for support:

Moldova

Ukraine

¹ The bodies shall meet the following criteria: (a) be established for the specific purpose of meeting needs in general interest, not having an industrial or commercial character; (b) having legal personality; and (c) be financed, for the most part, by the state, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervising board, more than half of whose are appointed by the state, regional or local authorities, or by other bodies governed by public law. Directive 2004/18/EC of 31.03.2004, OJ L 134/114 of 30.04.2004.

<p>Public bodies:</p> <ul style="list-style-type: none"> • Local and regional public authorities (Law on Local Public Authorities no.436 of December 28, 2006) <p>Public equivalent bodies:</p> <ul style="list-style-type: none"> • Communal and municipal enterprises (Government Decision approving the Regulation of Municipal Enterprises, no.387, of June 6, 1994) <p>Non-governmental and non-profit organisations:</p> <ul style="list-style-type: none"> • Public associations organisations (Law on Public Associations, no. 837 of May 17, 1996) <p>Any other national legal form complying with the definition of public bodies, public equivalent bodies, non-governmental and non-profit organisations as per Directive 2004/18/EC</p>	<p>Public bodies:</p> <ul style="list-style-type: none"> • Local self-government bodies (Law of Ukraine “On Local Self-government in Ukraine” of May 21, 1997; No. 280/97-BP) • Local state administrations (Law of Ukraine “On Local State Administrations” of April 9, 1999; No. 586-XIV) <p>Public equivalent bodies:</p> <ul style="list-style-type: none"> • Legal entities of public law established by the decision of local self-governance bodies or state administrations (Civil Code of Ukraine of January 16,2003; No. 435-IV, Art 81) <p>Non-governmental and non-profit organisations:</p> <ul style="list-style-type: none"> • Public associations (Law of Ukraine “On Public Associations” of March 22, 2012; No. 4572-VI) • Charity organisations (Law of Ukraine “On Charity and Charitable Organizations” of July 5, 2012; No. 5073-VI) <p>Any other national legal form complying with the definition of public bodies, public equivalent bodies, non-governmental and non-profit organisations as per Directive 2004/18/EC</p>
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Only bodies located in the eligible area can receive financial support under this programme.

Legal entities not falling in any of these categories are welcome to participate in projects as associate partners. They will have to finance their activities from their own resources and are not entitled to receive funding from the territorial cooperation programme.

6.3 Contracting and implementation procedures

Contracting and implementation procedures to be applied for the implementation of the territorial cooperation programme shall be those defined in the Practical Guide to Contract Procedures for EC External Actions (PRAG) in force at the time of launching a call for proposals. The programme will be operated on the basis of a single application process and a single selection process covering all sides of the border.

The application package, including application form and guidelines for applicants, shall be elaborated by the MA in cooperation with the EaPTC Support Programme. The programme will be implemented through an open call for proposals. Only one call for proposals is foreseen during the lifespan of the programme. The MA will launch the call for proposals after having consulted the application package with the JDMC and the European Commission.

The MA in cooperation with the EaPTC Support Programme shall provide potential applicants with all necessary information on the call for proposals. The lead applicants shall deliver their project applications (including e-version) directly to the MA office in Kyiv by hand or by courier or by registered mail. The details on project application submission procedures will be set out in the guidelines for applicants.

Assessment of applications and project selection will be carried out in two stages: 1) administrative check and assessment of **eligibility** of applicants; and 2) evaluation of **quality** of eligible applications (based on selection and award criteria). The MA shall be in charge of organisation of the assessment process, while the JDMC takes the final decision on the project evaluation results, which will have to be confirmed by the European Commission.

Opening of applications received by a set deadline, administrative compliance and **eligibility** check shall be performed by the MA. During the eligibility check, the MA can cooperate with national authorities and delegations of the European Union in Moldova and Ukraine to verify legal status of applicants as well as to clarify if there is no overlapping with other EU or public financing. These verifications and clarifications shall comply with principles

of impartiality and confidentiality. The national authorities involved should remain independent in the process. The results of the opening, administrative compliance and eligibility check must be approved by the JDMC. The assessment of **quality** of applications will be completed by external assessors. External assessors will be selected via an open call (based on the ToR drafted by the MA and consulted/agreed with the JDMC). The JDMC members and the MA will approve the list of assessors.. “Four eyes” rule shall apply: each application shall be assessed by at least two assessors. If the scorings of the two assessors differ considerably, opinion of the third assessor shall be sought. The evaluation report drafted by the MA based on assessors' recommendations will be presented to the JDMC for approval and to the EC for the final endorsement.

