

OPERATIONAL PROGRAMME

**CROSS-BORDER COOPERATION
BETWEEN
REPUBLIC OF BULGARIA
AND
THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA**

2007 – 2013

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1 INTRODUCTION

The present document represents an Operational Programme (OP) that sets the priorities for cooperation between Republic of Bulgaria and FYRoM for the programming period of 2007 – 2013.

The document was elaborated in September 2006 – January 2007 as a result of the coordinated efforts of the relevant national authorities and various regional partners involved and represented in the Joint Task Force (JTF), which comprises of:

- for Bulgaria – representatives of the Ministry of Regional Development and Public Works (MRDPW), the National Aid Coordinator - Ministry of Finance (MF), as well as representatives of the 2 districts involved in the programme (Kyustendil and Blagoevgrad);
- for the FYRoM – representatives of the National Aid Coordinator – the Secretariat for European Affairs (SEA), representatives from the relevant line ministries, the State Statistical Office (SSO), and representative from the local level.

The Operational Programme for Cross-border Cooperation between Bulgaria and FYRoM 2007-2013 has been elaborated in accordance with the following documents:

- Regulation of the European Parliament and the Council on the European Regional Development Fund (EC) No 1080/2006 of 5 July 2006;
- Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC);
- Council Regulation laying down general provisions in the European Regional Development Fund, the European Social Fund and the Cohesion Fund (EC) No 1083/2006 of 11 July 2006;
- Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA);
- National Strategic Reference Framework of the Republic of Bulgaria for the programming period 2007-2013, in its draft form as of December 2006;
- Commission Regulation (EC) No .../..of [...] ¹ implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA).

The OP is divided into several consecutive sections:

SECTION I – DESCRIPTION OF THE PROGRAMME AREA

*that provides an insight to the current state of development in both countries
with a special focus on the cross-border area*



SECTION II – SWOT ANALYSIS OF THE TARGETED CROSS-BORDER AREA

that provides a detailed needs and constraints analysis of the targeted area based on the data supplied within the first section; it also provides information on lessons learned, problems already tackled within previous Community assistance and issues that need further attention



¹ As of January 14th, the IPA Implementing Regulation has not been officially published. The current document refers to its draft version as of December 2006.

SECTION III – STRATEGY

that describes the strategy chosen in response to the SWOT analysis and stepping on previous experiences; objectives and priority axes of the programme; relevance to the other EU / national programmes; targets and indicators for measuring success in objective and qualitative/quantitative manner



SECTION IV – IMPLEMENTING AND FINANCIAL PROVISIONS

that provides technical details concerning the management of the separate intervention measures within the OP, the allocation of the funds the organisational structures and procedures for the implementation of the OP

1.1 Relevant Background

The implementation of the current CBC Operational Programme will be jointly financed by external relations and cohesion funds from the new "European Territorial Cooperation" objective (previously INTERREG) within the European Regional Development Fund (ERDF) matched by an equivalent allocation of IPA funds. The resulting single pot of money will have to be spent according to a single set of rules and on the basis of a common benefit approach which requires the involvement of joint programming and management structures. Thus IPA will promote enhanced cooperation and progressive economic integration and coherence between EU and candidate countries.

1.1.1 IPA

In September 2004 the European Commission (EC) proposed two new instruments that meant a far reaching reform of the cooperation practice with accession countries and countries outside the European Union (EU) external borders. Among those instruments [IPA – the Instrument for Pre-accession Assistance](#) – addresses both the current candidate countries (CC): Turkey, Croatia and the fYRoM² and the potential candidate countries (PCC): Albania, Serbia (including Kosovo), Montenegro and Bosnia and Herzegovina. As a single integrated pre-accession instrument IPA replaces the various former instruments like PHARE, ISPA, SAPARD, the Turkey pre-accession instruments and CARDS.

Assistance for candidate countries within IPA is designed to support them in their efforts to strengthen democratic institutions and the rule of law; reform public administration; carry out economic reforms; respect human as well as minority rights; promote gender equality; support the development of civil society; advance regional cooperation; and contribute to sustainable development and poverty reduction in these countries. It should be therefore targeted at supporting a wide range of institution-building measures.

IPA consists of several key components that are designed to help CC to implement the acquis communautaire and to get used to structural funds (SF) instruments. These are:

- Transition Assistance and Institution Building;
- [Cross-border Cooperation](#);
- Regional Development;
- Human Resources Development;
- Rural Development.

The Transition Assistance and Institution Building and the Cross-border Cooperation components are accessible to all beneficiary countries (both Candidate Countries and Potential Candidate Countries) in order

²

On 15 and 16 December 2005 the [Brussels European Council](#) decided to grant candidate country status to the fYRoM.

to assist them in the process of transition and approximation to the EU, as well as to encourage regional cooperation among them.

According to the *Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)*, the Regional Development, the Human Resource Development and the Rural Development components also to be accessible for fYRoM, being a Candidate Country listed in *Annex I* of that Regulation that undergoes accreditation to manage funds in a decentralised manner. These IPA components are designed to help the beneficiary countries prepare for the time after accession, in particular for the implementation of the Community's cohesion and rural development policies.

1.1.2 IPA CBC

Cross-border cooperation within IPA has the objective of promoting good neighbourly relations, fostering stability, security and prosperity in the mutual interest of all countries concerned, and of encouraging their harmonious, balanced and sustainable development.

Learning from past experience, IPA CBC will operate on both sides of the border on the basis of one set of rules and objectives, thus providing the opportunity for fully equal and balanced programming and decision making process between MS and CC.

The objectives of the IPA CBC component are designed to take into consideration the specific needs of the respective external border. These are:

- Development of cross-border economic, social and environmental activities in border areas;
- Address common challenges in the field of environment, public health, prevention and fight against organized crime;
- Ensure efficient and secure borders;
- Promote legal and administrative cooperation;
- Promote local "people to people" type of actions.

- The cornerstone of IPA CBC will be the principle of "common benefit". As laid down in *Article 95 of the Draft* implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) the operations selected for operational programmes aimed at developing cross-border activities shall include beneficiaries from at least two countries, of which at least one (Bulgaria) shall be a Member State. The partnering organizations shall cooperate in at least one of the following ways for each operation: **joint development, joint implementation, joint staffing and joint financing**. This concept of mutually benefiting actions reflects also on the types of projects that are to be developed within the OP CBC.

Among the different types of possible projects within IPA CBC programme priority will be given to integrated projects. This kind of projects turned out to be difficult to realise in the past but will be easier now since the connections among the various stakeholders across the border have been substantially improved and strengthened within the previous programming period and its financing instruments.

The selected operations may be implemented in a single country provided that they deliver a clear cross-border benefit

According to Council Regulation (EC) No 1085/2006 of 17 July 2006 IPA CBC will finance both capacity and institution building activities as well as investment.

1.1.3 ERDF

The European Union's Cohesion Policy intends to strengthen the Community's economic and social cohesion in order to promote the harmonious, balanced and sustainable development of the Member States³, while reducing the economic and social, territorial disparities arisen especially in countries and regions lagging behind and speeding-up their economic and social restructuring, in line with Article 158-161 of the Treaty.

The present INTERREG Community initiative supports cross-border, transnational and interregional co-operation. Its aim is to promote the co-operation between the regions on EU borders, to strengthen economic and social cohesion, the balanced and sustainable development of the European territory, to strengthen territorial integration between Member States, candidate and potential candidate countries. For the next programming period of 2007-2013 new objectives were defined in the field of Cohesion Policy, which are as follows:

- The Convergence objective;
- The Regional competitiveness and employment objective;
- **The European territorial co-operation objective.**

Within this framework of reforms the European territorial co-operation objective of the 2007-2013 programming period focuses its assistance provided by ERDF on three main cooperation fields:

- The development of cross-border economic, social, environmental activities through joint strategies for sustainable territorial development;
- Strengthening of transnational co-operation through actions related to Community priorities and promoting integrated territorial development;
- Reinforcement of the effectiveness of regional policy by promoting inter-regional co-operation, through exchange of experience at appropriate territorial level.

The European territorial co-operation objective provides assistance in border regions mainly for the development of cross-border economic, social, environmental activities primarily focused on:

- Encouraging entrepreneurship, in particular, the development of SMEs, tourism, culture, and cross-border trade;
- Encouraging and improving the joint protection and management of the environment as well as the prevention of natural resources;
- Supporting links between urban and rural areas;
- Reduction of isolation through improved access to transport, information and communication networks and services, and cross-border water and energy systems and facilities;
- Development of collaboration, capacity and joint use of infrastructures in particular in sectors such as health, culture, tourism and education.

In addition, ERDF may contribute to the promotion of legal and administrative co-operation, integration of cross-border labour markets, local employment initiatives, gender mainstreaming and equal opportunities, trainings, social inclusion, sharing of human resources and facilities for research and development.

³ As of January 1st, 2007 *Bulgaria is a Member State of the European Union.*

1.2 The programming process

In the summer of 2006 a bilateral Working Group for OP CBC BG-fYRoM was set up. Members of this work group come from the relevant bodies at national and regional level from both states. The programming work was based on several workshop meetings, supported by a number of additional discussions and coordination meetings on the level of experts and programme coordinators. The meetings of the Programming Committee were held both in Bulgaria and fYRoM on a rotating principle. An external Technical Assistance (Balkan Centre for Consultancy Ltd.) was also attracted to support the Task Force in the programming process.

Date and Place	Milestone
11 April 2006 Sofia, Bulgaria	Meeting of the Task Force –start of preparation of the OP, identification of key issues and bodies responsible for preparation of the OP, clarification of programme area, discussion on the OP content (according to the Regulations), discussion and agreement on the timeframe and action plan, Discussion of the budget available for the preparation of OP related documentation. Allocation of funds by activities (OP, IB, ex-ante evaluation, SEA)
26 May 2006	JPC established
30 May 2006 Kyustendil, Bulgaria	Joint Programming Committee Meeting - Presentation of the Instrument for Pre-Accession Assistance (IPA) Cross-Border Cooperation (CBC) 2007-2013 strategy and programming framework; approval of the proposed bodies and procedures for preparing the OP; Approval of the Work plan for preparation of the strategic part of the Operational Programme BG-fYRoM 2007-2013
30 May – 5 October 2006	Regular meetings of the Drafting Teams – external support, programme development, SWOT, Strategy
5 October 2006 Kyustendil, Bulgaria	Workshop on the elaboration of the SWOT analysis with the participation of stakeholders at regional and local level in Bulgaria
10 October 2006 Skopje, fYRoM	Workshop on the elaboration of the SWOT analysis with the participation of stakeholders at regional and local level in fYRoM
17 November 2006 Probishtip, fYRoM	Joint Programming Committee Meeting - approval of the SWOT analysis by both sides and discussion on the strategy (in terms of objectives and priority axes) and management and implementations arrangements
13 December 2006 Sofia, Bulgaria	Workshop 1 under Ex-ante and SEA contract Training for Future Managing Structures in Bulgaria with a Specific Focus on Indicators and Implementation Management Issues for CBC Programmes of 2007 – 2013
29 January 2007 Sofia, Bulgaria	Workshop 2 under Ex-ante and SEA contract Training for Local Authorities and Stakeholders Workshop in Instrument for Pre-accession Assistance (IPA) General provisions and components; new principles for cross-border co-operation, Lead Beneficiary principle
to be held in Bulgaria	Joint Programming Committee Meeting for approval of the Draft OP including ex-ante evaluation and SEA

1.3 Ex-ante Evaluation and Strategic Environmental Assessment

(to be added)

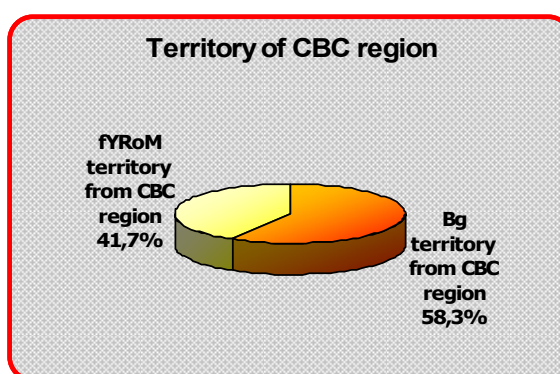
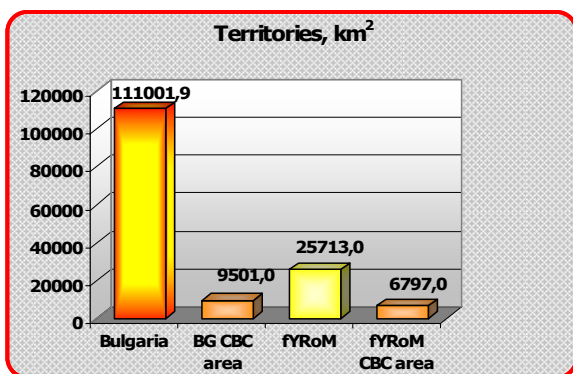
2 DESCRIPTION OF THE PROGRAMME AREA

2.1 DEFINITION OF THE ELIGIBLE CROSS-BORDER AREA



The eligible area for the CBC Operational Programme between Bulgaria and the fYRoM covers a territory of 16 298 sq. km with total population of 847 008 people. The overall borderline length is 165 km with 3 border crossings currently operating at the border. 3 new border crossing points are planned be open: Berovo – Strumyani; Peshchevo – Simitli; Delchevo – Kyustendil.

	Area, sq. km.	% of the total country territory
Bulgaria	111001.9	100 %
BG CBC area	9501.0	8.6%
District of Blagoevgrad	6449.5	5.8%
District of Kyustendil	3051.5	2.8%
fYRoM	25713.0	100%
fYRoM CBC area	6797.0	26.4%
North-East region	1096.0	4.3%
South-East region	1681.0	6.5%
East region	4020.0	15.6%
CBC area	16298.0	Bg territory from CBC region – 58.3% fYRoM territory from CBC region 41.7%



The eligible cross-border area is determined in accordance with the ERDF rules set out in regulation 1083/2006 where only NUTS III regions (or respective equivalents) are eligible for cross-border cooperation programmes.

In Bulgaria the corresponding NUTS III administrative-territorial units are the districts established by the Law on the Administrative Territorial System in Republic of Bulgaria. Although the NUTS classification in the FYRoM is used only for the needs of collecting, processing and publishing of statistical data on regional level and still does not have any administrative implications, the existing statistical regions at NUTS III level are considered adequate for comparison between the two countries.⁴



The border area of Bulgaria comprises the districts of **Blagoevgrad and Kyustendil** (NUTS III), covering 9

⁴ The present territorial structure of the FYRoM is defined in the Law on the Territorial Organisation of the Local Self-government in the FYRoM, Official Gazette No. 55/16.08.2004

501 sq. km (8.6% of the total country territory) and with population of 486 291 people (6.3% of the total country population). It consists of 23 municipalities (NUTS IV) and 462 settlements, including 19 towns:

- District of **Blagoevgrad**: 14 municipalities – Bansko, Belica, Blagoevgrad, Gotce Delchev, Garmen, Kresna, Petrich, Razlog, Sandanski, Satovcha, Simitli, Strumiani, Hadjidimovo, Yakoruda;
- District of **Kyustendil**: 9 municipalities – Bobovdol, Boboshevo, Dupnitsa, Kocherinovo, Kyustendil, Nevestino, Rila, Sapareva Banya, Trekliano.

The border area of the fYRoM comprises parts of the **North-East, the East and the South-East** NUTS III statistical regions covering 6 797 sq. km (26.4% of the total country territory) and with population of 360717 people (17.7% of the total country population). It consists of 21 smaller territorial units, including 11 towns:

- **North-East region**: municipalities of Kratovo, Kriva Palanka and Rankovce;
- **South-East region**: municipalities of Radovis, Konche, Strumica, Bosilovo, Vasilevo and Novo Selo;
- **East region**: municipalities of Berovo, Pehcevo, Vinitsa, Kocani, Cheshinovo - Oblesevo, Zrnovci, Probistip, Shtip, Karbinci, Delhcevo, Makedonska Kamenica and Sveti Nikole.

2.2 DESCRIPTION OF THE ELIGIBLE BORDER AREA

2.2.1 GEOGRAPHICAL FEATURES

Situated in the southeastern part of Europe, the border area between Bulgaria and the fYRoM has a favourable location. Its territory extends across the entire Pirin mountain, Rila mountain (with Musala peak that is the highest point on the Balkan Peninsula, 2925 m), parts of the Western Rhodopi, the mountains of Verila, Konyavska, Zemenska, Slavyanka, Plackovica, and the border mountains of Belasica, Osogovo, Malesevska, Ograzden and Vlahina. More than half of the border area is with prevailing mountainous relief with numerous valleys and fertile land situated in between them (Kochani plain, Struma and Mesta valleys, Kyustendil valley, Dupnica valley etc.), which favours the development of tourism, agriculture and wood processing industries, while at the same time hampering transport infrastructure.



