

## ANNEX

### TEMPLATE FOR INTERREG PROGRAMMES

<b>CCI</b>	[15 characters]
<b>Title</b>	INTERREG IPA CBC Republic of Bulgaria – Republic of North Macedonia Programme 2021-2027
<b>Version</b>	1.0
<b>First year</b>	2021
<b>Last year</b>	2027
<b>Eligible from</b>	
<b>Eligible until</b>	
<b>Commission decision number</b>	
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<b>Programme amending decision number</b>	[20]
<b>Programme amending decision entry into force date</b>	
<b>NUTS regions covered by the programme</b>	Republic of Bulgaria- 2 NUTS III level districts: Blagoevgrad and Kyustendil Republic of North Macedonia - 3 NUTS III level districts: North-Eastern, Eastern and South-Eastern
<b>Strand</b>	

## 1. Joint programme strategy: main development challenges and policy responses

### 1.1. Programme area (not required for Interreg C programmes)

Reference: point (a) of Article 17(3), point (a) of Article 17(9)

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*The Republic of Bulgaria – the Republic of North Macedonia Programme area is located in South East Europe and covers 5 NUTS III (or equivalent) territorial units, namely: 2 districts on the side of the Republic of Bulgaria – Blagoevgrad and Kyustendil and 3 regions on the side of the Republic of North Macedonia - North-Eastern, Eastern and South-Eastern.*

*The border is 165 km long with three operating border crossings (Zlatarevo-Novo Selo, Stanke Lisichkovo-Delchevo and Gyueshevo-Deve Bair). The total CBC area covers 18 087 km<sup>2</sup> – in Bulgaria representing 8,6% of the country territory while in the Republic of North Macedonia it represents 33,8%.*

*The population of the CBC area is 948 564 inhabitants. The population of the part of Republic of Bulgaria is 424 164 inhabitants (6,06% of the country population) while on the side of Republic of North Macedonia is 524 400 inhabitants (25,26 % of the country population).*

*The settlement structure of the area is characterized by presence of 5 medium-large cities: Blagoevgrad and Kyustendil on the side of the Republic of Bulgaria and Kumanovo, Stip and Strumica on the side of the Republic of North Macedonia.*

*More than half of the programme area is mountainous with forests occupying over 40% of the territory. The geographical structure of the programme area includes also numerous valleys with agricultural lands, which favour the development of tourism, agriculture and food processing industries.*

*The programme area is rich in water resources: rivers, the biggest of which are Struma, Mesta, Bregalnica, Strumica, Pchinja, Kriva Reka; lakes, part of Doyran lake, Vodoca, Mantovo, Kalimanci, Berovo Lake, Gratche, Pishica, Knezevo and other numerous smaller lakes in the three border regions in the Republic of North Macedonia; numerous lakes in Rila and Pirin mountains, of which the most popular are the Seven Rila lakes); groundwater (both springs and thermal waters).*

*The climate is diverse, from moderate-continental, transitional-continental and mountainous to Mediterranean along the river valleys and Doyran Lake. The cross border region of both sides is assessed as having rich cultural and natural heritage and a high level of environmental sensitivity in terms of climate change.*

### **1.2. Joint programme strategy: Summary of main joint challenges, taking into account economic, social and territorial disparities as well as inequalities, joint investment needs and complimentary and synergies with other funding programmes and instruments, lessons-learnt from past experience and macro-regional strategies and sea-basin strategies where the programme area as a whole or partially is covered by one or more strategies<sup>1</sup>.**

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<sup>1</sup> The narrative below is structured in a way to provide evidence-based summary of the latest socio-economic challenges, developmental setbacks and economic drivers of the CBC area with the aim to define the cooperation programme strategy for the next programme period. The summary, however, confronts data limitation due to the lack of comparable and equivalent NUTS 3 data in both countries. The timeliness and sources of data reveals another methodological concern. It is often the case where important indicators are not evenly present in both territories. When all this limitation occurs, upper spatial scale (NUTS 2-1, nation-level) data are used instead, accounting for comparability (in terms of sourcing,

## **1. ECONOMIC, SOCIAL AND TERRITORIAL DISPARITIES**

Multifaceted factors collide and shape the specific context of the cross-border cooperation at EU external borders. It is impossible for one to shadow the dividing lines on the EU external borders whose particularities can be traced in every policy domain and institutional setting. One such factor is the lasting negative impact of the historically rooted detachment of the two neighboring countries on the CBC area, which continues to overwhelm the prosperity of the region.

Another factor is the divergent institutional governance structures in both countries, which often jeopardize attempts to joint and integrated actions and solutions. The simultaneous implementation of the EU enlargement and cohesion policy often gets in conflict while pursuing their individual goals. All these are only few of the preconditions that determine different strategic focus and implementation approaches in Interreg programs of external and internal borders.

While most EU internal programs provide support for solutions to global challenges, the CBC-IPA territories are still confronted with the need to catch up in their socio-economic development. Therefore, the main joint challenge of the CBC region for 2021-2027 is to leave the group of lagging regions and take on more advanced course of development while still facing persistent risk of poverty and income inequalities issues urged by negative demographic change, underdeveloped CBC regional value chains and entrepreneurship, low technological specialization, unattractive and uncompetitive business setting. When these economic pushbacks take place in a weak cross-border institutional context and in the absence of carbon free practices, the prospects for territorial cohesion in line with EU objectives (Territorial Agenda 2030; Green Deal) are further challenged.

The carried out Territorial Analysis for programming purposes and its updated version allows for structuring main findings into the following groups of policy areas, viewed from the perspectives of obstacles and driving forces for development:

### 1.1. Negative demographic change

The programme area is sparsely populated having population density below the national average of the corresponding country due to the fact that half of the territory is mountainous with forests occupying over 40% of its land area. The average population density in the cooperation region of the Republic of Bulgaria is lower than the national one (63.0 people/km<sup>2</sup>) and varies significantly between urban and rural areas. Kyustendil District has the lowest population density in the entire CBC region. The population density in the cooperation region of the Republic of North Macedonia shows that it, again, remains below the national average (80.8 people/km<sup>2</sup>). The North-Eastern statistical region has the highest population density in the entire CBC region (76.3 people/km<sup>2</sup>), which is close to the national average. Thus, the average population density of the entire CBC region is far from the EU-28 average, which is 117.7 people / km<sup>2</sup>.

In overall, the CBC area is characterised by a negative natural population change (both countries experienced population decline by more than 5% in a decade), negative net migration and high proportion of population aged 65 years and more (as compared to EU average).

The demographics of the programme area do not differ considerably from other EU identical territories, but unlike them, the CBC area lacks incentives and measures to counter the unfavourable implications of the negative demographic change. Attractive job prospects, including measures of the silver economy, better quality of services of general interest and better connectivity may do half of the work limiting outmigration,

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*measurement and timeliness), reciprocity and relevancy in the CBC context so as to better capture territorial dimension of sector policies at all governance levels, whose need for that is highlighted in the Territorial Agenda 2030. The narrative is built up on data for 2020, and when this is not possible latest available data are used instead.*

increasing births and generating higher regional income. As the next section exemplifies, low income levels and inequalities continue to drawback the economic development of the CBC area.

### 1.2 Poverty and income inequalities

Eurostat data<sup>2</sup> show that the CBC territory falls within the groups of regions with the second highest rate of poverty risk and social exclusion. Nearly one quarter of the total population (Republic of Bulgaria – 32.8%, Republic of North Macedonia – 39.9%) and at least half of the unemployed (Republic of Bulgaria – 58.7%, Republic of North Macedonia – 41.7%) were viewed as being at risk of poverty in 2019. Bulgaria holds the third highest rate (24%) of retired persons in the EU-27 at risk of poverty in 2019, while reciprocal data for the Republic of North Macedonia place the country in a better position (4%).

In terms of income inequalities, latest data (EU-SILC) places Republic of Bulgaria on top of all Member states with the biggest income gap between the poorest and the richest (8 times bigger gap than the EU average of 5.2 times). The main factor increasing the risk of poverty is the lack of job prospects.

One approach to address that issue is to propose economic incentives for more active inclusion of long-term unemployed, NEETs (neither in employment nor in education and training) and elderly in the social, civic and economic life. From a more general perspective, however, poverty eradication presents a complex challenge. Beside hunger and malnutrition, its manifestations include limited access to education and other basic services, social discrimination and exclusion as well as the lack of participation in decision-making. Various social groups bear disproportionate burden of poverty and income distribution. Therefore, all these aspects call for integrated, multi-sectoral and multi-governance approach to address the root causes of poverty, provide for basic needs for all and ensure that the poor have access to productive resources, including education and training so as to achieve sustainable livelihoods and quality living.

### 1.3 Disparities in educational and employment outcomes

The education facilities' structure of the CBC area is relatively good but with visible territorial disparities in the secondary and upper educational institutions, which are mostly located in the administrative centres of the programme region. The share of attained primary and secondary education level in the whole CBC area is slightly above or very close to the national average of the respective country. The drop out of school rates have been decreasing every year.

The Eurostat 'Early leavers from education and training (% of population aged 18-24)' indicator reveals important disparities between both countries, as follows:

EU – 28 (2013-2020): 11.2 (2014); 10.3 (2019);

Republic of Bulgaria: 12.9 (2014); 13.9 (2019);

Republic of North Macedonia: 12.5 (2014); 7.1 (2019);

The Republic of Bulgaria does not meet the ET 2020 (Strategic framework for European cooperation in education and training) benchmark of 10% share of early leavers from education and training, while the Republic of North Macedonia not only meet the ET 2020 target, but it also marks a remarkable improvement of this key determinant for economic prosperity.

The curricula of the secondary education system in both countries is centrally defined which make them not flexible enough to ongoing update to swift technological development and options for adapting them are

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<sup>2</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living\\_conditions\\_statistics\\_at\\_regional\\_level#Poverty\\_and\\_deprivation](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_statistics_at_regional_level#Poverty_and_deprivation)

limited to those of the elective classes and extracurricular activities. This consideration is important when territorial measures for overcoming certain education deficits need to be put in place.

In terms of tertiary education, the Republic of Bulgaria and the Republic of North Macedonia report identical directions of performance measured by the Eurostat indicator “Distribution of tertiary education graduates by broad field of education”. The latest available data (2018) show that the largest and equal share of graduates in both countries (31.8%) come from the Business administration and Law field, followed by 13.1% share of graduates in Social sciences and 12.4% in Engineering (Republic of Bulgaria), and 13.7% in Arts and humanities and 13.3% in Engineering (Republic of North Macedonia). These data may be seen both as an indication for future sectoral specialization and as a reflection of current labour market needs.

Both countries underperform in adult education with slight differences as for the Republic of Bulgaria placing the country in a better off position. The participation rate in education and training (25-64 years) for 2019 (measured by Eurostat) ranks the Republic of Bulgaria (2%) and the Republic of North Macedonia (2.8%) at the bottom of the European classification (EC28: 11.3%). Additional empirical evidence (Eurostat indicator “Distribution of non-formal education and training activities by employer”) supports the assumption that, in terms of upskilling, two conflict trends undergo in both countries – it is employer-driven in the Republic of Bulgaria, while in the Republic of North Macedonia is more or less self-driven.

