

I P A

Cross-border Cooperation Programme

2010–2011

Republic of Macedonia - Kosovo

(Revised version – November 2011)

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Glossary of acronyms

CBC	Cross-Border Cooperation
CEEN	Central European Economic Network
CEFTA	Central European Free Trade Agreement
CSO	Civil Society Organisation
EC	European Commission
ESF	European Social Fund
EU	European Union
EURED	European Union Regional Economic Development
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IPA	Instrument for Pre-accession Assistance
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
LAG	Local Action Group
MCIC	Macedonian Centre for International Co-operation
MIPD	Multi-annual Indicative Planning Document
NDP	National Development Plan
NGO	Non Governmental Organisation
NIPAC	National IPA Coordinator
NUTS	Nomenclature of Units for Territorial Statistics
OS	Operating Structure
OSCE	Organisation for Security and Cooperation in Europe
PRAG	Practical Guide for Contract Procedures financed from the general budget of the European Union in the context of external actions
RDA	Regional Development Agency
RDC	Regional Development Centre
SME	Small and Medium Enterprise
SWOT	Strength, Weaknesses, Opportunities, Threats
TA	Technical Assistance
UNDP	United Nations Development Programme
UNSCR	United Nations Security Council Resolution
USAID	United States Agency for International Development
VET	Vocational Education and Training

SECTION I DESCRIPTION AND ANALYSIS OF THE ELIGIBLE AREAS

1 INTRODUCTION AND PROGRAMMING PROCESS

The Cross-border programme between Republic of Macedonia and Kosovo* will provide strategic guidance to implementation of assistance under Component 2 – “Cross Border Cooperation” of the *Instrument of Pre-accession Assistance (IPA)*. It is designed following the principles underlined in the Commission Regulation (EC) No 718/2007, as amended by Regulation (EU) No 80/2010 (hereinafter referred to as the 'IPA Implementing Regulation'), implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-accession Assistance. The implementation of this cross-border programme between Republic of Macedonia and Kosovo will be supported by IPA financial allocations for 2010 and 2011.

This strategic document is based on a joint planning effort between Republic of Macedonia and Kosovo, and is also the result of a large consultation process with local stakeholders and potential beneficiaries. The objective of the programme is to promote cooperation between people, communities and institutions of the bordering areas, aiming to foster economic development, social cohesion and sustainable environmental development.

The programming process took place in the period between **January 2010** and **April 2010**.

Date and place	Programming Event
29 January 2010 Tirana, Albania	Kick-off meeting of the Operating Structures, identification of the bodies responsible for the preparation of the cross-border programme, agreement on the time frame.
February 2010	Establishment of the Joint Task Force
5 February 2010 Skopje	Meeting of the Operating Structures, agreement on the action plan and templates, presentation of the eligible areas.
February-March 2010	Consultation with the main local stakeholders
12 March 2010 Pristina	First Joint Task Force meeting: presentation of the draft situation and SWOT analyses
31 March 2010 Pristina	Second meeting of the Joint Task Force: definition of the priorities and measures
26 April 2010, Skopje	Third meeting of the Joint Task Force: and meeting of the Operating Structures; approval of the programme

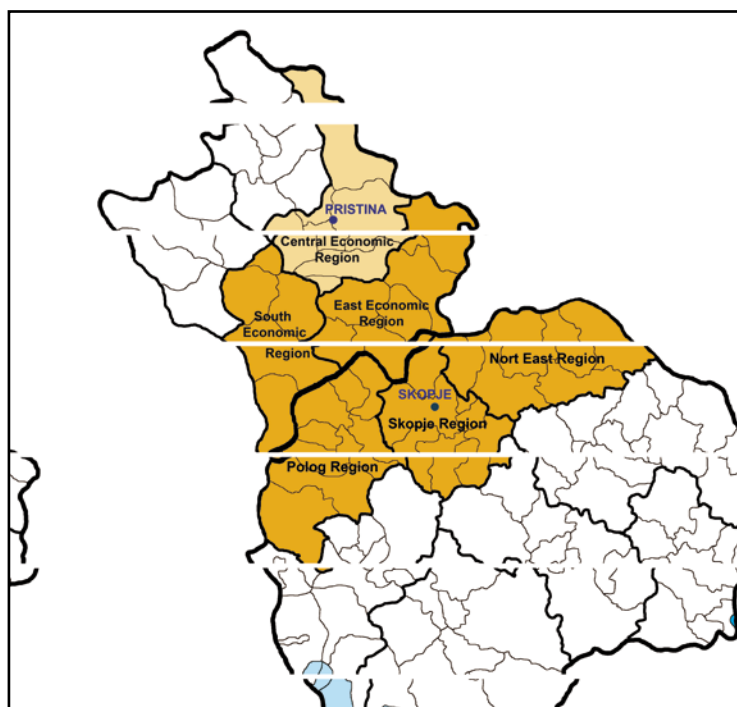
* Under UNSCR 1244/1999.

2 THE DESCRIPTION OF THE PROGRAMME AREA

The territory of the programme area¹

for the cross-border programme between Republic of Macedonia and Kosovo covers 13,140 km² with a total population of about 2,789,000 inhabitants. The overall borderline length is 158.7 km with 2 frontier posts operating permanently.

On the side of Republic of Macedonia, the eligible area consists three NUTS² level III regions³. In Kosovo, the eligible and adjacent areas consist of three Economic Regions corresponding to NUTS level III equivalent.



	Area (km ²)	% of the total territory
Total territory of Republic of Macedonia	25,713	100%
Cross-border programme area	6,603	25%
Polog Region	2,479	10%
Skopje Region	1,818	7%
North East Region	2,306	9%
Total territory of Kosovo	10,908	100%
Cross-border programme area	6,537	59%
East Economic Region	2,311	21%
South Economic Region	2,007	18%
Central Economic Region (as adjacent area)	2,219	20%
Total cross-border area	13,140	

¹ The eligible cross-border area is determined in accordance with article 88 of the IPA implementing regulation. The Central Region in Kosovo is participating in the programme as an "adjacent area", in accordance with article 97 (1) of IPA Implementing Regulation. The programme area includes the eligible area and the adjacent area.

² Nomenclature of Units for Territorial Statistics

³ The Government of Republic of Macedonia adopted in 2007 the Nomenclature of Territorial Units for Statistics-NTES (Official Gazette N.158/2007).

The eligible area of **Republic of Macedonia** includes three Regions, the Polog, North East and Skopje Regions covering 6,603 km² ⁴, with a total population of 1,085,439 inhabitants. It consists of 32 municipalities plus the city of Skopje including 518 settlements (6 towns and 512 villages⁵).

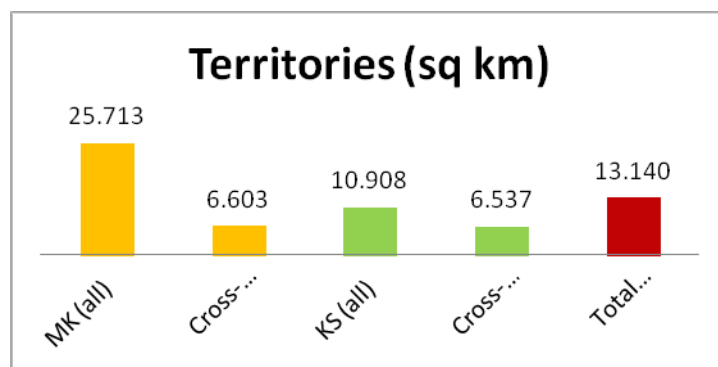
- Polog Region includes 9 municipalities: Gostivar, Vrapciste, Mavrovo and Rostusa, Tetovo, Bogovinje, Brvenica, Zelino, Jegunovce and Tearce.
- Skopje Region includes 17 municipalities: Aracinovo, Cucer-Sandev, Ilinden, Petrovec, Sopiste, Studenicani, Zelenikovo. City of Skopje is an administrative unit and also includes 10 municipalities: Aerodrom, Butel, Cair, Centar, Gazi Baba, Gjorce Petrov, Karpos, Kisela Voda, Saraj , Suto Orizari.
- North East Region included 6 municipalities: Kratovo, Kriva Palanka, Kumanovo, Lipkovo, Rankovce and Staro Nagoricane

The programme area in **Kosovo** includes the following economic regions;

- East Economic Region (**eligible** area), which is composed of the municipalities of Gjilan, Kamenica, Vitia, Novoherda, Ferizaj, Kacanik, Shterpce, Hani i Elezit⁶
- South Economic Region (**eligible** area), which is composed of the municipalities of Prizren, Suhareka, Malisheva, Dragash, Rahovec, and Mamusha⁷.
- Central Economic Region (**adjacent** area) includes the municipalities of Pristina, Lipjan, Fushe Kosove, Drenas, Obiliq, Podujeve

The Kosovo part of the programme area covers 6,537 km², with a total population of about 1,703,610 inhabitants. The eligible and adjacent area consists of 20 municipalities and 821 settlements (villages).

The territory of the CBC programme area is almost equally split between Republic of Macedonia and Kosovo:



Most of the border is located in the Sharr and Zheden mountains. The highest peak in the Sharr Mountains is Titov Vrv (2,748m) in Republic of Macedonia. The altitude on the Kosovo side of the mountains is lower, with the town of Dragash (in the Gora and Opoja area) at 1,050 meters in the South

⁴ Source: Agency for Real Estate Cadastre

⁵ Source: Law on Territorial Organisation of the Local Self-government, art. 12.

⁶ Hani i Elezit is a new municipality established in 2005, with the process of decentralization. Currently there are no data in Statistical Agency of Kosovo regarding its profile.

⁷ Mamusha is a new municipality established in 2005, with the process of decentralization. Currently there are no data in Statistical Agency of Kosovo regarding its profile.

Economic Region and Mali i Madh (Big Mountain) reaching 1,260 metres in the Novoberdo part of the Eastern Economic Region.

These mountains are rich in water resources and contain numerous natural monuments such as lakes (e.g. the glacial lake Bogovinsko in Republic of Macedonia, the lakes of Livadhi, Strbacko and Jazhinca in Kosovo), and spectacular canyons, like the Radika river canyons in Republic of Macedonia and the Brod canyons in Kosovo. They also offer a high potential for mountain and winter sports. Three ski centres, “Mavrovo” and “Popova Shapka/Popova Šapka” in Republic of Macedonia and “Brezovica/Brezovicë” in Kosovo, are already well known. Sharr Mountain is the only National Park in Kosovo and there is a project to protect also the other side of the border as a natural reserve.

From the southern part of Kosovo to Pristina the relief consists of plain fields and towards Gjilan of valleys and hills.

In Republic of Macedonia, between the Sharr Mountains to the north and the Suva Gora Mountain to the south lies the Polog valley divided by the river Vardar which begins in the upper Polog valley. This valley of fertile land comprises two main towns, Tetovo and Gostivar. Following Vardar river, south-east of Polog valley, is the valley of Skopje. It is a vast basin where 29% of the population of the country is concentrated. The programme area also comprises the North East region of the country which borders Serbia and Bulgaria. The area between the two main towns of the region, Kumanovo to the west and Kriva Palanka to the east, consists mainly of a semi- mountainous relief conducive to a diversified agriculture where cow farming and horticulture prevail. It lies in the river basin area of Pčinja and Kriva rivers and is prolonged at the Bulgarian border by the Osogovo Mountain, which is a large forestry area.

The programme area is at the crossroads of continental and Mediterranean climates. However, in the most mountainous areas of these regions winters are cold and wet while summers are hot and dry.

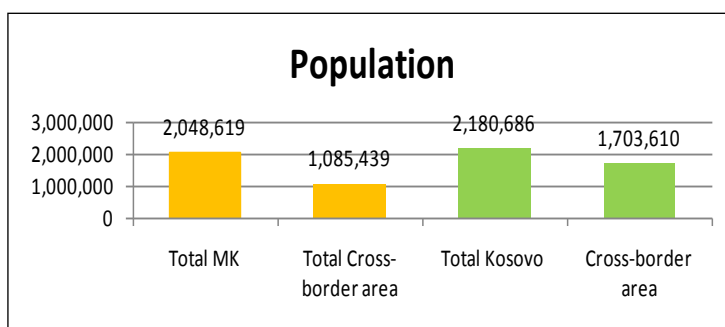
3 CURRENT SITUATION IN THE PROGRAMME AREA

3.1 DEMOGRAPHY

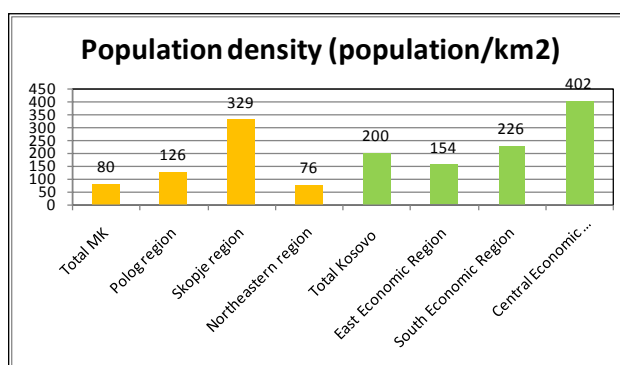
The total population living in the programme area is 2,789,049 inhabitants⁸.

	Population	Population density (population/km ²)
Total MK	2,048,619	79.7
Total Cross-border area	1,085,439	164.4
Polog region	313,110	126.3
Skopje region	597,914	328.9
Northeastern region	174,415	75.6
Total Kosovo	2,180,686	200.5
Cross-border area	1,703,610	260.6
East Economic Region	356,721	154.4
South Economic Region	454,383	226.4
Central Economic Region (adjacent area)	892,506	402.2

Due to the fact that both capitals Pristina and Skopje are included in the programme area, the population counts for almost 78% of the total population in Kosovo and 53% in Republic of Macedonia.



The programme area is characterized by a low urbanisation level and a predominantly rural population. In the eligible regions of Kosovo, 63% of the population is classified as rural. In Republic of Macedonia, almost 70% of the population in the Polog region and 44% in the North East region were reported to live in rural areas⁹. The population density in the Skopje region and in the Central Region



⁸ Source: Republic of Macedonia, State Statistical Office (estimation 2008) and Statistical Agency of Kosovo

⁹ Source: Republic of Macedonia, State Statistical Office (population census 2002) and Statistical Agency of Kosovo. Density is calculated according to the data provided by State Statistical Offices

(Pristina) is much higher compared with the other regions. However, besides the capital cities, there are several dynamic and growing towns on both sides of the border (Tetovo, Gostivar and Kumanovo in Republic of Macedonia; Gjilane, Prizren, Ferizaj in Kosovo).