The climate is diverse, from transitional-continental to transitional-Mediterranean in the South and with specific features in higher mountains. Water is an important resource for the border area, with numerous lakes on the mountains and abundance of rivers. Major rivers in the area are: Bregalnica, Strumica (Strumeshnica), Turija, Struma, Mesta and their tributaries, from which only Strumica (Strumeshnica) runs through both countries, flowing into Bulgaria.

Another major natural resource of the region is the thermal water, which is available across the whole cooperation area. The most important thermal mineral springs with potential for development of spa treatments and energy generation are in Sandanski, Marikostino, Ognyanovo, Kyustendil, Sapareva Banya, the villages of Nevestino and Chetirtzi (at the Bulgarian side of the border, over 40% of all thermal springs available in country) and in Kochani, Vinitsa, Strumitsa (at the FYRoM side of the border).

The soil cover ranges from forest soil in the mountain areas to alluvial soils in the river valleys and is most favourable for the traditionally developed tobacco, fruit and vegetable growing. Mineral resources in the region comprise of: granite, marble, clay, dolomite, brown and lignite coal, and ores. While raw mineral resources are noted for their diversity, only coal and marble are of economic significance.

In addition to the natural diversity of the region there are also forests, covering around 46.5% of the total border area territory and providing raw materials for the wood-processing industries as well as opportunities for recreational and hunting activities.

2.2.2 DEMOGRAPHY

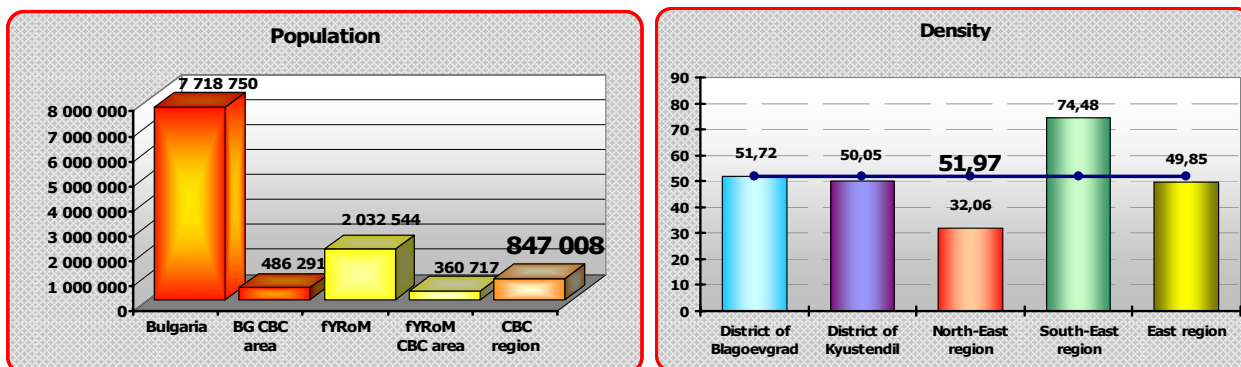
With minor exceptions, the demographic development of the border area as a whole has many common features. It is characterised by low population density, lack of bigger towns, relatively low levels of urbanisation, negative trend of decreasing birth rates and aging population. All this leads to depopulation of the region as a whole. On the other hand, language and culture are very similar on the both sides of the border and are substantial pre-requisite for cooperation and mutual understanding.

	Population (2005)	Population density persons/km ²	Population growth (2004-2005)	Population growth rate (people/)	Age Dependency Ratio, %
Bulgaria	7718750	69.54	-42299	-5,48	44.46
BG CBC area	486291	51.18	-3084	-6,34	47.85
District of Blagoevgrad	333577	51.72	-1330	-3,99	41.09
District of Kyustendil	152714	50.05	-1754	-11,49	48.93
fYRoM	2032544	79.05	5970	2,94	45.02
fYRoM CBC area	360717	53.07	-612	2,27	43.57
North-East region	35139	32.06	438	-1,85	40.93
South-East region	125193	74.48	-99	5,59	43.58
East region	200385	49.85	-951	0,91	40.88
CBC area	847008	51.97	-3696	-2,68	45.22

The population in the **Bulgarian** border area is 486 291⁵ inhabitants, accounting for 6.3 % of the country's

⁵ The statistical data on Bulgaria within this section is valid for the period 2005-2006 and is provided by:
- National Statistical Institute (NSI), Bulgaria, www.nsi.bg
- Regional branches of the NSI and Municipal Statistics.

total population (7 718 750 inh.). The average population density is 51,18 inh./sq.km, which is quite below the national average density of 69,54 inh./sq.km. The towns of Blagoevgrad (77 833), Petrich (35 134), Sandanski (41 180), Gotse Delchev (22 498), Kyustendil (52 828) and Dupnica (43 791) are most populated out of the region's settlements. The ethnic structure of the population is close to the average for the country (88.7% Bulgarians), while Bulgarian-Muslims inhabit the south-eastern parts where they are predominantly occupied in the field of agriculture (tobacco-growing).



The border area of the fYRoM⁶ has 360 717 inhabitants, or 17.7 % of the country's total population (2 032 544 inh.). The average population density is 53.07 inh./sq.km, which is below the national average density of 79.05 inh./sq.km. The majority of the inhabitants are Macedonians (92.2%). The age dependency ratio is 43.57% and is similar to the national average of 45.02%.

The East region has a total population of 200 385 people, the major municipalities being Shtip (48 004) and Kochani (38 118). The North-East region has a total population of 35 139 people and encompasses the bigger municipalities of Kratovo (10 325) and Kriva Palanka (20 778). The South-East region has a total population of 125 193 people and the most populated municipalities are Srtumitsa (55 155) and Radovich (28 345).

Bigger towns in the targeted area are: Stip, Strumica and Kocani, and in general nearly half of the population in the region is urban.

2.3 ECONOMIC, SOCIAL AND CULTURAL PROFILE OF THE TARGETED AREA

2.3.1 ECONOMIC DEVELOPMENT AND STRUCTURE OF ECONOMY

Republic of Bulgaria is a EU Member State as of January 1st, 2007. The fYRoM is a member of the **Central European Free Trade Agreement** (CEFTA) together with Croatia, Albania, Bosnia and Herzegovina, UNMIK on behalf of Kosovo, Moldova, Serbia and Montenegro. *The CEFTA complements the EU's Stabilization and Association Agreements for the countries of the Western Balkans. It makes an important contribution to economic development and regional co-operation. For the candidate and potential candidate countries CEFTA is a stepping stone towards the closer economic cooperation that is an inevitable part of membership of the European Union.*⁷

⁶ The statistical data on fYRoM within this section is valid for the period 2002-2003 (when the latest national statistical surveys have taken place) and is provided by:

- The Government of fYRoM, www.vlada.mk
 - the State Statistical Office of fYRoM, www.stat.gov.mk

⁷ A quote of EU Enlargement Commissioner Olli Rehn, Reference: IP/06/1837 / 19/12/2006

	GDP in Euro (2004)	GDP per capita in Euro
Bulgaria	17663417577	2288.4
BG CBC area	949353983	1952.2
District of Blagoevgrad	609345393	1826.7
District of Kyustendil	340008590	2226.4
FYRoM	4325000000	2128.0
FYRoM CBC area	565081473	1566.6
North-East region	36917033	1050.6
South-East region	224721435	1795.0
East region	303443005	1514.3
CBC area	1514435456	1788

INDICATOR	MEASURE	BULGARIA		THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	
		National	CBC region	National	CBC region
Agricultural land	Ha	6376482	400620	1316335	341606
Arable land	Ha	4976928	195269	479673	172526
Forests	Ha	3715754	474019	989046	262074
Structure of economy*	%				-
- Agrarian sector		10,1	14,5	11,2	-
- Industrial sector		30,2	35,5	26,0	-
- Services sector		59,7	50,0	62,8	-

The **Bulgarian** border region has an industrial-agrarian economy with GDP per capita of € 1952.2 (85% of the national average which is € 2288.4 per capita), higher values being registered in the district of Kyustendil.

The region is characterized with diversified branch structure: food and tobacco processing industries, textile industry, timber and furniture industries, iron processing and machinery industry, tourism.

The energy sector is one of the key economic factors in the area as the Bobovdol thermal power plant, which runs on locally produced coal, is situated within it. There are also several small hydro power plants (mainly in Blagoevgrad district), while the main electric power supplier remains the national system. Natural conditions in the region allow for development of alternative sources of energy (geothermal and others) for meeting local needs in more effective and efficient way and in connection to the improvement of the environmental quality.

Besides energy generation and coal mining, the Bulgarian border area economy is characterised with a diversified branch structure, including: iron processing and machinery industry (the past decade of economic restructuring brought a decrease in the volume and intensity of those industries); timber and furniture industries (prevalently small firms); textile industry (foreign investors have stimulated the establishment of many small enterprises that produce ready-made clothing); food and tobacco processing; pharmaceutical industry.

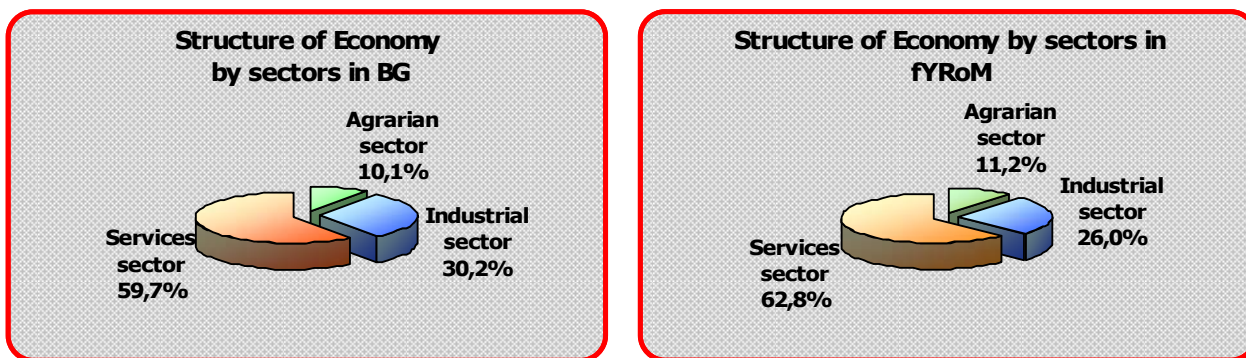
Favourable natural and environmental characteristics of the Bulgarian border area provide opportunities for sustainable development of different forms of tourism. Furthermore, the region's abundance of cultural landmarks and natural resources preconditions the diversification of the currently available tourist products

and services. At present, the main forms of tourism in the area are skiing (Bansko, Razlog), spa (Sapareva Banya, Kjustendil, Sandanski), and limited cultural tours (Rila Monastery, Rozhen Monastery).

Tourism in the area is developed – there are 6162 registered beds (3.2% of the country's capacity). 3431 people are employed in hotel-keeping and restaurant business. According to the Bulgarian National Statistical Institute the total number of visits with purpose tourism and recreation in Bulgaria for 2004 were 4010326. The nights spent in the Bulgarian CBC region were 149412 of which by foreigners – 45559.

Due to the prevailing mountainous relief agricultural land is only 40% and the arable land accounts for 48.74% of the total agricultural land of the Bulgarian border area, which is below the average of 78.1% at national level. The forestry represents 51.7% of the total area compared to 33.5% at national level. The major branches of agricultural production are fruits and vegetables, vines, tobacco, and other crops growing. Small quantities of cereals are grown as well. The southern part of Struma valley is known for production of early growing vegetables, peanuts and other thermophilic cultures. The district of Kyustendil is known as 'the orchard of Bulgaria' for the production of cherries, apples and pears. Stock breeding in the region covers all types of animals and involves broad use of mountain pastures.

Both the sectors of industry and services are dominated by SMEs – 98.3% and 99.9% respectively. 65.3% of the employed are in the private sector.



The border region of **the FYRoM** is characterized as agrarian economy, with a concentration in the light industry branch (textile and shoe industry) in the East region. GDP per capita⁸ for the CBC region is €1566.6 which is below the country's GDP - € 2128. The growth rate of the GDP in 2004 is 4,1% while in 2003 it is 2.8%. The share of industry declined from some 29% of gross value added in 1997 to about 24% in 2003.

The business entities in the border region are mostly enterprises (45%), trade companies (35%), sole proprietors (9%) and others (11%). The private sector companies prevail. 21% of the companies in the area are operating in the field of textile, non-metals processing and mining. 12% are medium companies and 77% are small companies. Their location is mostly around the mineral findings, in the major towns that are highly populated, and in areas where businesses are traditionally developed.

The main industry sectors are textile and shoe industry, non-metals and mining (21% of the companies in the area). Other industry branches include: power generation, mechanical engineering and metal processing, woodworking, food and beverage industry. Main industrial centers situated in the area are: Shtip, Strumica, Kochani, Kriva Palanka and Vinica.

In the recent years the mining industry has drastically declined and is no longer a main source of incomes and employment for the population in the region. From the existing mines (Buchim and Damjan - near

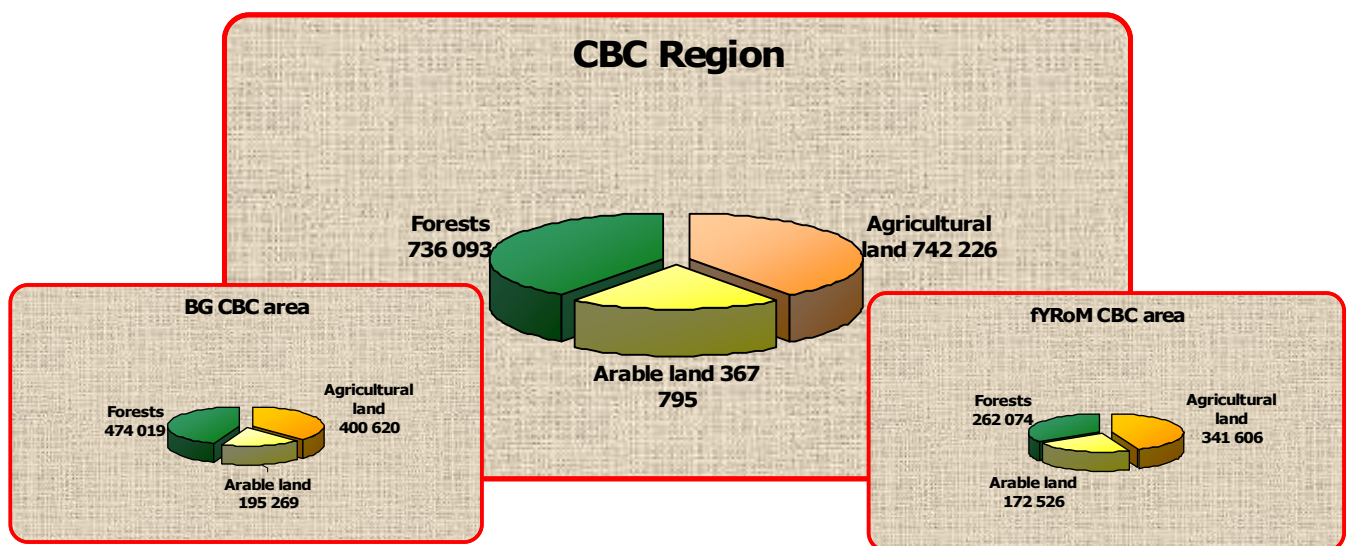
⁸ Nominal GDP at current exchange rates

Radovish, Zletovo and Sasa in Makedonska Kamenica), Toranica, and the non-metal mine of Ograzden near Strumica, only the last one is working in its full capacity. None of these mines have been used since their privatisation. The number of people officially employed in the mining industry is 3 480.

Agricultural areas in the area are 341 606 ha, where the total arable land is 172 526 (51%). The forestry represents 39% of the total area (same as at national level). For the southern part of the region the typical agricultures are: early growing vegetables, sesame, peanuts, peaches, grapes etc., while for the northern part – fruit growing, cereals and fodder crops. Tobacco growing is typical for the entire region and rice is a specific culture for the area of Kocani. Stock breeding is developed mainly in the mountain areas (mainly sheep).

Tourism in the area is in its initial stage of development – there are 3 354 registered beds (7% of the country's capacity). 600 people are employed in accommodation facilities. Half of the stays are registered in Strumica. According to the data provided by the State Statistical Office of FYRoM the total number of tourists in 2005 was 509 706, of which 312 490 domestic and 197 216 foreign visitors.

The investment in the region is limited - 1875 million denars (€ 30 million), mainly in manufacturing (706), electricity, gas and water supply (335), trade (252), construction (151), transport and communication (65), health and social work (147) and are limited in agriculture, education, tourism etc. Public sector investments account for 40% of the national total.



