

Center for Research and Policy Making

The Macedonian experience with CBC programmes

Occasional Paper N.14

**THE MACEDONIAN EXPERIENCE WITH
CROSS-BORDER COOPERATION PROGRAMMES**

By CRPM team

Skopje, Macedonia 2007

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INTRODUCTION

The EU and the Western Balkans

The stability of the Balkan is an important goal to be achieved and maintained not just by the Balkan countries but also that is from essential meaning for the European Union. EU wants to deal with every potential and current treats over its stability, and the Balkan since the break down of Yugoslavia is seen as the problematic and wild porch of the Union that needs to be “reconstructed”. In that direction the stability of the Balkan region is set as a strategic objective of EU that is also officially proclaimed in the Javier Solana’s paper from 2003 . The EU goal is stability and prosperity of whole European continent, because problems in one part of the continent are seen as a danger for the rest of the continent. The EU interest and involvement in the Balkan has been since the start of the Balkan’s “emancipation” after the break down of the communistic regimes, process that in some countries was painful and bloody. That was a great challenge also for the European Union, because that was completely new experience for the EU institutions to deal with that kind of situation. The “Balkan story” didn’t mean just EU influence over the stability of the region, but that was also a “capacity building” lesson, for EU’s common security and foreign policy.

The European Union has invested great energy and finances in the stabilization of the Balkan countries. Through its aid programs the EU has provided more

than 6.1 billions euros between 1991 and 2001 for the Balkan countries. The EU felt that more serious and long term approach was needed for the Balkan challenge, so the Stability Pact was established for that purpose. The crises in the beginning of the '90, and the crises in Kosovo were great experience for the European Union and a key moment for EU to understand the situation and to adapt to its needs so to perform its role better and more effective regarding the stabilization of the region. The necessity for EU to play more active role that needs different organization and perception of the security mission on the Balkan emerged after the 11 September 2001 with the withdrawal of the US troops from the region, because of the new circumstances and the new priorities that US faced after that date. EU understood the importance of improvement of its crisis management and finally saw the need of the military component in its approach. In that direction Macedonia was the test that the improved crisis management of EU has passed with positive grade. That was the first time when the Union has proactively engaged in security affairs, covering variety of tasks from policing to military intervention.

EU integration process of Macedonia

Macedonia since 17 December 2005 is a candidate country for EU accession. This has been a great achievement for a country that had faced external as well as inner challenges on its path of acquiring the candidate status. Macedonia had to go through the Greek embargo; the economic sanctions against Serbia during the Miloshevic rule; and the Kosovo crises of 1999. What is more, only after the country went through an interethnic conflict of 2001 it proved its democratic capacity and regained the support of the EU. "Macedonia in Europe" is therefore a goal supported by all ethnic communities in Macedonia. The surveys are showing that the EU integration is the common value around which all citizens

of Macedonia are gathered regardless of their ethnicity, political orientation, social status and etc.

The path of the Macedonian EU integrations is marked by the following milestones:

- Macedonia was the first country that has signed the Stabilization and Association Agreement on 9 April 2001 in Luxembourg; it was ratified by the Macedonian assembly on 1 June 2001; but came into effect on 1 April 2004, when all member states of EU have ratified it
- On 22nd March 2004 Macedonia submitted its request for membership in the European Union
- On 1st October 2004 the European Commission submitted a questionnaire to the Government of Macedonia
- The Government of Macedonia returned the answers on the EC questionnaire on 14th February 2005 to the President of the European Commission
- The Commission issued an opinion on the application from Macedonia recommending a candidate status for Macedonia on 9 November 2005
- On 17th December 2005 the EU Council grants a candidate status for EU membership

European Union is the largest donor in the Republic of Macedonia¹, in line with the Macedonian medium-term perspective of becoming a member of the European Union.

¹ The European Union refers to the Republic of Macedonia as the Former Yugoslav Republic of Macedonia. Within this text Macedonia and Republic of Macedonia will be used rather than the complex reference the EU uses.

The beginnings of EU Development Assistance to Macedonia- the Post-Independence Period 1991 - 2001

In this context we should explain that the development assistance provided by the European Union to Macedonia occurred in three time periods starting with the early days of independence from 1991. In the first half of the 1990's, EU assistance to Macedonia was delivered through ECHO, PHARE and OBNOVA programmes which aimed to restore stability in the region. ECHO provided humanitarian aid, OBNOVA provided assistance in reconstruction and rehabilitation, while PHARE focused on institutional building and cross-border cooperation with the Republic of Greece. The total financial assistance provided to the Republic of Macedonia in the period 1990-2001 was slightly over 410 million euro. In addition, in 1997 and in 1999, EU provided macro-financial assistance to the balance of payment of the country, in the amount of 60 million euro.

The Stabilization and Association Period 2001 - 2006

Being the first country in the region to sign the Stabilization and Association Agreement (SAA), in 2001, Macedonia was able to develop and receive a new mixture of progressive partnership, trade concessions, economic and financial assistance. Since the signing of the SAA, the focus of assistance has shifted from physical reconstruction in the initial phase, to support for political, institutional and economic transition, and, lately, on EU convergence.