The JDMC shall review the conclusions of the assessors and may seek further clarifications. If the JDMC decides not to follow all or part of the recommendations of the assessors, it must give sound reasons and justification to be recorded in the final evaluation report.

The final evaluation report, based on the PRAG standard documents, should comprise of summary assessment reports per each eligible application, including evaluation grids, scores and comments from the assessors and the JDMC members, and list of non-eligible applications with reasons for rejection.

The results of the project selection that are approved by the JDMC will be deemed valid only after they are endorsed by the European Commission.

Before contracting, the MA may request corrections to be made to the project. However, these corrections may concern minor technical aspects only, and by no means alter the contents, objectives, main outputs or activities of the project or any other condition that led to awarding the grant.

The MA shall prepare and sign the grant contracts with the lead partners of the projects selected for funding after the European Commission has endorsed the JDMC decision. Prior to the signature of the grant contract, all project partners shall lay down the arrangements for their relations with regard to management and implementation of the project to a model partnership agreement approved by the MA and the JDMC.

The MA and the EaPTC Support Programme shall provide information and support to the grant beneficiaries for efficient project implementation. All the project reports (interim and final technical narrative and financial reports) and payment requests shall be submitted to the MA office in Kyiv. The MA shall process the reports and payment requests, and execute payments to the grant beneficiaries accordingly. The details of reporting and payment procedures will be set out in the implementation manual elaborated by the MA in cooperation with the EaPTC Support Programme.

The MA shall elaborate regular (6-monthly) programme implementation reviews on the basis of the reports delivered by the grant beneficiaries. The reviews shall be submitted to the JDMC for information.

The MA will take necessary steps to ensure visibility of the EU-financing in relation to activities of the projects funded by the programme. The JDMC members will be actively involved in spreading information about the programme as widely as possible in the target area and beyond.

The graph to illustrate the programme implementation cycle is annexed (Annexe 4).

6.4 Eligible expenditure and levels of support

Eligible costs are actual costs incurred and paid by project beneficiaries within the project implementation period as defined in the grant contract. No contributions in kind by project beneficiaries and/or third parties shall be accepted as eligible. Definition of eligible direct and indirect eligible costs shall follow standard provisions of PRAG, unless stipulated otherwise in the guidelines for applicants.

Grants to projects selected for funding shall constitute a maximum of 90 per cent of the total project eligible costs and must be co-financed by project partners from sources other than the European Union Budget, for example local, private and international donors. The amount of the grants shall be limited to a minimum of 60,000 EUR and

a maximum of 300,000 EUR. The grants shall be paid to lead beneficiaries of the projects in several tranches and in accordance to provisions determined in the special conditions.

The guidelines for applicants and the grant contract may specify further details in relation to eligible costs and other financial provisions.

7. Financial allocations

The EU funding of the territorial cooperation programme between Moldova – Ukraine comes from the European Neighbourhood and Partnership Instrument, regional allocations of the budget year 2013.

The indicative amount of the EU funding to the programme has been defined in the Strategy for Eastern Partnership Territorial Cooperation Programmes, and is 3.3 million EUR.

Based on the outcomes and conclusions of the strategic analysis of the Moldova-Ukraine bordering regions, the indicative allocation among the operational objectives of the programme is as follows:

Operational objective I – Improving living conditions	40 per cent
Operational objective II – Addressing common challenges	40 per cent
Operational objective III – Culture, education and sports	20 per cent

The indicative financing plan (thousand EUR)

	EU financing	National co-financing (Participating countries)	Other donors	Private financing (Project partners)	Total funding
Operational objective I	1,320.0	0	0	146.67	1,466.67
Operational objective II	1,320.0	0	0	146.67	1,466.67
Operational objective III	660.0	0	0	73.33	733.33
Total	3,300.0	0	0	366.67	3,666.67

Annex 2: Regional Statistical Data

	Moldova (whole country)	Chernivtsy oblast	Ukraine Odesa oblast	Vinnytsya oblast
Population (thousands)	3,559.5	905.4	2,395.8	1,619.2
Population (% of total country)	n.a.	2.1	5.3	3.6
Rural population (% of total region)	58.1	57.7	33.1	49.6
Contribution to national GDP (%)	n.a.	0.9	4.9	2.2
Agriculture in regional GDP (%)	11.2	20.2	7.4	21.5
Industry in regional GDP (%)	11.4	9.9	12.7	13.7
Number of hotel beds (thousand)	27.9	3.7	21.7	.
Official unemployment (%)	5.6	8.7	5.3	9.7
Monthly average nominal wage as percentage of the national average (%)	n.a.	73.5	90.3	81.2
Number of protected areas	5	3	1	1
Emissions from stationary sources (thousand tons)	115.3	2.7	26.2	149.5

