

# **THE IMPACT OF CROSS BORDER COOPERATION ON SUSTAINABLE DEVELOPMENT OF THE BORDERING AREAS (CASE STUDY OF REPUBLIC OF MACEDONIA)**

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## **Abstract**

The cross-border cooperation is one of the key EU-integration instruments, which fosters the sustainable development of both sides of the border.

This programme aims to promote sustainable development in the cross-border area, by joint actions and cross-border projects that would have an impact on the social and economic situation of the population, improvement of the joint management and valorisation of human, natural and cultural resources and strengthen the image and the cohesion of the region.

The European Commission also promotes cross-border cooperation and bilateral development in the Western Balkans through the Instrument for Pre-Accession (IPA) financial assistance tool. This instrument is operational since 2008 and currently applies to all countries in Southeast Europe seeking membership in the European Union.

This paper is analyzing the potential benefits as well as the challenges that the West Balkans countries are facing with, while implementing cross-border action projects, with special focus on the impact that the cross-border actions have on the sustainable development in the bordering areas of Republic of Macedonia.

**Key words:** IPA mechanism, bordering areas, sustainable development, long-term partnerships

## **INTRODUCTION**

Regional development and cross-border cooperation in the Western Balkans is one of the key areas of intervention by multilateral international institutions such as the European Union, the World Bank, UNDP, Council of Europe and European Bank for Reconstruction and Development. Namely, in order to reinforce cooperation with countries bordering the European Union includes a component specifically targeted at cross-border cooperation (CBC). About fifteen CBC programmes (9 land borders, 3 sea crossings and 3 sea basin programmes) have been established along the Eastern and Southern external borders of the European Union with a total funding of €1.2 billion for 2007-2013. The regions which benefit from CBC have a total population, on both sides of the EU borders, of some 257.5 million citizens - of which 45 % live in the Northern and Eastern border regions, and 55 % in the Southern border regions - 49 % in the EU border regions, and 51 % in the border regions of the partner countries. The nature of funding programmes earmarked towards CBC underlines the objective of long-term sustainability. This involvement and multi-level commitment by the international community is a key driver of regional development and cross-border cooperation in the Western Balkans.

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## Cross-border cooperation in the West Balkans

The European Commission promotes cross-border cooperation and bilateral development in the Western Balkans through the Instrument for Pre-Accession (IPA) financial assistance tool. Financial assistance under IPA is provided to candidate or potential candidate countries with a view to obtaining EU membership. The objectives and priorities arise from the Enlargement Strategy, the European Partnerships and Accession Partnerships of each country, as well as through the annual progress reports by the Commission.

All Western Balkan countries receive IPA Components I (Capacity and institutional building) and II (Cross border cooperation) funding. Croatia and the Republic of Macedonia also receive IPA Components III (Regional development), IV (Human Resources development) and V (Rural development) funding as these are already EU candidate countries. IPA Cross-border co-operation programmes 2007-2013 represent the framework for rapid economic integration, aiming at reducing the existing differences between the levels of development of the cross-border regions, as well as improving the overall cultural, social and scientific cooperation between the local and regional communities.

One of the major innovations of the CBC can be seen in the fact that the programmes involving regions on both sides, share a single budget, common management structures, and a common legal framework and implementation rules, helping to balance partnerships between the participating countries. Thus, involving the representatives from both sides of the border, the development programmes are jointly designed by two bordering countries to tackle common problems and exploit shared potentials. Annual programmes are implemented in cooperation with the international donor community and co-managed with local representatives from the beneficiary countries. IPA is applicable to Candidate Countries and Potential Candidate Countries as well as to the Member States, which share a cross-border programme with those countries.

The main priorities of the programmes are focus on economic and social development and sustainable management of natural resources in bordering regions, as well as enabling technical assistance for CBC fund execution as a part of the preparation of the candidate countries for their future EU integration and absorbing EU cohesion and structural funds. Of course, the ultimate result of the CBC programme should be the economic prosperity of cross-border regions, political security and safety in the region, and easier and rapid process of European integration. For that purpose, there is financial envelope in total amount of over 404 million Euros, distributed in beneficiary countries as it is presented in the Table 1.

