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|  | *IPA CBC Programme 2014 - 2020* | |
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**Table of Contents**

[Acronyms 3](#_Toc379224279)

[Programme synopsis 5](#_Toc379224280)

[Section 1: Programme Summary 6](#_Toc379224281)

[1.1 Summary of the Programme 6](#_Toc379224282)

[1.2 Preparation of the programme and involvement of the partners 7](#_Toc379224283)

[Section 2: Programme Area 9](#_Toc379224284)

[2.1 Situation Analysis – Synopsis 10](#_Toc379224285)

[2.2 Main findings 12](#_Toc379224286)

[Section 3: Programme Strategy 15](#_Toc379224287)

[3.1 Rationale - Justification of the selected intervention strategy 15](#_Toc379224288)

[3.2 Description of Programme Priorities 16](#_Toc379224289)

[3.3 Horizontal and cross-cutting issues 29](#_Toc379224290)

[Section 4: Financial Plan 31](#_Toc379224291)

[Section 5: Implementing Provisions 32](#_Toc379224292)

[5.1 Programme Management Structure 32](#_Toc379224293)

[5.2 Project development and selection and implementation 32](#_Toc379224294)

[5.3 Payments and financial control 33](#_Toc379224295)

[5.4 Reporting, Monitoring and Evaluation 33](#_Toc379224296)

[5.5 Information and publicity 33](#_Toc379224297)

[LIST OF ANNEXES 34](#_Toc379224298)

[Annex 1 Situation Analysis of the Programme Area 35](#_Toc379224299)

[Annex 2 SWOT Analysis 49](#_Toc379224300)

# Acronyms

|  |  |
| --- | --- |
| CBC | Cross-Border Co-operation |
| CfP | Call for Proposals |
| CSF | Common Strategic Framework (IPA II) |
| DG | Directorate General |
| ERE | Electricity National Regulatory Authority (Albania) |
| EC | European Commission |
| EU | European Union |
| GBER | General Block Exemptions Regulation (EU) |
| GDP | Gross Domestic Product |
| GfA | Guidelines for Applicants |
| GVA | Gross Value Added |
| HR | Human Resources |
| ICT | Information and Communication Technology |
| INSTAT | Statistical Institute of the Republic of Albania |
| IPA | Instrument for Pre-accession Assistance |
| JTF | Joint Task Force |
| JTS | Joint Technical Secretariat |
| KPI | Key Performance Indicators |
| LFS | Labour Force Survey |
| LP | Lead Partner (Lead Partner Principle) |
| LSMS | Living Standards Measurement Study (World Bank) |
| MIS | Management Information System |
| MoU | Memorandum of Understanding |
| NACE | Statistical Classification of Economic Activities in the European Community |
| NATO | North Atlantic Treaty Organisation |
| NIPAC | National IPA Co-ordinator |
| NSDI | National Strategy for Development and Integration (Albania) |
| NUTS | Nomenclature of Territorial Units for Statistics |
| OS | Operating Structure |
| PRAG | Practical Guidelines to Contract Procedures for EC external actions |
| RDI | Research, development and innovation |
| SBA | Small Business Act (EU) |
| SME | Small and medium enterprise |
| OMC | Open Method of Co-ordination for social protection and social inclusion (EU) |
| SWOT | Strengths, weaknesses, opportunities and threats analysis |
| TP | Thematic Priority |

# Programme synopsis

|  |  |
| --- | --- |
| Programme title | CBC Programme: Republic of Macedonia and Albania |
| Programme area | 19.9 (‘000) km2  NUTS-3 equivalent units:  REPUBLIC OF MACEDONIA: Pelagonia, Polog, Southwest  Albania: Dibra, Elbasan, Korca |
| Programme overall objective | Stimulate more balanced, inclusive and sustainable socio-economic development of the Border Area |
| Programme thematic priorities | 1. Encouraging tourism, culture and natural heritage (TP4) 2. Enhancing competitiveness, business, trade and investment (TP7) 3. Protecting environment, promoting climate change adaptation and mitigation, risk prevention and management (TP2)   Technical Assistance (TP0) |
| Programme specific objectives | * 1. The potential of tourism is developed by promoting cultural heritage and values   2. The SME productive capacity and access to markets are strengthened   3. The awareness of a greener economy, cleaner environment and climate change adaptation is enhanced   0.0 Sound Programme management in its entire lifecycle and capacity development of all relevant stakeholders is ensured |
| Financial allocation 2014-2020 | TBD |
| Implementation method | TBD |
| Contracting Authority | TBD |
| Relevant authorities in the participating countries | Ministry of Local Self-Government (Republic of Macedonia)  Ministry of European Integration (Republic of Albania) |
| JTS/Antenna | TBD |

# Section 1: Programme Summary

This Cross Border Co-operation Programme between Republic of Macedonia and Albania covers the period 2014-2020 and relates to the New Financial Perspective of the European Community. Its implementation is based on the draft Commission Regulation, laying down foundations for the Instrument for Pre-accession Assistance (IPA II).

IPA II aims at close alignment of its strategic support with policies and interventions offered across the EU Member States than previous instruments for pre-accession assistance. CBC-wise, the IPA II assistance flows from its specific objectives aimed to support:[[1]](#footnote-1)

* Economic, social and territorial development with a view to a smart, sustainable and inclusive growth;
* Regional integration and territorial co-operation involving beneficiary countries.

These reflect goals and objectives established for European Territorial Co-operation as provided under Article 3.3 of the draft Regulation of the European Parliament and of the Council on the Instrument for Pre-accession Assistance (IPA II). These are closely interrelated with Thematic Objectives derived from the Europe 2020 Strategy, which were considered during CBC programming process for the two countries, making up main Thematic Priorities for the Programme’s intervention.

This 2nd draft of the Programme Document includes main recommendations made by the EC services during the first round of Programme negotiations at the turn of 2013 and 2014.

## 1.1 Summary of the Programme

Republic of Macedonia-Albania border area features one of the most impoverished areas and one of the least favourable socio-economic development opportunities and conditions in the entire European continent due to rural, mountainous and remote character of the CBC Area. In addition, the present development situation of the Programme Area derives from a set of historically, demographically, politically, geographically and economically driven factors, which cannot be overcome in a short period of time.

The proposed intervention and Activities stem from ‘problem tree’ combined with strategic balance sheet analysis and limited resource of the Programme aims to address the most important problem nodes and strategic opportunity identified through socio-economic and SWOT analysis, namely: i) low levels of economic activity along with mismatch of supply and demand in the labour market, ii) underdeveloped and obsolete environment infrastructure and iii) potential in tourism development and cultural exchange.

Realistically **the Programme Area** cannot expect to grow fast though it **looks forward to a future more balanced, inclusive and sustainable socio-economic development** through testing new instruments and solution, learning from other regions and mobilisation and exploitation of endogenous potential for demonstration effect, allowing for higher standards of living, self-confidence and social security.

The Programme concentrates on three CSF Thematic Priorities deriving from needs-opportunity analysis. These are, namely:

1. Encouraging tourism and cultural and natural heritage (TP4: opportunity-driven);
2. Enhancing competitiveness, business, trade and investment (TP7: needs and opportunity-driven);
3. Protecting the environment, promoting climate change adaptation and mitigation, risk prevention and management (TP2: needs driven);

Naturally, the CBC Programme includes also Technical Assistance Priority.

## 1.2 Preparation of the programme and involvement of the partners

The process of programming of this IPA II CBC Programme for Republic of Macedonia-Albania commenced in July 2013 and lasted through January 2014. The entire programming course was based on common experience of the similar process that had taken place for the period 2007-2013.

The development of this Programme Document was steered by the Joint Task Force comprising of representatives of the two Operating Structures, delegates of NIPAC office in the two countries, representatives of the Programme Area NUTS-3 regions and some self-government units. The work of the JTF was facilitated and supported through CBIB+ Technical Assistance Project, funded by the EU that brought international best practice into the process.

Working sessions of the OSs and JTF were held throughout the whole programming phase in order to ensure effective communication leading to the identification of the Thematic Priorities to be addressed for the development Strategy of the Programme Area and setting up the appropriate implementing and monitoring structures. In addition to that consultations between the both OS’s took place within the framework of learning and networking facility under the auspicious of the CBIB+ Project:

|  |  |
| --- | --- |
| Date/Location | Milestone |
| 18/07/2013, Struga | Operating Structures meeting: identification of key challenges and issues; initial short-listing of Thematic Priorities and agreement on SWOT analysis |
| 23/09/2013, Skopje | Kick-off meeting with the Ministry of Local Self Government, the Delegation of the European Union, the programming team and the national contact point in Republic of Macedonia |
| 27/09/2013, Tirana | Strategy development and formulation training: 14 participants (OSs, JTF, JTS, CBIB+): explanation of IPA II CBC programming process, discussion of lessons learned from current programme(s), planning step by step (situation analysis, main findings (SWOT, needs), making strategic choices – selecting priorities, defining priorities, indicators and targets), checking of the intervention logic, horizontal and cross-cutting issues. |
| 30/09/2013, Skopje | Strategy development and formulation training: 21 participants (OSs, JTF, JTS, CBIB+): explanation of IPA II CBC programming process, discussion of lessons learned from current programme(s), planning step by step (situation analysis, main findings (SWOT, needs), making strategic choices – selecting priorities, defining priorities, indicators and targets), checking of the intervention logic, horizontal and cross-cutting issues. |
| 04/10/2013, Skopje | Joint Task Force meeting: feedback from initial SWOT analysis, meeting with Technical Assistance team, discussion on Thematic Priorities and intervention logic, steps to complete Programme document (14 participants) |
| 24/10/2013, Struga | Joint Task Force meeting: inclusive situation and SWOT analysis, confirmation of Thematic Priorities and initial selection of Activities and operations; discussion on indicators; financial allocations |
| 07/11/2013, Tirana | Joint Task Force meeting: discussion on Programme Intervention Strategy and Activities |
| 21-22/11/2013, Belgrade | Regional CBC Consultative Forum |
| 06/12/2013, Elbasan | Public consultation: the Programme Document was presented, as well as process of its development, choice of thematic priorities and upcoming steps. The choice of thematic priorities was confirmed by the stakeholders (14 participants). |
| 11/12/2013, Tirana | Joint Monitoring Committee meeting: specific topic of the Agenda was presentation of the Programming Process 2014-2020 between MK-AL to the JMC representatives from line ministries of both countries, local government representatives, EUD’s and OS’s (36 representatives). |
| 12/12/2013, Tirana | Technical meeting with OS’s, DG ENLARG, EUD and CBIB+: discussion on the Programme Strategy and other CBC programmes under development took place. |
| 12/12/2013, Pogradec | Preliminary public consultation workshop: the programme document was presented to local stakeholders, as well as process of its development, choice of thematic priorities and upcoming steps. The choice of thematic priorities was confirmed by the stakeholders (11 participants). |
| 13/12/2013, Korca | Preliminary public consultation workshop: the programme document was presented to local stakeholders, as well as process of its development, choice of thematic priorities and upcoming steps. The choice of thematic priorities was confirmed by the stakeholders (13 participants). |
| 16/12/2013, Diber | Preliminary public consultation workshop: the programme document was presented to local stakeholders, as well as process of its development, choice of thematic priorities and upcoming steps. The choice of thematic priorities was confirmed by the stakeholders (15 participants). |

Furthermore, other relevant social and economic partners were invited to actively participate in the programming process for IPA II CBC Programme for 2014-2020 between Republic of Macedonia and Albania. The purpose of this was three-fold:

1. Inform the wider public on the state of preparation of the programme for the cross-border cooperation including indicative fields of eligible activities to be supported under the programme;
2. Contribute to SWOT analysis and identification of priority needs and opportunities for CBC interventions; and
3. Provide the broader public with an opportunity to express their opinions and to provide valuable inputs to the programming process. Public consultation was organised before finalisation of the Programme document.

The partnership principle was applied through co-ordinated individual consultations with 80+ civil society organisations, chiefly for SWOT analysis and thematic prioritisation, and participation of key regional and local stakeholders in consultative workshops.

