

## Annex 7.6: Territorial and SWOT Analysis

### Territorial analyses

The description of the border region between Bulgaria and the former Yugoslav Republic of Macedonia has been developed on the basis of regional and sectorial statistical data as well as on information that is available in the main regional strategic documents. Description of the region together with the description of the eight thematic areas form the core information and analyses of the Program document for the IPA Cross-border Programme Bulgaria – the former Yugoslav Republic of Macedonia 2014-2020.

Territorial analyses cover eight thematic areas as stipulated in the EU IPA II regulation, Annex III<sup>1</sup>:

- a) Promoting Employment, labour mobility and social and cultural inclusion
- b) Protecting the Environment, promoting climate change adaptation and mitigation, risk prevention and management
- c) Promoting sustainable transport and improving public infrastructures
- d) Encouraging tourism and cultural and natural heritage.
- e) Investing in youth, education and skills
- f) Promoting local and regional governance
- g) Enhancing competitiveness, business environment and the development of small and medium-sized enterprises, trade and investment
- h) Strengthening research, technological development, innovation and information and communication technologies

The main territorial analyses findings were presented and discussed with the regional stakeholders (among others during the five Regional Consultative Forums – first round, in both countries) and with the Joint Working Group.

On the bases of territorial analyses the main focus of the future IPA Cross-border cooperation Program for the border region between Bulgaria and the former Yugoslav Republic of Macedonia has been defined and Thematic Priorities selected.

#### *Description of the border region Bulgaria – the former Yugoslav Republic of Macedonia*

The eligible area for the IPA Cross-border Cooperation Programme between Bulgaria and the former Yugoslav Republic of Macedonia is located in the South-Central part of the Balkan peninsular. It covers a territory of 18 087 km<sup>2</sup> and has a population of 980 375 people<sup>2</sup>.

The territory includes on Bulgarian side two NUTS III districts - *Blagoevgrad and Kyustendil* (52,5% of the CBC programme area), comprising of 23 municipalities, 462 settlements and a population of 452 973 people<sup>3</sup> (46.2% of the total programme area population, 6,2% of the country population). The municipalities on Bulgarian territory are:

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

The territory on side of the former Yugoslav Republic of Macedonia comprises of the *North-East, the East and the South-East* NUTS III statistical regions (47,5% of the programme area, 33,4% of the country area), consisting 27 municipalities, 597 settlements and population of 527 402<sup>4</sup> people (53,8% of the total programme area population, 25.6 % of the country population):

- North-East region: Kratovo, Kriva Palanka, Rankovce, Kumanovo, Lipkovo and Staro Nagorichane;

<sup>1</sup> Annex III of Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II)

<sup>2</sup> Source: Bulgaria-National Statistical Institute; former Yugoslav Republic of Macedonia-State Statistical Office-Data for 2012

<sup>3</sup> Source: National Statistical Institute-Data for 2012

<sup>4</sup> Source: former Yugoslav Republic of Macedonia State Statistical Office- Data for 2012 (estimations)

- South-East region: Valandovo, Gevgelija, Bogdanci, Dojran, Radovish, Konche, Strumica, Bosilovo, Vasilevo and Novo Selo;
- East region: Berovo, Pehchevo, Vinica, Kochani, Cheshinovo - Obleshevo, Zrnovci, Probishtip, Shtip, Karbinci, Delchevo and Makedonska Kamenica.

Table 1: Main data on the Programme territory and population<sup>5</sup>

	Area (km <sup>2</sup> )	% of total country area	Population (2012)	% of total country population
Republic of Bulgaria	111 001.9		7 284 552	
Cross border region	9 501.0	8.6%	452 973	6.2%
Blagoevgrad	6 449.5	5.8%	320 160	4.4%
Kyustendil	3 051.5	2.7%	132 813	1.8%
Former Yugoslav Republic of Macedonia	25 713.0		2 062 294	
Cross border region	8 586.0	33.4%	527 402	25.6%
East Region	3 537.0	13.8%	178 551	8.7%
South-East Region	2 739.0	10.7%	173 291	8.4%
North-East Region	2 310.0	9.0%	175 560	8.5%
<b>Total Programme Area</b>	<b>18 087</b>		<b>980 375</b>	

More than half of the Program area is *mountainous* (the entire Rila and Pirin mountains, part of Western Rhodopi, the mountains of Verila, Konyavska, Zemenska, Slavyanka, Plackovica, Belasica, Osogovo, Malesevska, Ograzden and Vlahina), with forests occupying 46.5% of the total area but also numerous valleys with fertile land. The area is rich in water resources: rivers, the biggest of which are Struma, Mesta, Bregalnica, Strumica (Strumeshnica); lakes (part of Dojran Lake, Vodoca, Mantovo; 233 lakes in Rila and 186 in Pirin, of which the most popular are the Seven Rila lakes); *thermal waters* are available across the whole cooperation area.

The climate is diverse, from moderate-continental, transitional-continental and mountainous to Mediterranean along the river valleys.

The settlement structure in the CBC region is characterized by a concentration of population, economic and social activities in several regional centres (Blagoevgrad, Kyustendil, Dupnitsa, Sandanski, Goce Delchev and Petrich on the Bulgarian side; Kumanovo, Shtip and Strumica on side of the former Yugoslav Republic of Macedonia – 37% of the region's population) and numerous sparsely populated rural and peripheral areas in the mountains and closer to the border.

The orientation of each part of the CBC region is towards its internal centres rather than cross-border which is also due to the fact that important transport corridors run through them thus providing easier access to outside centres and links to the countries' capitals.

The CBC region is served mainly by road transport. Three major international routes are passing through it: Sofia-Kulata-Thessaloniki (part of European Corridor No. 4), Sofia-Kyustendil-Gyueshevo-Skopje (part of European corridor No.8) and Kumanovo-Veles-Gevgelija (part of European corridor No.10). The Sofia-Dupnitsa-Kulata-Thessaloniki and Sofia-Kyustendil-Gyueshevo railroads also cross the region.

From a CBC perspective, the cross-border connectivity is inadequate and the transport networks of the two parts of the region are not well integrated. There are currently 3 operating border crossing points at Gyueshevo - Deve Bair, Stanke Lisichkovo – Delchevo and Zlatarevo - Novo Selo, but opening more border crossings will facilitate and intense cross-border integration of both sides<sup>6</sup>. Furthermore, the roads network is unevenly distributed throughout the region thus hampering the access to mountainous and semi-mountainous areas. In the urban parts it is not sufficiently developed (many bottle necks) in order to meet the needs both of the intense local and transit traffic.

Demography, employment and economic development figures of the CBC region are more unfavourable than the EU and in many aspects are also worse than the national average of both countries.

<sup>5</sup> Source: Bulgaria-National Statistical Institute; former Yugoslav Republic of Macedonia-State Statistical Office

<sup>6</sup> On a border of 165 km there are only 3 border crossings (about 55 km between them)

The *demographic* development is characterized by low population density, decreasing birth rates and aging population. For the period between 2007-2012 the population of the eligible border area has decreased by 2.5%, with figures being more positive for the side of the former Yugoslav Republic of Macedonia (small growth registered for South-East and North-East regions), opposed to a strong negative tendency for Kyustendil district - Bulgaria (-10.98%), and depopulation extremes registered for the municipalities of Treklyano (-43.74%), Nevestino (-26.80%), Rila (-24.17%), Kocherinovo (-21.10%) and several others<sup>7</sup>.

Table 2: Demographic data for the Programme area<sup>5</sup>

	Population (2012)	Population (2007)	Population development (2007-2012), %
Republic of Bulgaria	7 284 552	7 640 238.0	-4.66%
Cross border region	452 973	478 496.0	-5.33%
Blagoevgrad	320 160	329 309.0	-2.78%
Kyustendil	132 813	149 187.0	-10.98%
Former Yugoslav Republic of Macedonia	2 062 294	2 045 177.0	0.84%
Cross border region	527 402	526 799.0	0.11%
East Region	178 551	180 422.0	-1.04%
South-East Region	173 291	172 238.0	0.61%
North-East Region	175 560	174 139.0	0.82%
<b>Total Programme Area</b>	<b>980 375</b>	<b>1 005 295</b>	<b>-2.48%</b>

The *economic structure* of the region is diverse with agriculture being particularly important for the rural areas and manufacturing industry concentrated in a limited number of more urbanized settlements. In 2011 the share of the agricultural sector in the region's GVA accounted for 15% which was much above the national averages<sup>8</sup>. In the South-East region it is as high as 33%. Manufacturing (36% of the regional GVA) is most important in East region (45%) and in Kyustendil district (40%). The main industrial fields of activity are apparel and shoe-making industries, food-processing, pharmaceutical and mining. Tourism, though having big development potential and being well unfolded in certain locations, still has a modest share.

Similar to the EU and national trends, the economic development of the region has experienced a decline during the years of the world economic crisis, however the GDP per capita for the period 2007 – 2011 as a whole has grown by round 35% (with the strongest growth registered for South-East region (former Yugoslav Republic of Macedonia) - 59% and the least one for Kyustendil district (Bulgaria) – 5%. Still it remains below the national average of both countries. Outside investments to the region are rather limited, as well as the innovations and R&D, which hinders the efficient and sustainable development of local companies.

Like in most EU countries, the *labour market* of the border region is suffering higher unemployment rates, compared to the years before the crisis. In 2012 unemployment in the cooperation area reached 20.3% on an average basis, but the situation differs strongly across the region: from 10.4% for Blagoevgrad up to 52.8 % for North-East region. Most affected are the rural areas and the remote mountain settlements. In general, the work-force of the border region has narrow specialization and low mobility; it lacks the professional competencies and skills the modern economy would require.

## (a) Promoting EMPLOYMENT, labour mobility and SOCIAL and CULTURAL INCLUSION

### Labour market

The labour market of the cross-border region presents an unfavourable situation with clear regional imbalances and more negative trends for the Bulgarian part of the region.

<sup>7</sup> These and all subsequent figures result from calculations based on data for the number of the population for the years 2007 and 2012, provided by the Bulgarian National Statistical Institute and the State Statistical Office of the former Yugoslav Republic of Macedonia

<sup>8</sup> The share of GVA of the agricultural sector out of the total GVA for 2011 for each country are: 5.4% for Bulgaria and 10.9% for the former Yugoslav Republic of Macedonia

About 400.000 people have been employed in the border region in 2012, almost equal number on each side of the border. The average employment rate for the region was 53%, higher than the national averages of both countries, slightly declining compared to previous years<sup>9</sup>.

Table 3: Unemployment rates (%) in the Programme area<sup>10</sup>

	total	2012 men	women	2007 total
Republic of Bulgaria	12.3%	13.5%	10.8%	6.9%
Cross border region	12.3%	15.2%	9.3%	3.5%
Blagoevgrad	10.4%	12.6%	8.0%	2.3%
Kyustendil	14.2%	17.8%	10.5%	4.7%
Former Yugoslav Republic of Macedonia	31.0%	31.5%	30.3%	34.9%
Cross border region	28.4%	28.6%	28.1%	34.6%
East Region	18.5%	20.8%	15.6%	21.8%
South-East Region	13.8%	12.6%	15.2%	11.1%
North-East Region	52.8%	52.5%	53.4%	61.0%
<b>Total Programme Area</b>	<b>20.3%</b>	<b>21.9%</b>	<b>18.7%</b>	<b>19.1%</b>

Chart 1: Unemployment rates (%) on country and district/region level<sup>11</sup>

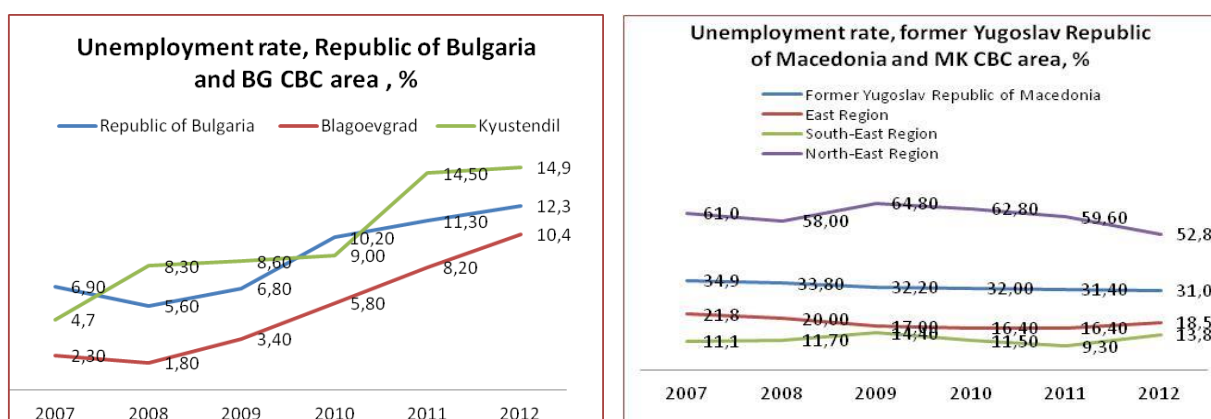


Table 4: Employment rates (%) in the Programme area<sup>12</sup>

	2007	2008	2009	2010	2011	2012
Republic of Bulgaria	55.40	50.80	49.40	46.70	46.60	46.60
Cross border region	53.02	53.95	52.82	52.51	51.99	50.46
Blagoevgrad	56.40	57.20	55.40	53.60	52.90	53.10
Kyustendil	43.70	45.00	45.70	49.50	49.50	43.20
Former Yugoslav Republic of Macedonia	36.20	37.30	38.40	38.70	38.90	39.00
Cross border region	41.98	44.99	43.16	44.33	45.05	45.33
East Region	40.40	47.40	49.40	49.00	48.70	50.10
South-East Region	61.90	62.30	59.60	61.90	64.40	60.90
North-East Region	23.60	25.00	20.00	21.70	21.70	24.60
<b>Programme Area</b>	<b>51.52</b>	<b>54.06</b>	<b>53.38</b>	<b>53.80</b>	<b>54.18</b>	<b>52.95</b>

<sup>9</sup> Data based on annual employment rates of the population of 15 years and over for the period 2007 – 2012. Secondary data for programme region is weighted by the number of the population of 15 years and over (working power).

<sup>10</sup> Source: Bulgaria-National Statistical Institute; former Yugoslav Republic of Macedonia-State Statistical Office and experts calculations. The calculations for CBC region are an approximation as they are not weighted. The source figures for total workforce and No of unemployed would be needed to calculate the rates correctly. These data are available for Bulgaria, but data for the former Yugoslav Republic of Macedonia have not been available.

<sup>11</sup> Source: Bulgaria-National Statistical Institute; former Yugoslav Republic of Macedonia-State Statistical Office and experts calculations. The calculations for CBC region are an approximation as they are not weighted. The source figures for total workforce and No of unemployed would be needed to calculate the rates correctly. These data are available for Bulgaria, but data for the former Yugoslav Republic of Macedonia have not been available.

<sup>12</sup> Source: Bulgaria-National Statistical Institute; former Yugoslav Republic of Macedonia-State Statistical Office and experts calculations



The employment structure clearly reflects the distinction and the disparities of the regional economic structure and potentials, with South-East region and Blagoevgrad district having a particular positive influence on the employment figures of the whole CBC region, while the North-East region on the side of the former Yugoslav Republic of Macedonia and Kyustendil on Bulgarian side show low participation in employment, also lower compared to the national levels of both countries.

The inter-regional differences are manifested even more clearly in the unemployment rates. In 2012 unemployment ranged from 10.4% in Blagoevgrad district to up to 52.8% in the North East region. Unemployment rates in both Bulgarian districts have followed the negative trends at national and EU level in the years after 2009<sup>13</sup>, while those in the regions on the side of the former Yugoslav Republic of Macedonia remain comparatively stable (with North East being the region mostly affected by unemployment even illustrating some positive trends, however still remaining much below the national levels and all other CBC regions).

In terms of gender, the employment structure in both countries (and on CBC regional level) show higher activity rates for male than for female<sup>14</sup>. As to unemployment, the gender structure is not a major issue for the region where unemployment rates are comparatively similar. The problems to be addressed relate to the much higher unemployment rates in the rural areas as opposed to urban centres (due to low economic activity, low educated work force) and the higher youth unemployment rates which is a serious problem also on national level of both countries, with a strong negative trend for the Bulgarian regions<sup>15</sup>. Unemployment among young people, especially those with higher educational levels is worrying, as it is a main reason for emigration thus worsening the already unfavourable demographic situation of the region.

Labour mobility is not specific for the region. The main reasons are local (national) mentality and traditions to work where you leave, lack of modern skills and competences (e.g. languages, ICT skills, etc.) especially of the elderly population, as well as more objective reasons like insufficient quality of the transport infrastructure, the mountainous relief of the region with a lot of distant settlements, low quality of public transport and inter-city connection systems.

It should be positively noted that the regional labour force can offer to potential employers specific knowledge and skills in traditional sectors (agriculture, fruit-growing, light industry, etc.) as well as more competitive labour costs than those in the country capitals and other larger urban centres. However, there is also a need for additional qualification and requalification for acquiring the key skills required by the more recently developed and emerging industries, like tourism.