The previous EU policy of using different programme regulations led to lack of coordination and concentration of problems. Due to that reason, as well as due to the new needs of the countries of the Western Balkans arisen from the

Stabilization and Association process, the European Commission consolidated its support in one instrument, the CARDS Programme. In order to achieve the two main objectives of the SAA, stabilization and association, the CARDS programme worked at two levels: - national and regional, the first being managed by the European Agency for Reconstruction and the second centrally managed by European Commission Delegation.

The Macedonian application for membership in the EU was a historic step forward for the country and the region as well. Following the implementation of the Ohrid Framework Agreement the country overcame the political crisis and is now oriented towards achieving peace, stability and prosperity.² After Macedonia submitted the answers to the EU Questionnaire, the EU Commission analyzed the present situation and the medium-term prospects, and prepared an Analytical Report for the Opinion on the Application from the Republic of Macedonia for EU membership. This report contained a detailed analysis on the basis of the country's capacity to meet the criteria set by the European Council at the summit in Copenhagen and the condition of the SAA.

Pre-accession Period 2007 - 2013

As stated in the opinion of the European Commission, Macedonia "is a functioning democracy, with stable institutions, generally guaranteeing the rule of law and respect of fundamental rights". Having received a positive Avis and a candidate status, Macedonia is set to fulfill the membership criteria in. During that process EU will supported the country with financial assistance through the new Instrument for Pre-Accession (IPA), part of the New Financial Perspective 2007 - 2013.

² On the Ohrid Framework Agreement and the democratic consolidation of Macedonia in general see Zhidas Daskalovski, *Walking on the Edge: Consolidating Multiethnic Macedonia 1989-2004*, Globic: Chapel Hill, 2006.

1

CROSS - BORDER COOPERATION PROGRAMMES IN MACEDONIA WITH GREECE

1.1. Introduction to the programmes

The EU Programmes for Cross-Border Cooperation of Macedonia with Greece³ were:

- 1996 - 1999 PHARE CBC with Greece
- 2000 - 2003 CARDS CBC with Greece (INTERREG III)
- 2004 - 2006 CARDS CBC with Greece (INTERREG III)

After the Interim Accord between Skopje and Athens signed in the summer of 1995, the gradual normalization of relations between Greece and Macedonia was reflected in the development of bilateral commercial exchanges and major investments in Macedonia by Greek businesses, placing Greece in the pole position amongst the foreign countries investing in the new Yugoslav republic, in terms of both the number of companies investing and the investment capital involved.

The EU programme for Cross-Border Cooperation was based on the general objective of the cross-border cooperation programmes in place during the preceding period, i.e. the promotion of consistency and cohesion in Europe by

³ <http://www.interreg.gr>

seeking to alleviate the disadvantages encountered in border areas in their dual regional capacity (national and European), which could to a degree be achieved through the creation of a network of cooperation. The Greece - Macedonia programme was structured on three of the nine sub-programmes of the INTERREG II/EXTERNAL BORDERS programme, as follows: Sub-programme 4: Strengthening the Economic base; Sub-programme 5: Quality of life - Environment; Sub-programme 6: Manpower.

Most of the projects included in the programme were predominantly soft actions carried out within the framework of the Measures contained in Sub-programme 4 'Economic assistance' (Measures 4.1 and 4.3). A total of 16 projects were included in this programme. The purpose of these measures was to encourage attempts to establish contact and cooperation between business enterprises in the two countries, and actions to promote tourist products (mainly by the Greek side).

Most of the projects of a marked cross-border interest that were included in the Measure 4.1 'Tourist and cultural resources' have been completed. Also most of the projects of a marked cross-border interest that were included in Measure 4.3 have absorbed a major proportion of their funds and have been completed. It should be pointed out that the delay in incorporating Macedonia in the Programme, in conjunction with the extremely small sum allocated for the needs of the Programme for joint action by the two countries, have made it difficult for actions of cross-border cooperation to be undertaken.

The following are the projects implemented within the Cross-border co-operation between Macedonia and Greece of the PHARE-CBC programmes in the period from 1996 to 1999:

- 1) the modernization of the motorway E75 in the 4.6 km stretch from Gevgelija to the Macedonian- Greek border, near Bogorodica (1996/97);

- 2) the reconstruction of the Bogorodica (1996/97) and Medjitlija border crossings (1996/97);
- 3) the project for the modernization of the 44 km stretch Demir-Kapija-Udovo-Gevgelija of the E75 motorway (1997);
- 4) the first allotment of funds for small projects (1997);
- 5) the technical assistance for OIP-PGS (1997);
- 6) the installation of automated water pollution testing stations on the Vardar/river (1997);
- 7) the modernization of the buildings for veterinary and plant control (1997);
- 8) the funds for socio-economic development projects (1998) the first phase of modernization of the E75 motorway in the Negotino-Demir-Kapija 5.3 km stretch (1998);
- 9) the second phase of modernization of the E75 motorway in the Negotino-Demir- Kapija 2.3 km stretch (1999);
- 10) the reiterated technical assistance for OIP-PGS (1999).