# Section 2: Programme Area

Geographical coverage and size of the eligible Programme Area flows from the previous IPA CBC assistance for the Republic of Macedonia and Albania and covers three NUTS-3 regions in each of the countries. These are listed below.

|  |  |  |
| --- | --- | --- |
| Republic Of Macedonia Regions | Programme Area Size (km2) | Programme Area as % of Country Size |
| Pelagonia | 4,717 | 18.3 |
| Southwest | 3,340 | 13.0 |
| Polog | 2,416 | 9.4 |
| TOTAL | **10,473** | **40.7** |

|  |  |  |
| --- | --- | --- |
| Albania Regions | Programme Area Size (km2) | Programme Area as % of Country Size |
| Korce | 3,711 | 12.9 |
| Diber | 2,586 | 9.0 |
| Elbasan | 3,199 | 11.1 |
| TOTAL | **9,496** | **33.0** |

*Source: Statistical Office of the Republic of Macedonia, INSTAT*

The total size of Cross-Border Area in the two countries is 19,969 km2. The Republic of Macedonia’s regions account for 52.5% and Albania’s regions make up 47.5% of the size of the CBC Area.

The length of the border between the both countries representing the Programme Area is 191 km. The border line is diverse: 151 km is land border, 12 km is border on the Drim River and 28 km of the border traverse Lake Ohrid and Lake Prespa.

There are 4 border crossings between the Republic of Macedonia and Albania:

1. From Republic of Macedonia through Qafë Thana leading to Pogradec, Librazhd, and Elbasan;
2. From Republic of Macedonia through Tushemisht at the south-eastern end of Lake Ohrid, leading to Pogradec;
3. From Republic of Macedonia through Bllata, leading to Peshkopi, Bulqiza and Burrel;
4. From Republic of Macedonia through Gorica, leading to the northern shores of Lake Prespa.

The six regions that comprise the Programme Area have 1,427,675 of population of which Republic of Macedonia accounts for 54% of that number and Albania - for 46%.[[2]](#footnote-2)

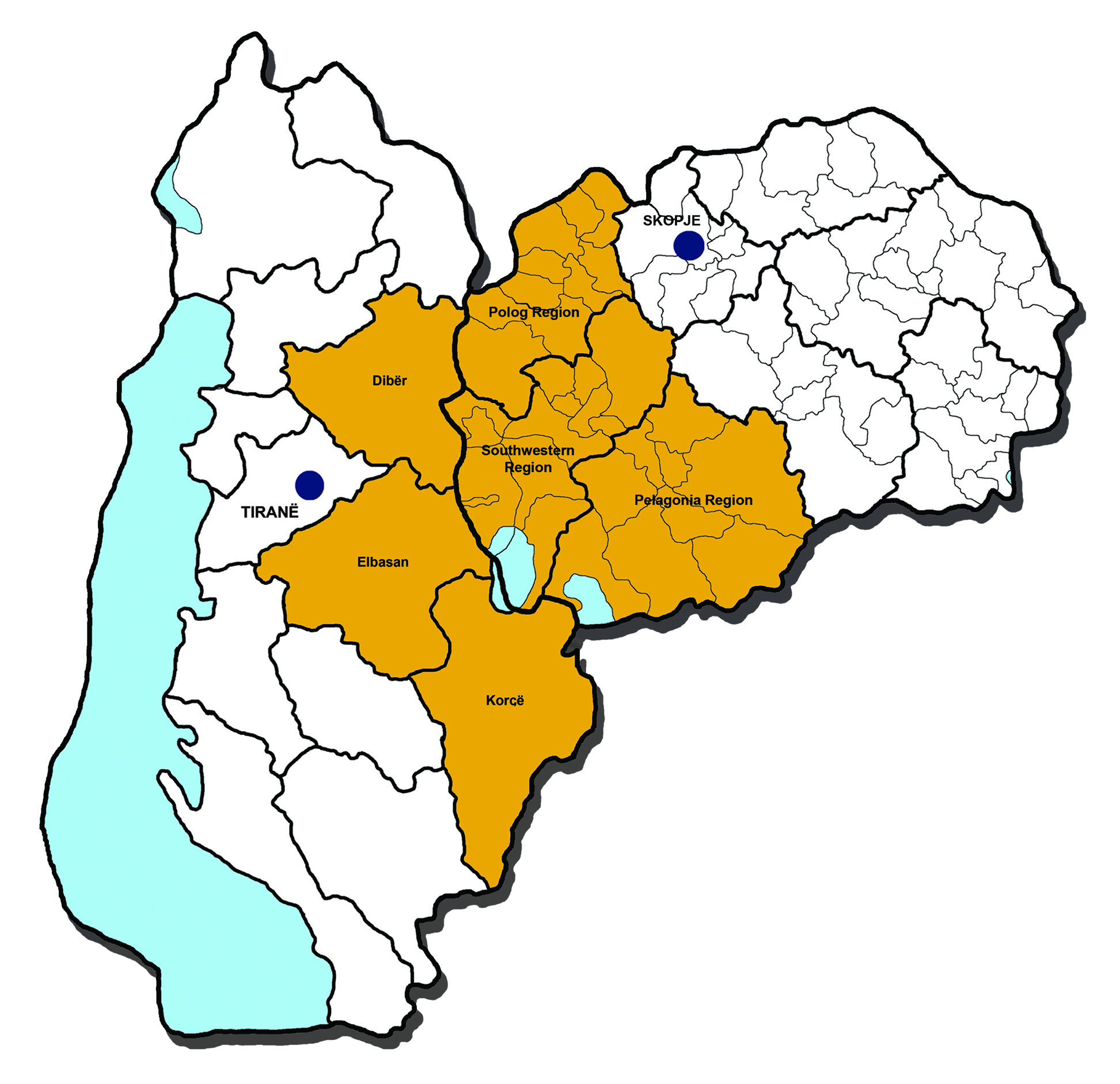
The eligible Macedonian regions include 31 municipalities and there are 12 Albanian districts (with 17 municipalities) that fit in the Programme Area. These are listed below (in alphabetical order).

In Republic of Macedonia:

* **Pelagonia region** includes 9 municipalities: Bitola, Demir Hisar, Dolneni, Krivogastani, Krusevo, Mogila, Novaci, Prilep, and Resen;
* **Polog region** includes 9 municipalities: Bogovinje, Brvenica, Gostivar, Jegunovce, Mavrovo, Rostusa, Tearce, Tetovo, Vrapciste and Zelino;
* **Southwest region** covers 13 municipalities: Centar Zupa, Debar, Debarca, Drugovo, Kicevo, Makedonski Brod, Ohrid, Oslomej, Plasnica, Struga, Vevcani, Vranestica and Zajas.

In Albania:

* **Dibra Region** includes: Bulqiza, Burreli and Diber districts;
* **Elbasan Region** covers Cerriku, Elbasan, Gramshi, Librazhdi and Peqini districts;
* **Korca Region** includes the districts of Devolli, Korça, Kolonja and Pogradec.



## 2.1 Situation Analysis – Synopsis

The Programme Area is characterised by rich natural resources, ethnic diversity and similar culture but different languages spoken. Most importantly however the border areas in Republic of Macedonia and Albania feature different economic legacy that determines rationale and potential for co-operation between people and institutions across the border for better integration and social and economic cohesion of the region.

This Synopsis distinguishes between general and demographic, economic and social cohesion aspects that inform the Strategy for 2014-2020 CBC intervention while a more detailed situation and SWOT analysis are annexed to the Programme document.

**General and Demographic Aspects**

1. **Nature and environment are rich in mountains, hilly areas intersected with rivers, valleys and lakes**. The region features three big water reservoirs in the region: Lake Ohrid, Prespa and Debar, surrounded by a National Park and creating **favourable conditions for the development of hydro energy** in which the two countries had already invested. Environmentally sensitive areas are endowed with tourism development opportunities and the **region accounts for almost half the forests in the both countries**.
2. **The Programme Area features two Pan-European transport corridors**: Corridor VIII and Branch D of Corridor X that open up economic opportunities along the two transport routes but also create challenges in terms of environment and infrastructure maintenance.
3. **The two countries feature almost equal economic development level** and enjoy continuous improvement in bilateral relations and increase in the exchange of goods and services. Republic of Macedonia received an EU candidate country status while Albania’s application is subject to further progress of public administration reform and revision of the parliamentary rules and procedures.
4. Both countries enjoy positive natural increase rates but the number of population is growing faster in Albania than in Republic of Macedonia. **The Programme Area however experiences negative trends except for Polog and Southwest regions of the country**. These two suffer from **outward migrations that may contribute to depopulation**. On average population density index is similar on both sides of the border but **very** **low** **individual density figures for Dibra and Korca districts (prefectures) denote their rural and peripheral character**.
5. The Programme Area population is relatively young (36 years) but **Pelagonia with 40 years of median population age is distinct**.

**Economic Cohesion**

1. Regional disparities in the both countries in terms of GDP per capita are considered moderate in general but the **Programme Area features regions that clearly lag behind; these are: Polog in Republic of Macedonia and Dibra in Albania** (respectively: 47% and 62% of the national figure).
2. **The structure of economy determined by GVA is different on both sides of the border**. While Albanian regions rely on agriculture, forestry, fishing and wholesale and retail markets, Macedonian regions feature more developed industry, construction and services markets. **These, however, do not translate into significantly higher GDP per capital figures and indicate low competitiveness levels of those sectors and industries**.
3. **Low competitiveness is reflected in low levels of internationalisation** of the Programme Area’s economy. Only Pelagonia in Republic of Macedonia and Elbasan in Albania evidence an outstanding position in foreign trade, mainly due to mining industry, while other regions play insignificant role.
4. **Entrepreneurship** evidenced by density of SMEs in relation to the size of population **is at very low levels**, which is an issue of high concern. Complicated and long-lasting **administrative regulations for foreign trade** are considered as red tape, **hampering trade opportunities**.
5. **Employment rates are low in Republic of Macedonia and significantly higher in Albania** but for the latter country high **employment rates result from subsistence and low-scale agricultural production that provide a form of social security** for the bulk of the rural population and work as a buffer against high rates of registered unemployment.
6. The Programme Area has **high tourism potential** but these opportunities are tapped into mainly on the Macedonian side of the border.
7. **Rural economy is fragmented but to a much higher degree in Albanian Programme Area** and small agricultural holdings have difficulties in accessing markets. Production is moderately diversified and the range of main agricultural produce on both sides of the border is more complementary than competing.
8. Transport infrastructure is underdeveloped and this concerns both, local roads and main roads of the Corridor VIII.

**Social Cohesion**

1. The **Programme Area features vibrant ethnic minorities**: Albanians, Roma people, Turks and others.
2. **Unemployment levels are very high for Republic of Macedonia and relatively low in Albania**. For the latter one this occurrence is caused by high employment (mostly informal) in agricultural holdings.
3. Workers’ net salaries are on similar levels.
4. **Albanian Programme Area experiences digital exclusion**. The use of computers and of the Internet is at unacceptably low levels.
5. Access to primary education is balanced but there is an evidenced strain on higher secondary education in Dibra region. This prefecture also **experiences the highest brain drain in the whole Programme Area**.
6. **There is no specific data on RDI but there is virtually lack of co-operation between education institutions** in both countries, and research, development and innovation area is not explored.
7. **Poor levels of waste management, paired with high intensity of mining, are a major environmental concern**. This relates to solid waste disposal and lack of waste water treatment in the majority of the Programme Area.
8. Civil society organisations are existent in the Programme Area however their financial standing is weak. In addition to that **Albanian NGOs** experience difficulties with registration procedure and their **legitimacy is consequently hampered**.
9. **Healthcare infrastructure is underdeveloped and, especially in the Albanian Programme Area, difficult to access**.

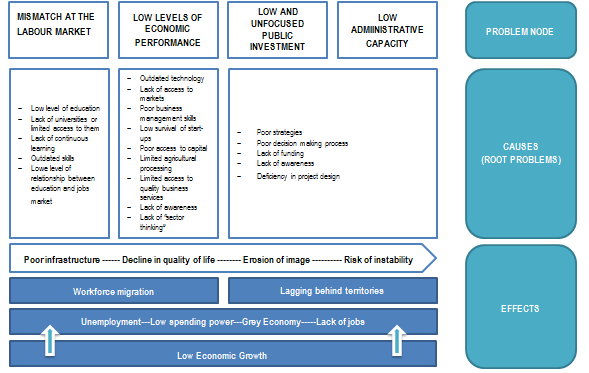
## 2.2 Main findings

**Socio-economic analysis combined with SWOT consideration identified key problem nodes** for the Programme Area. **These are:**

* **Low levels of economic activity (performance and productivity);**
* **Linked to that mismatch of supply and demand on labour market;**
* **Unstructured approach to public investments and joint environmental protection activities and planning.**

The three main problem nodes are further broken down into sub-nodes to reflect mainstream cause-effect relationship that provides a strategic context and rationale for the CBC intervention areas. The problem (or decision) tree logic is depicted below.