In the former Yugoslav Republic of Macedonia the unemployment has remained high for the last 20 years, with recent (mid 2013) rate of about 30%, youth and women being particularly affected. In addition the labour market is characterised by persistently low rate of economic activity and employment rates. The National Employment Strategy 2015 and the National Strategy for Alleviation of Poverty and Social Exclusion 2010-2020 are the main policy documents in this area. Fostering employment, developing human capital and social and economic inclusion, including minorities and vulnerable groups, will be a priority objective in the coming period for the country. In order to achieve an inclusive and effective labour market, it is vital to ensure the policy coherence between the different measures: on the one hand, addressing the structural weaknesses of the entire labour market, addressing unemployment through adequate policies (incl. active labour market measures), while on the other hand targeting especially young people and women, ensuring the right education and vocational training, modernising the social security system,

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<sup>13</sup> Annual Unemployment rate for the Republic of Bulgaria in 2012 was 12.3% compared to 2009 when it was 6.8% and for EU-27 was 10% in 2012, compared to 2008 when it was 7.10%. As at December 2013 the figures are already 13.1% for Bulgaria and 10.7% for EU-27. Source: Bulgaria-National Statistical Institute and EUROSTAT

<sup>14</sup> In 2012 gender activity rates for Bulgaria were 58.7% of male versus 47.8% of female (Blagoevgrad: 64.7% male, 54.2% female; Kyustendil 53.3% male, 47.7% female). In the former Yugoslav Republic of Macedonia these figures were 68.7% male and 44.30% female; regional statistic is not available). Source: Bulgaria-National Statistical Institute; former Yugoslav Republic of Macedonia-State Statistical Office

<sup>15</sup> Bulgaria is second in EU in terms of the speed with which youth unemployment is increasing (e.g. youth unemployment was 28.1% in 2012 compared to 12.7% in 2008). In the former Yugoslav Republic of Macedonia the percentage for 2012 is much higher (53.90%) than the country average unemployment rate (31%) but is declining (56.4% in 2008, 57.7% in 2007). Source: Bulgaria-National Statistical Institute; former Yugoslav Republic of Macedonia-State Statistical Office

fostering social dialogue, strengthening the administrative capacity and observing the labour laws. Country needs support to the implementation of employment policy at National and Local level, support to active labour market measures targeting in particular young people and women, support for transforming informal or undeclared work into regular employment, stimulate for self-employment, social entrepreneurship and promotion of entrepreneurship, strengthen the administrative capacity (reinforce public employment services, support labour inspectorate etc.), support to improvement of working conditions and observance of health and safety at work and support to social dialogue and strengthen the capacity of social partners

### *Poverty, social services and social inclusion*

Poverty levels are more worrying for the CBC region of the former Yugoslav Republic of Macedonia, though the Bulgarian CBC districts also show some negative trend in recent years. In terms of the average annual poverty threshold both Bulgarian districts show worsening tendency when compared to the levels for Bulgaria, with Blagoevgrad remaining slightly above the national average, while Kyustendil falling below it<sup>16</sup>.

However, in terms of poverty ratios, Blagoevgrad district is a national leader, with the lowest share of people living below the poverty line (12.4% in 2011, compared to 21.2% for Bulgaria), almost the same for both genders. Also Kyuestendil figures are also more favourable than the national average (19.3% for 2011), but higher for women (21.6%) than for men (16.7%)<sup>17</sup>.

The situation in the former Yugoslav Republic of Macedonia is more tense. In 2009, the country's poverty rate was 31.1% which was reflected in the poverty gap index (10.1 in 2009). In 2010, the government of the former Yugoslav Republic of Macedonia adopted a national strategy for poverty alleviation and social inclusion (2010-2020). According to the 2010 National Human Development Report, Macedonian citizens express a feeling of being left out of society (72% of all people surveyed), which indicates a huge gap between citizens and the state. Among those who feel left out, the highest percentages were women (55%), youth (80%) and people with higher levels of education. Youth unemployment is considerably higher than average unemployment. Out of the total number of unemployed young people, 68% are long-term unemployed (more than a year without a job) and 39.6% have been waiting for more than four years to find a job. The downward trend of the poverty rate continued in 2011, when it reached 30.4% with poverty gap of 9.3%. The most vulnerable groups are multi-member households, bearing in mind the fact that 48.5% of the poor people live in households with 5 and more members. The poverty rate for the unemployed is 40.7%, i.e. 46.0% of all poor people are unemployed. The education of the household head also influences the number of poor people, namely 54.6% of the poor live in households where the head of the household has no, or at most primary education.

The groups most vulnerable to poverty exclusion groups in both neighbouring countries are quite similar: multi-member households (61% of such families in Bulgaria and 47.3% of the former Yugoslav Republic of Macedonia are poor); unemployed (48.5% of such persons in Bulgaria and 41.8% of the former Yugoslav Republic of Macedonia are poor); people living in rural and distant areas, Roma minorities.

There are 17 hospitals on the Bulgarian side of the CBC area (12 in Blagoevgrad and 5 in Kyustendil district), 6 of which are specialised (the rehabilitation hospitals in Marikostinovo and Separeva banya are of national importance as their services are based on the rich thermal resources of the region). In addition there is a well-developed network of medical and diagnostic centres, dental clinics and medical laboratories. The number of beds in hospitals in the Bulgarian CBC districts decreased which is also the tendency on national level due to the continuous health reform and the decreasing number of the population. The availability of doctors though remain stable<sup>18</sup>.

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<sup>16</sup> In 2007 the average annual poverty line per person in Bulgaria was 1303 EUR, while in 2011 it was 1716 EUR (the lowest in all EU). For comparison the same indicator for Kyuestendil was 1320 EUR in 2007 and 1473 EUR in 2011, and for Blagoevgrad – 1584 EUR in 2007 and 1729 EUR in 2011. Source: Bulgaria-National Statistical Institute.

<sup>17</sup> Source: Bulgaria-National Statistical Institute

<sup>18</sup> In 2012, number of the beds in hospitals in the Bulgarian CBC districts were 2427, reduced from 2869 in 2007 and 3189 in 2001. The number of doctors in 2012 were 1381 and in 2007 – 1321. Source: Bulgaria: National Statistical Institute

The main problems of the health sector relate to the deteriorating quality of healthcare due to outdated equipment and infrastructure, migration of well-educated doctors and the hampered access to medical services of the people living in smaller settlements (e.g. in Kyustendil district all medical centres and 80% of the GPs are located in the towns of Kyustendil and Dupnitsa).

Health care in the former Yugoslav Republic of Macedonia is relatively easily accessible (geographically, economically and time-wise) for the population, because it is delivered within a widespread network of health care institutions. This makes it possible for around 90% of the population to get a health service in less than 30 minutes. Three segments comprise the health care system: primary, secondary and tertiary health care. The health care system is oriented towards primary health care as the basis of the system, where the first contact with the health service is made and where the majority of the health care needs of the population are satisfied. On the CBC area of the former Yugoslav Republic of Macedonia there are 318<sup>19</sup> (27% from total national) primary health care practices for general medicine. From public health institutes, there is specialized consultative health care (82 health centers and 8 centers for public health, 38% and 40% from total national appropriate) and inpatient health care (61 general hospitals, 9 clinical hospitals and 1 special hospital 32%, 19% and 6%% from total national appropriate).

The social services in the region are targeted at specific groups vulnerable to social exclusion such as isolated elderly people, neglected children, physically and mentally disabled people, homeless, long-term unemployed, etc.

The social service structure is well developed on the Bulgarian side of the region, with 4 specialised children's institutions (3 in Kyustendil, 1 in Blagoevgrad), 3 institutions for elderly people (1 in Kyustendil, 3 in Blagoevgrad), 4 institutions for people with disabilities (2 in Kyustendil and 2 in Blagoevgrad) and a wide network of services delivered in a home or close to home environment following the national and EU trend for deinstitutionalisation – e.g. daily centres for elderly people, daily centres for physically or mentally disabled, centres for social rehabilitation and integration, protected houses, etc. Further developments in the social sectors should be focused to the improvement of the existing infrastructure and equipment and attracting private public partnership in the sector.

In the Former Yugoslav Republic of Macedonia the Ministry of Labour and Social Policy (MoLSP), establishes the system of social protection, facilitates its functioning, and provides conditions for implementation of the social protection activities. There is no regional level of governance, but devolved national governance bodies on local level. The Centres for Social Work (CSWs) are the basic public social protection institutions. There are 30 inter-municipal CSWs, each covering the social protection needs of the population from the territories of several municipalities. National Program for Development of Social Protection 2011-2021 establish the aims, priorities and directions for development of social protection using active social policy measures. The programme depicts an overview of a new model of the social protection system where the social prevention and case management are main priority areas. Furthermore, the proposed new model is trying to comply with the new required standards for social inclusion of the vulnerable groups into society and introducing the model of outreach work by the social workers. For the coming period country needs continued support to social inclusion of vulnerable groups, strengthening implementation of policies in this field through building capacity and co-ordination among the institutions involved, more proactive implementation of the relevant minority policies, including the Roma strategy at national and local level, as well as ensuring the full implementation of the Ohrid Framework Agreement. Also in the coming period country need support to reforms for modernisation of social and health protection system, support access to quality social and care services, in particular for vulnerable groups such as Roma, and improving access by young people to social protection mechanisms, improve access to affordable early childhood education and care services and strengthen policies to support parents' access to the labour market

### **Key challenges and needs for cooperation**

Development of labour market and reduction of regional imbalances are important challenges for ensuring balanced development of the cross border area and between urban and rural areas.

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<sup>19</sup> Source: Health Insurance Fund of former Yugoslav Republic of Macedonia

Undertaking joint local employment initiatives, information and advisory services and joint training on key competences and for adjusting the labour force to new labour market demands as well as stimulating and promoting labour mobility may be needed.

Potentials should be explored to implement local development initiatives and joint structures providing services to create new jobs (especially also for women and young people) through stimulating start-up SMEs and self-employment, CBC business incubators, consultancy schemes to support small entrepreneurs in rural areas.

Possibilities to support cross-border social enterprises should be explored, in particular in the rural areas.

Both areas of the region have a relatively developed social service sector, therefore exchange of experience between the social service entities, both public and private, may contribute to further quality enhancement of the sector. Particular attention need to be paid to develop actions that address the needs of vulnerable groups such as disabled, elderly or Roma community.

## **(b) Protecting the ENVIRONMENT and promoting CLIMATE CHANGE adaptation and mitigation, RISK PREVENTION and management**

### *Landscape and biodiversity*

The CBC region provides unique features in terms of *landscape* and *biodiversity* predetermined by the moderate climate and favorable geological and hydrological conditions of the area. The territory is a puzzle of numerous mountains (with Musala peak – the Balkan Peninsula highest point (2925 m) - located in the region), valleys, river watersheds and lakes. The region benefits from rich forests with diverse flora and fauna, comparatively clean soil (except local spots in the agricultural and industrial/mine areas where soil pollution was identified) and fertile land, as well as thermal waters (with the hottest mineral water geyser on the Balkans located in the region – in Saparevabanya, 103.5°C).

Most of the *natural resources* of the region are protected and well preserved. The share of the protected areas out of the total territory of the two Bulgarian districts of the region is 13.14% for Blagoevgrad and 11.94% for Kyustendil, compared to 5.2% average for Bulgaria which is one of the countries with richest biodiversity in Europe<sup>20</sup>. At the regional scale the biodiversity of the former Yugoslav Republic of Macedonia encompasses 70-90% of the entire Balkan biodiversity. Based upon an analysis of biodiversity richness among the countries of Europe, the RM holds the top position on the "European Hotspot" list. The richness of biodiversity is illustrated by the outstanding number of over 16,000 floral, faunal and fungal species, out of which more than 850 are endemic and through the large variety of ecosystems host more than 260 plant communities. Two of the three National parks of Bulgaria are located in the region – the National parks Rila and Pirin of which Pirin has been included in the UNESCO Convention on Protection of Cultural and Natural Heritage. Within them 6 Natural parks are located – 4 in Rila and 2 in Pirin. Numerous nature reserves and protected areas are among the assets of the region: on the Bulgarian side: the seven Rila Lakes, Parangalitsa (the oldest nature reserve in the country), Bayuvi Dupki- Djindjirica (the biggest (2873 ha) biosphere reserve in the country), the Stob Pyramids; on side of the former Yugoslav Republic of Macedonia the natural monuments: Smolare and Kolesino Waterfalls on Belasica Mountain and Monospitovo Swamp near Strumica with presence of glacial relicts of fern (*Osmundaregalis*). Osogovo Mountain, Belasica Mountain, Malesevo Mountain, and parts of watersheds of Struma River are also recognized in the Strategy of the World Conservation Union (IUCN) as areas with a high potential for CBC activities.

Though the majority of the protected territories located on the Bulgarian side of the cross-border region have been formally registered and included in the Natura 2000 network, approved management plans currently exist only for the Rila and Pirin national parks, the Rila Monastery natural park and the Kocherinovo protected area<sup>21</sup>, thus work in this direction is still forthcoming.

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<sup>20</sup>Data are from the Regional Development plan of the South-West (NUTSII) region 2014-2020, MRR, 2012

<sup>21</sup>Source: Register of the Protected territories and protected zones in Bulgaria, Executive Agency for Environment, Bulgaria



Table 5: List of Natura 2000-Protected territories and areas on the Bulgarian side of the CB region<sup>21</sup>

Blagovograd District		
Protected territories:		
<ul style="list-style-type: none"> <li>- National Park – Pirin (existing management plan)</li> <li>- National Park – Rila (existing management plan)</li> <li>- Natural Park – Belasitsa</li> </ul>		
Reserves	Protected sites	Natural landmarks
<ul style="list-style-type: none"> <li>- Ali Botush</li> <li>- Bauvi Dupki</li> <li>- Kongura</li> <li>- Konski Dol</li> <li>- Oreljuak</li> <li>- Parangalitsa</li> <li>- Sokolata</li> <li>- Tisata</li> <li>- Dark Forest</li> <li>- Yulen</li> </ul>	<ul style="list-style-type: none"> <li>- Babite</li> <li>- Belatsite</li> <li>- Beslet</li> <li>- Blatoto</li> <li>- Natural field of sycamore, incl. Buyna, Kuchkarnika</li> <li>- Zhingov Bryast</li> <li>- Kartalets</li> <li>- Kresnen gorge</li> <li>- Krushe</li> <li>- Luzhnitsa</li> <li>- Lyubina Rock</li> <li>- Manastirisheto</li> <li>- Moravska</li> <li>- Natural field of Erodium absinthoides</li> <li>- Natural field of Amygdalus delipavlovii</li> <li>- Natural field of Ephedra fragilis</li> <li>- Natural field of Geranium aristatum</li> <li>- Natural field of Convolvulus holosericeus</li> <li>- Palyova dip</li> <li>- Pirin tulip</li> <li>- Rupiite</li> <li>- Slaviyanka</li> <li>- Toplishte</li> <li>- Rock Hill</li> <li>- Chukaro</li> </ul>	<ul style="list-style-type: none"> <li>- Tufcha Waterfall</li> <li>- Popina Luka Waterfall</li> <li>- Kayakliiski rocks</li> <li>- Kozhuha</li> <li>- Kozia kamak - Rock formation</li> <li>- Kupena</li> <li>- Kioshkata</li> <li>- Melnik Pyramids</li> <li>- Momina Rock</li> <li>- The Eagles</li> <li>- Cave in Boychova Rock site</li> <li>- Pirostiyata</li> <li>- The wedding – rock formation</li> <li>- The black rock</li> <li>- Chestna waterfall</li> <li>- Sharalia cave</li> </ul>
Protected areas:		
Category 33, according to the Birds Directive (2009/147/ECC)		Category 33, according to the Habitats Directive (92/43/ECC)
<ul style="list-style-type: none"> <li>- Boboshevo</li> <li>- Kocherinovo (existing management plan)</li> <li>- Kresna</li> <li>- Melnik pyramids</li> <li>- Mesta</li> <li>- Pirin</li> <li>- Pirin buffer</li> <li>- Rila</li> <li>- Rupiite</li> <li>- Slavyanka</li> <li>- Western Rhodopi</li> </ul>		<ul style="list-style-type: none"> <li>- Belasitsa</li> <li>- Dolna Mesta</li> <li>- Izvoro</li> <li>- Kresna – Ilindentsi</li> <li>- Krushe</li> <li>- Ograzhden</li> <li>- Pirin</li> <li>- Middle Pirin – Alibotush</li> <li>- Mesta river</li> <li>- Oranov gorge</li> <li>- Rila</li> <li>- Rupiite – Strumeshitsa</li> <li>- Skrino</li> <li>- Western Rhodopi</li> </ul>
Kyustendil District		
Protected territories:		
<ul style="list-style-type: none"> <li>- National Park – Rila (existing management plan)</li> <li>- Natural Park – Rila Monastery (existing management plan)</li> </ul>		
Reserves	Protected sites	Natural landmarks
<ul style="list-style-type: none"> <li>- Gabra</li> <li>- Rila monastery forest</li> <li>- Skakavitsa</li> <li>- Tsarnata reka</li> </ul>	<ul style="list-style-type: none"> <li>- Venerable oak forest</li> <li>- The Green hill</li> <li>- Manolovoto</li> <li>- Natural fields of Verbascum anisophyllum, Tserveniano village and Bukovo village</li> <li>- Natural field of Lycopodiella inundata</li> <li>- Natural field of Astragalus dasyanthus</li> <li>- Pall, Boboshevo</li> <li>- Natural field of Centaurea finazzeri</li> </ul>	<ul style="list-style-type: none"> <li>- Goritsa waterfall</li> <li>- Sequoia group of trees – Juchbonar</li> <li>- Zemenski Rocks</li> <li>- Koriata</li> <li>- Natural field of Corylus colurna (Turkish haselbush)</li> <li>- Cave in Ridinata locality</li> <li>- St. Anna</li> <li>- Skakatitsa waterfall</li> <li>- Stob pyramids</li> </ul>
Protected areas:		
Category 33, according to the Birds Directive		Category 33, according to the Habitats Directive
<ul style="list-style-type: none"> <li>- Boboshevo</li> <li>- Dolna Koznitsa</li> <li>- Kocherinovo</li> <li>- Osogovo</li> <li>- Rila</li> <li>- Rila Monastery</li> <li>- Srino</li> </ul>		<ul style="list-style-type: none"> <li>- Verila</li> <li>- Dolni Koriten</li> <li>- Zemen</li> <li>- Konyavska planina</li> <li>- Karvav kamak</li> <li>- Karshalevo</li> <li>- Osogovo mountain</li> <li>- Rila</li> <li>- Rila Monastery</li> <li>- Skrino</li> <li>- Choklyovo swamp</li> </ul>

The protected areas in the former Yugoslav Republic of Macedonia has increased from 7.4% in 1991 to 9% (of the national territory) in 2013 and covers 229,722.5 ha with 86<sup>22</sup> locations where in the cross-border region 25 sites are located. The country network of Emerald sites was established in the period 2002-2008 and comprises 35<sup>23</sup> sites where 12 are located in the cross-border region. The identification and the setup of the Emerald network is an important enabling mechanism for the Natura 2000 establishment which identification stage will start in mid-2014.