In Kosovo, the population living in rural areas has a relatively young age structure, with children (under 14 years old) accounting for nearly 1/3 of the total rural population (31%), and the youth group (15-29 years old) composing 28% of the total rural population. In Republic of Macedonia, the Polog region has a relatively similar structure with 31% of its population under the age of twenty. The situation in the other regions is closer to the national average (25.6%). The Skopje and Polog regions also account for more than 60% of the total natural population increase in the country.

Internal and external migratory movements have had a significant impact on the demographic structure of the programme area. Several municipalities on the Kosovan side (especially Pristina, Prizren, Gjilan) report a significant increase of their population in recent years. Municipalities in the Polog region report a significant decrease in the last five years in the number of pupils enrolled in primary school due to the immigration of entire families and not only men as was mainly the case before¹⁰.

The programme area is known for its ethnic diversity. In Kosovo, the majority of the population is composed of Kosovo Albanians. Other ethnic minorities include Serbs, Montenegrins, Turks, Romas, Ashkaelias and Egyptians (RAE). In Republic of Macedonia, the area also has a multi-ethnic structure but with different features from one region to another¹¹. In Skopje and North-East regions, the majority of the population is composed of Macedonians, whilst ethnic Albanians represent respectively around 23% and 31% of the population, and around 10% belongs to other ethnic minorities of the country (ie. Romas, Turks). On the contrary, ethnic Albanians represent the majority of the population in regions like Polog.

3.2 ECONOMY

3.2.1 General features

A free trade agreement was signed in 2005 between Republic of Macedonia and the UN Mission in Kosovo and was replaced in 2006 with their membership in the Central European Free Trade Agreement (CEFTA). Starting with a transition period, CEFTA should be fully applied in all participating partners at the latest by the end of 2010.

The scope of exchange of commodities between the two partners is extremely unbalanced and largely in favour of Republic of Macedonia. In 2009, trade with Kosovo represented 11.39% of total exports (which make Kosovo the third export destination, just after Germany and Serbia) and only 0.19% of total imports¹². In 2008, exports to Republic of Macedonia counted for 10.1% of total Kosovo exports, while imports from Republic of Macedonia equalled 18.1% of the total imports of Kosovo. However, both of them are import-dependent and their trade balances are negative with an increasing trend.

There are significant discrepancies¹³ of macroeconomic indicators between the regions of the eligible area in **Republic of Macedonia**:

¹⁰ *ibid*

¹¹ Source: Republic of Macedonia State Statistical Office, population census 2002

¹² Source: Republic of Macedonia State Statistical Office, 2009, preliminary data

¹³ Source: Republic of Macedonia State Statistical Office, 2007 (preliminary data) in News release number 3.1.9.03, 11th June 2009, page 2

- Skopje region is by far the main contributor to the national Gross Domestic Product (GDP) with 48.5% while the North East region, with 4.2% has the lowest share ;
- Skopje region also has the highest GDP per capita in the country while Polog region has the lowest GDP per capita in the country immediately followed by the North East region.

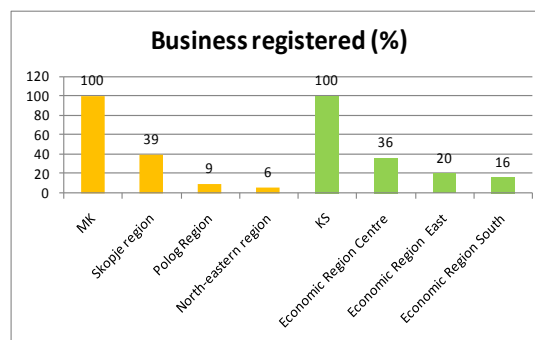
The area has a diversified economy, where agriculture is less developed than in the southern regions of Republic of Macedonia. The most significant sectors in the region include the food and the metal processing industry, along with the chemical industry, textile and shoes industry and trade. The metal industry extends over the whole territory of the region. The construction sector is particularly developed in the Polog region. Mining activities are important as well and are mainly concentrated in North East Region.

In Kosovo, the area covered by the three economic regions is the most developed territory of Kosovo. Before the 1990s, the main industries of Kosovo were traditionally concentrated in the Central and East Economic Regions. The economy of these regions included power plants, the construction, hydro-construction, textile and tobacco industries, batteries, cement, metallic construction, radiators and heating equipment, etc. The main industries have been privatised over the past decade, or are in the final stages of privatisation.

There are signs of economic recovery in Kosovo after a period of stagnation; however, for the time being economic growth is modest. The main constraining factors for the economic development of the border regions are: poor infrastructure, weak or insufficient business support mechanisms, modest level of technological development, and insufficient labour skills necessary to respond to the market demand for high-quality services and products. Local products from the Kosovan side of the border have generally little or no access to regional and international markets.

3.2.2 SMEs sector

In Republic of Macedonia, the distribution of business entities within the programme area is highly unbalanced as almost 40% of the active business entities in the country are concentrated in Skopje region while in Polog and North East regions it is respectively 9% and 6%¹⁴. The situation in **Kosovo** is more or less the same with 36% of all Kosovo Small and Medium Enterprises (SMEs) operating in the Centre Economic Region (adjacent area), 20% in the Eastern Economic Region and 16% in South Economic Region¹⁵.



In Skopje region, the most important sectors are reported to be the food, textile, printing, metal, construction, and catering industries, as well as trading, transportation and business services. Production is dominated by large companies which participate for over 51% of total production in the non-financial sector. The small enterprises have the biggest share in employment, with 51% of the total number of employees in the region¹⁶.

In the North East region small enterprises are the basis of the regional economy, as they contribute to about 70% of the total production in the non-financial sector as well as in the total number of employees. The most significant sectors in the region are the food, metal processing, chemical, textile and foot-wear industries, and trade.

In the Polog region, small enterprises are even more prevalent as they represent 98% of registered enterprises and are mainly concentrated in Tetovo and Gostivar. Trade companies largely prevail, followed by small processing industries and textile, transport, and storage and construction companies.¹⁷

On the **Kosovo** side of the programme area, the vast majority of companies are small in size, mainly family-run, thus offering little opportunities for employment generation. Generally, businesses are poorly organized and have no access to modern and advanced technologies or management techniques. In Kosovo, there are 53 737 SMEs operating in the eligible and adjacent area, accounting for 72% of all business registered by the Ministry of Industry and Trade. The main activities are food-processing and construction. The number of registered businesses operating in agriculture is very low (in average less than 8%), but the agricultural sector has a much greater importance for the economy of the area than this figure suggests, due to the small-scale and family-based farms that are not registered.

Trade, services and handicraft are also important branches for the economy of the area, especially in the South Economic Region, due to Prizren's favourable geographical proximity with Albania and Republic of Macedonia.

On overall economic development is constrained by the labour skills required to respond to the market demands for high-quality services.

A positive trend in the business sector is the increasing number of initiatives joining entrepreneurs from the two sides: business-to-business events and programmes, participation in business fairs, regional

¹⁴ Source: Republic of Macedonia State Statistical Office, Regions of Republic of Macedonia, active business entities, 2007.

¹⁵ Source: Ministry of Trade and Industry

¹⁶ Source: Draft Regional Development Programme of Skopje Planning Region, June 2009

¹⁷ Source: Draft Regional Development Programme of Polog planning region, September 2009

training programmes. There are some advanced projects that could be mentioned such as the creation by the regional network CEEN of a business centre in Pristina for Macedonian entrepreneurs willing to invest or establish partnerships in Kosovo. The creation of a similar structure is envisaged in Republic of Macedonia for Kosovo's entrepreneurs.

3.2.3 Agriculture and rural development

The fact that the majority of the population lives in rural areas and its main revenues come from agriculture-related activities, makes agriculture a very significant sector for the economy of the programme area.

Though still very high, the weight of agricultural production in the overall economy has had a diminishing trend over the last decade. Some key factors that have influenced the decline of agriculture production are; low productivity due to its organisation based on fragmented small-scale family farming (especially in the Kosovo part); immigration or internal migration of the rural population towards urban areas; low investments on supporting infrastructure, limited access to markets, hard natural conditions and the prevalence of mountain areas etc.

Agricultural products on both sides of the programme area are dominated by typical and traditional food: fruits and vegetables such as beans, potatoes, onions; as well as wines and liquors, recognized as highly specific of the region; dairy and meat products (particularly sheep's cheese and lamb meat in the Sharr Mountains). These traditional products, if properly branded and marketed, could contribute to strengthening the identity and fostering the economic development of the area. Some branded traditional local food products could also play a role in tourism development.

Sheep breeding is increasing and becoming the dominant activity in the mountain areas at both sides of the border where other types of agricultural production are less favoured by geography and climate. Harvesting and processing of wild products (forest fruits, mushrooms and medical herbs) is also developing in these areas. Production there is often oriented to self consumption and stockbreeding.

In the Kosovo part of the programme area, agricultural land of the eligible area makes up 236,147 ha or around 40% of the total agriculture land in the country. Around 32% of it is composed of arable land and pastures and around 68% is covered by forests. Agriculture remains one of the most important sectors of the local economy. The area has a high potential for agricultural development due to its generally flat land, fertile soil and good access to water and irrigation networks. Agricultural activity is mainly concentrated in small cattle and chicken farms, in combination with cultivation of forage, wheat, rye and similar products used for livestock food. The rural infrastructure and related conditions are adequate for agricultural development. Access to regional markets is much better compared to other parts of Kosovo. The main agricultural products are cereals (43%) and vegetables (25%).

A significant part of Kosovo's production from the South Economic Region is also traded on to the Albanian side of the border, mainly to the Kukës region. A share of meat products, mainly lamb, is also exported. The management and preservation of the pastures is a major economic and environmental concern. Forestry is also an important activity in these mountainous areas.

The cultivable land in the **programme area of Republic of Macedonia** includes 375,306¹⁸ ha in which Polog region covers 44%, North East 39% and Skopje region 16.7%. The total arable area is 158,149 ha where the North East region dominate with 50.4%, Polog region with 26.5% and Skopje region with 23%.

Thanks to fertile soil and rich water resources Polog valley has a diversified agriculture dominated by cow farming, maize, wheat, fruit and vegetable production. Onion and apple production are particularly important and appreciated by the consumers. Also worth mentioning is the “Tetovo bean”, which is grown in association with maize and is still well known in the region. Agriculture in Skopje region is oriented towards the market of the capital city. As for the North East region it is diversified agriculture where crop production (maize, wheat, alfalfa) and cow farming occupy most of the arable land. Horticulture in open field (carrots, potatoes, green peppers, etc.) and fruit production is also an important activity. The Skopje and North East regions harvest 16% of the grape produced in the country and wine production is increasing. In the North East region, cattle-breeding and organic productions are considered to be the most promising agricultural activities¹⁹.

Although major food-processing units are operating in Kumanovo, Tetovo and Skopje, the sector is still much less developed than in the southern part of the country where the availability of raw material is also much higher.

Key challenge for the agricultural sector throughout the programme area remain the development of a modern agro-processing industry, a strong national agricultural policy, the improvement of irrigation schemes and infrastructure and the improvement of land management as pre-conditions for an efficient agriculture²⁰.

In Republic of Macedonia, the IPA Rural Development programme foresees to support the creation of Local Action Groups (LAGs) within the framework of the LEADER approach. A proposed Law on Agriculture and Rural Development, which is in the process of being adopted, provides a definition and criteria for the registration of LAGs. Already some pilot projects, supported by local Non Governmental Organisations (NGOs) and bilateral donors, have initiated the establishment of “informal” LAGs in the programme area (e.g. Gostivar, Kumanovo). In Kosovo, with the support of the European Union (EU), LAGs have been formally established in almost all municipalities in 2008 and 2009. Exchanges and cooperation between LAGs in Kosovo and Republic of Macedonia were already initiated in 2009. Considering the transversal and cross-cutting objectives for local development of the LAGs, they could play a role in promoting the cross-border cooperation initiatives.

3.2.4 Mining and energy

Mining

In **Republic of Macedonia**, underground resources and mines are mainly concentrated in the North East region and particularly in the Osogovo Mountains, in the surrounding area of Kriva Palanka. There are mines of metal ores (lead, zinc, antimony, copper, silver) and non metal ores. There is an abundant deposit of lead-zinc ore in Toranica, an area also rich in copper and silver. The municipality of Kratovo, already known as a mining city, comprises mines of non metal ores. Kratovo has also important deposits

¹⁸ Regions of Republic of Macedonia, 2007, Republic of Macedonia State Statistical Office.

¹⁹ Source: Draft Programme for the Development of the Northeastern Planning Region, October 2009

²⁰ Source: Local Development Strategies, 2008

of tuffs, granites and other non metal ores. The territory of the municipality Lipkovo comprises the mine deposit Lojane with its abundance of arsenic, antimony and chromium²¹. The Skopje region reports chrome ores in Raduša (municipality of Saraj) and crystal ornamental stones and travertine in Kučkovo and Svilare²².

In Kosovo, the Novoberdo mining factory is known for production and processing of several minerals, including silver. Due to the lack of direct investments, the mining industry in the Kosovo regions faces difficulties in further growth.

Portland deposits for the production of cement are exploited on both sides of the border..

Energy

In Republic of Macedonia, all households located in the programme area have access to the national electric power system. **In Kosovo**, the electrical network is in poor condition and some areas constantly suffer from power cuts.

Despite its high potential for producing hydro-electricity, the programme region is mainly dependent on thermo-power plants.

3.2.5. Tourism

The programme area has a good potential tourism development. The area is of interest to visitors thanks to its rare and exceptionally beautiful mountain landscape, rare flora and fauna, numerous cultural and historic sites, as well as traditional folklore. The mountains, National Parks, protected areas and forests are renowned for their beauty and wilderness and could be of great interest to tourists and offer the possibility to organise winter and outdoor sports. There exist great possibilities to develop rural tourism, ecotourism, mountain tourism, cultural tourism, etc. but these are at a very early stage and significant investments are necessary in order to upgrade the infrastructures, the quality of the services and the visibility of the region.

In Republic of Macedonia, the statistics for 2008 reflect this situation: the programme area, including the city of Skopje, counts only 13% of the beds available in the whole country (8% only for Skopje Region) and only 14% of the nights were spent in the programme region, mainly in Skopje region (12% of the nights)²³. Polog region and even more the North East region are obviously underequipped. Even the capital city seems not to have reached its potential.