In addition to those strategic nodes **weak institutional capacity of local self-government units and civil society organisations appears as a cross-cutting problem node** and issue of concern, which manifests in deficient planning and allocation of scarce resources.



Causes (or root problems) identified above, through Situation and SWOT analysis are recognised as those that have cross-sectoral or cross-thematic character and thus relate to three of thematic priorities identified for IPA II Cross Border Co-operation:

1. Enhancing competitiveness, business, trade and investment (Thematic Priority 7);[[3]](#footnote-3)
2. Protecting environment, promoting climate change adaptation and mitigation, risk prevention and management (Thematic Priority 2);

**Besides the problem nodes tourism and cultural heritage** have been identified as an important economic opportunity and a vehicle to further boost people-to-people contacts and exchange. This relates to another Thematic Priority of the IPA II CBC being Encouraging tourism and cultural and natural heritage (Thematic Priority 4).

All thematic priorities were individually ranked by stakeholders in the CBC Programming process (municipalities, NGOs, line Ministries, public utility companies and other public entities, etc.) according to the perceived importance of the themes and topics.[[4]](#footnote-4) The ranking represents a significant programming feedback that reflects on bottom-up approach and is built on **partnership** principle. This however does not consider policy or resource limitations that are only applied trough **coordination** mechanism and principle (Section 3).

# Section 3: Programme Strategy

The Strategy acknowledges priorities communicated by Programme stakeholders (Section 2.2) which have been subsequently filtered and screened by the CBC Operating Structures and Joint Task Force in charge of the programing effort thus applying **coordination** principle. Strategic choices were made considering the following overarching principles:

**Coherence** - Thematic Priorities were not altered and are those that are communicated in the draft IPA II Common Strategic Framework as developed by the Commission Services;

**Partnership** - appropriate Priorities are selected based on feedback from organisations representing regional, local, urban and other public authorities, economic and social partners as well as civil society, environmental partners, non-governmental organisations and organisations responsible for promoting equality;

**Concentration** - Strategy provides a relevant and efficient focus of **limited resources** and intervention based on the social and economic specifics of the Programme Area that focuses on selected themes, and on objectives and measures of fundamental significance from the socio-economic cohesion and desired development perspective.

## 3.1 Rationale - Justification of the selected intervention strategy

The proposed Strategy content flows from:

1. Situation and SWOT analysis;
2. Identified problem nodes and strategic opportunity; and
3. Ranking of Thematic Priorities according to their importance for the Programme Area: Encouraging tourism and cultural and natural heritage, Enhancing competitiveness, business, trade and investment and Protecting environment, promoting climate change adaptation and mitigation, risk prevention and management.

**A more balanced, inclusive and sustainable socio-economic development in the Border Area is stimulated** is the Programme main strapline and its Overall Objective, given the medium term perspective if the proposed intervention.

The Programme seeks synergies with **Specific Objectives of IPA II** and **draft Country Strategy Papers** with regard to: support for the development of civil society and social dialogue, fostering employment and developing human capital, social and economic inclusion and territorial co-operation.

Synthetic overview of the justification of for the selection of Thematic Priorities is given below:

**TP4 Encouraging tourism, culture and natural heritage** builds on identified strategic opportunities related to the increasing importance of tourism as an economic opportunity while fostering cultural exchange and promotion of natural heritage will sustain people-to-people and civil society dialogue between institutions.

**TP7 Enhancing competitiveness, business, trade and investment** seeks to address low employment levels in the Programme Area. This will be tackled through the improvement of access to markets, increased use of ICT tools, including e-commerce, and more efficient exploitation of value chain opportunities in the Border Area.

**TP2 Protecting environment, promoting climate change adaptation and mitigation, risk prevention and management** aims to respond to specific needs of one of the most neglected policy sectors. In CBC context this will address issues of the promotion of cleaner and greener economy, more responsible and sustainable use of natural resources, climate resilience small-scale support infrastructure (against flooding and wildfires) and soil erosion in the mountainous border area.

**Technical Assistance** will ensure sound Programme management throughout its entire lifecycle and capacity development of relevant Programme stakeholders. The financial allocation towards this Priority is 10% of the Programme budget.

Indicative budget allocation across TPs is a consensus between **concentration** principle combined with balanced distribution of funds across Priorities, consideration given to capital intensity of likely projects and the actual TP ranking where tourism, cultural and natural heritage were the most preferred topics for support.

|  |  |
| --- | --- |
| Priority | Budget Distribution (%) |
| 1. Encouraging tourism, culture and natural heritage (TP4) | 31.5 |
| 2. Enhancing competitiveness, business, trade and investment (TP7) | 31.5 |
| 3. Protecting environment, promoting climate change adaptation and mitigation, risk prevention and management (TP2) | 27.0 |
| 0. Technical Assistance | 10.0 |
| TOTAL | **100** |

The principle of **smart, sustainable and inclusive growth is recognised as a cross-cutting issue** and is applied to all Programme Thematic Priorities and their objectives.

The proposed Strategy also **builds on key findings and recommendations of the draft CBC Republic of Macedonia -Albania evaluation report** for the years 2007-2013. Accordingly, the following issues are considered:

* Support towards joint small-scale infrastructure projects that do not require sophisticated and complex studies and designs;
* Assistance towards projects aimed at the development of studies and designs for funding from domestic resources and other donors;
* Strategic focus on more robust actions to bring about more tangible impact;
* Improved and more strategic orientation of the JTS under Technical Assistance, especially in regard to capacity building and awareness raising among potential beneficiaries situated in the Programme Area and not outside to ensure their readiness to apply Lead Partner Principle;
* Strengthening of the strategic co-ordination role of the OSs;
* Orientation of the JTS on networking and project experience sharing between organisations from the Programme Area;
* Fostering more active role of the JTS in Programme monitoring and development of tools and manuals internally and for external users;
* Enhanced planning and implementation of the JTS operations.

## 3.2 Description of Programme Priorities

The description of each Thematic Priority is arranged in the form of Priority Data Sheet with contents and structure alike per each TP while Technical Assistance Priority has a distinct composition.

The Programme Priority numbering is sequenced according to the TP importance ranking computed in the course of the programming exercise with reference to specific TP numbering identified in the draft CSF.

The figure below outlines that Programme intervention logic and intersection of individual Priority with cross-cutting and horizontal issues.



Since the programming perspective 2014-2020 is more result-oriented than IPA 207-2013 framework all result indicators outlined in the data sheets below are intended to inform the selection of operations and projects to be supported. These shall directly contribute to the indicators defined for the Programme.

**Priority 1: Encouraging tourism, culture and natural heritage (TP4)**

**Priority Outline and Strategic Reference**

Europe is the world’s no. 1 tourism destination with cultural tourism and a large number of major sites and a strong flow of international and domestic visitors. Tourism policies will need to adapt to these trends and develop a quality offer promoting local cultures and traditions and paying attention to sustainable aspects: preservation of the heritage, of the landscape and of the local culture. The Programme Area aims to tap into strategic opportunities arising from the broader potential of the entire continent, which is in line with the concept of sustainable and cultural tourism promoted by DG Enterprise and Industry.

Tourism has been recognised as one of the priority economic opportunities that are of interest of the CBC population. Although hospitality industry is unevenly distributed in the Programme Area, the industry in both countries is growing. At present, tourism related activities are the main source of income for the population in the Ohrid and Prespa regions in summer months but there is underutilised potential for the development of cultural, adventure and more sustainable tourism across the CBC region.

Cooperation between different institutions and organisation in the CBC region is increasing but yet there is a virtual absence of sustainable joint initiatives on a larger scale. The activities encompassed in this Priority will also support cooperation between institutions based on valorisation of the heterogeneous offer and potential of different cultures and traditions present in the area and people-to-people actions. These should contribute to address challenges like: preservation of natural and cultural resources, promoting the wellbeing of local communities, improving the quality of tourism jobs, limiting environmental impact of tourism related transport, etc.

**Specific Objective**

This Priority’s Specific Objective seeks **to develop the potential of tourism by promoting cultural heritage and values** (SO 1.1).

The Priority will encourage diversification of the supply of tourist services and products. By supporting projects promoting sustainable thematic tourism products the Programme will strengthen trans-national cooperation with regard to sustainable tourism, encourage a higher involvement of small and micro enterprises and local authorities and stimulate competitiveness of the tourism industry by means of an enhanced focus on the diversification of sustainable thematic and cultural tourism products. The Priority seeks to

**Expected Results**

This Priority aims to achieve the following results:

* + 1. Business opportunities for local service providers and operators in the field of tourism are increased;
    2. Mutual co-operation, understanding and respect of cultural heritage and values are furthered.

**Indicative Activities and Target Groups**

The indicative Activities and Target Groups are arranged in the table below.

|  |  |
| --- | --- |
| Indicative Activities | Beneficiary Target Groups |
| 1.1.1.1 Design and development of joint tourism products and services and small scale investment in public tourism infrastructure | * Local and regional government units * Tourist service providers * NGOs * National parks * Chambers of commerce * Networks/clusters of SMEs |
| 1.1.1.2 Training for uplifting of skills in hospitality industry | * VET educational institutions * Tertiary education institutions * Other formal and non-formal educational and training institutions * NGOs   in partnership with   * SMEs in hospitality industry |
| 1.1.2.1 Restoration/reservation of cultural and historical sites and associated built environment | * Local and regional government units * Tourist service providers * NGOs * Cultural institutions (museums, libraries, orchestras, etc.) * Hospitality industry operators (SMEs) |
| 1.1.2.2 Support to joint cultural events | * Local and regional government units * NGOs * Education institutions (all levels) * Cultural institutions (museums, libraries, orchestras, etc.) * Residents and their organisations |

**Priority Implementation Performance Indicators**

*Specific Objective 1.1.1: Business opportunities for local service providers and operators in the field of tourism are increased*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Result indicator | Baseline value | Target value  (2022) | Data source | Reporting  interval |
| No. of tourists using new/improved services | 0 | 5,000 | Monitoring system | Annually, from  implementation date |

Other indicators e.g. no. of employees in tourism sector and market penetration index shall also be monitored.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Output indicator | Target value  (2018) | Target value  (2022)\* | Data source | Reporting  interval |
| No. of new/improved services/products | 4 | 10 | Monitoring system | Annually, from  implementation date |
| No. of trainees | 50 | 150 | Monitoring system | Annually, from  implementation date |

\* Cumulative

|  |  |  |  |
| --- | --- | --- | --- |
| Impact/outcome  indicator | Target value  (2022)\* | Data source | Reporting  interval |
| Average length of tourist stay | Increase by 0.5 day | Republic of Macedonia State Statistical Office  INSTAT | Annually, from  implementation date |

*Specific Objective 1.1.2: Mutual co-operation, understanding and respect of cultural heritage and values are furthered*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Result indicator | Baseline value  (2012) | Target value  (2022) | Data source | Reporting  interval |
| No. of visitors in cultural heritage establishments | TBD | Increase by 15% | Monitoring system  Republic of Macedonia State Statistical Office  INSTAT | Annually, from  implementation date |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Output indicator | Target value  (2018) | Target value  (2022)\* | Data source | Reporting  interval |
| No. of cultural heritage sites improved | 2 | 4 | Monitoring system | Annually, from  implementation date |
| No. of events organised | 10 | 20 | Monitoring system | Annually, from  implementation date |

\* Cumulative

|  |  |  |  |
| --- | --- | --- | --- |
| Impact/outcome  indicator | Target value  (2022)\* | Data source | Reporting interval |
| % of organisations involved in activities | Increase by 10% in comparison with 2007-2013 | Monitoring system | Annually, from  implementation date |

**Implementation Modalities[[5]](#footnote-5)**

Activities envisaged under this TP will be implemented through grant scheme modalities based on Open Call for Proposals methodology within PRAG regime.

Activity aimed at upgrading of skills of hospitality industry personnel must include representatives of the industry as partners in each project proposal.

Broad range of potential beneficiaries is envisaged under this Priority. Significant number of small scale projects stimulating people-to-people and institution-to-institution cooperation is expected only for Activity 1.1.2.2.