### **Employment rate (ER) and unemployment rate (UER), 2019 (NSI and MACSTAT )**

Republic of Bulgaria: 70.1 (ER); 4.2 (UER);

Blagoevgrad district: 75.2 (ER); 4.1 (UER);

Kyustendil district: 67.6 (ER); 2.6 (UER);

Republic of North Macedonia: 47.3 (ER); 17.3 (UER)

North-Eastern region: 37.0 (ER); 33.0 (UER);

Eastern region: 54.3 (ER); 7.8 (UER);

South-Eastern region: 63.3 (ER); 6.3 (UER);

The low employment rate in the Republic of North Macedonia, and particularly the one in the North-East ern region (NE region) in combination with high unemployment, indicates structural economic deficits and severe intraregional disparities. Therefore, reasons for the employment underperformance of the NE region need focused and integrated approach to cope with them. In most cases, districts/regions in CBC border area with high unemployment rate are either too far from leading economic centres or traditional daily labour migration, or are characterized by low levels of education and skills. These negative factors on local labour markets speak for permanent isolation from the ongoing processes at national level.

Another employment-related challenge for both countries is the need to struggle with the high rate of youth NEETs.

EU28 (2013-2020); 13.6%

Republic of Bulgaria (2013-2020); 17.5%

Republic of North Macedonia (2013-2020): 26.7%

The lack of equal employment opportunities for youth in the CBC area gives rise to concerns that the regional economic disparities may further deepen by making a whole generation of young people excluded from the CBC labour market for years to come. Therefore, institutional and business efforts to develop attractive

working arrangements for the millennials are utterly needed, especially in the transition stage from education into the labour market.

#### 1.4 Inequalities in access to healthcare

The health challenges in CBC border region are mainly related to: (1) inequalities in the supply of health services across urban and rural areas; (2) the quality of health services, (3) shortages of medical professionals, (4) high relative share of individual health costs. The remoteness of some small municipalities from urban agglomerations from the point of view of medical assistance delivery (primary, specialist, hospital, urgent and emergency) remains a serious CBC challenge in healthcare.

#### 1.5 Disparities in competitiveness and business environment

In the 2018-2019 edition of the Global Competitiveness Index (GCI), Republic of Bulgaria ranks 49th out of 141 countries analysed, advancing from 51st place in the previous edition, while Republic of North Macedonia is at 82nd globally, but it has also advanced with two places from the previous edition. The figures from 2019 edition show that Republic of Bulgaria performs better in macroeconomic stability, labour market conditions, financial system and the innovation ecosystem indicators. At the same time the figures for the following pillars show a need for improvement: infrastructure, health, product market and business dynamism. The Republic of North Macedonia's performance is mixed, with significant progress in some dimensions while losing some ground in others. Among the most improved elements, Republic of North Macedonia advances on Innovation ecosystem, Health and ICT adoption.

The enterprise environment in both counties resembles a distinct dual structure. At one extreme there exist a few large modern capital-intensive, resource-based, import-dependent and assembly-oriented enterprises, while at the other extreme there are small and micro enterprises that use very simple and traditional technologies and serve a limited local market. Therefore, an important future course of action that calls for extensive CBC attention is the need for local economic operators to undertake technological transformation being encouraged to incite gradual manufacturing shift from low-technology products to medium- and high tech ones which requires extensive employment of new technologies and solutions.

The Eurostat data on business demography<sup>3</sup> shows a steady growth, between 2014 and 2018, of active enterprises in the part of the CBC area on the territory of the Republic of Bulgaria (Blagoevgrad and Kyustendil districts), while the National Statistics of the Republic of North Macedonia shows opposite trend – a decline in the total number of active enterprises. Active enterprises in the service sector prevail in the CBC area, followed by the number of enterprises in the industry and the construction. The business demography data exhibits more intensive economic activities on the side of the Republic of Bulgaria despite the better conditions for doing business in the Republic of North Macedonia. The country takes 17<sup>th</sup> place out of 190 countries in the 2020 World Bank 'Doing Business' ranking, while Republic of Bulgaria is ranked 61<sup>st</sup>. Business environment in the CBC part of the Republic of North Macedonia is more favourable in economic, social and cultural urban centres Shtip (Eastern Region) and Strumica (South-Eastern Region) mostly due to the fact that the important transport corridors provide easy access to these centres and consequently to the capital, which allows possibilities for easy communication and collaboration between entities.

#### 1.6 Weak digital innovation adoption

Ever since DESI index<sup>4</sup> has been built, Republic of Bulgaria has been ranked last in every edition of the index in its all indicators – connectivity, digital skills, use of internet services, integration of digital technologies,

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<sup>3</sup> [https://ec.europa.eu/eurostat/databrowser/view/BD\\_HGNACE2\\_R3\\_custom\\_692265/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/BD_HGNACE2_R3_custom_692265/default/table?lang=en)

<sup>4</sup> <https://ec.europa.eu/digital-single-market/en/digital-economy-and-society-index-desi>

digital public services. The Republic of North Macedonia also scores low (2.3 out of 5) in the OECD Competitiveness Outlook (2018) with regards to digitisation.

The European Innovation Scoreboard 2018 assesses Republic of Bulgaria and Republic of North Macedonia as modest innovators. In both countries there is a lack of innovation infrastructure and cooperation and coordination among academia, the private sector and the government.

In terms of entrepreneurship, Republic of North Macedonia's performance is below the EU average, with the exclusion of entrepreneurial intentions who are more than 10% higher than the EU average. Opportunity-driven entrepreneurial activity in the country is the lowest compared to all EU and non-EU countries. Identical underperformance is observed in Republic of Bulgaria as well. The country performs far below the EU average in entrepreneurship, with the lowest score of all Member States.

Despite the underperformance of the Republic of Bulgaria and the Republic of North Macedonia in topical rankings, ICT Industry in both countries has been progressively developed over the last decade. The internet connection and usage are other important preconditions for implementing digital transformation policies and practices. Eurostat provides comparable information (2019 data) on the share of households with access to the internet – the Republic of North Macedonia reports higher score (82%) than that of the Republic of Bulgaria (75%). Fixed broadband penetration remains limited in both countries which negatively impacts the digital transformation and competitiveness. According to the 2019 Digital Government Factsheets<sup>5</sup> both countries perform below the EU average, yet indicating different degrees of digital improvements. The Republic of North Macedonia is more advanced in the digitalization of health, while Republic of Bulgaria performs better in administrative servicing.

The share of knowledge-intensive sectors in the economy of both countries is lower than the EU average which correlates with lower R&D investments and productivity performance. Most jobs created by new firms emerged in less-productive sectors of the economy. Both countries' research and innovation system face a number of structural shortcomings. In particular, these include low levels of public and private R&I investment, fragmentation of the public science base, lack and ageing of skilled human resources, weak science-business links, low number of registered patents and licenses and inefficient governance. All these deficiencies are holding back the potential contribution of R&I to productivity and economic growth and will strongly limit the capacity for upwards convergence in the midterm.

### 1.7 Underdeveloped year-round tourist infrastructure

The variety of natural and cultural assets in the CBC area is a key precondition for defining target-oriented tourist offer. However, findings indicate a lack of cross-border competitive year-round tourist products and untapped tourism potential. Apart from the emphasized seasonality of the tourist offer, there is still no developed interaction of the tourist function across the border.

The programme territory on the side of the Republic of Bulgaria falls under the tourism regions of Sofia (popular for business and cultural tourism) and Rila - Pirin (popular for mountainous and religious tourism). A number of groundwater, springs, surface watercourses and mineral waters present in the Republic of North Macedonia's part of the programme area. In overall, the CBC area represents invaluable potential for development of tourism and for preservation of rich biodiversity of national and pan-European importance. The passage through the territory of the CBC region is part of the diagonal road of the Cultural Corridor connecting Southeast Europe with Asia. In addition to these factors, it should be mentioned the diversity of historical periods and relevant cultural values. The CBC area does not enjoy positive trends in the enhancement of the tourism attractiveness of the region - the number of nights spent in the area is below the respective

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<sup>5</sup> <https://joinup.ec.europa.eu/collection/nifo-national-interoperability-framework-observatory/digital-government-factsheets-2019>

national average with the exception of Blagoevgrad district being home of two popular year-round tourism centres – Bansko (ski and mountainous resort) and Sandanski (spa centre).

Despite the enabling factors and preconditions, tourism in the region "recognizes" insurmountable weaknesses: underdeveloped tourism product as a whole, underdeveloped network of companies for services and offers in tourism, insufficiently qualified staff in the field of tourism services, poor condition and limited access to natural and cultural-historical heritage sites. The Covid's impact on tourism raises additional challenges. Along with the need to develop tourism-driven local industries due to untapped tourism potential, parallel multilateral efforts and policy responses to rebuild the tourism linkages with local stakeholders, other economic sectors and natural resources and ecosystems should be strategically comprehended and practically addressed in an integrated and resilient manner.

#### 1.8 Lack of ecosystem-based practices and services to handle natural hazards and biodiversity loss

The environmental dimensions of territorial cohesion are generally poorly understood and need to be placed on an equal standing with the economic and social elements of the concept. The link between biodiversity and the provision of ecosystem services has not yet been built in the CBC area, despite the large amount of natural areas that enjoy various national and international protection statuses. The Territorial Analysis outlines the pollution of rivers, floods, landslides and fires as the biggest environmental problems of the border region. There are highly polluted river sections particularly within the catchment area of the Struma, and Bregalnitsa, Strumica and part of the Vardar River resulting mainly from the direct flow of waste waters from industry (and mine sites) and households, mine deposits and the use of pesticides and fertilizers in agriculture.

Ecosystem services have a strong impact on the way natural hazards have been handled. Since the ecological infrastructure in the CBC area is generally assessed as underdeveloped, the absence of ecosystem-based practices and services to deal with various environmental challenges, weakens efforts for addressing climate change issues. Various analyses, assessments, and scenarios by national and international institutions and experts place the Republic of Bulgaria and the Republic of North Macedonia among the countries with a higher risk of climate change. The factors expected to adversely affect human health, environment, biodiversity, and economic growth include: (1) frequent floods, (2) powerful convective storms, which have caused serious material damage and casualties in a number of regions of the Republic of Bulgaria, (3) severe droughts; (4) landslides; (5) increasing frequency of forest fires due to insufficient afforestation, self-ignition of dry grass near forests, careless handling of fire, uncontrolled burning of household waste; (6) relatively high seismic hazard.

The integrity of almost all natural ecosystems in the CBC area is currently threatened, due partly to ongoing climatic changes but also to anthropogenic pressures, resulting in habitat degradation and the increasing threat of forest fires. The biodiversity loss continues, and populations of several rare species continue to decline in size. Currently applied management approaches and strategies do not provide for effective biodiversity conservation. The current national protected areas network that falls within the CBC area does not ensure ecological continuity and connectivity, as linking ecological corridors are still lacking.