The projects, until the end of 1998, were carried out in the regime of a Centralized System for Implementation (the decisions concerning the evaluation of tender and management were made in Brussels) while for the 1999 projects, the Macedonian authorities were responsible.

At a local level, in 2000-2001, the Bitola municipality availed itself of the collaboration of the Greek partners Kozani and Voden and of the Pela and Salonika municipalities to carry out the "Internet-Informative Server" project. The same municipality launched a project with the Greek town of Termi for cooperation in the efficient management of energy in public buildings, as well as another project for the dissemination of the languages of the bordering countries. The town of Star Dojran benefited from funds to establish a "Municipal Information Centre" (Cbc-Spf 98/11), to carry out a feasibility study for the

safeguard of Lake Dojran (Cbc-Spf 98/12) and for the "Mandra" project on alternative tourism (Cbc-Spf 98/13).

The Gevgelija municipality is the most active in cross-border co-operation. It agreed with the AEBR (Association of European Border Regions) to function as Information Centre of the LACE PHARE within the PHARE CBC (the project was operative from 01.10.1999 to 31.12.2000). Moreover, within the PHARE project, the Gevgelija municipality signed four co-financing agreements with an EU counterpart (the Greek Euroconsultant s.a. joint stock company):

- 1) "Integrated tourist and cultural development", a project for the harmonization of development in the two border areas (carried out in the year 2000);
- 2) "Creation of agencies for local development". (Carried out between 2000-2001);
- 3) "Language and computer centre" for the creation of infrastructures where young people may learn Greek, English and acquire computer knowledge (carried out in 2000 - 2001);
- 4) "Investment opportunities for the Gevgelija municipality" for gathering data on economic opportunities in the Gevgelija area and their possible circulation in Macedonian, Greek and English (carried out in 2000-2001).
- 5) Within the Ecos-Ouverture programme on micro projects, Gevgelija (Macedonia) and Ksanti (Greece) carried out in 1999-2000 a feasibility study for the creation of a "Sanitary storage plant for the treatment of complex waste products".

The Operational Programme Interreg III Greece -Macedonia 2000-2006 was approved by the European Union by the Decision No. E (2002) 118 /19-03-2002. Total funding for the Programme amounted to 103,333.333 €, of which 73.000.000 € constitute the financial contribution of ERDF and 24.333.333 € derive from national funding. Having in mind the above, the strategy of the programme was

focused on a series of concrete actions that were to improve the cross-border collaboration in favor of:

- The homogeneity of the social and economic environment in the cross-border zone in a level higher than previously and more competitive in comparison to others with similar socio-economic characteristics as well as improvement of the standard of living and the quality of life of the citizens in general.
- The conservation and improvement of the natural and cultural wealth
- The creation of a feeling of security for inhabitants, hand in hand with a reduction of smuggling and illegal immigration

The Regulation governing the provision for Assistance to Macedonia through the CARDS financial Instrument was announced on the 5th of December 2000. In the period of INTERREG III planning (2000-2006), bilateral relations between Greece and Macedonia were substantially better compared with the initial phase of INTERREG II when the problems regarding the name issue were at its peak. The cross-border cooperation region has (had) an area of 17.181 km². The part of the cooperation region within Greece amounts to 8% of the total area of Greece, while the part of the cooperation region within Macedonia amounts to 25.8% of the total area of the country. The overall population in the region is 1,573,032, which includes 12.43 % of the total population of Greece and 16.41 % of the total population of Macedonia.

Similar to other countries shifting from a planned economy to a market economy, after the changes of the regime in 1990 Macedonia has been experiencing a difficult period of adjustment. The consolidation of the Macedonian economy is not over yet. Apart from all the difficulties inherent to the transition, which have troubled all Eastern European countries (production declines in agriculture and industry, high inflation and unemployment, loss of markets) Macedonia had to additionally confront a particularly adverse environment within the Western

Balkan region. The turmoil in former Yugoslavia had a catalytic effect on the Greek economy too, considering that the Thessaloniki - Skopje - Belgrade road axis has been the basic commercial route linking Greece with the European markets. Recent political changes in former Yugoslavia suggest that normalisation is not far, and as a result we could witness positive effects on the development of cross-border bilateral cooperation.

The INTERREG IIIA CARDS Programme with Greece has a funding of 5.4 million euro available for development and implementation of projects. The funds are divided into two parts; Greece receives funds from the ERDF funding while Macedonia receives funds from the CARDS programme. The eligible regions of Programme implementation are as follows:

- **For Greece:** The Regions of Central Macedonia (Prefectures of Thessaloniki, Kilkis, Pella) and Western Macedonia (Prefecture of Florina).
- **For the Macedonia:** The regions of Bac, Bistrica, Bitola, Bogdanci, Bosilivo, Capari, Demir Kapija, Dobrusevo, Gevgelija, Kavadarci, Konopista, Kuklis, Miravci, Murtino, Novaci, Novo Selo, Prilep, Resen, Star Dojran, Staravina, Topolcani, Valandovo, Vitoliste, Ohrid and Strumica



The INTERREG IIIB – CADSES programme with Greece has a funding of 0.6 million euro available for development and project implementation. The objectives are:

- contribute to spatial integration in the area
- contribute to competitiveness, efficiency and growth in the respective regions
- contribute to economic and social cohesion within the countries and regions and between the countries
- ensure the conservation of the natural and culture heritage, the protection of the environment and the sustainability of development
- contribute to the promotion of equal opportunities between women and men.