Activities 1.1.1.1 and 1.1.2.1 enforce projects with more significant long-term impact such as small scale tourism infrastructure and refurbishing of historical and cultural monuments are foreseen as well.

The scope of intervention under this Priority may partly overlap with support provided through Priority 2, especially in regard to eligible applicants and beneficiaries (SMEs). Clear demarcation line is required to this effect: to be eligible under Priority 1 beneficiaries being SMEs must fall under NACE section I: Accommodation and food service activities.

There are two scenarios envisaged to provide grant support, depending on the ultimate financial envelope and allocation modalities: i) annual vs multiannual and ii) commitment and decommitment period:

1. Activities 1.1.1.1, 1.1.2.1 will be supported in mid-term perspective as they require more extensive facilitation and project mobilisation and project development support than other Activities. Thus they shall only be included in the 2nd and 3rd round of CfP’s whilst Activities 1.1.1.2 and 1.1.2.2 will be supported through the 1st and 3rd round of CfP’s.
2. The entire TP will be implemented through one CfP (exception can be granted for Activity 1.1.2.2 that can repeat in each CfP’s if appropriate to reduce entry barriers for applicants with lower financial capacity).

Thus a single CfP may cover more than one TP. When possible the CfP budget per TP shall be consolidated around multi-annual allocations per each TP addressed in order to promote larger scale projects.[[6]](#footnote-6)

**Priority 2: Enhancing competitiveness, business, trade and investment (TP7)**

**Priority Outline and Strategic Reference**

High unemployment, low levels of employment and value added in the Programme Area economy is an issue of serious concern. Thus, promotion, sustaining and creation of jobs and alternative sources of income appear as one of the main targets of socio-economic development policy in the CBC region in these circumstances.

The Priority will seek to support access to markets of economic operators in all key sectors of the Programme Area economy, increase the use of ICT tools and technologies and tap into unexploited value chain opportunities, including those in rural economy. These are expected to contribute to the increased competitiveness, development of trade and new investments in the Programme Area.

The Activities of this Priority aim to address limited number of strategic opportunities related to competitiveness, which remains one of the key pillars of the Europe 2020 Strategy. The scope of the proposed intervention is fully consistent with IPA II sector approach: Policy Area A – Transition process and Institution Building, sector: Private Sector Development and Thematic Objective 3 of Structural Funds intervention: Competitiveness of SMEs.

**Specific Objective**

This Priority concentrates on **the strengthening of the SME productive capacity and access to markets** (SO 2.1).

The intervention will focus on the improvement and awareness raising of opportunities deriving from existing economic value chain openings, support towards product and process quality certification required in international markets and ampler use of modern sales techniques, including e-commerce. In order to boost rural economy and its strategic opportunities a campaign to open/develop organised fresh produce markets will be provided.

**Expected Results**

The expected result associated with the Priority’s Specific Objective is:

* + 1. The SMEs and start-ups awareness and capacity to tap into new markets and value chains are enhanced.

**Indicative Activities and Target Groups**

The indicative Activities and Target Groups are grouped in the table below.

|  |  |
| --- | --- |
| Indicative Activities | Beneficiary Target Groups |
| 2.1.1.1 Assistance to SMEs and start-ups for internationalisation and business partner finding | * Associations of SMEs, their clusters and business-member organisations (e.g. chambers of commerce/crafts) - the latter only in partnership with individual micro, small and medium sized enterprises, including start-ups * Groups of individual micro, small and medium sized enterprises, including start-ups and their networks * RDI organisations and higher education institutions |
| 2.1.1.2 Investment in small-scale cross-border market and trading facilities | * Local self-government units * Public enterprises (owned in 50%+ by public bodies) - in case of development of cross-border markets (including fresh produce markets) * Networks of enterprises * Farmers associations |

**Priority Implementation Performance Indicators**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Result indicator | Baseline value | Target value  (2022) | Data source | Reporting  interval |
| Export value of goods and services | TBD | Increase by 5% | Monitoring system  Republic of Macedonia State Statistical Office  INSTAT | Annual |
| Turnover of businesses | TBD | Increase by 8% | Monitoring system  Republic of Macedonia State Statistical Office  INSTAT | Annual |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Output indicator | Target value  (2018) | Target value  (2022)\* | Data source | Reporting  interval |
| No. of foreign trade missions | 5 | 10 | Monitoring system | Annual |
| No. of businesses participated in trade missions | 30 | 50 | Monitoring system | Annual |
| No. of SMEs with of conformity certificates awarded (ISO, HACCP, etc.) | 8 | 20 | Monitoring system | Annual |
| No. of new agricultural produce markets developed | 1 | 3 | Monitoring system | Annual |

\* Cumulative

|  |  |  |  |
| --- | --- | --- | --- |
| Impact/outcome indicator | Target value  (2022)\* | Data source | Reporting interval |
| Increase in GVA | Increase by 4% in comparison with 2012 | Republic of Macedonia State Statistical Office  INSTAT | Annual |

**Implementation Modalities[[7]](#footnote-7)**

The entire Priority 2 Activities will be implemented through grant scheme modalities. For Activity 2.1.1.1 Open CfP’s is proposed while the implementation of Activity 2.1.1.2 may achieve more significant impact if instigated through Restricted Call for Proposals as this modality gives applicants significant time cushion to prepare larger projects.

Aid granted to individual businesses must comply with EU laws: i) State Aid granted under GBER or ii) *de minimis* aid with max. grant ceiling up to 85%.

Clear demarcation line between Activities implemented under this Priority and Priority 1 is defined in regard to eligibility of applicants: SMEs and their networks benefitted from Priority 2 intervention must not fall under NACE section I: Accommodation and food service activities.

There are two options envisaged to provide intervention under this Priority depending on the ultimate features of financial envelope:

1. Activity 2.1.1.1 will be supported in the 1st and 3rd round of CfP’s while Activity 2.1.1.2 only during the 2nd or 3rd CfP’s (to avoid clash in one CfP with Activity 1.1.2.1 that is also expected to consume large portions of funding - these projects are expected to be significant in size and longer in duration than any other initiatives).
2. The entire TP will be implemented through one CfP.

**Priority 3: Protecting environment, promoting climate change adaptation and mitigation, risk prevention and management (TP2)**

**Priority Outline and Strategic Reference**

The Programme Area is characterised by rich and diversified environment and nature and is recognised as a clean and green territory in general. The region however lacks environment protection infrastructure, strategies and practices for early risk recognition, prevention and management. The border area is prone to adverse weather and climatic phenomena, especially heavy storms and rainfalls resulting in local flooding and landslides damaging roads, private properties and agricultural land. In a dry season wildfires compromise rural economy and crops production. Climate resilience is thus one of the issues to be addressed through this Priority.

In addition to that improvements in deficient solid waste collection, waste management and treatment and soil erosion preventive practices are considered as a priority intervention areas in the CBC region.

“Living well, within the limits of our planet” is the main strapline of a new Environment Action Programme by 2020 to be proposed by the Commission. This CBC Programme Priority builds on that heading and is consistent with IPA II Policy Area B: Regional Development, Sector: Environment and Climate Change and Thematic Objectives 5 & 6 of Structural Funds intervention: Climate change promotion, adaptation, risk prevention and management & Protection of environment and promotion of resource efficiency.

The Priority Activities encompass both, “soft projects” aiming at improvement of the awareness and promotion of more sustainable use of resources, greener economy, as well as supporting small scale investments in environmental protection infrastructure that is considered to have a significant CBC impact and produce demonstration effect. The intervention also seeks to address low financial and institutional capacity of public utility companies and promotion of sustainable farming practices and agriculture production methods.

**Specific Objective**

**The awareness of a greener economy, cleaner environment and climate change adaptation & resilience is enhanced** remains the headline Specific Objective of this Priority (SO 3.1).

The Priority has clearly a spatial dimension requiring place-based approach as certain border territories are distinctive, and will concentrate on building of awareness and knowledge, integration of communities and target groups and implementation of real measures to address the issues contemplated in the section above. **Specific focus will be directed towards timber forest product processing and water supply**.

**Expected Results**

This Priority shall achieve the following results:

* + 1. Awareness and knowledge of sustainable use of natural resources is fostered;
    2. Public infrastructure vulnerable to floods, soil erosion and wildfire is upgraded.

**Indicative Activities and Target Groups**

The indicative Activities and Target Groups are arranged in the table below.

|  |  |
| --- | --- |
| Indicative Activities | Beneficiary Target Groups |
| 3.1.1.1 Supporting sustainable use of natural resources | * Local and regional government units * Public utility companies * National parks * NGOs * Chambers of commerce * RDI organisations * Associations of CBC residents, especially in rural areas * Farmers associations * Primary, secondary and tertiary education and research institutions * Networks of SMEs |
| 3.1.2.1 Investments in small-scale infrastructure to improve disaster resilience | * Local and regional governments * National and regional centres for disaster management and monitoring * Public utility companies * Farmers organisations * NGOs * Chambers of commerce * Associations of CBC residents, especially in rural areas |

**Priority Implementation Performance Indicators**

*Specific Objective 3.1.1: Awareness and knowledge of sustainable use of natural resources is fostered*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Result indicator | Baseline value | Target value  (2022) | Data source | Reporting  interval |
| Decrease in water use per capita in households | TBD | 10% | Republic of Macedonia State Statistical Office  INSTAT | Annual |
| Increase in productivity by businesses in timber industry against afforestation index | TBD | 5% | Republic of Macedonia State Statistical Office  INSTAT  Monitoring system | Annual |

In addition to the above mentioned sectors other sectors may also be covered, if appropriate.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Output  indicator | Target value  (2018) | Target value  (2022)\* | Data source | Reporting  interval |
| No. of awareness campaigns | 5 | 12 | Monitoring system | Annual |

\* Cumulative

|  |  |  |  |
| --- | --- | --- | --- |
| Impact/outcome indicator | Target value  (2022)\* | Data source | Reporting  interval |
| % of population CBC area made aware of sustainable use of natural resources in key sectors | 3.5% (approx. 50,000) | Monitoring system | Annual |
| % of businesses and organisations in wood processing/timber sector participate in joint actions | 10% | Monitoring system | Annual |

*Specific Objective 3.1.2: Public infrastructure vulnerable to floods, soil erosion and wildfire is upgraded*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Result indicator | Baseline value | Target value  (2022) | Data source | Reporting  interval |
| Length of roads protected | TBD | Increase by 10% | Republic of Macedonia State Statistical Office  INSTAT  Monitoring system | Annual |
| Size of agricultural area protected | TBD | Increase by 5% | Republic of Macedonia State Statistical Office  INSTAT  Monitoring system | Annual |
| Forestry area protected | TBD | Increase by 5% | Republic of Macedonia State Statistical Office  INSTAT  Monitoring system | Annual |

Other area types may also be included for monitoring purpose, if appropriate.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Output  indicator | Target value  (2018) | Target value  (2022)\* | Data source | Reporting  interval |
| No. of projects supported | 5 | 12 | Monitoring system | Annual |
| Number of households/farms and other organisations directly benefitting from activities | 100 | 250 | Monitoring system | Annual |

\* Cumulative

|  |  |  |  |
| --- | --- | --- | --- |
| Impact/outcome indicator | Target value  (2022)\* | Data source | Reporting interval |
| Size of CBC area covered by activities | 3% | Monitoring system | Annual |

**Implementation Modalities[[8]](#footnote-8)**

Activities will be implemented through grant funding, following PRAG grant delivery modalities. Open Calls for Proposals approach for Activity 3.1.1.1 and Restricted CfP for Activity 3.1.2.1 are recommended. Restricted modalities are proposed due to longer period of time required to raise awareness and support project design and development.

Implementation of the TP will require the involvement of different groups of stakeholders active on local and regional level. It is expected that over time significant impact will be met by motivating local authorities and public communal companies in the CB region to take an active role in implementation of the programme: small scale environment investments will be designed within their mandate through transparent procedures of public procurement, and would not require preparation of detailed and expensive project documentation financed from the Programme’s funds.

Grant funding will be offered according to the following alternative scenarios:

1. Both Activities will be implemented in parallel. Should restricted modality apply to Activity 3.1.2.1 there will be two CfP’s run concurrently; an alternate option includes one Open CfP divided into two lots.
2. Activity 3.1.1.1 is implemented during the 1st and 3rd round of CfP’s while Activity 3.1.2.1 - in the course of the 2nd round of CfP’s.