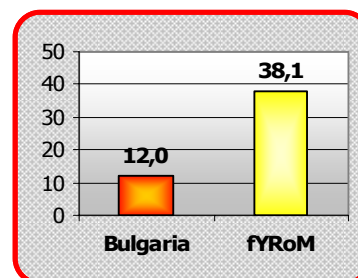
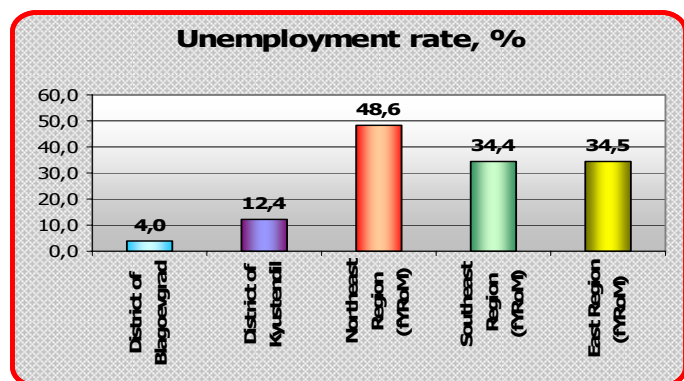
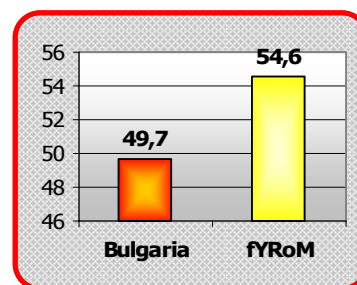
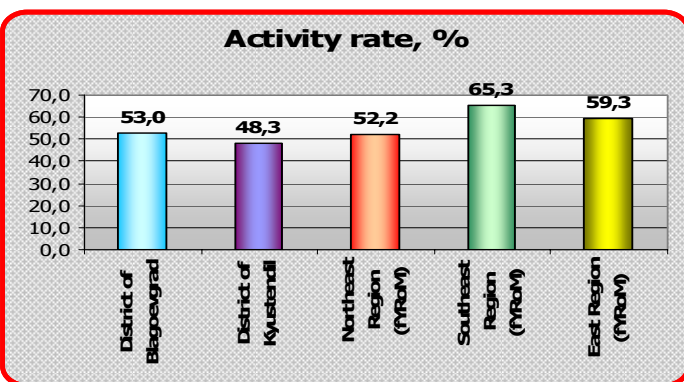
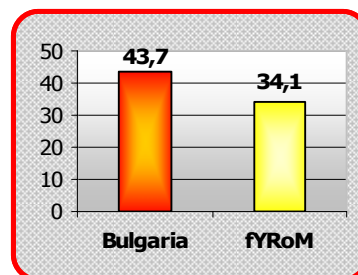
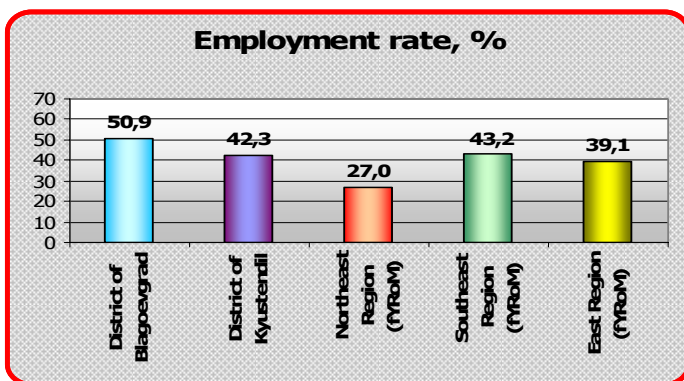
2.3.2 LABOUR MARKET

In general, the labour market in the **Bulgarian** border area is more favourable compared to the country as a whole, although featured by the same low level of employment of the population; low wages; and low mobility of the labour force.

The relative share of the active population among the number of inhabitants in the border area is 53% in Blagoevgrad District and 48.3% in Kyustendil District, following an upward trend. The number of employed in the region accounts for 6.9% of those employed nationally with employment rate in District of Blagoevgrad - 50.9 % and District of Kyustendil – 42.3 % (43.7% national average). The unemployment level is still high (4% - in Blagoevgrad District and 12.4 % in Kyustendil District) although it is lower than the national average (12.0%). A negative tendency exists for long-term unemployment in the region (44%) as well as relatively high level of the young people being unemployed (25.9%).

The total number of unemployed in **the fYRoM** in March 2004 is 395 thous. people, out of which 261 thousand live in the towns and 134 thousand in the villages. The total registered number of unemployed people in the border region is nearly 90 thousand (23% of the total), from which 52 thousand live in the towns and 37 thousand - in the villages. The number of unemployed women is around 38 thousand. The regions in the border area have unemployment rate respectively 48.6 % in Northeast region, 34.4 % in Southeast region and 34.5 % in East region, while the national average unemployment rate is 38.1%. Rate of employment by sectors is respectively 37% (services), 41% (industry) and 22% (agriculture). The industrial sector is the most dominant in the East region, covering 49% of people in employment in the region, much more than any other region. This is also region with equal rates of unemployment of man and woman.

	District of Blagoevgrad	District of Kyustendil	Northeast Region (fYRoM)	Southeast Region (fYRoM)	East Region (fYRoM)	Bulgaria National	fYRoM National
employment rate, %	50,9	42,3	27,0	43,2	39,1	43,7	34,1
unemployment rate, %	4,0	12,4	48,6	34,4	34,5	12,0	38,1
activity rate, %	53,0	48,3	52,2	65,3	59,3	49,7	54,6



In general, labour force of the eligible area as a whole lacks modern professional competencies and is specialised in a narrow professional field, which predetermines its low mobility. The educational level and professional skills of the unemployed population and particularly of the long-term unemployed persons are a serious matter of concern. The labour force lacks certain modern basic skills, mainly inter-disciplinary and inter-professional skills and knowledge, as well as essential qualifications. There is a shortage of skilled labour in the field of new technologies in manufacturing and services, tourism and leisure activities. Entrepreneurial skills are also underdeveloped.

2.3.3 EDUCATION, RESEARCH & DEVELOPMENT

The process of educational development as a whole in the cross-border eligible area is bound with the established network of educational institutions at all educational levels (primary, secondary and higher). The existing basis has an optimal structure for ensuring the necessary general and higher education. A continuous tendency exists for increasing qualification and education level of the population, which is an opportunity for attraction of more foreign investments, as well as diversification of economy.

On the other hand, there are villages where the decreasing number of children (by demographic, but also by economic reasons) endangers closure of schools. Furthermore, the infrastructure at all levels of education is old and inadequate. The most serious shortcomings can be found in the area of information technologies and foreign language competences.

Most of the R&D in the cross-border region is conducted at the faculties in Stip and the universities in Blagoevgrad, as well as in the sector oriented research institutes for agriculture.

The number of schools in the **Bulgaria** side of the region is 239, from which 193 are general schools; 10 are special schools and 3 are self-dependent colleges and universities. The South-Western University and the American University are situated in Blagoevgrad, several technical and medical colleges, as well as the Tourism College in Bansko and the Fruit-Growing Research Institute in Kyustendil.

In the border area of **the FYRoM** there are 257 primary schools (23% of the total number of schools in the country), 21 secondary schools (20% of the total of the country) and 2 higher educational institutions – the Faculty of Mining and the Faculty of Pedagogy in Stip, and the Institute for South Agricultural Products in Strumica.

2.3.4 INFRASTRUCTURE

The traditionally important route: **Western Europe – Balkans – Asia Minor** is passing through the eligible cross-border area since the Middle Ages. Currently, the major routes traversing the region are the international road Sofia-Kulata-Thessaloniki (part of European Corridor No.4), Sofia-Kyustendil-Gyueshevo-Skopije (part of European corridor No.8) and Kumanovo-Veles-Gevgelija (part of European corridor No.10). Three border crossings are operating at the border currently, which from North to South are: Gyushevo/ Deve Bair, linking the towns of Kyustendil and Kriva Palanka, Logodash/ Delcevo, linking the towns of Blagoevgrad and Kocani, and Zlatarevo/ Novo selo, linking the towns of Petric and Strumica.

Corridor 4 has two branches in Bulgaria:

- Section Vidin-Sofia-Kulata (Greek border) representing branches 4a and 4b of Corridor 4 ("4a" is from Vidin to Sofia and "4b" is from Sofia to Kulata and further on, Thessaloniki)
- Section Sofia-Plovdiv-Kapitan Andreevo (Turkish border) representing branch 4c of Corridor 4, which ends in Istanbul.

Corridor 8 runs in Bulgaria in the West-East direction from Gjesevo/ Deve Bair border crossing to Varna through Sofia, Plovdiv and Bourgas. From Gjesevo to Radomir the route followed by corridor 8 is a 2-lane highway, which becomes 4-lane between Radomir and Sofia.

In the fYRoM **Corridor 8** runs from the border with Bulgaria through Kumanovo-Skopje-Gostivar-Struga to Kafasan at the Albanian border, with a stretch in common with **Corridor 10**, from Miladinovci to Kumanovo. Part of this liaison has already the motorway status, either constructed on a new alignment or upgraded (international sign E-871). Other sections have the regular standards of a 2-lane highway, with the exception of the section Struga-Albanian border and at the other end of the section Rankovce-Deve Bair.

Corridors 8 and 4 are superimposed between Sofia and Plovdiv (Bulgaria), and with the liaison Veles-Kocani-Delcevo from the fYRoM towards Bulgaria and branch B (Section Vidin-Sofia-Kulata) of Corridor 4.



	Pan European Transport Corridors
	Main Roads
	Main Railroads
	National Borders
	CBC Region Border

Corridor 10 runs in the fYRoM from Tabanovce at the Federal Republic of Yugoslavia border up to Bogorodica at the Greek border, through Kumanovo and Veles. This liaison, 174 km long, has been progressively upgraded to motorway status, on a total of 102 km (international sign E-75).

In Bulgaria Corridor 10 runs from Northwest to Southeast direction (from Kalotina, the border crossing point with the Republic of Serbia to Sofia). Although it is not directly falling within the targeted border area on the

Bulgarian side, it improves its transport links.

The Sofia-Dupnitsa-Kulata-Thessaloniki and Sofia-Kyustendil-Gyueshevo *railroads* also cross the region, and there are conditions to extend the railroad from Gyueshevo via Kumanovo to Skopje (the railroad connection from the fYRoM towards Bulgaria is built until the point of the village Ginovce).

Important assets of the eligible cross-border region are also:

- the optic cable from Kyustendil to Skopje, which has a connection to the one from Sofia-Pernik-Kyustendil-Dupnica-Blagoevgrad-Petrich;
- the transit gas pipeline crossing the region between the two countries;
- the power transmission line of 400 kW (from Stip to Chervena mogila) – a project financed by the EBRD for the period 2004-2006.

Overall, the **border crossing points and transport infrastructure** are not adequate to the local needs and the contemporary technical requirements and require substantial rehabilitation and reconstruction, especially for the 4th class roads in the mountainous and semi-mountainous areas. In general, transport networks of the two parts of the region are not well integrated (especially the railway). Furthermore, it is distributed unevenly throughout the region's territory and is not sufficiently developed to meet the intense traffic. These two factors hamper the optimal use of the region's geographic location. There is no airport in the region (nearest are the airports in Sofia and Skopje).

All towns and more of the villages in the cross-border border area are connected with the national and the international automatic **communication network**. There is an average of 32 telephone posts per 100 inhabitants (Bulgaria side) and about 50 subscribers per 100 inhabitants (the fYRoM side) but the level of digitalisation in Bulgarian side is low (only 8%) and the technical equipment is outdated. As a result, the services are with very limited nomenclature and quality. There is a possibility for restructuring of the existing networks, introducing of digital techniques and building of optic transmission systems.

Electricity provision and distribution system is well developed and equipped, although the consumption remains very high, being connected mainly with some ineffective production needs. The natural conditions of the area are precondition for the development and use of non-traditional sources of energy, as well as for better use of the existing hydro-electrical capacities and potentials (mainly in Blagoevgrad district in the Bulgaria border region and in the municipalities of Kalimanci, Berovo, Zletovo in the fYRoM side).

Water supply in the eligible area is better as compared to other regions of the two countries but it is not used effectively and part of the population is subject to water rationing. One of the main reasons is the high level of water losses due to the fact that most of the pipes are outworn and need replacement, which is valid also for the mineral water systems. Several existing artificial lakes (dams) such as Djakovo, Bersin, Drenovdol, Bagrenci and Studena (in Bulgaria) and Kalimansko, Berovsko and Lake Turija (in the fYRoM), are used mainly for irrigation purposes and household consumption. Nevertheless, the shortage of drinking water, especially in the Western Rhodopi part, is among the region's weaknesses.

The **sewage drainage network** connecting the sites to the local wastewater treatment plants is also inadequate and needs a range of improvements for building a reliable treatment cycle.

The general tendency in the sphere of **housing** is similar to those in the two countries as a whole, featured by increasing the share of private construction. Due to the unfavourable economic conditions during the last years, the private investors have some difficulties, which are reflecting on a high degree of uncompleted buildings. Not all possibilities for common use of municipally owned property/ equipment and private initiatives are still sufficiently explored.

As a whole, the **health care system** is relatively well developed in the cross-border region. There are 88 medical establishments in the Bulgarian side of the border (19 for hospital aid, 61 for out-of-hospital aid and 8 others). In the former fYRoM there are 4 medical centres in the municipalities of: Kocani (Orizri, Cesinovo,

Zrnovci), Kriva Palanka (Rankovce), Strumica (Vasilevo, Murtino, Bosilovo, Novo Selo), Stip(Karbinci); 8 health care institutions in Berovo, Vinica, Delcevo, Kratovo, Pehcevo, Probistip, Radovis, Sveti Nikole (the center in Probistip covers the area of Zletovo as well); 3 health care institutes in Stip, Strumica, Kocani. There area also additional facilities for the health sector in Kratovo, Probistip, Sveti Nikole, Strumica, Radovis.

2.3.5 ENVIRONMENT AND NATURE

The border region is rich in nature reserves and protected areas, among which on the Bulgarian side of the border are the Rila and the Pirin National Parks (known as one of the most beautiful mountain areas in Europe, has now been included in UNESCO's list of world natural and cultural heritage sites), the seven Rila Lakes, the Stob Pyramids, Parangalitsa (the oldest nature reserve in the country), as well as the biggest (2873 ha) nature reserve of Bayuvi Dupki (Djindjirica). In the fYRoM cooperation territory, there are also other natural protected areas, according to national legislation, which represent a sound basis for potential tourism attractions. Belasica Mountain contains two geomorphologic properties that are declared natural monuments – Smolare and Kolesino Waterfalls. In addition, the Monospitovo Swamp, near Strumica, has also been declared a natural monument due to the presence of glacial relicts of fern (*Osmunda regalis*).

Areas with a potential for cross-border cooperation activities (included also in the IUCN Strategy for South-east Europe) are:

Osogovo Mountain – a massif characterised with rare flora elements and a biocorridor for large mammals and endangered fauna elements;

Belasica Mountain – an important complex of plant, animal and fungi species prioritised for protection according to the European documents (Directive on conservation of wild flora and fauna and natural habitats);

Malesevo Mountain: relief composition predisposed of geological base consisting of metamorphic rocks. The terrain is characterised with round peaks and vegetation of beech and pine forests.

Watershed of Struma River – important fresh water ecosystem rich in endemic fauna elements; here is also found the most significant swamp in fYRoM, the Monospitovo Swamp, which is seriously endangered;

Nevertheless its diverse and well-preserved nature, the cross-border region between Bulgaria and the fYRoM experiences some specific environmental problems. The major one is related to the coal mining industry (the municipalities of Bobovdol, Radovish), which causes substantial damages to the environment. Other regional problems are the damaging of valuable arable land and the pollution at the middle and down streams of the rivers, as well as the solid waste and traffic air pollution. However, environmental pollution was reduced significantly with closure of some mining and industrial enterprises in the past decade (e.g. Razlog, Makedonska Kamenica).

Specific risk for the environment are forest fires which represent 33% of all disasters (near 4 000 fires were registered in the cross-border region for the last five years).

2.3.6 CULTURE

Main characteristic of the cross-border region's art and material culture is the similarity and coherence. Examples of identical forms of landmarks and traditions can be found on either side of the border, although that the isolation between the two countries in the past brought to the invention of stereotypes and mythology, which prevented the rational acceptance and understanding of the behaviour of the "other". Currently, there are numerous forms of media, arts and academic cooperation at national and local level that contribute to the mutual acceptance and understanding, facilitating thus the promotion of any other cross-border initiatives.