On the Kosovo side of the border, this sector is underdeveloped and the level of tourism throughout the region, with the exception of Prizren and to a lesser extent Brezovica/Brezovicë, is very modest. This is due to a combination of numerous factors: limited accessibility; poor infrastructure conditions (roads, energy, water, and sanitation, as well as tourism infrastructure); poor urban planning; forest degradation and other environmental problems; poor quality and, in general, low level of tourists' services and accommodation standards; inadequate marketing and lack of available information and tourist guides. There is still much need to further develop tourism facilities and to improve the quality of tourism services.

²¹ Source: Draft Programme for the Development of the Northeastern Planning Region, October 2009.

²² Source: Draft Regional Development Programme of Skopje Planning Region, June 2009

²³ Source: Republic of Macedonia, State Statistical Office

Key potential touristic sites in the programme area include;

- Two ski centres in Republic of Macedonia (Mavrovo and Popova Šapka/Popova Šapka) and one in Kosovo (Brezovica/Brezovicë). They are well known but with outdated infrastructure.
- Two thermal waters centres in Katlanovo-Skopje and Projevci-Kumanovo (Republic of Macedonia).
- Rich historical and cultural heritage, authentic ethnic villages as well as valuable environmental resources and remarkable natural sites in each region.
- The Mavrovo National Park in Republic of Macedonia, the Sharri National Park in Kosovo. In Republic of Macedonia, the accumulation lake Matka and the two accumulation lakes in Lipkovo municipality, at the border with Kosovo, also have potential for the development of tourism as well as hunting and fishing activities.

3.3 INFRASTRUCTURE

3.3.1 Roads

The programme area is at the cross roads of the pan-European Corridor VIII that links the Adriatic-Ionian region with the eastern Balkans and Black Sea countries and of Corridor X, linking the north and south Balkans. There are projects aiming to improve both corridors by completing the highway connection between Bulgaria and Durres in Albania and between Skopje and Vranje in Serbia. Improvement of the roads infrastructure and connection to wider European networks will have a positive impact for the economic development of the programme area.

In Kosovo, the road network is poorly developed and or/maintained and many villages are not yet connected with asphalted roads. The eligible area has around 1,369 km of regional and highway roads, while around 1,126 km remain un-asphalted roads.

In Republic of Macedonia, the national road network is in a relatively good condition and meets European standards. The three regions eligible for this programme, including Skopje city, have a total of 410 km of national road, 1,094 km of regional roads and 3,511 km of local roads (out of which 2,298 km are coated with asphalt or macadam) which are under the authority of the municipalities. Several municipal development plans and studies (e.g. Tetovo) mention the necessity to build or repair the roads network crossing the eligible area. However, on the Macedonian side the road infrastructure is generally not considered as a major weakness for the development of the programme area.

It is to be mentioned that the connection by bus between the main towns in Kosovo and in Republic of Macedonia is well organized and frequent.

3.3.2 Border crossings

The border line includes two operating border-crossing points. The main point is Blace/Hani I Elezit, on the main road linking Skopje and Prishtina, located only 20 km far from Skopje City and 70 km from Prishtina. The border crossing point of Blace/Hani i Elezit also serves as a custom point. The second border crossing point is in Jažince/Glloboqica linking the Polog Region with the towns of Ferizaj and Prizren in Kosovo.

Jažince/Glloboqica is used as border crossing point for people and cars, but it is not yet a customs point. There is a project aiming to modernise these two frontier posts by creating “one spot” check points (i.e. with both customs administrations at the same place) which would facilitate the crossing of people and commodities.

In addition there are two seasonal spot checks for pedestrian and livestock, located in the Skopje region (Tanuševci - Debelde and Strazimir - Restelica) and open only from April to November.

The existing project of opening a direct road between Kumanovo in Macedonia and Gjilane in Kosovo would highly facilitate the communication between the eastern parts of the programme areas.

3.3.3 Railroads and Airports

In Republic of Macedonia, there is a main railroad in Corridor 10 linking Skopje and Thessaloniki and Skopje and Belgrade through Kumanovo. Another railroad, non electrified, links Skopje to Kičevo through Polog region on Corridor VIII (serving also Tetovo and Gostivar). Finally a non electrified railroad, re-opened in 2006, connects Skopje to Pristina and potentially to Kosovo Polje, the border crossing point being Volkovo. It is the only operational railroad in the programme area in Kosovo.

In Republic of Macedonia, all main towns in the programme area are therefore equipped with basic railroad infrastructure and the connection with Kosovo is established. However, the quantity of goods and in particular the number of passengers transported by railroads is continuously declining (sometimes to a minimum level). Modernisation of the railroad infrastructure will be necessary in order to make the railroad network a competitive transportation option contributing to the development of the area.

The proximity of Skopje airport and Pristina airport is a major asset for the programme area and the development of business activities and the tourism industry. It provides a reasonable, if not sufficient, international connection to all main urban centres of the region. The number of passengers (arrivals and departures) at Skopje airport in 2008 was 644,726, which is 20 % more than in 2006. Due to the short distance (80 km), there is no air connection between Skopje and Pristina.

3.3.4 Telecommunication

All towns and most of the villages in Republic of Macedonia are connected to the national and international communication network but the percentage of subscribers in Polog Region is much lower than the national average²⁴. The situation is less favourable in Kosovo where only 28.7% of the population has access to the public telephone network²⁵.

²⁴ Source: Republic of Macedonia, State Statistical Office

²⁵ Source: Local Development Strategies, 2008

3.3.5 Water supply, waste water, waste disposal

In the programme area of Republic of Macedonia, 96.5 % of households have access to public water supply and sewage systems (municipal or individual system). In the urban areas, the water supply capacities and hygiene quality are satisfactory but the water quality is a concern in many rural areas. Improving waste water treatment and solid waste management (out of the 17 landfills in the programme area on the side of Republic of Macedonia, only one meets the required standards) is considered to be a priority in all regions and a matter of environmental protection as well as public health.

In the Kosovo bordering area the rural population does not have adequate access to public water supply or sewage systems. Only 21% of the rural population in the Kosovo bordering regions is covered by the public sewage network and only 30.6% of the population in these areas has direct access to the public water supply network.

3.3.6 Health

The situation in Republic of Macedonia is contrasted. Generally, the Skopje Region is well covered by primary, secondary and tertiary health services (although it is less the case in the rural municipalities which are part of Skopje region). The situation in the Polog and North East Regions is less favourable. The population in these regions benefits from the presence of towns such as Tetovo, Kumanovo, Gostivar, with a relatively high concentration of health services, at least for primary and secondary health services. However, the health service coverage in these areas is lower than the national averages. This is for example the case for the number of registered dentists per 100,000 citizens, the number of nurses in primary health services and the number of specialists²⁶.

There is a notable disparity between urban and rural areas where the medical staff is reported to be insufficient. Some NGOs are heavily involved in the health sector, particularly in all issues related to mental and physical disabilities.

In the **Kosovo bordering area**, municipal health care faces the difficulties of poor infrastructure and lack of investments and budget resources for offering appropriate health services to the citizens. In some cases, the budget for medical services covers only one third of the financial needs.

Pristina hosts the national hospital which is the biggest health centre in the country. The East Regional Hospital is based in Gjilan where there is also a municipal Health Centre providing primary and secondary services through a network of 13 mobile and 18 smaller clinics. The Gjilan municipality also hosts two psychiatric institutions.

A regional hospital in Prizren, is the main hospital centre for the South Region offering medical services to the population in the area. Public Health Houses and Family Health Centres are established in all towns. Minority communities living in the bordering area have equal access to the health care system.

²⁶ Source: Socio-economic disparities among municipalities in Macedonia, UNDP, 2004

3.4 HUMAN RESOURCES

3.4.1 Education, Research and Development

In Republic of Macedonia, the primary and secondary levels of education are mandatory and the responsibility was transferred to the municipal level as a consequence of the decentralisation process²⁷. Education of the ethnic communities, in their mother tongue, is a constitutional right and available as such in the system of primary and secondary education²⁸ as well as in the higher education. According to the Constitution, *“The members of the communities have the right to education in their language in the primary and secondary education cycles as determined by law. In schools where education is carried out in another language, the Macedonian language is also studied”*²⁹.

The cross-border area is reported to be well covered by educational infrastructure. 174,021 pupils attend primary and secondary education. However, recent studies conducted in border regions report a widespread and alarming deterioration of the situation in primary and secondary education and “call for an urgent improvement of the conditions”³⁰. Local self-government, according to the process of decentralisation and its jurisdiction in the education area, should play a crucial role in the process of improving the local educational institutions.

Education in all regions of **Kosovo** is provided on three levels: primary, secondary and university education. 226,981 pupils attending primary education receive teaching in 670 schools in the whole eligible and adjacent area. There are 78 secondary schools with around 62,800 pupils³¹. The average number of pupils per class is between 40-50, which compared to the national norms of 30-32 pupils/class, makes the teaching conditions difficult and impacts negatively on the quality of education. Due to insufficient schools facilities, most of the schools operate in three shifts, while there are two shifts per day in the villages, on a rotating attendance schedule. Primary and secondary education is provided in Albanian and (depending on the concentration of ethnic minorities) in Serbian, Bosnian, and Turkish.

In Republic of Macedonia, the programme area comprises two state universities: the University “Ss. Cyril and Methodius” in Skopje, and the State University of Tetovo. In addition there are numerous private high education institutions located in all three regions but mainly in Skopje³². In Kosovo, Pristina University has branches in Gjilan and Prizren and there is also a Faculty of Technical Science in Ferizaj and a Faculty of Information Technology in Prizren. Some private colleges also operate in this area.

The cooperation and synergies between these institutions, particularly the state and private universities in Tetovo, with the state and private universities in Pristina is ancient, intensive and continuously increasing. Partnerships agreements have been signed between the Universities; exchange of academic staff is at a very high level; joint elaboration of teaching programmes and cooperation in various fields such as online teaching are ongoing. For the academic year 2009-2010, 20% of the students registered in the South East European University in Tetovo and 6% of the students registered in the State University of Tetovo come from Kosovo, which is therefore considered as a vital market for both universities. This intensive academic cooperation should have a ripple effect to other stakeholders and sectors if partnerships such as university-local government are encouraged by the cross-border programme.

²⁷ Law on local self government adopted in 2002

²⁸ According to the change of the constitution after the conflict of 2001

²⁹ Article 48 of the Constitution of Republic of Macedonia

³⁰ Source: “Tetovo, Economic status and development”, SEE University, 2008.

³¹ Source: Statistical Office of Kosovo-Department of Social Statistics

³² Source: Country sheet Macedonia, “The country of return information project and vulnerable groups” (EU funded project), May 2009

3.4.2 Labour market and employment

In Republic of Macedonia, according to statistics provided for the year 2008 by the State Statistical Office, the unemployment situation is extremely unbalanced. In the Polog region, the unemployment rate is 26% which is lower than the national average (33.8%). Conversely, the North East region shows a dramatically high unemployment (58%, which is the highest unemployment rate in the country). However, these data are questionable, particularly for Polog region which had an unemployment rate of 50% in 2002³³. The female unemployment rate is lower, particularly in the municipalities with a predominantly Albanian ethnic population, which in fact reflects a low participation of women in the labour market (“the unemployment rate would be much higher if all the women from the rural areas would be registered”³⁴).

The main employer in all regions is the services and trade sector, followed by the industrial sector. The share of employment in agriculture is marginal in Skopje Region (1%) and 8 to 10% in the North East and Polog regions.

The situation according to poverty indicators is also not very good as the programme area concentrates 58% of the total number of households benefiting from social help in the country.

In the Kosovo part of the programme area, the official unemployment data and the calculation methods are probably not completely reliable. According to these data, the unemployment level in the area is around 36.2%. Private sector employment is based on small-scale enterprises and self-employment. Almost two thirds of employees work in the secondary sector (industry).

The majority of the population in rural areas is involved in family farming business, but there are no records on self employed people active in agriculture.

With over 18% of total employment, the public sector absorbs a substantial share of the total labour force. Remittances have for a long time been the main source of income for families in this area, like everywhere in Kosovo. The development of other income generating activities, such as tourism and livestock breeding, could improve the living conditions for the population, and increase employment and income.

3.5 ENVIRONMENT AND NATURE

The programme area is extremely rich in environmental resources and biodiversity. Presently, nature resources and the environment are preserved and protected in the programme regions, but there are locations which are polluted and at high risk of degradation. Land degradation is present throughout the area. Protecting and valorising these assets is certainly one of the key points for sustainable development and can offer many possibilities for cross-border co-operation.

Environmental protection issues have a high priority, given the specific natural conditions of the region. Improved waste management, control of pollution and use of energy resources are amongst the key priorities of the local development plans.

³³ Source: Census of population, households and homes in 2002

³⁴ Ibid

The part of the programme area in Republic of Macedonia enjoys large and unpolluted natural areas and remarkable natural sites (canyons, glacial lakes, etc.). Several natural sites are protected or registered under a specific status³⁵, among them:

- One Strict Nature Reserve: Ploče Litotelmi;
- One National Park: Mavrovo (73,088 ha);
- Five Sites of Natural Significance: Karši Bavči; Skopska tvrđina; Arboretum; Canyon Matka and Orašac;

In the Polog region, there is a project to create the national park of Sharr Planina, which would border the Sharri National Park in Kosovo. The constraints related to the national park need to take into account the economic activities of the region, particularly sheep breeding in order to be accepted by the inhabitants.

The Kosovo part of the programme area is also rich in natural resources as it includes 5 protected areas and 5 natural reserves. In the South Economic Region is situated the Sharri National Park, the only national park in Kosovo. The area also includes 9 natural monuments. The environment of the Kosovo border areas is threatened by poor water and sewage management, uncontrolled waste disposal, unregulated urbanisation, and by industrial pollution that has caused critical environmental damages. There is a risk of de-forestation due to illegal wood cutting, badly managed pastures; rivers and lakes risk pollution from illegal landfills and poor industrial and urban waste management, as well as from the intensive use of pesticides in agriculture.

3.6 CULTURE

The historical and cultural heritage is one of the most important assets for the development prospects of the programme area. The area is rich in cultural, religious and historical sites and monuments, as well as in its own traditions and folklore. Numerous cultural events and festivals are organized, and there are diversified traditions and handicrafts that could play an important role in the promotion of tourism but, so far, are insufficiently well known, underestimated and not exploited. There are also very strong bonds between the populations of the two sides of the programme area, such as a common language for the Albanian speaking population and a common history of cultural and commercial relations and exchanges that have linked these territories and their inhabitants for centuries.