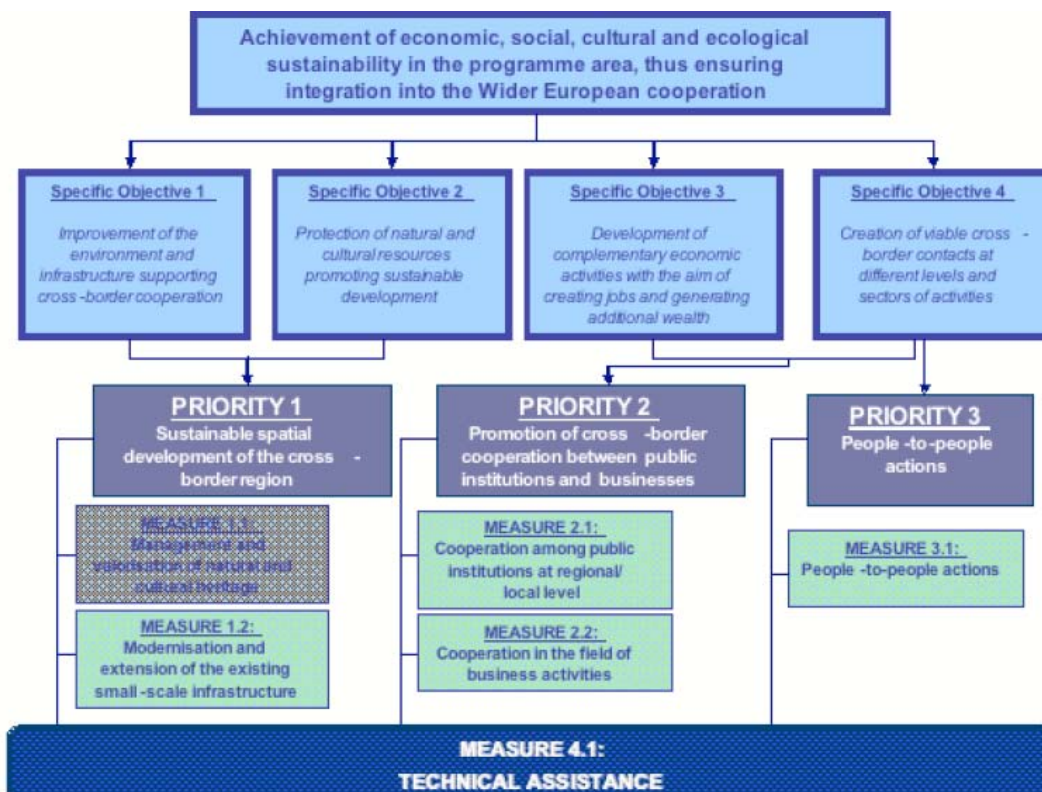
The eligible cross-border region was given the possibility, through INTERREG II, to set the foundation for the creation of cross-border business cooperation links. It is, therefore, clear that the new programme further reinforces the existing economic ties between Macedonian and Greek businesses of the mentioned region. The aim was to turn this region into a developing productive area of the Balkans. The economic base of the eligible cross-border region is structured rather around national development planning, which is given priority over regional development of local economies.

This cross-border region is characterized by extraordinary natural resources, which constitute an asset for the qualitative upgrading of the area. There are significant water resources and efforts are made to reinforce cross-border cooperation concerning their management and protection. The region is also characterized by significant cultural and tourist resources, which constitute sources of economic development and which, thanks to further upgrading of existing infrastructure, may turn the area into an important tourist centre. Within this region and especially in Macedonia, there are possibilities for the

development of alternative types of tourism. Efforts are made to cooperate in matters of appropriate management of human resources at the local job market. Increased cooperation in the sector of new technologies (especially as far as health is concerned) will lead to the establishment of new ways to tackle local problems affecting the region's social fabric.

The Priorities of the Cross - Border cooperation are:

- AXIS1. Cross Border infrastructures
- AXIS 2. Economic development and employment
- AXIS 3. Quality of life - environment
- AXIS 4. Technical assistance



The minimal sum of the grants was not defined, but the maximum amount was mentioned in precise in the Call for proposals and they are:

- For the priority 1.1. - 1 200 000 euro
- For the priority 2.1. - 250 000 euro
- For the priority 2.3. - 250 000 euro
- For the priority 3.1. - 235 000 euro

The common structure of organizing and managing this programme is divided into 3 institutions: the Common Committee for following the programme, the Common Committee for selection and the Common technical secretariat.

1.2. The level of information and the involvement of Macedonian local authorities in the INTERREG funded projects and actions in the period 2000 - 2006

Non - governmental organizations, local government units, universities, research centers and associations can be applicants together with a proper partner from the Greek side. The partnership is confirmed with a letter of intentions and a statement for partnership, the conditions of partnership are strictly defined. The project activities can be carried out on the side of the both partner countries (in this case Macedonia and Greece) but that also depends on the nature of the project and its independence. This and other conditions to fulfill are part of the obligation to be respected from the programme.