**Table 1: CBC Assistance provided by the EU in the IPA Framework 2007- 2013**

	2007	2008	2009	2010	2011	2012	2013	TOTAL per country	%
Croatia	9,7	14,7	15,9	15,6	15,8	16,1	16,7	104,5	25,8
Macedonia	4,1	4,0	4,3	5,0	5,1	5,2	5,2	32,9	8,1
Turkey	2,1	2,8	3,4	9,5	9,7	9,9	10,1	47,5	11,7
Albania	6,6	8,5	9,8	9,9	10,1	10,2	10,6	65,7	16,2
BiH	3,9	4,9	5,2	4,7	4,7	4,8	4,9	33,1	8,1
Montenegro	3,9	4,5	4,6	4,2	4,3	4,3	4,4	30,2	7,5
Serbia	8,2	11,4	12,2	11,7	11,9	12,1	11,6	79,1	19,5
Kosovo	-	-	-	2,8	2,8	2,9	2,9	11,4	2,8
TOTAL per year	38,5	50,8	55,4	63,4	64,4	65,5	66,4	404,4	100

*Source: Communication from the Commission, IPA 2011-2013, Com (2009) 543, 14th October 2009.*

It is evident that the distribution of the CBC funding is not proportional according to the country's population and space, but rather depends on the previous assessed financial absorption capacity of each of the beneficiaries, as well as assessed necessity for the country's bordering regions development. Namely, the biggest portion of the IPA CBC envelope (or over 25 %) is used by Croatia as a country which is surrounded by five (three EU and two potential candidate) countries and has high level of absorption capacity and institutional developed mechanism for IPA funding. However the result of assessed low capacity and open issues with bordering areas are the reason of very low percentage (8%) of CBC envelope earmarked for Bosnia and Herzegovina. Namely although is much over 3 to 4 time bigger than Macedonia and Montenegro, BiH almost the same amount of money for cross border cooperation actions, and in the same time twice less than receives Albania.

### **The challenges in implementation of IPA CBC programme in West Balkans countries**

In a European perspective, the initiation of CBC programmes on intra-Western Balkan borders is an important part of the reconciliation process. Due to the civil wars in ex-Yugoslavia in the 1990s, the strengthening of good neighbourly relations in border areas is a prerequisite for growth and prosperity for the local region as well as for the countries involved. The objectives of the CBC programmes financed under IPA are linked to the reconciliation process as well as the European integration process

The challenges in implementing CBC programme varies from country to country depending whether the cross border cooperation is between two potential/candidate countries, or between EU and potential/candidate country. Due to the much bigger institutional and human capacities at the side of EU bordering countries, they assisted in implementation of the respective CBC actions and support the whole process of tendering, execution, selection and monitoring of CBC funds. Therefore, the challenges of CBC programme implementation is rather useful to be analyzed from the perspective of potential candidate EU countries or so called intra-West Balkans countries.

For the period 2009-2009, eight intra-Western Balkan CBC programmes have been established as listed in the Table 2.

**Table 2: Intra-Western IPA CBC Programmes 2007-2009 fund allocation**

Programme	Acronime	Amount EUR (000)	Number of application	Number of projects funded
Albania-Montenegro	AL-ME	4.253	26	6
BiH-Montenegro	BiH-ME	3.300	38	12
Croatia-BiH	HR-BiH	6.000	104	13
Croatia Montenegro	HR-ME	2.700	24	5
Croatia –Serbia	HR-RS	5.400	111	11
Macedonia-Albania	MK-AL	6.900	60	15
Serbia-BiH	RS-BiH	5.400	74	18
Serbia-Montenegro	RS-ME	3.300	57	13

Source : COWI-II Report on Intra-Western IPA CBC Programmes 2007-2009

The programmes were approved by the Commission in December 2007 with financial tables initially covering the period 2007-2009. These programmes were revised in the last quarter of 2009 to include the 2010-2011 financial appropriations. Programmes was revised in the second half of 2011 to include the 2012-2013 appropriations.

According to the official information presented in the table above, two or three calls are already published and about 100 projects were selected and granted. The issues which derived from CBC implementation were evident even in the first year of its implementation.

Namely there are still issues in several countries with delays in drawing down funds, resulting in gaps in budget available to the joint technical secretariats (as it is the case with Macedonia-Albania and BiH-Montenegro CBC), due to delay in preparing technical assistance grant agreements with the EU Delegation by the operational structure in the beneficiary countries.

