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DELEGATION OF THE EUROPEAN COMMISSION

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Skopje, 15 September 2009
SB/EG 2009/D/01445

Dear Deputy Prime Minister

Subject: Financing Agreement concerning the IPA 2008 Programme on financing the participation of the former Yugoslav Republic of Macedonia in the Cross-Border programme between Greece and the former Yugoslav Republic of Macedonia, under Component II

Please find enclosed herewith a Financing Agreement for the IPA 2008 Programme on financing the participation of the former Yugoslav Republic of Macedonia in the Cross-Border programme between Greece and the former Yugoslav Republic of Macedonia, for signing.

Yours sincerely, *Erwan*
Erwan FOUÉRE
Erwan FOUÉRE
Ambassador

Encl.: Financing Agreement with annexes

H.E. Mr Vasko Naumovski
Deputy Prime Minister for European Affairs
Government of the former Yugoslav Republic of Macedonia

FINANCING AGREEMENT

BETWEEN

**THE GOVERNMENT OF THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA**

AND

**THE COMMISSION OF THE EUROPEAN
COMMUNITIES**

CONCERNING THE CROSS-BORDER PROGRAMME
BETWEEN GREECE and
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

FOR 2008

UNDER THE INSTRUMENT FOR PRE-ACCESSION
ASSISTANCE COMPONENT II FOR CROSS-BORDER
COOPERATION

Dated

(Centralised Management)

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FINANCING AGREEMENT

THE GOVERNMENT OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

and

THE COMMISSION OF THE EUROPEAN COMMUNITIES

hereafter jointly referred to as "the Parties", or individually as "the beneficiary country" in the case of the former Yugoslav Republic of Macedonia, or "the Commission", in the case of the Commission of the European Communities.

Whereas:

- (a) On 1 August 2006, the Council of the European Union adopted Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (hereafter: the "IPA Framework Regulation"). With effect from 1 January 2007, this instrument constitutes the single legal basis for the provision of financial assistance to candidate countries (currently Croatia, the former Yugoslav Republic of Macedonia and Turkey) and potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro, and Serbia, including Kosovo according to United Nation Security Council Resolution 1244) in their efforts to enhance political, economic and institutional reforms with a view to their eventually becoming members to the European Union.
- (b) On 12 June 2007, the Commission adopted Regulation (EC) No 718/2007 implementing the IPA Framework Regulation, detailing applicable management and control provisions (hereafter: the "IPA Implementing Regulation").
- (c) Community assistance under the instrument for pre-accession assistance should continue to support the beneficiary countries in their efforts to strengthen democratic institutions and the rule of law, reform public administration, carry out economic reforms, respect human as well as minority rights, promote gender equality, support the development of civil society and advance regional cooperation as well as reconciliation and reconstruction, and contribute to sustainable development and poverty reduction.

Community assistance for candidate countries should additionally focus on the adoption and implementation of the full *acquis communautaire*, and in

particular prepare them for the implementation of the Community's agricultural and cohesion policy.

- (d) The Parties have concluded on 30 October 2007 a Framework Agreement setting out the general rules for cooperation and implementation of the Community assistance under the Instrument for Pre-accession Assistance.
- (e) For its implementation in 2007 the Commission adopted on 19 March 2008 and amended on 27 November 2008 the Cross-border programme Greece- the former Yugoslav Republic of Macedonia under the IPA Cross-border Co-operation component (hereafter: "the programme"). For its implementation in 2008, the Commission adopted on 12 December 2008 the Financing Decision C(2008)7987. The part of this programme concerning the former Yugoslav Republic of Macedonia is to be implemented by the Commission on a centralised basis.
- (f) It is necessary for the implementation of this programme that the Parties conclude a Financing Agreement to lay down the conditions for the delivery of Community assistance, the rules and procedures concerning disbursement related to such assistance and the terms on which the assistance will be managed.

HAVE AGREED ON THE FOLLOWING:

1 THE PROGRAMME

The Commission will contribute, by way of grant, to the financing of the following programme, which is set out in Annex A to this Agreement.