**Table 6: Protected areas on the former Yugoslav Republic of Macedonia side of the CB region<sup>22</sup>**

IUCN	No	Name of Protected Area	Area (ha)	proclamation year
I	1	<i>Ploce-Litotelmi</i>	23.2	2003, 2010
III	2	<i>Dojransko Ezero/Dojran Lake</i> (Ramsar site from 2007)	2,729.0	1977, 2011
III	3	<i>Monospitovsko Blato</i> , plant <i>Osmunda regalis</i>	851.0	1987
III	4	<i>Zvegor</i> , Delcevo, geomorphological features	5.0	1986
III	5	<i>Lokvi-Golemo Konjari</i>	15.0	2003, 2010
III	6	<i>Karshi Bavchi</i> , rocks, Berovo	15.0	1967
III	7	<i>Murite</i> , special forest assemblages, Berovo	62.0	1987
III	8	<i>Gol Chovek</i> , type of tree, Gevgelija	0.0	1987
III	9	<i>Orashac</i> , Kumanovo, paleontological type	3.0	
III	10	<i>Morodvis</i> , platanovi stebla, Kocani	0.0	1986
III	11	<i>Konche</i> , special forest assemblages, Radovis	0.0	1986
III	12	<i>Smoloarski Vodopadi</i> (waterfalls Smolare)	695.0	2006
III	13	<i>Koleshinski Vodopad</i> (waterfall Koleshino)	254.0	1985
III	14	<i>Platan</i> , v. Kolesino, Strumica	0.0	1986
III	15	<i>Platanovi Stebla</i> , Star Dojran	2.0	1970
III	16	<i>Crna Dudinka</i> , black mulberry, Lesnovski Manastir	0.0	1962
III	17	<i>Platanovi i Brezovi Stebla</i> , sycamore and birch, Strumica	0.0	1986
III	18	<i>Sostoina od platan</i> , v. Mokrino, Strumica	0.0	1988
III	19	<i>Div Dab/Div Prnar</i> , wild oak/wild kermes oak, Kozuv-Gevgelija	0.0	1997
III	20	<i>Dab</i> , oak, v. Beli-Kochani	0.0	1983
III	21	<i>Crna Topola</i> , black poplar tree, v. Macevo	0.0	1983
III	22	<i>Gladnica</i> , fir trees, Gevgelija	68.0	1988
III	23	<i>Dab</i> , oak, v. Orasac	0.0	1999
III	24	<i>Kuklica</i> , Kratovo	55.0	2006, 2008
IV	25	<i>Cham Chiflik</i> , Crimean pine-special reserve	405.0	1969
	25	TOTAL cross border region	5,182.2	
	86	TOTAL country	229,722.5	

**Table 7: Emerald sites on the former Yugoslav Republic of Macedonia side of the CB region<sup>23</sup>**

No	Site name	Area (ha)
1	Dojransko Ezero	2,696
2	Smolarski Vodopad	810
3	Monospitovsko Blato	1,082
4	Alshar	3,133
5	Belasica	16,710
6	Blato Negorski banji	625
7	Osogovski Planini	56,630
8	Churchulum (Bogdanci)	652
9	German-Pchinja	63,490
10	Klisura na Bregalnica	7170
11	Maleshevski Planini	19,140
12	Ovche Pole	41,360
12	TOTAL cross border region	213,498
35	TOTAL country	754,383

In addition to the measures taken on national and EU level, *preservation* of the region's beautiful nature has also been a theme for joint cross-border actions. During the previous programme 21% of the projects funded under "*Area of intervention 2.1 Utilisation of eco resources*" have been related to the protection of biodiversity. A continuous policy and further measures in this field are desirable to prevent possible future destruction of eco systems.

<sup>22</sup> Source: European Environment Agency EIONET Nationally designated areas (CDDA-1) Report dated 12.12.2013 <http://cdr.eionet.europa.eu/mk/eea/cdda1/envuqm3yq/sites.xml>

<sup>23</sup> Source: Council of Europe, T-PVS/PA(2013)18, Convention on the conservation of European wildlife and natural habitats, List of candidate Emerald sites, last revised in December 2013 <https://wcd.coe.int>

### *Urban environment and air pollution*

The decline of the industrial production had a *positive influence on the environment* of the region where no big industrial polluters are currently operating. The biggest polluter Bobovdol power station in Kyustendil has drastically reduced the harmful emissions in 2012 after introducing the sulfur dioxide control installation in 2012. A negative effect on the *air quality* has the intense traffic in the bigger towns and major connection roads as well as the massive use of solid fuel (timber, coal) by the households.

On Bulgarian territory only local spots of polluted soils are in industrial areas and along the main transport infrastructure – the rail line Sofia – Thesaloniki and First class road E-79. Disrupted territories are at the places of raw material extraction (coal, rocks, inert materials). On side of the former Yugoslav Republic of Macedonia the Buchim copper mine and Damjan iron mine (Radovish), Sala, Zletovo and Toranica zinc and lead-zinc mines represent "hot spots" indicating a high potential for soil and water contamination. The content of heavy metals does not reveal particularly high values. Re-cultivation of land around the mines is among the specific problems of the region.

Pesticides and fertilisers contents can be identified in spots with agricultural intensive production (Kochansko and Strumichko pole-rice and early vegetable production).

A major concern for the *urban environment* of the CBC area (as well as for both neighbouring countries) is the state of the old industrial territories within the towns, largely affected by the transition to market economy during the last decades –with existing crumbled and empty production buildings and brownfield sites requiring significant investments in order to be converted to modern industrial zones.

### *Resource efficiency, utilization of resources, and environmental protection*

The efficient utilization of regional resources is an area where various initiatives (including CBC actions) have already been undertaken, but they are still rather insufficient and require considerable investments.

The area is rich in water resources, but there are still problems with the *supply of drinking water* mainly due to the old supply and distribution systems (leading to up to 55% losses) and to the lack of drinking water treatment facilities.

The biggest environmental problems of the border region are the *pollution of the rivers*. There are highly polluted river sections particularly within the catchment area of the Struma and Bregalnica 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. Waste water treatment facilities are insufficient (in Bulgaria WWTP were built only for the bigger towns, for the rest this is still to be done in the coming years). Despite the progress made in previous years, there are still many settlements (especially in the rural and mountainous areas) which are not connected to sewerage system.

Much investment is still required in relation to *solid waste collection and treatment*. A long-lasting problem is the existence of illegal dung-hills; the separate collection, separation and recycling of solid waste are activities which presently have limited scope and low coverage within the region.

*Energy efficiency* of public and private buildings is also an issue that needs continuous improvement. For the Bulgarian part of the region certain investments in this direction have been made due to the EU and national financial resources during the previous programming period. In the former Yugoslav Republic of Macedonia currently few projects and credit lines are supporting energy efficiency measures. However, the needs largely exceed the funding available.

The cross-border region has favourable conditions and strong potential for *power generation from renewable sources* to contribute to the obligation of the EU countries in this particular field. The sources for renewable energy generation in the region include: hydropower, solar, biomass, geothermal waters and wind. In Kyustendil the water energy is traditionally used since the year 1927 when the first hydropower station "Osogovo" has been built. Several more hydropower stations have been subsequently built. In the recent years the EU funding available for Bulgaria has stimulated the construction of solar and windmills. Thus Blagoevgrad district has become

second in Bulgaria in terms of the number of RE sites generating electrical energy. The total power generation capacity of the constructed RES in the two Bulgarian regions is almost 200 MWt<sup>24</sup>. The studies show that the potential of the region is much above the currently available facilities. On side of the former Yugoslav Republic of Macedonia only hydropower plant Kalimanci is functioning covering 3% (13,8 MW) from the total (552 MW) country hydropower installed capacities. RES capacities in this part of the CBC region are represent with 27 plants (from which 10 SHPPs) covering 29% (7,3 MW where 77% is from SHPPs) from the total installed (25 MW) RES capacities in the country. First Wind Park in the country (Bogdanci) will start functioning in 2014 with installed capacity of 37 MW<sup>25</sup>.

Energy efficiency and renewable energy are topics where cross-border cooperation and exchange of good practices can further boost developments in the related fields.

### *Climate change and risk prevention*

Climate change is a significant threat for regions, especially for those parts where agriculture, tourism, forestry and hydro energy are well developed like in the Bulgarian - the former Yugoslav Republic of Macedonia border region. Climate changes bear risks of drought, fires, land erosion and floods.

Bulgaria as a whole is among the countries in the EU that are expected to be most severely affected by climate changes. The former Yugoslav Republic of Macedonia as a whole is even higher on the scale for climate change affection than Bulgaria. The border area is part of a region for which 6<sup>th</sup> degree of vulnerability to climate changes has been established, according to the index that has been applied for the whole of EU. From the former Yugoslav Republic of Macedonian part of the border area the south-east region is identified as a region which will have seriously affected by the climate changes, drought, floods, and extreme high temperature. Abnormalities are already a fact: Since 1970 heat waves have been observed and snow fall diminished. Data show that lands, exposed to moderate and high risk of erosion are in the districts of Kyustendil and Blagoevgrad. Overflows of rivers are registered each year in both parts of the region (here particularly in the South-East Region).

Furthermore, The Bulgarian Climate changes Analyses part of the National Strategy for agriculture, water, urban planning, energy, biodiversity etc. define several sectors which shall be affected by climate changes: management of river basins (where in the case of the Struma-Strimonas basins not even a Cooperation agreement has been prepared), management the risk of floods (preparation of joint maps for the risk of floods; exchange of information; development of joint early warning systems), biodiversity where the major negative effect is on wetlands and shrubs, agriculture, where climate warming will have a negative effect, as the cultivation of some agricultural products under conditions where irrigation is not existent, will be endangered (on the other hand, the increase of temperatures will allow the cultivation of some earlier growing vegetables and fruit). Stock-breeding will also be negatively affected by higher temperature stress and alteration of fodder and pasture resources. The Struma valley is projected to fall within the most vulnerable zone A (according to the programme analyses classification)<sup>26</sup>. Tourism will also be affected by the climate changes, especially the ski winter tourism and sea summer recreation tourism which have a clear seasonal character. At the same time some alternative forms which are very perspective and underdeveloped (e.g. spa, balneology, cultural, wine, etc.) will not be highly affected.

The Bulgarian National Priority Framework for Action under Natura 2000 (2014 – 2020) envisages four measures relevant for the Programme.<sup>27</sup>

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<sup>24</sup>Source: Bulgarian Agency for Sustainable Energy Development

<sup>25</sup> Source: Energy Agency of former Yugoslav Republic of Macedonia

<sup>26</sup> Zone A will comprise North-East Bulgaria by 2020 and other parts amongst which is the Struma valley and Pirin sub region – by 2050. It is projected that in zone A the forests will completely disappear.

<sup>27</sup> Measures are as following: (1) Support for partnership in the management of protected areas Natura 2000 (Establishment and functioning of joint cross-border commissions and workgroups for the management of the cross-border protected areas and complexes. Implementation of joint projects and initiatives for the management of protected areas within the Natura 2000 network); (2) Exchange of experiences and best practices related to Natura 2000 within projects funded by different programs operating in 2014 – 2020 (Activities done via organization and delivery of study tours in the cross-border region, round tables, discussions, workshops, as well as preparation and production of



Thought adaptation to climate changes is recognized of highest importance, investments to address specific risks, ensuring disaster resilience and implementing disaster management systems have been scarce in previous cross-border cooperation (only one initiative has been funded, related to fire protection)

### **Key challenges and needs for cooperation**

The area is characterized with a relatively clean environment due to decline of industrial activities and measure to control emission gas emission. However, air pollution due to transport and soil and water pollution due to industrial and agriculture activity remain an environmental challenge to be addressed, along with the problems on solid waste management and recycling, as well as improvements on the sewerage systems. Joint actions to develop integrated policies and concepts of land, improve water and solid waste management are needed. Raising awareness and implementing measures on preservation of biodiversity is also needed.

Efficient utilization of regional resources, increase energy efficiency measures and proper exploitation of renewable sources of energy remains a challenge towards using the natural potentials of the area on the benefit of population and economy. There is a need to undertake joint action and programme that will ensure integrated approach on the use of renewable energy sources and improve energy efficiency. Increase awareness of public institution as well as business operators on the benefit of adopting energy efficiency measures in the buildings is an important way to improve health, protect environment and increase efficient use of energy resources is also needed.

Climate change is a significant threat of the region, providing a great impact on agriculture, tourism, forest and hydro-energy system. Both awareness raising and strong measures are needed to be jointly taken in the area of risk prevention, flood-protection and forest protection from fire and other climate change effects in the regions.

## **(c) Promoting SUSTAINABLE TRANSPORT and improving PUBLIC INFRASTRUCTURES**

### **Transport infrastructure**

Mainly due to its mountainous relief, the cross border region can be characterised by an unbalanced development of the connecting infrastructures, with road transport being the main link between settlements and *the only* means connecting the two sides of the border. Good accessibility exists only around the economic and urban centres which are connected to international high level transport systems (e.g. the routes Sofia-Kulata-Thessaloniki (part of European Transport Corridor<sup>28</sup> No. IV), Sofia-Kyustendil-Gyueshevo-Deve Bair-Skopje (part of European Transport corridor No. VIII) and Kumanovo-Veles-Gevgelija (part of European Transport corridor No. X). These roads are in generally good condition, meet European standards and many investments and continuing efforts are being made to renovate and expanded them in order to lower transport and freight costs. However, they are not sufficiently developed in order to serve the increasing traffic volume and often impose considerable difficulties in sections where traffic capacity reached its limits. (Typical example is the Pernik-Dupnitsa-Blagoevgrad-Sandanski-Kulata road (road I-1, E-79, ETC No. 8) classified as one of the roads with the heaviest traffic in Bulgaria with 7200-31870 cars daily<sup>29</sup>). As this road is an integral part of the TEN-T network and a development priority for EU and Bulgaria for the period until 2020, reconstruction works have begun in view of building the future Struma Motorway (156 km from Pernik up to the border with Greece<sup>30</sup>). In the medium and longer run the completion of Struma Motorway is not only expected to ease the traffic of the region but also to bring considerable socio-economic benefits to the cross-

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materials); (3) Training of fire brigades and volunteers (specified trainings, encouraging the creation of voluntary groups-selection their training and organization) and (4) Organizing and holding campaigns to promote the opportunities for financing projects related to Natura 2000 via the CBC Programmes.

<sup>28</sup> Corridors defined according to the conclusions of the Crete Conference (1994) and Helsinki Conference (1997) on Pan-European multimodal corridors and MoU signed by Western Balkan countries (2004)

<sup>29</sup> Source: Road Infrastructure Agency, Bulgaria, OP Transport 2014 – 2020, August 2013

<sup>30</sup> The construction of the Motorway is divided in three sections: The Northern and Southern part are being developed with the financial aid of Bulgarian operational programme “Transport 2007 – 2014” while the central part (through the Kresna Defile), the most difficult for technical and environmental reasons is planned for construction within the OP Transport 2014-2020.

border area from activities like trade, transport and logistics, as well as improved access to touristic sites of international importance.

In addition to the road infrastructure the region is also partly<sup>31</sup> served from rail transport with the main links being the Sofia-Dupnitsa-Kulata-Thessaloniki line, Sofia-Kyustendil-Gyueshevo railroad (part of the TEN-T network). For March 2014 reconstruction of the first part of this railroad continuation through the former Yugoslav Republic of Macedonia (Kumanovo-Beljakovci 31 km) is announced and its completion is expected by the end of 2016. The first railroad has important functions as being on one hand a very busy inter-urban passenger line and, on the other hand a strategic international cargo route to Greece. None of the existing railway lines, stations and adjoining infrastructure meets entirely the modern standards and requirements for speed, safety and comfort and there are even sections (for example on the Sofia-Kyuestendil-Gyueshelo line) where safety is difficult to be guaranteed. Another problem is the lack of suitable connections to the stations when these are located at a distance from towns and villages.

Renovation of the railroads infrastructure is a national priority and noted in the various strategic documents of the both countries. It is expected to inevitably lead to improved efficiency, compatibility, reliability and reduced travel time, also having a positive effect on the environment. However, in the case of Bulgaria rehabilitation of none of the regional rail lines is envisaged for funding within OP "Transport" 2014-2020. As for both countries the completion of the railroad connection is very important, the former Yugoslav Republic of Macedonia allocated significant investments in this fields for the next period, where beside reconstruction works on the first part of the railroad connection the preparation of technical designs for the other two parts Beljakovci-Kriva palanka (36km) and Kriva Palnaka-Deve bair/border with Bulgaria (23km) is underway.

*Map: Main corridors (road and railway) in the Programme area*



Road transport appears as the most important mode of transport as there is no railroad connecting the two countries.

Unlike the large urban regional centres, most of the mountain, semi-mountain and peripheral locations are poorly connected to the main centres and to each other. This limits the social and economic development of these areas. Despite the investments already made, the density of the road network is much below the EU average and the condition of II and III class roads are far from

<sup>31</sup> Railroads serve some parts of Kysdendil district (Bulgaria) and of North East region (former Yugoslav Republic of Macedonia) and cross the South-Western parts of Blagoevgrad district (Bulgaria) and East region up to Kochani (former Yugoslav Republic of Macedonia)

meeting desired standards<sup>32</sup>. Non-existence of good quality access roads to many touristic sites is also a problem.

In 2012 the total length of the road network in the former Yugoslav Republic of Macedonia was 14 038 km, out of which 911 km national roads, 3 712 km regional and 9 355 km local roads. From the total kilometres local roads in the country 3 163km (33%) pass through the cross-border region from which 1 188 km (37%) are asphalt, 164 macadam and 1 218 km earth roads. The national road network consists of six (6) roads (M-1 to M-6). Most national roads consist of two traffic lane carriageways. Two of the national roads are in concordance with Trans National Axes (Corridors VIII and X). Through the cross-border region also pass the national road M-6 Veles-Stip-Radovis-Strumica-Novio Selo (border with Bulgaria) where in 2013 10 km were replaced by the new motorway.

The region has relatively good accessibility to air transport through the two airports Sofia and Skopje, located outside the programme area, but in close vicinity. But again, access to them from the more distant, mountain and rural areas is difficult.

### *Cross-border accessibility*

A typical feature for the region is that the development of the transport network is oriented mainly to serve national needs and strategic EU-related transport policies, not having in focus cross-border accessibility.

Along the whole borderline of 165 km there are 3 operating border crossing points:

1. 1<sup>st</sup> category strategic road border crossing Gyueshevo/Deve Bair, linking the towns of Kyustendil and Kriva Palanka (renovated 2003 - 2009).
2. 2<sup>nd</sup> category regional road border crossing Stanke Lisichkovo / Delchevo, linking the towns of Blagoevgrad and Delchevo-Kocani, and
3. 2<sup>nd</sup> category regional road border crossing Zlatarevo / Novo Selo, linking the towns of Petric and Strumica (planned to be renovated in 2013).