#### 1.9 Limited preparedness for green transition

Both national economies are highly energy-intensive. The economy of the Republic of North Macedonia is characterised by inefficiencies in the ageing energy production system, persistent high dependency on coal, and an inefficient energy consumption. The country is at the inception stage for setting the premises for delivering on many targets reviewed in the OECD Environmental Performance Review. According to its 2019 edition, mitigation measures have been implemented in the energy sector, ranging from the introduction of energy audits to subsidies for energy efficiency measures in households. Because of the dominant use of domestic lignite for electricity production, the country has a potential for greenhouse gas (GHG) emissions reductions. Solid waste disposal is by far the greatest contributor to the GHG emissions of the waste sector,



which is also the highest growing category in terms of emissions along with very high transport-related GHG emissions amounting to 15% of country's total emissions. Since 2008, the country has made little progress in developing waste management infrastructure. The existing non-compliant municipal landfills do not meet even the basic conditions for safe waste disposal. Despite developments in the establishment of regional waste management systems and progress in the preparatory work, none of the regional landfills has been completed.

Republic of Bulgaria remains the most energy- and greenhouse gas-intensive economy in the EU by a wide margin. In 2017, Republic of Bulgaria needed 3.8 times more energy and produced 4.4 times more carbon emissions per unit of GDP than the EU average. However, the country is still on track to achieve its targets for GHG emissions and renewable energy. It is not progressing, though, towards its energy efficiency indicative targets and the gap between the current and target levels of energy consumption is widening.

There are serious social challenges associated with the process of effective energy transformation, such as job losses and falling life quality standards. A significant number of workers will be negatively affected by the closure of coal power plants and mines, giving rise to serious needs for requalification and the creation of new jobs. The concentration of the vast majority of coal production in only a few areas, like Kyustendil district from the CBC area, is likely to lead to significant socio-economic and territorial disparities. Energy and job alternatives to those directly employed in the coal industry are unlikely to be found in the same areas. This would require important investments in re-skilling of the workforce, as well as sectoral and geographic mobility support to reduce net job losses<sup>6</sup>. There will also be a significant effect on indirect jobs (e.g. suppliers, caterers, service providers) and the families of the affected workforce.

Although policy actions promoting green transition have been taken in the Republic of Bulgaria, the country continues lagging behind the EU in all components of the circular economy<sup>7</sup>. The scale of resource productivity of the Republic of North Macedonia also is far below the EU28's average. Both countries lack a circular economy strategy. The Republic of North Macedonia does not even collect data on recycling and circular material use and that indicates these practices are insufficiently developed. Therefore, there is an urgent call on the two countries to rise to the challenge of promoting and supporting more actively the principles of the circular economy and the related production practices.

#### 1.10 Limited cross-border connectivity and intraregional mobility

The Commission's Country Report Bulgaria for 2020 stress out the need for the country to build reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure. The report highlights connectivity with neighbouring countries as a key challenge. The implementation of the Trans-European Transport Network policy on the construction of road and rail infrastructure and building the links to the Western Balkans would allow Bulgaria to benefit from being a transit country on the future Alpine-West Balkans Rail Freight Corridor. The priority is still to develop the corridors 'Orient/East-Med', as well as connections with Western Balkan countries. Therefore, projects intended to extend the access to the core TEN-T network should be addressed with high priority.

The lack of railway, high-speed road and/or highway connection between the two countries, the increasing cross-border traffic, the prospects of expanding the access to core TEN-T network result in insufficient border-crossing possibilities and hamper freight and passenger transport. There are only 3 operational border checkpoints along the border, servicing a population of about 1 million people. All these missing links and the untapped mobility potential in the scope of connectivity have urged the need to improve border and TEN-T access taking also into account the prospects of the accelerated EU enlargement.

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<sup>6</sup> European Commission (2019b), Employment and Social Developments in Europe 2019, July 2019.

<sup>7</sup> <https://ec.europa.eu/eurostat/web/circular-economy/indicators/main-tables>

In terms of intraregional mobility, roads in the mountain areas continue to be in a bad condition and make interconnections difficult, thus reducing mobility. The difficult transport access in the less-developed peripheral regions leads to a lack of effective economic activity, high levels of unemployment, depopulation of the settlements, and insufficient provision of public services. This "shrinks" the communications on the territory to a smaller perimeter and limits the opportunities for development. Therefore, connections and services between urban and remote/rural areas need to be strengthened to build up fair, inclusive and full of opportunity coherent CB territory.

One of the European cycling routes, namely the EuroVelo 13 Trail Iron Curtain Trail runs in the CBC region. The EuroVelo routes have a tourist purpose, so they do not connect large cities, but they facilitate tourism mobility, which has an impact on the overall economic growth of the border region. None of the segments of the EuroVelo corridor passing through the Republic of North Macedonia and the Republic of Bulgaria, however, is developed or at least marked.

#### Joint challenges in a nutshell

- The following territorial divergence pattern across the CBC area can be outlined: a tendency for higher scores on the efficiency dimension (GDP, GVA, export), but lower scores on the basic dimension (infrastructure, health and education), the innovation dimension (digital readiness, business dynamisms and innovation), environmental dimension and connectivity.

- If current demographic and educational trends persist, there will be an increasing mismatch, with fewer low-skill jobs on offer to growing numbers of low-skilled workers and fewer qualified candidates to meet increasing demand for high-skilled labour;

- Content of elective classes, extracurricular activities and adult education needs be convincingly linked with labour market needs so as to address the shrinking workforce challenge and the increasing mismatch in the labour market;

- The social and economic gap between the socio-economically advantaged and disadvantaged persons (incl. in terms of income distribution) has been increasing in the Republic of Bulgaria, while opposite trend has been observed in the Republic of North Macedonia, yet the income gap and the relatively high poverty and social inclusion risk remains a challenge to overcome in both countries;

- More economic incentives are needed to tackle unemployment, particularly youth one;

- Vulnerable and disadvantaged groups of people continue to have limited access to services of general interest, therefore integrated measures for service quality enhancement and active economic inclusion of vulnerable persons should be determined with priority and of ICT perspective allowing for more digital solutions;

- ICT adoption remains one of the variables on which both countries performs relatively well, yet in a less digitally transformed environment – that opens room for development of more digitalized solutions across various policy domains.

- Main challenges for the CBC area lie in upskilling its workforce, encouraging SME investments in innovation, fostering growth in entrepreneurship and public and private R&I investment, and strengthening science-business links to support knowledge and technology transfer;

- The lack of cross-border competitive year-round tourist products, hinders the tourism industry development, additional attention should be paid to tourism marketing and promotion;

- Lack of ecosystem-based practices and services to limit biodiversity loss and occurrence of natural hazards;

- High energy consumption and GHG emissions, low clean energy investments, underdeveloped circularity models slower the pace of the CBC area to contribute to climate-neutral competitiveness and carbon-free transformation;

- Underdeveloped basic transport and service infrastructure results in limited regional connectivity which may further deepen cross-border mobility obstacles;

## **2. DRIVING FORCES**

### 2.1 Favourable macroeconomic background and SME performance

Both countries enjoy macroeconomic stability and growth potential. In terms of Republic of Bulgaria, the latter has hovered around 3% since 2016, with total factor productivity the main factor behind its expansion, alongside with growing export market share, increasing cost of labour per unit of output produced and continued integration in global value chains, have underpinned Republic of Bulgaria's competitive position. Driven by strong exports and increased domestic demand, GDP of the Republic of North Macedonia increased by 2.7% in 2018. Investment, however, continued to decrease.

At the CBC level, some discrepancies in regional GDP shares for 2018 shape the current economic outlook of the area mainly due to limited market size of the Republic of North Macedonia - Blagoevgrad district (2.7%), Kyustendil district (1.0%), South-Eastern region (9.37%), Eastern region (8.25%), North-Eastern region (4.91%).

In nominal values, all 5 regions depict an increase in GDP with a rate close to the national average one.

The Gross Value Added (GVA) is another important indicator for the economic output of the CBC area. In the Republic of North Macedonia SME value added increased by 28.0 % in 2012-2017 and SME employment grew by 12.3 % in the same period. In Republic of Bulgaria SMEs generate two thirds of total value added and three quarters of total employment in the country, far exceeding the respective EU averages of 56.4% and 66.6%. In 2014-2018, SMEs in the 'non-financial business economy' generated a substantial increase of 50.7% in SME value added. In contrast, SME employment rose only moderately, by 8.6%. Wholesale and retail shape the sector specialization in the Republic of North Macedonia as well, accounting for 40.7 % share of SMEs, 30.3 % of total SME employment and almost one-third (31.6 %) of total SME value added. One of the fastest growing SME sectors in the country in 2012-2017 was information and communication. SMEs in this sector generated striking value added growth of 64.4 %, and even higher employment growth of 65.9 %. Although the economy of the Republic of Bulgaria is very service oriented, the recent healthy growth of SME value added was partly driven by manufacturing. SME value added in this sector rose by 41.1% in 2014-2018, whereas SME employment increased by 4.9%.

On a CBC level, highest share of produced economic output is recorded in Blagoevgrad district in the service sector, followed by the Eastern and South-Eastern regions of the Republic of North Macedonia having specialized in agriculture. Industry is the sector with the lowest cumulative share of GVA. However, it takes the second place in the economy of the Republic of Bulgaria and third place in the economy of the Republic of North Macedonia in the CBC area, and it is mainly represented by mining, being a leading sector in the past and still keeping its most important part in the regional industrial production. In overall, that CBC regional specialization resembles low economic development and uncompetitive economic performance with limited opportunities for domestic companies to join global value chains. Nevertheless, one positive trend has been observed: the strong share of services continued to grow at the expense of shrinking sectors of industry and agriculture.

According to the Commission Assessment of the Economic reform Programme of the Republic of North Macedonia (2019-2021) the national economy recovered in 2018 on the back of strong exports. Republic of

Bulgaria is among the biggest trading partners, and that is a key enabling prerequisite for building regional value chains. According to data of the Customs Agency of the Republic of Bulgaria the freight traffic and movement of people between two countries has been annually increased by an average of 10%. To further emphasize on this positive tendency, here come the performance outcomes of the two countries in the field of internalization who go in line with the EU average (2019 SBA Fact Sheets for Republic of Bulgaria and Republic of North Macedonia).

The favourable geographical location and the proximity of the capitals of the two countries may influence positively for developing potential of the region.

### 2.2 Rich biodiversity with a strong impact on economic growth

The programme area enjoys a very rich and diverse natural heritage. The Republic of Bulgaria ranks third EU country in the National Ecological Network (NEN) having covered 34.4% of its national territory under Natura 2000 network. The part of the CBC area on the territory of the Republic of Bulgaria abounds of natural parks and reserves that enjoy various forms of protection. A number of natural habitats, on the border side of the Republic of North Macedonia, have been officially nominated as candidate Emerald Network sites. The National Emerald Network in the Republic of North Macedonia includes 16 sites which represent about 80% of the whole network. Important ecological corridors of geomorphological, ornithological and botanical importance pass through the border side of the Republic of North Macedonia. As of September 2021, Osogovski Mountains has been gained protection status covering an area of 48 829.26 hectares. Few more areas are on their way to become protected under the Emerald Network - these are Dolna Bregalnica and Maleshevo Mountains with the latter covering 11,460.89 hectares of protected areas. The programme area also belongs to the Balkan Green Belt which is the southernmost section of the European Green Belt. In addition to the natural diversity of the region there are also forests, covering around 46.5% of the total border area territory that provide raw materials for the wood-processing industries as well as opportunities for recreational and hunting activities.