Generally speaking the programme area in Republic of Macedonia is rich with valuable, attractive and diversified cultural-historical heritage. In Skopje city, the stone bridge, the old bazaar, the fortress Kale, Isa Bey's and Mustafa Pasha's mosques as well as the ancient Turkish baths, Daut-Pashim Hamam, are among the most famous.

The megalithic observatory Kokino located in the North East region is included among the most valuable ancient observatories in the world. Valuable monasteries and churches as well as ancient localities and authentic ethno villages also contribute to the specificity of the region. In the Polog region, there are also valuable monuments to be visited. Among them, in Tetovo, are Arabati Baba Teqe, the Coloured Mosque, the old Haman and the castle.

³⁵ Source: Republic of Macedonia State Statistical Office, Statistical Yearbook 2009 (data source is Ministry of environment and physical planning).

In Kosovo, there are several institutions in charge of protection, cultivation and presentation of cultural heritage that are active in the bordering area, such as the Institute for Protection of Culture Monuments, the Archaeological Museum and the Memorial Complex of the Albanian League of Prizren (with the Historic Museum, Ethnographic Sector, Art Gallery and Library).

The Regional Historic Archive in Prizren and the Ethnographic Museum Archives, are also important places for preserving and presenting cultural and historical values.

A number of amateur Cultural-Artistic Associations, Writers Clubs, Associations of Painters and NGO's are involved in the sphere of culture and arts. Cinema "Lumëbardhi" in Prizren with its summer garden for projecting movies in the open air, the regional library, Regional Museum, all play an important role for cultural and artistic life for all communities in the whole bordering area.

3.7 INSTITUTIONAL FRAMEWORK AND CIVIL SOCIETY ORGANISATIONS

Institutional Framework

The cross-border programme between Republic of Macedonia and Kosovo is primarily based on the mutual recognition of the border demarcation which took place in 2009.

The decentralisation process is a pillar for the cross-border programme as it allows Local Self-Government Units to be fully involved in all aspects of local development. Exchanges of experiences in the field of decentralisation may also be an objective for inter-municipal cooperation between the two partners. In Republic of Macedonia, decentralisation is entering the final phase of full undertaking the responsibilities by the Local Self Governments Units and in fiscal decentralisation. Kosovo is also undergoing an ambitious institutional and fiscal decentralisation process based on the Local Self Government Law, adopted in 2008 as part of the "Ahtisaari Plan". A Decentralisation Action Plan 2008-2011 is under implementation.

The progressive implementation of a regional development policy is another important pillar for the cross-border programme as it allows large scale development programmes and multiplies the cross-border cooperation possibilities. In Republic of Macedonia, the "Law for a balanced regional development" (2007) establishes the need for planning local development on the basis of NUTS III level. It also creates a Regional Development Centre (RDC) in each of the 8 regions of the country. RDCs started to be established in 2008. The parliament also adopted a "Strategy for regional development 2009-2019" (Official Gazette 119/2009).

An EU sponsored initiative called European Union Regional Economic Development (EURED) was launched in Kosovo in 2008. It aims to address the socio-economic development of Kosovo at the regional level, as well as promoting inter-ethnic integration and reconciliation. With the signature of the Inter-municipal Agreements in December 2008, five economic zones (Centre, East, North, South, and West) and five Regional Development Agencies (RDAs) were established based on the municipal association and cooperation principle outlined in the Local Self Government Law. The key task of the RDAs, in cooperation with local governments units and other stakeholders, is to develop Regional Economic Development Strategies including implementation programs with funding plans. RDAs are becoming active in ensuring that national and regional plans complement each other, ensuring effective coordination of various regional and local economic development activities, and also in designing projects, mobilizing Government and donor funds and providing vehicles for effectively implementing regional based economic and social development strategies.

Civil society organisations

There are about 9,000 Civil Society Organisations (CSOs) registered in Republic of Macedonia, most of them located in the capital city and in the main urban centres³⁶. With Skopje, Kumanovo, Tetovo and Gostivar, the programme area has the highest concentration of CSOs in the country (54% of the CSOs registered in the country, 42% only in Skopje) which is an asset for the cross-border programme. However, in the rural municipalities of the Polog and North East Region, CSOs are underrepresented and the existing grassroots organisations are far from having the same technical (project preparation and implementation) and financial capacities than the well established urban CSOs. Units of Local Self-government do not have an institutionalized and systematic approach for cooperating with CSOs. This is weakening the rural and grassroots organisations but also the municipalities, which are losing efficiency by not using the local human resources. Common remarks from key CSOs are that they are not sufficiently invited to participate in policy making, including in IPA programming processes.

There are around 5,400 CSOs registered at the Ministry of Public Administration in Kosovo. Out of them around 470 are international organisations. Only during 2009 the number of new registered organisation was above 500. The CSOs network is present and quite active in the programme area, with numerous organisations. The largest number of these is established in the Pristina area and main urban areas such as Gjilan, Prizren, Ferizaj. CSOs are working on a variety of fields including democratisation issues, advocacy, environment, valorisation and conservation of the cultural heritage, etc.

In both territories, CSOs are mainly dependent on foreign donors, which are currently reducing their financial support. Many of these CSOs, who have developed remarkable human resources and technical capacities, are now struggling to survive. Cooperation between CSOs of either side of the border is long-established and intensive. Two levels may be distinguished:

- Cooperation between CSOs: most of the important NGOs of Republic of Macedonia were involved in humanitarian aid and development projects during and immediately after the crisis of 1999-2000. Some of them were operating in Kosovo with a budget of several million Euro/year. The partnerships established during this period were continued on a lower level but in a more balanced way (from humanitarian aid to joint development projects).
- Umbrella CSOs Networks: key CSOs from either side of the border cooperate under the umbrella of regional networks, the most important being the Balkans Civil Society Network, registered in Skopje.

3.8 S.W.O.T. ANALYSIS OF THE ELIGIBLE AREAS

The SWOT analysis of the cross-border region was conducted by consulting the main national, regional and local stakeholders. It has been based on:

- Primary data provided by the National Statistical Office of Republic of Macedonia, the Statistical Agency of Kosovo, Ministries and State Agencies, Regional and Municipal authorities.
- Data and analysis included in existing documents, particularly: the SWOT analysis of the statistical regions of Republic of Macedonia included in the National Development Plan 2007-

³⁶ Sources: "An assessment on Macedonian Civil Society: 15 years of transition", MCIC, 2006 and "Needs assessment of the civil society organisations, preliminary findings", TACS (technical assistance for civil society organisations-Macedonian office), 2010.

2009; Strategy for regional development 2009-2019; Regional development plans of the three eligible regions; recent economic studies; Local development plans; Socio-economic disparities among municipalities in Republic of Macedonia (United Nations Development Programme (UNDP) - 2004)); IPA programmes. Documents consulted on the Kosovo side included different publications of the Kosovo Agency of Statistics; Local Development Strategies, 2008; municipal development strategies; municipality profiles; sector development strategies, other documents³⁷.

- Interviews with around 50 key stakeholders and potential beneficiaries (regional and municipal authorities, entrepreneurs and professional associations, NGOs, chambers of commerce, universities) conducted in January-February 2010 in Republic of Macedonia. Two workshops organised with local stakeholders in Kosovo in 2009 and 2010 with representatives from central and local government institutions, municipalities of the bordering regions, representatives of Regional Development Agencies, business associations, NGO community, etc.
- Questionnaire sent to the 33 municipalities of the programme area in Republic of Macedonia.

The SWOT analysis summarizes the main trends of the cross-border region providing the basis for the definition of the strategy. It is based on:

- The **strengths** and assets on which cross-border cooperation can build upon;
- The limitations and **weaknesses** deriving from the local context, which can impede the cross-border cooperation;
- The **opportunities**, which can be realised by overcoming the respective weaknesses;
- The **threats** or external factors, which can hamper the future development of the cross-border cooperation.

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1. Agriculture and Environment Statistics/Agriculture Households Survey 2006-Series 2, Statistical Office of Kosovo, June 2008;
 2. Statistical Atlas of 2008, Statistical Office of Kosovo, 4/1/2008;
 3. Economic Statistics Statistical Repertoire of Enterprises in Kosovo Q1-Q2 2009-Series 3, Statistical Office of Kosovo, 6/1/2009;
 4. Economic Statistics, Statistical Repertoire of Enterprises in Kosovo 2004-2008-Series 3, Statistical Office of Kosovo, 6/1/2009;
 5. Economic Statistics, Statistical Repertoire of Enterprises in Kosovo 2004-2008-Series 3, Statistical Office of Kosovo, 6/1/2008;
 6. Economic Statistics, Hotels Statistics, Statistical Office of Kosovo, 6/1/2008;
 7. State of Nature Report 2006-2007, Ministry of Environment and Spatial Planning, 2008;
 8. The Values of Nature Heritage in Kosovo, Ministry of Environment and Spatial Planning, 2008;
 9. Social Statistics, Statistics of Culture 2007, Statistical Office of Kosovo, 9/1/2008;
 10. Social Statistics, Health Statistics-Series 5, Statistical Office of Kosovo, 11/1/2008;
 11. Social Statistics, Statistics on Labour Market for 2007-Series 5, Statistical Office of Kosovo, 8/1/2008;
 12. Social Statistics, Statistics on Social Welfare-Series 5, Statistical Office of Kosovo, 6/1/2009;
 13. Social Statistics, Statistics of Sport 2007, Statistical Office of Kosovo, 4/1/2009;
 14. Social Statistics, Education Statistics 2008-2009, Statistical Office of Kosovo, 4/1/2008;
 15. Social Statistics, Education Statistics 2008-2009, Statistical Office of Kosovo, 4/1/2008;
 16. Report on Functioning of Municipalities in Kosovo, January-December 2008, Ministry of Local Government Administration, 6/1/2008;
 17. Kosovo Municipalities-Short Profile, Association of Kosovo Municipalities, 6/1/2008;
 18. Local Development Strategies, The situation in Rural Areas of Kosovo - The Municipal Rural Profiles, LDS/EU funded project managed by European Commission Liaison Office to Kosovo, 6/30/2008;
 19. Source: Education Statistics in Kosovo (2008-2009), publication by the Ministry of Education Science and Technology, electronic version available at http://www.masht-ov.net/advCms/documents/Statistikat_e_Arsimit_ne_Kosove_2008-09.pdf, pp. 12-22;
 20. Trade Exchanges in Kosovo, Publication by the Ministry of Trade and Industry, June 2008, available in the internet at: http://www.mti-ks.org/repository/docs/SHkembimet_tregtare_eng.pdf

The **SWOT** analysis has been conducted in the specific frame of the cross-border programme. It emphasizes aspects and sectors that can influence or be influenced by the programme. It does not emphasize problems and sectors that can hardly be covered by the programme. Strengths, weaknesses, opportunities and threats mentioned in the table below are therefore not intended to address the general economic and social development of the programme area but rather directly address the global objective of the programme, which is cross-border cooperation.

1. Institutional framework and civil society			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> •Decentralisation process in Republic of Macedonia at a mature stage; •Regional Economic Development Agencies established and operational ; •Local development Strategies developed for each municipality; •Existing experience of CSOs in identifying and implementing joint programmes and cross-border projects •Participation of CSOs in various regional Networks •Local stakeholders having clear ideas about local situation; 	<ul style="list-style-type: none"> •Insufficient public resources for public investments; •Poor regional and local government organisational structures •Low level of cooperation between CSOs, SMEs and local authorities; •Fiscal decentralisation progressing slowly; •Regional Development strategies not yet defined •CSOs underrepresented in rural areas; •Potential beneficiaries from the private and public sectors in rural areas have limited capacity in project identification and preparation, strategic planning and project implementation; •Dependency of CSOs on foreign donors; 	<ul style="list-style-type: none"> •Opportunity to develop and strengthen local/municipal institutional capacities •Strengthened role of Regional Development Agencies in coordinating regional initiatives and programmes •RDAs becoming “resource centres” for supporting local stakeholders • Intensifying Inter-municipal cooperation already initiated by several institutions (e.g. European Commission, EastWest Institute, UNDP, Organisation for Security and Cooperation in Europe (OSCE), etc.); •Opportunities for developing inter municipal cooperation and initiatives combined with private/public partnerships initiatives •Opportunity to support Local Action Groups (LAGs) and to encourage cooperation between LAGs from both sides of the border; 	<ul style="list-style-type: none"> •Unbalanced capacities between main urban municipalities and rural municipalities may exclude the latter from participating in the programme; •Underdeveloped CSO sector in rural areas •Lack of cooperation between relevant institutions at national, regional and local levels; •Decreasing of national and foreign financial support to CSOs; •Highly dependence of the municipality on the central budget reducing the capacities of the communes to successfully financially implement projects funded by EU/IPA or other donors, where local contribution is conditioned •Shortage of technical assistance for some municipalities;

2. Infrastructure and geographic location			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Good strategic geographic position; • Relatively developed transportation network (roads –motorways and regional roads, railway, airport) • Good bus connection between Republic of Macedonia and Kosovo • Increased traffic flow at cross-border points in the last few years and ongoing programmes for improving road networks on Kosovo side • Regional approaches for infrastructure (waste water treatment, solid waste management, etc) is in the process to be developed • Existing experience in implementing infrastructures projects in rural areas (e.g. MCIC for water supply systems) • Sufficient water resources (drinking, irrigation system, hydropower) • Existing waste water treatment plants in some municipalities 	<ul style="list-style-type: none"> • Deterioration of local infrastructure (local roads, water supply systems, sewage) due to inappropriate maintenance; • Decrease in railway transportation of passengers and goods due to the obsolescence of existing infrastructure; • Transport network (railway and roads) needs to be upgraded • Poor access to roads in remote areas and generally poor conditions of rural infrastructure • Lack of town-planning and presence of urban chaos; • Potential for hydroelectricity underexploited; • High dependency on non renewable energy; • Large water losses in part of the distribution network and shortage of drinking water in some settlements; • Lack of waste water treatment plants; • Need for improvement of rural infrastructures (quality water, sewage and solid waste) 	<ul style="list-style-type: none"> • Encouraged initiatives for conducting research on alternative sources of energy (hydro-potential, geothermal water) • Developing and improving the infrastructure for utilisation, conservation and protection of the existing water resources. • International Corridor 8 project • Access to Adriatic port that could integrate Kosovo further within modern European transport routes • Easier movement of people and goods through improved roads and improved infrastructure at border crossing points 	<ul style="list-style-type: none"> • Limited financial resources for large investments in public infrastructure • Underdeveloped urban planning sector • Property issues left unresolved could hamper investments and development plans development in longer run • Acceleration of rural emigration due to lack or obsolescence of infrastructures • High risk in investment especially due to uncertainty in global competition;