For some period there have been plans to open three new 3<sup>rd</sup> category local road/passengers border crossing points: Berovo (Klepalo) / Strumyani; Peshcevo (Ajduchki Kladenec) / Simitli; Delcevo (Crna Skala) / Kyustendil). The first one, Berovo-Klepalo, was included as a pilot project in the former Phare/CARDS Pre-Accession CBC programme and has been partly built. Currently no concrete actions are being undertaken or funding envisaged for the completion of this or any of the two other border crossings mainly due to economic reasons (being economically not effective according to the analyses commissioned by the Bulgarian state).

The development of border crossings depends largely on successful implementation and modernization of customs legislation, improving the operation of border crossings and intensifying the fight against smuggling, corruption and trafficking of human beings, respecting the basic principles of "accessible but secure borders". Other issues in greater extent are related to the interaction between public and private sector and strengthening of regional cooperation. The yet insufficient number and quality of the border crossings are limiting factors for the cross-border relations, communication and trade, also being a reason for uneven use of the existing road network for transit traffic.

At present the connection between the two sides of the border is only by road. The railroad networks are not integrated; the potential for that is the main line Sofia – Skopje (part of European Transport Corridor 8) which is still not fully completed (constructed up to the border from the Bulgarian side and up to the village of Ginovce from side of the former Yugoslav Republic of Macedonia). The completion of the railroad is part of an investment programme of the former Yugoslav Republic of Macedonia, supported also by the EBRD as a result of which the railroad connections from Kumanovo toward the Bulgarian border (32km) as well as between Skopje and the border with Albania shall be built. Extension of the line on the Bulgarian side is also needed.

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<sup>32</sup> Road density in Blagoevgrad is as low as 103 km/1000 km<sup>2</sup>; for comparison the average road density for Bulgaria is 175km/1000 km<sup>2</sup> and for EU in 2008 it has been 418.5km /1000 km<sup>2</sup>. For the whole CBC area North-East region has the highest road density – 444km/1000 km<sup>2</sup>, Source: National Statistical Office, 2012; EUROSTAT and secondary calculations

The completion of the line will have a positive influence for the region, fostering the economic and trade links as well as the political cultural and social relations but this is not expected to happen within the scope of the present programming period.

Apart of the lack of well integrated cross-border transport supply and efficient links, are issues like cross-border multimodal nodes and low-carbon transport systems still new to the region.

#### *Public transport*

The public transport system of the urban agglomerations is organized entirely on the basis of the buses. The service provided satisfies the needs in general, but having in mind the on-going urbanization process it is expected that the demand for inner city transport will grow. The inter-regional public transport is not to the quality required and in most cases there is a lack of connection services (bus-bus or bus-train).

Insufficient public transport systems and disperse settlement structures are the main reasons for the growing tendency to substitute public transport with individual cars, which imposes considerable environmental effects. As public transport pollutes the air only half of individual motor cars, the EU policy is towards improving the public service at the same time shifting to low-carbon transport systems and more sustainable transport means. Investments in this respect are planned for the main Bulgarian urban centres of the region within the Operational programme "Regions in growth" 2014-2020.

#### *Key challenges and needs for cooperation*

Limited connection through roads between peripheral and semi-mountain locations with center and urban areas is affecting social and economic development of these areas. Technical conditions of II and III class regional and local roads are not at the desired standard, therefore constant rehabilitation is needed to improve accessibility of peripheral areas (border, rural, mountainous). There is a need for building of new road sections and to improve access to distant areas and to tourist sites

The development of sustainable energy saving transport and communication system is lagging behind. Further mobility management and awareness raising for sustainable transport as "soft measures" are needed.

Development of the transport network in the region does not ensure sufficient cross-border accessibility. Infrastructure development and modernization of operation of cross border points along with improved customs procedures remain an important challenge for increasing regional exchange between the communities in both areas for facilitating at a large extend trade and economic development.

### **(d) Encouraging TOURISM and CULTURAL and NATURAL HERITAGE**

The cross-border region provides over favourable natural resources (mountains, forests, lakes, biodiversity, unique natural forms, caves, geothermal and mineral waters, waterfalls), favourable climate conditions, ecologically clean environment as well as wealth and unique cultural/historical assets (existing cultural manifestations, festivals, carnivals; churches and monasteries; crafts, authentic ethno-ambiences), which provide opportunities for sustainable development of different forms of tourism.

Tourism activities are more intense on the Bulgarian side. The main forms are skiing (Bansko, Semkovo, Dobrinishte), spa (Sandanski<sup>33</sup>, Sapareva Banya, Kjustendil, Dobrinishte, Kumanovo, Strnovac), cultural tours (Rila Monastery, Rozhen Monastery, Vodoca/Veljusa Monastery, Osogovski Monastery), summer tourism (Dojran), winter/eco-tourism (Berovo, Panichiste), golf tourism (Razlog), wine/rural tourism (Melnik) and festival/carnival tourism (Strumica, Blagoevgrad, Sandanski, Bansko).

The cultural/historical heritage of the cross-border region goes back to the traces left behind by the Thracians, the Romans and the Byzantines, although the historical landmarks from the Middle

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<sup>33</sup> Sandanski is one of the best spa resorts of Bulgaria; the whole region is rich in mineral springs (42% of all springs in Bulgaria are to be found in Pirin)



Ages are the most numerous and preserved (such as the architecture-historical reserves in Melnik, Bansko, Kovachevica, Dolen). Valuable archaeological remains from antiquity could be found in almost all of the municipalities: ruins of castles and sanctuaries across the countryside of Bansko, Belica, Razlog, Satovcha, the ancient town of Nikopolis and Nestrum, etc. - on the Bulgarian side of the border; the ancient towns of Tiveriopolis (today Strumica), Astibo (nowdays Stip), Bargala (in the area of the river Kozjacka), archaeological sites "Vardarski Rid" near Gevgelija and "Isar" near Valandovo, etc. - in the former Yugoslav Republic of Macedonia. In relation to the monuments of the Christian culture, the eligible cross-border area is characterised by relatively high density of churches and monasteries (the Rozhen monastery, the churches in Rupite and Brestovo etc. - in the Bulgarian side of the border, as well as the church of the Holy Fifteen saints and the Veljusa monastery on the other side of border. The most famous sites are the Rila monastery (included in UNESCO's list of protected sites) and the St. Joakim Osogovski monastery (near Kriva Palanka). The astronomic observatory Kokino is an incredible specificity located in the North-East region dated 1800 years B.C., i.e. from the early Bronze Age. The megalith observatory in Kokino is included among the most valuable ancient observatories in the world. In 2005, the American space agency NASA ranked Kokino at the fourth position in the list of 15 observatories of such kind. The district of Kokino is one of the three future cultural areas in the country according the European Convention of Districts, brought in Firenze in 2000. Additionally, and bearing no less significance, Kokino has got an open possibility to have the values it possesses included in a portfolio of the participation in the provisional list of the world organization UNESCO, said list being open for applications to other localities having their natural and cultural significance confirmed.

The region is rich in diversified culinary traditions and handcrafts. These traditions could play an important role in the promotion and the tourism offer of the region but, so far, are largely underestimated.

There are several internationally recognised cultural events on both sides of the border, including theatre festivals in Blagoevgrad and Strumica, art festivals in Bansko, Melnik, Kriva Palanka and Strumica, the International Art Colony in Osogovo mountain (near Kriva Palanka), etc..

Main cultural institutions in the border area are 18 museums (Bulgaria: 12, former Yugoslav Republic of Macedonia: 6), 8 theatres (Bulgaria: 5, former Yugoslav Republic of Macedonia: 3), 7 cinemas (Bulgaria: 2, former Yugoslav Republic of Macedonia: 5). There are 2 National centres for conservation of cultural heritage in the former Yugoslav Republic of Macedonia (Strumica and Stip) and Regional Museums of History in Blagoevgrad and Kyustendil in Bulgaria.

On Bulgarian side of the cross-border region tourism is comparatively developed (better in Blagoevgrad, not so much in Kjustendil district). In 2012 there were 20.868 registered beds (6.93% of the country's capacity). The nights spent in the Bulgarian CBC region were 1.111.391 of which by foreigners 454.943.

Ski and spa tourism are most developed, both attracting foreign tourists, with Bansko recently becoming the most popular Bulgarian ski resort and Sandanski still a country leader in the balneology and spa sector. All other forms of tourism are not sufficiently developed with great potentials still unutilised.

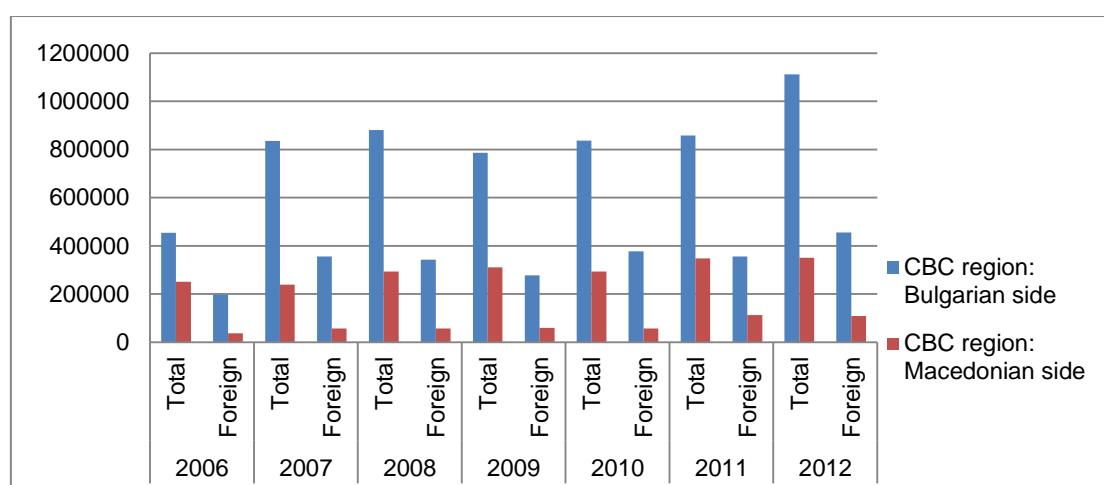
Tourism on the cross-border area of the former Yugoslav Republic of Macedonia is still in the stage of development. In 2012 there were 8 462 registered beds (12% of the country's capacity). The total number of tourists in the Western part of the cross-border region was 58.087 (19,6 % of country total), of which 6.590 domestic and 48.217 foreign visitors (83% from region total).

Specific for tourism development on Bulgarian side was an increase of tourist nights in the period 2006-2007 (+84%, mainly in the Blagoevgrad district (+99%)). In the period 2007-2012 tourist nights increased 33% in the Bulgarian part of the region, in the former Yugoslav Republic of Macedonian part the increase was 47% in the same period (East Region +72%, South-East Region 44%, North-East region +40%), compared with only 7% on national level. Figures also show substantial increase of 89% in nights spent by foreign tourists (South-East Region +93%, Kyustendil +111%).

Table 8: Nights spent by tourists in the Programme area<sup>34</sup>

	2006		2007		2012		Development 2006-2007		Development 2007-2012	
	Total	Foreign	Total	Foreign	Total	Foreign	Total	Foreign	Total	Foreign
Republic of Bulgaria	17355363	11944694	17976658	12006786	20252038	13451440	4%	1%	13%	12%
Cross border region	454321	197528	835740	355516	1111391	454943	84%	80%	33%	28%
Blagoevgrad	366159	188379	729712	346306	962067	435552	99%	84%	32%	26%
Kyustendil	88162	9149	106028	9210	149324	19391	20%	1%	41%	111%
Former Yugoslav Republic of Macedonia	1917395	442845	2019712	518088	2151692	811746	5%	17%	7%	57%
Cross border region	251014	36703	238990	57558	350441	108646	-5%	57%	47%	89%
East Region	28934	7657	21694	9204	37358	16428	-25%	20%	72%	78%
South-East Region	218077	26107	211619	44525	305163	86113	-3%	71%	44%	93%
North-East Region	4003	2939	5677	3829	7920	6105	42%	30%	40%	59%
<b>Total Programme Area</b>	<b>705335</b>	<b>234231</b>	<b>1074730</b>	<b>413074</b>	<b>1461832</b>	<b>563589</b>	<b>52%</b>	<b>76%</b>	<b>36%</b>	<b>36%</b>

Chart 2: Nights spent by tourists in the Programme area



### Key challenges and needs for cooperation

The region is rich in natural and culture heritage resources and has a favourable climate that provides very good conditions for tourism development. Development of tourism activities is more intense on the Bulgarian side. In order for the whole cross border area to develop further regional tourism there is a need to develop a unified strategy for development of regional tourist routes and products, Development of alternative forms of tourism as well as continued improvements in spa, rural/eco, cultural/historical and sport tourism should be supported.

Quality of touristic services and infrastructure is not satisfactory. There is a great need for improving tourism promotion infrastructure (tourist information centers, marking tourist routes) and ensuring adequate touristic services (trainings for human resources for: lake tourism, casino tourism, rural tourism, spa tourism, museum managers and archaeological sites, tourist managers and tourist guides).

Touristic facilities and their management need to be improved substantially. Access to tourist sites need to be extended together with development of the new forms of tourism / new tourism products. There are potentials for exchange of experience and best practices in the sphere of tourism and for promoting joint tourist products.

The region is rich in cultural and natural heritage, therefore its (joint) valorisation, protection, conservation and further promotion is required. Joint action to discovering, exploring and promotion of archaeological sites; promotion and regulation of cultural/historical and natural heritage, promotion and regulation of museums combined with intensified promotion of tourism brands in the

<sup>34</sup> Source: Bulgaria-National Statistical Institute and EUROSTAT; former Yugoslav Republic of Macedonia-State Statistical Office

region through international tourist exchanges and media advertisements may contribute to further development of tourism and overall social and economic development of the area.

### **(e) Investing in YOUTH, EDUCATION and SKILLS**

"Europe's future depends on its youth. Yet, life chances of many young people are blighted". (Conclusion of the Commission Communication on the 'Renewed Social Agenda' (COM (2008) 412) which seeks to create more opportunities for EU citizens, improve access to opportunities for all and demonstrate solidarity).

Having in mind the negative demographic trends, the young people living in the border region should be viewed as its greatest value. Like many others, they face various difficulties related to education, employment, health, housing or transport and on a general basis lack the resources and opportunities to fully integrate in society and decide independently. As already pointed out, youth unemployment has been identified as a major future threat for the cross-border area thus leading to migration of young and educated people who are seeking better job opportunities outside the region. To this view, youth policies and actions should be at the heart of all future interventions, thus providing more and equal opportunities in education and in the job market and foster their social inclusion.

The process of educational development as a whole in the eligible cross-border area is bound with the established network of educational institutions at all educational levels (primary, secondary and higher). The existing basis has an adequate system for ensuring the necessary general and higher education. A continuous tendency exists for increasing qualification and education level of the population, which is an opportunity for attraction of foreign investments, as well as diversification of economy. However, there are villages where the decreasing number of children (by demographic, but also by economic reasons) endangers closure of schools. Furthermore, the infrastructure at all levels of education is old and inadequate. The most serious shortcomings are in the area of information technologies and foreign language competences.

Since quality education is the heart of economic growth and development, the most pressing challenges are to address the needs of the private sector and to focus on solutions to tackle youth unemployment and an aging population. Delivering the right skills for employment, increasing the efficiency and inclusiveness of the education and training system must be supported by strong collaboration between all relevant stakeholders. Access to enterprise training is good, with a well-developed training network operated by the employment authorities, but it is not clear to what extent this meets the specific needs of small businesses since there is lack of systematic information on their skills needs and there is still significant mismatch between demand and offer on the labour market. Assessment of training needs should become regular practice and be carried out systematically. Additional attention should be paid to initiatives that help combat discriminatory practices, promote gender equality and economic inclusion of all.

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

In the border area of the former Yugoslav Republic of Macedonia are 309<sup>35</sup> primary and lower secondary schools (31% of the total number of schools in the country), 30 upper secondary schools (27% of the total of the country). In the period 2007-2012 negative trends in the number of pupils in primary and lower secondary schools as well as in upper secondary schools were recorded. The number of pupils in primary and lower secondary schools in the border region decreased in average 17% which is above the national decrease of 12% (East region leads with 24%). The number of pupils in upper secondary schools decreased in average 14% which is above the national decrease of 5% (East Region leads with 28%). Goce Delchev University - Stip was founded by the Government in March 2007, thus making higher education available to the peoples in this part of the country. Starting from school year 2008/2009 this university provides education in

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<sup>35</sup> Source: State Statistical Office-former Yugoslav Republic of Macedonia

13 faculties which are not only located in Stip but with different dispersed studies in Strumica, Kocani, Vinica, Radovis, Probistip, Gevgelija and Berovo. Within this University also a faculty of agriculture has been established in Strumica. Private universities, higher professional institution for business studies Euro College Kumanovo and dispersed studies from the first private university FON also are functioning in this part of the country. In the period 2010-2012 tertiary education shows positive development trends with an average 16% increase in the number of graduated students for the border region. This is above the national increases of 5% where the South-East region is leading with a 25% increase in the number of graduated students.

The Bulgarian National Programme for Development of Education (2005-2015) and the Vocational Education Training (VET) strategy 2013-2020 are the key national sectorial strategies. The Government has a four-year Programme (2011-2015) where one of the strategic objectives is to invest in education, science and information technology for a knowledge-based society. In the coming period the country needs to increase quality of education and facilitate access to education for all, support and promote comprehensive EU lifelong learning, including mobility and support services contributing to knowledge based economy, support and promote digital training, equipping workers with skills, confidence and means to use digital media, to better participate in today's local and global society, promote entrepreneurial learning, support development and implementation of a National Qualification Framework, strengthen and modernise the VET and Adult Education systems and support equal access to quality education and training based on inclusiveness, strengthen and facilitate the cooperation between educational institutions.

In this filed opportunities for joint cooperation could be found in the development of skills and lifelong learning through joint education, training and vocational training schemes; promotion cooperation between schools and business community through development of new education cooperation, learning centres etc., the development and implementation of peer learning and exchanges of experience schemes for joint youth initiatives for promoting active citizenship, social innovation, participation in democratic life and entrepreneurship, the encouragement of youth activities (sports tournaments, culture and music festivals and events, kids' festivals) with special accent on youth from rural areas, the increase of awareness of physical activities/sport and health food/organic products thought investments in sport-recreation activities which promote good health.

### **Key challenges and needs for cooperation**

There is not a clear link between the education sector and labour market, with the first one not serving properly to the emerging needs of the second. There is an inappropriate vocational orientation for human resources. Matching training and vocational education programme with future needs of the economy for qualified and special market skills will be important for development of the regional economy and increasing competitiveness along with maintaining close contact with the business community.