There is furthermore no common view on who should prepare the budget for the grant and manage the grant across the programmes. In some programmes, it is clearly stated that it should be the joint technical secretariats, but in other programmes it is centralised, i.e. it national Operational structure. This obviously also reflects the overall financial management system (as well as the legal status of the JTSs) in a particular country, where centralised systems are in place and all payments have to go via central government units.

It is also the assessment that the lack of focus in the application forms on cross-border cooperation and cross-border effect leads the applicants in the wrong direction. Especially those which demand that the activities have to be described separately for each side of the border, which forces the applicant to think about the project as two separate projects.

Due to the limited size, a number of programmes are struggling with the amount available for implementation, and towards the end of the programmes, this may become an issue. When compared to similar programmes, the budget available is considerably smaller, also taking into account that the programmes with member states which are implemented in shared management have to cover additional structures in terms of certifying authorities.

Due to general delays in the implementation of the programme, the setting up of the monitoring system is delayed. A key issue is to determine responsibilities of contracting authorities and joint technical secretariats or operational structures. Setting-up monitoring scheduling with visits and risk assessments are also behind plan and in some programmes, there is an urgent need to speed up this process as the first monitoring visit are due very soon.

Although many of the grant beneficiaries are experienced project implementers, many of them have never before implemented a CBC project and therefore are not aware of the specific implications. Many projects probably would have to request a no-cost extension as the implementation period of less than 12 months for most projects seems to be too short, particularly taking into account that the grant beneficiaries, in general, have limited experience with European Union projects. As indicators are only used consistently in relatively few programmes and application forms, this is difficult to predict sustainability of the implemented grant projects. In fact there is little experience in the region with the concept, and further training is needed for grant beneficiaries in terms of assessing and ensuring sustainability of the projects. However, the overall assessment of the grant beneficiaries is that the programme will be very important for future cooperation, establishing as well as re-establishing the old contacts which existed 20 years ago.

### **The impact of CBC actions on the sustainable development in the bordering areas of Republic of Macedonia**

Since 17 December 2005, Republic of Macedonia is a candidate country for EU accession. This has been a great achievement for a country that had faced external, as well as inner challenges on its path of acquiring the candidate status. It is eligible for using all five IPA components, assuming that has strengthened meanwhile its absorption capacities, institutional and organizational structures for proper implementing of IPA assistance programmes.

Through IPA Cross border cooperation programme , Republic of Macedonia is receiving approximately 33 million EUR which might be considered as insufficient to achieve evident impact in the bordering regions towards improving sustainable economic growth and strengthening of cross border cultural and social development .

However, the implementation of this programme is very important for the country due to the following reasons:

1. Almost whole territory of the country is covered by at least one ( and in some cases two or three) IPA cross border programmes; These will enable total inclusion of all entities from all parts of the country while implementing it, to strengthen the human , organizational and institutional capacities to better adapt the EU practices.
2. The most of the bordering regions are very poor with lack of capacities , thus, even small amount of funds might made evident improvements with project interventions ;
3. The partnerships established while implementing cross border projects can strengthen neighboring ties (Albania and Bulgaria), or improve political relationship , in case of being fragile ( Greece).
4. Being the country with great potentials in alternative tourism, the bordering regions from Republic of Macedonia get an opportunity to develop the cross border area, through implementing small-scale projects for cultural , historical , religious and other form of tourism, and therefore have positive impact on sustainable development .

Under the IPA CBC component Macedonia is currently implementing the CBC programmes with Albania, Bulgaria and Greece and have just started with the CBC program with Kosovo. Although IPA instrument has already set up the same rules for all components implementation, due to different characteristics, level of development , joint objectives and lessons learnt from previous experience in establishing cross border partnerships , there have been evident differences in approaches and mechanisms as well as different impact on sustainable development in bordering areas.

Namely, before the IPA programme come into implementation Macedonian entities have had some experience in CBC cooperation through EU PHARE, CARDS and INTEREG programmes with Bulgaria and Greece, which affected country readiness to absorb CBC funds. Therefore, the problems from the administrative aspects , such as tendering, transparency and information about open CBC calls, contracting and monitoring issues were over solved in the case of the CBC with Bulgaria and Greece, while the lack of human and organizational capacities that were indentified at the implementation of the CBC programme with **Albania** is still seen as a challenge. In fact, the long period in implementing joint technical secretariats, operational structures and lack of experience at both Macedonian and Albanian side, affected the absorption capacity and lost of funds. Namely, the contracting date for 2007 residual funds was in February 2011, the time in which the second call for proposals couldn't be realized, and these residual 2007 funds have been lost. (Table 3 ).