3. Economy			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Long lasting industrial tradition with available industrial premises and facilities. • The major gate into Kosovo with good road and railway connection: 70% of all imported goods for the territory of Kosovo passes through this bordering area • Emerging of a small and medium size private sector and entrepreneurship spirit; • Commercial partnerships are established for many products. • Existing initiatives for supporting entrepreneurs and companies in establishing commercial relation or investing in Kosovo (CEEN, ESA, Universities) • High potential for the development of environment friendly economic activities such as tourism, organic agriculture, alternative technologies for energy production; • Favourable conditions for development of cattle/sheep breeding, fruit growing, early gardening production. • A comprehensive grant scheme of EUR 2.5 million per regions launched by ECLLO in support of regional economic development • Young and educated work force 	<ul style="list-style-type: none"> • Lack of information on the respective laws and procedures regulating business activities and investments; • Lack of mechanisms for supporting business sector. • Limited competitiveness of services and products, due to a limited access to market information (regional and international), capital and new technologies; • High unemployment rate • Poor access to capital / high interest rates • Complex and desynchronised custom procedures; need for more capacities for goods transportation. • Lack of organisation of the economic sector (very few associations and clusters involving a small number of entrepreneurs) • Small scale and low productivity of the agribusiness activities (farming and agro-food industry); • Limited technical support for development of agriculture activities in rural areas • Lack of recognisable brand of the regions • Lack of tourism offer and facilities • Unbalanced development between the regions 	<ul style="list-style-type: none"> • Development of the area itself as a fast growing market • Fostering business-to-business initiatives, business fairs and supply chains clusters. • Fostering cooperation between farmer associations from both sides • Improving the quality and the competitiveness of services and products from the private sector by supporting the introduction of internationally recognized quality standards and products' branding; • Fostering cooperation between SMEs and Local Self Governments; • Developing industrial and cross-border clusters based on sustainable exploitation of regional and natural resources in the areas of agribusiness, forestry, services etc.; • Improving the identity/image of the region that will increase the access to foreign direct investment. • Possibility to develop tourism offer and capacity • Higher involvement of the diasporas in local economic development, possible better management of remittances • Traditional activities in agriculture, food processing and crafts production 	<ul style="list-style-type: none"> • Incomplete legal framework to support market economy • Damaging side-effects of human pressure on land environment and public health • Migration trends toward urban areas or emigration abroad • Decrease of national and foreign funding for supporting SMEs development • Decreasing of FDI due to economic crisis; Recession due to the economic crisis • Unfavourable macro economic environment (poor access to credit lines, lack of subsidies and of tax exemptions for businesses) • Bad management of pastures in mountainous areas may impact the environment and jeopardize the economic activities related to sheep breeding • Lack of understanding of the global market trends and slow process of adjustment of the local economies to the market demands; • The obsolete industrial technologies can reduce the competitiveness and innovation potentials; • Poor access to credit for farmers and SMEs may slow down the economic development • Loss of agriculture land due to illegal and uncontrolled construction.

4. Employment, education and human resources

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> •Comprehensive strategy for developing employment and supporting employers and job seekers. •Adequate institution and modern tools to implement the strategy. •Existence of traditional labour force skilled in industrial processes •Strong presence of state and private universities and intensive academic cooperation and synergies between universities of both sides •Availability of young and educated manpower •Relatively low-cost labour force •Multi-ethnicity as an advantage for social and cultural development; 	<ul style="list-style-type: none"> •High unemployment level. •Depopulation, demographic deterioration of the eligible regions and labour migration; •Lack of qualified labour force specialized for some specific industries •A significant offer of university degrees but poor condition in primary and secondary education, •Insufficient Vocational Education and Training (VET) centres and relevant VET programmes •Low level of education of the rural population and socially marginalized groups such as Roma's, Ashkali, etc.; •Low incomes and living standard among the majority of the active labour population due to low salary level both in public and private sectors •Social exclusion of large segments of the population (long term unemployed individuals, significant part of the Roma community, etc.) •Poor medical services 	<ul style="list-style-type: none"> •Supporting links and partnerships between the universities and local self government, professional associations, etc. •Fostering the research and development in agri-production, rural tourism, etc. •Adjusting the formal education to the specific skills required by the industry and services sectors •Improving the business management and entrepreneurship skills; •Developing and implementing re-qualification and training (VET) programs; •Possibility to upgrade the educational system at municipal level •Developing programs for social integration of socially marginalized groups. •Improvement of health and other social services •Potential of diasporas living abroad 	<ul style="list-style-type: none"> •On-going migration processes may lead to the complete depopulation of some rural settlements in the cross-border area; •Teachers leaving rural areas / low salaries •Limited access of the rural population to the formal educational system; •Increase of the youth delinquency as a result of negative socio-economic trends; •Significant presence of non-registered manpower and social exclusion of long-term unemployed individuals; •Increase of the unemployment rate in the eligible area, that particularly affects the low educated and socially wounded groups; •Low salaries and limited employment opportunities may lead to low motivation of specialised manpower and accelerate migration. •High presence of non-registered manpower and high level of informality in the market;

5. Environment			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> •Region rich with clean natural resources (water, pastures, forests) that can foster economic development; •Good quality timber in mountain forests •Flat land and fertile plain existing in the area •Favourable climatic and geomorphologic conditions and natural fertility of agricultural lands in part of the border region; 	<ul style="list-style-type: none"> •Local environmental gaps, e.g. in waste management, sewage, waste water treatment, agricultural runoff, jeopardize the natural resources; •Environmental and natural protection institutional infrastructure still weak; •Pollution hot spots; pollution due to obsolete technologies in mines (North East region) •Natural potentials and resources are not sufficiently exploited in a sustainable manner; •Insufficient control, with regard to waste disposal endangers both the quality of water and the quality of the soil. •Insufficient level of public awareness on environmental problems. •Platform of environmental NGOs is not functioning any more which decrease the lobbying capacity of environmental associations 	<ul style="list-style-type: none"> •Initiatives for protecting Shar Planina as a national park in Republic of Macedonia •Better management of forestry •Resources for green energy production •Development and adoption of environmentally friendly services and best available technologies valorising the clean and unpolluted natural resources; •Developing and implementing various cross-border projects, based on natural resources and biodiversity protection and conservation, and natural resources cross-border management programs; •Involving the private sector and civil society in environmental protection activities and programmes; •Increasing the public awareness on environmental protection measures under the pressure of the eco-tourists demands. 	<ul style="list-style-type: none"> •Deforestation due to illegal wood cutting and non regulated sheep breeding •Slow development of environmental protection related infrastructure may decrease the attractiveness of the region and have a negative impact on the local population welfare; •High risk of diffuse or concentrated pollution that could jeopardize the rapid growth of the some urban areas and the management of environment. •Project of creating the Shar Planina national park may fail if all stakeholders (e.g. farmers, sheep breeders) are not associated. •Slow implementation of national and regional strategies, regulations and institutions for environmental protection; •Risk of disappearing of native species and loss of biodiversity

6. Culture and tourism			
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Attractive historical and cultural heritage • Authentic ethno ambiance • Existing ski and Spa centres already well known in the region • The proximity of the capital cities is an asset for the development of cultural and tourism activities in the whole region • Existing cultural manifestations, festivals and events • Multi-ethnicity and their traditions • Peaceful coexistence and work of different communities, presenting also different culture and unique historical heritage • The fact that a significant part of the population in programme area is Albanian speaking will facilitate cultural exchanges. 	<ul style="list-style-type: none"> • Lack of relevant analyses and joint strategies for improving the tourism offer in the eligible area leads to insufficient tourism planning and training activities • Insufficient promotion and protection of the cultural and historical heritage • Insufficient human resources capacities in the sectors of tourism and culture • Low awareness in recognising the historical and cultural heritage as potentials for significant source of revenue through tourism and culture activities • Obsolescence of the existing tourism facilities out of the capital city (e.g. Ski and Spa centres) • Insufficient number of educated guides • Inadequate service delivery – such as continuity of water supply, drinking water quality, electricity supply will affect the quality of tourism and in turn tourism revenues. 	<ul style="list-style-type: none"> • Developing strategies and programs for tourism development, protection and promotion of a historical and cultural heritage; • Development of specialized types of tourism (mountain tourism, city visits, spas, agro-tourism, health-tourism, etc.); • Opportunities for development of eco-spa-cultural and other forms of tourism, inducing the development of cross-border regional tourism • Involving private sector in development of the capacities of the region in the field of eco-tourism; • Developing and strengthening local institutional capacities related to cultural and tradition issues. • Preservation and developing the traditional handicrafts • Good opportunity to develop local products based on specific heritage and tradition 	<ul style="list-style-type: none"> • Insufficient public funds, both at national and local government level, to support the promotion of the cultural activities and historical heritage. • Maintenance and protection of the historical and cultural heritage depends on the central budget; • Existence of stereotype and prejudices on cultural exchange between non Albanian ethnic groups • Extinction of the traditional handicrafts • Culture is generally neglected and if no measures are taken situation could even be worse • Lack of public/partnership initiatives for protection of cultural and historical heritage

SECTION II PROGRAMME STRATEGY

1 EXPERIENCE WITH CROSS-BORDER ACTIVITIES AND LESSONS LEARNT

Cooperation between Republic of Macedonia and Kosovo is already well developed in various sectors and involves different types of institutions and organisations, particularly:

- In the educational sector: synergies and a high level of cooperation between public and private universities.
- In the civil society sector: numerous joint projects and joint research activities, in areas such as; minority rights, gender equality, environment, primary economic activities, disabilities, decentralisation, etc.
- Inter-municipal cooperation established between the main municipalities under the umbrella of several institutions and donors (East West Institute, UNDP, USAID, OSCE, etc.)
- In the private sector: joint efforts for supporting entrepreneurs and SMEs on establishing partnerships, facilitating investment and increasing trade.

Lessons learnt

- The experience of the other IPA cross-border programmes implemented in the Western Balkans shows that establishing efficient management and monitoring bodies (e.g. Joint Monitoring Committee (JMC) and Joint Technical Secretariat (JTS)) takes time which may jeopardize the implementation of the programme.
- Rural municipalities and grassroots organisations most often do not have the capacities for preparing and implementing CBC projects. Targeted training activities are to be envisaged and partnerships with more advanced organisations are to be encouraged.

2 COOPERATION STRATEGY

2.1 SUMMARY CONCLUSIONS FROM THE ANALYSES

This section presents the response to the strengths and weaknesses identified by the analysis. It defines suitable strategies for a common development of the cross-border regions and a relevant use of IPA funding. The strategy includes the overall strategic goal of the programme and identifies specific objectives to be supported by the measures under the chosen priority axis of the programme.

The above SWOT and situation analyses reveal that the programme area is very rich in natural and cultural resources but some parts of it are underdeveloped compared even to respective national

standards. There is a great potential for economic development, especially tourism that is generally underexploited. There is a high level of unemployment and unskilled labour force and the economy of the area is mainly based on small uncompetitive industries. The level of exchanges across the border has increased rapidly, but it is still based mainly on transactions of foreign goods and only marginally on local products. It is necessary to increase common understanding of the cross-border region's economic opportunities and its potentials for improving socio-economic situation for the population of the area.

When defining the objectives and priorities, the following common findings were taken into account:

- There is a long history of cooperation among the two communities living in the programme area, and many local organisations have already participated in some sort of cross-border cooperation programmes. The existing know-how and experience will be a valuable asset for the implementation of the IPA CBC programme.
- Protection and promotion of natural resources is a common concern for the whole programme area. In particular, the Sharr Mountains constitute an area of great variety of valuable natural resources (mountains, lakes, national parks and protected areas) and biodiversity that need to be preserved and protected from environmental threats and that could be exploited for tourism development, other economic purposes and joint cross-border initiatives. High level of unemployment, particularly youth unemployment, is a major concern on both sides of the border.
- The number of active SMEs present in the area is increasing fast, which shows a great level of dynamism and a high degree of private initiative in the region. However, strengthening business support services and encouraging networking and cooperation among SME should be encouraged further. This would help to attract inward and Foreign Direct Investment (FDI) and create new employment opportunities.
- Facilitating the movement of persons and goods, by upgrading frontier posts and roads, is considered as indispensable for improving the cross-border cooperation and fostering the economic development of the border areas.
- Improving water and waste water systems in rural areas as well as solid waste management is a priority for most local stakeholders.
- There is a substantial presence of CSOs in the cross-border regions that could be potential actors in the implementation of economic and social initiatives of a cross border nature. Specific attention needs to be paid to rural and grassroots CSOs in order to increase their role in the development of the micro-regions.
- The presence of universities on both sides of the cross-border area and the increasing academic cooperation is an asset. The fact that the majority of communities living on the two sides of the programme area have a common language, history, culture and traditions, creates strong bonds between them. This also creates opportunities for further cooperation in academic fields.
- The cross-border region is rich in cultural and historical heritage, but a lot is to be done in order to protect and to promote it. Many joint actions can be initiated by the cross-border programme in order to increase the attractiveness of this heritage.

2.2 OBJECTIVES OF THE CROSS-BORDER PROGRAMME

The global objective of the cross-border programme is:

Promote cooperation between people, communities and institutions of the bordering areas, aiming to foster economic development, social cohesion and environmental development in a sustainable manner

Joint actions and cross-border projects implemented within the programme should have an impact on the social and economic situation of the population, improve the joint management and valorisation of natural and cultural resources and strengthen the image and cohesion of the cross-border region.