Joint actions towards improving education quality and its access for the entire community (young people in remote areas and Roma community) will be needed. Improving access to schools and kindergartens for children living in remote areas, improving educational infrastructure (rehabilitation of buildings) will contribute to a better quality of education.

As the region needs to become more competitive, there is need for enhancing foreign languages and information technology skills. Joint programmes and intensified exchange programmes might be developed in this area.

Specific activities that focus on young people are also needed in order to enhance their participation in the cultural, social and democratic life of the region and to increase the attractiveness of the region as a place to grow, work and live.

## **(f) Promoting local and regional GOVERNANCE**

### **Local and regional governance structures**

In Bulgaria, the main responsibility for carrying out state policy and achieving balance between national and local interests at district level rests with the *district governor*. He conducts the State policy within the district; coordinates the activities of the de-concentrated executive power bodies



on district level and their relations with local authorities, organises the preparation and implementation of district regional development plans, strategies and programs and establishes relations with the local government bodies. A *regional development department* within the district administration supports these activities. The *district development councils* -are instruments for co-ordination and partnership at district level, trusted to ensure correspondence between national and local interests and the participation of local authorities and the social partners (the representative organisations of employers and trade unions). The *district administrations* receive only state budgetary support in order to carry out their day-to-day activities. They do not have their own financial resources in order to implement district development plans. These are financed mainly through national sources and to a less considerable degree - through local (municipal) sources.

Besides this, there are *decentralised government services* located in the districts (regional directorates of education, agriculture, employment, forests, construction, etc.)

*Municipalities* are self-government administrative-territorial units<sup>36</sup>. They have the right to own property, to have a self-contained own budget, the right to regulate within their own competencies, they are allowed to manage public services including the establishment of municipal enterprises, they may issue obligations and have access to loans and credits. The competence of municipalities in the field of territorial development is rather broad, though very detailed law provisions on territorial planning exist.

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

Six planning regions are established for the purposes of regional development planning and for regional statistics. Their establishment responds to EU requirements for implementation of regional policy and correspond to NUTS II level. The border region comprises parts of the South-West planning region. No matter its existence, Bulgaria remains one of the most centralised countries in EU as no administrative structures exist on planning regions level as well as almost no responsibilities for decision making. .

The former Yugoslav Republic of Macedonia has a one-level local government system where units of local self-government are municipalities (84 municipalities and the City of Skopje as a special unit of local self-government). With the laws of local self-governance<sup>37</sup> the competences of the municipalities devolved along with a large number of administrative functions, resources and the delivery of a substantial range of services. As a result of the decentralisation process, the local self-government units (LSGUs) gained serious administrative, financial and human resources for implementation of their competencies.

In the performance of their competencies, the municipalities may: cooperate among them, form associations, establish joint funds, establish shared public agencies and establish shared administrative bodies in certain areas. There is one Association of Units on Local self-government (ZELS). The municipalities may cooperate with units of local self-government of other states, as well as international organizations of local communities and may be members of international organizations of local governments.

The Law on Balanced Regional Development<sup>38</sup>, was the base for the institutional structure for regional development. Eight planning regions on NUTS 3 level were established with national Nomenclature of Statistical Territorial Units where in the cross-border region with Bulgaria three planning regions are participating: East, South-East and North-East planning region.

In both countries, the National Strategy for Regional Development 2009-2019<sup>39</sup> (former Yugoslav Republic of Macedonia) and National Regional Development Strategy 2012 - 2022 (Republic of

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<sup>36</sup> according the Law on Local self-government and local administration, adopted in 1991

<sup>37</sup> There are approximately forty laws related to the area of local self-governance (Laws on Local Self-Government, Local Self-Government Units Funding, Local Self-Governance Territorial Organization, the Law on the City of Skopje, etc.)

<sup>38</sup> Official Gazette 63/2007

<sup>39</sup> Former Yugoslav Republic of Macedonia-Official Gazette 119/2009

Bulgaria) represents major strategic planning documents, together with the National Development Plans and country Spatial Plans. Regional development is a complex and long process whose primary purpose is reducing development disparities between and within the planning regions. The complexity of the regional development comes from its multi-dimensional character interweaving economic, demographic, social, spatial, cultural and many other aspects of development.

More than thirteen years after the signature of the Ohrid Framework Agreement<sup>40</sup>, inter-community relations in the former Yugoslav Republic of Macedonia are stable but remain fragile. The decentralisation process, a key component of the agreement to implement power-sharing arrangements among different ethnic groups, merits greater attention. The challenges in relation to decentralisation, include the full implementation of the relevant strategies in order to ensure the fiscal autonomy and financial sustainability of decentralized entities in practice and the need to increase coherence between sectorial and decentralization laws to enable municipalities to implement policy areas which fall under their competencies.

### *Civil Society Organisations (CSOs)*

The CSO network is gradually expanding in both countries, focussing mainly on issues such as environment, protection of children and women, protection of wild life, tourism, business support/services, employment and regional development. On both sides of the border the CSO sector is still poorly developed (compared to the CSO activity in the rest of the country). The existing CSOs in the CBC area also need capacity building measures that will help them become sustainable in the long-term (as many of them are currently operating on a project-basis).

The majority of the NGOs in Bulgaria are registered under the Non-profit legal entities act, adopted in 2001. Also there are the so called "chitalishte"<sup>41</sup> (local cultural community centres) which exist in every municipality. They are non-profit entities but receive budgetary funding. There are 176<sup>42</sup> NGOs registered in Blagoevgrad district and 84 in Kyustendil district. Not all of them are active and have the capacity to apply under the CBC financial schemes and realize cooperation projects. In general the NGO sector in Bulgaria has lost sustainability over the past 6-7 years, it suffers from declining organizational and financial capacity and not enough influence on policy development and implementation,

The legal base for CSOs in the former Yugoslav Republic of Macedonia is the Law on Associations and Foundations<sup>43</sup>. CSOs are confronted with many difficulties, especially with changes in the funding opportunities and an unfavourable legal and tax frame. This difficult setting is also reflected in the indicator „number of organisations that have “survived”. This number changed from 11.350<sup>44</sup> (organisations registered in the period from 1998 to 2011) to 3.732<sup>45</sup> in March 2012. The significant decrease in the number of active CSOs is a result of the fact that majority of the CSOs didn't succeeded in mobilizing enough resources to sustain their activities. In a situation of withdrawal of the bilateral foreign donors that used to finance the CSOs, they didn't manage to address alternative financial sources. CSOs haven't succeeded in convincing the local community, citizens and the businesses to support them. They haven't developed their skills enough to be able to prepare successful project applications for other donors (ex. EU funds). They haven't networked and created partnerships enough in order to be successful in mobilizing resources.

Strengthening local governance and enhancing local economic development, in accordance with the agreement and the principles of subsidiarity and participatory development, is conducive to social cohesion, democratic development and good inter-community relations. Local development is a cross-cutting issue throughout all sectors. Working at all levels of government will contribute to a more balanced development of the region as a whole.

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<sup>40</sup> Signed on 13 August 2001

<sup>41</sup> Established according the Cultural community centres act, adopted in 1996

<sup>42</sup> According to the Bulgarian NGO portal (<http://www.ngobg.info/>)

<sup>43</sup> Revised Law on Associations and Foundations was adopted in April 2010 bringing this legislation in line with European standards and best regulatory practices as well as creating basis for further reforms to strengthen the sustainability of the civil sector.

<sup>44</sup> "Government strategy for cooperation with civil society sector (2007-2011)", General Secretariat of the Government of the Republic of Macedonia, Skopje, January 2007

<sup>45</sup> In line with the Law on associations and foundations from 2010 all associations were obliged to re-register

Public administration reform and good governance are key elements in the accession process and priorities under the High Level Accession Dialogue (HLAD)<sup>46</sup>. The Copenhagen criteria require functioning and adequately resourced institutions with sufficient administrative capacity to effectively transpose and implement EU legislation. Challenges in the public administration include the need to address the fragmentation of the sector (into civil and public service), needs public administration to become more professional and the need to respect the principles of independence, merit and equitable representation, while enabling democratic institutions to provide a stable and predictable service to all citizens.

According to the 2<sup>nd</sup> draft Country Strategy Paper 2014-2020 for the former Yugoslav Republic of Macedonia, IPA II support for public administration reform will also involve support for the implementation of the government's decentralisation policy, a key element of the Ohrid Framework Agreement, as reflected in the Programme on Decentralisation and Local Self-Government Development 2011-2014 and the Strategy for Regional development 2009-2019. IPA II should also support economic governance reforms through improvements in public finance management (PFM). Particular importance will be attached to cooperation with non-state actors also as a cross-cutting measure across all sectors.

As a member country Bulgaria has taken a number of steps in order to adequately fulfil its commitments to the EU in the area of public reforms and good governance. However, despite the administrative reforms initiated, Bulgaria is still in the group with the lowest indicators for good governance in EU<sup>47</sup>. The major drawbacks of the country are the comparatively unattractive administrative environment and ineffective juridical system, incl. "share of the grey economy and corruption", as well as yet uncompleted reforms in the sectors of juridical system and public administration<sup>48</sup>.

For the future seven year period good governance reforms in Bulgaria shall be clearly linked to the Europe 2020 strategy. In the EC Position paper on the development of Bulgaria's partnership agreement 2014-2020, the Commission pointed out that interventions shall be concentrated on integrated administrative services, e-government, e-justice, on more effective management of public policies, on improving the professionalism of the state servants and judges...

The new operational programme Good Governance 2014-2020 is directly linked to the objectives of Priority 6 "Sustaining the institutional environment for a higher efficiency of public services for the citizens and the business" of the National development programme Bulgaria 2020", which is the main document ensuring the link between the national priorities and the EC goals in the context of Europe 2020 Strategy. This horizontal principle has a direct impact on all other sectoral policies. The e-government, open governance, optimised and competent public administration are pointed out to be the leading factors for competitiveness and growth on which policies are focused.

### **Key challenges and needs for cooperation**

Intensifying the coordination and cooperation among all relevant actors (both governmental and non-governmental) is important for tackling local and regional development challenges. Joint initiatives should be aiming to improve consultation, coordination and cooperation between administration, NGO, businesses and citizens and stimulate stakeholders' participation (sustainable partnerships on both sides of the border).

The region has high potential for social and economic development, but there is a need for public measures and information resources to promote those strengths.

Increasing the professional capacity and motivation of civil servants is a big challenge for the entire region. Strengthening institutional capacity and the efficiency of public administrations and public services related to implementation of EU funds is necessary. This should be supported with development of mechanisms for provision of cross-border institutional assistance and know-how transfer.

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<sup>46</sup> On 29 March 2012 European Commission launches a High Level Accession Dialogue with the former Yugoslav Republic of Macedonia

<sup>47</sup> According to the report of DG Regional Policy of the EU „Measuring the quality of government and sub-national variation“, DG REGIO, 2010

<sup>48</sup> EC Position paper on the development of Bulgaria's partnership agreement 2014-2020, SWOT analysis

Future actions towards introducing e-governance in specific sectors with high cross border impact might be explored and supported.

### (g) Enhancing COMPETITIVENESS, BUSINESS ENVIRONMENT and the development of SMEs, TRADE and INVESTMENT

#### *Economic development and structure*

The border region is characterized by diverse economic structure and development as well as with sectorial disparities on different levels: Regions in Bulgaria and the former Yugoslav Republic of Macedonia compared to each other, border regions and districts compared to national levels, urban centres as opposed to rural areas. There are regions with structural problems which have lost their competitiveness over the years, regions where the traditional agricultural sector is dominating and some more advanced centres relying on industries with growth potential.

The economic leader of the programme area is the South-East region (former Yugoslav Republic of Macedonia) with a clear positive development trend for the period 2007-2011, the highest GDP per capita, compared to the other regions and above (115.6%) the national average for 2011.

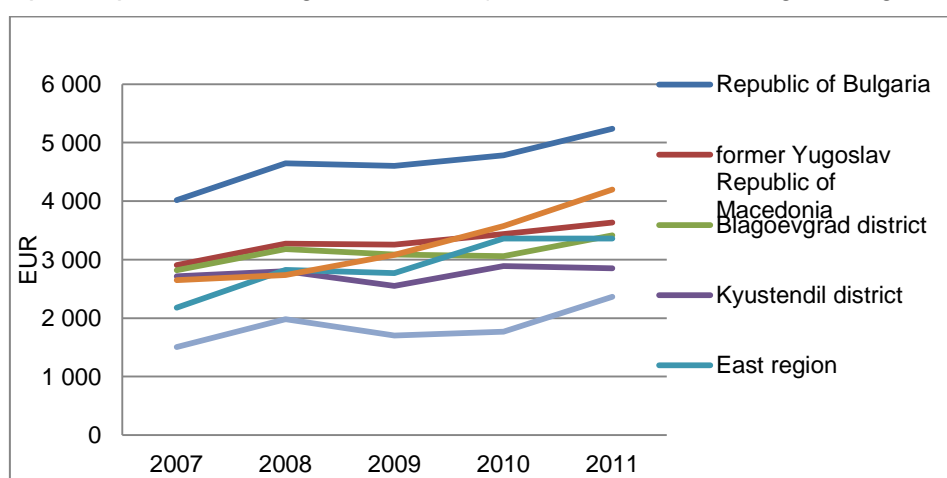
Blagoevgrad (Bulgaria) is 2nd in terms of GDP development, but with very moderate growth through the years and a GDP per capita of 65% of the national average for 2011.

The North East region with GDP per capita of about 56% is lagging behind, followed by Kyustendil district. Both regions showing draw backs and fluctuations in their development and remain far below the national levels.

*Table 9: GDP per Capita in the Programme area<sup>49</sup>*

	(2011), EUR	(2007), EUR	Development (2007-2011), %
Republic of Bulgaria	5 240	4 026	30%
Cross border region	3 250	2 785	17%
Blagoevgrad	3416	2 816	21%
Kyustendil	2 852	2 715	5%
Former Yugoslav Republic of Macedonia	3 632	2 904	25%
Cross border region	3 306	2 110	57%
East Region	3 362	2 181	54%
South-East Region	4 199	2 646	59%
North-East Region	2 367	1 505	57%
<b>Total Programme Area</b>	<b>3 280</b>	<b>2 431</b>	<b>35%</b>

*Chart 3: GDP per Capita in the Programme area (national and district/regional figures) 2007- 2011<sup>5</sup>*



<sup>49</sup> Source: Bulgaria-National Statistical Institute; former Yugoslav Republic of Macedonia-State Statistical Office and secondary calculations



The sectorial structure of the CBC regions shows certain differences between the countries, with agriculture being particularly important the former Yugoslav Republic of Macedonia part.

*Table 10: Economic structure, Gross Added Values and its participation per sectors in the Programme area*<sup>49</sup>

	GVA total, mill. EUR	I. Sector (Agriculture) (%)	2011 II. Sector (Manufacturing) (%)	III. Sector (Services) (%)	GVA development (2007-2011) %
Republic of Bulgaria	33 323	5%	31%	64%	29%
Cross border region	1 439	9%	38%	53%	21%
Blagoevgrad	1 103	12%	36%	52%	41%
Kyustendil	336	6%	40%	54%	-18%
Former Yugoslav Republic of Macedonia	6 542	11%	29%	60%	28%
Cross border region	1 526	22%	33%	45%	60%
East Region	528	14%	45%	41%	56%
South-East Region	636	33%	24%	43%	63%
North-East Region	363	14%	31%	55%	61%
<b>Total Programme Area</b>	<b>2 965</b>	<b>15%</b>	<b>36%</b>	<b>49%</b>	<b>38%</b>

The *primary sector* is of key importance to the border area and a main source of income for a large share of the region's population, particularly those living in smaller settlements and rural areas. The reasons are, besides the traditions, also the favourable climate (agriculture), rich and preserved forests (forestry, wood industry), raw materials (coal mining, inert materials from the rivers - sand, gravel, limestone, ballast, marble).

In the CBC region, the primary sector has the largest share in the economy of the South-East Region (33.17% of the GVA for 2011) which is also higher than the national average. On the other end is Kyustendil district, once called the "orchard of Bulgaria" where now the primary sector accounts only for 5.55% of the GVA..

*Agriculture*, as the main sub-sector, is better developed in the part of the former Yugoslav Republic of Macedonia, where farming is traditional and intensive on small and fragmented plots and mainly concentrated in the South-East Region in the Strumica micro-region and the Gevgelija region. However, problems exist particularly with uncontrolled use of underground water and polluted surface water as well as uncontrolled use of fertilizers/pesticides. The agricultural area is composed by the cultivated land covering 211 241<sup>50</sup> ha (41% from country total) from which 83% is arable land, and pastures on 259 904 ha (34,4% from country total). Vegetables production, especially early growing vegetables, is one of the most significant potentials for agriculture in the south-east region where high shares from total national production of cucumber (86,4%), tomatoes (68,3%) and peppers (56,5%) were produced in 2012. Tobacco, onion, alfalfa and cereals are other crops with more than 40% of total national production. Rice is a specific culture for the area of Kocani where almost the whole national production is realised. The extensive production may be converted into organic type, which may be regarded a great advantage of the region. The organic field production may be supplemented with organic cattle-breed production, as the large participation of the meadows and the pastures make this region suitable for development of pasture based cattle breeding, especially for small cattle (sheep and goats).

In the Bulgarian districts, similar to the national situation of the sector, land is very fragmented, there are numerous but small farms<sup>51</sup>; equipment and technologies are still old (with tendency to improve due to the EU funding available in the recent years), irrigation systems are ruined and there is no strategy at state level how to restore them (this issue is particularly important as the sector is much vulnerable to climate change). Other problems relate to quality standards, marketing and realisation of the products, presence of extensive sub-sectors (e.g. tobacco-growing) which bring social tension. Despite all negative features inherited from the past, due to the EU agricultural policy and the flow of funds to the Bulgarian agriculture in recent years,

<sup>50</sup> Data for 2012 Source: State Statistical office-former Yugoslav Republic of Macedonia

<sup>51</sup> Blagoevgrad is a typical example – the number of the farms is the highest in the whole country (38 467 which is 10.4% of all farms in Bulgaria). At the same time this is the district with the smallest farms (1.54 ha – average, compared to 10.13 ha national average). Source: District strategy for regional development of Blagoevgrad region, data is for 2012.

increase of the investments to the sector are already a fact: orchards and vineyards are being restored, improved varieties and growth technologies are being introduced. The trend is positive but the achievements are still far from the development levels desired.