**Priority: Technical Assistance (TP0)**

The review of the 2007-2013 IPA CBC Programme between the Republic of Macedonia and Albania comes forward with a number of recommendations as to how efficacy of this Priority can be improved in the period 2014-2020 and this advice has been included in the scope of the Priority operations.

**Specific Objective and Priority Outline**

In that context the main **Specific Objective** of Technical Assistance Priority is formulated as to ensure sound Programme management in its entire lifecycle and develop capacity of all relevant stakeholders.

The main areas of the interventions financed under this Priority are supposed to provide support towards effective delivery of the Programme including programming, implementation, monitoring, control and evaluation as well as exchange of essential information between all relevant Programme partners and stakeholders. The Priority also seeks to ensure effective visibility, PR and awareness raising among all Programme stakeholders and potential beneficiaries.

Technical Assistance does not confine to the operations undertaken by the JTS but also includes vital initiatives undertaken by Operating Structures and support to the OSs and key partners from third parties.

The table below provides details main Activities of this Priority and indicative output-related indicators. Additional output indicators shall feature in the Annual Work Programme of the OS and JTS.

|  |  |
| --- | --- |
| Activity | Output Indicators |
| Reinforce capacity of OSs, JTS and Antenna office, including their systems and procedures (including learning from best practice of other territorial development initiatives) | * No. of study tours and exchange visits * Required office equipment purchased * No. of OS staff with new skills and competences * No. of JTS staff with new skills and competences * No. of staff in Antenna office with new skills and competences * Organisational Development Plan and Action Plan for 2014-2020 |
| Support communication between Operating Structures and ensure operationalization of the main drivers of the Programme | * Annual Working Plan of OSs (updated once year) * Annual Working Plan of JTS (updated once a year) * Key Performance Indicators and milestones for JTS adopted and reviewed once a year * No. of OS meetings * No. of OS resolutions and decisions * No. of training events and information sessions for OSs and other implementing structures |
| Ensure sound operations of Joint Monitoring Committee | * Modus operandi of JMC * Attendance rate of JMC members in official meetings * No. of JMC meetings * No. of JMC resolutions |
| Design and develop Programme implementation documents and manuals | * No. of Manuals developed for internal use * No. of Manuals developed for external use * No. of CfP’s launched |
| Maintain and upgrade MIS | * No. of MIS records * No. of new entries * No. of reports produced |
| Monitor and manage project portfolio according to IPA II regulations (including first level control, if relevant) | * No. of interim reports received and processed * No. of on-site visits * Effectiveness of meeting Programme result and output indicator targets |
| Disseminate CBC programme lessons learned and best practices | * No. of case studies analysed * No. of promotional events of successful case studies * No. of booklets developed and distributed * No. of press releases * No. of press articles |
| Develop Programme progress reports | Programme progress reports produced and timeously submitted |
| Carry out/commission background studies, studies, reports and surveys (including those for monitoring and preparedness for next programming) | * Background studies and position papers plan developed * No. of background studies and papers prepared * Availability of NUTS-3 data for all major economic and social cohesion policy indicators |
| Commission external evaluation studies (on-going, ex-post) | * Evaluation plan prepared (2014) * On-going evaluation report (2017 and 2019) * No. of on-going evaluation recommendations adapted * Ex-post evaluation report (2022) |
| Promote cooperation actions between stakeholders | * No. of joint cooperation promotional events held * No. of organisations identified as potential Lead Partner in accordance with LPP principle and for co-operation networks |
| Build general capacity of stakeholders to set up partnerships | * No. of organisations trained * No. of personnel trained * No. of organisations advised * No. of learning and networking forums * No. of organisations keen to act as Lead Partner in accordance with LPP principle |
| Facilitate partnership according to Lead Partner Principle requirements | * No. of partnerships developed * No. of partnerships facilitated in 6 months since establishment * No. of projects submitted by supported LP’s |
| Provide support and advisory services to project applicants | * No. of organisations trained * No. of training topics * No. of organisations receiving advisory support * No. of hours spent to deliver advisory services to applicants and partnership groups * Minutes of meetings * No. of applications received |
| Design and maintain Programme website | Website design, up and running and fully updated at least twice a month |
| Design and produce PR and information materials | * Contents of the materials approved by OSs * No. of publicity materials produced |
| Organise and facilitate general visibility events, PR and awareness raising campaign | * Visibility and Communication Strategy and Plan produced (2014) and updated at least twice a year * No. of general visibility events * No. of information sessions * No. of organisations participated |

**Implementation Modalities**

Visibility and Communication Plan shall be produced in accordance with general IPA II requirements and best practice of transparency and equal treatment.

Beneficiaries shall be informed correctly and fully on the publicity regulations. Attention is given to visibility rules during the monitoring of project implementation.

The bodies involved in the implementation of the programme are responsible for ensuring that final beneficiaries carry out the information and publicity measures on the IPA II co-financed activities in line with the EU visibility guidelines.

The modus operandi of JTS and its contractual arrangements have to be established before the adoption of the Programme by DG Enlargement and accepted by the EU services. The same shall apply to the JMC.

## 3.3 Horizontal and cross-cutting issues

Horizontal and cross-cutting issues relate to themes cross-cutting with the implementation modalities of the selected Thematic Priorities and to the Community Policies of horizontal character.

The Programme acknowledges **people-to-people** actions and **institutional/co-operation networks for LPP** as modalities that will be applied across all selected Thematic Priorities.

In addition to that EU legislation requires that specific horizontal and cross-cutting issues being a part of the Community Policies are properly addressed in all EU-funded programmes. In this respect the Strategy relates to the priorities of Europe 2020 attuned to regional circumstances, addressing a vision of Europe's social market economy delivering increased levels of employment, productivity and social cohesion, and is based on three mutually reinforcing priorities: **Smart, Sustainable and** **Inclusive Growth** for all. In this respect **Social sustainability** is mainstreamed to this CBC Programme, which seeks to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation while **Environmental sustainability** will primarily seek compliance with the Habitats Directive 92/43/EC, the Birds Directive 79/409/EC and directives concerning the European network of protected areas NATURA 2000. On top of that environmental issues will directly consider aspects related inter alia to waste management, energy efficiency and climate change resilience as a part of Priority 3.

Horizontal and cross-cutting issues will be addressed twofold:

1. Through direct operations and activities promoting and supporting inclusive growth and social and environmental sustainability;
2. By their inclusion as cross-cutting issues having indirect impact on and built into operations and activities within each Thematic Priority.

Consequently, Operating Structures are required to introduce specific provisions in the documents laying down foundations for activities and operations, e.g. grant schemes, terms of reference, etc. in order to ensure that:

* Activities and operations cannot set up barriers in relation to sex, views, sexual orientation, racial or ethnic origin particularly regarding employment and HR policy pursued towards persons who will be employed within the projects implemented under grant schemes or through technical assistance interventions;
* Accessibility for disabled persons shall be one of the criteria to be observed for infrastructure development;
* The CBC beneficiaries shall ensure that final recipients have equal access opportunity to all services, training, fixed and intangible assets or equipment purchased through activities and operations;
* Activities and operations should also be designed in line with the principles of sustainable environment and environmental protection promotion and produce at least neutral or positive impact on the environment. For positive impact actions and operations shall be design with the aim of, or consider at least one of the following:
  + Improvement of waste supply chain management (for solid and/or liquid waste);
  + Reduction of the volume of waste generated already at the stage of individual project planning and design;
  + Sustainable use of natural resources,
  + Climate change resilience;
  + Participatory planning and public consultation processes for spatial development and investment planning processes.
* Projects directly contributing to job creation (including flexicurity), employment promotion and bolstering working conditions yet ensuring equality should be additionally promoted.

Horizontal and cross-cutting themes of this CBC Programme shall also be mainstreamed through Technical Assistance Priority that aims at the strengthening of efficiency and effectiveness of interventions co-financed from IPA II funds by high quality and sound management on the national level and inclusive support at local level.

# Section 4: Financial Plan

The table below outlines the proposed distribution of funds per each Priority in % points of the global allocation.[[9]](#footnote-9)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Priority | EU Funding | Co-financing | Total Funding | Rate of  Community Contribution (%) |
| Priority 1 (TP4) | 26.775 | 4.725 | 31.500 | 85 |
| Priority 2 (TP7) | 26.775 | 4.725 | 31.500 | 85 |
| Priority 3 (TP2) | 22.950 | 4.050 | 27.000 | 85 |
| Priority TA | 8.500 | 1.500 | 10.000 | 85 |
| TOTAL | **85** | **15** | **100** | **85** |

The European Union contribution has been calculated in relation to the eligible expenditure, which is based on the total expenditure, as agreed by the participating countries and laid down in the cross–border programme. The European Union contribution is at the level of 85% of the eligible expenditure. The co-financing under thematic priorities 1-4 will be provided by the final grant beneficiaries and it can be from public and private funds. Final grant beneficiaries should contribute with a minimum of 15% of the total eligible cost of the project, both for investment and institution building projects. The co-financing under the Technical Assistance Priority will be provided by the national authorities.

# Section 5: Implementing Provisions

TBD

## 5.1 Programme Management Structure

TBD

## 5.2 Project development and selection and implementation

The implementation modalities are detailed in the description of each Priority based on the assumption that three rounds of calls for proposals will occur through the Programme implementation period and that no strategic project is envisaged for implementation. The tables below summarise those implementation modalities based on two scenarios elaborated under Implementation Modalities paragraph of Section 3.2.[[10]](#footnote-10)

Scenario 1

|  |  |  |
| --- | --- | --- |
| Round of CfP’s | Activities | Mode of CfP’s |
| First | 1.1.1.2  1.1.2.2  2.1.1.1  3.1.1.1 | Open CfP’s  Open CfP’s  Open CfP’s |
| Second | 1.1.1.1  1.1.2.1  2.1.1.2\*  3.1.2.1 | Open CfP’s  Restricted CfP’s  Restricted CfP |
| Third | 1.1.1.1  1.1.2.1  1.1.1.2  1.1.2.2  2.1.1.1  2.1.1.2\*  3.1.1.1 | Open CfP’s  Open CfP’s  Restricted CfP’s  Open CfP’s |

\* Alternate options to be chosen from when budgetary arrangements are defined.

Scenario 2

|  |  |  |
| --- | --- | --- |
| Round of CfP’s | Activities | Mode of CfP’s |
| First | Priority 1 except for Activity 1.1.2.2 that can rotate throughout the implementation period | Open CfP’s |
| Second | Priority 2 with Activity 1.1.2.2 | Open CfP’s for 2.1.1.1 and restricted for 2.1.1.2 |
| Third | Priority 3 with Activity 1.1.2.2 | Open CfP’s for 3.1.1.1 and restricted for 3.1.2.1 |

All projects and actions shall be selected for support considering Horizontal and cross-cutting issues contemplated in section 3.3.

Projects shall be designed and packaged according to the Lead Partner Principle.

**5.3 Payments and financial control**

TBD

**5.4 Reporting, Monitoring and Evaluation**

TBD

## 

## 5.5 Information and publicity

TBD

# LIST OF ANNEXES

**ANNEX 1: Situation Analyses of the Programme Area**

**ANNEX 2: SWOT analysis**

## Annex 1 Situation Analysis of the Programme Area

The Macedonian-Albanian border region is characterised by different languages spoken and ethnic diversity but similar culture, history and traditional values. The following main spatial and climate features dominate the Programme Area:

**Southern range of Dinaric Alps** (Dinarides) with abundance of forests and pastures, rich nature and environment combined with plains and lowlands impede accessibility throughout the region: the variance between the highest peak (Golem Korabi 2,753 m above the sea level) and Pelagonia lowlands (130 m above the sea level) is more than 2,600 m.