The **specific objectives** are to :

- ⇒ Promote economic development of the programme area through facilitation of trade and economic valorisation of its tourist and cultural potentials
- ⇒ Support joint initiatives and actions aimed at protecting the environment and promoting sustainable natural resources development
- ⇒ Promote social cohesion by encouraging cooperation between citizens and communities through partnership building across the border
- ⇒ Strengthen capacities of national and joint structures to manage cross-border programmes, and provide technical expertise for external programme evaluations;
- ⇒ Raise awareness on IPA CBC funding opportunities;
- ⇒ Strengthened capacities of potential beneficiaries to prepare and implement projects

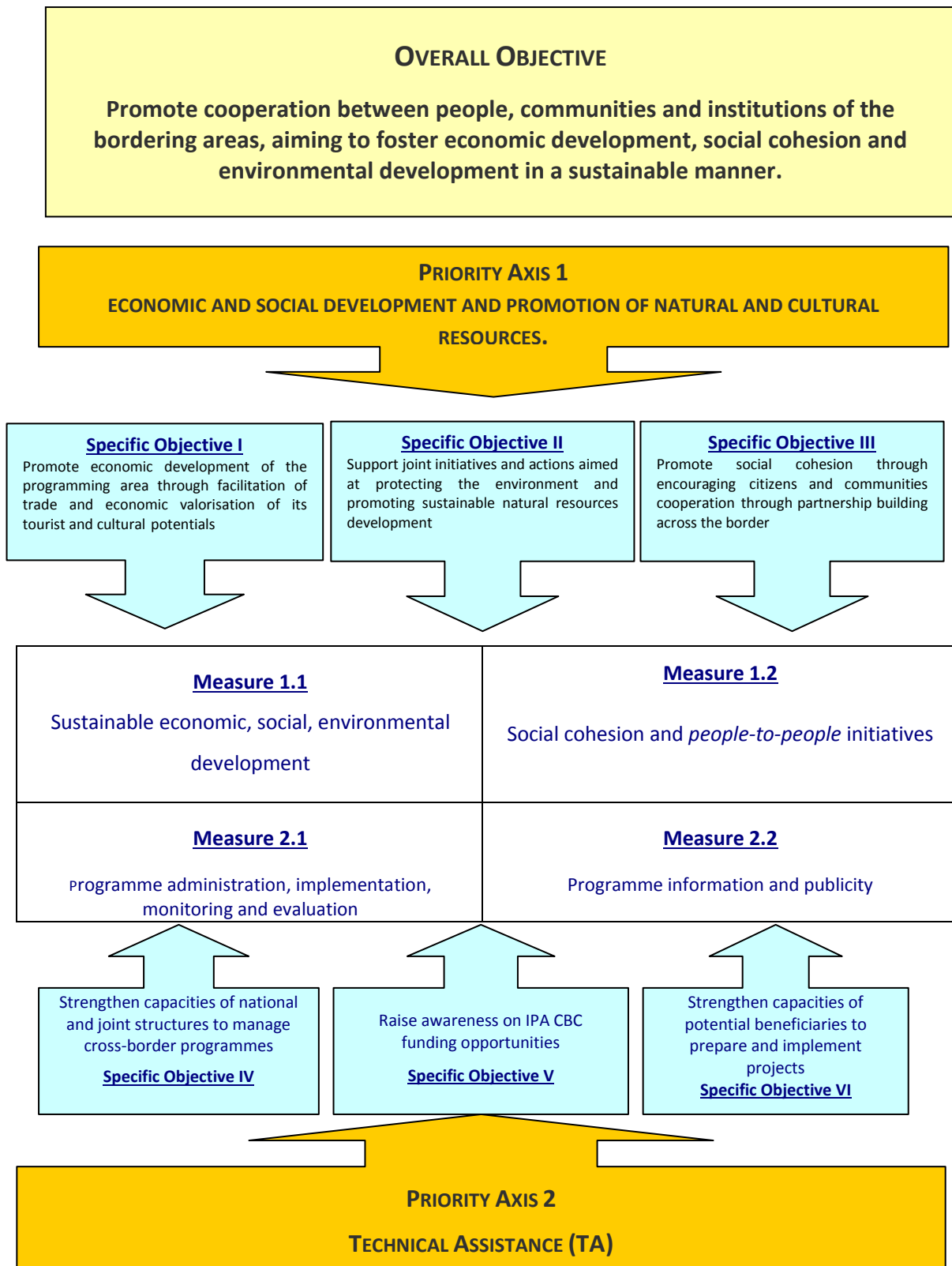
3 PRIORITIES AND MEASURES

The objectives will be reached through the implementation of two priorities axes which are further detailed into measures:

Priorities	
Priority Axis I	Economic and social development and promotion of natural and cultural resources
Priority Axis II	Technical Assistance

The **Priority Axis I** concerns a large range of potential projects in various sectors. It reflects the transversal nature of cross-border cooperation and is deliberately open to the variety of stakeholders already involved in cross-border cooperation or likely to develop new cross-border initiatives.

The **Priority axis II** will support the establishment of an efficient management and monitoring system for the implementation of the cross-border programme and will strengthen the capacities of local stakeholders in defining and implementing cross-border projects.



3.1 PRIORITY AXIS I :

Economic and social development and promotion of natural and cultural resources

This priority is a response to the concerns expressed by the national and local stakeholders during the consultation process. It is in line with the regional and local development plans elaborated in the programme area and offers therefore the possibility to support their implementation. Most of all it intends to encourage various types of partnerships. This priority will be primarily (though not exclusively) implemented through joint small-scale infrastructure of a cross-border nature and impact as well as people-to-people projects which will strengthen the link between communities, and local organisations and institutions.

This priority will include **two specific measures**:

Measures	
Measure I.1	Sustainable economic, social and environmental development
Measure I.2	Social cohesion and people-to-people initiatives

Measure I.1: Sustainable economic, social and environmental development

The specific objective of this measure is to support joint initiatives aimed at fostering the economic development of the programme area and at protecting, promoting and managing sensitive ecosystems and cultural heritage.

The measure aims at implementing economic development initiatives with a cross-border impact, and contributes to building a strong and specific identity of the cross-border region, especially in increasing tourism attraction. This includes the promotion and the protection (branding, better access to markets) of the traditional food and agro-food products, as well as handicrafts. As a transversal objective and in order to give the business community the possibility to participate in the cross-border programme, the measure also aims at facilitating trans-boundary business cooperation (i.e. organisation of fairs, consumer studies, business-to-business events, etc.).

The environmental component of this measure focuses particularly but not exclusively on the mountains constituting most of the border line. It includes operations aimed at promoting natural and environmental protection. Operations participating in establishing the National Park on the southern side of the Mountain Sharr and strengthening the management of the National Park on the northern side are fully eligible under this measure.

The potential operations could, *inter alia*, be as follows:

- Small-scale interventions improving the existing infrastructures having concrete cross-border socio-economic or environmental impact, and/or border-crossing infrastructure
- Infrastructure projects facilitating trade and communication within the programme area.
- Operations supporting rural tourism: small infrastructure, trainings, information campaigns, etc.
- Operations for improving the usage and maintenance of pasture areas

- Operations supporting the establishment of a national park in Sharr Planina and improving the management of the National Park in Kosovo
- Joint research on renewable and alternative energy production in the area covered by the programme
- Projects supporting protection, regional branding and marketing of traditional agricultural products and handicrafts.
- Operations fostering cooperation between CSOs and municipalities in the area of environmental protection; organisation of cultural events; maintenance and rehabilitation of historical heritage; marking mountain paths, etc.

This Measure will mainly be implemented through the Strategic project “Opening a new border crossing point Belanovce (Republic of Macedonia)-Stancic (Kosovo).” using the whole 2010 IPA allocation. This project has been selected by the two partners because of its clear cross-border character and added-value for both communities. The Operating Structures should further elaborate the proposal into a well defined project fiche.

As of the 2011 financial allocation of the programme, this Measure should be implemented through grant schemes, together with Measure I.2.

Measure I.2: Social cohesion and people-to-people initiatives

The specific objective of this measure is to support joint initiatives aimed at fostering economic and social development through people-to-people and institution-to-institution initiatives.

People-to-people actions are expected to directly enhance and facilitate the strengthening of cooperation among CSOs, local communities, institutions and encourage these actors to engage in cross-border partnerships.

This measure focuses on the main strengths and weaknesses identified during the consultation process: unemployment and poverty in the programme area, need for increasing competitiveness and promotion of local/regional products, branding, marketing, necessity for a better organisation of farmers and industrial producers, need to improve the education system at all levels, weakness of the CSO network in rural areas and limited cooperation between local authorities and CSOs, etc.

It covers therefore a wide range of potential operations and intends to encourage further inter-municipal cooperation. Universities are invited to participate in establishing innovative partnerships with other private and public stakeholders in the field of Research and Development.

The potential operations could, inter-alia, be as follows:

- Operations supporting regional CSOs networking, grassroots CSOs in rural areas (e.g. partnership between experienced CSOs/grassroots CSOs; capacity building for CSOs, exchange of experiences and knowledge);
- Support to promoting CSOs cooperation in social inclusion, culture, environment, health protection, etc.;
- Support to promoting health in schools and building sustainable health awareness systems in particular for vulnerable and socially marginalized people. Inter-municipal cooperation: transfer of experiences on decentralisation process; services to citizens;
- Operations aiming at strengthening minorities rights;

- Cooperation and joint activities of youth and sport associations
- Joint operations aiming to promote education and academic exchanges at all levels;
- Support to joint innovative actions aiming at introducing new tourist practices;
- Support to promotion of regional products through organisation of cross-border business exhibitions, etc.
- Support to joint innovative actions aiming at introducing new business practices, especially in tourism;
- Research & Development projects involving universities and professional actors or local and regional authorities;
- Youth exchange activities;
- Operations aiming at rehabilitating and promoting and protecting historical and cultural heritage and traditions, and at fostering cultural exchanges;

This measure will be implemented through grant schemes as of the 2011 allocation of funds. Specifications on size of projects, other requirements and selection criteria will be detailed in the “Call for Proposals/Guidelines for applicants”.

Beneficiaries of Measures 1 and 2 under Priority axis I

The non-exhaustive list of potential beneficiaries may include:

- Local Government Administrations;
- Regional Development Centres and Regional Development Agencies
- Professional associations;
- Chambers of Commerce and other Business Support Organisations;
- Public organisations at national and local level;
- Public enterprises;
- Local labour offices;
- Universities, schools, educational and research institutions;
- Vocational Training Centres;
- National Parks;
- Civil Society Organisations
- Local Action Groups

3.2 PRIORITY AXIS II :

Technical Assistance

Specific objectives of this priority are to:

- Strengthen capacities of national and joint structures to manage this cross-border programmes;
- Prepare and disseminate programme information;
- Strengthen capacities of potential beneficiaries to prepare and implement projects and provide technical expertise for external programme evaluations.

Technical assistance will be used to support the work of the two Operating Structures (OS) and the Joint Monitoring Committee (JMC) ensuring the efficient and effective implementation, monitoring, control and evaluation of the programme.

This will be achieved, *inter alia*, through the establishment and operation of a Joint Technical Secretariat (JTS) to be located in Republic of Macedonia and its antenna to be located in Kosovo.

Technical assistance will support actions which ensure the preparation and selection of high quality programme operations and the dissemination of information on programme activities and achievements.

The Technical Assistance component will account for maximum 10% of the EU funds allocation.

Considering that, for the implementation of the cross-border programme, the Operating Structures in Republic of Macedonia and in Kosovo enjoy a *de facto* monopoly situation (in the meaning of Art. 168.1.c of the Implementing Rules to the Financial Regulation), the relevant Contracting Authorities (CA) of Republic of Macedonia and of Kosovo may establish an individual direct grant agreement without call for proposal with the respective Operating Structures for up to the total amount provided under priority II. In order to implement the activities covered by the direct grant agreement, the Operating Structures are allowed to sub-contracting (procurement of services or supplies) in accordance with Article 120 of the Financial Regulation and Article 184 of the Implementing Rules to the financial Regulation. The direct grant agreements can be signed as soon as the Financing Agreements are concluded.

This priority will be implemented through two measures:

Measure	
Measure II.1	Programme administration, implementation, monitoring and evaluation
Measure II.2	Programme Information and Publicity

Measure II.1: Programme administration, implementation, monitoring and evaluation

An indicative list of eligible activities under this measure can include:

- Support to Operating Structures, Joint Monitoring Committee, Joint Technical Secretariats and any other structure (e.g. Joint Steering Committee) involved in the management and implementation of the programme
- Establishment and functioning of Joint Technical Secretariat and its antenna, including offices rental costs, staff remuneration costs (with the exclusion of salaries of public officials), etc.
- Expenses for participation in different meetings related to the implementation of the programme
- Administrative and operational costs related to the implementation of the programme, including the costs of preparation and monitoring of the programme, appraisal and selection of operations, organisation of meetings of monitoring committee, etc.
- Training for potential beneficiaries in the preparation of project applications and to beneficiaries in project implementation and reporting
- Programme and projects monitoring
- Programme and projects evaluations

Measure II.2: Programme Information and Publicity

An indicative list of eligible activities under this measure can include:

- Preparation, translation and dissemination of programme related information and publicity material
- Establishment, management and regular update of a programme website
- Organisation of awareness raising and other public events (conferences, seminars, workshops, etc.)
- Organisation of partner search fora

The main beneficiaries of Measures II.1 and II.2 will include:

- Operating Structures;
- Joint Monitoring Committee;
- Joint Technical Secretariat (Main Office and JTS antenna);
- All other structures/bodies related to development and implementation of the CBC Programme (e.g. Joint Steering Committee)
- Local stakeholders
- Citizens
- Programme beneficiaries.