Organic farming presents another potential for the region, with positive tendency in the number of bio-farms registered (e.g. 30% growth in Blagoevgrad for 2012 compared with 2011), though this sector is still in its early stage of development on both sides of the border.

*Forestry* is also a sub-sector with considerable potential for the region based on the rich natural resources available. However, its contribution to the regional GDP is modest and far beyond the possible returns. Measures and cooperation for efficient and sustainable economic use of the region forests can boost regional performance.

The *secondary sector* is concentrated in the urban areas, with more dynamic industrial development in the largest regional centres and traditional industries located in the smaller towns. The dominance of the industrial sector is much higher in the Bulgarian part. However, there has been a drop of the main important industry branches over the years of economic restructuring and the tendency has been for liquidation of strategic and higher technologically-oriented production systems and return to traditional industries.

The processing industry has remained comparatively stable over the last 5 years with the following main sub-sectors presented in the region:

- Machinery, and electronics (concentrated in Blagoevgrad, Kyuestendil, Dupnitsa, Bobovdol, Yakoruda, Stip)
- Metal processing (Dupnica)
- Textile, apparel – mainly work done with materials supplied by clients from Germany, Italy, France, Greece; (Blagoevgrad, Kyuestendil, GoceDelchev, Dupnitsa, Stip, Strumica but also in smaller settlements)
- Shoe industry (Kyuestendil, Dupnitsa, Stip, Kumanovo)
- Food processing (Blagoevgrad, Kyuestendil, Kumanovo, Stip, Strumica, Gevgelija Radovis)
- Energy generation – TEPP Bobovdol, hydropower stations (Kyuestendil, Kalimanci, Zrnovci)
- Pharmacy – Kyuestendil

The problems of the sector relate to a loss of competitiveness, resulting from the on-going restructuring processes, loss of traditional markets, lack of modern technologies, old machinery, lack of managerial skills and technical staff and low investments in R&D.

The *tertiary sector* of the region has been expanding faster, compared to the trends on national levels with the exception of the East Region, where a 11.89% decline of the share of the GVA for 2011 compared with 2007 has been registered (mainly due to the higher growth of the manufacturing sector in this region during the same period).

The enterprises operating in the regional trade industry are mostly set up by foreign investors. They not only strongly contribute to economic growth, but also influence positive changes in business approaches, working conditions and income levels.

In addition to trade, tourism is the sub-sector which has shown a steady growth in recent years. However, it is still strongly concentrated in few locations (Bansko, Sandanski, Saparevabanya, Razlog), better developed on the Bulgarian side and still with significant underutilised potential.

### *Entrepreneurship, competitiveness and SMEs*

The dynamics of the economic development are based on the large and growing number of SMEs. In principle the size of the enterprises on both sides of the border is quite similar and they follow the national trends: micro companies (0 to 9 employees) hold the biggest share (between 90% - 93%), while the smallest share have the companies with 250 employees and more (between 0.1% – 0.3%).

*Table 11: Number of Business Entities in the Programme area<sup>5</sup>*

	2008	2012	Development (2008-2012, %)
Republic of Bulgaria	323 003	372 036	15.18
Cross border region	18 465	22 077	19.56

Blagoevgrad	13 282	16 851	26.87
Kyustendil	5 183	5 226	0.83
former Yugoslav Republic of Macedonia	63 193	74 424	17.77
Cross border region	14 493	16 569	14.32
East Region	5 299	5 913	11.59
South-East Region	5 503	6 373	15.81
North-East Region	3 691	4 283	16.04
<b>Total Programme Area</b>	<b>32 958</b>	<b>38 646</b>	<b>17.26</b>

In the recent years the economy of the region has maintained its high specialization in sectors and activities which require comparatively low qualification and technologies (e.g. agriculture, extracting industry, apparel and shoe manufacturing). This also defined the character of regional exports which are mainly low added value products. The competitiveness of the region is formed on the basis of low costs for baseline factors – labour and natural resources, rather than on innovations, education and qualification, technology transfer, research and development.

Collaboration on all levels for raising the competitiveness of regional SMEs will be of specific benefit, both within a particular sector or cross-border. EU programmes and policies in this field have already positively influenced such cooperation structures: the SMEs from the Bulgarian CBC area have already experience in participating in joint business clusters<sup>52</sup>, with the potential for these to be further developed to successful future cooperations also in other industries and/or across the border.

### **Key challenges and needs for cooperation**

Development of SMEs capacity to grow in regional, national and international markets is highly important as this sector provides a great contribution to economy and labour. Joint actions might be taken to enhance the access of local businesses to international markets (achieving internationally recognized quality standards, cross-border trade fairs, etc.) and to stimulate the collaboration between SMEs for growth and increased competitiveness based on cluster approaches. Bringing agricultural producers closer to the markets and the development of agribusiness centers for better flow of information for new technologies are needed.

Joint actions for promoting entrepreneurship and cooperation for exchange of new ideas, skills and technology and fostering the creation of new firms, cooperation and exchange of experience in agriculture, in RES, tourism will contribute towards strengthening economic activities and region competitiveness.

Under the condition of a weak rural economy in the region the promoting of bio-farming as a possibility for diversification of agricultural activities, especially in areas with a danger of depopulation but with clean and unique nature will be required. Joint actions might be combined with a particular focus on the development of ecotourism.

## **(h) Strengthening RESEARCH, technological development, INNOVATION and INFORMATION and COMMUNICATION TECHNOLOGIES**

### **Research and innovation capacity of the CBC region**

Research and development activities are not among the main strengths of the region. In general, on a national level capacity for innovations and R&D remain very low, compared to EU-27. In 2012 the average R&D expenditure per inhabitant for EU countries has been 529.6 EUR. For Bulgaria this figure is 34.6 EUR and for the former Yugoslav Republic of Macedonia even lower (7.52 EUR.<sup>53</sup>) None of the CBC regions are among the national leaders in R&D; they are evidently lagging behind.

The majority of the existing enterprises have low level of technological development and limited potential for applied research. They lack know-how and qualified personnel to be able to drive

<sup>52</sup> "Inter fashion trading "cluster has been organised in the municipalities Sofia, Kyustendil, Dupnitsa, Blagoevgrad, Belica, Kresna, Petrich, Sandanski. A cluster "Furniture and wood-working industry" has been established in Razlog.

<sup>53</sup> Source: for EU and Bulgaria: EUROSTAT, for The former Yugoslav Republic of Macedonia: State Statistical Office and secondary calculations

innovative growth forward. In general the innovative and development capacities are implemented by larger enterprises rather than by smaller ones and this is another reason for the drawback of the CBC region in this respect, having in mind the small proportion of large enterprises operating in the region.

There are not enough dynamic internal generators for R&D which can accelerate the potential for innovations of the region. Research activities are concentrated in the university centres of Blagoevgrad and Stip (East region) and there are two more research institutes, specialised on agriculture in the towns of Kyustendil and Strumica (South East region)<sup>54</sup>. The region has not managed to take full advantage from the proximity to the capitals where the national R&D capacity is concentrated; neither has it gained much from transfer of innovative practices and technologies from foreign investors, as FDIs have been limited and focused in extensive production sectors (e.g. ready-made wear).

Public or non-profit organisation can play an important role in the field of applied research, innovation, transfer of technologies, thus helping entrepreneurs and companies to introduce novelties, start spin-off activities, etc. Yet in this respect regional and local public administrations in the border area have not been very active; none have worked or have implemented regional innovative strategies, based on their economic potentials and enterprises, research institutes and labour supply<sup>55</sup>.

There are existing cluster initiatives in the region that can be seen as an excellent starting point for co-ordination on institutional level and for the formation of similar cross border enterprise networks. An example is the “Mechatronics and automation” cluster, established in 2006 in Blagoevgrad which unites companies and scientific bodies also from regions outside the CBC area but with high technological research potential in the fields of machine building, hardware and software.

#### *ICT infrastructure and usage*

Information and Communication technologies are amongst the most important driving engines for innovation and growth and an important competitive advantage for regions. In addition to the fact that they have a number of non-direct impacts, they are also key stimulus for the formation of entirely new generation of entrepreneurs and innovators.

The access to high speed Internet and mobile networks, combined with modern ICT equipment used in schools, enterprises and homes, can play a key role for boosting innovations in all sectors of development in the CBC territory.

In terms of ICT connection and usage the CBC area has a comparatively good position, but again with some regional disparities manifested.

The two main statistical indicators: “Internet usage of households” and “Individuals regularly using Internet” place the CBC region a little lower than the national averages of both countries, all of which still far from the same indicators for EU-27<sup>56</sup>.

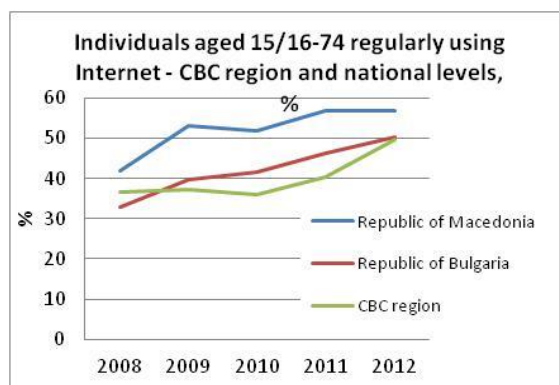
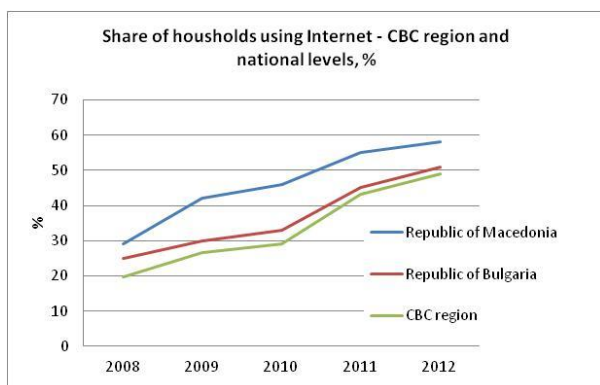
*Chart 4: Share of households using internet and Individuals aged 15/16-74 regularly using internet in the Programme area*<sup>5</sup>

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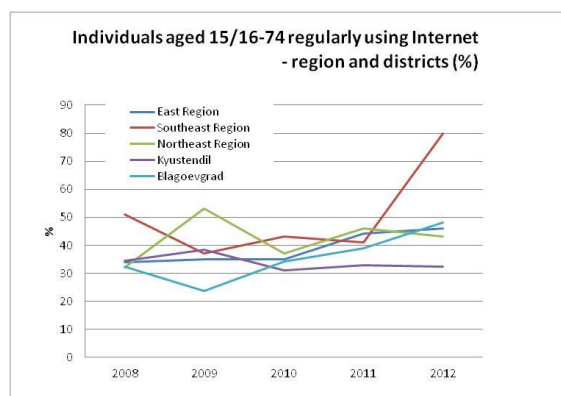
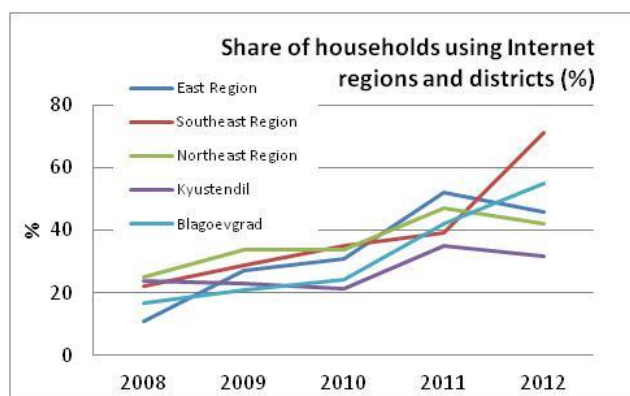
<sup>54</sup> Statistical data on R&D on regional level is very scarce but it clearly defines one distinguished regional centre - Blagoevgrad (639 employees in R&D in 2011). In Kyustendil data shows 132 employees for 2010, in East region – 99 for 2009 and none in the rest of the regions.

<sup>55</sup> It has been noted of only one similar initiative - Innovation development strategy has been developed for the cross-border region Morava- Pchina – Struma but there is no information on its effect or sustainability.

<sup>56</sup> The share of households using Internet in EU-27 for 2012 has been 76%, as opposed to 58% for the Republic of Macedonia, 51% for Bulgaria and 49% for the CBC region. Source: EUROSTAT



Comparing the same indicators, the CBC sub-regions show differences clearly linked with the indicators for economic development:



The leaders in ICT usage, similar to the leaders of economic development, are again South East region and Blagoevgrad.

In general there is good Internet connection and mobile networks coverage in all urban regional centres, but problems exist mainly in villages where the stage of equipping of companies and households with computers is still low. In such settlements establishment of public places for access to Internet can be a solution to ease the territorial differences in the use of ICTs, and from there - the disproportions in the development in general.

Based on the increasing role of information and following the need to expand the Internet access and usage in the smaller towns and villages, Bulgaria has already undertaken pilot actions, which affect the region and which are envisaged to accelerate in the next years<sup>57</sup>.

### Key challenges and needs for cooperation

Implementation of the respective national policies and programmes envisage strategic objectives to increase the competitiveness of enterprises through building of state-supported zones for innovations and growth in the urban centres from the higher level of the polycentric development models. All these, if realized will inevitably have a cross-border effect and positive influence for the whole border area.

Increasing the competitive capacities of regional enterprises through technology transfer activities and the establishment of R&D institutions (also cross-border regional incubators) in close vicinity to the peripheral areas could bring these locations and the regional enterprises closer to the national/international innovation systems.

Creating of career centres for qualification of specialists and regional centres for stimulating the mobility of scientists as part of the European mobility network may contribute towards increasing region competitiveness and boosting regional economy.

<sup>57</sup> Within a EU-funded project, 29 municipal centres, 24 smaller settlements and 19 low populated and remote areas in Bulgaria will be connected to broadband Internet, one of these being Kyustendil district. As a result an optic cable infrastructure will be built in Bobov dol municipality, linking the municipal centre, but also 5 small villages located on the track.



Development of ICT sector is a challenge for the cross-border area, along with intensive education on information technology skills. Joint actions to establish public Internet centres in particular in the rural settlements may increase citizen's access to information and enhance knowledge gain through the use of internet. Actions to support access to broadband connections of households, schools, cultural centres, medical centres, universities and SMEs in the country are a priority.

## SWOT analyses

SWOT tables have been developed on the basis of mapping the respective information available in the main regional strategic documents.

SWOT tables cover eight thematic areas as stipulated in the EU IPA II regulation and as covered with territorial analyses. Following actions were undertaken during the preparation of SWOT analyses:

- a) a screening of the most relevant regional strategy documents
- b) a mapping of strengths, weaknesses, opportunities, threats, needs and challenges as described in these regional strategy documents,
- c) a countercheck of these statements against some relevant national and sectorial strategy documents,
- d) an expert reflection on these SWOT and needs/challenges tables for identifying and prioritizing the most important common and cross-border relevant issues.

The main SWOT findings were present and discussed with the Joint Working Group and regional stakeholders during the 1<sup>st</sup> Regional Consultative Forum round.

SWOT analyses, beside the territorial analyse, lead toward the main needs of the cross-border region which were identified and the main focus of the future IPA Cross-border cooperation Program for the Bulgarian – the former Yugoslav Republic of Macedonia border region defined.

**(a) Promoting EMPLOYMENT, labour mobility and SOCIAL and CULTURAL INCLUSION**

Strengths identified	Weaknesses identified	Opportunities identified	Threats identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Presence of higher educational centers and branches of national Universities provides favourable environment for optimizing educational, professional qualification and re-qualification structures;</li> <li>2. Flexible labour market with low labour costs;</li> <li>3. Growth of the service sectors provide for new employment opportunities;</li> <li>4. Developed network of social services;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>5. Work force generation;</li> <li>6. Available labour force with traditional skills and knowledge in agriculture and industry.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Migration of younger people and intellectuals from the region to other more developed parts of the country and abroad;</li> <li>2. Continuous processes of restructuring of the economy which affects the labour force;</li> <li>3. High percentage of unemployment among vulnerable groups;</li> <li>4. Insufficient services for the persons with special needs and aged population;</li> <li>5. Insufficient number of kindergartens, playgrounds, sports fields and gyms particularly in rural area;</li> <li>6. Insufficient services for homeless children, children-victims of pedophilia and domestic violence;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>7. Strong disproportion in employment between the regional centre and larger towns and the smaller municipalities;</li> <li>8. High level of unemployment, in particular in small municipalities;</li> <li>9. Large number of unemployed persons without vocational qualification;</li> <li>10. Low income of the households;</li> <li>11. Lack of adequately qualified staff for certain services in: ecology, administration and health care;</li> <li>12. Low density of the population in most of the municipalities of the region which makes the interventions less efficient;</li> <li>13. Difficult access to medical services for the people living in rural areas.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Opportunities for cross-border labour market initiatives and exchange of know-how between related institutions;</li> <li>2. opportunities (training, educational institutions) for adjustment of labour force to the new labour market demands-qualification/ requalification for acquiring key knowledge and skills in sectors with growth potential (tourism, wood processing, agriculture);</li> <li>3. Developing training schemes for key competences: languages skills, business management skills, team building, entrepreneurship skills, etc.) and professional qualification and re-qualification;</li> <li>4. Stimulating (incl. financing schemes) for start-ups and micro-companies in key fields with potential to create alternative employment (crafts, guest-housing, etc.);</li> <li>5. Opening of rural business incubator to support small and medium as well as women entrepreneurs;</li> <li>6. Programmes for increasing accessibility to labor market of rural women and rural youth;</li> <li>7. PPP and NGOs involvement in provision social services;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>8. Improvement of child care, especially regarding children-victims of domestic violence and pedophilia;</li> <li>9. Opportunities for cooperation among the educational and training institutions and business community across the border;</li> <li>10. Improve labour mobility in the CB region;</li> <li>11. Young population with high potential for creating a qualified and dynamic work force;</li> <li>12. Capacity building activities for self-employment;</li> <li>13. Opportunities to develop modern types of vocational training, distance learning and tailor-made professional courses;</li> <li>14. Existing know-how and positive local practices for social inclusion.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Declining industries which will create new unemployment;</li> <li>2. Emigration of intellectuals and their migration towards the other regions and abroad;</li> <li>3. Continuous internal disproportions in demographic and economic development, large number of lagging behind municipalities;</li> <li>4. Increase of elderly population due to negative population growth and migration processes;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>5. Lack of financial means;</li> <li>6. Low living standards;</li> <li>7. Social differences.</li> </ol>