The historical heritage of the cross-border region goes back to the traces left behind by the Thracians, the Romans and the Byzantines, although the historical landmarks from the Middle Ages are the most numerous and preserved (such as the architecture-historical reserves in Melnik, Bansko, Kovachevica, Dolen). Valuable archaeological remains from antiquity could be found in almost all of the municipalities: ruins of castles and sanctuaries across the countryside of Bansko, Belica, Razlog, Satovcha, the ancient town of Nikopolis ad Nestrum etc. (in the Bulgaria side of the border); the ancient towns of Tiveriopolis (today Strumica), Astibo (nowdays Stip), Bargala (in the area of the river Kozjacka) etc. – in the fYRoM side of the border.

In relation to the monuments of the Christian culture, the eligible cross-border area is characterised by relatively high destiny of churches and monasteries (the Rozhen monastery, the churches in Rupite and Brestovo etc. – in the Bulgaria side of the border, as well as the church of the Holy Fifteen saints, the Veljusa monastery etc. – in the in the fYRoM side of the border). Among all, the most famous are the Rila monastery (included in UNESCO's list of protected sites) and the St. Joakim Osogovski monastery (near Kriva Palanka).

There are several internationally recognised cultural events on both sides of the border, including theatre festivals in Blagoevgrad and Strumica, art festivals in Bansko, Melnik, Kriva Palanka and Strumica, the International Art Colony in Ossogovo mountain (near Kriva Palanka), etc. The existing experience shows that almost all contacts in the field of fine arts, theatre, literature and musical events are a result of personal contacts and friendship, without existence of any coordination and information centres. If developed, the exchange of information and cooperation in the areas of arts and education will expand the market of media and academic products, while at the same time the principles of reciprocity, goodwill, of objective and accurate attitude will provide for promoting cross-border relations.

Main cultural institutions in the border area are museums (11 BG, 4 fYRoM), theatres (5 BG, 3 fYRoM), cinemas (3 BG, 8 fYRoM), community-clubs / Chitalishta (187 BG, 12 fYRoM).

2.3.7 INSTITUTIONAL DEVELOPMENT

In **Bulgaria**, the main responsibility for carrying out state policy and achieving balance between national and local interests at district level rests with the district governor. He conducts the State policy within the district; co-ordinates the activities of the de-concentrated executive power bodies on district level, and their relations with local authorities; organises the preparation and implementation of district regional development strategies and programs; and establishes relations with the local government bodies. A regional development department within the district administration supports these activities. The district councils for regional development are instruments for co-ordination and partnership at district level, trusted to ensure correspondence between national and local interests and the participation of local authorities. The district administrations receive only state budgetary support in order to carry out their day-to-day activities. They do not have their own financial resources in order to implement district development plans. These are financed mainly through national sources and to a less considerable degree - through local (municipal) sources.

Besides this, there are decentralised services of the sectoral ministries and institutions. Those services are located mainly in the existing 28 regions, but also in some municipalities. Municipalities are self-government administrative-territorial units. They have the right to own property, to have a self-contained own budget, the right to regulate within their own competencies, they are allowed to manage public services including the establishment of municipal enterprises, they may issue obligations and have access to loans and credits. The competence of municipalities in the field of territorial development is rather broad, though very detailed law provisions on territorial planning exist. The process of further (financial) decentralisation is ongoing. The

law establishes the right for voluntary association of municipalities to be established and characterises a National Association of Municipalities by its position in relationship to the state. There are two regional associations presented in the border region: South-West Municipalities Association and "Struma" Regional Association of Municipalities & NGOs.

6 planning regions are established for the purposes of regional development planning and for regional statistics, also as part of the commitments undertaken in Chapter 21 "Regional Development" of the negotiations with the EU. Their establishment responds to EU requirements for implementation of regional policy and correspond to NUTS II level. The border region comprises parts of the South-West planning region.

The municipalities in the **fYRoM** are the only tier of local self-government and deal directly with the central government. They are independent in conducting their duties and organising the public services. At present the municipalities are carrying out responsibilities in the following areas: culture, sport, social and child care, pre-school institutions, education, basic health care, public utility, urbanism and other. Ministries and other central governmental institutions have decentralised offices at local level, mainly in the larger municipalities.

The new adopted Local Self-Governance Law of 2004 increases the competences of the municipalities in the following areas: local economic development, rural and urban planning, protection of the environment and all natural resources, fire protection, education, social and health care. The Act guarantees also the right of local authorities to associate and the National Association of the Unites of Local Self Government of the fYRoM (ZELS) has a positive influence on building local democracy.

The **NGO network** is gradually expanding, although tackling with few issues such as environment, protection of children and women, protection of wild life (510 in the fYRoM border area), but also with tourism, business services and regional development in the Bulgarian side. On both sides of the border the NGO sector is still poorly developed (compared to the NGO activity in the rest of the country). The existing NGO entities are mainly pursuing ecological and tourism-related goals. The efforts of the civil society in areas as: sustainable regional development and planning, business support and employment need to be further supported. The existing NGOs in the CBC area also need capacity building measures that will help them become sustainable in the long-term (as many of them are currently operating on a project-basis).

There are **two Euroregions**, established in terms of activities for the creation of favourable conditions for cross-border activities located in the area: "Belasica" (Bulgaria, Greece, fYRoM, established in 2003) and "Morava-Pcinja-Struma" (Bulgaria, Serbia, fYRoM). The Euroregions are a form of transnational co-operation structure between two (or more) territories located in different European countries. Euroregions do not correspond to any legislative or governmental institution, do not have political power and their work is limited to the competencies of the local and regional authorities which constitute them. They are usually arranged to promote common interests across the border and cooperate for the common good of the border populations. The links created within the existing Euroregions among the various local authorities involved are an excellent basis for cross-border initiatives and joint projects.

3 ANALYSIS OF THE TARGETED CROSS-BORDER AREA

3.1 SWOT Analysis

A broad discussion has been conducted with national, regional and local stakeholders for the elaboration of the SWOT analysis.

The SWOT analysis has been based on:

- **existing primary data** from the National Statistical Institute of Bulgaria, the National Statistical Office of FYRoM, updated information, provided by the Regional Governor's Offices, Municipal Authorities, the Joint Technical Secretariat and the Government of FYRoM;
- add-ons and **feedbacks provided by local stakeholders** (mayors, NGO representatives and other potential final beneficiaries) from both Bulgaria and FYRoM within the two regional meetings held in 2006.

Concluding the results of the examination of the socio-economic situation of the border area, the following SWOT analysis summarizes the main trends of the region providing basis and reasoning for the strategy development. The analysis also points out the challenges that are to be met within the process of further development of the region and is based on:

- existing local preconditions/assets, **strengths**, on which further regional development can step upon and which are specific for the respective area representing its competitive advantages, i.e. strengths, assets that are to become a basis for further development of the region;
- existing limitations, **weaknesses**, which can seriously impede the development of the region and are also deriving from the local context, i.e. weaknesses, negative tendencies, that need to be overcome and stopped;
- existing **opportunities**, which can be realised stepping upon the enlisted strengths and taking into account the respective weaknesses at the same time;
- existing **threats**, unfavourable conditions, i.e. external factors upon which we have limited influence within our efforts and therefore we should just act respectfully of them or try to diminish their negative impacts. Those threats are coming from the outside of the region and may promote and initiate or be against and make barriers regarding the future of the target region.

Each section within the analysis is limited to 3 lines that directly co-relate to the specifics of the CBC programme. A more detailed and exhaustive analysis is attached to the present document.

FIELDS	STRENGTHS	WEAKNESSES
Geographical Features	<ol style="list-style-type: none"> 1. Favourable geographic and transport location within the Balkan area compared to other, more central parts of the two countries; 2. Presence of 3 international transport corridors: No. 4 and No. 8, as well as No.10 (that goes through Skopje with Enclave C passing through Sofia); 3. Diverse natural resources and habitats, natural parks, reserves and protected areas in the targeted CBC area. 	<ol style="list-style-type: none"> 1. Peripheral position of the border areas within the territory of the countries; 2. Predominated mountains relief that impedes the transport development; 3. Natural potentials and resources are not sufficiently exploited in the lagging behind municipalities. In others, where tourism is developed, these are jeopardised by the vast economic activity - unbalanced ecological development.
Demography	<ol style="list-style-type: none"> 1. Developing urban centres in the border region as a result of the improved investment potentials and absorbance of the CBC area; 2. Existence of higher educational institutions that attract young people and professionals (although temporarily); 3. Cultural similarity and existence of ethnic peace and coherence within the CBC area. 	<ol style="list-style-type: none"> 1. Ageing of the permanent population; a tendency of a generational gap that might affect the current agricultural predominance in local economy. 2. Depopulation trends and low density of the population in the CBC areas compared to the countries' averages; 3. Internal migration from settlements to bigger centres and abroad due to low personal development perspectives in the area.
Economy	<ol style="list-style-type: none"> 1. Economic complementarities of the border areas and presence of similar market characteristics for trade; 2. Available industrial premises and facilities, as well as industrial and craft traditions; 3. Existence of favourable natural and cultural potential for tourism development that can diversify local economy and make it more service-oriented. 	<ol style="list-style-type: none"> 1. Lack of mutual market knowledge and limited information flow on the new trade rules following the Bulgaria's accession to the EU; 2. Low level of local entrepreneurial initiative (profit is not detained by local population but by external investors), limited competitiveness of industry and SME sector; 3. Economy is still rather segmented, mono-sectored and marginal (especially in FYRoM).
Labour Market and Education	<ol style="list-style-type: none"> 1. Increased employment potentials in the private sector that predominates in the targeted CBC area; 2. Favourable environment (academic) for optimising educational, professional qualification and re-qualification structures; 3. Improved employment rates in the last few years. 	<ol style="list-style-type: none"> 1. Low mobility of the labour force and dependency on fading away industry spheres due to lack of modern professional skills; 2. Low incomes and living standard among the majority of the active labour population due to low salaries levels imposed by the external business investors; 3. Persistent specialisation of the local human resources in traditional labour-intensive fields due to limited entrepreneurial skills and investment capital.

Infrastructure	<ol style="list-style-type: none"> 1. Presence of basic transport infrastructures in the CBC area (roads – motorways, 1st and 2nd class roads); 2. Increased traffic flow at cross-border points in the last few years and 3 new crossing points to be open; 3. Well developed energy network, functional irrigation systems, healthcare system and sport facilities. 	<ol style="list-style-type: none"> 1. Low level of digitalisation and outdated technical equipment and lacking modern business infrastructure in the CBC area; 2. High level of deteriorating housing and industrial infrastructure from the past and lack of adequate solution for renovation and upgrade in the ; 3. Low quality of social and support infrastructure in non-urban areas that predominate in the targeted area.
Environment	<ol style="list-style-type: none"> 1. Improved environmental quality due to the decrease in heavy industry and to the tendency to introduce environmentally sound technologies; 2. Large number of landscape and nature areas suitable for preservation within Natura 2000 or already protected; 3. Abundance of natural resources that could become a basis for tourism and recreational activities development. 	<ol style="list-style-type: none"> 1. Natural potentials and resources are not sufficiently exploited in the economically lagging behind municipalities within the targeted CBC area; 2. Insufficient communal and support / access infrastructure; 3. The level of environmental consciousness among population is still rather low; low environmental awareness.
Culture	<ol style="list-style-type: none"> 1. Presence of rich and common (shared) historical and cultural heritage in the targeted BG-fYRoM CBC area (both tangible and intangible); 2. Presence of structures and facilities for further cultural and leisure-time services development; 3. Presence of cultural resources that can be used for development of creative industries and locally based SMEs that would require little initial investment and traditional craft skills. 	<ol style="list-style-type: none"> 1. Inappropriate (lacking) utilisation of cultural heritage and leisure facilities; 2. Low integration of culture heritage in tourism product development; low cultural management skills; 3. Low number of facilities and services for the quality of life of the residents (educational, cultural). Local cultural agendas are bound to the insufficient local municipal budgets.
Institutional System	<ol style="list-style-type: none"> 1. Good bilateral relationships and existence of cooperation agreements between the two countries, both on a central and municipal level; 2. Experience in implementation of common programmes and joint projects; 3. On-going decentralisation process that tends to leave more economic autonomy with the local administrations and their budgets. 	<ol style="list-style-type: none"> 1. Different level of administration reform completeness in the two countries; fYRoM needs further decentralisation measures; 2. Low number of economically sustainable NGOs in the targeted area; insufficient cooperation among those both within the regions or across the border; 3. Insufficient amount of public funds and financial autonomy on local level; low level of active and effective public-private partnerships that could bring mutual benefits.

FIELDS	OPPORTUNITIES	THREATS
Geographical Features	<ol style="list-style-type: none"> 1. Opportunities for development of economic activity taking direct advantage of the favourable location and transport connections of the area; 2. Existing potentials for development of specialized types of ecological tourism; 3. Opportunities for development of the lagging behind and more peripheral municipalities stepping upon their currently unveiled potential in terms of geographical situation and resources. 	<ol style="list-style-type: none"> 1. Difficulties might arise from the fact that the Bulgarian – FYRoM border is an EU external border as of January 2007 (e.g. visas, movement of goods, etc.); 2. Tourism might turn from ecological to nature threatening if not accompanied by environment-related awareness campaigns; 3. The efforts of the smaller municipalities to turn their geographic potentials into a factor of sustainable local development might lead to minor results if cooperation and economy of scale is not pursued among them.
Demography	<ol style="list-style-type: none"> 1. Opportunities to develop modern types of vocational training, distance learning and tailor-made professional courses targeting at people who need skills upgrade and requalification; 2. Existing opportunities for improving the quality of life in the region stepping on adequate and region-specific development measures; 3. Opportunities to develop the potentials of the CBC area to attract and detain qualified human resource. 	<ol style="list-style-type: none"> 1. The depopulation and external migration trends might continue if people do not get involved in the proposed local development measures, i.e. if initiative comes from the outside; 2. Fast restructuring of economy from industrial to service-oriented might result to sectoral unemployment affecting those who are unable to adjust to the new demands of the labour market; 3. The comparatively low salaries in the area might lead to demotivation for skills upgrade.
Economy	<ol style="list-style-type: none"> 1. Existing tendency for diversification of economy in the rural areas; 2. Existing opportunities for development of R&D and innovation centers attached to the academic institutions in line with the overall priorities for economic development on central level; 3. Existing preconditions for development of SME sector based on local resources and regional competitive advantages. 	<ol style="list-style-type: none"> 1. Predominant micro-enterprises in the area which slows down the process of producing visible economic impact upon investment; 2. Low awareness on the benefits of clustering and business cooperation that hinders the overall local SMEs progress; 3. Ongoing process of adaptation to the market economy and the common EU market of the local businesses compared to those in the urban centers (certification, QMS, etc.)

Labour Market and Education	<ol style="list-style-type: none"> Existing opportunities for increasing the employment potentials in the private sector and market demand-driven entrepreneurial initiatives; Existing opportunities (training, educational institutions) for adjustment of labour force to the new labour market demands; Existing know-how and positive local practices for social inclusion of less advantaged groups (e.g. minorities, permanently unemployed people, etc.) 	<ol style="list-style-type: none"> Limited access to the formal educational system; insufficient provision of vocational education and training services; The formal educational system is still not quite flexible to respond to the changing labour market demands; Concentration of economic activity and opportunities for employment in the major cities that further deepens the problem with depopulation of the rural settlements.
Infrastructure	<ol style="list-style-type: none"> Existing opportunities for better utilization of deteriorated infrastructure (both residential and industrial); Opportunities for improved investment attractiveness of the area based on its good transport connections and location in the context of European transport networks; Opportunities for further expansion of the use of alternative energy sources (geothermal and solar energy) based on the favourable geographic location and climate conditions. 	<ol style="list-style-type: none"> Excessive length of construction works consume resources for economic and people-to-people cross-border cooperation development measures and might lead to postponed visible results; Lack of investments in small scale works investments can result in low overall attractiveness/image of the area; The implementation of complex infrastructural projects if not accompanied by sustainable and reasonable soft measures might appear/prove to be self-centered and out of context.
Environment	<ol style="list-style-type: none"> Existing opportunities for developing alternative forms of tourism that are based on the wise use of natural resources; Opportunities to increase the public awareness on environmental protection measures under the pressure of the eco-tourists demands and the NGOs; Opportunities for exchange of know-how from Bulgaria to fYRoM related to Natura 2000 issues. 	<ol style="list-style-type: none"> The protection measures (especially within Natura 2000) might affect local business interests and lead to public negative attitude, unless awareness on these issues is raised; Natural resources might be chaotically used unless regional environment management plans are adopted; Extinction of endemic species and loss of biodiversity as a result of the above mentioned threats.
Culture	<ol style="list-style-type: none"> Registered growth of cultural exchange across the border that improves mutual understanding among people and younger generations not burdened by the stereotypes of the past; Opportunities for development of economically-sustainable cultural products and services based on the increased demand for new tourist destinations and experiences; Opportunities for joint marketing of cultural events and facilities based on the similarity of the cultural appeal. 	<ol style="list-style-type: none"> Culture and traditions might lose their authenticity if overexploited and put into full service of tourist demand; Cultural tourism activities shall be profit-oriented, as the sustainability of project-based improvements becomes a heavy burden for the respective municipality soon after the project's end; Cultural heritage sites might appear unattractive (even if renovated) if not linked in wider tourist routes across the border (limited tourist appeal due to the marginal location the targeted area).