Programme number: 2008/020-293 (CRIS)

Title: Cross-border programme Greece- the former Yugoslav Republic of Macedonia- under the IPA Cross-Border Co-operation component, for the year 2008

2 IMPLEMENTATION OF THE PROGRAMME

- (1) The Cross-border programme Greece - the former Yugoslav Republic of Macedonia shall be implemented according to the provisions referred to in Article 99 (Transitional arrangements) of the IPA Implementing Regulation.
- (2) The part of the programme concerning the former Yugoslav Republic of Macedonia shall be implemented by the Commission on a centralised basis, in the meaning of Article 53a of Council Regulation (EC Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as last modified by Regulation (EC, Euratom) 1995/2006 of 13 December 2006 (hereafter: "Financial Regulation").
- (3) The programme shall be implemented in accordance with the provisions of the Framework Agreement on the Rules for co-operation concerning EC Financial Assistance to the former Yugoslav Republic of Macedonia and the implementation of the Assistance under the Instrument for Pre-accession Assistance (IPA) concluded between the Parties on 30 October 2007 (hereafter: "the Framework Agreement"), which is set out in Annex B to this Agreement.

3 STRUCTURES AND AUTHORITIES WITH RESPONSIBILITIES

- (1) The Beneficiary shall designate a national IPA co-ordinator, in accordance with the Framework Agreement, who shall act as the representative of the Beneficiary vis-à-vis the Commission. He/she shall ensure that a close link is maintained between the Commission and the Beneficiary with regard both to the general accession process and to EU pre-accession assistance under IPA.
- (2) The national IPA co-ordinator shall also be responsible for co-ordinating the beneficiary country's participation in the relevant cross-border programmes as well as in the transnational or interregional programmes under other Community instruments.
- (3) The beneficiary country shall establish an operating structure for the part of the programme concerning its territory. Its functions and responsibility are defined in the cross-border programme, to the exclusion of tendering, contracting and payments, which are the responsibility of the Commission.

- (4) The operating structure shall co-operate closely in the implementation of this programme with the Managing Authority located in Greece.

4 FUNDING

The funding for the implementation of this Agreement shall be as follows:

- (a) The Community contribution for the year 2008 is fixed at a maximum of EUR 1 341 208 (one million, three hundred and forty-one thousand, two hundred and eight euros) for the part of the programme concerning the former Yugoslav Republic of Macedonia, as detailed in Appendix A1 of Annex A to this Agreement. However, payment of the Community contribution by the Commission shall be made within the limits of the funds available.
- (b) The cost of the structures and authorities put in place by the beneficiary country for the implementation of this programme shall be borne by the Beneficiary with the exception of the costs referred to in Article 94(1)(f) of the IPA Implementing Regulation, as detailed in Annex A to this Agreement.

5 CONTRACTING DEADLINE

- (1) The individual contracts and agreements which implement this Agreement shall be concluded no later than two years from the date of conclusion of this Agreement.
- (2) In duly justified cases, this contracting deadline may be extended before its end date to a maximum of three years from the date of conclusion of this Agreement.
- (3) Any funds for which no contract has been concluded before the contracting deadline shall be cancelled.

6 DEADLINE FOR THE EXECUTION OF CONTRACTS

- (1) The contracts must be executed within a maximum of 2 years from the end date of contracting.
- (2) The deadline for the execution of contracts may be extended before its end date in duly justified cases.

7 DISBURSEMENT DEADLINE

- (1) Disbursement of funds must be made no later than one year after the final date for the execution of contracts.
- (2) The deadline for disbursement of funds may be extended before its end date in duly justified cases.

8 TREATMENT OF RECEIPTS

- (1) Receipts for the purposes of IPA include revenue earned by an operation, during the period of its co-financing, from sales, rentals, service enrolment/fees or other equivalent receipts with the exception of:
 - (a) receipts generated through the economic lifetime of the co-financed investments in the case of investments in firms;
 - (b) receipts generated within the framework of a financial engineering measure, including venture capital and loan funds, guarantee funds, leasing;
 - (c) where applicable, contributions from the private sector to the co-financing of operations, which shall be shown alongside public contribution in the financing tables of the programme.
- (2) Receipts as defined in paragraph 1 above represent income which shall be deducted from the amount of eligible expenditure for the operation concerned. No later than the closure of the programme, such receipts shall be deducted from the relevant operation's eligibility expenditure in their entirety or pro-rata, depending on whether they were generated entirely or only in part by the co-financed operation.