Needs identified	Challenges identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Need to reduce unemployment through introduction of alternative employment schemes in remote areas;</li> <li>2. Need to stimulate cooperation between educational institutions and the business;</li> <li>3. Need to improve quality and ensure equal access to social services, in particular to people from remote areas;</li> <li>4. Need for Public-Private Partnerships and the involvement of NGOs in increasing the quantity and quality of the social services (especially for vulnerable groups);</li> <li>5. Need for more employment opportunities as well as reduction of out-migration;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Need for skills enhancement and preparation of qualified people to work in key industries and service sector;</li> <li>7. Need for greater engagement of the young population having secondary and university level of education;</li> <li>8. Need for raising the overall educational level of the population;</li> <li>9. Need for raising the quality of the workforce in order to respond to growing market demands.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Villages are partitioned/fragmented and some are remote - prerequisite for isolation, increase of poverty, depopulation;</li> <li>2. Non-functioning career centers;</li> <li>3. Integration of individuals with special needs in every single sphere of society;</li> <li>4. Worsening demographic structure of the population (due to negative growth, migration)</li> <li>5. Large share of the population living under the poverty thresholds;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Majority of the people in smaller settlements employed in primary sector (e.g. agriculture) with no other skills;</li> <li>7. Higher proportion of people living in the villages compared to the country's average;</li> <li>8. Segregation of Roma population (e.g. existence in Roma school in Kyustendil);</li> <li>9. Existence of Black labour market and grey economy.</li> </ol>

**(b) Protecting the ENVIRONMENT, promoting CLIMATE CHANGE adaptation and mitigation, RISK PREVENTION and MANAGEMENT**

Strengths identified	Weaknesses identified	Opportunities identified	Threats identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Rich natural resources, biodiversity and favourable climate conditions and diverse natural environment; National parks Rila and Pirin, Belasica Euro region;</li> <li>2. Well preserved environment in general;</li> <li>3. Relatively cleaned environment due to low level of industrial pollution;</li> <li>4. Potential and experience in RES, hydropower; solar parks, solar collectors, windmills, biomass, geothermal, based on regional resources;</li> <li>5. Cooperation between the municipalities and the NGOs in the field of environment;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Initiatives of the municipalities to become Green municipalities.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Underdeveloped waste collection and waste treatment and recycling system (not enough facilities, old equipment);</li> <li>2. Weak management and processing system;</li> <li>3. Low ecological public awareness;</li> <li>4. Insufficient or absence of environment protection/Insufficient or no compliance with the standards for environmental protection;</li> <li>5. Important economic sectors for the region (tourism, forestry, agriculture) are much vulnerable to climate changes;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Relatively high level of contaminated rivers across the area;</li> <li>7. Not adequate use of water sources, fluctuations for the availability of drinking water;</li> <li>8. Insufficient water and waste water treatment facilities, coupled with lack of systems in the rural areas;</li> <li>9. Outdated water supply systems;</li> <li>10. Illegal waste landfills;</li> <li>11. Uncontrolled use of pesticides and fertilizers;</li> <li>12. Insufficient use of natural resources for electricity generation;</li> <li>13. Lack of studies, project and technical documentation for using alternative energy sources<sup>58</sup>;</li> <li>14. Lack of comprehensive RES development plans to be implemented at the local level;</li> <li>15. Low level of use of RES due to insufficient promotion of renewable energy resources.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Opportunities for implementing joint partnership initiatives for protecting biodiversity;</li> <li>2. Opportunities for implementing energy effective measures-street lights systems, insulation of public buildings, solar panels etc.;</li> <li>3. Utilisation of high potentials for RES (water, wind, biomass, sun, geothermal);</li> <li>4. Education and establishment measures for dealing with climate changes;</li> <li>5. Education of the population and business community for the application and use of technologies for renewable energy;</li> <li>6. Cooperation in the field of risk-prevention;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>7. Education and awareness raising for environment;</li> <li>8. Opportunities further improving the solid waste and waste water treatment facilities and network, waste management and waste recycling industry;</li> <li>9. Remediation of the local dumpsites;</li> <li>10. Opportunities for improvements of water supply systems;</li> <li>11. Improving regulatory framework;</li> <li>12. Strengthening the system for protection of the existing biodiversity;</li> <li>13. Establishment of a regional center for biodiversity;</li> <li>14. Introduction of new agricultural techniques and increase knowledge on applying organic fertilisers.</li> <li>15. establishment of measures for soil/water protecting against contamination from pesticides and fertilizers</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Comparatively high risk of floods, forest fires, land erosion, landslide (earth fall);</li> <li>2. Risk of over utilisation of key touristic localities and the natural regions adjacent to them;</li> <li>3. Political protection for certain companies which pollute the environment;</li> <li>4. Pollution through the use of obsolete technologies in the mine industry;</li> <li>5. Increased pollution of the water and soil due to inappropriate treatment;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Natural disasters due to the effects of climate changes.</li> </ol>

<sup>58</sup> Mainly for the former Yugoslav Republic of Macedonia



Needs identified	Challenges identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Connection between environment and tourism must be improved in order to improve sustainable development of the cross border area;</li> <li>2. Natural resources needs to be utilised in a sustainable way;</li> <li>3. Risk management systems for prevention of natural disasters flood, fires) and the management of forests needs to be strengthened;</li> <li>4. Integrated policies and concepts of land and water use management must be developed;</li> <li>5. Actions and awareness-raising campaigns on preservation of biodiversity and need to be intensified;</li> <li>6. Undertake joint action on awareness- raising and sharing good practices and experience, use of advanced technologies, training and education, communication and information activities on all aspects of environmental protection, RES, energy efficiency, climate change consequences, risk prevention;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>7. Strong need to improve energy efficiency in business and public sector buildings;</li> <li>8. Increasing awareness t for stimulating the development of low-carbon economic activities and the reduction of energy consumption;</li> <li>9. Undertaking joint actions for controlling the pollution of rivers as a direct way to protect agriculture land and soil contamination through irrigation system;</li> <li>10. Need to implement measures to maintain the river coasts and protect from floods;</li> <li>11. Need to rehabilitate the existing water supply network to reduce/prevent drinking water losses;</li> <li>12. Need to reconstruct and build new waste treatment facilities (small settlements) and installations for recycling, processing and incineration of waste;</li> <li>13. Need to implement measures for soil conservation and protection of the land from erosion;</li> <li>14. Need for establishment of a join network of forest police administration and undertaking of joint coordinated actions.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Inappropriate water resource management;</li> <li>2. Challenge for territory preservation, a large percentage is NATURA 2000 protected areas, opposed to the development of tourism and agriculture;</li> <li>3. Financial resources required to cover the needs for investments in a number of panel and public buildings r for introducing energy efficiency measures;</li> <li>4. Climate change related lack of water in summer months having impact on water supply and irrigation;</li> <li>5. Extension of organic production/coping in agriculture with climate change;</li> <li>6. Adequate protection against floods and activities for reducing flooding risks;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>7. Absence of a regional integrated waste management system.</li> </ol>

**(c) Promoting SUSTAINABLE TRANSPORT and improving PUBLIC INFRASTRUCTURES**

Strengths identified	Weaknesses identified	Opportunities identified	Threats identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. International transit center - good structure of the main roads network and potential for improving the accessibility in relation to EU transport corridors 4 and 8 (10) crossing the region;</li> <li>2. Existence of connection links within the region and comparatively well-developed main road network connections;</li> <li>3. Improved transport accessibility for many settlements due to the road renovations;</li> <li>4. Availability of basic technical infrastructure: water supply, swage, electricity supply, telecommunications;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>5. Ongoing modernization of highway<sup>59</sup> and regional roads<sup>60</sup>;</li> <li>6. Relatively good electricity distribution network and telecommunications infrastructure;</li> <li>7. Transit gas pipeline system;</li> <li>8. Proximity to the airports;</li> <li>9. Existence of spatial plans (investment programmes);</li> <li>10. Geostrategic location;</li> <li>11. Existence of common projects to rehabilitate and expand road infrastructure.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Transport network in both countries not addressing properly cross border accessibility;</li> <li>2. Road network and density not sufficient to serve to the increased traffic volume, coupled with lower than the standards condition of the road network (especially III class roads);</li> <li>3. Insufficient number of the cross border point and low quality of their infrastructure;</li> <li>4. Difficult access to remote areas;</li> <li>5. Outdated water supply system and large water losses in parts of the distribution network;</li> <li>6. Insufficient infrastructure maintenance</li> <li>7. Avoidance of payment of utility fees;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>8. Low density of the road network;</li> <li>9. Obstacles for construction/widening of roads in mountain areas (e.g. affect biodiversity);</li> <li>10. Slow pace of rehabilitation of roads due to limited financing;</li> <li>11. Bad condition of railway infrastructure, low speed of trains, in some cases lack of public transport (access) to railway stations<sup>59</sup>;</li> <li>12. No railway connection between the countries;</li> <li>13. Lack of studies, project and technical documentation for infrastructure facilities;</li> <li>14. Shortages of drinking water in some settlements within the region;</li> <li>15. Lack of regulated garbage dumps/existence of wild garbage dumps;</li> <li>16. Unused potential for gasification of the municipalities, the economy and the households.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Opportunity to improve regional mobility by integrated cross border transport supply systems development;</li> <li>2. EU funding for improving accessibility through construction of new access roads to more remote areas;</li> <li>3. Reconstruction of the existing and construction of new water supply systems and reservoirs;</li> <li>4. Opportunity for introducing environment-friendly and low-carbon transport systems;</li> <li>5. Increasing the cross border points and improving the infrastructure will bring positive impact on trade and communication between the countries;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Rehabilitation of roads and construction of new II and III class road segments;</li> <li>7. Investment in international railway, new infrastructure and modern railway facilities, high speed trains;</li> <li>8. Proximity to capitals and airports;</li> <li>9. Pan EU Transport Corridor 4 and 8;</li> <li>10. Development of new multimodal nodes</li> <li>11. Utilization of the existing and construction of new multipurpose reservoirs;</li> <li>12. Extension of the existing and construction of new sewerage networks and rain water sewerage;</li> <li>13. Finalization of the existing and construction of new collector systems and waste water treatment plants;</li> <li>14. Construction of regional landfill sites;</li> <li>15. Alternative energy sources;</li> <li>16. Gasification of the municipalities and improving/ modernizing gas infrastructure</li> <li>17. Utilization of thermal waters for central heating.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Mountainous region with peripheral areas;</li> <li>2. Unequal development of the infrastructure within the region;</li> <li>3. Low economic sustainability of public enterprises;</li> <li>4. Migration/emigration of the population;</li> <li>5. Lack of sufficient national financial resources to invest on transport infrastructure;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Resistance shown by the local population regarding the construction of regional landfill sites;</li> <li>7. Lack of sufficient and modern cross border point and operation weaken the control over smuggling and human trafficking activities.</li> </ol>

<sup>59</sup> In Bulgaria

<sup>60</sup> In the former Yugoslav Republic of Macedonia

Needs identified	Challenges identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Need to improve the transport connection links with neighbouring countries;</li> <li>2. Need to improve access to transport, information and communication networks and services, especially in smaller settlements;</li> <li>3. Need to renovate/develop the roads network to tourist sites and industrial areas;</li> <li>4. Need for rehabilitation of II and III class roads;</li> <li>5. Need for modernization and expansion of the railway network;</li> <li>6. Need to increase the number of border crossings and modernization of operations of existing ones;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>7. Need for reconstruction and modernization of regional roads;</li> <li>8. Need for construction of new road sections;</li> <li>9. Need to improve the infrastructure providing social, health and other services (renovation of buildings and equipment, etc.).</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Lack of sufficient financial resources for rehabilitation of existing public infrastructure;</li> <li>2. Rugged terrain which is a serious challenge for accessibility and grounds for peripheral location;</li> <li>3. Extension of public transport links and improvement of operations and services;</li> <li>4. Improvement of the access to water, waste and energy systems/facilities in the rural area.</li> </ol>

**(d) Encouraging TOURISM and CULTURAL and NATURAL HERITAGE**

Strengths identified	Weaknesses identified	Opportunities identified	Threats identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Rich natural resources (mountains, forests, lakes, biodiversity, unique natural forms, caves, geothermal and mineral waters, waterfalls etc.), favourable climate conditions;</li> <li>2. Potential for alternative tourism;</li> <li>3. Rich and unique cultural-historical heritage (existing cultural manifestations, festivals, carnivals; churches and monasteries; crafts, authentic ethno-ambiences);</li> <li>4. Developed network of cultural institutions;</li> <li>5. Ecologically clean region;</li> <li>6. Internationally recognized culture events established in both sides;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>7. Leading and fastest developing sector. Second best region<sup>59</sup> in developed hotel networks and places for accommodation (resorts Bansko and Sandanski), existing capacities<sup>60</sup> (medium category);</li> <li>8. Specific-traditional cuisine; abundance of forest food and medical herbs;</li> <li>9. Unique sports and balneology infrastructure;</li> <li>10. Low cost labour force.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Generally bad condition of natural and cultural sites (insufficiently protected cultural-historical sites);</li> <li>2. Lack of familiarity with entrepreneurship initiatives;</li> <li>3. Low educational level of employees in tourism sector;</li> <li>4. Number of natural and cultural heritage sites lacking appropriate access and are not well signposted;</li> <li>5. Insufficient promotion of tourism-natural resources, rarities and beauties of the region;</li> <li>6. Limited financial resources for development of new tourism sites and rehabilitation of tourism infrastructure;</li> <li>7. Tourism very seasonally;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>8. Under-developed tourist products;</li> <li>9. Under-developed network of suppliers/services businesses for the sector;</li> <li>10. Difficult accessibility to some touristic sites</li> <li>11. Deficit of good quality accommodation capacities<sup>60</sup>;</li> <li>12. Lack of souvenirs/handiworks due to extinction of the traditional handicrafts production activity;</li> <li>13. Insufficient number of educated guides and custodians;</li> <li>14. A labour force not developed at the level to address the demands for a developed tourist sector and qualitative services;</li> <li>15. Inappropriate service provision by the local population;</li> <li>16. Migration village-city and unfavourable demographic structure of the region.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Collaboration development and exchange in the field of alternative tourism;</li> <li>2. Developing capacity and joint use of infrastructures in the tourism sector;</li> <li>3. Development of model regions for sustainable tourism and the common utilization of cultural and natural heritage;</li> <li>4. Joint cooperation for conservation/protection and promotion/development of natural and cultural/historical heritage;</li> <li>5. Encouraging tourism entrepreneurship and rural tourism development;</li> <li>6. Utilizing the potential for development diverse tourist products and attractions (all seasons, ski, spa, wellness, rural, eco, mountain, hunting, fishing, extreme sports, balneology, winter, cultural, monastery, rally racing);</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>7. Investments in the touristic infrastructure (construct and restore the touristic infrastructure);</li> <li>8. Trends in the EU and worldwide tourism - the alternative tourism;</li> <li>9. Construction of small facilities for alternative tourism;</li> <li>10. Preserve and develop the traditional handicrafts;</li> <li>11. Restore the existing bath facilities and construct new ones;</li> <li>12. Restore the existing and construct new access roads to the touristic destinations;</li> <li>13. Intensify marketing of tourism opportunities and product through extending trade fairs;</li> <li>14. Capitalization of achievements in tourism services through sharing experience and best practices;</li> <li>15. Extend thematic festivals;</li> <li>16. Develop regional integrated touristic maps and route;</li> <li>17. Development of the network of tourist information centers;</li> <li>18. Opportunities for modernization of current museums and opening of new museums;</li> <li>19. Development of new facilities and areas for winter sports and tourism;</li> <li>20. Develop tourism entrepreneurship skills &amp; knowledge among population through trainings and seminars and the development of a related VET system;</li> <li>21. Promote advantages of rural and eco-tourism development, as a way for developing rural economies</li> <li>22. Intensified engagement of the NGOs, especially the ecological ones towards promoting eco-tourism.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Poor services offered by the local population;</li> <li>2. Competition from the nearby already developed and recognized tourist centers;</li> <li>3. Emigration of the professional staff;</li> <li>4. Uncontrolled destruction of nature;</li> <li>5. Low level of environmental awareness.</li> </ol>

Needs identified	Challenges identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Need for improving regional tourism promotion (tourist information centers, marking tourist routes);</li> <li>2. Need for qualified staff for provision of adequate touristic services;</li> <li>3. Need to renovate and develop the touristic facilities and their management;</li> <li>4. Need of a joint unified strategic approach for development of regional tourist routes and products;</li> <li>5. Need for development of new forms of tourism/new touristic products;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Need to improve the accommodation infrastructure quality and services;</li> <li>7. Need for development of an integrated touristic offer;</li> <li>8. Need to develop the surrounding infrastructure of places with tourism potential (access roads, water and sewerage systems).</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Lack of financing sources to renovate and preserve cultural heritage;</li> <li>2. Migration of young and qualified people impact development of tourism sector in the area;</li> <li>3. Difficult access to remote areas and tourist resorts due to geographical characteristics (mountain areas);</li> <li>4. Difficult access to financial resources for further development of tourism sector and infrastructure;</li> <li>5. Joint valorisation of cultural heritage;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. More develop tourism in one than in the other country.</li> </ol>