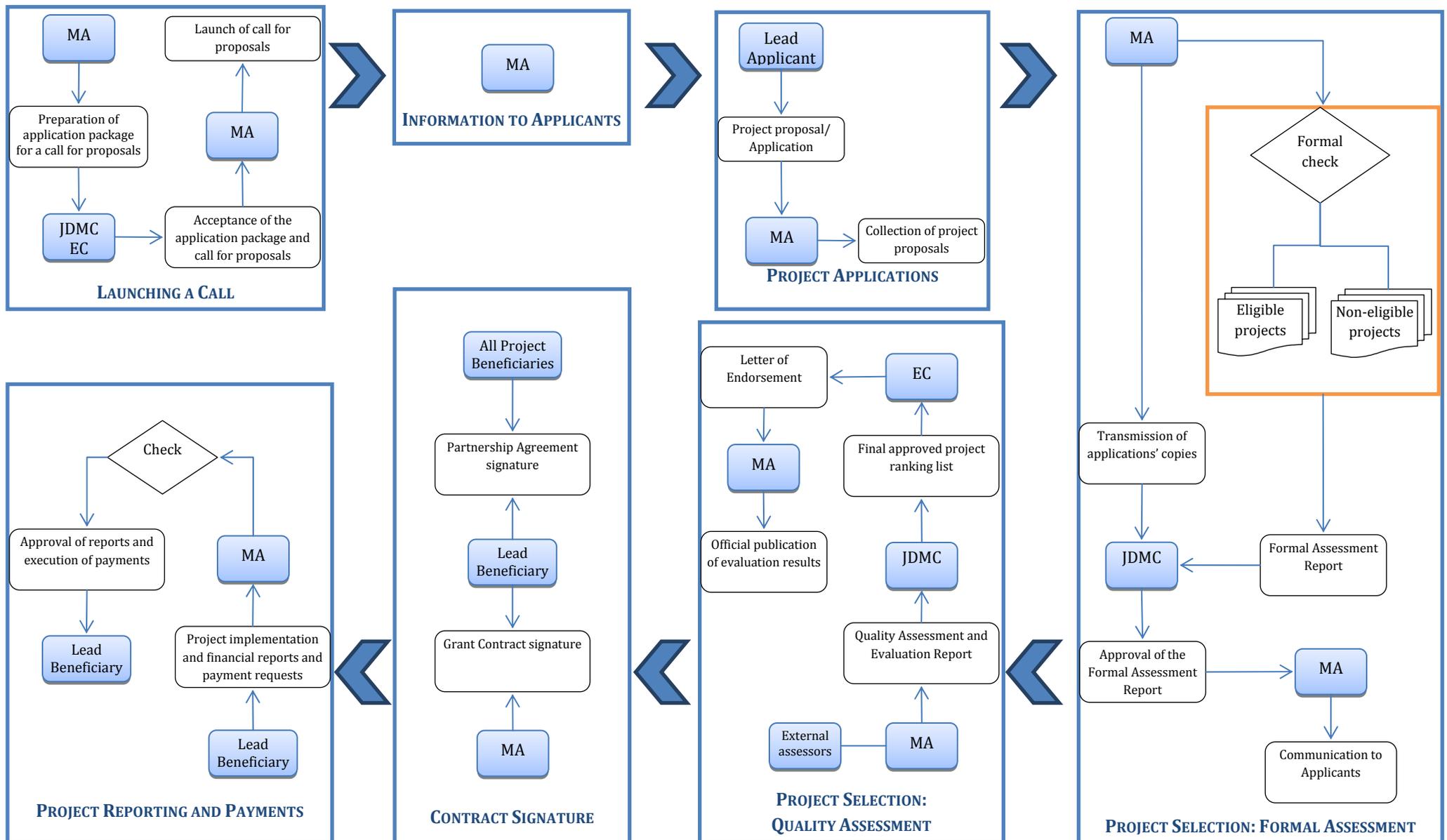
Source: Data provided by Statistical Offices.