9 ELIGIBILITY OF EXPENDITURE

- (1) Expenditure under the programme in Annex A shall be eligible for Community contribution if it has actually been incurred after the signature of this Agreement.
- (2) The following expenditure shall not be eligible for Community contribution under the programme in Annex A:
 - (a) taxes, including value added taxes;
 - (b) customs and import duties, or any other charges;
 - (c) purchase, rent or leasing of land and existing buildings;
 - (d) fines, financial penalties and expenses of litigation;
 - (e) operating costs;
 - (f) second hand equipment;
 - (g) bank charges, costs of guarantees and similar charges;
 - (h) conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
 - (i) contributions in kind;

- (j) interest on debt;
- (3) By way of derogation from paragraph 2 above, the following expenditure shall be eligible:
- (a) value added taxes, if the following conditions are fulfilled:
 - (i) they are not recoverable by any means,
 - (ii) it is established that they are borne by the final beneficiary, and
 - (iii) they are clearly identified in the project proposal.
 - (b) charges for transnational financial transactions;
 - (c) where the implementation of an operation requires a separate account or accounts to be opened, the bank charges for opening and administering the accounts;
 - (d) legal consultancy fees, notarial fees, costs of technical or financial experts, and accountancy or audit costs, if they are directly linked to the co-financed operation and are necessary for its preparation or implementation;
 - (e) the cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or Community legislation;
 - (f) overheads, provided they are based on real costs attributable to the implementation of the operation concerned. Flat-rates based on average costs may not exceed 25% of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed;
 - (g) the purchase of land for an amount up to 10% of the eligible expenditure of the operation concerned.
- (4) In addition to the technical assistance for the cross-border programme referred to in Article 94 of the IPA Implementing Regulation, the following expenditure paid by public authorities in the preparation or implementation of an operation shall be eligible:
- (a) the costs of professional services provided by a public authority other than the final beneficiary in the preparation or implementation of an operation;
 - (b) the costs of the provision of services relating to the preparation and implementation of an operation provided by a public authority that is itself the final beneficiary and which is executing an operation for its own account without recourse to other outside service providers if they

are additional costs and relate either to expenditure actually and directly paid for the co-financed operation.

The public authority concerned shall either invoice the costs referred to in point (a) of this paragraph to the final beneficiary or certify those costs on the basis of documents of equivalent probative value which permit the identification of real costs paid by that authority for that operation.

The costs referred to in point (b) of this paragraph must be certified by means of documents which permit the identification of real costs paid by the public authority concerned for that operation.

- (5) Without prejudice to the provisions of paragraphs 1 to 4, further rules on eligibility of expenditure may be laid down in the cross-border programme in Annex A to this Agreement.

10 RETENTION OF DOCUMENTS

- (1) All documents relating to the programme in Annex A shall be kept for at least five years from the date on which the European Parliament grants discharge for the budgetary year to which the document relate.
- (2) In the case that the programme in Annex A is not definitely closed within the deadline set in paragraph 1 above, the documents relating to it shall be kept until the end of the year following that in which the programme in Annex A is closed.

11 ROADMAP FOR DECENTRALISATION WITHOUT EX-ANTE CONTROLS

- (1) The beneficiary country shall establish a detailed roadmap with indicative benchmarks and time limits to achieve decentralisation with *ex ante* controls by the Commission. In addition, the beneficiary country shall establish an indicative roadmap to achieve decentralisation without *ex ante* controls by the Commission.
- (2) The Commission shall monitor the implementation of the roadmaps mentioned in paragraph 1, and shall take due account of the results achieved by the beneficiary country in this context, in particular in the provision of assistance. The roadmap to achieve decentralization without *ex ante* controls may refer to a phased waiver of different types of ex-ante control.
- (3) The beneficiary country shall keep the Commission regularly updated with the progress made in the implementation of this roadmap.

12 INTERPRETATION

- (1) Subject to any express provision to the contrary in this Agreement, the terms used in this Agreement shall bear the same meaning as attributed to them in the IPA Framework Regulation and the IPA Implementing Regulation.

- (2) Subject to any express provision to the contrary in this Agreement, references to this Agreement are references to such Agreement as amended, supplemented or replaced from time to time.
- (3) Any references to Council or Commission Regulations are made to the version of those regulations as indicated. If required, modifications of these regulations shall be transposed into this Agreement by means of amendments.
- (4) Headings in this Agreement have no legal significance and do not affect its interpretation.