**(e) Investing in YOUTH, EDUCATION and SKILLS**

Strengths identified	Weaknesses identified	Opportunities identified	Threats identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Relatively good/renovated and well equipped buildings, incl. sports facilities;</li> <li>2. Suitable developed system of educational establishments;</li> <li>3. Increased attendance of children to kindergarten despite the depopulation rates;</li> <li>4. The number of students leaving schools decreases although the total number is still high;</li> <li>5. Good access to enterprise training and well-developed training network;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Sufficient availability of teachers in schools;</li> <li>7. Educated staff in the economic, education and other areas;</li> <li>8. Sufficient number of students;</li> <li>9. Number of highly-educated young staff.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Lack of systematic information on the required labour market skills, due to also weak connections between the vocational education and the business;</li> <li>2. Educational programmes (Curricula) inappropriate to the economy and market needs;</li> <li>3. Lack of career centers;</li> <li>4. Weak and untrained school management;</li> <li>5. Difficult access to educational establishments on small remote settlements;</li> <li>6. Not enough funding for maintaining/modernising the school infrastructure and teaching equipment;</li> <li>7. Shortage of information technologies and foreign language competencies;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>8. Inappropriate vocational orientation towards market demands;</li> <li>9. Low education profile of the population - especially in the rural environment;</li> <li>10. Fluctuation of school teachers;</li> <li>11. Lack of teaching aids and individual subject classrooms;</li> <li>12. Lack of human resources and skills related to implementation of EU financed projects;</li> <li>13. Insufficient education of farmers;</li> <li>14. Emigration of intellectuals;</li> <li>15. Poor communication between the MES, municipalities and schools.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Development of skills and lifelong learning through joint education, training and vocational training schemes;</li> <li>2. Promotion of cooperation between schools and business community through development of new education cooperation, learning centres etc.;</li> <li>3. Development and implementation of peer learning and exchanges of experience schemes for joint youth initiatives for active citizenship promotion, social innovation, participation in democratic life and entrepreneurship;</li> <li>4. Encouragement of youth activities (sports tournaments, culture and music festivals and events, kids' festivals) with special accent on the young from the rural areas;</li> <li>5. Investing more in development of information technology and foreign language competencies;</li> <li>6. Increase awareness of physical activities/sport and health food/organic products thought investments in sport-recreation activities which promote good health;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>7. Support for different forms of interaction/cooperation/internship schemes between schools, universities and the business;</li> <li>8. Qualification of teachers; introducing modern forms of education;</li> <li>9. Participation in international cooperation schemes and programmes for exchange of experience and good practices, improving qualification and introducing new educational methods;</li> <li>10. Implementing new schemes to improve cooperation between schools and the business;</li> <li>11. Renovation and construction of new elementary and secondary schools;</li> <li>12. Training and qualification of public sector employees;</li> <li>13. Development of agriculture based on modern skills, education of farmers (new technology, ecological food, organic production);</li> <li>14. Training for companies' management in order to improve business management and operation;</li> <li>15. Development of skills and knowledge for starting up new businesses;</li> <li>16. Opportunities for development of economic sectors oriented education curricula such as touristic services education;</li> <li>17. Opening of regional educational centers and more training centers.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Migration/emigration of young highly educated people to more developed regions or abroad;</li> <li>2. Depopulation, demotivation of young people;</li> <li>3. Emphasized demographic differences in various parts of the region;</li> <li>4. Lack of financial resources.</li> </ol>

Needs identified	Challenges identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Need to improve direct communication links and cooperation between the education sector and the business in order to improve the quality of education and training to fully respond to the needs of the economy;</li> <li>2. Need for investment in the education and activities of young people;</li> <li>3. Need to match training programmes with the current and future needs of the economy;</li> <li>4. Need for increasing the level of education of the population and the labour force;</li> <li>5. Need to improve the access to schools and kindergartens for the children living in remote areas;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Need to improve the educational infrastructure (rehabilitation of buildings);</li> <li>7. Needs of rapid modernization of the educational process;</li> <li>8. Need for more intensive learning of foreign languages and information technology skills.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Migration trends are more intense in young people with higher education;</li> <li>2. Inappropriate education to respond to the emerging market needs;</li> <li>3. Inappropriate vocational orientation for overall development of human resources;</li> <li>4. Attracting qualified teachers for the education system in the CBC region;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>5. Tendency for reducing the number of students which might lead to closing of schools in some areas;</li> <li>6. Segregation in the education of Roma children, challenges to keep Roma children in schools.</li> </ol>

**(f) Promoting local and regional GOVERNANCE**

Strengths identified		Weaknesses identified		Opportunities identified		Threats identified	
<i>Main</i>		<i>Main</i>		<i>Main</i>		<i>Main</i>	
1. Comparatively well-developed administrative services at the local level;		1. Low cooperation between the central and the local government;		1. Modernization of institutions (IT, standards..) and improving the consultation, coordination and communication between them;		1. Insufficient cooperation and communication between the relevant institutions (national/regional/local level);	
2. Regional development strategic framework already developed in both countries;		2. Insufficient cooperation and communication between the regions and between municipalities;		2. Increase participation of stakeholder's and citizens in the preparing of strategic documents and policy making;		2. Continuous internal disproportion between the municipalities - lagging behind in economic development;	
3. Established partnerships between local authorities and NGOs;		3. Weak coordination between regional players;		3. Development of regional e-governance;		3. Slowing down of the structural reforms in the administrative/public sector;	
4. Experience of some of the municipal administrations and the NGO sector in development strategic documentation, preparing, tendering and implementation of projects;		4. Lack of effective system for communication on policy development;		4. Strengthening of institutional capacity and efficiency of public administrations/ services related to regional development and implementation of the EU funds;		4. Inactive state institutions;	
5. Existence of LED strategies in the municipalities;		<i>Further</i>		5. Potential for increasing cross-border, inter-regional and transnational cooperation;		5. Insufficient sources of income in the municipal budgets;	
6. Commitment of the municipalities for joint economic development, established Regional Centre for Local Economic Development and LED Partnership;		5. Lack of concrete public measures or PPPs to stimulate the potential for economic development and innovations of the region;		6. Participation in/and linking with the EU regions;		<i>Further</i>	
<i>Further</i>		6. Lack of studies and analyses for the potentialities of the municipalities.		<i>Further</i>		6. Corruption in the administration;	
7. Developed NGO sector.				7. Strengthening cooperation between local self-government in the region and with foreign ones;		7. Rigid (over-) administration.	
				8. Strengthening of the public administration capacities to address the needs related to the regional development through active use of the partnerships between local authorities and stimulation of public-private partnerships;			
				9. Realization of public initiatives for stimulating the economic development of the region;			
				10. Increase further involvement of regional actors into policy making process;			
				11. Strengthening cooperation on the regional level for promoting the region and attracting direct investments;			
				12. Institutionalizing and strengthening the LED partnership;			
				13. Improve connection of the peripheral regions to regional centers.			
Needs identified				Challenges identified			
<i>Main</i>				<i>Main</i>			
1. Intensifying the coordination and cooperation among all relevant actors (both governmental and non-governmental) for tackling local and regional development challenges;				1. Activation of businesses and NGOs to contribute to planning and policy development;			
2. Need to increase the professional capacity and motivation of civil servants;				2. Connecting developed centers to the smaller municipalities and rural areas.			
3. Need to improve consultation, coordination and cooperation between administration, NGO, business and citizens and stimulate stakeholders' participation in policy development and decision making process;							
4. Need for public measures and information resources to promote the economic potential of the region;							
5. Need for strengthening institutional capacity and the efficiency of public administrations and public services related to EU funds implementation;							
<i>Further</i>							
6. Administration need provision of prompt and more rapid access to the information;							
7. Need to reinforce regional communication and cooperation between local governments and Local Economic Development offices.							

**(g) Enhancing COMPETITIVENESS, BUSINESS ENVIRONMENT and the development of SMEs, TRADE and INVESTMENT**

Strengths identified		Weaknesses identified		Opportunities identified		Threats identified	
Main		Main		Main		Main	
1. Geographical location favouring trade, proximity to capitals and borders;		1. Generally low competitiveness of the companies - inefficient business processes, low capacity, low productivity (net income generated in the region lower than the average for the country);		1. Improvement and development of technological/industrial and economic zones, micro-economic zones, business incubators;		1. Globalization - stronger outside competitive pressure on quality and efficiency;	
2. Favourable natural/cultural conditions for key sectors development: tourism, forestry, wood-processing, agriculture (plant-growing and stock-breeding), food-processing;		2. Low competitiveness of the primary sector (agriculture) which is the main economic sector in the small municipalities;		2. Introduction of programmes for cooperation and exchange of experience, modern managerial practices;		2. Unfavourable economic environment (recession, crisis) which will lead to reduced investments and shrinkage of markets;	
3. Large number of SMEs (chemical, food and shoe industries and commerce);		3. Lack of adequate/modern managerial skills and technical knowledge;		3. Branding of the agricultural products/Geographical origin of the products/Preserve the autochthones sorts;		3. Increasing share of primary economic and labour intensive sectors such as coal extracting, timber industry, clothing (low processing of end products, low added value);	
4. Flexible and easily adjustable SME according to market demands and new ideas for development;		4. Slow adaptation of businesses to the changing economic environment;		4. Potential for production of eco/bio agricultural, forestry products and medical herbs based on favourable conditions and clean land;		4. Unfavourable climate conditions for the development of agriculture - long periods with dry weather, not enough rainfall/snowfall;	
5. Well-known region for production of agricultural products, high percentage of export-orientation;		5. Absence of entrepreneurship initiatives and ideas;		5. Organization of Cross-border trade fairs;		5. Industrial production (coal mining) which might have negative effect on the potential for the development of the agriculture (bio);	
Further		Further		Further		Further	
6. Recognizable products-brands;		9. Remote/small settlements with difficult accessibility not favouring outside investments;		6. Development of trade and service along the "Struma" motorway (most of which will be ready by end of 2014);		6. Depopulation - aging and migration	
7. Availability of basic technical infrastructure: roads, water supply, electricity supply telecommunications;		10. Extremely low level of direct foreign investments; some regions not attractive for investments (low accessibility);		7. Development of regional clusters		7. Political and economic instability;	
8. Communication links within region;		11. Poor promotion in view of attracting investments - absence of marketing strategies for promoting the region;		8. Increased demand for products from old crafts/manual work;		8. Disadvantages of legal and judiciary system;	
9. Cheap and professional work force;		12. Insufficient investments in the production sector;		9. Large number of unused economic capacities;		9. Bureaucratic and politicized administration;	
10. Developed industrial sector - coal extracting and heating, pharmaceutical industry, textiles and clothing, food-processing, electrical, metal, etc.;		13. Lack of funds coupled with unfavourable financial services offered by the Banks; Insufficient utilization of the available resources, energetic potentialities, natural gas, mining potentialities;		10. Development of modern irrigation systems;		10. Unfair competition;	
11. Existence of industrial plants and zones/economic zones equipped with the necessary infrastructure;		14. Outdated technology in the vital industries;		11. Potential for the development of mountain, bio stock-breeding;		11. Continuous global crisis – recession;	
12. Service sector emerging;		15. Slow technologic development;		12. Introduction of organic production standards;		12. Small number of investments and external investments.	
13. Good natural conditions for irrigation (in the river valleys) and production of vegetables;		16. Lack of a recognizable brand of the region;		13. Enhancing the potential for export to enamouring countries;			
14. Majority of the region is a clean ecologic environment;		17. Inexistence of business incubators and technology zones;		14. Restructuring the vital industries;			
15. Mediterranean climate along the valleys suitable to grow products not possible in other parts of the country and development of the agriculture - fruit-growing, vegetable-growing, cattle-breeding (for milk), sheep-breeding; considerable forest resources (apart from wood) - mushrooms, herbs, berries.		18. The presence of grey economy;		15. Joint appearance before foreign investors;			
		19. Lack of organized & standardized agricultural production;		16. Development of enterprises by improved competition;			
		20. Arable land divided into small plots not allowing better production through modern agricultural measures & equipment.		17. Development of the supply chain in primary sector (agriculture, forestry) to increase the added value of end products.			

Needs identified	Challenges identified
<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Need to improve productivity and efficiency of local SMEs in order to become more competitive on international markets;</li> <li>2. Need to increase the efficiency of the industrial and agricultural sector and produce a higher added-value;</li> <li>3. Need to develop the market infrastructure and introduction of new marketing strategies;</li> <li>4. Need to introduce ISO standards for production, management &amp; further qualification;</li> <li>5. Need to promote products/brands from the region;</li> <li>6. Need to create the conditions for attracting outside and foreign direct investment;</li> <li>7. Development of clusters (organic agriculture, Manufacture of food products &amp; beverages/confectionery, Manufacture of textile, wearing apparel, dressing &amp; dyeing of fur, Activities of travel agencies &amp; tour operators and local artisans and craftsmen, Manufacture of furniture, Manufacture of electrical machinery &amp; apparatus, Manufacture of basic metals);</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>8. Need for easier access to information for modern technologies and practices in the agricultural field;</li> <li>9. Need to develop infrastructure for food processing especially in the more remote areas, e.g. dairy/milk processing establishments, market places for agricultural products;</li> <li>10. Need to develop infrastructure for modern industrial zones;</li> <li>11. Need for region promotion attracting investors for opening production facilities</li> <li>12. Need for improving conditions for setting up new businesses.</li> </ol>	<p><i>Main</i></p> <ol style="list-style-type: none"> <li>1. Difficult access to financial resources for new/start-up, micro-companies;</li> <li>2. Low productivity and resource efficiency of the SMEs; limited investment sources;</li> <li>3. Withstand the competitiveness of the neighbouring countries especially in the agricultural field;</li> <li>4. Underdeveloped network of market places for agricultural and industrial products;</li> <li>5. Depopulation of the villages, aging of the rural population - a challenge for the agricultural sector;</li> </ol> <p><i>Further</i></p> <ol style="list-style-type: none"> <li>6. Partition, remoteness and small size of arable land; small farms, less efficient, obstacle for implementing modern technologies;</li> <li>7. Change of the role of women in society and family;</li> <li>8. Marginalization of agriculture and rural development;</li> <li>9. Outdated agricultural mechanization and technology in the processing industry;</li> <li>10. Unfavourable bank services – high interest rates and guarantees.</li> </ol>



**(h) Strengthening RESEARCH, technological development, INNOVATION and INFORMATION and COMMUNICATION TECHNOLOGIES**

Strengths identified		Weaknesses identified		Opportunities identified		Threats identified	
<i>Main</i>		<i>Main</i>		<i>Main</i>		<i>Main</i>	
1. Universities located in the region		1. Generally old technologies and machinery in local companies;		1. Integration of information and communication technology (ICT), both in business and in public administration through development of ICT products, services and applications for e-society;		1. Remote/small settlements with difficult accessibility not favouring outside investments in new technologies;	
2. Existence of technological industrial subzones;		2. Foreign investment concentrated in extensive production sectors (e.g. ready-made wear);		2. Support to innovative products and services through technological and applied research, as well as connecting the academic research institutions with the economy;		2. Unfavourable economic environment (recession, crisis) which will affect investments in new technologies;	
3. Majority of schools equipped with computer rooms; positive trends for use of ICT;		3. Lack of know-how, very low investment in R&D;		3. Potential to develop clusters in innovative industries;		3. Not enough research institutions.	
4. Proximity to the capitals providing access to universities, R&D centers;		4. Lack of qualified personnel and specialists to implement innovations;		4. Potential to establish industrial parks, business centers with R&D development facilities;			
5. Development of E-Government on the Regional and Local Level;		5. Lack of internal generators for high technologies and R&D: only one research institution;		5. Developing innovation and technology centers, regional technology park;			
<i>Further</i>		<i>Further</i>		<i>Further</i>			
6. Innovation development strategy has been developed for the cross-border region Morava-Pchina – Struma;		6. Lack of strategic approach and proactive role of public administration in fostering innovation in the regions;		6. Access to financial resources for innovation, R&D and technology development;			
7. Good quality of the Internet connection;		7. Lack of analyses and studies on technical/technological modernization of the principal industries in the region;		7. Potential to intensify cooperation between universities and the business for R&D;			
8. Using IT Technology on high level, enabling its use and access to information globally;		8. In some parts of the CB region still low ICT use of the households (low or limited use of PCs in villages);		8. Increase the competitiveness of the regions by way of strengthening their innovation capacity;			
9. Implementation of a Geographic Information System (GIS);		9. Obsolete technology infrastructure in the principal industries.		9. Develop the agriculture in the region based on innovations;			
10. Good coverage of the mobile network in the region.				10. Support and promotion of business innovations;			
				11. Increase of knowledge in information technology;			
				12. Development of new and improvement of existing physical infrastructure related and IT.			

Needs identified		Challenges identified	
<i>Main</i>		<i>Main</i>	
1. Need to enhance efficiency of production processes through introducing modern technologies;		1. Limited capacity (financial, human, managerial) of the companies to implement new technologies;	
2. Need for renovation of technologies and equipment in all sectors, incl. agriculture;		2. Motivating young and qualified specialists and scientists to stay/move to work in the region;	
3. Need for technology transfer from more advanced countries;		3. Very low innovative potential of the existing enterprises;	
4. Need for qualified specialists, engineers, managerial staff;		4. Huge changes in the scientific and technical knowledge.	
5. Need for strengthening research, technological development and innovation;			
<i>Further</i>			
6. Need to establish public places for use of ICTs in smaller/remote settlements.			

## List of the strategic documents consulted

The territorial and SWOT analysis were mainly based on the latest available regional strategies. Additionally, National and European strategies and concepts have been consulted to cross-check findings derived from the regional strategies.

### Bulgaria

#### ***Core National and Regional Strategies and Programmes***

National Regional Development Strategy 2012 - 2022
District Strategy for Regional Development of Blagoevgrad district 2014-2020
District Strategy for Regional Development of Kyustendil district 2014-2020
Regional Development Plan of South West Region 2014 – 2020 (NUTSII)

### The former Yugoslav Republic of Macedonia

#### ***Core National and Regional Strategies and Programmes***

National Strategy for Regional Development 2009-2019; Government, Ministry of local self-government; 2009
Draft Programme for Development of the North-eastern Planning Region 2009-2014; Centre for Development of the North-eastern Planning Region; 2009
Programme for Development of the East Planning Region 2009-2013; Centre for Development of the East planning Region; 2009
Programme for Development of the South-East Planning Region 2009-2013; Centre for Development of the South-East Planning Region ; 2010

### **IPA CBC Bulgaria – the former Yugoslav Republic of Macedonia Programme and programming documents**

Bulgaria – the former Yugoslav Republic of Macedonia IPA Cross-Border Co-operation Programme 2007 – 2013, approved by the European Commission on 14.12.2007 by Decision No C (2007)6298, approved amendment on 17.07.2012 by Decision No C(2012) 4936
Annual Report for 2012
Ongoing evaluation of Bulgaria-the Former Yugoslav Republic of Macedonia IPA Cross-Border Cooperation Programme 2007 – 2013, Final Evaluation Report, MRPW/ Sofia, Aug. 2013
Concept Paper for Bulgaria-the former Yugoslav Republic of Macedonia IPA Cross-border Programme 2014-2020; MRDPW/Sofia, Nov. 2013

### **Strategies and Programme documents**

#### **European Union**

“Europe 2020” Strategy
EU Strategy for the Danube Region (EUSDR)
Position of the Commission Services on the development of Partnership Agreement and programmes in BULGARIA for the period 2014-2020 Ref. Ares(2012)1273775 - 26/10/2012
Draft Partnership Agreement of The Republic of Bulgaria outlining the Support from the European Structural and Investment Funds for the 2014-2020 period, version 4.0, Dec 21st, 2013