**Table 3. Call of proposals for CBC Macedonia-Albania**

	Date of call publishing	Deadline for application submission	Total amount of the CfP (both countries)	Number of selected Application	Total amount of selected applications	Date of signed
1st call	02.06.2009	04.08.2009	<b>€1,020,000</b> (€680,000 MK )	14+1	€530.000 +203.500 €	25.03.2011
2 <sup>nd</sup> call	19.04.2010	19.07.2010	<b>€3,525,000</b> (€2,200,000MK	8	€662.300	17- 27.04.2012
3 <sup>rd</sup> call	23.11.2011	23.02.2012	<b>€ 4,995,000</b> (€2,700,000 MK	7+1	€886.400 +99.000€	19.03.2013

*Source: Created by the author using different official resources on CBC programme*

It is important to underline that there was political will and interests from the illegible partners from both sides to start with the cross border programme, but with insufficient preparation and experience in dealing with such complex structure and procedures as IPA instrument requires. It resulted with the time gap of 18 months for the 1<sup>st</sup> call and more than two years for the 2<sup>nd</sup> call for proposals, between the date of project applications submission and date of announcement of the final selection list of awarded project. In first case the awarded small scale projects have been implemented two years after the project application submission and couldn't really reflect partners needs, while in the case of second call, over 2 million euro were lost. Those residuals were aimed for big grants over 100.000 EUR which actions might make possible development impact in cross border areas at both sides, and therefore the damage of such delay in selection process seems to be much bigger. Although the time for selecting projects for the 3<sup>rd</sup> Call is little bit shortened, it still lasts longer than a year. Having in mind that the projects from the IPA 2008 are under implementation and the ones from the 3<sup>rd</sup> call haven't started with their implementation yet it is hard to talk about any significant development impact in bordering regions from Macedonia and Albania. As the programme specific objectives were aimed towards fostering sustainable economic development, protecting the natural resources, and developing long term partnerships among different entities in the cross border regions, it can be concluded that none of these three objectives have been accomplished so far. Namely the only progress is evident regarding the partnerships and networking, but the sustainability of these partnerships are hard to predict at this point.

Furthermore, the eligibility rules for CBC programme with Albania is different related to the other two countries. Namely, the illegible actors for this programme are entities based in the territory of the whole country, and not only from eligible cross border areas. This practically doesn't allow creation of a natural and sustainable partnership between the entities from bordering areas that might continue with cooperation after the awarded project implementation, but the partnership only for the purpose of the project.

Also, there is still evident low capacity for preparation and implementation of the projects among cross bordering municipalities. This is due to the fact that (a) municipalities do not have sufficient staff, (b) do not have a specific team or unit that will operate on funds from IPA and (c) have financial constraints, as they can't afford to engage consultants for writing and implementing projects. Thus the leading position for the project application is usually taken by experienced NGO which are designing project activities based on their vision and capacities, neglecting the real needs of the people in bordering areas. All this prevent for cross bordering human and organizational capacities to be strengthened and sustainable partnership to be built.

The implementation of the cross border cooperation programme with **Greece** is a challenge of a different kind. Although there is an extensive experience in implementing of infrastructural and small scale social-economic projects within previous PHARE/CARDS and INTERREG EU CBC programmes, the political issue related to the name of the Republic of Macedonia is considered as an obstacle in creating long term and sustainable partnerships that can enable sustainable development in bordering areas.

There is different approach in financing and funds disbursement comparing with the CBC programme with Albania. Namely, the total amount of funds for implementation of CBC programme is 31.549.723 euro, out of which 11.477.129,00 € are for the entities from Republic of Macedonia and 20.072.594,00 € for the Greek side. The financing from EU funds is 24.810.005,00 € while the country contribution is 85% for Republic of Macedonia and 75% for Greece. So far, there have been announced two calls for proposal and there is no information for publishing the third one.