13 PARTIAL INVALIDITY AND UNINTENTIONAL GAPS

- (1) If a provision of this Agreement is or becomes invalid or if this Agreement contains unintentional gaps, this will not affect the validity of the other provisions of this Agreement. The Parties will replace any invalid provision by a valid provision which comes as close as possible to the purpose of and intent of the invalid provision.
- (2) The Parties will fill any unintentional gap by a provision which best suits the purpose and intent of this Agreement, in compliance with the IPA Framework Regulation and the IPA Implementing Regulation.

14 REVIEW AND AMENDMENT

- (1) The implementation of this Agreement will be subject to periodic reviews at times arranged between the Parties.
- (2) Any amendment agreed to by the Parties will be in writing and will form part of this Agreement. Such amendment shall come into effect on the determined by the Parties.

15 TERMINATION

- (1) Without prejudice to paragraph 2, this Agreement shall terminate eight years after its signature. This termination shall not preclude the possibility for the Commission making financial corrections in accordance with Article 56 of the IPA Implementing Regulation.
- (2) This Agreement may be terminated by either Party by giving written notice to the other Party. Such termination shall take effect six calendar months from the date of the written notice.

16 SETTLEMENT OF DIFFERENCES

- (1) Differences arising out of the interpretation, operation and implementation of this Agreement, at any and all levels of participation, will be settled amicably through consultation between the Parties.

- (2) In default of amicable settlement, either Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of this Agreement.
- (3) The language to be used in the arbitration proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by either Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.

17 NOTICES

- (1) Any communication in connection with this Agreement shall be made in writing and in the English language. Each communication must be signed and must be supplied as an original document or by fax.
- (2) Any communication in connection with this Agreement must be sent to the following addresses:

For the Commission:

Mr Erwan Fouere
Head of Delegation
EC Delegation to the former Yugoslav Republic of Macedonia
Mito Hadzivasilev Jasmin 52v
1000 Skopje

For the Beneficiary Country

Mr Vasko Naumovski
Deputy Prime Minister for European Affairs
Government Building
Ilindenska bb
1000 Skopje

18 NUMBER OF ORIGINALS

This Agreement is drawn up in duplicate in the English language.

19 ANNEXES

The Annexes A, B and C shall form an integral part of this Agreement.

20 ENTRY INTO FORCE

This Agreement shall enter into force on the date of signature. Should the Parties sign on different dates, this Agreement shall enter into force on the date of signature by the second of the two Parties.

Signed, for and on behalf of the former Yugoslav Republic of Macedonia, at Skopje
on

by.....

Mr Vasko Naumovski
Deputy Prime Minister for European Affairs

Signed, for and on behalf of the Commission, at Skopje on

by.....

Mr Erwan Fouere
Head of Delegation

**ANNEX A CROSS-BORDER PROGRAMME GREECE - THE FORMER
YUGOSLAV REPUBLIC OF MACEDONIA UNDER THE IPA
CROSS-BORDER CO-OPERATION COMPONENT, FOR THE
YEAR 2008**

APPENDIX A1: Financing proposal for the year 2008 of the Cross-Border Programme Greece - the former Yugoslav Republic of Macedonia as adopted by Commission Decision C(2008)7987.

APPENDIX A2: Cross-border programme 2007-2013 IPA CBC Greece - the former Yugoslav Republic of Macedonia as adopted by Commission Decision C(2008)1065 as last amended by Commission Decision C(2008)7328.

**ANNEX B FRAMEWORK AGREEMENT BETWEEN THE COMMISSION
OF THE EUROPEAN COMMUNITIES AND THE
GOVERNMENT OF THE FORMER YUGOSLAV REPUBLIC
OF MACEDONIA**

ANNEX C REPORTING

- (1) The operating structures of the beneficiary countries participating in a cross-border programme shall send the Commission and the respective national IPA co-ordinators an annual report and a final report on the implementation of the cross-border programme after examination by the joint monitoring committee.

The annual report shall be submitted by 30 June each year and for the first time in the second year following the adoption of the cross-border programme.

The final report shall be submitted at the latest 6 months after the closure of the cross-border programme.