Institutional System

1. Opportunity to speed up the harmonisation of both sides' administration systems by measures that support the implementation of EU's "*acquis communautaire*" on the side of FYRoM;
2. Opportunity for development of mechanisms for provision of cross-border institutional assistance and know-how transfer;
3. Opportunities for further development of sustainable partnerships between civil society and public administration on both sides of the border.

1. Significant difference in the time of accession to EU; the different speed in adopting the *acquis* might lead to problems in compatibility;
2. Local NGOs (and some administrations) are still incapable of long-term strategic planning; they would need capacity building measures besides opportunity to manage project funds.
3. Continuing dependence of the local administration on the central budget.

3.2 Previous experiences

The Operational Programme 2007-2013 tries to define a suitable strategy for a common future development of the Bulgarian-Macedonian border region on the basis of the experiences gained within the last Neighbourhood Programme and the conclusions of the regional analysis.

The main resources used to develop the strategy were the following:

- EU guidelines and Regulations on IPA and ERDF; Community Strategic guidelines on cohesion;
- The socio-economic analysis and the SWOT analysis of the eligible border region;
- Correspondence with EU Programmes National / regional programmes and strategies on both sides of the border;
- Experiences from the previous Phare and CARDS programmes for the 1999-2006 period;
- The conclusions of the discussions of programming bodies (JTF, JWG and JPC), responsible authorities, experts and key persons at the regional / local level.

3.2.1 PHARE AND CARDS CROSS BORDER ACTIVITIES UNTIL 2006

In anticipation of the future EU external borders, an External Border Facility Programme was allocated in 2003 to prepare new cross-border co-operation programmes from 2004 onwards between Bulgaria and Turkey, Serbia and the fYRoM.

The 2003 Phare External Border Initiative for Bulgaria has been designed following bilateral discussions between the Bulgarian authorities and the European Commission.

The objectives of the 2003 Phare External Border Initiative were:

- To improve cross-border co-operation at local level between Bulgaria and Serbia, the fYRoM and Turkey;
- To support the further development of the economic potential of the border regions;
- To pave the way for the future (2004-2006) Phare CBC/Neighbourhood programmes between Bulgaria and Serbia, the fYRoM and Turkey.

It focused on two projects for Bulgaria – fYRoM:

- Phare 2003/000-632.01 Construction of the Access Road to Strumiani – Berovo Border Crossing between and fYRoM

The project aimed at reducing isolation of border regions and encouraged investments and cross-border trade through improved communication link, developing of both regional and national economic co-operation and preparing of Bulgarian border regions for the implementation of the structural policies applied by the EU Member States through the development of strategies and programmes for sustainable social and economic development

- Phare 2003/005-632.03 Technical Assistance for Multi Annual Programming and Implementation of future Phare CBC/Neighbourhood programmes with Serbia, the fYRoM and Turkey

The project provided direct support to the Ministry of Regional Development and Public Works, local authorities, future beneficiaries and other relevant bodies concerned by future Phare CBC/Neighbourhood programmes.

3.2.2 NEIGHBOURHOOD PROGRAMME BG- FYROM 2004-2006

On July 1st 2003, the European Commission issued the Communication *Paving the way for a New Neighbourhood Instrument* [COM (2003)393] where the substantial principles and aims of the Neighbourhood Programme were introduced.

The overall objective of the programme was:

Achievement of economic, social, cultural and ecological sustainability in the Programme area, thus ensuring integration into the wider European Cooperation.

The Programme was structured into three priority axes:

- Priority 1: Sustainable spatial development of the cross-border region;
- Priority 2: Promotion of cross-border cooperation between public institutions and businesses;
- Priority 3: People to people actions.

Year	CRIS Number	Title of the project	Objectives	Project purpose:
2004	Grant Scheme 2004/016-786.01.01	Nature Protection, Valorisation of Cultural Heritage and Co-operation among Public Institutions at Regional (Local) level	Promote protection and valorisation of the biodiversity and cultural resources with the aim of ensuring sustainable development of the eligible cross-border region Create viable cross-border contacts among public institutions in the eligible cross-border area	Increase the efficiency of the integrated management and the sustainable use of natural and cultural resources. Stimulate regional cooperation and establishment of local capacity and networks.
	Grant Scheme 2004/016-786.01.02	People to People Actions	Creation of viable cross-border contacts at different levels and sector of activities To support local development activities of a cross-border nature by involving local actors from the border regions To enhance the capability of local communities and NGOs to develop and implement joint projects within the border region	Encourage cross-border contacts and cooperation at regional and local level in the fields of cultural, educational and sports cooperation.
	Technical Assistance 2004/016-786.01.03	Implementation of the NP between Bulgaria and Former Yugoslav fYRoM	Support to the Neighbourhood Programme (NP) Bulgaria-the fYRoM implementation and the achievement of its objectives and priorities	Smooth and efficient administration of the NP between Bulgaria and the fYRoM
2005	Grant Scheme 2005/017-456.01	Sustainable Development Grant Scheme	Enhancement, exploitation and management of the territorial and infrastructural integrity of the cross-border area in accordance to the sustainable development principles and extension of contacts towards a new level of cooperation and widening of the sectors and participants currently active in cross-border	Improvement of the infrastructure supporting cross-border cooperation in development of complementary economic activities. Promotion of the economic cohesion along the border in order to increase competitiveness of the border economy.
	Grant Scheme 2005/017-456.02	People to People Actions	To support local development activities of a cross-border nature by involving local actors from the border regions and to enhance the capability of local communities and NGOs to develop and implement joint projects within the border region.	Encourage cross-border contacts and cooperation at regional and local level in the fields of cultural, educational and sports cooperation.
	Technical Assistance 2005/017-456.03	Implementation of Neighbourhood Programme between Bulgaria and Former Yugoslav fYRoM	Support to NP implementation for the achievement of its objectives and priorities /2004-2006/ and preparing future neighbourhood and cross-border programmes.	Smooth administration of the NP between Bulgaria and the former Yugoslav Republic of fYRoM and preparing the framework for future neighbourhood and cross-border programmes.

3.2.3 LESSONS LEARNED

The registered interest within this programme was taken into consideration when identifying the new priority areas over the preparation of the Operational Programme Bulgaria – the FYRoM 2007-2013 and guides towards the needs to develop further all priorities set in the NP Bulgaria – the FYRoM2004-2006.

This assumes the proceeding of a big Grant Scheme that covers all priority areas, instead of proceeding of a several smaller Grant Schemes. In that way, resources and money will be saved over the preparation and proceeding of a number of smaller Grant Schemes.

The main conclusions that could be made as a result of programming and implementation of the previous Programmes are:

- The positive experiences made by the two neighbour countries (Bulgaria and FYRoM) during 4 years of joint work are the fundamental towards a thoroughly successful cross-border cooperation.
- Experience gathered in cross-border co-operation until 2006 shows significant improvement of capacities of the regional and local structures in the context of preparation for the period after accession in Bulgaria. Development of the regional structures in both countries contributed to intensification of cross-border partnerships. These structures have gained valuable experience in creation of partnerships, joint project development and implementation. The project quality has improved significantly. This process also strengthened the absorption capacities of the border region.
- Numerous contacts at local levels were developed into partnerships aiming at continuous cooperation. Especially the Phare Small Projects Fund has assisted such development.
- The projects implemented under the previous Programme have led to a multitude of positive impacts and contributed to the development of the border area and the strengthening of bilateral cooperation structures.
- There was a very strong demand for cross-border projects, but as the available funds were very limited, a high number of eligible project proposals were not supported.
- Surprisingly larger number of applications came from municipalities, universities and other smaller institutions.
- There is a better coordination and cooperation between all parties involved.

Some critical issues and difficulties in programming and especially in implementation of the Neighbour programme were as follows:

- There were some problems and difficulties in implementation due to the fact that procedures are being implemented for the first time on both sides of the border
- Different regulations regarding financing, including the considerable disproportion between the Phare and Cards allocations

The Neighbourhood Programme provided the opportunity to develop, test and continually improve such a development strategy for border regions. A number of pilot projects started and experiences were drawn from their implementation. However, in comparison to the efforts and resources necessary to overcome the border area problems, even the increased financial resources in that period were very limited.

That's why, first-hand experience and conclusions from the piloting projects is very useful in the formation of an overall set of policies of integration beyond the Operational programme itself, and it seems essential to focus on actions, which will lead to a continuous process of cross-border exchange of experience and visions.

4 JOINT CROSS-BORDER DEVELOPMENT STRATEGY – GLOBAL AND SPECIFIC PROGRAMME OBJECTIVES

4.1 Objectives and priority axes

The programme for cross-border cooperation presents a coherent and effective response to the obstacles and weaknesses of the region and defines suitable strategies for a common future development of the Bulgarian-Macedonian border region on the basis of the experiences of the last programming period and the conclusions from the regional analysis. The strategy includes an overall strategic objective of the programme and identifies specific objectives to be reached by the measures under the chosen priority axes of the programme.

The **global objective** of the regional co-operation across sectors and administrative units that has to be reached by the definition of the Operational Programme is:

***Sustainable Development in the Bulgarian – Macedonian Border Region in
Support of the Wider European Cooperation and Integration Efforts***

In order to increase the efficiency of the interventions, the programme intends to concentrate the funds on a limited number of strategically selected **specific objectives** with promising growth potentials and opportunities for development:

1. SPECIFIC OBJECTIVE N. 1:

To foster the sustainable economic growth in the cross-border region

Diversification of the current economic activities; support for the region to evolve into an economically strong region with high standard of living; development of new value chains; stimulus for research and development cooperation; clustering and business-support services; support to new technologies and innovations.

2. SPECIFIC OBJECTIVE N. 2:

To promote social cohesion and cross-border cooperation

Investment in human resource development; people to people actions; labor market initiatives; cultural exchanges; support for raising the adaptability of the labour force to the market demands; cross-border networks at all levels and sectors of activity, incl. support for preparation of mutually benefiting project proposals.

3. SPECIFIC OBJECTIVE N. 3:

To further develop the attractiveness and quality of life in the cross-border area

Balanced regional development based on protection and wise use of **natural and cultural resources** in the region; preservation of the ecological and cultural diversity; support for development of tourism based on the adequate and reasonable exploitation of the existing environmental and cultural assets in the target area.

The three specific objectives of the programme are meant to produce major impacts, all related to the

different potentials characterising the border area:

Social impact:

- *Improvement of standard of living*

The programme shall improve people's standard of living by providing opportunities for wider participation in economic and social activities and, wherever possible to increase incomes of outlying areas..

- *Decrease in the unemployment*

The programme shall lead to significant employment creation. The projects implemented within is shall generate jobs, entrepreneurship opportunities and business-support (as well as vocational training) facilities in benefit of both employers, entrepreneurs and workers.

Economic impact:

- *Contribution to local economies*

The programme shall support projects that generate income to the cross-border economies and can stimulate the investment necessary to finance growth in the priority sectors, in benefit of the local communities. The programme shall also promote projects that use the vicinity of the bigger cities as stimulus for the economic development of the whole region and that serve the needs of the local resident people.

- *Stimulation of infrastructure investment*

The programme shall precondition and support investments in infrastructure improvements such as better water and sewage systems, roads, tourism-related infrastructure, public facilities, all of which can improve the quality of life for residents as well as facilitate further developments across the border and reduce regional imbalances.

Horizontal Issues

The following issues are horizontal to all 3 specific objectives:

Environmental issues:

- *promotion of sustainable exploitation of natural resources;*
- *promotion of preserving activities;*
- *promotion of awareness of environmental assets;*
- *promotion of contained impact of economic activities on the environment.*

Cultural issues:

- *promotion of and utilization of local cultural resources;*
- *promotion of sharing cultural values;*
- *promotion of integrated management of cultural heritage.*

The projects proposals addressing Objective 1 (sustainable **economic development**) shall demonstrate awareness and respect on the issues of environmental protection (introducing environmentally-friendly economic activities, renewable energy sources, etc). In addition cultural and creative industries (being a part of knowledge-based economy) shall be also developed stepping on the existing potentials in the area.

The project proposals addressing Objective 2 (**social cohesion**) can be thematically linked to environmental issues (networks, environmental joint initiatives, strategies drafting, Natura 2000 know-how exchange, etc.). In addition cultural exchanges and joint cultural initiatives shall be also funded where they do not fail to guarantee their social / economic added value.

The project proposals addressing Objective 3 (**attractiveness and quality of life**) shall make effective use of the existing natural and cultural resources in the region and reveal the economic benefits that they can bring to local residents. Eco and cultural tourism initiatives shall be supported where they do not fail to prove their sustainable development effect on the region.

In order to reach the overall objective and its specific objectives 2 thematic priority axes will be established.

The feedbacks gathered within the two regional meetings on the elaboration of the SWOT analysis show that the final programme beneficiaries pay equal priority to all the priority issues, namely:

- *economy*
- *environment*
- *infrastructure*
- *social sphere*
- *people to people actions*

Having in mind the limited funds available to the programme and the comparatively long period for its implementation the partners and stakeholders from both Bulgaria and FYRoM suggest that only two priorities should be formed to encompass all possible areas of intervention eligible for support within the programme. Each of the development areas (economic, social, cultural, environmental) represent an integral part of the term: "sustainable development" which corresponds to the Global Programme Objective. The issues of sustainable development on other hand shall be addressed with an integrated approach, as the limited funds will not allow for special attention and separate funds to be spent for each issue.

Uniting all the possible intervention areas under two thematic priority axes will allow for projects that prove integrated approach and complexity of the benefits in favour of sustainable and balanced development of the cross-border area.

Priority Axis 1

Economic Development and social cohesion

The objective of the priority axis is:

- *development of an economically competitive region through innovation and cooperation across the border;*
- *encouragement of entrepreneurship;*
- *encouragement of knowledge based economy and social entrepreneurship;*
- *SME cooperation and clustering;*
- *employment generation;*
- *human resource development.*

Spheres of Intervention within Priority Axis 1

1. Economic Development

- *encouraging entrepreneurship, development of SMEs, tourism, culture, cross-border trade and environmental techniques to secure the regional competitiveness;*
- *strengthening knowledge economy, research and technology through cooperation, marketing and cluster approach to increase the innovations potentials in the region;*
- *fostering cross-border labour market in respect to know-how transfer and integration.*

2. Social Cohesion

- *encouraging human resource management and equality and promote integration of the labour market and equal opportunities of the vulnerable groups to the labour market;*
- *supporting training, qualification and education, as well as scientific exchange and know-how transfer and to promote more intense cooperation between the education, the qualification institutions and the market;*
- *deepening existing (and development of new) cross-border cooperation contacts, networks and structures;*
- *developing collaboration, capacity and inclusion approaches within particular sectors of activity, i.e. culture, tourism, ecology and education.*

3. Project preparation

- Assistance for project preparation – including pre-feasibility and feasibility studies, technical and detailed design works, environmental impact assessments etc. for the all fields of activities and other projects to apply under different financial sources.