Considering the beginning of the cross - border cooperation between Macedonia and Greece (the period from 2000 to 2003) it should be noted that there were problems in carrying out the projects from of the Macedonian side. The main reason was the improper information process of the Agency responsible for carrying out the project to the national and local authorities. The basic principle of the Neighborhood Programmes is joint management by the participating countries, irrespective of whether they are Member States, candidate countries or CARDS countries. It should be realized in joint programming, joint management of programmes, and joint implementation of individual projects. The programmes operate on the basis of a single application process and a single selection process covering both sides of the border. In this case we have to consider the fact that in that period the Contracting agency that was responsible for publishing the grants had a head office only in Greece and the programme was lead only from that head office. The fact that Greece had and still has a disputes the official name of the neighboring country was also considered by the

Macedonian municipalities and non-governmental organizations in the eligible areas as a factor for not taking part in the programme. Yet there were some little projects that were successfully completed. The stakeholders of those projects had history of collaboration with Greek partners, (for example the municipality of Gevgelija which in this period was finishing its projects with Greek companies.)

In the period from 2004 - 2006 the programme developed and the management improved. The Contracting Agency in Greece is only responsible for the Greek territory while for the Macedonian territory there is also a responsible Authority in Macedonia (the European Agency for Reconstruction and the Delegation of the European Commission from one side as grant approval authorities and the Secretariat for the European Affairs of the government of Macedonia as a facilitator and a information office for the local authorities and organizations that want to take part in this programme with their projects from the other side). The Common Technical Secretariat of the programme is located in Greece with representatives of Macedonia. This Secretariat is only responsible for accepting and evaluating the project proposals and informing the final successful applicants. This way the managing became easier and more transparent, and the potential participants of a project have more chance to get to the information and find out more about the conditions and the application procedure.

The level of information that reaches the municipalities and the non-governmental organizations in the eligible area is not perfect and could be still improved. Information about existing possibilities for applying for a project funded by the EU in the cross-border cooperation programmes is usually communicated via e-mail between the Contracting Agency and the Secretariat of European Affairs and the municipalities. The non-governmental organizations are informed though the local government units in their area. Moreover, the information is also published in the mass media.

There are various experiences in the eligible Macedonian municipalities in the process of finding information about the programme. Some municipalities are/were obliged to find the information by themselves on the internet and other similar resources. Often they were informed quite late about the call for proposals. Instead of that, they propose to be included in the process when the operative programmes are being prepared and developed. That way they can have their own representatives and can be more experienced and ready when it comes to the application period and the actual implementation of projects. If they would be included at an early stage they will not spare additional time preparing the projects and will be ready for meeting the terms of the tenders. The programme itself was drafted for the municipalities from the eligible region and they should be better engaged having in mind that the municipalities largely represent the interest of the population in that area. Another serious problem is the long procedure and getting the appropriate documentations while applying for the projects.

Some of the municipalities get/got the information though informative meetings where the details of the application for the projects are explained such as the detailed explanation of the budget, the logistic frame and the application form. Other municipalities have their own representatives as participants of seminars on topics related to the programme. For example the municipality of Gevgelija together with the Foundation Open Society Institute Macedonia and the Secretariat for European Affairs of Macedonia organized a round table for the Cross - Border Cooperation Programme with Greece in the beginning of 2006 where all the questions about the programme were answered and clarified. Yet it has to be noticed that since then other significant event like this one have not been organized.

The Government of Macedonia, and the Secretariat of European Affairs in particular, is responsible for informing the local authorities of the existence of the

programme and the possibilities for applying with a project proposal. The method which the Secretariat uses for informing stakeholders is organization of workshops and presentations in one or two bigger municipalities in the eligible area where all the municipalities and non-governmental organizations and associations are invited to participate. The negative aspect of this information method is the fact that the presentations are made in few municipalities, not very often and with a minimum participation from the local authorities.

The involvement of the municipalities in this programme also varies.⁴ For example the municipality of Novo Selo (eligible area) is in the beginning of implementation of a project financed by this programme and until now the representatives are more than satisfied with the process of realization. On the other hand, the municipality of Strumica had a different experience. The local government unit applied for 3 projects to be supported by the programme: 1. Developing a training center for high educated unemployed staff; 2. Upgrading the quality of living in Dobrejci through a construction of a water supply system and 3. Preserving the traditions of the country side in Strumica through maintaining ethnic traits of the population. From these three projects only the first one was awarded a grant for realization.

The municipality of Bitola in cooperation with local NGO's got a grant for two projects: 1. Opening an Informative center for the Roma minority and 2. Organizing the Roma minority through strategy planning. This municipality also won the projects such as the (re)construction of the highway M5 and the project Promoting the cultural heritage and tourism of Bitola and Florina (Lerin in Macedonian). These projects are in an initial phase and it is hard to state the experience and the opinion of their realization at this point. The municipality of Bogdanci is satisfied with the programme. At the moment Bogdanci is in the

⁴ The following information in the paper was gathered from local government units in the eligible area using a standardized questionnaire.

initializing phase of the project, the grant publications. The municipality of Dojran is of the opinion that the main actors which lead the programme are members of the EU and that they have the power of decision making. Because of this it is difficult to win grants and realize projects because grants are given to the local authorities of the EU member state, Greece.