The 2019 OECD Environmental Performance Review highlights that the Republic of North Macedonia has successfully preserved the abundance of wild native species of fauna, fungi and flora, including numerous species categorized by the International Union for Conservation of Nature (IUCN) as globally threatened by extinction and species included in the European Red List, as well as many endemic species.

Despite the various ecological protection that the CBC area enjoys, there are areas in the region with loss, fragmentation and modification of habitats, reduced or destructed ecosystems. Basic reasons for that are: weak control systems, low level of education, lack of information, high vulnerability to natural and man-made hazards, lack of integrated planning and ecosystem-based practices and services etc. According to the Commission and the EU 2020 biodiversity strategy, development of green infrastructure (GI) is best example for ecosystem-based practices that contribute to resilient communities and result in multiple benefits for a given territory. These ancillary benefits include improved human health and wellbeing, enhanced environmental services and economic growth. GI aims at strengthening and restoring degraded ecosystems by strengthening integrated land management. As highlighted in the EU Green Infrastructure Strategy, investments in GI have significant potential to strengthen regional and urban development, including by maintaining or creating jobs. The rich biodiversity of the region is a base for development and diversification of different forms of tourism.

### **3. JOINT INVESTMENT NEEDS**

The identified joint investment needs reflect outlined territorial disparities, challenges and assets as well as objectives of the Territorial Agenda 2030 which seeks to reinforce solidarity in promotion convergence and reducing inequalities between better off places and those with less prosperous prospects or that are lagging behind.

- Investments for multidimensional integrated territorial measures addressing income gap, the relatively high poverty risk, social inclusion through community-based services and integrated employment, improved access to and quality of general services for people and enterprises;
- Investments for development and implementation of attractive job prospects and comprehensive digital upskilling programmes, including measures of the silver economy;
- Investments for improving the quality, labour market relevance, and inclusiveness of education and training;
- Investments for technological modernization, adoption of circularity models, digitalization, internalization, entrepreneurship, accessing and setting up regional value chains, facilitating cross-border enterprise networking, etc.
- Investments for introduction and dissemination of the ‘tech-with-a-purpose’ approach who would leverage R&I to create the solutions that match the urgency of the CBC environmental and social challenges;
- Investments for development of ecosystem-based approaches and greening solutions in handling environmental issues as well as for joint conservation and preservation techniques;
- Investments for integrated development of sustainable tourism practices;
- Investments in improving cross-border connectivity and mobility.

#### **4. COMPLIMENTARY AND SYNERGIES WITH OTHER FUNDING PROGRAMMES AND INSTRUMENTS**

The CBC-IPA III programme between Republic of Bulgaria and Republic of North Macedonia compliments with other funding programmes and instruments. The synergy and cumulative effect of this complementarity can be outlined per CBC-IPA III programme’s priorities, as follows:

##### ***PRIORITY 1 GREENER BORDER REGION (green infrastructure)***

Those topics are covered in *Environmental Programme* and *National Priority Framework for Action for Natura 2000* for programming period 2021-2027. In order to provide a lasting impact on the ecological infrastructure, the current Programme interacts with the *Environmental Programme 2021-2027* in fostering strengthening biodiversity, "green" infrastructure in the urban areas and reducing pollution. the *National Priority Framework for Action for Natura 2000* focuses efforts on ensuring effective management of the *National Ecological Network and protection of natural habitats and species* of European and national importance to halt biodiversity loss by improving the nature protection and conservation, biodiversity and green infrastructure. The new Euro-Med Transnational programme 2021-2027 that has been recently joined by Republic of North Macedonia and Republic of Bulgaria envisages implementing a green infrastructure concept that can gradually improve the availability of ecosystem services and support the vision of the biodiversity conservation as an economic value for the regions. Same purposes are also pursued by the ADRION programme, in which the Republic of North Macedonia also takes part. Thus, the individual participation of the Republic of Bulgaria and the Republic of North Macedonia in different, wide-ranging EU funded programmes, creates important synergies with the CBC-IPA III programme. Most cross-programmes synergies take place in the environmental domain where joint efforts to improve the ecological aspect of the socio-economic development and to sustain healthy and protected environment collide and thus produce greater impact, efficiency and positive footprint on the environment.

##### ***PRIORITY 2 MORE CONNECTED BORDER REGION (communication links, extended access to core TEN-T)***

The project for “*Establishment of a new Border crossing check point (BCCP) Klepalo*” between the Republic of Bulgaria and the Republic of North Macedonia under the current Programme supplements the interventions under the *Transport Security Programme 2021-2027* for the development of relations with neighboring countries. Implementation of a railway connection is set between the Republic of Bulgaria and the Republic of North Macedonia, as well as modernization of section Sofia-Pernik-Radomir and completion of modernization of section Elin Pelin-Kostenets. The envisaged expansion of access to the main TEN-T network by providing a direct road connection to the Struma Motorway in Bulgaria, as part of the main *Orient/East-Med Corridor* will strengthen regional connectivity and cross-border mobility.

***PRIORITY 3 INTEGRATED DEVELOPMENT OF THE CROSS-BORDER REGION (Integrated territorial development of the regions)***

Intervention in the *Regional Development Programme 2021-2027* under *Priority 1: Integrated urban development* and *Priority 2: Integrated territorial development of the regions* for the implementation of infrastructure measures aimed at improving and developing culture, tourism, sustainable urban mobility, digital and safe transport connectivity, measures to improve the quality of the environment such as green infrastructure, measures to foster economic activity investments in technical infrastructure for the development of industrial zones or other infrastructure for the development of economic activities and support for innovation and development of SMEs. The *INTERREG-IPA CBC Greece - Republic of North Macedonia 2021-2027* (South-Eastern planning region of Republic of North Macedonia) envisages measures focused on supporting entrepreneurship and startups, oriented toward cross-border products and services, tourism, knowledge transfer and ICT.

The IPA III Instrument for the Republic of North Macedonia provides important assistance complementing the vast EU funded support in the region. In the context of the CBC-IPA III programme, the EU for Prespa programme is seen as a instrument intensifying the joint engagement of the two countries to accelerate the Green Agenda on their territories. Despite the fact that the geographical coverage of the EU for Prespa programme does not overlap with the CBC programme area, the added value of the Prespa initiative complements the ongoing work in the entire neighboring region and the created synergies are of a benefit for the whole area. The policy domain, where the two programmes complement the most, is the Green Agenda where various pillars of biodiversity are put on central. A proper instrument of building the synergies between the two programmes might be the implementation of parallel or successive actions on different, but neighboring territories, with the aim to improve ecological permeability and extend ecological corridors from east to west, and to support the development of sustainable tourist products.

Further to the seeking of EU funded inter-programmes complementarity, consistency on EU policy level was also sought, particularly between the policy domains of external borders and enlargement in the context of the Berlin process. The Programme has a potentially strong impact on the progress of implementation of 5 out of 6 flagship initiatives of the EU-Western Balkans Strategy. Business development is seen by large the most favorable area for cumulative EU policy and funding interventions in the Western Balkans (the so called WB6) and the CBC area to take place. By providing support to border businesses to internalize and join international value chains, the Programme complements the efforts of the Western Balkans 6 Chamber Investment Forum (WB6 CIF) to facilitate inter-business contacts and promote the Western Balkans as one investment destination. Therefore, the programme enlarges the opportunities for networking of business communities between the CBC area and the WB region and thus create prospects of emerging Balkan value chains (highlighted in the Border orientation paper, as well). The Programme plays crucial role in the WP6 Connectivity agenda, and partially on the security and migration flagship initiative, by laying the foundations for easier and faster movement of citizens, businesses and capitals between Western Balkans and EU through the construction of new border crosscheck point (BCCP Klepalo) at the border of Republic of Bulgaria and Republic of North Macedonia. Under Priority 3 Integrated development of the cross-border region, the Programme will seek to expand the land connectivity by supporting the development of alternative mobility,

including a grid of bicycle lanes, 'dirt' forest and country roads, helipads, etc. The Programme touches upon priorities of the Green agenda of WB6 in relation to protection and restoration of ecosystems. The contribution of the Programme on that objective go under the form of small projects supporting the development of green infrastructure with the aim to increase ecological permeability and prevent biodiversity loss. The strategic foundations (Digital Agenda for the Western Balkans) and the Programme concentration build strong synergies (in the area of digital economy and society) and take on identical paths to make citizens of WP6 region and CBC area capable of fully reaping the benefits of the fast-paced and inevitable digital transformation. Last, but not least, despite the continuous political disputes between the Republic of Bulgaria and Republic of North Macedonia, the Programme sends a positive message to all concerned that when maintaining good neighborly relations on a territorial level, bilateral disputes are no longer obstacles to growth and prosperity.

In terms of implementation of an interprogramme coordination approach to address geographical and thematic challenges and to facilitate interprogramme synergies, the managing bodies will take on two paths: 1) Invite representatives of managing bodies of all relevant (those whose geographical coverage overlaps with the CBC area) EU funding programmes to the JMC/JWG of the Programme; and 2) Set up interprogramme thematic working groups and staff/experts exchange at the stage of development of Guidelines for applicants.

## **5. LESSONS-LEARNT FROM PAST EXPERIENCE**

Despite the thematic concentration imposed by the EU Regulations in 2014 -2020 period, the areas of intervention defined under INTERREG-IPA CBC Programme 2014 -2020 still remained quite diverse and without any interdependence. Opposite to limited (even reduced in 2014-2020 period) financial resources, the interest in the programme remained high during both programming periods. In 2007-2013 period – under the 3 open calls 320 projects were submitted and 100 contracts signed while in 2014-2020 period – under the 2 open calls 379 projects were submitted and 73 project signed. This comes to show that more than 75 % of the project proposals were not financed and that the scattered sectoral investments based on open calls have led on one hand to severe competition and high expectations of potential beneficiaries and on the other hand to fragmented and dot-like interventions, some of which were not directly linked to the actual needs and potential of the cross-border region. Despite the demonstrated high interest, the low competence of some beneficiaries in terms of project implementation of certain measures and the low level of partnership between public and non-governmental sectors contributed to insufficient capitalization of the project results. In addition exhaustion in generation of project ideas was observed – e.g. increased number of projects, with already financed similar ideas/objectives and in all calls most of the applicants are one and the same organizations/institutions.

The Impact Evaluation of the 2007-2013 Programme, as well as the Midterm evaluation of 2014-2020 Programme, showed that, in correspondence to the diversity of the spheres of intervention, a wide number and range of outputs were delivered. From a financial perspective, it was observed a drastic discrepancy between available, requested and contracted funds - in average, the total budget of all applications exceeds with 345 % the available one, while only 20 % of the total requested funding has been contracted. Often, such financial disproportion is a precondition for weak programme effects in terms of efficiency and sustainability. That is why it is difficult for the programme to bring out benefits for the communities, to intensify its effects for the region and especially its value added achieved through cooperation. In that respect, in order a visible impact to be achieved, a new, more results-oriented approach in the implementation of the future programmes was recommended. It is expected that a better programme focus would strengthen linkages between needs and resources (through concentrating more funds to most demanded intervention areas) thus generating proportionate and sustainable effects on the territory.