**Table 4 : CBC Republic of Macedonia- Greece**

	Date of call publishing	Deadline for application submission	Total amount of the CFP (both countries)	Number of selected application	Total amount of selected applications	Date of signed
1st call	19.07.2010	08.11.2010	5.141.528,€	18	2.155.528 MK 2.986.000 GR	22.12.2011
2 <sup>nd</sup> call	16.02.2012	31.05.2012	14.010.347	19	4.750.000 MK 9.200.000 GR	June-Dec. 2012

*Source: Created by the author using different official resources on CBC programme*

Anyhow, so far there have been disbursed all planned funds aimed for 2007-2009 which is a sign for more efficient work of technical secretariat which is based in Greece.

Also, according to the call proposals, the total eligible costs of the proposed projects must range from a minimum of 150.000 € up to 1.200.000 €, which enable implementation of significant projects with possibility of some impact on sustainable development. If we analyze the so far awarded project, (Table 4), 18 of them have just been finished, or are in the final stage, while the rest 19 project (from the funds for 2008 and 2009) have just started or are on- going projects.

Analyzing the type of the awarded projects, most of them are aiming to create institutions or networks for joint interests, (including centers for alternative tourism), while one of them is for preserving cultural heritage between two municipalities from both sides. The most of them are aiming towards environmental protection, waste management and road infrastructure in rural cross border areas. These projects might have direct or indirect impact on sustainable development in the bordering areas, assuming that the cooperation will continue after the successful project implementation.

Further observation of the awarded projects would lead us to the conclusions that the most of the leading partners at Macedonia side are in some cases from municipality of Bitola (as one of the most developed towns in Macedonia) or Centers for regional development <sup>2</sup> and Universities<sup>3</sup>, which doesn't give an opportunity to small rural municipalities and entities to strengthen capacities and to foster their development. As the IPA rule is that "the strongest and the most experience win", the poor and non skilled entities and municipalities in bordering areas have limited chances their projects to be awarded.

Also, as the region of Thessaloniki is additionally considered as eligible area, the dominance of Thessaloniki and spatial imbalances among the other Greek and especially Macedonian cross border areas are more than evident. Having different interests about some national resources (Dojran Lake for example) and disputes regarding historical and cultural heritage, there are no common plan/actions on environmental protection, weak preservation of numerous natural and cultural monuments, lack of joint plans or actions for the maintenance and enhancement of archaeological sites and historical monuments, which can be important for development of alternative tourism at both sites as possibility for their common sustainable development.

As for the CBC programme with **Bulgaria**, the total budget of the programme for the 2007-2013 programming period is 21.063.157 Euro, of which 17.903.682 Euro are EU contribution. The remaining 3.159.475 Euro are national contributions from state budgets.

<sup>2</sup> Center for development of Southeast planning region has already won 3 projects, while the respective Center of Pelagonia region won 2 projects

<sup>3</sup> Three state universities have won 3 different projects

**Table 5: CBC Republic of Macedonia-Bulgaria**

	Date of call publishing	Deadline for application submission	Total amount of the CFP (both countries)		Number of selected application	Total amount of selected applications
1st call	14.09.2009	14.12.2009	6 980 436	93	35	6.172.000
2 <sup>nd</sup> call	14.06.2011	14.09.2011	5 869 638	122	21	5.435.000
3 <sup>rd</sup> Call	04.12.2012	04.03.2013				

*Source: Created by the author using different official resources on CBC programme*

Experience gathered in cross-border co-operation within CARDS and PHARE cross border cooperation shows significant improvement of capacities of the regional and local structures in the context of preparation of project application and organization of tendering processes, informing & training as well as monitoring. Therefore, there are not such delays in evaluation and awarding process as it was in the case with Albania.

Further, the specific rule that only the entities from eligible areas can apply for the projects, enable the strengthening capacities of the organizations and municipalities in bordering areas to gain the benefit from the CBC funds and design their project activities according to their real needs. Gaining valuable experience in creation of partnerships, joint project development and implementation, the cross border organization has significantly improved the projects quality implementation. Also, the projects implemented under the previous Programme have led to a multitude of positive impacts and contributed to the development of the border area and the strengthening of bilateral cooperation structures. Surprisingly larger number of applications came from municipalities, NGO and other smaller institutions, and projects which promising sustainable economic development (mainly in the field of agriculture and tourism) were awarded and are in the period of implementation. Yet, there is a very strong demand for cross-border projects, but as the available funds are limited, a high number of eligible project proposals are not supported.

Also it should be recommended that in the future, projects must be designed by representatives from both sides of the border and must clearly integrate the ideas, priorities and actions of stakeholders on both sides of the border.

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