The municipality of Ohrid has one successful story and that is realization of the project "The spirit of Ohrid" together with the municipality Pefka from Greece. The municipality of Resen has positive opinion about the programme and has also positive experience with one project which is in the initial phase of development. The municipality of Novaci has a negative experience. The municipality applied for this programme with a project concerning the water supply of the rural areas from the Greek water system. They also requested assistance from consultants but this project was not granted. Their application was rejected and the local government complains that they were not informed about the reasons of the refusal of their project.

The non - governmental sector is also in a way involved with the programme. Some NGO's have strong connection with the municipalities in their area of work and some of them are applying for the programme grants with a partnership of another NGO. The Regional center for sustainable development - Gevgelija organized training courses about the EU and the funds available. Together with the Secretariat for European Affairs they organized the round table " Cross - Border Cooperation." Their latest experience is the involvement in new project development with the municipality of Gevgelija. The Regional Center in Bitola is a stake holder of two projects financed by the programme : 1. Management of the hard dump in the region of Bitola with the partners Diadima from the municipality of Kozani, Greece and 2. Creation of the informative center for entrepreneurship between Bitola and Thessaloniki with the partners:

Federation of tradesmen and the Association of East-Central Macedonia and Trace (in Greece). The municipality of Bitola is partner in the projects: 1. Enforcement of the entrepreneurship activities with the Association of trades people and 2. Enforcement of the capacities of the institutions of transport and logistics with the Association of importers of Northern Greece.

In the process of initialization of the project and in their implementation the municipalities face different problems and barriers. Mainly they face the problem of a lack of information about the proper utilization of the financial means dedicated to the project. At the early stages they have problems understanding the application forms. The others problems are context related and concern the capacities of the partners to draft and implement projects. The solution of the problems is connected to the improvement of the communication with the main actors of the programme, with the Secretariat for European Affairs and with the partners of the projects. There is a strong hope and belief among the municipalities for their bigger and more successful involvement in the EU funding programmes.

2

MACEDONIAN EXPERIENCES WITH NON - EU DONORS

Foreign assistance coordination is a complex, time, efforts and skills-consuming function that almost every country undertakes, in one form or another. From a recipient country's perspective, either the government takes an active or semi-active role in coordination or, by default, leaves such coordination to the donor community itself. Nevertheless, from whatever perspective, a certain degree of coordination is required. This 'degree' of coordination depends on many factors such as: the country's interest in reform and development; its maturity to meet the donors and international financial institutions with clearly set policies, strategies and priorities; its absorptive capacity; its interest in co-operation and facilitative relationship with donors, as well as the interest and capacity of donors to respond to the country's needs. Below you can find the organization chart of Foreign Aid Coordination in Macedonia:



The foreign assistance in Macedonia comes from bilateral donors, multilateral donors and International finance institutions. Countries that are donors in Macedonia are Austria, Germany, Japan, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States, Denmark, France, Greece, Spain and China. The multilateral donors are the European Union, the United Nations Development Programme (UNDP), NATO, OSCE, the United Nations agencies (like UNICEF, UNHCR, UNIFEM, WHO, OHCHR, FAO) and IOM. The international financial institutions are the Council of Europe Development Bank, European Bank for Reconstruction and development, the European Investment Bank and the World Bank.

Decentralization and Democratic Governance, poverty reduction through economic development, energy and environment and conflict prevention and

recovery are the numerous objectives to achieve with funds from these foreign donors in Macedonia. To be part of the programmes that non-EU donors manage and publicize for the local municipalities and especially for the non-governmental organizations, research centers and associations is difficult. A main problem is to get information at the time the call for projects is announced. Often the information is obtained at the late stage when it is already too late to act and prepare a high-quality project for applying. However, it can be said that applying and getting a grant for a project from non - EU donors is far easier than getting it from EU donors. It is a matter of a long experience and struggle among the local authorities, organizations and associations to find the way to get to the information and come across the calls and apply at the exact moment. The long procedure and getting the appropriate documentations is more of a problem for the applicants especially if they are not developed in terms of capacities to find partners for a project. There is also a problem with the small municipalities in the country, since they find themselves underestimated and with lack of information and assistance from the Government.

3

CROSS - BORDER COOPERATION PROGRAMMES IN MACEDONIA WITH BULGARIA

Even though there have been no regional agreements, or legislature concerning cross-border co-operation it has been rather extensive, especially until the beginning of 2000. The bilateral agreement (1999-2003) between Macedonia and Bulgaria sets the frame for the cross-border co-operation between the two countries. The Programme is aimed at developing economic and trade ties between the two border areas, improving education and vocational training of human resources, foster small and medium sized enterprises, and lowering the unemployment rate. The following agreements have been signed: a. The Agreement for the abolition of the double taxation of income and property, and the agreement on free trade between the two countries (1999); b. The Agreement between the two governments on trade co-operation, on railway connections between the two countries and on international road transport (1999); c. The Agreement on co-operation in the medical field (involving medical aid and also scientific development) (2001); d. The Agreement on the prescribed times for infrastructures projects.