## **6. MACRO-REGIONAL STRATEGIES (MRSs)**

The territorial challenges that the CBC programme addresses (e.g. environmental threats, uneven socio-economic development, uncoordinated education, research and innovation systems) have been also recognized as such in the Danube Region Strategy (EUSDR) (Republic of Bulgaria) and in the Adriatic and Ionian Region

Strategy (EUAIRS) (Republic of North Macedonia). This opens up possibilities to align relevant priorities of the CBC programme with the two MRSs and to embed the latter into the strategic framework of the reference programme. The programme area, however is not in proximity to either Danube or Adriatic and Ionian seas basins. This circumstance allows for MRSs embedding mainly from the perspective of indirect synergies and contributions. In particular, the synergies and coordination of actions between the CBC programme and the two MRSs can be potentially projected in the area of institutional capacity and exchange of practices/knowledge/solutions in the following MRSs priorities:

***Priority Area 3 “To promote culture and tourism, people to people contacts” (EUSDR) and Pillar 4 “Sustainable tourism” (EUAIRS)***

A substantial scope of the CBC programme actions, that are going to be supported under priority ‘Integrated development of the border region’, will be focused on tourism. Investments are expected to improve tourism-related infrastructure and services, branding and marketing as well as to strengthen inter-institutional coordination and policy development while fostering the preservation of and re-connecting with natural ecosystems in pursuit of a sustainable tourism cross-border community. People to people relations are at the heart of this community.

***Priority Areas 5 “Environmental Risks”, 6 “Biodiversity, landscapes, quality of air and soils” and 10 “Institutional capacity and cooperation” (EUSDR) and Pillar 3 “Environmental Quality” (EUAIRS)***

Under priority 1 “Greener border region” the CBC programme will seek to improve green infrastructure as a means to protect and expand ecological connectivity as well as to prevent biodiversity loss and ecosystem collapse. Public authorities have been increasingly recognized as key providers of ecosystem services in building and restoring green spaces, therefore putting forward practices for strengthening institutional capacity for climate change adaptation along with the dissemination of greening solutions would add on valuable impact to the achievement of EUSDR and EUAIRS targets.

**1.3. Justification for the selection of policy objectives and the Interreg specific objectives, corresponding priorities, specific objectives and the forms of support, addressing, where appropriate, missing links in cross-border infrastructure**

*Reference: point (c) of Article 17(3)*

*Table 1*

<b>Selected policy objective or selected Interreg-specific objective</b>	<b>Selected specific objective</b>	<b>Priority</b>	<b>Justification for selection</b>
<i>PO2 A greener, low-carbon transitioning towards a net zero carbon economy and resilient</i>	<i>Enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas,</i>	<b><i>Greener border region</i></b>	<i>The programme area enjoys a great biological diversity. However, due to its highly varied geological, topographic and hydrologic conditions, the area is vulnerable to biodiversity harmful practices. According to the EU 2030 Biodiversity Strategy, biodiversity loss and ecosystem collapse are one of the biggest threats facing humanity in the next decade. That makes preserving nature and restoring healthy ecosystems a European priority. Central to this priority is the establishment of green infrastructure</i>



<p>Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility</p>	<p>and reducing all forms of pollution</p>		<p>(GI) whose wide effects positively impact human health and wellbeing, support a green economy, create job opportunities and enhance biodiversity. While the EU 2030 Biodiversity Strategy calls on national authorities to further strengthen and widen protection practices of natural sites, the regional and local authorities have been increasingly recognized as key providers of ecosystem services in building and restoring green spaces. The 2019 ESPON interim report 'State of the European Territory' highlights that the CBC area enjoys high potential GI network coverage. That assessment entails policies and practices promoting sustainable land use and increased biodiversity. As the green space coverage on urban scale is generally decreasing, policies addressing that deficit should focus on greening urban and peri-urban areas, improving the connectivity of urban spaces and on transforming land uses, dominated by non-vegetated open spaces (e.g. former industrial platforms, parking lots, brownfields), into green spaces with improved ecological qualities. These are only part of the measures the programme will seek to support in order to enhance biodiversity by setting up ecological corridors to prevent genetic isolation, allow for species migration, and maintain and enhance healthy ecosystems. In this context, the EU 2030 Biodiversity Strategy encourages investments in green infrastructure to be implemented through cross-border cooperation among Member States, including through the European Territorial Cooperation. The EU strategy for promoting GI has also underlined the regional/cohesion dimension of the GI promotion. Furthermore, the CB cooperation in the field of GI is also in line with the recommendation of the Border Orientation Paper to put a strong focus on sustainable and eco-friendly measures.</p>
<p>PO3 A more connected Europe by enhancing mobility</p>	<p>Developing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility</p>	<p><b>More connected border region</b></p>	<p>In the CBC area there are currently 3 BCCP operating, servicing a population of nearly 1 mln. people by providing direct access to Struma highway in Bulgaria which is part of the core TEN-T Orient/East-Med Corridor. The enhanced EU enlargement process has called on the Republic of Bulgaria and the Republic of North Macedonia to rise to the challenge of facilitating the annually increasing traffic of freight and movement of people between the two countries, either by enlarging the service capacity of the current border check-points or by opening a new BCCP between the two countries whose need for that has been recognized back in 1999 when the Republic of Bulgaria and the Republic of North Macedonia have signed a Bilateral Agreement for establishment of a new BCCP at the village of Klepalo connecting the municipalities of Strumyani (Republic of Bulgaria) and Berovo (Republic of North Macedonia). The Commission's recent proposals envisage further integration of Western Balkan countries into EU policies, programmes and markets, and if border mobility obstacles persist, the speed up of the EU enlargement process may be jeopardized by the lack of basic connectivity factors. To best unlock the potential of interlinked production networks and value</p>

			<p>chains between Western and East Balkan countries, providing the footing for connectivity will be key. The facilitated and enlarged border and TEN-T access between the two countries has a political importance and multi-sectoral impact on various EU policy strands, highlighting also the Interreg role in bridging West and East Europe. In addition to that, the facilitated and enlarged border and TEN-T access will create added value in a broader economic perspective spreading the spillovers to and facilitating the interlinkages in the transport and tourism sector. Expected investments for improved border and TEN-T access will produce considerable time travel savings, shortening also the time for accessing the very popular Bansko ski resort in Bulgaria (among the first ten in any topical rankings). The PO3 is selected as a leading policy due to the large impact of the improved border and TEN-T access on the regional connectivity and cross-border mobility.</p>
<p>PO 5 A Europe closer to citizens by fostering the sustainable and integrated development of all types of territories and local initiatives</p>	<p>Fostering the integrated social, economic and environmental development, cultural heritage and security in areas other than urban</p>	<p><b>Integrated development of the cross-border region</b></p>	<p>The expected increase in regional disparities and peripheralization, the urban-rural divide and the need to foster the implementation of the 'Leave no one behind' sustainable development goal ask for integrated policies on local level as a contrast to the sectoral approach who still dominates in local development practices in the CBC area. This emphasises the importance of tailored place-based approaches rather than territorially blind policies with little relation to territorial reality. The need to combat unevenly dispersed economic effects of isolated and sporadic interventions gave rise to the concept of participative and integrated territorial development that is able to boost inclusiveness, resilience and competitiveness by gathering key actors from any sectoral value chain in cooperative actions. Differences in access to services of general interest risk driving service providers, enterprises and social activities to relocate to areas with better access. This especially concerns remote areas that lack access to public services and economic and social opportunities. The borderline depicts a barrier and business activity remains mainly local and urban, with absent cross-border dimension and impact. Missing links in the cross-border provision of business services and such of general interest are a main factor behind the negative demographic dynamics and the inert economy that the area exhibits. The selection of the specific objective has been made with a view to tackle these challenges, accounting as well for compliance with the core priorities of the Territorial Agenda 2030. Thus, the programme will contribute to the 'A just Europe' priority of the Territorial Agenda 2030 by applying a place-based approach, in contrast to the dot-like one. This entails the involvement of all actors playing active roles in the border economy and thus allowing for multi-sectoral, accountable and multi-level governance partnerships that are going to be set up to support the prosperity of the border region. The selected specific objective provides a strategic framework to bring business, citizens and authorities together in collective actions that</p>

			<i>produce shared benefits and widely agreed solutions to the most urgent common territorial challenges.</i>
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## 2. Priorities [300]

*Reference: points (d) and (e) of Article 17(3)*

### 2.1. Priority 1. Greener border region

*Reference: point (d) of Article 17(3)*

*Text field: [300]*

*Promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management in the cross-border region*

#### 2.1.1. Specific objective (repeated for each selected specific objective)

*Text field: [300]*

*1.1. Enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution*

*Reference: point (e) of Article 17(3)*

#### 2.1.2. Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basis strategies, where appropriate

*Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)*

*Priority 1 Greener border region under PO 2 “A greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management” had been chosen because the exploitation of new forms of ecosystem-based services, that are based on the large variety of greening measures, would contribute to the maintenance of healthy green, physical and living environment, and moreover would generate non-material benefits for people, including aesthetic qualities and recreational experiences.*

*The link between biodiversity and the provision of ecosystem services has not yet been built in the CBC area, despite the large amount of natural areas that enjoy various national and international protection statuses. The Territorial Analysis of the programme outlines the pollution of rivers, floods, landslides and fires as the biggest environmental problems of the border region. There are highly polluted river sections particularly within the catchment area of the Struma, Bregalnitsa, Strumica and part of the Vardar river resulting mainly from the direct flow of waste waters from industry (and mine sites) and households, mine deposits and the use of pesticides and fertilizers in agriculture. According to the EU 2030 biodiversity strategy, ecosystems and their services can be maintained and enhanced by establishing Green Infrastructure (GI) and restoring degraded ecosystems. GI is a strategically planned network of natural and semi-natural areas that are aimed at providing large scope of ecosystem services with a positive impact on all environmental components. As highlighted in the EU Green Infrastructure Strategy, investments in GI have significant potential to strengthen regional and urban development, including by maintaining or creating jobs. The development of ecosystem-based services in the CBC area would enhance the greening practices benefiting from the existing potential of the border region in and building on the well preserved nature and landscape, rich biodiversity, large number of protected areas and landscapes, taken environmental protection and risk prevention and mitigation measures.*

*Investments in the fields of environmental protection and risk management are based on the needs of the programme area, such as: underperforming environmental infrastructure, environmental risks, insufficient awareness of the population on environmental threats and lack of knowledge about environmental friendly solutions, etc. Building on the already existing potential of the border area, namely: well preserved nature and landscape, rich biodiversity, large number of protected areas and landscapes, investments in environmental protection and risk prevention and mitigation are an absolute pre-requisite for creating better living conditions for the people in the border area and a sustainable economic development. The proposed interventions are meant to alleviate the risks regarding loss of ecosystems, endangered biodiversity due to further pollution, strong climate changes. Moreover, implementation of measures dedicated to reduction of pollution and protection of the biodiversity will improve the protection of nature for the benefit of people and of the economy. The CB cooperation in that policy area is expected to unlock ecosystem-based solution potential justified by the presence of a rich biological diversity as well as by the vast opportunities to build on bio-related achievements of the two previous programming periods.*

*The concept of “green infrastructure” is a relatively new one and special attention will be paid to promoting it and to developing pilot solutions that can be replicated later on. Therefore, the implementation of the specific objective will be based on the following approaches: integration (integration and coordination of urban green with other urban infrastructures in terms of physical and functional relations), multi-functionality (combine ecological, social and economic/abiotic, biotic and cultural functions of green spaces), and connectivity (physical and functional connections between green spaces at different scales and from different perspectives).*