**Lake Ohrid, Prespa and artificial Lake Debar** that along with the National Park Galichica and Shebenik-Jabllanice and their plains, canyons and meadows, provide favourable conditions for fauna and flora and tourism development opportunities. Forests cover approx. 44% of Republic of Macedonia’s Programme Area and 37% of the Albanian Programme Area. Lake Ohrid was declared by UNESCO a World Cultural and Natural Heritage Site and Lake Prespa is a Ramsar Site of International Importance;

**Two main Pan-European transport corridors** accentuate Republic of Macedonia and Albania’s important geostrategic location in South East Europe. **Corridor VIII** (Durres-Skopje-Sofia-Varna) and **Branch D of Corridor X** (Igoumenitsa-Bitola-Prilep-Veles) strongly influence the dynamics of the Programme Area, its economy, people and environment.[[11]](#footnote-11)



**The border area is rich in minerals, e.g.** chrome, coal, iron-nickel, cooper, chalk, quartz, sand and marble;

**The cross-border region features diverse climatic conditions:** from transitional – continental in the north to transitional – Mediterranean in the south and central parts. However, in the most mountain areas of these regions winters are cold and wet while summers are hot and dry. The temperatures in mountain areas along the border range from (minimum and maximum) -16 to +36 degrees. The average yearly precipitation on the Albanian side (+1,400 mm) is higher than on the Macedonian border side (+600 mm).[[12]](#footnote-12)

**Political Aspects**

Republic of Macedonia had been identified as a potential candidate for EU membership in 2003. The country had applied for EU membership in March 2004 and was granted candidate status in 2005. Accession negotiations opened in October 2009.

Similarly to Republic of Macedonia, Albania was identified as a potential candidate for EU membership in 2003. In 2009 Albania submitted its formal application for EU membership. In 2010 the Commission assessed that before accession negotiations could be formally opened, Albania still had to achieve a necessary degree of compliance with the membership criteria and in particular to meet the 12 key priorities identified in the Opinion. Later in 2012, the Commission recommended that Albania be granted EU candidate status, subject to completion of key measures in the areas of judicial and public administration reform and revision of the parliamentary rules of procedures.

For the Republic of Macedonia the guiding policy reference framework is informed by the National Plan for the Adoption of *Acquis*, which informs national policies and government’s actions. The key strategic objectives of the Work Programme of the Government of the Republic of Macedonia that relate to the period 2011–2015 include:

1. **Increase economic growth, employment** and citizens’ standard of living, including quality of life;
2. **Integration of Republic of Macedonia into EU** and NATO;
3. **Fight against corruption and crime** and efficient law implementation by undertaking deep reforms in the judiciary and public administration;
4. **Maintenance of good inter–ethnic relations** based on the principles of mutual tolerance and respect and implementation of the Ohrid Framework Agreement; and
5. **Support investment in education, science and information technology** as elements of a knowledge–based society.

Republic of Macedonia’s 2009-2019 Strategy for Regional Development identifies inter-municipal and **cross-border co-operation as one of the key pillars and objectives of balanced regional socio-economic development**. Border regions, along with rural and mountainous areas are defined as specific development needs areas and thus become a priority for socio-economic intervention.

Albania’s National Strategy for Development and Integration 2014-2020 (NSDI) is considered as an overarching policy framework for the country in the context of EU integration. It defines four strategic policy pillars that lay down foundation for sectoral and place-based interventions:

1. **Strengthening democracy and the rule of law** that addresses aspects like: election system, justice and home affairs, human rights and media, effective governance and foreign and defence policies;
2. **Creating conditions for competitive and sustainable economic development through efficient use of resources** that covers: macroeconomic stability and sustainability, competitive market economy, efficient use of resources, integrated regional development and sustainable development;
3. **Fostering social inclusion, welfare and development of labour market** that aim to promote: employment and social inclusion policies, social policy;
4. **Development of society based on knowledge, innovation and digital technology** that includes interventions in the following areas: higher education, research and innovation, information and communication technology.

Albania’s Regional Development Cross-cutting Strategy distinguishes **border areas as a cross-cutting policy planning subject** and introduces cross-border issues into development policy planning at county level.

The 2012 Reports from the Commission to the European Parliament and the Council on the implementation of reforms within the framework of EU accession on Republic of Macedonia and Albania emphasise that the relationships between the two countries continue to improve and they provide sound grounds to exploit economic opportunities on both sides of the border.

**Demography**

Dynamics in the demography are distinct in the two countries. While the total population of Albania featured significant natural increase rates and doubled in the last 50 years, the population of Republic of Macedonia grew by approx. 29%.

At the end of 2012 Republic of Macedonia and Albania had total population of 2,061,044 and 2,815,749 respectively. The Programme Area includes 770,802 inhabitants in Republic of Macedonia (37.4% of its total population) and 656,873 inhabitants in Albania (23.3% of the country’s total population). More detailed breakdown of population by NUTS-3 and population density (persons/km2) level is provided below.

|  |  |  |
| --- | --- | --- |
| Programme Area | Number of Population | Population Density |
| Pelagonia | 232,959 | 49.4 |
| Polog | 317,003 | 131.2 |
| Southwest | 220,840 | 66.1 |
| Total Republic of Macedonia Area | **770,802** | **73.6** |
| Dibra | 137,811 | 37.1 |
| Elbasan | 297,476 | 115.0 |
| Korca | 221,586 | 23.3 |
| Total Albanian Area | **656,873** | **69.2** |

*Source: Statistical Office of the Republic of Macedonia, INSTAT*

Polog region with its capital in Tetovo and Elbasan with the main city of Elbasan are the biggest Programme Area statistical units in terms of population. The outstanding polycentric role of their main urban centres is reflected in population densities of the two regions.

Females make up 49.9% of the population in the three eligible Macedonian regions, which mirrors population structure by sex in the whole country. In Albanian Programme Area females account for 9.5% of that population which is slightly below the median for the country (49.9%).

Population dynamics-wise, the Macedonian Programme Area features positive natural increase in Polog and Southwest regions while all Albanian eligible areas and Pelagonia in Republic of Macedonia experience negative trends.

Yet, only natural increase rates paired with migration balance ultimately illustrate the actual demographic trends. Within the Programme Area only Macedonian regions enjoy positive migration balance while all Albanian regions suffer from negative migration trends that contribute to depopulation of their areas. The negative migration balance in the respective Albanian regions is caused by the relocation of working contingent in 25-40 years cohort to seek for job opportunities in other regions. While outflow of males is more prevalent in Dibra and Elbasan, Korca features quicker migration of females to other areas.

None of the two countries experiences population ageing. On contrary, the median age in Republic of Macedonia remains the same for the past two years (38 years) and Albanian population becomes younger (median of 36 and 35 years respectively).[[13]](#footnote-13) Within the Programme Area the highest median age of population is in Pelagonia (40 years) and remains steady over recent years while the youngest region is Polog (35 years), with similar trends to those observed in Albania.

Young population (0-14 years cohort) accounts for 17.1% while elderly population (65+ years) make up 11.9% of the total Republic of Macedonia’s population. In Albania the respective figures are: 20.3% and 11.6%, and there are no major variances across the country’s regions. On contrary, Polog and Pelagonia record the highest variance in regard to the share of their elderly population: 8.5% and 15.0% respectively.[[14]](#footnote-14)

Age dependency ratio is an issue for concern in Albania. Though the index slowly declines and reached 47 in 2012 while for Republic of Macedonia it is set at 41 the natural increase paired with the anticipated increase in life expectancy may negatively affect economy. In the Programme Area Pelagonia is the region most affected by aging population (age dependency ratio at 43) while in Albania it is Korca (approx. 50%).[[15]](#footnote-15)

**Economic Cohesion**

Both countries feature similar development level and are classified us upper-middle income economies by the World Bank, however their Gross National Income level merely exceeds the minimum demarcation line between this country category and lower-middle income economies.

**Gross Domestic Product**

Given the fact that analysis are carried out on NUTS-3 level and GDP per capita figures indicate outstanding position of the capital cities both in Republic of Macedonia and Albania elsewhere wealth is moderately distributed across each country with higher disparities observed in Republic of Macedonia when compared to Albania. GDP per capita in 2011 reached €3,631 in the Republic of Macedonia and €3,214 in Albania. The table below illustrates disparities between the Programme Area regions and their country performance indicators.

|  |  |  |
| --- | --- | --- |
| Programme Area | GDP per Capita (EUR) | Index (country = 100) |
| Pelagonia | 3,702 | 102 |
| Polog | 1,719 | 47 |
| Southwest | 2,638 | 73 |
| Republic of Macedonia | **3,631** | **100** |
| Dibra | 1,999 | 62 |
| Elbasan | 2,796 | 87 |
| Korca | 2,526 | 79 |
| Albania | **3,214** | **100** |

*Source: Statistical Office of the Republic of Macedonia, INSTAT*

Polog region is the most underdeveloped in the entire Programme Area and Dibra lags behind on the Albanian side. Indeed the region is the poorest in terms of economic performance in the entire Republic of Albania. Both regions border one another.

In 2012 Macedonian GDP shrank by 0.2% while Albania recorded a meagre growth of 0.7%.

**Gross Value Added by Sector**

GVA illustrates the structure of the Programme Area economy and it is evident from statistical data that Republic of Macedonia’s economy formation is different to the structure of Albanian economy.

Albania relies on wholesale and retail markets that account for 31% of the country’s GVA but this sector is of a lesser importance in the Albanian Programme Area prefectures. These are predominantly agricultural regions with Diber and Korca’ agricultural output contributing 1/3 of the GVA in these regions. Agriculture in the Republic of Macedonia’s Programme Area regions has significantly smaller contribution to the regional GVA with industry and other services being the primary sectors generating value added in those economies. Pelagonia’s mining and industry is the most important contributing factor to the wealth of this region. Indeed its industrial value added in absolute figures almost equals industrial GVA in all other Programme Area regions in the two countries.

Contribution to the GVA by different sectors is depicted in the figure below.

*Source: own calculation based on Statistical Office of the Republic of Macedonia, INSTAT*

**Foreign Trade**

Share in foreign trade illustrates economic potential of each territory and it is evident that the Programme Area features low levels of economic activity and international competitiveness. Clearly, Pelagonia in Republic of Macedonia and Elbasan in Albania play the most important role in the internationalisation of the Programme Area economy (table below).

|  |  |  |
| --- | --- | --- |
| Programme Area | Share in Exports (%) | Share in Imports (%) |
| Pelagonia | 6.4 | 3.9 |
| Polog | 2.7 | 2.9 |
| Southwest | 1.9 | 1.8 |
| Republic of Macedonia | **100** | **100** |
| Dibra | 1.4 | 0.1 |
| Elbasan | 9.9 | 7.1 |
| Korca | 3.2 | 2.6 |
| Albania | **100** | **100** |

*Source: Statistical Office of the Republic of Macedonia, General Directory of Customs (Albania)*

**Mining and Energy**

The border area between the both countries is rich in minerals and natural resources. While coal mining is the most important for Republic of Macedonia border area in Kicevo and Pelagonia basins, the Albanian border area exploits - in addition to coal - iron, copper and chromite. The belt between Bilisht and Librazhd has significant deposits of iron and nickel ore. Dibra and Elbasan prefectures are rich in chrome with Northern Bulquiza mine being of strategic importance. Coal is exploited in Korca, however coal deposits in this area only account for approx. 10% of all Albanian coals.

Macedonian and Albanian coal deposits are lignites with relatively low caloric value and high content of damp and ash from geological Pliocene and Miocene age.

Other minerals include: titanomagnetites, talc, granite, marble, limestones, dolomites and other carbonatic decorative stones.

In Republic of Macedonia Polog and Southwest regions are home to 9 hydroelectric power plants and there is a solar power plant in Pelagonia. Albanian border area features 41 hydro power plants, chiefly on the Drin and Devoll Rivers. The installed total electricity production capacity illustrates Macedonia’s advantage though it is Albania that produces greener electricity thanks to its hydroelectric power plants.

In the Programme Area Macedonian regions produce 60% of Republic of Macedonia’s electricity while Albanian regions account for 47% of the country’s power plants capacity.

|  |  |
| --- | --- |
| Programme Area | Capacity (MW) |
| Pelagonia | 685 |
| Polog | 190 |
| Southwest | 258 |
| REPUBLIC OF MACEDONIA | **1,889** |
| Dibra | 39.7 |
| Elbasan | 18.9 |
| Korca | 32.0 |
| Albania | **195.8** |

*Source: Statistical Office of the Republic of Macedonia, ERE (Albania), 2012*

**Entrepreneurship**

The Programme Area features economic activities by small and medium sized enterprises. However their importance in the regional economy is lower than in other regions of the two countries. Only 32% of all Macedonians and 17% of Albanian SMEs are located in the Programme Area and these values are considered very low given the size of population in the border regions.