Republic of Macedonia and Republic of Bulgaria have cross - border cooperation within the CARDS programme 2004 - 2006. The main priorities and measures in this CBC are:

1. Sustainable development of the cross border region

2. Promoting the cross border cooperation between the institutions of the public sector and business: cooperation among the institution from the public sector in regional and local level and cooperation in the field of business activities.
3. Activities “Persons to persons”

The value of the programme is 3 million euro for the period 2004 – 2006. The two countries had agreed upon two calls for projects, in which Republic of Macedonia gave 9 grants of around 1 million euros to 7 municipalities and 2 non-governmental organizations. The 77 applications in the third call were evaluated by the Joint Evaluation Committee, while there is an open forth call for sustainable development, which will be activated until 4th of December 2007. The Ministry of Regional Development and Public Works, of the Republic of Bulgaria and the European Agency for Reconstruction, operating in Macedonia seek proposals which aim at enhancement, exploitation and management of the territorial and infrastructural integrity of the cross-border area in accordance to the sustainable development principles; and extension of contacts towards a new level of co-operation and widening of the sectors and participants currently active in cross-border co-operation.

The Grant Scheme specific objectives are to improve the infrastructure supporting cross-border co-operation in the area of development of complementary economic activities and to promote the economic cohesion along the border in order to increase the competitiveness of the border economy, in the bilateral cross-border area of Republic of Bulgaria and Macedonia within the border region in the following NUTS III level territorial units: For Republic of Bulgaria: Kyustendil – 9 municipalities: Bobovdol, Boboshevo, Dupnitsa, Kocherinovo, Kyustendil, Nevestino, Rila, Sapareva Banya, Trekliano; Blagoevgrad – 14 municipalities: Bansko, Belica, Blagoevgrad, Gotce Delchev, Garmen. Kresna, Petrich, Razlog, Sandanski, Satovcha, Simitli,

Strumiani, Hadjidimovo, Yakoruda. In Macedonia the North-East, South-East and East, with the municipalities of Kratovo, Kriva Palanka, Rankovce, Radovis, Konce, Strumica, Bosilovo, Vasilevo, Novo Selo, Berovo, Pehcevo, Vinica, Zrnovci, Kocani, Cesinovo - Oblesevo, Probistip, Stip, Karbinci, Delcevo, Makedonska Kamenica and Sveti Nikole are eligible. Financial assistance is provided from the 2005 Neighbourhood Programme between Republic of Bulgaria and Republic of Macedonia of the European Communities.⁵

Within the CARDS CBC programme with Bulgaria, the two countries will also open two more calls for project proposals, worth 3 million euro. From CARDS 2004, The Secretariat for European Affairs of the Government of Macedonia used 5% from the funds as a technical assistance, to train the staff of the newly established office of the Common Technical Secretariat of the Programme in Strumica. This office will give assistance to the applicants, the potential applicants and the winners of the grants.

The cooperation between Bulgaria and Macedonia will continue in the period 2007-2013. There is an Operative programme which has set the priorities for the cooperation. A common goal of the programme is the sustainable development in the cross - border region of Macedonia and Bulgaria for support of the wider European cooperation and integration. The specific goals of the programme are: fastening the sustainable economic development in the cross border region, promoting the social cohesion and cross border collaboration and improving the quality of life in the cross border area.

⁵ <http://www.mrrb.government.bg/>

4

MAIN PROBLEMS AND CHALLENGES WITH THE CROSS - BORDER COOPERATION PROGRAMME AND RECOMMENDATIONS

In the CARDS programme for the period from 2004 - 2006 Macedonia received 3.5 million euros: 16 grants and 2 for infrastructural projects in Bitola and Gevgelija. The activities are to be carried out after an arrangement with the regional office in Strumica and the Secretariat for European Affairs of Republic of Macedonia (with the EU funds for technical assistance) is made. This regional office will undertake systematical monitoring of the projects to be implemented thus helping in their accomplishment. For the previous period it can be said that it was more than a test than a successful period.

Critical issues observed by the CRPM team in the period from 1996 - 2006 concerning the Cross - border cooperation between Macedonia and Albania, Greece, Bulgaria and the CARDS programmes are the following:

- a. Complicated management structures affecting communication
- b. Different regulations regarding financing
- c. Unavailable 5% TA effecting the start of the programmes

- d. Finding other resources from National Funds as an alternative, not as a long term solution
- e. Better coordination and cooperation between all parties involved
- f. More focused regional strategy
- g. Need for networking and closer collaboration (regional workshops, sharing of experiences)

If we focus on the cooperation between Macedonia and Greece among the problems with informing the local authorities about the existence of the opportunities to apply and be part of the CBC programme, a huge problem was also the transition to a market economy (especially in the Gevgelija and Bogdanci municipalities). When talking about the CBC with Bulgaria, the area is characterized by low salaries and low standard of living. The agricultural potential has suffered and a low industrial efficiency persists. While privatization is completed in Bulgaria, there is a lot to be done in restructuring and privatization on the Macedonian side. Marketing is also lacking (in the tourist sector). The importance of stimulating the exchange of experiences and formative activities with the economic and institutional actors of the EU must be pointed out, also involving all stakeholders to elaborate strategies for the area, facilitate investments and modernize the productive structures.