Beneficiaries

- *Local and regional authorities*
- *Regional structures of central administration*
- *Research Institutes, Universities, Training centres and Vocational schools*
- *Trade unions*
- *Institutions of labour market administration*
- *Consultants and enterprises*
- *Professional education and Qualification organizations*
- *Universities*
- *NGOs*
- *SMEs*

Priority Axis 2

Improvement the Quality of Life

The objective of the priority axis is:

- *development of tourism based on natural and cultural resources;*
- *protection of biodiversity;*
- *cultural cooperation across the border.*

Spheres of Intervention within Priority Axis 2

1. Utilisation of eco resources

- *promotion of joint management and protection of the environment,*
- *protection and the preservation of the nature, natural resources and landscape conditions;*
- *maintaining great variety of biodiversity;*
- *pollution prevention plans for the border area,*
- *reduction of negative effects of economic activities on the environment and encouraging of friendly environmental economic activities;*
- *awareness raising campaigns for natural wealth etc.*

2. Utilisation of cultural resources

- *sustaining the use, the protection and the preservation of cultural heritage;*
- *maintaining great variety of biodiversity and cultural diversity;*
- *enhancement of cross-border tourism and cultural heritage development;*
- *reducing and avoiding negative effects of economic activity on the authenticity of the cultural traditions (intangible cultural heritage);*
- *protecting and enhancing cultural quality by making it an economic factor (improve competitiveness and widen the appeal of regional sustainable tourist products).*

Beneficiaries

- *Local and regional authorities*
- *Regional structures of central administration*
- *Regional associations*
- *Tourist boards and associations*
- *Nature protection NGOs*
- *Enterprises*
- *Nature parks administrations*

Priority Axis 3

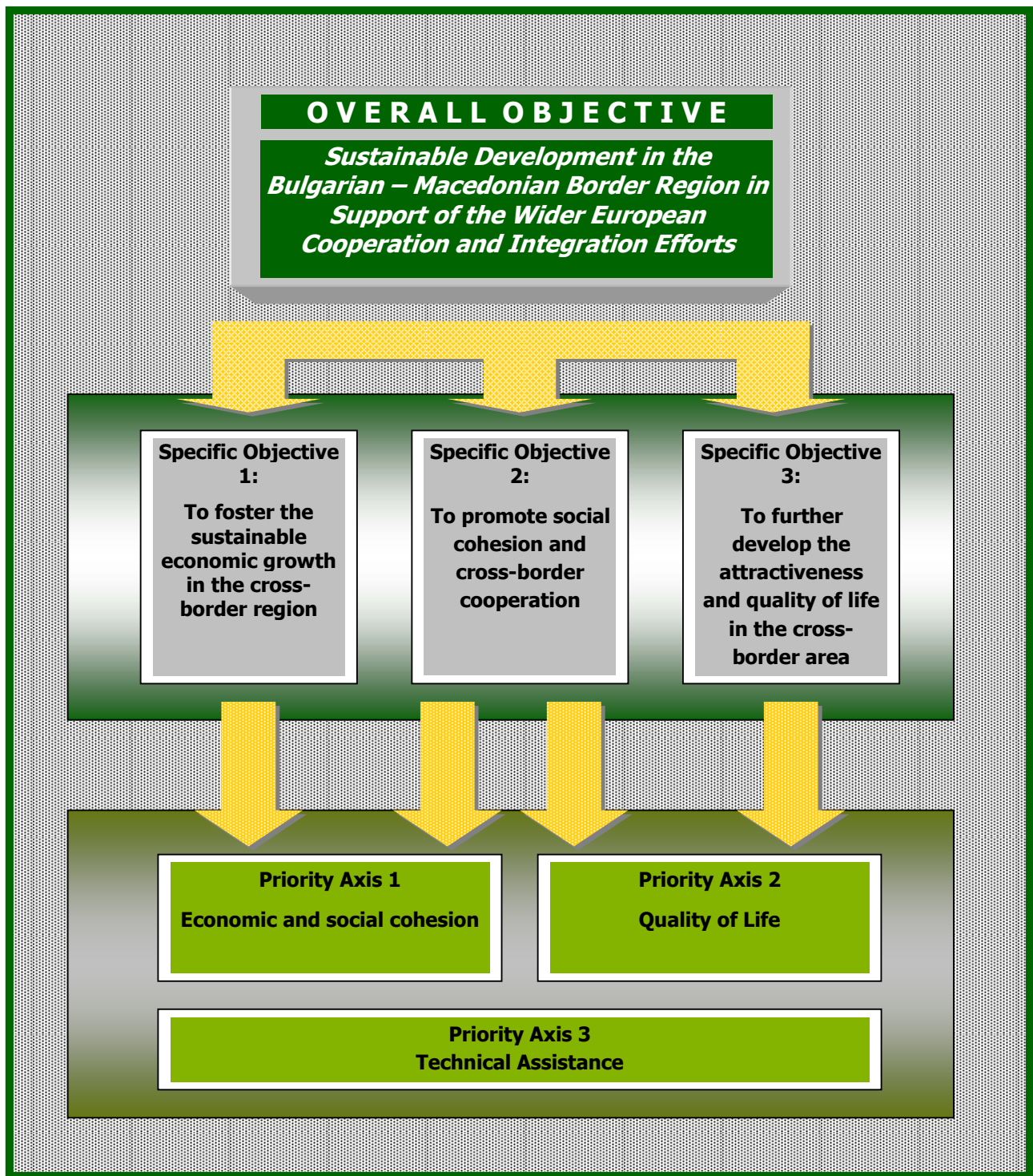
Technical Assistance

To ensure an effective programme management and information flow the technical assistance goal is to improve the quality of cross-border cooperation and management tools.

The actions will cover preparatory measures, management, monitoring, evaluation, information and control activities and activities to reinforce the administrative capacity for implementing the Funds as follows:

- *evaluations, expert reports, statistics and studies*
- *expenses to disseminate information, networking, raise awareness, promote cooperation and exchange experience;*
- *programme management, implementation, monitoring, first-level control;*
- *administrative costs for the joint structures of the programme,*
- *travel and accommodation expenses for participation in monitoring and selection committees, as well as such for participation in the different meetings and related business trips etc.*

4.2 Objectives' logics



4.3 Guiding Principles

The strategic concept of the CBC Operational programme is developed on the basis of:

- proactive approach towards regional economic and social integration;
- value-added results in terms of networking and institution-building across-borders;
- realistic approach to number and scope of priorities;
- principle of proportionality linked to financial allocation.

Guiding Principles of Implementation:

- **Sustainable Development:** great importance will be placed on social, economic and environmental sustainability. While respecting the environment and the natural resources the programme will endeavour to put in place projects that will have continuing economic, social and cultural benefits;
- **Equal opportunities:** this perspective should be integrated into every stage of the project realisation: design, implementation, monitoring, evaluation. The promotion of equal opportunities for sexes and different social groups in the region is a cross-cutting goal of the programme;
- **Cross-border partnership:** There is strong requirement for real partnership, cross-border effects of the project and joint actions during planning and implementation of the project. In this respect projects should not only be able to tackle the needs and the opportunities in the region but should also: focus on the joint vision; allow a stable growth path on both sides of the border; take into account the needs of the local resident population and equality; help building cross-border institutions and capacities for regional development and cultural exchange on a long-term basis.

4.4 Correspondence with other EU-Programmes and national Programmes

(In general this section is too long and wordy – please find a way to present the information in a much more succinct format. Whilst the info covers BG very well, a similar exercise for FyROM is missing. There should be a link here with the MIPD which is in its final phase of preparation).

Following the Lisbon strategy and objective “to become the economy of the most competitive knowledge and most dynamic entrepreneurship of the world, capable of a durable economic growth accompanied by a quantitative and qualitative improvement of employment and by a greater decision” within ten years, the cross-border region Bulgaria – RM sees it’s advantage as cultural, healthy and natural precious area for living and working.

The specific added value of cross-border co-operation to implementing the Lisbon Strategy derives from the fact that cross-border co-operation always adds value to national measures.

This added value results from:

- additionality of cross-border programmes and projects,
- synergies through cross-border co-operation,
- joint research and innovation,
- cross-border networking,
- exchange of best practice and know-how,
- spin-off effects by overcoming borders,
- efficient cross-border resource management.

The joint development priorities set in the Operational programme do not contradict one another and are complementary to the wider development priorities of the countries forming the border region.

Priorities of the BG-RM OP shall be in line with the provisions of the National Strategic Reference Framework,

setting the major development policy objectives and priorities to be supported under the Structural Funds in Bulgaria for the period of 2007-2013.

The selected priorities also will complement the priorities of the Operational programmes for 2007-2013 (the whole of SW region of Bulgaria as NUTS II region is eligible under Objective 1), aiming at improving transport, energy and environmental infrastructure, promoting industrial and business development, increasing employment and human resources development

4.4.1 NATIONAL STRATEGIC REFERENCE FRAMEWORK FOR BULGARIA 2007-2013

The Bulgarian authorities and social stakeholders in partnership have agreed on the strategic vision and objectives for the country: By 2013 Bulgaria should become a country with a higher standard of living, based on a sustainable socioeconomic growth during the process of full integration into the European Union

To achieve its vision, Bulgaria has two strategic medium-term goals:

- To attain and maintain high economic growth through a dynamic knowledge-based economy in accordance with the principles of sustainable development.
- To improve the quality of human capital and to achieve employment, income and social integration levels, which provide higher living standards.

In order to achieve the above mentioned strategic goals and the NSRF vision, interventions till 2013 will be focused on the following strategic priorities:

- Development of the competitiveness of the Bulgarian economy;
- Development of human resources and improvement of the social infrastructure;
- Improvement and development of the basic infrastructure;
- Sustainable and balanced regional development;
- Modernization of the Bulgarian administration and improvement of its services.

4.4.2 MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT (MIPD) FYROM 2007-2009

Building on initial achievements under the CBC-activities supported in the period 2004-2006, the MIPD for the years 2007 - 2009 will continue to support to regions and sectors targeted earlier.

CBC with Bulgaria

- Strengthening cooperation among local/regional authorities, associations, NGOs and enterprises from neighbouring regions;
- Small infrastructure to improve potential for tourism or local/ regional transport and communication, including environmental aspects;
- People to people actions;
- Technical Assistance/ Information diffusion

Main priorities and objectives

CBC with Bulgaria

- To improve and extend existing or create new links among local/regional administrations, associations, NGO's or enterprises to enhance economic and social development of eligible border regions;
- To improve tourism and transport infrastructure with a view to increase the conditions for the development of tourism and the protection of the environment;
- To intensify contacts at local level among citizens from inside and outside the EU;
- To help with programme implementation and to contribute to timely delivery of results.

The expected results can be summarized to the following:

- Closer economic cooperation is expected to enhance the competitiveness of enterprises, create new business opportunities and to increase employment;
- Better administrative cooperation facilitates business development and contributes to avoid counterproductive competition among border regions on both sides;
- Enhance knowledge on trans-border regions by meeting their inhabitants and setting-up social relations shall contribute to prevent tensions and to foster common understanding;
- Assistance will help administrations working under DIS with the various steps of implementation from calls for proposals to setting-up monitoring structures.

4.4.3 SECTORAL OPERATIONAL PROGRAMMES BULGARIA

OP Transport

There are 5 priorities:

- Development of railway infrastructure along the major national and Pan-European transport axes and promote the combined transport
- Development of road infrastructure along the major national and Pan-European transport axes
- Development of environmental-friendly transport in the urban areas
- Improvement of the maritime and inland-waterway navigation
- Technical assistance

OP Human Resource Development

There are 7 priorities:

- Promotion of sustainable employment and development of inclusive labour market
- Raising of adaptability and competitiveness of the employed persons
- Improvement of the quality of education and training
- Improvement of the conditions for access to access to education
- Social integration and employment through development of the social economy
- Improvement of the efficiency of the labour market institutions, of the social and healthcare services
- Technical assistance

OP Environment

There are 3 priorities:

- Improvement and development of waste water infrastructure in settlements with over 2 000 PE
- Improvement and development of waste treatment infrastructure
- Preservation and restoration of biodiversity

OP Development of the Competitiveness of the Bulgarian Economy

There are 6 priorities:

- Priority "Development of a Knowledge-based Economy and Innovation Activities"
- Priority "Increasing productivity and efficiency in micro, small and medium-sized enterprises"
- Improvement of the access to finance for micro, small and medium-sized enterprises
- Development of business support environment
- Strengthening the international market positions of Bulgarian economy
- Priority Technical Assistance

OP Regional Development

Programme general objective

- Enhancing the quality of living and working environment with better access and new opportunities for increased regional competitiveness and sustainable development

Programme specific objectives

- Developing sustainable and dynamic urban centres connected with their less urbanized hinterlands, thus enhancing their opportunities for prosperity and development
- Mobilising regional and local technical and institutional opportunities and resources for implementing regional development policies

Priority Axis 1: Urban Regeneration and Development

- Operation 1.1. Environmental Infrastructures
- Operation 1.2. Social Infrastructure
- Operation 1.3. Organisation of Economic Activities
- Operation 1.4. Enhancing Physical Environment

Priority Axis 2: Local and Regional Accessibility

- Operation 2.1. Sustainable Urban Transportation Systems
- Operation 2.2. Regional Road Infrastructure
- Operation 2.3. Intra-regional Transport Services
- Operation 2.4. ICT Networks and Services

Priority Axis 3: Sustainable Tourism Development

- Operation 3.1. Enhancement of tourism attractions and related infrastructure
- Operation 3.2. Support for Advancement of Tourism Services
- Operation 3.3. Development of Tourist Product and Marketing of Destinations

Priority Axis 4: Encouraging Regional and Local Development

- Operation 4.1. Integrated Development Partnerships
- Operation 4.2. Integrated planning and project development
- Operation 4.3. Small-scale Local Investments
- Operation 4.4. Encouraging cooperation with EU regions

Priority Axis 5: Technical Assistance

- Operation 5.1. Preparation, Evaluation, Monitoring and Control of OPRD
- Operation 5.2 Information and Public Awareness
- Operation 5.3 Technical Administration

OP Administrative Capacity

General objective

The general objective of the OP ACD is to contribute to the achievement of EU and national objectives to make progress in socio-economic development in line with cohesion and convergence goals.

The achievement of the general objective will be reflected by the increase in economic activity across Bulgaria, the increase in employment and measurable improvements in the delivery of public services at central and local levels of administration. These achievements will have some direct association to the successful implementation of a package of public administrative reforms that target the strengthening of management capacity.

Specific objective

The specific objective is to contribute to a sustainable improvement in public administration in Bulgaria. The specific objective will be assessed by a comparison of sectoral performance of the Bulgarian public service to other new member states and the EU member states as a whole.

<i>Objectives</i>		MIPD fYRoM 2007-2009	NSRF BG	OP Competitiv eness	OP Regional Developm ent	OP Human Resources Developm ent	OP Transport	OP Environme nt	OP Administra tive Capacity
<i>Sustainable Development of the Bulgarian – Macedonian Border Region</i>	SPECIFIC OBJECTIVE N. 1 To foster the sustainable economic growth in the border region Diversification of the current economic activities, support for the region to evolve into an economically strong region with high standard of living; development of new value chains; stimulus for research and development cooperation; clustering and business-support services; support to new technologies and innovations.	X	X	X			X	X	X (TA axis)
	SPECIFIC OBJECTIVE N. 2 To promote social cohesion and cross-border cooperation Investment in human resource development; people to people actions; labor market initiatives; cultural exchanges; support for raising the adaptability of the labor force to the market demands; cross-border networks at all levels and sectors of activity, incl. support for preparation of mutually benefiting project proposals.	X	X		X	X			X (TA axis)
	SPECIFIC OBJECTIVE N. 3 To further develop the attractiveness and quality of life in the cross-border area Balanced regional development based on protection and wise use of national and cultural resources in the region; preservation of the ecological and cultural diversity; support for development of tourism based on the adequate and reasonable exploitation of the existing environmental and cultural assets in the target area.	X	X		X		X	X	X (TA axis)

4.5 Indicators

The programme indicators are vital to the efficient and effective implementation of the Programme. They serve to monitor and evaluate the extent to which the Programme has achieved its objectives, and the efficiency with which it has done so.

Two levels of indicators can be distinguished:

Horizontal

Indicators on the horizontal level comprise measurements referring to transversal principles that need to be upheld at all impact levels of the programme (short-term, medium-term and long-term). Four key areas need to be evaluated:

- **effectiveness** (whether the programme produces impacts corresponding to its goals and design);
- **sustainability** (whether the impacts will survive beyond the intervention period);
- **efficiency** (whether the programme was the optimal solution to needs identified);
- **relevance** (in both its correspondence to national planning, and its responsiveness to local needs).

Vertical

This second indicator level follows the programme design in formulating specific indicators for achievement. Three types of indicators are distinguishable at this stage:

- **Output indicators:** measure consequences on the activity level. They have the shortest time horizon, referring to outcomes which are typically directly related to the activity itself and are relatively fast to materialise.
- **Result indicators:** measure consequences on the level of spheres / areas of intervention. They apply to a longer time scale than output indicators, but still refer mostly exclusively to direct consequences.
- **Impact indicators:** these are indicators on the higher, programming level. They apply to spheres of intervention exclusively and measure the overall impact of the programme. They typically apply to the long-term.