The already highlighted regional disparities also manifest in the disproportion of the SME intensity in each eligible region. Of all Programme Area SMEs small and medium businesses are most prevalent in Pelogonia in Republic of Macedonia and Korca in Albania. Other districts feature lower numbers of SMEs, as depicted in the chart below.

*Source: own calculation based on Statistical Office of the Republic of Macedonia, INSTAT*

While mining and associated industries in Republic of Macedonia are capable to attract small businesses and create value chain opportunities the Albanian heavy industries produce little spill-over effect and very few economic opportunities for small businesses.

In border areas businesses normally exploit international trade opportunities but trade between the both countries and third parties is constrained by administrative barriers, chiefly in Albania. While enjoying high comparative cost advantage to import and export goods Albanian SMEs operate in one of the most unfavourable administrative frameworks in Europe for business internationalisation. The key aspects of that problem are outlined in the table below (based on SBA Fact Sheets).

|  |  |  |
| --- | --- | --- |
| Factor | Republic of Macedonia | Albania |
| Cost required to import (USD) | 1,380 | 710 |
| Time required to import (days) | 11 | 18 |
| Number of documents required to import | 6 | 9 |
| Cost required to export (USD) | 1,376 | 725 |
| Time required to export (days) | 12 | 19 |
| Number of documents required to export | 6 | 7 |

*Source: SBA Fact Sheets, DG Enterprise*

Administrative burden and poor competitiveness result in significant foreign trade deficit between the two countries in disfavour of Albania.

**Employment**

Based on LFS findings, at the turn of 2012 and 2013 Republic of Macedonia and Albania had 56.5% 63.2% of economically active working age population (15-64 years cohort) respectively, with significant disparities across the both countries. In the Republic of Macedonia the highest percentage (60.9%) was recorder in Southeast region and the lowest - in Polog region (44.3%). Though regional figures are not available for Albania it is estimated that the Tirana region records higher activity rates than the rest of the country and that the Albanian Border Area with Republic of Macedonia features activity rates significantly below the median for the country.

Employment rate at 44% in Republic of Macedonia is lower than for Albania (50.1%). In the CBC Border Area Pelagnia features the highest rate (46.9%) while Polog and Southwest - 29.3% and 32.4% respectively. Albanian CBC regions feature higher employment rates, all exceeding the median for the country: Diber 55%, Elbasan: 55.7% and Korca - 53.8%. These high employment rates result from subsistence and low-scale agricultural production that provide a form of social security for the bulk of the rural population and work as a buffer against high rates of registered unemployment.

|  |  |  |
| --- | --- | --- |
| Employment Rate | Republic of Macedonia | Albania |
| Males | 52.4 | 56.6 |
| Females | 35.3 | 43.7 |

*Source: LFS by Statistical Office of the Republic of Macedonia, INSTAT*

Employment levels by gender also depict significant disparities between the two countries. For Albania both males and females are more active in the labour market and more frequently find income making opportunities than their Macedonian counterparts. These disproportions however result chiefly from high structural share of employment in agricultural sector where 40% of economically active males and 60% of females work.

Sector-wise, the highest share in employment creation in Albania has agriculture (including fishery and forestry), which employs approx. 48.7% of the economically active population while in Republic of Macedonia this sector accounts for 17.3% of all employed. Manufacturing, industry and construction is the largest employer in Republic of Macedonia and accounts for 29.9% of all employed. In Albania the sector contributes merely 16% of job opportunities.

There are no specific data on employment by sector on regional level but it is estimated that Service sector is the main contributor in Republic of Macedonia and Agriculture - in Albania.

**Tourism**

Nature, cultural and historical heritage are the key foundations of tourism development in the Border Area. Tourism potential is significant in the Border Area but Republic of Macedonia has developed tourism industry and tapped into value chain opportunities on much larger scale than Albania. This is illustrated by the number of overnight stays in accommodation establishments: while Republic of Macedonia registered in 2012 more than 2.1 million Albania recorded merely 0.8 million of overnight tourist stays. Domestic tourism in Albania accounts for 55.6% while in Republic of Macedonia - for 62.2% of the entire tourism industry. With more than 26.8 thousand rooms in accommodation establishments the country features higher accommodation capacity than Albania (with only 18.9 thousand rooms).

There are however structural and regional differences between the two countries: while Albania’s priority tourism destinations are on the cost of the Adriatic and Ionian Seas, Republic of Macedonia’s tourism infrastructure concentrates in the Southwest region. Indeed, tourism traffic in Southwest is the largest of all Macedonian regions and accounts for 45.1% of the total number of tourists in the country with areas around the Ohrid and Prespa Lakes being the main focal points. Tourism traffic in Albania’s Programme Area is relatively insignificant when compared to the Macedonian Cross Border Area though due to the lack of specific regional data on the subject no further conclusion can be derived.

**Rural Economy**

In the Programme Area land elevation creates favourable conditions for forestry and it is Southwest and Pelagonia in Republic of Macedonia and all Albania’s CBC regions where forests’ coverage is above the countries’ median. Indeed, Albania features one of the lowest shares of arable land in all agricultural land across Europe. Land elevation negatively affects rural economy of the Border Area communities and reduces basic economic and income opportunities that derive from land utilisation.

Yet, rural economy and agriculture is an important sector of economy in the two countries though it is Albania that relies on food production on much large scale than Republic of Macedonia. The table below provides essential facts on rural economic potential in the context of agricultural land (figures in ‘000 ha unless quoted otherwise).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Country/Region | Total  Agricultural land | Arable land and  gardens | Arable land as % of Agricultural land | Average Farm Size  (ha) |
| Republic of Macedonia | **1,268** | **510** | **40** | **1.60** |
| Pelagonia | 263 | 112 | 43 | 2.90 |
| Polog | 169 | 43 | 25 | 4.10 |
| Southwest | 136 | 50 | 37 | 3.00 |
| Albania | **2,875** | **696** | **24** | **1.20** |
| Dibra | 249 | 41 | 16 | 0.72 |
| Elbasan | 327 | 73 | 22 | 1.26 |
| Korca | 371 | 91 | 25 | 1.27 |

*Source: INSTAT, Ministry of Agriculture, Forestry and Water Economy (*Republic of Macedonia*) and: own calculations based on World Bank data for farm size in* Republic of Macedonia*, 2012*

In Republic of Macedonia arable land accounts for 40% of all agricultural land while in Albania this ratio is 24%. On average in both countries’ Programme Area the arable area share in the total size of agricultural land is below the country’s median depicting unfavourable conditions for rural economy but it is Republic of Macedonia where agricultural production stands more favourable natural conditions for crops and livestock production.

Both countries have fragmented rural economy. In Albania the average size of farm is 1.2 ha and only Dibra region is below the country’s median. In Republic of Macedonia the average farm size is 1.6 ha but the Programme Area features significantly larger agricultural holdings than elsewhere in the country.

The main crops in the Programme Area are outlined in the table below. Crops are sequenced according to the total production output per country and region.

|  |  |
| --- | --- |
| Country/Region | Main Agricultural Production |
| Republic of Macedonia | **Wheat, vegetables, potatoes, corn, clover** |
| Pelagonia | Wheat, vegetables, potatoes, fruits, lucerne, tobacco, |
| Polog | Corn, potatoes, vegetables, lucerne, clover |
| Southwest | Potatoes, wheat, corn, lucerne, vegetables, fruits |
| Albania | **Wheat, corn, vegetables, beans, potatoes, oats** |
| Dibra | Corn, wheat, vegetables |
| Elbasan | Wheat, corn, vegetables, oats, beans, potatoes, livestock, fruits and grapes |
| Korca | Wheat, corn, vegetables, beans, barley |

*Source: own elaboration based on INSTAT, Ministry of Agriculture, Food and Consumer Protection (Albania) and Statistical Office of the Republic of Macedonia, 2012*

While Albanian CBC Area specialises in cereals, vegetables, beans and oats production, Republic of Macedonia’s rural economy is more diversified and the regions clearly specialise in varieties of crops. The Southwest and Elbasan regions are examples where yields are high and production is diversified while Korca and Polog hit lowest yields in agricultural production.

Rural economy in the Programme Area is negatively affected by soil erosion. Land elevation, especially relief in which mountains, hills and valleys alternate paired with torrent character of precipitation contribute to accelerated losses of soils. There are no specific regional data on soil erosion but on national level Albania is estimated to lose more than 16 t/ha per year while Republic of Macedonia this figure is estimated to exceed 18 t/ha.[[16]](#footnote-16)

**Transport Infrastructure**

The key data on infrastructure and transport are depicted in the table below.

|  |  |  |
| --- | --- | --- |
| Indicator | Republic of Macedonia | Albania |
| Railroads (km) | 696 | 399 |
| Roads total (km) | 13,983 | 18,000 |
| Locomotives | 52 | 53 |
| Goods in rail transport (‘000 t-km) | 478,925 | 8,333 |
| Passenger cars | 313,084 | 300,974 |
| Goods vehicles | 27,917 | 71,278 |
| Buses | 2,636 | 6,698 |

*Source: Statistical Office of the Republic of Macedonia, INSTAT, Ministry of Public Works and Transport (Republic of Albania), 2012*

There are no data that illustrate regional breakdown of transport infrastructure but for the two countries the transport route of the common interest is West-East Corridor VIII and for the Border Area it is a section Elbasan-Cafasan-Skopje. Recently completed highway Tirana-Elbasan is an important upgrade to this international route, which improves road transport safety conditions and accessibility.

Road transport appears as the most important mode of transport as there is no railroad connecting the two countries - the line Skopje-Kicevo does not extend further towards Ohrid and to the border.

**Social cohesion**

This section outlines key features of the Programme Area’s capacity to ensure the well-being of its people while minimising disparities and avoiding marginalisation.

**Unemployment**

Unemployment rates according to LFS methodology represent significant disparities across the border between the two countries. Clearly, joblessness is an issue of very high concern in Republic of Macedonia while for Albania much of the labour force is absorbed by fragmented rural economy.

|  |  |
| --- | --- |
| Programme Area | Unemployment (%) |
| Pelagonia | 25.3 |
| Polog | 34.2 |
| Southwest | 42.3 |
| Republic of Macedonia | **31.0** |
| Dibra | 8.7 |
| Elbasan | 6.0 |
| Korca | 10.4 |
| Albania | **13.4** |

*Source: Statistical Office of the Republic of Macedonia, INSTAT, LFS 2012*

**Earnings**

Average net paid to employees in Republic of Macedonia amounts to €335 and in Albania - €356 and the Albanians earn 7% more than Macedonians. Net salaries deviate across the regions in both countries but the eligible Programme Area does not feature significant disparities in the level of net earnings.

|  |  |
| --- | --- |
| Programme Area | Net paid, Country=100 |
| Pelagonia | 91.7 |
| Polog | 95.6 |
| Southwest | 90.8 |
| Republic of Macedonia | **100** |
| Dibra | 97.0 |
| Elbasan | 95.7 |
| Korca | 100.3 |
| Albania | **100** |

*Source: Statistical Office of the Republic of Macedonia, own calculation based on ISTAT data*

**Information Society**

The Programme Area features high disparities in access to and use of information technology, which is one of the main driving forces of contemporary economic development. The imbalances relate to disproportions between the two countries and across eligible Albanian regions.

|  |  |  |
| --- | --- | --- |
| Programme Area | Use of Computers | Use of Internet |
| Pelagonia | 61.0 | 55.0 |
| Polog | 64.0 | 64.0 |
| Southwest | 64.0 | 57.0 |
| Republic of Macedonia | **64.0** | **58.0** |
| Dibra | 15.5 | 6.5 |
| Elbasan | 16.8 | 8.3 |
| Korca | 14.5 | 11.0 |
| Albania | **20.2** | **14.1** |

*Source: Statistical Office of the Republic of Macedonia, INSTAT, LSMS 2012*

The data above illustrate a digital divide between Republic of Macedonia and Albania and Albanian households and businesses are obviously exposed to digital exclusion. The occurrence is a critical concern as it does not result from people’s disability or age. For Republic of Macedonia the benchmark rates are high but lower than across EU Member States by approx. 30% on average.

**Literacy**

In both countries literacy rate is considered high - 96% for Republic of Macedonia and 97% for Albania. There are no major regional deviations from the national median or disparities across the regions comprising the Programme Area.

**Education and Schooling**

Schooling and education are central structures and instruments to develop and shape human capital that has a fundamental role in building up a sustainable knowledge-based economy, competitiveness, social cohesion and sustainability.