*The non-exhaustive list of actions to be supported under Priority 1 is based on the EU typology of GI<sup>8</sup> and can be presented in the following groups of investments:*

- **Investments in building greens** (green balconies, green walls, green roofs, atrium spaces, green pavements, green parkings, green fences, noise barriers, etc.);*
- **Investments in developing urban and peri-urban green areas, including improving connections between green spaces** (tree alley and street tree/hedge, street green and green verge, green playground/school ground, green and colored squares, riverbank greens);*
- **Investments in developing natural urban green areas** (urban park, historical park/garden, pocket park/park let, neighbourhood green space, institutional green space, green sport facility, forest, shrubland, abandoned and derelict area with patches of wilderness);*
- **Investments in developing green areas for water management** (swales, creek restoration and nature scaping, rain gardens or sustainable urban drainage systems (SUDS), naturalized storm water pond, bio retention areas);*
- **Support for joint strategies and action plans** for developing new tools, instruments, as well as transferring solutions between relevant stakeholders;*

*For the purposes of implementation of Priority 1 the Programme will seek to apply instruments that would correspond to the limited budget and the objectives set, such as Small Project fund or other simplified options.*

*The envisaged actions contribute to the achievement of the green targets of the EUSDR and the EUAIRS, particularly under Priority Areas 5 “Environmental Risks”, 6 “Biodiversity, landscapes, quality of air and soils” (EUSDR) and Pillar 3 “Environmental Quality” (EUAIRS).*

### **For INTERACT and ESPON programmes:**

Reference: point (c)(i) of Article 17(9)

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<sup>8</sup> <https://biodiversity.europa.eu/green-infrastructure/typology-of-gi>

*Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure*

Text field [7000]  
N/A

**2.1.3. Indicators /to be finalized/**

*Reference: point (e)(ii) of Article 17(3), Article point (c)(iii)17(9)*

Table 2: Output indicators

Priority	Specific objective	ID [5]	Indicator	Measurement unit [255]	Milestone (2024) [200]	Final target (2029) [200]

Table 3: Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Final target (2029)	Source of data	Comments

**2.1.4. The main target groups**

*Reference: Article point (e)(iii) of 17(3), point (c)(iv) of Article 17(9)*

Text field [7000]

*Green infrastructure (GI) practices contribute to resilient communities and result in multiple benefits for a given territory. Influenced by connectivity, multifunctionality and spatial planning on multiple scales, GI can improve human health and wellbeing, support a green economy, create job opportunities and enhance biodiversity. The presented main target groups under the specific objective “Enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution” illustrate all those groups of communities that benefit the most from the multisectoral effects of the improved green infrastructure:*

- Local population and visitors*
- Local authorities and regional structures of central administration*
- R&D, academic and scientific institutions*
- NGOs*

## 2.1.5. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

Text field [7000]

## 2.1.6. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

Text field [7000]

Not applicable

## 2.1.7. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (e)(v) of Article 17(9)

Table 4: Dimension 1 – intervention field

Priority no	Fund	Specific objective	Code	Amount (EUR)

Table 5: Dimension 2 – form of financing

Priority no	Fund	Specific objective	Code	Amount (EUR)
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Table 6: Dimension 3 – territorial delivery mechanism and territorial focus

Priority No	Fund	Specific objective	Code	Amount (EUR)

## 2.2. Priority 2. More connected border region

Reference: point (d) of Article 17(3)

Text field: [300]

To improve regional connectivity and to boost the economic growth of the CBC area

### 2.2.1. Specific objective (repeated for each selected specific objective)

Text field: [300]

2.1. Developing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility

Reference: point (e) of Article 17(3)

## **2.2.2. Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basis strategies, where appropriate**

*Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)*

*Text field [7000]*

*The socio-economic interlinkages between the two countries have been gradually expanding due to positive prospects of the EU enlargement. On 14 June 1999 in Skopje, an agreement between the Government of the Republic of Macedonia and the Government of Republic of Bulgaria for opening new international road Border Crossing Check Points (BCCP) Strumyani – Berovo and Simitli – Pehchevo was signed. On territory of the Republic of North Macedonia the BCCP Strumyani - Berovo, as well as the access road, have already been constructed in 2001, while on the territory of the Republic of Bulgaria both the road section and the BCCP are not constructed yet. In conformity with the above Agreement, the road section and the BCCP on territory of the Republic of Bulgaria were foreseen to be financed under the External Border Initiative 2003 but failed to be realized. The need for strengthening the regional connectivity and to facilitate the increasing traffic of people and goods between the Republic of Bulgaria and the Republic of North Macedonia has since long been on the agenda.*

*Missing links in the CB provision of business services and such of general interest are a main factor behind the negative demographic dynamics that the area exhibits. The lack of infrastructure favoring the provision of services of community and business interest further impose severe social implications including increased social exclusion and inequalities, as well as challenges for recreational service provision, labour markets and housing. In terms of interregional connectivity, the lack of railway connection between the two countries and the increasing cross-border traffic have urged the need to improve service capacity of the current BCCP and enlarge TEN-T access, taking also into account the prospects of the accelerated EU enlargement.*

*The investments under this priority will contribute to the EU external policy by adhering to most up-to-date standards in safeguarding security and border control. The broad and multi-sectoral impact of the investments on various EU policy strands defend its strategic orientation on the regional connectivity and cross-border mobility in an area that is soon expected to join the EU family. The main goal of interventions under this priority is to improve regional connectivity and to help boost the economic growth of the CBC area by (1) facilitating the increasing traffic of people and goods between the two countries, (2) strengthening communication links between the two countries, and (3) improving and extending access to core TEN-T.*

*The non-exhaustive list of actions that the priority would support go as follows:*

- Upgrade of the existing and construction of new BCCP facilities;*
- Purchase of specialized technical equipment based ICT solutions;*
- Rehabilitation of existing and construction of new roads in both countries;*
- Environmental and other project-related assessments*

*The investments will take the form of a project of strategic importance.*

*The investments will potentially have an impact on Target III – Improving the systems of border control, document inspection management and cooperation on consular related issues in the Danube region of the Priority Area 11 Security of the EUSDR by applying most up-to-date standards in safeguarding security and border control systems. With the improved access to the core TEN-T network, the project makes undisputable contribution to the implementation of the Topic 2 (Intermodal connections to the hinterland) of the Pillar 2: Connecting the Region of the EUSAIR.*

**For INTERACT and ESPON programmes:**



Reference: point (c)(i) of Article 17(9)

Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Text field [7000]

Not applicable.

### 2.2.3. Indicators /to be finalized/

Reference: point (e)(ii) of Article 17(3), Article point (c)(iii)17(9)

Table 2: Output indicators

Priority	Specific objective	ID [5]	Indicator	Measurement unit [255]	Milestone (2024) [200]	Final target (2029) [200]

Table 3: Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Final target (2029)	Source of data	Comments

### 2.2.4. The main target groups

Reference: Article point (e)(iii) of 17(3), point (c)(iv) of Article 17(9)

Text field [7000]

Target groups:

- Residents, visitors and businesses in the CBC area

### 2.2.5. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

Text field [7000]

Not applicable

### 2.2.6. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

**Not applicable**

### 2.2.7. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (e)(v) of Article 17(9)

#### 3. Table 4: Dimension 1 – intervention field

Priority no	Fund	Specific objective	Code	Amount (EUR)

#### Table 5: Dimension 2 – form of financing

Priority no	Fund	Specific objective	Code	Amount (EUR)
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#### Table 6: Dimension 3 – territorial delivery mechanism and territorial focus

Priority No	Fund	Specific objective	Code	Amount (EUR)

## 2.3. Priority 3. Integrated development of the cross-border region

Reference: point (d) of Article 17(3)

Text field: [300]

Support of integrated territorial development strategy for economic, environmental, climate, demographic and social growth

### 2.3.1. Specific objective (repeated for each selected specific objective)

Text field: [300]

3.1 Fostering the integrated social, economic and environmental development, cultural heritage and security in areas other than urban

Reference: point (e) of Article 17(3)

### 2.3.2. Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basis strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

Text field [7000]

Priority 3 'Integrated development of the border region' will give the opportunity the multi-thematic challenges of the border area to be tackled through a territorial development strategy, applying integrated measures across different sectors. The integrated investments for fostering the territorial development in local economy will bring higher added value and ensure the leverage effect of the ERDF and IPA funds.

*The experience from the previously implemented programmes and provided recommendations from the performed evaluation shows that there is a need to change the approach for achieving programme targets and objectives. The implemented so far programmes delivered wide number and range of outputs, but at the same time it was difficult to establish the effect of these and the particular value added of the cross-border cooperation. Therefore, there is a strong need to substitute the uncoordinated and dot-like investments with multilateral- and multi-sectoral- driven solutions in all key policy domains that define the degree of territorial cohesion.*

*The policy domain that outlines the prospects of economic development is the European Green Deal (EGD) with its three objectives: (1) No net emissions of greenhouse gases by 2050; (2) Economic growth decoupled from resource use, and (3) No person and no place left behind. A just and inclusive transition is the leading EGD principle that needs urgent implementation across all sectors, but particularly those of high environmental footprint, such as enterprise operations and tourism. The combination of EGD and Territorial agenda 2030 further challenges small and underdeveloped areas to re-consider their territorial obstacles and potential in addressing local needs with globally agreed approaches (decarbonization, industrial symbiosis, inclusiveness). This is the precise territorial agenda for integrated development of the programme area – to improve today's life with resilient, resource efficient and zero-carbon solutions.*

*The CBC territory is considered to have untapped economic potential due to weak structural relations between enterprises, low internalization, limited productivity, etc., at the background of existing competitive advantages: a border between Western and Eastern Balkans; area located in the most developed NUTS 2 region in the Republic of Bulgaria, abundance of natural resources. Therefore, actions targeted at SMEs, their improved participation in international value chains (which otherwise would indicate successful green and digital transitioning) and sustainably utilized tourism resources, are expected to strengthen the territorial cohesion and positively contribute to the economic growth of the region. SMEs need to catch up on key production indicators and economic performance with their EU counterparts as a precondition to combat the inertness of the regional economy. That will generate positive spillover effects to main areas of live which will ultimately result in improved living quality and standards.*

*Therefore, all these findings and territorial particularities shape the strategic orientation and focus of the ITS. When designing the strategy, a reasonable level of strategic framework aggregation has been pursued in line with the new programming approaches manifested in the 2021-2027 EU cohesion policy, as well as a means to precondition simplifying implementation. Therefore, the ITS pursues one main strategic objective, underpinned by two specific objectives, namely:*

***Strategic objective:*** *Achieving integrated territorial development with a focus on competitiveness and tourism development*

*Specific objective 1:* *Increase the competitiveness of the local economy and improve the business environment*

*Specific objective 2:* *Development of an attractive, all-season tourism product by means of smart solutions that ensure universal access and participation*

*The actions under these objectives are determined on the basis of an integrated territorial strategy (ITS) in pursuit of art. 28 (c) of the REGULATION (EU) 2021/1060 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (CPR). Thus, the ITS addresses the root of one of the main territorial challenges*

- income levels that are far below the EU average. To correct this deficiency, a proportion of 20% of the priority budget shall be allocated under the form of direct support to SMEs, where applicable through the tool of Small Project Fund in compliance with art. 25 of the REGULATION (EU) 2021/1059 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (ETC Regulation).