Annex 3: Programme Monitoring Indicators

Operational objective	Focus areas	Output indicators	Result indicators
I. Improving the living conditions of local communities in the target cross-border regions through joint projects supporting economic and social development	Promotion of closer business links across the border	Number of projects providing support to enterprises in the region/ aiming at improving conditions for entrepreneurship/ establishing cross-border business networks Number of projects aiming to establish and support cross-border research networks/ innovation and business clusters	Number of SMEs/ entrepreneurs that took part in events organised by the projects/benefited from the actions Number of cross-border partnerships/ initiatives/ business networks and clusters established Number of newly established cross-border partnerships between local and regional academic institutions, think tanks, research centres Number of joint researches, studies, strategies on regional social-economic development issues published Number of joint cross-border events/ conferences/ seminars/ workshops organised by the projects to address issues to the cross-border business development
	Diversification of income sources and development of alternative employment opportunities in rural areas	Number of projects in the field of rural development Number of projects in the field of vocational education and training focusing on re-qualification of rural population	Number of new joint vocational education and training curricula upgraded, developed and introduced Number of SMEs/entrepreneurs based in the rural areas across the border using the outputs of the projects Number of stakeholders covered by cross-border education projects Number of new working places for young people created in the services sector in rural areas Number of joint cross-border events/ conferences/ seminars/ workshops organised by the projects to address issues related to cross-border rural development
II. Addressing common challenges in the fields of environment, employment, public health and any other field of common interest	Solving cross-border environmental problems, enhancing emergency preparedness	Number of projects establishing joint management of protected areas and/ or natural resources Number of projects targeting cross-border emergency issues Number of projects establishing direct cross-border cooperation among counterparts in the field of environment	Number of newly established cross-border structures and mechanisms, efficiently managing protected areas and natural resources Number of established/supported networks to exchange information and coordinate protection measures Number of joint management plans/ strategies developed and/or implemented Number of people targeted by information/

Operational objective	Focus areas	Output indicators	Result indicators
			<p>awareness activities promoting sustainable use of natural resources</p> <p>Number of partnerships established between emergency institutions across the border</p> <p>Number of institutionalised and sustainable cross border partnerships, networks, associations and other structures</p> <p>Number of joint cross-border events/ conferences/ seminars/ workshops organised by the projects to address issues related to environment</p>
III. Culture, education and sports	<p>Promotion of multi-cultural diversity and social integrity of ethnic minorities across the border</p>	<p>Number of projects that address issues related to promotion of multi-cultural diversity and social integrity of ethnic minorities across the border</p>	<p>Number of people who participated in various cultural and sports events, competitions, festivals, conferences</p> <p>Number of people with improved knowledge about the traditions, situation and issues of their neighbours across the border</p> <p>Number of cultural events organised</p> <p>Number of participants involved in cultural events</p> <p>Number of information and promotion materials produced to promote cultural diversity and social integrity of ethnic minorities</p>
	<p>Facilitation of people-to-people links in social sphere, culture, education and sports with focus on youth issues</p>	<p>Number of projects that include cultural and sports activities with the participation of representatives from both sides of the common border</p> <p>Number of projects implemented to improve communication and cooperation across the border</p>	<p>Number of organisations and people involved in cross-border activities</p> <p>Number of initiatives launched and implemented</p> <p>Number of joint cross-border events/ conferences/ seminars/ workshops organised by the projects involving participation of youth and other civil society organisations</p> <p>Number of cross-border networks involving youth/ educational/ cultural/ social organisations established and supported</p>

Annex 4: Programme Management



Annex 5: Results of Stakeholder Consultations

Following the provisional acceptance of the Joint Operational Programme at the working meeting of Moldovan and Ukrainian representatives in Chişinău on July 15, 2014, the document was published on the web portal of EaPTC Support Programme (www.eaptc.eu) for public information and comments. In July the EaPTC Support Programme facilitated a stakeholder consultation process – a series of meetings with regional state and non-state actors in the eligible regions. Below is the summary of the events held:

Country	Town	Date	Total number of participants	Of which representing		By gender	
				state institutions	non-state sector	women	men
Moldova	Chişinău	July 14, 2014	33	17	16	19	14
	Cahul	July 16, 2014	19	10	9	11	8
	Bălţi	July 17, 2014	30	20	10	23	7
Ukraine	Chernivtsi	July 23, 2014	40	22	18	12	28
	Vinnytsya	July 24, 2014	45	25	20	33	12
	Odesa	July 25, 2014	44	30	14	24	20
Total	6 meetings		211	124	97	122	89

At the stakeholder consultation meetings, the participants had an opportunity to comment on the draft Joint Operational Programme, provide recommendations and other feedback.