The vertical level will be presented in detail below, where indicators are given for each level. However, since there can be no clear idea at this stage on which actions will be approved, and which areas of intervention will prove the most popular with beneficiaries, output indicators are only presented as examples, of the types of indicators that can be used, their relative size, and the sources of information that can be employed. This is done in much the same spirit with which sample actions are enumerated under areas of intervention. It is necessary to note that for all quantified indicators, the values apply above the baseline. The baseline is established as the average of the indicator for the past 5 years. An alternative approach can be taken in measuring the change in the indicators in standard deviation units (the number of standard deviations that they stand from the mean/baseline). The indicators together on the vertical level combine to form the indicators for achievement of the relevant level of the programme (area/sphere of intervention and specific/general objective). Notably, each level needs a specific indicator, and not simply the sum of the indicators of the previous levels, in the same way that the outcome of the programme represents the synergy of its parts, and not only the sum of them. The correspondence of indicators to the various levels is presented below:

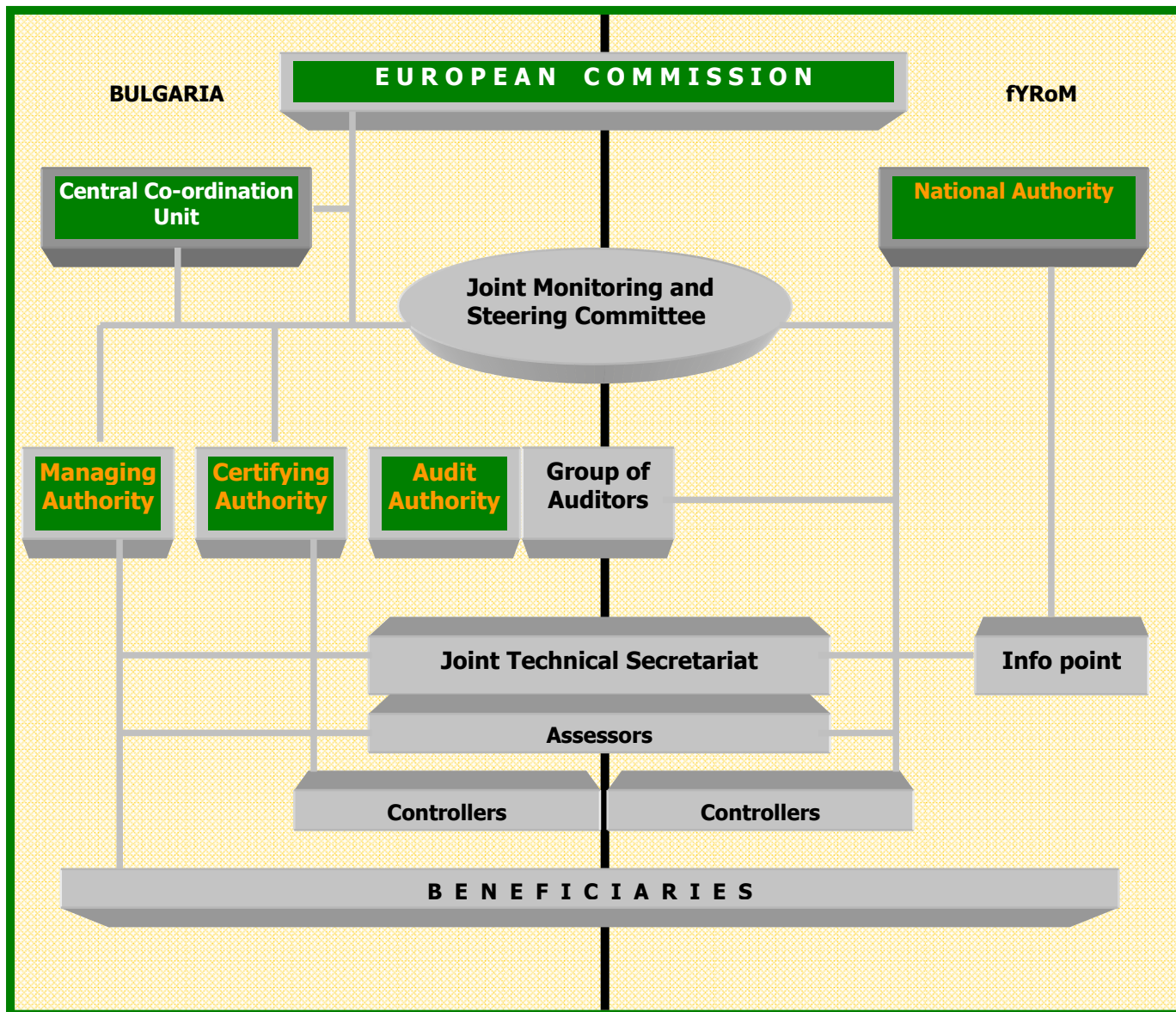
PRIORITY	SPHERE	OUTPUT	QUAN	RESULT	QUANT
Economic development and Social Cohesion	Economic Development	Business and educational linkages created	15	Joint information services established Increased cross-border movement of people and exchange of goods and services in the region	2 1.5 %
		SMEs and communities participating in knowledge economy	7		
		Awareness campaigns pf the benefits of ICT and new media	20		
		ICT trainings	10		
		Access to and usage of new technology	10		
		SMEs involved in CBC projects	7		
		Institutions / bodies reached by programme activities	40		
		New jobs created	50		
	Social Cohesion	Joint cooperation projects on development of skills and knowledge	10	New Social Economic enterprises created Improved environment for development of relationships across the border	2 3 %
		Training places created	3		
		Management and job-related training courses			
		People participating in training	350		
		People with enhanced skills	200		
		Business to education linkages	10		
		People from vulnerable groups trained	20		
		Scientific exchange and transfer of know-how	10		
		Networking structures created/developed	3		
		Joint strategies and plans	3		
	Project preparation	Feasibility studies	5	Projects actually applied	3 %
		Preliminary and detailed design works	7		
		Project environmental assessments	2		
Improvement the quality of Life	Utilisation of eco resources	Number of joint friendly environmental projects	20	Decreased pollution in the region	2 %
		Joint Eco-itineraries created/ developed	10		
		Joint ttourist services created/ developed	10		
		Partnerships for cases of natural disasters established	2		
		Joint environmental management plans	2		
		Permanent networks for	5		

		environmental protection and reasonable utilization of resources			
		Environmental awareness campaigns	15		2 %
Utilisation of cultural resources		Number of projects concerning common cultural heritage	20	Increased attractiveness of the region based on preservation of natural resources and cultural heritage	
		Tourist destinations created/ developed	10		
		Tourist services created/ developed	10		
		Surrounding area of cultural spots improved	7		2 %
		Joint cultural events carried out	15	Increased common cultural capital	
		Events popularizing intangible cultural heritage and traditions	15		
		Awareness campaigns	15		



5 IMPLEMENTING AND FINANCING PROVISIONS

5.1 MANAGEMENT STRUCTURES



Organizational structures and procedures for the implementation of the Operational Programme

Both countries are aware of the core concept of **IPA CBC** as fully embodying the principle of "common benefit", and acknowledge the fact that the programme has to operate on the basis of one set of rules on both sides of the border, thus providing the opportunity to establish fully equal and balanced programming and decision making structures between Bulgaria as a Member State and fYRoM as a Potential Candidate Country. Thus, IPA CBC will promote enhanced cooperation and progressive economic integration and coherence between the European Union and the PCC.

Based on these shared views, Bulgarian and Macedonian authorities have reached a common agreement to implement the programme fully under the **Shared management and control system** (Structural Funds rules),

which means that the rules laid down in [Council Regulation \(EC\) 1083/2006](#) will be applied to the Operational Programme management structure.

The implementation structures as described below have been agreed in partnership between the participating authorities of Bulgaria and FYRoM.

Managing Authority (MA)

Legal provision for the establishment and operation of the MA:

Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund

Article 14 – Designation of authorities

Article 15 – Function of the managing authority

Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund

Article 13 – Management of assistance, reporting

Article 59 – Designation of authorities

Article 60 – Functions of the managing authority

Council Regulation (EC) 1085/ 2006 of 17 July 2006 establishing an Instrument for Pre-accession Assistance (IPA)

The Bulgarian and Macedonian programme partners have agreed that the responsibility of a [Single Managing Authority \(MA\)](#) will be given to the [Ministry of Regional Development and Public Works of the Republic of Bulgaria](#).

The Managing Authority is responsible for managing and implementing the Operational Programme in accordance with the principle of [sound financial management](#) and in particular for:

- ensuring, together with the Monitoring Committee, the quality of the implementation of the Operational Programme;
- preparing and updating the Operational Programme Internal Procedures Manual and any other procedures/guidelines as required by the needs of the Programme;
- working in cooperation with line Ministries and other members of the public sector as well as with other economic and social partners in order to coordinate the implementation of the Operational Programme with sectoral and regional Operational Programmes from both participating countries;
- developing the administrative effectiveness and partnership capacity of the structures involved in the implementation of the Operational Programme;
- ensuring that operations are selected for funding in accordance with the criteria applicable to the Operational Programme and that they comply, for their whole implementation period, with the applicable Community and national rules;
- verifying the delivery of the co-financed products and services and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with the Community and national rules; performing verifications on-the-spot of individual operations that may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission as referred to in Article 103(3);
- ensuring that there is a system for recording and storing in a computerised form accounting records of each operation under the Operational Programme and that the data on the implementation necessary for financial management, monitoring, verifications, audits and evaluation is collected;
- ensuring that 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 rule;
- ensuring that the evaluations of the Operational Programmes referred to in Article 48(3) are carried out in accordance with Article 47;
- setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90;
- ensuring that the Certifying Authority shall receive all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;

- making available to the Commission (upon request) a list of completed operations which have been subject to partial closure under Article 88 of the General Regulation;
- carrying out an ex-ante evaluation of the Operational Programme;
- setting up the Joint Technical Secretariat: The Managing Authority may delegate some tasks to the Joint Technical Secretariat by means of a written and signed Agreement. In this case, the Managing Authority will undertake monitoring to ensure that the JTS carries out the tasks to the satisfaction of the Managing Authority. This reflects the fact that the Managing Authority remains solely responsible for ensuring that the programme is implemented in line with the relevant Regulations.
- guiding the work of the Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the Operational Programme to be monitored in the light of its specific goals;
- drawing up and, after approval by the Monitoring Committee, submitting to the Commission the annual and final reports on implementation;
- providing information about the Programme and announcing calls for project proposals in cooperation with the JTS, as well as ensuring compliance with the information and publicity requirements laid down in Article 69 (Information and publicity);
- providing information to the Lead Partners about the approval or rejection of the project proposals and the next steps to be carried out;
- contracting ERDF/IPA with the Lead Partners with a standard frame contract as well as with a partnership agreement. These documents will be prepared by JTS;
- collecting the final reports from the Lead Partners and submitting the costs statement to the CA;
- ensuring, without prejudice to the rules governing State aid under Article 87 of the Treaty, that all the supporting documents regarding expenditure and audits on the Operational Programme concerned are kept available for the Commission and the Court of Auditors for:
 - a period of three years following the closure of an Operational Programme as defined in Article 89(3);
 - a period of three years following the year in which partial closure took place, in the case of documents regarding expenditure and audits on operations referred to in paragraph 2; these periods shall be interrupted either in the case of legal proceedings or at the duly motivated request of the Commission, as defined in Article 90(1).

The Central Co-ordination Unit and as such will:

- prepare the NSRF in cooperation with the Agency for Economic Analysis and Forecasts and negotiate it with the EC;
- act as a Central Contact Point with the EC;
- ensure the application of key Structural Funds principles including partnership and additionality;
- provide the part of the annual National Reform Programme report concerning the contribution of the funds;
- nominate OP Liaison Officers to assist OP MAs and to monitor that the OPs are making progress to the achievement of the NSRF Objectives;
- ensure co-ordination between the OPs and the EIB and other financial instruments;
- develop and ensure the proper functioning of the Management Information System;
- participate in the Monitoring and Steering Committee;

The National Authority of fYRoM cooperates in joint programming, management and implementation of the OP and will take all necessary measures to ensure the proper implementation of the Programme on its side of the border, mainly through:

- assisting in joint programming, by generating projects in accordance with the Programme objectives;
- assisting in implementation of the OP by nominating representatives in the Monitoring Committee;

- co-chairing the Joint Monitoring Committee;
- preparing job descriptions for and participation in the selection of the experts in the JTS and the Info Point on Macedonian territory (contracted by the MA),
- nominating of Controllers responsible for pre-certification of Macedonian invoices;
- assisting in project evaluation by nominating Assessors;
- assisting in auditing tasks by nominating representative(s) in the group of auditors;
- assisting in joint programming, by generating projects in accordance with the programme objectives; co-financing for the Macedonian side by committing and granting the national co-financing and payments of Macedonian lead-partners;
- collecting reliable financial and statistical data on the OP implementation in fYRoM, forwarding the data to the MA;
- bearing the final financial responsibility in case of any failure of the final beneficiary located in fYRoM and being responsible for reimbursement to the Certifying Authority in case of the event of irregularity in the expenditure declared by the Lead Applicant (article 20 (2 of Regulation No 1083/2006));
- signing the agreement or Memorandum of Understanding with the MA regulating the responsibilities between the two countries.

Certifying Authority (CA)

Legal provision for the establishment and operation of the CA:

Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund

Article 59 – Designation of authorities

Article 61 – Functions of the certifying authority

Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund

Article 14 – Designation of authorities

The Certifying Authority is responsible for:

- collecting the cost statements submitted by the MA;
- drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- maintaining accounting records in computerised form of expenditure declared to the Commission;
- checking requests and releasing funds;
- receiving the ERDF/IPA funds from the EC (pre-financing, interim payments and the payment of the final balance) and transferring the co-financing to the Lead Partner through the Paying Unit;
- taking account for certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;
- certifying that:
 - the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
 - the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;
 - ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
 - keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the Operational

Programme by deducting them from the next statement of expenditure;

- sending to the Commission, at the latest by 30 April each year, a provisional forecast of the likely applications for payment for the current financial year and the subsequent financial year;
- sending the requests for interim payment to the Commission on three separate occasions per year. For a payment to be made by the Commission in the current year, the latest date on which an application for payment shall be submitted is 31 October;
- ensuring that the Lead Beneficiaries receive the total amount of the public contribution as quickly as possible and in full;
- ensuring that any amount paid as a result of an irregularity is recovered from the Lead Beneficiary.

According to Article 14 from Regulation (EC) 1080/2006 the CA shall receive the payments made by the Commission and, as a general rule, shall make the payments to the Lead Beneficiary.

Audit Authority (AA)

Legal provision for the establishment and operation of the AA:

Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund

Article 59 – Designation of authorities

Article 62 – Functions of the audit authority

The Audit Authority is the Ministry of Finance, Republic of Bulgaria and is assisted by a Group of Auditors comprising representatives of Bulgaria and fYRoM. The Audit Authority will carry out the duties provided for in Article 62 of Regulation (EC) No 1083/ 2006, namely:

- ensuring that audits are carried out to verify the effective functioning of the management and control system of the Operational Programme;
- ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- presenting to the Commission within nine months of the approval of the Operational Programme an Audit Strategy covering the bodies which will perform the audits mentioned above, the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that the audits are spread evenly throughout the programming period;
- submitting to the Commission by 31 December each year from 2008 to 2015 an Annual Control Report setting out the findings of the audits carried out during the previous 12 months period ending on 30 June of the year. The Annual Control Report shall be prepared in accordance with the Audit Strategy of the Operational Programme and should report on any shortcomings found in the Systems for Management and Control of the Programme;
- issuing an opinion by 31 December each year from 2008 to 2015 on the basis of the controls and audits that have been carried out under the responsibility of the Audit Authority, as to whether the Management and Control System functions effectively. This opinion should provide a reasonable assurance that statements of expenditure presented to the Commission are correct and that the underlying transactions are legal and regular;
- submitting a declaration for partial closure (where applicable under Article 88 (Partial closure) by 31 December each year from 2008 to 2015, assessing the legality and regularity of the expenditure concerned;
- submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statements of expenditure, which shall be supported by a Final Control Report.
- The Audit Authority ensures that the audit work takes account of internationally accepted audit

standards.

The auditors are independent of the Control System set up for validating the expenditures (Article 16, Regulation (EC) 1080/2006). The group of auditors will be set up at the latest within 3 months of the decision approving the Operational Programme. It will draw up its own rules of procedures and will be chaired by the Audit Authority. The Audit Authority itself is functionally independent of the MA.

Group of Auditors

The Group of Auditors shall assist the Audit Authority by carrying out the audit activities under its responsibility. It will carry out the following activities:

- system audit, sample checks and final audit;
- annual checks of the management and control systems;
- checks of the statements of expenditure, on the basis of an appropriate sample;
- carries out appropriate checks in order to issue winding-up declarations at the closure of measures and programmes;
- checks the existence and correctness of the national co-financing.

The Group of Auditors will set its own rules of procedure.