From a typological point of view the ITS shall support a wide range of actions – research and development activities; creation and dissemination of information, knowledge and skills; trainings; services; networking; policy making; minor renovation, improvement, and maintenance of roads and facilities of public importance; environmental protection and preservation, etc. The cumulative outcomes of all these diverse actions that are going to address broad thematic obstacles and challenges shall produce the integrated effect on the territorial development.

The non-exhaustive list of actions to be supported includes:

- Actions aimed at increasing the productive capacity of the SMEs to become greener, more digital and more competitive (technological modernization);
- Actions aimed at improving the knowledge capacity of the SMEs to operate in a greener, more digital and more competitive environment (acquiring new knowledge and skills, incl. access to external finances);
- Actions aimed at building effective product development process (it encompasses all steps needed to take a product from concept to market availability) and reaching new markets (marketing, entrepreneurship, internationalization);
- Actions aimed at developing all-season, integrated and resilient tourist products, accompanied by competitive branding and marketing practices, with the aim to untap the cross-border tourism potential by increasing the economic benefits of the sustainable use of its resources while prioritizing the protection of the environment;
- Actions aimed at rationalizing the use of tourist resources in the region, incl. development of new integrated regional tourist products; investments in infrastructure and facilities to support tourists; strengthening the links between natural and cultural sites; training of staff of tourist attractions; improving marketing practices and brands;
- Actions aimed at improving the mobility and connectivity of the transport and engineering infrastructure by a system of alternative mobility, including a grid of bicycle lanes, 'dirt' forest and country roads, helipads, etc.;
- Actions aimed at elaborating and applying joint measures for reducing the vulnerability of services in the tourism sector to the effects of pandemic and epidemic situations.

It should be noted that green and digital solutions shall be incorporated as horizontal principles and thus become integral part of all supported, under the ITS, projects. This decision is seen as a programme instrument to promote the new cohesion policy.

The ITS is a multisectoral strategy and it develops interlinkages with the EUSDR and the EUSAIR in a number of cross-strategy areas such as: culture and tourism, knowledge society, competitiveness, institutional capacity and cooperation.

### **For INTERACT and ESPON programmes:**

Reference: point (c)(i) of Article 17(9)

Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Text field [7000]

Not applicable.

### 2.3.3. Indicators /to be finalized/

Reference: point (e)(ii) of Article 17(3), Article point (c)(iii)17(9)

Table 2: Output indicators

Priority	Specific objective	ID [5]	Indicator	Measurement unit [255]	Milestone (2024) [200]	Final target (2029) [200]

Table 3: Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Final target (2029)	Source of data	Comments

### 2.3.4. The main target groups

Reference: Article point (e)(iii) of 17(3), point (c)(iv) of Article 17(9)

Text field [7000]

*In the implementation of the framework of PO5 the support for some projects/operations/activities will be a priority. That is specifically valid for the integrated territorial development of business services, services of general interest, city-village relations, etc. The CBC area is considered to have untapped economic potential and actions targeted at SMEs and their improved participation in regional value chains are expected to strengthen the territorial cohesion and positively contribute to the economic growth of the region. The coverage of the listed below target groups will have a favorable effect on the use of the economic potential of the contiguous territories to the maximum extent. This should increase the competitiveness of the local economy and improve the business environment in the region.*

- Civil society
- Local/ regional bodies and authorities, regional structures of central public authorities
- NGOs
- R&D, academic and training institutions
- Social institutions
- MSME's
- Local population

### **2.3.5. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools**

Reference: Article point (e)(iv) of 17(3)

Text field [7000]

*The implementation of Priority 3 Integrated development of the cross-border region is planned to be carried out through the instrument of Integrated territorial strategy (ITS), i.e. other territorial tools (art. 28 (c) of the CPR). The goals of the ITS and the ways for their achievement are the basis for setting up the criteria according to which the needs and development potentials are defined on the basis of the regional reality. The Territorial Analysis carried out for the needs of the Integrated Territorial Strategy revealed similar economic, social and territorial challenges, needs and potentials. This is considered for a motive conditionally to define the entire CBC region as a single functional area for a subject of the ITS. For the purposes of operations to be implemented, specific functional areas are motivated as recommended spaces for investing depending on their character. The 5 district centres in the CBC region (Kumanovo, Kyustendil, Stip, Blagoevgrad, Strumica) are the development centres of the cross-border territory and “knots” of a polycentric settlements’ network. They serve the rest of the territory, realize complex interactions and interdependencies to smaller towns and other settlements. Each of these 5 districts exhibit the common characteristics of a functional area, but due to their limited geographical coverage it is hard to tailor them with individual investment plans. While operating in these systems, the spatial scope of the ITS may go beyond the formal borders of the CBC region. This comes to illustrate that functional zones have conditional borders depending on the functional scope of the initiated activity/intervention/measure.*

*Therefore, it can be stated that the ITS’s territory:*

- Favours elaboration and implementation of an integrated response to revealed needs and development potentials, narrowed in scope to cover the feasibility criterion;*
- Conditionally meets official definitions of a “functional area/zone” (areas with a high degree of interactions and interdependencies, where simultaneous actions in different sectors (education, employment, transport, healthcare, support for business) are required in order to achieve future development);*
- Is a result of a stakeholders’ consensus along with their commitment to participate in development and implementation of the ITS*

*For the elaboration of the ITS the strategic orientations, priorities and considerations of the following strategic documents of regional and local stakeholders were used as a basis:*

- Integrated Territorial Development Strategy of the South-Western Region (for the Republic of Bulgaria)*
- Development Programme of the North-Eastern planning region 2021-2026 (for the Republic of North Macedonia)*
- Development Programme of the Eastern planning region 2021-2026 (for the Republic of North Macedonia)*
- Development Programme of the South-Eastern planning region 2021-2026 (for the Republic of North Macedonia)*

*By performing a comprehensive multi-level analysis of the strategic documents, researches, assessments and data processing, the necessary source information has been amassed and summarised for putting together a comprehensive picture of the situation. As a result of the identified needs and development potentials of the territory, the key areas of intervention are identified.*

*The integrated approach to addressing needs and utilising the existing potentials will be implemented through a multi-sectoral package of measures (integrated measures) for attaining the objectives of the Strategy and ensuring the active involvement of partners (stakeholders) at all stages of its development, implementation, monitoring and evaluation.*



## 6. Financing plan

Reference: point (g) of Article 17(3)

### 3.1 Financial appropriations by year

Reference: point (g)(i) of Article 17(3), points (a)-(d) of Article 17(4)

Table 7

<i>Fund</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>Total</i>
<i>ERDF</i> <i>(territorial</i> <i>cooperation</i> <i>goal)</i>								
<i>IPA III CBC</i> <sup>9</sup>								
<i>Neighbourhood</i> <i>CBC</i> <sup>10</sup>								
<i>IPA III</i> <sup>11</sup>								
<i>NDICI</i> <sup>12</sup>								
<i>OCTP</i> <sup>13</sup>								
<i>Interreg</i> <i>funds</i> <sup>14</sup>								
<b><i>Total</i></b>								

### 3.2 Total financial appropriations by fund and national co-financing

Reference: point (f)(ii) of Article 17, points (a)-(d) of Article 17(4)

<sup>9</sup> Interreg A, external cross-border cooperation.

<sup>10</sup> Interreg A, external cross-border cooperation.

<sup>11</sup> Interreg B and C.

<sup>12</sup> Interreg B and C.

<sup>13</sup> Interreg B, C and D.

<sup>14</sup> ERDF, IPA III, NDICI or OCTP, where as single amount under Interreg B and C.



Table 8

Policy objective No or TA	Priority	Fund (as applicable)	Basis for calculation EU support (total eligible cost or public contribution)	EU contribution (a)=(a1)+(a2)	Indicative breakdown of the EU contribution		National contribution (b)=(c)+(d)	Indicative breakdown of the national counterpart		Total (e)=(a)+(b)	Co- financing rate (f)=(a)/(e)	Contributions from the third countries (for information)
					without TA pursuant to Article 30(5) CPR (a1)	for TA pursuant to Article 30(5) CPR (a2)		National public (c)	National private (d)			
	<b>Priority 1</b>	ERDF										
		IPA III CBC <sup>15</sup>										
		Neighbourhood CBC <sup>16</sup>										
		IPA III <sup>17</sup>										
		NDICI <sup>18</sup>										
		OCTP <sup>19</sup>										
		Interreg funds <sup>20</sup>										
	<b>Priority 2</b>	(funds as above)										
	<b>Total</b>	<b>All funds</b>										
		ERDF										
		IPA III CBC										
		Neighbourhood CBC										
		IPA III										
		NDICI										
		OCTP										
		Interreg funds										
	<b>Total</b>	<b>All funds</b>										

<sup>15</sup> Interreg A, external cross-border cooperation.

<sup>16</sup> Interreg A, external cross-border cooperation.

<sup>17</sup> Interreg B and C.

<sup>18</sup> Interreg B and C.

<sup>19</sup> Interreg B, C and D.

<sup>20</sup> ERDF, IPA III, NDICI or OCTP, where as single amount under Interreg B and C.

#### **4. Action taken to involve the relevant programme partners in the preparation of the Interreg programme and the role of those programme partners in the implementation, monitoring and evaluation**

Reference: point (g) of Article 17(3)

Text field [10 000]

##### **Joint Working Group (JWG)**

*Whilst acknowledging all the needs and challenges at the level of the programme area, as part of the programming process and in line with a bottom-up approach, a wide consultation process took place, building on the multi-level governance approach, involving public & civil society actors at all stages of the process.*

*In October 2019 a Joint Working Group (JWG) has been set up for elaboration of the Programme. One of its main tasks was to periodically review and make suggestions and proposals to the programming progress as well as to approve the main stages of the programme preparation and finally the Programme as a whole.*

*The JWG members were nominated in accordance with the relevant institutional and legal framework and respecting the partnership principle. The JWG is composed of a balanced number of representatives of the two partnering countries, including representatives of public authorities (national, regional and local), economic and social partners, relevant bodies representing civil society, including environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, gender equality and non-discrimination. The following documents have been adopted by the JWG:*

- *The first meeting of the JWG took place in Sofia on 09.10.2019 on which Rules and procedures and a Concept note with a timeschedule for the programming process were adopted;*
- *In July 2020 via written procedure the Territorial Analysis for the Republic of Bulgaria – the Republic of North Macedonia Cross-border Area including the SWOT analysis and conclusions was approved and a mandate has been given to the Managing Authority and National Authority to elaborate and present proposal for the Intervention logic;*
- *Programme's Intervention Logic was approved via written procedure in October 2020 as latter on the revised version of the Intervention logic, updated according to the latest amendments in the draft Regulations, had been approved on online meeting on 11 February 2021. A mandate has been given to the Managing Authority and National Authority to elaborate and present proposal for Programme document.*

##### **Regional consultations**

*The establishment of the JWG was preceded by a large regional consultation process implemented in both countries. In September 2019 two meetings of regional focus groups were conducted, respectively in Blagoevgrad (Republic of Bulgaria) and in Strumica (Republic of North Macedonia). Their aim was to identify the local needs and potentials, following the bottom-up approach and to incorporate proposals by the stakeholders regarding the prioritization of policy objectives and possible interventions. Representatives of wide range of relevant stakeholders took part in the meetings – among which local*

and regional authorities, educational institutions, local business, non-governmental organizations from the CBC region.