Furthermore, training of local agencies suffers from the lack of coordination in the information system and from an underdeveloped marketing strategy. Fundamentally, three major elements can be highlighted in the Cross - Border Cooperation in general:

- a) The internal development of the individual countries,
- b) The framework conditions and contents of regional co-operation, and
- c) The external environment, largely represented by the European Union as the main stabilization, development and modernization anchor for the whole region.

Understandably, the above factors have had an impact on the nature, size and development potential of cross-border co-operation as well. In the forthcoming paragraphs an overall assessment of the current situation and perspectives of cross-border co-operation will be outlined.

International literature on and experience with cross-border co-operation distinguishes three basic categories of co-operation related to the level of development of borders in both sides of the national boundaries. The first category includes developed and high growth regions on both sides of the border. The second group consists of differently developed regions with different growth potentials. Finally, the case has to be mentioned, where both sides of the border are characterized by underdeveloped, depressed, structurally weak regions struggling high level of unemployment, underdeveloped infrastructure, lack of investments, both domestic and foreign etc. It is obvious, that these free basic categories need different development approaches and support mechanisms.

Unfortunately, this basic knowledge has not yet been recognized either by the EU efforts to contribute to cross-border co-operation, or in the national economic strategies (development plans) of the respective countries. Evidently, the growth potential can easiest be exploited in case of the first pattern. Here, the lion's share of the activities is market driven. Governments, regional and local authorities have mainly the task of not to raise barriers to genuine, self-sustained bottom-up co-operation. In the second case, policy instrument should play more relevant and direct role, consisting of two equally important parts. On the one hand, everything has to be done in order to fully develop the multiplier (spill-over) impacts originating in the more developed region.

On the other hand, and not less importantly, the less developed region has to have the necessary institutional, legal, technical and financial resources in order to be able to efficiently absorb the multiplier effects coming from the more developed region. This is the way of successful catching-up and sustainable high growth on both sides of the border. In turn, economic policy making is seriously challenged by the third category. There are very few cases, in which two underdeveloped regions could substantially catch-up just by increasing bilateral co-operation. This statement is not only valid for regions on different sides of the national borders, but, even more for co-operation between under-developed countries.

The theoretical framework can however be influenced by number of non-economic factors as well. Most of them unfortunately, do not strengthen, but impede cross-border co-operation also in the first and the second pattern. Such factors include historical heritage, cultural differences, social values, different mentality etc. Most likely the Macedonian-Greek border may be classified into the second one. This reality has to constantly be taken into account in all efforts directed to design a common or differentiated strategy of cross-border cooperation in the area covered by the EU programmes.

In order to develop a realistic cross-border co-operation policy several barriers have to be taken into account, and overcome:

a) One of the most important obstacles is the generally underdeveloped physical infrastructure. Legal barriers to cross-border co-operation may be eliminated by free trade and other agreements, but the flow of available goods and services will still be hindered by the lack of sufficient performance of transportation system.

b) Equally important is the customs procedures, that, according to recent experience may take several hours and a number of administrative barriers, that use to deter companies from foreign and cross-border activities.

c) As already mentioned above, the low level of development of both sides of the border areas represents a serious disadvantage. Provided that high growth in most counters of the region will spread to the border areas in relatively short time, this bottle neck can be eased. However, the time span may be relatively long and also dependent on external support (mainly EU funds).

d) As international and Central-European experience shows, the dynamism of cross-border co-operation depends on the production pattern of both sides of the border. In case of similar patterns (and problems) it will be difficult to find genuine areas of cooperation, at least in the first stage of relations. If the pattern of production is differentiated, complementary activities may foster bilateral co-operation.

e) However, even in the best case of complementarity, high level of unemployment of both sides of the border is likely to become an additional barrier.

f) According to widespread experience, the pattern of privatization is substantially influencing cross-border co-operation. Generally, transnational companies involve into their strategic planning regional markets and not small and poor national ones. If however, the privatization policy aimed keeping alive national firms and allowing domestic and foreign firms to buy minority shares only, market orientation remains restricted to the domestic customers. The proliferation of this practice in particularly in the Ex-Yugoslav republics strengthens inward looking attitudes and isolation instead of enhanced cross-country and cross-border co-operation.

g) Cross-border co-operation is hindered also by fear of competition, better location conditions on the other side of the border, pure jealousy/narrow minded and short-term (apparent) interests. Such deadlocks often are broken by

a third actor, i.e. a company coming from outside of the region (from a economically more developed environment) with clear business and profit interests, which up-grades the quality of and opens new perspectives to cross-border co-operation.

h) The information that reaches the local authorities in the eligible areas should be spread in a proper way, organizing more frequently seminars and workshops in order to inform and train the municipalities and the local NGO's how to be more competitive and more ready to apply the conditions of the open calls while applying for a grant.