Joint Monitoring Committee (JMC)

Legal provision for the establishment and operation of the JMSC:

Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund

Article 14 – Designation of authorities

Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund

Article 11 - Partnership

Article 63 – Monitoring committee

The Monitoring Committee adopts its Rules of Procedure in agreement with the Managing Authority in order to exercise its missions in accordance to the present Regulation. It is chaired by the representative of Bulgaria. A Representative of the Commission participates in the work of the MC in advisory capacity. Decisions of the Monitoring Committee shall be made by consensus between the national delegations of Bulgaria and FYRoM. Decisions may be taken via written procedure.

The JMSC is responsible for the following tasks:

- considers and approves the criteria for selecting the operations financed within six months of the approval of the operational programme and approve any revision of those criteria in accordance with programming needs;
- periodically reviews progress made towards achieving the specific targets of the operational programme on the basis of documents submitted by the managing authority;
- examines the results of implementation, particularly the achievement of the targets set for each priority axis and the evaluations referred to in article 48(3);
- Considers and approves the annual and final reports on implementation referred to in article 67;
- receives information on the annual control report, or of the part of the report referring to the operational programme concerned, and of any relevant comments the Commission may make after examining that report or relating to that part of the report;
- when needed, proposes to the managing authority revision or examination of the operational programme that is likely to make possible the attainment of the Funds' objectives referred to in Article 3 or to improve its management, including its financial management;
- considers and approves any proposal to amend the content of the Commission decision on the

contribution from the ERDF/IPA;

- receives summarised information on submitted projects and programme budget information from the JTS;

Practical tasks:

- approves the application package before the first call for applications is launched by the Joint Technical Secretariat. The Committee shall be informed about amendments made to this application package (if any) by the Joint Technical Secretariat henceforth and may comment on it;
- to consider and approve the criteria to be used for the selection of projects with the aim of determining the cross-border character of the operations;
- gives advice to proposals for operations prepared by applicants and submitted to the Committee by the Joint Technical Secretariat;
- selects operations for funding (Article 19(3) of the ERDF Regulation 1080/2006);
- approves the action and communication plan;
- reviews periodically progress made towards achieving the specific (and quantified) objectives of the programme and to examine the results of implementation (achievement of the targets set for the different measures);
- approves the terms of reference of calls for proposals
- decides on the execution of evaluations as referred to in Article 48(3) of the General Regulation to be financed from the budget for technical assistance (Article 47(4) of the General Regulation);
- confirms the draft description of the management and control systems of the programme as required by Article 71(1) of the General Regulation before it is submitted to the European Commission.
- considers and approves any proposal to amend the contents of the Commission decision on the contribution of the Funds, especially in order to improve the programme administrative and financial management ;
- approves the framework for the Joint Technical Secretariat's tasks;
- approves operations under the Technical Assistance budget

The Monitoring Committee may decide to set up task forces in order to support the implementation of the programme; detailed rules on the establishment of task forces shall be laid down in the Committee's rules of procedure.

Composition of the Monitoring and Steering Committee, chairmanship, decision making

The Committee will be composed of:

- XXXX representatives of Bulgaria – national, regional, local authorities and; economic and social partners, NGOs;
- XXXX representatives of fYRoM - national, regional, local authorities and; economic and social partners, NGOs;

Representatives of the Managing Authority, the Certifying Authority, DG Regional Policy of the European Commission and, where appropriate, the Audit Authority, will participate in the work of the Monitoring and Steering Committee in an advisory capacity. The Joint Technical Secretariat will assist the work of the Monitoring Committee.

The Monitoring and Steering Committee will be chaired by a representative of Bulgaria as a Member State participating in the programme. Co-chairmanship will be taken by a representative of fYRoM. Decisions shall be taken by consensus.

Details on composition, chairmanship and decision making in the Monitoring and Steering Committee will be determined by the rules of procedure of the Committee. At its first meeting after the Commission's approval of the programme, the Monitoring and Steering Committee will draw up those rules of procedure and will

adopt them in agreement with the Managing Authority in order to exercise its missions in accordance to the General Regulation and the ERDF Regulation.

Joint Technical Secretariat (JTS)

Legal provision for the establishment and operation of the JTS:

Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund

Article 14 – Designation of authorities

The managing authority sets up a joint technical secretariat. It assists the managing authority and the monitoring committee in carrying out their respective duties. The JTS is in particular responsible for the following joint tasks:

- preparing and launching the Calls for proposals, incl. development of draft procedures for evaluation and selection of projects;
- making available the standardized forms for project applications and providing full assistance to potential project applicants – organizing info days, workshops for applicants, handling Q/A;
- receiving project applications and registering them into the CMS;
- performing a formal check of project applications in terms of administrative compliance and eligibility;
- preparing the quality assessment in cooperation with relevant responsible structures;
- delivering project information and summarized information on submitted projects as well as programme budget information to the JMSC and preparing JMSC meetings;
- Informing the lead partners about the approval or rejection of the project proposal and the next steps;
- preparing standard frame contract in cooperation with MA;
- collecting the cross-check certified activities with progress of the project from the lead partners;
- checking overall project reports in terms of content and costs and delivering them to the MA;
- monitoring projects implementation;
- receiving information from the lead partners of project changes and distributing it to the MA;
- collecting the final reports from the lead partners and submitting the cost statement to the MA;
- assisting the Managing Authority in preparation of annual reports on Programme implementation;
- disseminating information about the programme and take actions to raise the awareness of potential beneficiaries and local communities;
- communicating with all the institutions implementing the programme at national and EU levels.

The work of the JTS will supported by an Info Point located in fYRoM. It will consist of one expert.

The Info Point will:

- assist potential project partners in project development, advise candidates in the preparation and implementation of projects
- proactively stimulate the project development process
- facilitate international partner searches
- organize Information campaigns and training on Macedonian territory
- support the work of the JTS in terms of logistics.

Use of external assessors

Since the JTS will be responsible for the administrative and eligibility check of project proposals, for the needs of technical (quality) assessment of proposals, external assessors will be used. MA will work out criteria for selection and with the assistance of the JTS will launch an open call for selecting Bulgarian and Macedonian experts. It is expected the external assessors to have an in-depth knowledge of the issues covered by the Operational programme. Their expertise should be verified on the basis of their CVs. A

minimum of five years experience of a particular issue should be expected. As a result of the Call for experts, a long list will be developed comprising experts with expertise in different programming areas. Later on, experts will be invited to take part in the assessment process in accordance with the specifics of the respective programming round.

Group of Financial Controllers (GFC)

Legal provision for the establishment and operation of the GFC:

Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund
Article 16 – Control system

In order to validate the expenditure Bulgaria and FYRoM will set up a control system making it possible to verify:

- the delivery of the products and services co-financed;
- the soundness of the expenditure declared for operations or parts of operations implemented on its territory;
- the compliance of such expenditure and of related operations, or parts of those operations, with Community rules and its national rules.

For this purpose a group of controllers will be established and each country will designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation.

Expenditures will be validated by the controllers within a period of three months. The data sent to GFC shall be considered as official data. Information that deviates from the official data on the programme implementation may be used for controlling purposes, but shall not be valid for official reports. The monitoring data shall be made available by the GFC to the MA, the European Commission as well as to financial control authorities on a regular basis.

Lead beneficiary

Legal provision for the lead beneficiary:

Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund
Article 20 – Responsibilities of the lead beneficiary and the other beneficiaries

In compliance with Article 20 Regulation (EC) No 1080/2006 the responsibilities of the lead beneficiary and the other beneficiaries are as follows.

For each operation, a lead beneficiary is appointed by the beneficiaries among themselves. The lead beneficiary will:

- submit the project application; signing partnership agreement and declaration; bilateral project management and overall co-ordination;
- lay down the arrangements for its relations with the beneficiaries participating in the project in a partnership agreement comprising, inter alia, provisions guaranteeing the sound financial management of the funds, including the arrangements for recovering unduly paid;
- be responsible for ensuring the implementation of the entire project;
- ensure that the expenditure presented by the beneficiaries participating in the project has been paid for the purpose of implementing the project and corresponds to the activities agreed between the beneficiaries participating in the project;
- verify that the expenditure presented by the beneficiaries participating in the project has been validated by the controllers;

- create a well working partnership ensuring the proper and sound implementation of the entire operation;
- guarantee proper coordination of activities, meeting of schedules and achievement of expected quality levels;
- collect the information from the project partners, cross-checks the certified activities with the progress of the project and submits the reports to the JTS;
- sign the contract with the MA and is responsible for transferring the ERDF/IPA contribution to the beneficiaries participating in the project according to the partnership agreement and certified costs;
- inform the MA and the JTS about project changes;
- monitor and report of financial flows for the ERDF funds;
- facilitate audit by all relevant EC and national authorities (ERDF contract).
- act as a contact point in relation to programme implementation structures, therefore Lead partner acts as mediator of any information between the programme and other project partners (partnership) and vice versa.

Each beneficiary participating in a project needs to:

- assume responsibility in the event of any irregularity in the expenditure which it has declared;
- send the statement of costs and content report in national language to the JTS/MA;
- submit the certification of costs and information to the lead beneficiary.

5.2 IMPLEMENTING STRUCTURES – SUMMARY

Republic of Bulgaria	fYRoM
<p data-bbox="401 444 768 508">Central Co-ordination Unit Ministry of Finance</p> <ul data-bbox="191 532 1014 979" style="list-style-type: none"> • Ensure the quality of the NSRF in order to negotiate it with the European Commission; • Act as a central focal point for contact with the European Commission; • Ensure the application of key Structural Funds principles including partnership and additionality; • Ensure that operations financed by the Funds comply with EU policies; • Ensure co-ordination between the OPs and the assistance from the EAFRD, the EFF, the EIB and other financial instruments; • Prepare and submit Reports to the Commission as required by the Regulations • Develop and operate the Management Information System; • Coordinate the submission of applications for major projects by Managing Authorities to the Commission; • Chair and act as a secretariat for the NSRF Monitoring Committee; • Participate in all OP Monitoring Committees. 	
<p data-bbox="159 1005 1031 1068">Managing Authority Ministry of Regional Development and Public Works of Bulgaria</p> <ul data-bbox="191 1092 1003 1386" style="list-style-type: none"> • Responsible for managing and implementing the operational programme in accordance with the principle of sound financial management • Signing the agreement or Memorandum of Understanding regulating the responsibilities between the two countries • Co-chairing the Joint Monitoring and Steering Committee (JMSC); • Nominating representatives in the JMSC; • Contracting ERDF/IPA with the lead partners; • Setting up a JTS and Info point on Macedonian territory; 	<p data-bbox="1367 1005 1619 1068">National Authority</p> <ul data-bbox="1066 1092 1906 1365" style="list-style-type: none"> ▪ Assisting in joint programming; ▪ Signing the agreement or Memorandum of Understanding with the MA regulating the responsibilities between the two countries; ▪ Nominating representatives in the JMSC; ▪ Co-chairing the JMSC ▪ Selecting experts in the JTS and the Info Point on Macedonian territory ▪ Nominating of controllers responsible for pre-certification of Macedonian invoices

Republic of Bulgaria	fYRoM
<ul style="list-style-type: none"> • Assisting in project evaluation by selecting and nominating assessors; • Ensuring that the certifying authority receive all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification; • Guiding the work of the JMSC; • Carrying out monitoring in collaboration with the JMSC; • Bearing the final financial responsibility in case of any failure of the final beneficiary located in Bulgaria • Ensure compliance with the information and publicity requirements; • Drawing up and, after approval by the JMS Committee, submit to the Commission the annual and final reports on implementation. 	<ul style="list-style-type: none"> ▪ Assisting in project evaluation by selecting and nominating assessors; ▪ Assisting in auditing tasks by nominating representative(s) in the group of auditors ▪ Co-financing for the Macedonian side by committing and granting the national co-financing and payments of Macedonian Lead-partners ▪ Collecting reliable financial and statistical data on the OP implementation in fYRoM, forwarding the data to the MA ▪ Bearing the final financial responsibility in case of any failure of the final beneficiary located in fYRoM
<p style="text-align: center;">Certifying Authority Ministry of Finance of Bulgaria</p> <ul style="list-style-type: none"> ▪ Working bodies for OP preparation ▪ Operational Programme ▪ Ex-ante Evaluation ▪ Co-financing for the Bulgarian side ▪ Nominating of controllers responsible for pre-certification of Bulgarian invoices ▪ Collection of the cost statements submitted by the MA; ▪ Drawing up and submitting to the Commission certified statements of expenditure and applications for payment; ▪ Maintaining accounting records; ▪ Check request and release funds; ▪ Receive the ERDF/IPA funds from the EC and transfer the payments to the lead partner; ▪ Taking account for certification purposes of the results of all audits carried out by or under the responsibility of the audit authority; 	

Republic of Bulgaria	fYRoM
<ul style="list-style-type: none"> ▪ Keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. ic Environmental Impact Assessment 	
<p style="text-align: center;">Audit Authority Ministry of Finance of Bulgaria</p>	
<p><i>The Audit Authority will be assisted by a group of auditors comprising representatives of Bulgaria and fYRoM</i></p> <ul style="list-style-type: none"> ▪ Ensuring that audits are carried out to verify the effective functioning of the management and control system of the OP; ▪ Ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared; ▪ Presenting to the Commission within nine months of the approval of the OP an audit strategy covering the bodies which will perform the audits ▪ Planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period. ▪ By 31 December each year from 2008 to 2015: <ul style="list-style-type: none"> - Submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month-period - Issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility ▪ Submitting to the Commission at the latest by 31 March 2017 a closure declaration supported by a final control report. 	
Joint Technical Secretariat – location Kyustendil	
<p style="text-align: center;">Up to 6 people (3 Bulgarian and 3 Macedonian experts) responsible for:</p> <ul style="list-style-type: none"> ▪ Prepare and launch of Calls for proposals; ▪ Provide full assistance to potential project applicants; ▪ Receive project applications and register them into the CMS; 	

Republic of Bulgaria	fYRoM
<ul style="list-style-type: none"> ▪ Formal check of project applications in terms of administrative compliance and eligibility; ▪ Prepare the quality assessment in cooperation with relevant responsible structures; ▪ Delivery of relevant information to the JMSC and prepare JMSC meetings; ▪ Inform the lead partners about the approval or rejection of the project proposal and the next steps; ▪ Prepare standard frame contract in cooperation with MA; ▪ Collect the cross-check certified activities with progress of the project from the lead partners; ▪ Check overall project reports; ▪ Monitor projects implementation; ▪ Receive information from the lead partners distribute it to the MA; ▪ Collect the final reports from the lead partners and submit the cost statement to the MA; ▪ Assist the Managing Authority in preparation of annual reports on Programme implementation; ▪ Disseminate information about the programme; ▪ Communicate with all the institutions implementing the programme at national and EU levels. 	
	<p data-bbox="1283 790 1709 821">Info Point – location Strumitsa</p> <p data-bbox="1446 846 1545 873"><i>1 expert</i></p> <ul style="list-style-type: none"> ▪ Assist potential project partners in project development, advise candidates in the preparation and implementation of projects ▪ Proactively stimulate the project development process ▪ Facilitate international partner searches ▪ Organizes Information campaigns and training on Macedonian territory ▪ Supports the work of the JTS in terms of logistics.
Joint Monitoring and Steering Committee	
<p data-bbox="529 1188 1556 1247"><i>Co-chaired by the representative of Bulgarian MRDPW and representative of Macedonian A Representative of the Commission participates in the work of the MC in advisory capacity.</i></p> <ul style="list-style-type: none"> ▪ Approve criteria for selecting the operations financed and approve any revision of those criteria; ▪ Periodically review progress made; ▪ Examine the results of implementation; 	

Republic of Bulgaria

fYRoM

- Consider and approve the annual and final reports on implementation;
- Receive information on the annual control report;
- When needed, propose to the managing authority revision or examination of the operational programme;
- Consider and approve any proposal to amend the content of the Commission decision on the contribution from the ERDF/IPA
- Approve the application package before the first call for applications is launched by the Joint Technical Secretariat;
- Give advice to proposals for operations prepared by applicants and submitted to the Committee by the JTS;
- Select operations for funding (Article 19(3) of the ERDF Regulation 1080/2006);
- Approve the action and communication plan;
- Decide on the execution of evaluations as referred to in Article 48(3) of the General Regulation to be financed from the budget for technical assistance (Article 47(4) of the General Regulation);
- Confirm the draft description of the management and control systems of the programme as required by Article 71(1) of the General Regulation before it is submitted to the European Commission.

Decisions are made by consensus between the national delegations of Bulgaria and fYRoM.

Supporting Structures

Group of assessors

- As a result of the Call for experts, a long list will be developed comprising experts with expertise in different programming areas. Later on, equal number of experts from each country will be invited to take part in the assessment process in accordance with the specifics of the respective programming round.

Group of controllers

- For this purpose a group of controllers will be established and each country will designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation
- Expenditures will be validated by the controllers within a period of three months.

5.3 PROJECT SELECTION CYCLE