Participants in the extensive cross-border regional consultations agreed on the need to propose joint measures to tackle the untapped tourism potential, that is different from the one related to ski and spa tourism, by addressing the underdeveloped tourist infrastructure. The regional and local stakeholders expressed willingness for including new type of beneficiaries, partnerships and activities (through a direct support to SMEs), but also insisted on the sustainability of the previous ones and on capitalizing the experience in cooperation between the two countries.

Policy objective 5 'Europe closer to citizens' was supported by the participating stakeholders as the most suitable way for implementation of integrated measures that could contribute for solving common and diverse challenges in the border region.

Implementation of measures dedicated to reduction of pollution and protection of the biodiversity under PO 2 "Greener, low-carbon Europe" that will improve the protection of nature for the benefit of people and of the economy of the border region, was also discussed on the regional consultations.

Under the consultation topic on connectivity, stakeholders brought back for discussion the opening of a new border cross-check point (BCCP) Klepalo connecting Strumyani and Berovo, whose governmental engagements date back in 1999. All participants agreed on the multisectoral effects of the new BCCP that it might generate in the regional and international context, therefore the idea was defined as strategic and it was proposed for programme support.

Following the regional consultations a questionnaire was sent to the participants where they pointed out the challenges the area faces in regard to the socio economic development and the spheres of interventions in which the programme could bring an added value. The respondents strongly supported the future programme to be more focussed by addressing local challenges and needs of the border region. In addition direct support to environmental protection, local businesses, as well as promoting integrated territorial development was also highlighted.

#### **Task Force (TF) on the elaboration of the Integrated territorial strategy for the CBC region**

For the purpose of implementation of PO 5, the Managing and National authorities, will support the local stakeholders for the elaboration of a territorial strategy for integrated measures. A Task Force was established representing all relevant regional and local authorities and bodies, as well as other local stakeholders related to the preparation and implementation of the strategy (pursuant to Art. 29 of the CPR).

The TF has supporting functions in the elaboration of multiannual (covering the period 2021-2027) Strategy for Integrated Territorial Development, with the aim to meet the needs of the INTERREG - IPA CBC Programme between the Republic of Bulgaria and the Republic of North Macedonia 2021 – 2027 to contribute to a sustainable economic development of the region. The main responsibility of the TF is to collaborate with the Consultant during the elaboration of the Territorial strategy for integrated measures under PO5 "Europe closer to citizens" and to feed in results of dialogues with relevant stakeholders, databases, expert positions etc.

#### **Public consultations of the Environmental assessment report (EAR) of the Programme and of the Integrated territorial strategy for the CBC region**

As a part of preparation of the EAR of the Programme and of the Integrated territorial strategy for the CBC region two rounds of public consultations were held. The first consultations were organised in July

2021 on scoping report for determination of the scope and content of the environmental assessment report. The second round consultations is expected to be conducted in the period November – December 2021 on the Environmental assessment report. The consultations are held in both country and the received comments from all institutions and stakeholders will be reflected in the respective documents.

#### **Implementation, monitoring and evaluation**

In accordance with Article 28 of Regulation (EU) 2021/1059 , a committee to monitor the implementation of the programme ('Monitoring committee') will be set within three months after the approval of the Programme. The composition of the monitoring committee will ensure a balanced representation of the relevant authorities, intermediate bodies and representatives of the programme partners and will also include representatives of bodies jointly set up in the whole programme area or covering a part thereof, including EGTCs. The composition of the JMC will respect the principles of partnership and multi-level governance and will include public authorities (regional, local and other); economic and social partners; representative of civil society, such as environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, fundamental rights, rights of persons with disabilities, gender equality and non-discrimination; research organisations and universities and etc. The JMC shall also involve stakeholders from the regional consultations and members of the JWG. The approach will ensure closing the loop and continuity in the process of projects identification, monitoring of the implementation and evaluation of the programme.

The main competencies and responsibilities of the Monitoring committee will be set up in accordance with Article 30 of the Regulation (EU) 2021/1059

The Programme will continue to promote transparency by publishing all important documents for consultation on the Programme's website. All interested parties will be invited to send observations. An important role in the implementation of PO 5 will belong to the governing body of the Integrated Territorial Strategy of the CBC area, who will work closely with the JMC of the Programme in order to ensure the successful implementation of PO 5.

### **5. Approach to communication and visibility for the Interreg programme (objectives, target audiences, communication channels, including social media outreach, where appropriate, planned budget and relevant indicators for monitoring and evaluation)**

Reference: point (h) of Article 17(3)

The Programme will take stock of good practices in communication from the previous period and show a flexible approach to reach out the targeted audience. All these are translated into the following communication objectives:

- to make the programme known, attractive and easily approachable;
- to support beneficiaries in project implementation;
- to ensure wide acknowledgement of the EU support in developing the programme area.

The main focus of the communication activities addresses the potential applicants, the beneficiaries, the stakeholders and the institutions involved in the implementation.

The communication and visibility actions will reach a large audience from the eligibility area, both geographically and thematically, and will follow the programme objectives. The target groups are:-

*(Potential) beneficiaries: public authorities, SMEs, NGOs, R&D, education and training institutions and other joint cross border structures*

- *Other stakeholders - national, regional and local authorities, business, social, tourist, cultural, sport associations and stakeholders of mainstream programmes;*

- *National/ regional/local media from both countries*

*The mix of communication channels takes into account the programme's thematic objectives. There are both the digital and traditional instruments:*

### **Communication Channels:**

#### **1. Digital**

- *Website;*

- *Social media (Facebook and YouTube);*

- *E-events (meetings, workshops, conferences, seminars, trainings);*

- *PR activities (newsletters, E-brochures, Visual Identity Manual)*

#### **2. Traditional**

- *PR activities (press releases, publications, interviews, shows, short videos)*

- *Signalling (plates with the Programme logo at the building entrance and of the MA, NA, JS, flying the EU flag);*

#### **3. Events/trainings**

- *Meetings, workshops, conferences, seminars and trainings*

- *Events for celebration of European Cooperation Day*

### **Website**

*Like a main source of information, the new website will retain the main structure as the one from the 2014-2020 period.*

### **Social media**

*The Programme will use Facebook and YouTube as the main social media channels. In order to reach maximum audience MA will use Search Engine Optimization (SEO) and ads in Google (Google Ads), Facebook and You Tube.*

### **eLearning webinars**

*MA will pay special attention to online education and will ensure the accessibility of the information to the interested parties who can't be present physically at the events. If necessary, all possible below-the-line (BTL) events will be transferred online.*

### **PR activities**

*Press releases will be prepared and disseminated to local/regional/national media.*

*E-Brochure/newsletters will be published and distributed via Social Media and Programme website.*

*Info graphics will be used for visual presentation of complex information in a quick and clear manner.*

*Press events will be organised mainly on-the-spot.*

**Photos** from the events and the projects will be used in preparation of publications, promotional materials, videos and slide shows.

**Videos** – Short event movies will be produced to promote the Programme during the whole Programming period.

**Promotional Materials** - promotional banners/gifts/gadgets will be distributed during public events

**Events & meetings**

Human interaction is essential for building trust and allowing cooperation. As a tool to reach beneficiaries and influencers, the events will address the participants to take action.

Special attention will be paid to new type of beneficiaries such as MSMEs in terms of wide information campaigns on the funding opportunities and partner matching events.

Another important element is dedicated to the PO 5 strategy being the Priority with the highest budget share. Communication activities will start during the elaboration of the strategy through a wide participatory approach involving all stakeholders. The elaboration of the list of operations will be carried out in a transparent manner based on the consultation with potential project promoters.

**Trainings**

Trainings are provided for beneficiaries on issues related to the implementation of the projects.

**BUDGET**

- the planned budget is equal to or greater than ...% of the total budget of the programme.
- the description presents an indicative financial plan by activity / channel and year.

Indicative costs break down:

Communication channel	2021	2022	2022	2023	2024	2025	2026	2027	Total
Digital									
Traditional									
Events/trainings									
Total									

**MONITORING AND EVALUATION**

MA will inform the JMC once a year on the progress in the implementation of the communication actions.

Each year, MA, together with the JS and the NA, will develop an Annual Communication Plan. It will focus on the communication activities for the year in accordance with the envisaged Programme performance.

All actions will be regularly evaluated internally and results will be presented for approval and guidance to the JMC. Data for the evaluation of the communication objectives will come from surveys, internal statistics, project reports and website analytics. Evaluation of the communication strategy will be also part of the overall programme’s evaluation measures.

Type of activities	Output indicator	Target 2027	Result indicator	Target 2027
Events	No of events for potential applicants / beneficiaries /	28	Overall usefulness of the event for attendees (survey)	75% CSAT score

	stakeholders / general public			
	No of participants in the events	1300		
Publications	No of publications (including Social media)	350	Overall usefulness of the publications for readers (survey)	75% CSAT score
Programme website	No of visits	70000	Overall usefulness of the site/page for readers (survey)	75% CSAT score
Social media	No. of followers/ subscribers	700	No. of shares, likes, views, comments and hashtag mentions	1000

## 6. Indication of support to small-scale projects, including small projects within small project funds

*Reference: point (i) of Article 17(3), Article 24*

Text field [7 000]

## 7. Implementing provisions

### 7.1. Programme authorities

*Reference: point (a) of Article 17(6)*

**Table 10**

Programme authorities	Name of the institution [255]	Contact name [200]	E-mail [200]
Managing authority			
National authority (for programmes with participating third or partner countries, if appropriate)			
Audit authority			
Group of auditors representatives			
Body to which the payments are to be made by the Commission			

### 7.2. Procedure for setting up the joint secretariat

*Reference: point (b) of Article 17(6)*

Text field [3 500]





**7.3 Apportionment of liabilities among participating Member States and where applicable, the third or partner countries and OCTs, in the event of financial corrections imposed by the managing authority or the Commission**

*Reference: point (c) of Article 17(6)*

Text field [10 500]

**8. Use of unit costs, lump sums, flat rates and financing not linked to costs**

*Reference: Articles 88 and 89 of Regulation 2021/...<sup>+</sup> (CPR)*

Table 11: Use of unit costs, lump sums, flat rates and financing not linked to costs

<b>Intended use of Articles 88 and 89</b>	<b>YES</b>	<b>NO</b>
<b>From the adoption the programme will make use of reimbursement of the Union contribution based on based on unit costs, lump sums and flat rates under priority according to Article 88 CPR (if yes, fill in Appendix 1)</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>From the adoption the programme will make use of reimbursement of the Union contribution based on financing not linked to costs according to Article 89 CPR (if yes, fill in Appendix 2)</b>	<input type="checkbox"/>	<input type="checkbox"/>

<sup>+</sup> OJ: Please insert in the text the number of the Regulation contained in document ... [2018/0196(COD)].