While access to primary education is relatively balanced and schools are not overcrowded, upper secondary education appears to be under strain, especially in Albania with Dibra region being particularly exposed to insufficient schooling infrastructure. Here the average number of pupils per teacher is significantly higher than the median for the country (see table below).

|  |  |  |  |
| --- | --- | --- | --- |
| Programme Area | No of pupils per teacher (primary) | Number of pupils per teacher  (secondary) | Graduated students per 1,000  population |
| Pelagonia | 11 | 14 | 118 |
| Polog | 12 | 13 | 71 |
| Southwest | 10 | 13 | 92 |
| Republic of Macedonia | **12** | **13** | **103** |
| Dibra | 15 | 21 | 39 |
| Elbasan | 14 | 16 | 63 |
| Korca | 13 | 15 | 77 |
| Albania | **16** | **16** | **94** |

*Source: own calculation based on raw data from Statistical Office of the Republic of Macedonia and INSTAT, 2011*

The 21st century features brain drain, which is a widespread occurrence as the role of cities and urban centres increases, widening the urban-rural divide. This phenomenon seriously affects the Programme Area except for Pelagonia region. Elsewhere the problem is prevalent (more in Albania) with negative peak in Dibra where the share of people with university education is the lowest in the entire CBC Programme territory.

**Water Supply and Waste Management**

In the Programme Area approx. 97% of Macedonian households are connected to individual or public water supply systems and 95% - to waste water facilities. Respectively, in Albania these figures are: 95% and 87%.

There are no statistics on the volume of waste water treatment but it is estimated that a meagre of up to 10% of liquid waste is treated. Untreated sewerage - in addition to uncontrolled use of fertilisers in agriculture is the key reason for accelerated eutrophication of the abundance of aquatic ecosystems in the Programme Area (lakes and rivers).

Solid waste-wise, 70% of the generated waste in Republic of Macedonia is collected but for Albania this share is estimated at significantly lower levels.

The table below outlines statistics on the collected solid waste in the Programme Area.

|  |  |  |
| --- | --- | --- |
| Programme Area | Tones (‘000) | Share (%), Country=100 |
| Pelagonia | 72 | 13.0 |
| Polog | 59 | 10.6 |
| Southwest | 49 | 8.8 |
| Republic of Macedonia | **555** | **100** |
| Dibra | 33.1 | 2.9 |
| Elbasan | 81.1 | 7.1 |
| Korca | 62.1 | 5.4 |
| Albania | **1,137** | **100** |

*Source: Statistical Office of the Republic of Macedonia, Ministry of Environment (Albania), 2012*

In Republic of Macedonia solid waste landfills capacity is reasonably distributed across regions and satisfactorily correspond to the volume of waste generated however there is no corresponding data available for Albania.

Solid waste management is a concern matter due to low ratio of waste generated and collected. In addition to that waste disposal segregation is almost non-existent which increases the cost of waste management and affects the environment.

**Healthcare Infrastructure**

Healthcare infrastructure features significant disparities across the border. On average, the Republic of Macedonia offers better availability of specialised medical treatment and Pelagonia has the most competitive healthcare infrastructure in the whole Programme Area. Though the CBC territory on the Albanian side can offer more beds in hospitals than the median for the whole nation the country entered into strategic agreement with Republic of Macedonia and Albanian citizens with chronic diseases can use Macedonian hospitals and clinic for some specialised treatment. This is due to limited availability of modern equipment or arduous physical accessibility of healthcare infrastructure on the Albanian side, chiefly in more remote areas.

|  |  |  |  |
| --- | --- | --- | --- |
| Programme Area | No of hospitals | No of hospital beds | No of hospital beds per 1,000 inhabitants |
| Pelagonia | 3 | 1,419 | 6,1 |
| Polog | 7 | 646 | 2 |
| Southwest | 5 | 815 | 2 |
| Republic of Macedonia | **73** | **9,076** | **4,4** |
| Dibra | 3 | 508 | 3,7 |
| Elbasan | 6 | 1,020 | 3,4 |
| Korca | 4 | 752 | 3,4 |
| Albania | **44** | **8,410** | **3** |

*Source: Ministry of Health (Republic of Macedonia, Albania)*

## Annex 2 SWOT Analysis

This SWOT analysis follows the logic of thematic prioritisation of IPA II assistance and outlines strengths, weaknesses, opportunities and threats considering their strategic (need or opportunity quality) or effect character. This SWOT covers only those themes that were considered for the inclusion into strategic intervention and augments problem tree analysis depicted in Section 2.2 of the Programme document.[[17]](#footnote-17)

SWOT is compiled based on the individual questionnaires from Programme stakeholders, feedback from the existing Regional Development Strategies of NUTS-3 regions in the border area and expert conclusions of the region’s socio-economic profile.

The analysis below follows the sequence of importance of Thematic Priorities selected for IPA II CBCB 2014-2020 Programme.

**Tourism and cultural and natural heritage (TP4)**

Uneven level of development of tourist infrastructure in the CBC region makes, at present, the overall region unattractive for an inclusive tourist offer, especially on the Albanian side. Thus alternative forms of tourism could be used as a basis for building an image of the Programme Ares as an attractive tourism destination.

Rich cultural heritage is not well maintained and presented. Thus initiatives based on increasing co-operation between people and institutions from the CBC region should be intensified in the future.

|  |  |
| --- | --- |
| Strengths | Weaknesses |
| (Effect) Rich tourist offer based on exploitation of natural resources, cultural heritage, religious monuments, thermal waters, sport and leisure | **(Strategic weakness)** No balanced level of tourism infrastructure (accommodation, sports, terrains) and absence of strategy for sustainable tourist offer of the CBC region |
| (Strategic strength) Experience in hosting domestic and international guests | **(Effect)** Lack of international recognition of the whole CBC region as attractive tourist destination |
| (Strategic strength) Part of the CBC territory increases its recognition as important tourism domestic tourism destination | **(Effect)** Inappropriate maintenance of historical and cultural monuments |
| Opportunities | **Threats** |
| (Effect) Integral tourist offer based on culture, sport, leisure, adventure, spa tourism | **(Effect)** Absence of integrated tourism development strategy and dedicated measures for the CBC region |
| (Strategic opportunity) More effective and integrated exchange of experiences between two countries and operators | **(Strategic threat)** unbalanced investments in tourism infrastructure |
| (Strategic opportunity) Joint plan for mapping and preservation and maintenance of cultural and historical monuments | **(Effect)** Rather poor image of the CBC region |
| (Strategic opportunity) Joint cultural events |  |

**Competitiveness, business, trade and investment (TP7)**

SMEs, entrepreneurship and rural economy appear as one of the main driving forces of economic development in the Programme Area. They are sensitive to policy and market changes, mostly due to their limited competitiveness and market orientation. Thus, light industries, sustainable agriculture and food processing sectors are considered as a potential for more sustainable economic growth of the CBC region as a whole.

|  |  |
| --- | --- |
| Strengths | Weaknesses |
| (Strategic strength) Existing base of SMEs in the overall region with diversified activities | **(Strategic weakness)** SMEs are of micro character and extremely susceptible to political, fiscal or market changes |
| (Strategic strength) Diversified agriculture production and rural economy in the whole region | **(Strategic weakness)** Lack of specialization, added value, research and thorough market orientation |
| (Effect) Stable and competitive medium sized businesses, especially in the regions of Polog, Elbasan and Pelagonija | **(Effect)** Limited competitiveness on regional and national level of products, low levels of GVA |
|  | **(Strategic weakness)** Agriculture characterized by large fragmentation, limited productivity and lack of market orientation |
|  | **(Strategic weakness)** Underutilized natural resources available for competitive agriculture and food production practices |
|  | **(Strategic threat)** Limited offer of semi-finished products with consistent quantity |
| Opportunities | **Threats** |
| (Effect) Economic development based on sustainable utilization of available natural resources and value chains | **(Effect)** Large discrepancies in level of development and economic activities between different regions in CBC area |
| (Strategic opportunity) Specialization of SMEs and their strengthening though adding value to their products | **(Effect)** Insufficient export activities |
| (Strategic opportunity) Identification of products that could be internationally branded | **(Effect)** Micro enterprises, not resistant to market changes |
| (Strategic opportunity) Organic or at least sustainable organic agriculture production and food processing | **(Strategic threat)** Extensive agriculture production with limited market attractiveness |
| (Strategic opportunity) More developed cooperation and trade between companies in the CBC region | **(Strategic threat)** High soil erosion due to land elevation |
| (Strategic opportunity) Development of business infrastructure and business networking (incubators, business support centers, associations, etc.) |  |

**Environment, climate change adaptation and mitigation, risk prevention and management (TP2)**

Despite intensive mining on limited territory the CBC region is perceived as “green area” suitable for economic development based on sustainable exploitation of its natural resources due to abundant forests, rivers and lakes. However, the region does not feature any major environmental monitoring or risk prevention system. Furthermore, absence of the minimum required environmental infrastructure (waste water treatment, solid waste disposal etc.) could lead to further uncontrolled pollution in the region and decreasing attractiveness business activities based on sustainable natural resources utilisation.

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| Strengths | Weaknesses |
| (Strategic strength) Presence of diversified natural resources (water, forests, flora and fauna, climate) | **(Strategic weakness)** Lack of plans for environment protection, monitoring and risk prevention systems for any kind of pollution in the region and prevention of soil erosion |
| (Effect) “clean area” without major industrial pollution | **(Strategic weakness)** Lack of control of exploitation of natural resources (mining, forests) |
| (Strategic strength) Presence of different climate zones (mountainous, continental and Mediterranean) enables more specialized agriculture production and alternative tourism development | **(Effect)** Low awareness of population about protecting environment |
| Opportunities | **Threats** |
| (Effect) Development of joint strategy for CBC regional environmental protection, monitoring and early risk recognition and prevention | **(Effect)** Micro regions with a threat for pollution that could jeopardize development of other economic/tourism activities |
| (Strategic opportunity) Develop joint programs for waste treatment | **(Strategic threat)** Lack of incentives and investments in environmental protection and/or more friendly technologies |
| (Strategic opportunity) Design and development of projects, feasibility studies for protection on international waters and underground waters | **(Strategic threat)** International waters with high risk of pollution |

1. Draft Regulation of the European Parliament and of the Council on the Instrument for Pre-accession Assistance (IPA II) [↑](#footnote-ref-1)
2. As of end of 2012; source: INSTAT and Republic of Macedonia State Statistical Office [↑](#footnote-ref-2)
3. Linked to TP 7 are questions related to employment (TP1) and these will be considered as a cross-cutting issue. [↑](#footnote-ref-3)
4. Ranking was made through individual SWOT questionnaire circulated to major stakeholders. [↑](#footnote-ref-4)
5. These are based on the assumption that up to three CfP’s will be organised throughout the entire lifespan of the Programme. [↑](#footnote-ref-5)
6. This provision shall be reviewed when detailed IPA II Implementing Regulation has been in place. [↑](#footnote-ref-6)
7. These are based on the assumption that up to three CfP’s will be organised throughout the entire lifespan of the Programme. [↑](#footnote-ref-7)
8. These are based on the assumption that up to three CfP’s will be organised throughout the entire lifespan of the Programme. [↑](#footnote-ref-8)
9. Percentage points will be replaced with absolute figures once budget has been defined. [↑](#footnote-ref-9)
10. The ultimate implementation modalities will be decided once detailed arrangements on budget and commitment/decommitment have been finalised. [↑](#footnote-ref-10)
11. Corridors defined according to the conclusions of the Crete Conference (1994) and Helsinki Conference (1997) on Pan-European multimodal corridors and MoU signed by Western Balkan countries (2004) [↑](#footnote-ref-11)
12. Source: the World Bank [↑](#footnote-ref-12)
13. Source: Republic of Macedonia State Statistical Office; own calculation based on raw INSTAT data [↑](#footnote-ref-13)
14. Source: *op. cit.* [↑](#footnote-ref-14)
15. Source: *ibidem* [↑](#footnote-ref-15)
16. Source: Joint Research Centre, European Commission [↑](#footnote-ref-16)
17. The Operating Structures concluded in July 2013 that the list of TPs shall be narrowed before entering broader consultative programming phase due to limited financial resource of the Programme. Subsequently, TPs were ranked according to their importance and included for 2014-2020 intervention. [↑](#footnote-ref-17)