- (2) The reports referred to in paragraph 1 shall include the following information:
 - (a) the progress made in implementing the cross-border programme and priorities in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators referred to in Article 94(1)(d) of the IPA Implementing Regulation at the level of the priority axis;
 - (b) the steps taken by the operating structures and/or the joint monitoring committee to ensure the quality and effectiveness of implementation, in particular:
 - monitoring and evaluation measures, including data collection arrangements,
 - a summary of any significant problems encountered in implementing the cross-border programme and any measures taken;
 - the use made of technical assistance;
 - (c) the measures taken to provide information on and publicise the cross-border programme.

Where appropriate, the information referred to in points (a) to (c) of this paragraph may be provided in summary form.

Information referred to in point (b) need not be included if there has been no significant modification since the previous report.

ANNEX
FINANCING PROPOSAL FOR THE YEAR 2008
FOR THE PARTICIPATION OF THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA IN THE "GREECE – THE FORMER YUGOSLAV REPUBLIC
OF MACEDONIA IPA CROSS-BORDER PROGRAMME"

1. IDENTIFICATION

Beneficiary	The former Yugoslav Republic of Macedonia
CRIS number	2008/20-293
Year	2008
Cost	EUR 1 341 208
Operating structure	Ministry of Local self Government
Implementing Authority	European Commission
Final date for concluding the Financing Agreement:	at the latest by 31 December 2009;
Final date for contracting	2 years following the date of conclusion of the Financing Agreement. No deadline for audit and evaluation projects covered by this Financing Agreement, as referred to in Article 166(2) of the Financial Regulation These dates apply also to the national co-financing.
Final date for execution	2 years following the end date for contracting. These dates apply also to the national co-financing.
Sector Code	16020, 41010, 15150
Budget lines concerned	22.020402
Programming Task Manager	<i>DG ELARG B2</i>
Implementation Task Manager	<i>EC Delegation in Skopje.</i>

2. SUMMARY

2.1 Introduction

The programme's strategic reference is the Multi-Annual Indicative Planning Document (MIPD) 2008-2010. As the MIPD outlines, Assistance to ***Cross-border cooperation*** (CBC) under *component II* aims at fostering good relations between regions and countries and familiarising future member states with rules and procedures governing the European Territorial Cooperation objective under Structural Funds. The MIPD foresees continuing CBC with Greece and Bulgaria and developing bilateral CBC-programmes with the other Western Balkan neighbours.

By decision of the two countries participating in the Neighbourhood Programme Greece/ the former Yugoslav Republic of Macedonia 2004-2006, a bilateral "Task Force" for the elaboration of the new IPA Cross-Border Co-operation Programme Greece/the former Yugoslav Republic of Macedonia 2007-13 was established. Members of the Task Force were from the relevant national authorities of the two countries including representatives from the

European Commission and the EU Delegation in Skopje. They have provided valuable information on the situation in the eligible border area, the lessons learnt from the predecessor Neighbourhood Programme. Stakeholders and authorities responsible for the environment and gender aspects have also been consulted throughout the programming process.

On 22.09.2006 the programming process started with a kick-off meeting held in Thessaloniki, followed by six Task Force Meetings, two in Skopje, one in Bitola and three in Thessaloniki: defining the basic orientation of the Programme, agreeing on the Programme structure, approving the first draft version of the Programme, finalizing the Programme and the Implementing Provisions and agreeing on the procedure for submission of the Programme.

Before the submission of the programme, the two participating countries proceeded to public consultations in order to incorporate comments and observations before the submissions. Beyond publishing the programme and disseminating information about it via mass media, two Public Consultation events were arranged, addressing potential beneficiaries: One in Kilkis (Greece) presenting and discussing the programme to potential beneficiaries and one in Kavardaci (former Yugoslav Republic of Macedonia), presenting and discussing the programme to potential beneficiaries.

To ensure broad regional and sector acceptance as well as participation of social partners and stakeholders the draft Programme was made available for public consultations in both countries. The Strategy and respective Priority Axes were presented and openly discussed. All representatives were invited to stress their viewpoints about the programme and give feedback as regards the final priorities and axes. The results of the consultation were continuously integrated in the programming document.