3.3. OUTPUTS AND RESULTS INDICATORS

<i>Priority I</i>				
<i>Promotion of economic and social development and promotion of natural and cultural resources</i>				
<i>Measure I.1: Sustainable Economic, social and environmental development</i>				
Type	Indicator	Measurement	Target 2012	Source of information
Outputs	Number of initiatives fostering economic, social and environmental development	number	20	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
	Number of initiatives dealing with environment protection, adequate usage of natural resources, water supply and sewage system	number	2	
	Number of initiatives supporting tourism development and promotion	number	5	
	Number of initiatives fostering cross-border partnerships in economy, trade and environment protection.	number	10	
	Interventions improving the existing infrastructure and introducing new ones, having concrete impact on efficient border management, communication, services, tourism, trade and transport in the eligible area		1	
Results	Number of cross-border partnerships created in economy, trade and environment still on-going after one year	number	50	Annual report on implementation; Monitoring reports; Evaluation reports; Project activities reports
	Number of persons with direct or indirect benefit from above activities (per gender/age/professional background/geographical area)	number	Population in programme area	
	Number of facilities enabling efficient border management, communication, services, tourism, trade and transport in the eligible area	number	2	

Measure I.2: Social cohesion and people to people initiatives

Type	Indicator	Measurement	Target 2012	Source of information
Outputs	Number of initiatives fostering social cohesion, educational and cultural exchange	number	20	Annual report on implementation;
	Number of initiatives aiming at social integration of marginalized groups, minorities, unemployed, rural youth and women labour force	number	2	Monitoring reports;
	Number of initiatives fostering creation of CSOs networks and inter-municipal cooperation.	number	5	
	Number of initiatives supporting Research & Development, education and youth and sports associations.	number	2	Evaluation reports;
	Number of joint cultural events and activities aiming at promoting and protecting cultural and historical heritage	number	5	Project activities reports
Results	Number of partnerships created initiatives set-up/scaled up still on-going after one year	number	50	Annual report on implementation;
	Number of persons with direct or indirect benefit from above activities (per gender/age/professional background/geographical area)	number	150	Monitoring reports; Evaluation reports; Project activities reports

Priority II Technical assistance

Measure II.1: Programme administration, implementation, monitoring and evaluation

Type	Indicator	Measurement	Target 2012	Source of information
Outputs	Number of the Joint Monitoring Committee held	number	6	Annual report on implementation; Monitoring reports; Evaluation reports;
	Number of JTS staff recruited	number	5	
	Number of training events for potential final beneficiaries	number	2	
	Number of training events for evaluators and assessors	number	1	
	Number of project proposals assessed	number	100	
	Number of on-the-spot visits carried out	number	30	
	Number of officers acquiring competences in programme management and successfully performing their duties in JTS and other programme bodies	number	10	
	Number of monitoring reports drafted	number	30	
	Number of Calls for projects finalised	number	2	
Results	Number of Programme evaluation	number	1	Annual report on implementation; Monitoring reports; Evaluation reports;
	Functional Joint Technical Secretariat and antenna	number	1+1	
	Increased number of project proposals received	Percentage 1 st -last?	20%	
	Increased quality of project proposals	Percentage 1 st -last	20%	
	Ratio (%) of funds used versus of funds allocated	percentage	95%	

Measure II.2: Programme Information and Publicity				
Type	Indicator	Measurement	Target 2012	Source of information
Outputs	Number of information and promotion events	Number	15	Annual report on implementation; Monitoring reports; Evaluation reports; Studies; Surveys
	Number of participants at the information and promotion events	Number	600	
	Number of publicity materials disseminated	Number	1000	
	Website established	number	1	
	Number of printed publications prepared	number	3	
Results				Annual report on implementation; Monitoring reports; Evaluation reports; Studies; Surveys
	Number of users visiting the website	number	1000	
	Number of published newspaper articles and TV and radio features	Number	15	
	Number of publications of best practices	number	1	
	Number of studies and analyses published	number	1	

4 COHERENCE WITH OTHER PROGRAMMES

The cross-border programme is defined within the frame set up by the Multi-annual Indicative Planning Document (MIPD) 2009-2011 of each country. It proposes cross-cutting measures, identified as priorities in almost all existing national and local strategic plans.

4.1 REPUBLIC OF MACEDONIA PROGRAMMES

In Republic of Macedonia, the cross-border programme complies with the following strategic documents:

- The strategy of the cross-border programme is linked to the **National Development Plan 2007-2009 (NDP)** and based on the same assumptions. It emphasizes sectors that are compatible with cross-border approach and that have already been identified as priorities in the NDP.
- **The Annual Programmes for Transition Assistance and Institution Building (IPA component I)** will contribute towards the furthering of multiethnic dialogue and citizen engagement in local decision-making, as well development of some local infrastructure for economic and social development, albeit on a much larger scale than the cross-border cooperation programme. The focus of support will be predominantly given to the development of general management skills and **small** infrastructure in municipalities, as well as training the municipal officers in a wide scope of issues, ranging from developing, implementing and supervising those infrastructural projects to improving fiscal management and modernisation of public services.
- **The Regional Development Operational Programme (IPA Component 2I)** puts emphasis on environmental issues, particularly the necessity to support the establishment of sustainable water and waste management systems. The development of the Pan-European Corridor VIII is mentioned as a priority as it is in the cross-border programme.
- The cross-border programme is in line with most of the measures defined in the **Human Resources Operational Programme (IPA component IV)**: developing adult education and lifelong learning, fostering social inclusion of people and areas at disadvantage, improving the labour market prospects of young people and women, etc. In addition, the Human Resources Development component should prepare the country for efficient implementation and management of funds from the European Social Fund (ESF).
- **The Rural Development Programme 2007-2013 (IPA component V)**: as rural and agricultural development in the programme area is mentioned as a priority by most of the local stakeholders, synergies between the CBC programme and the IPA Rural Development programme can easily be envisaged. Particularly, the CBC programme could participate in Measure 2.2 of the Rural Development Programme, “Leader approach (Preparation and implementation of local rural development strategies)” by providing financial opportunities to Local Action Groups in both partners.
- **The Polog region is also eligible for the cross-border programme 2007-2013 between Republic of Macedonia and Albania.** The global objective of that programme (*Promote sustainable local development through high quality cross border cooperation*) and its two priority axis (*cross-border economic development, environmental resources protection and cultural heritage promotion*) are complementary to the objectives and priorities defined in the present document.

4.2 THE PROGRAMMES IN KOSOVO

In Kosovo, the cross-border programme complies with the following strategic documents:

- **2008 Laws on Social Self-Government and 2008-2010 Action Plan for the Implementation of Decentralisation** – aiming at establishing a sustainable system of local self-government and improving the efficiency of local public services throughout Kosovo.
- **Local Strategies** (drafted approximately in last 5 years and being regularly updated) – for each of the Municipalities involved in the programme. These documents emphasize the cross-border cooperation as a tool for supporting socio-economic development and the protection and preservation of the environment.
- **Regional Development Strategies** (by December 2010 the regions in Kosovo forming the eligible area for CBC programmes define their strategic priorities and related priority actions) - under development with support of EU funding (EURED). Overall objective is to introduce Regional Economic Development Strategies, aiming at strengthening the Kosovo economic regions and expanding a regional development framework in line with EU standards. It will support development of institutional capacities to manage the process of economic development, and supporting economic regeneration, job creation and human infrastructure development in different regions.
- **European Partnership Action Plan 2010 (EPAP) for Kosovo** – which put great emphasis on regional development and cooperation as a vehicle for development of Kosovo in the view of overall European Integration Process

The ongoing EU and other donors' initiatives that are active in the region, such as OSCE, UNDP, East-west institute, SIDA, the World Bank, have also been taken in consideration, while drafting this document.

SECTION III

FINANCIAL PROVISIONS

The financial allocation of this cross-border programme for the period 2010-2011 is as follows:

Year/Priorities		Republic of Macedonia				Kosovo			
		EU funding (a)	MK* funding (b)	Total funding (c) = (a)+(b)	Rate of EU contribution (d) = (a)/(c)	EU funding (a)	Kosovo funding (b)	Total funding (c) = (a)+(b)	Rate of EU contribution (d) = (a)/(c)
2010	I - Priority I	540.000	95.294	635.294	85%	540.000	95.294	635.294	85%
	II - Technical Assistance	60.000	10.588	70.588	85%	60.000	10.588	70.588	85%
	TOTAL 2010	600.000	105.882	705.882	85%	600.000	105.882	705.882	85%
2011	I - Priority I	540.000	95.294	635.294	85%	540.000	95.294	635.294	85%
	II - Technical Assistance	60.000	10.588	70.588	85%	60.000	10.588	70.588	85%
	TOTAL 2011	600.000	105.882	705.882	85%	600.000	105.882	705.882	85%
2012	I - Priority I	540.000	95.294	635.294	85%	540.000	95.294	635.294	85%
	II - Technical Assistance	60.000	10.588	70.588	85%	60.000	10.588	70.588	85%
	TOTAL 2012	600.000	105.882	705.882	85%	600.000	105.882	705.882	85%
2013	I - Priority I	540.000	95.294	635.294	85%	540.000	95.294	635.294	85%
	II - Technical Assistance	60.000	10.588	70.588	85%	60.000	10.588	70.588	85%
	TOTAL 2013	600.000	105.882	705.882	85%	600.000	105.882	705.882	85%
2010 2011 2012 2013	TOTAL	2.400.000	423.528	2.823.528	85%	2.400.000	423.528	2.823.528	85%

In both Kosovo and Republic of Macedonia the eligible expenditure is based on the total expenditure as referred to in Article 90 of the IPA Implementing Regulation.

SECTION IV

IMPLEMENTING PROVISIONS

The implementation provisions for this cross-border programme are based on the Commission Regulation (EC) No 718/2007 (hereinafter referred to as the 'IPA Implementing Regulation'), implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-accession Assistance, as amended by Regulation (EU) No 80/2010 of 28 January 2010.

In line with Article 10(2) IPA Implementing Regulation, both partners will be managing the programme according to the centralised management model where the EU Delegation to Republic of Macedonia and the ECLO to Kosovo will be the Contracting Authorities³⁸.

The programme implementing provisions are based on the principle of both Kosovo and Republic of Macedonia being equal partners and having an equal role in the cross-border cooperation management structures. The joint management of the programme will ensure local ownership, wider involvement, better planning and will create the base for genuine cross-border activities.

1 PROGRAMME STRUCTURES

1.1 ORGANISATIONAL STRUCTURES AT NATIONAL LEVEL

In accordance with Art. 32(1) of the IPA Implementing Regulation, National IPA Coordinators (NIPACs) have been designated.

In **Republic of Macedonia**, the **Deputy Prime Minister for European Affairs** is designated as the National IPA Coordinator, who acts as the representative of the country vis-à-vis the European Commission. The National IPA Coordinator on 18th April 2011 designated the State Counsellor in the Ministry of Local Self Government as a IPA Component 2 Coordinator.

The IPA-Component 2 coordinator acts as the main interlocutor for the EC in the country for questions pertaining to IPA-Component 2.

In **Kosovo** the National IPA Coordinator is based in **the Ministry of European Integration**³⁹. The National IPA Coordinator has designated the **Ministry of Local Government Administration** as the IPA-Component 2 Coordinator.

³⁸ However, Republic of Macedonia is in the process of preparing the accreditation of the managements structures for IPA-Component 2 and is expected to shift soon to decentralised management.

³⁹ The Ministry of European Integration was established in April 2010 as the successor of the Agency for Coordination Development and European Integration.

IPA-Component 2 Coordinators are the main contact point between Republic of Macedonia and Kosovo on one side, and the European Commission on the other, for all issues related to participation in programmes under the IPA CBC Component.

1.2 OPERATING STRUCTURES

The cross-border programme shall be implemented by the Operating Structures (OS) (Art. 139 IPA Implementing Regulation- IPA IR). These are:

Republic of Macedonia	Kosovo
Ministry of Local Self Government Mito Hadzivasilev Jasmin nn 1000 Skopje Tel: (+389 2) 3216 134 Fax: (+389 2) 3216 134	Ministry of Local Government Administration Former "Rilindja" building 10000, Pristina Tel.: (+381) 38 213 380

According to Article 139 of IPA IR the two Operating Structures shall cooperate closely in the programming and implementation of the relevant cross-border programmes. The OSs shall jointly set-up the Joint Technical Secretariat (JTS) to assist the OSs and the Joint Monitoring Committee (JMC).

Operating Structures are, *inter alia*, responsible for:

- Preparing the CBC programme
- Preparing the programme amendments to be considered and approved by the JMC;
- Appoint their representatives on the JMC;
- Setting up of the Joint Technical Secretariat (JTS) and guiding its work;
- Preparing and implementing the strategic decisions of the JMC where necessary with the support of the JTS;
- Reporting to the respective IPA Coordinators/cross-border cooperation coordinators on all aspects concerning the implementation of the programme;
- Establishing a system, assisted by the JTS, for gathering reliable information on the programme's implementation and provide data to the JMC, the cross-border cooperation Coordinators and the Commission;
- Ensuring the quality of the implementation of the cross-border programme together with the JMC;
- Ensuring the monitoring of commitments and payments at programme level;
- Ensuring that grant beneficiaries make adequate provisions for financial reporting (monitoring) and sound financial management (control);
- Sending to the Commission and the respective IPA coordinators the annual report and the final report on the implementation of the cross-border programme after examination by the JMC;
- Promoting information and publicity-actions;

Under centralised management, the tendering, contracting and payments are responsibilities of **the EU Delegation to Republic of Macedonia and the ECLO to Kosovo (Contracting Authorities)**.

1.3 JOINT MONITORING COMMITTEE

Within three months after the first Financing Agreement relating to the programme enters into force, a **Joint Monitoring Committee** (JMC) shall be established in accordance with Article 142 of the IPA Implementing Regulation.

The JMC is the cross-border programme's decision making body. JMC is composed of representatives at national, regional and local level of the beneficiaries, including representatives of the Operating Structures and of stakeholders in the programme area. The European Commission (EC) representatives shall participate in the work of the JMC in an advisory capacity.

The JMC shall meet at least twice per year at the initiative of the beneficiaries or of the European Commission and is chaired by a representative of Kosovo or Republic of Macedonia on a rotating basis.

At its first meeting, the JMC shall draw up its rules of procedure, and adopt them in order to exercise its missions pursuant to the IPA IR.

The responsibilities of the JMC are, *inter alia*, as follows:

- It oversees the programming and effective implementation of the programme;
- It shall consider and approve the criteria for selecting the operations financed by the cross-border programme and approve any revision of those criteria in accordance with programming needs;
- It shall periodically review progress made towards achieving the specific targets of the Programme on the basis of documents submitted by the Operating structures;
- It shall examine the results of implementation, particularly achievement of the targets set for each priority axis and the evaluations referred to in Article 57(4) and Article 141 of IPA IR;
- It shall examine the annual and final implementation reports prior to their submission, by the OSs, to the respective IPA Coordinators and to the EC (Article 144 of IPA IR);
- It shall be responsible for selecting operations. To this aim, as appropriate (and on a case-by-case basis), it may delegate this function to a Steering Committee (to perform the role of an evaluation committee) whose members should be designated by the OSs. The composition of the Steering Committee shall be endorsed by EC
- It may propose any revision or examination of the cross-border programme likely to make possible the attainment of the objectives referred to in Article 86(2) of IPA IR or to improve its management, including its financial management;
- It shall consider and approve any proposal to amend the content of the cross-border programme;
- It shall approve the framework for the JTS's tasks.

1.4 JOINT TECHNICAL SECRETARIAT

According to Article 139(4) of the IPA IR, the Operating Structures shall set up a Joint Technical Secretariat (JTS) to assist the JMC and the Operating Structures in carrying out their responsibilities. Job descriptions of the JTS members, as well as detailed Rules of Procedures for JTS shall be developed conjunctly by the OSs.

The JTS is jointly managed by both OSs.

The location of the JTS is in **Kumanovo, Macedonia**. It has an Antenna in **Gjilan, Kosovo**. It consists of employees from both sides of the border, contracted by the respective OSs.

The JTS is the administrative body of the programme responsible for its day-to-day management. The costs of the JTS and its Antenna are co-financed under the programme's Technical Assistance budget provided and related to tasks eligible for the operation and co-financed according to EU rules.

The JTS will be responsible, *inter alia*, for the following tasks:

- support the JMC and the OSs in programme implementation
- perform secretariat function for the JMC, including preparation of all necessary activities for organizing the JMC meetings and the follow-up activities. The tasks of JTS shall be defined in the rules of procedures of the JMC
- set up, regular maintenance and updating of the monitoring system (data input at programme and project level)
- prepare and make available all documents necessary for project implementation (general information at programme level, general information at project level, guidelines, criteria, application for collecting project ideas, application pack -guidelines, criteria for project selection, eligibility, reporting forms, contracts, etc.)
- run info-campaigns, trainings, help-lines and web-based Q&A in order to support potential applicants in the preparation of project applications;
- assist potential beneficiaries in partner research and project definition.
- assist the JMC and the Joint Steering Committee in organising the process of selection of project proposals and check whether all relevant information for making a decision on project proposals are available;
- manage the Call for Proposals process, including receiving and registering project applications and preparing documentation for the evaluation process;
- make sure that all the relevant documentation necessary for contracting is available to the Contacting Authorities on time;
- prepare standardized forms for project application, assessment, contracting, monitoring and reporting based as much as possible on templates and models included in the Practical Guide to Contract Procedures financed from the general budget of the European Union in the context of external actions (PRAG).
- organise and manage an ad-hoc data base of the programme, on the basis of the information direct collected during the call for proposals process and those transferred regularly by the OSs;
- carry out joint information and publicity activities under the guidance of the JMC and the Operating Structures, including setting up and maintaining an official programme website;

- prepare, conduct and report on monitoring of the projects
- provide inputs to annual and final reports on the cross-border programme
- plan its activities according to a work plan annually approved by the JMC.

1.5 CONTRACTING AUTHORITIES

The EU Delegation to Republic of Macedonia and the European Commission Liaison Office to Kosovo will be the Contracting Authorities (CAs).

Republic of Macedonia	Kosovo
Delegation of the European Union Mito Hadzivasilev Jasmin 52v 1000 Skopje Tel: (+389 2) 3248 500 Fax: (+389 2) 3248 501	European Commission Liaison Office to Kosovo (ECLO) Kosova Street 1 (P.O. Box 331) 10000 Pristina Tel: (+381) 38 51 31 323 Fax: (+381) 38 51 31 304

In line with Article 140(1) of the IPA Implementing Regulation, the European Commission retains overall responsibility for ex ante approval of calls for proposals, for awarding grants, tendering, contracting and payments.

The Contracting Authorities' responsibilities are, *inter alia*, the following:

- In case of Calls for proposals
 - Endorsing calls for proposals documentation;
 - Endorsing composition of joint Steering Committees (when deemed necessary);
 - Approving the evaluation reports and list of projects;
 - Sitting in the Joint Monitoring Committee in an advisory capacity;
 - Signing contracts with grant beneficiaries, including budget revisions (with support provided as appropriate by OSs and JTS).
- In case of the 'Joint Strategic project':
 - Tendering and contracting supply, services and/or works.

1.6 PROGRAMME BENEFICIARIES (in case of grants awarded through Calls for proposals)

Definition of Lead Beneficiaries and other beneficiaries

According to Article 96(3) of the IPA Implementing Regulation, if there are several final beneficiaries of an operation on each side of the border, they shall appoint a Lead Beneficiary among themselves prior to the submission of the proposal for an operation. The Lead Beneficiary shall assume the responsibilities set out below regarding the implementation of the operation.

Responsibilities of Lead Beneficiaries

According to the provisions of Article 96(3) of the IPA Implementing Regulation, the Lead Beneficiary shall assume the following responsibilities for the part of the operation taking place respectively on Macedonia or Kosovo territory:

- It shall lay down the arrangements for its relations with the final beneficiaries participating in the part of the operation taking place respectively in Kosovo or Republic of Macedonia in an agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
- It shall be responsible for ensuring the implementation of the part of operation taking place respectively in Republic of Macedonia or in Kosovo;
- It shall be responsible for transferring the EU contribution to the final beneficiaries participating in the part of operation taking place respectively in Republic of Macedonia or in Kosovo;
- It shall ensure that the expenditure presented by the final beneficiaries participating in the part of operation taking place respectively in Republic of Macedonia or in Kosovo has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the final beneficiaries participating in the operation.

The Lead Beneficiaries shall ensure a close coordination among them in the implementation of the operation.

Responsibilities of other beneficiaries

Each beneficiary participating in the operation shall:

- Participate and be responsible for ensuring the implementation of the operations under its responsibility according to the project plan and the agreement signed with the Lead Beneficiary;
- Cooperate with the other partner beneficiaries in the implementation of the operation, the reporting for monitoring;
- Provide the information requested for audit by the audit bodies responsible for it;
- Assume responsibility in the event of any irregularity in the expenditure which was declared, including eventual repayment to the Commission;
- Be responsible for information and communication measures for the public.

Functional Lead Partner

In case of joint projects (where Lead Beneficiaries from both sides are participating and are separately contracted by the Contracting Authorities of Republic of Macedonia and of Kosovo) the two Lead Beneficiaries shall appoint among themselves a Functional Lead Partner prior to the submission of the project proposal.

The Functional Lead Partner is:

- Responsible for the overall coordination of the project activities on both sides of the border;
- Responsible for organising joint meetings of project partners;
- Responsible for reporting to the JTS on the overall progress of the joint project.

2 IMPLEMENTING RULES

2.1 BASIC IMPLEMENTATION RULES

As a rule, cross-border programmes are implemented through single, joint calls for proposals (grant schemes). However, for the 2010 IPA financial allocation, a 'Joint Strategic Project' compliant with the provisions of Art. 95 IPA Implementing Regulation, has been identified: *Construction of a common building for both countries' authorities on the new border crossing point Belanovce (Republic of Macedonia) - Stancic (Kosovo)*.

Joint Strategic Projects/ (Operations outside calls for proposals)

Joint Strategic Projects are defined as those which have a significant cross-border impact throughout the Programme Area and which will, on their own or in combination with other Strategic Projects, achieve measure-level objectives. **The European Commission, acting as Contracting Authority, will tender and contract the project (works, supplies and/or services) on the basis of the PRAG procedures.**

Grant schemes

Operations selected shall include final beneficiaries from both Republic of Macedonia and Kosovo which shall cooperate in at least one of the following ways: joint development, joint implementation, joint staffing and joint financing (Art. 95 IPA Implementing regulation).

The JMC is responsible for selecting the operations.

The Contracting Authority is responsible for ex-ante control of the grant award processes and for issuing the grant contracts and subsequent payments.

2.2 GRANT AWARD PROCESS

The Grant award process shall be compliant with provisions of the IPA Implementing Regulation (e.g. Articles 95, 96, 140, 145, etc.)

Where appropriate, PRAG procedures and standard templates and models should be followed – adapted as appropriate – unless the provisions of the IPA Implementing Regulation and/or the joint nature of calls for proposals require otherwise.

a) Preparation of the Application Package:

- The JTS, under the supervision of the JMC, drafts the single Call for proposals, the Guidelines for applicants and the Application form and other documents related to the

implementation of the grant schemes, explaining the rules regarding eligibility of applicants and partners, the types of actions and costs, which are eligible for financing and the evaluation criteria following as close as possible the formats foreseen in the PRAG.

- The Application Form should cover both parts of the operation, but with clear separation of the activities and costs on each side of the border. The elements contained in the Application Pack (eligibility and evaluation criteria, etc.) must be fully consistent with the relevant Financing Agreement.
- Once approved by the JMC, the respective Operating Structures submit the Call for proposals, the Guidelines for applicants and its annexes to the Contracting Authorities for approval.

b) Publication of the single Call for Proposals

- When launching the Call for Proposals, the Operating Structures, with the assistance of the JTS, take all appropriate measures to ensure that call for proposals reaches the target groups in line with the requirements of the Practical Guide. The Application pack is made available on the programme website and the websites of the CAs and in paper copy.
- The JTS is responsible for information campaign and answering questions of potential applicants. JTS provides advice to potential project applicants in understanding and formulating correct application forms.
- Frequently Asked Questions (FAQs) should be available on both the Programme and the Contracting Authorities' websites

c) Selection of the operations

As provided by the IPA Implementing Regulation, the submitted project proposals will undergo a joint selection process. The project evaluation should follow PRAG rules (Chapter 6.4.) as amended by the provisions of the IPA Implementing Regulation (e.g. Article 140 on the role of the Commission in the selection of operations)⁴⁰. A joint Steering Committee, designated by the JMC, will evaluate projects against the criteria set in the Application Pack and will establish a ranking list according to PRAG. On that basis, the Joint Monitoring Committee will then bring the final decision on the projects to be recommended for financing to the Contracting Authorities.

The main steps of the procedure should be as follows:

- Incoming operation proposals are collected and registered by the JTS
- The JMC is responsible for evaluating operation proposals according to the eligibility criteria; however, when deemed necessary, it can designate a **Joint Steering Committee** for the assessment of administrative compliance, eligibility and assessment of technical and financial quality of proposals.
- Members of the Joint Steering Committee are designated exclusively on the basis of technical and professional expertise in the relevant area. The CAs endorse the composition of the joint Steering Committee. An observer designated by them may participate in its proceedings.

⁴⁰ IPA Implementing Regulation for Component 2 provides, *inter alia*, a certain degree of decentralisation in the evaluation and selection process, namely in beneficiary countries where IPA funds are managed under a centralised approach (e.g. where the evaluation committee is nominated by the national authorities sitting in the JMC, not by the Commission i.e. the Contracting Authority).

- The Joint Steering Committee assesses the projects against the conditions and criteria established in the Call for proposals–Application Pack and according to PRAG procedures
- The JMC receives from the Steering Committee the Evaluation Report and the award proposals and transmits them, with recommendations, as appropriate, to the CAs through the respective Operating Structures.
- If required, the JMC may request clarifications from the joint Steering Committee. In case of disagreement with the conclusions of the Evaluation report, or if the JMC wants to deviate from the results of joint Steering Committee, it must outline its concerns in their recommendation/approval letter to the CAs. However, under no circumstance is the JMC entitled to change the Steering Committee's scores or recommendation and must not alter the evaluation grids completed by the evaluators.
- The CAs approve the Evaluation report on the selection process and the final list of grants to be awarded. They may request clarifications from the JMC.
- The JTS notifies each applicant, in writing, of the result of the selection process.
- The CAs issue the grant contract to the respective lead beneficiary of each selected project.

2.3 CO-FINANCING AND ELIGIBILITY OF EXPENDITURE

The EU contribution for each priority axis shall not exceed 85% of the eligible expenditure.

The EU contribution for each priority axis is not less than 20% of the eligible expenditure.

In both Republic of Macedonia and Kosovo the eligible expenditure is based on the total expenditure as referred to in Article 90 of the IPA Implementing Regulation. The co-financing of the 'Joint Strategic Project' and of the TA funds (priority II) will be provided by public funds. The co-financing of grants awarded through calls for proposals, will be provided by the final beneficiaries and it can be from public funds as well as from private funds.

At the operation level, the eligibility of expenditures is according to Articles 89 and 34.3 of the IPA implementing regulation.

3 INFORMATION, PUBLICITY AND CONSULTING

Authorities of Republic of Macedonia and Kosovo shall provide information and publicise the programme and operations with the assistance of the JTS, as appropriate.

In accordance with Article 90 of Regulation (EC, Euratom) No 1605/2002, the Commission shall publish the relevant information of the contracts. The Commission shall publish the results of the tender procedure in the Official Journal of the European Union, on the EuropeAid website and in any other appropriate media, in accordance with the applicable contract procedures for EU external actions.

The information and publicity measures are presented in the form of a communication plan, whereby the implementation is the responsibility of the respective Operating Structure and the IPA–Component 2 Coordinators. Such detailed information and publicity plan will be presented to the

JMC in a structured form by the JTS, clearly setting out the aims and target groups, the content and strategy of the measures and an indicative budget funded under the Technical Assistance budget of the CBC programme.

The particular measures of information and publicity will focus mainly on:

- Ensuring a wider diffusion of the cross-border programme (translated into the local language) among the stakeholders and potential beneficiaries
- Providing publicity materials, organising seminars and conferences, media briefings and operating a programme web site to raise awareness, interest and to encourage participation;
- Providing the best possible publicity for the Calls for proposals.
- Publishing the list of the final beneficiaries.

The JTS in cooperation with the JMC will develop an overall strategy for the information and publicity for the implementation of the programme and to develop an overall system for the public relations related to the programme:

- To develop and maintain the internet site;
- To maintain necessary public relations and media communications;
- To develop information and publicity materials;
- To organise joint project development seminars and conferences;
- To involve representatives of the European Commission in the information and publicity,
- To appoint a person responsible for the information and publicity.

4 FINANCIAL MANAGEMENT

Under centralised management, the European Commission will handle all tendering, contracting and payment functions, on the basis of documents provided by final beneficiaries, and in accordance with the rules set out in the "Practical Guide to Contract Procedures for EU external actions " (PRAG).

The Joint Monitoring Committee will ensure that reliable computerised accounting; monitoring and financial reporting is in place that will provide an adequate audit trail.

The European Commission and auditing authorities of Republic of Macedonia and Kosovo will have the power of audit over the cross-border programme.

5 MONITORING AND EVALUATION

5.1 MONITORING

Lead Beneficiaries should send narrative and financial Interim and final reports to their respective Contracting Authorities according to the standard terms of their grant contracts.

In addition, where relevant, the Functional Lead Partner of the project submits progress reports to the JTS, giving an overview of the project activities and achievements on both sides of the border and their coordination according to the indicators defined in the joint project proposal.

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

5.2 PROGRAMME EVALUATION

Evaluations shall take place in compliance with Article 141 of the IPA Implementing Regulation. The evaluation shall aim to improve the quality, effectiveness and consistency of the assistance from the EU funds and the strategy and implementation of cross-border programmes while taking account the objective of sustainable development and the relevant EU legislation concerning environmental impact.

An ex-ante evaluation of this programme has not been carried out in line with the provisions of Article 141 in the light of the proportionality principle.

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

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

6 REPORTING

The Operating Structures shall send to the Commission and to the respective IPA Coordinators an annual report and a final report on the implementation of the cross-border programme after examination by the JMC.

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

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

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