The final Programming Document has been validated by the National authorities of both partner States and was sent for approval to the European Commission on 18 October 2007. Taking into consideration all national policies and Programmes, the formulated Programme ensures the meeting of the needs of the eligible border area, complementing but not overlapping the actions and initiatives undertaken at the national and regional level.

Further elements have been provided by the participating countries in spring 2008.

The eligible border area has a border line of 246 km (21km of them are lakes), covering an area of 29 218,83 km² and a population of 2 362 158. According to the Decision 2007/766/EC of 14.11.2007 OJ L 310 of 28.11.2007, the four NUTS III regions along the border on the Greek side (Florina, Pella, Kilkis and Serres) and the three NUTS III equivalent regions on the side of the former Yugoslav Republic of Macedonia (Pelagonia, Vardar and Southeast) are included in the eligible area. The NUTS III region "Thessaloniki" in Greece and the NUTS III equivalent region "Southwest" in the former Yugoslav Republic of Macedonia are included in the eligible area as an adjacent area (Art. 97 of the IPA Implementing Regulation) due to their size and the functional role they have in the eligible border area.

2.2 Global objective(s) of the programme

The Programme Strategy is structured along one Global Objective and two Strategic Priorities which will be achieved within two Priority Axes. These two Priority Axes will be accompanied by a Priority Axis on Technical Assistance aiming at successful programme

implementation. The global objective of the programme is to enhance convergence in the eligible border area by promoting sustainable local development

The Global Objective is addressing sustainability in its economical, social, cultural and environmental components, thus taking in account the need to specify and focus on the one side on the socio-economic dimension and on the other side on the undividable whole of nature and culture and their interactions in this eligible border area.

On the one side the Programme will enhance the cooperation among economic actors and stakeholders through common approaches for the support of local economic activities, the development of local human resources and the protection human health as pillars for sustainable local economic development.

On the other side the Programme devotes its resources also to the protection and promotion of the environmental and cultural potential in the eligible border area as a mean for sustainable local development.

2.3 Priority axis, the related measures and their specific aspects concerning the implementation of the 2008 budget

The structure of the programme consists of **two Priorities Axes** with **six Measures**. Priorities 1 and 2 are oriented towards Lisbon as well as Gothenburg principles and take into consideration the cross cutting issues of equal opportunities, genuine cross border cooperation and sustainability. Additionally a **Priority Axis 3** "Technical Assistance" is foreseen.

Priority Axis 1: "Enhancement of cross border economic development" aims to promote sustainable economic development through common interventions and facilitate cross border reciprocal relations. Priority Axis 1 will be implemented within four Measures focusing on economic development (M 1.1), enhancement of human resources (M 1.2), the development of sustainable tourism (M 1.3) and the protection of human life (M 1.4).

Measure 1.1 "Economic Development" aims to support interventions facilitating the development of cross border economic activities through the utilisation of the existing potential and the emerging opportunities. This measure will support the development of joint actions for cooperation, exchange of information and coordination of activities and services among professional associations and chambers. Further support will be given to research activities and studies to facilitate cross border trade and investment, the development of cross border databases and business partner search facilities, the development of public services to facilitate cross border trade and investment, and the development of trans-boundary associations. It will also promote the transfer of know how in relevant business areas and promote common events and fairs.

Measure 1.2 "Human Resources Enhancement" aims is to support interventions which upgrade the professional skills of the local population, thus reacting to the demand of the border area, providing opportunities of employment and encountering migration.

Potential indicative activities are involving cooperation of the existing universities and education institutes for the development of common courses for students and professionals, development of vocational training/ life-long learning and qualification for women and disadvantaged groups.

Measure 1.3 "Sustainable Tourism" aims to support common cross border activities supporting tourism and utilising the existing natural and cultural heritage.

This measure will support the development and promotion of: joint tourism territorial planning; a regional brand-name and joint marketing initiatives, standards for services, common billing systems, common trainings; thematic tourism clusters and routes; eco-tourism networks; outdoor activities; combination of local craftsmanship and tourism.

Measure 1.4 “Protection of human life” aims to support interventions which protect public health, minimise the impact of the borderline in health services provision and facilitate the common use of health facilities.

Priority Axis 2: “Enhance the environmental resources and cultural heritage of the eligible border area” aims to promote common actions for the protection of the environment and the mobilisation of the natural and cultural heritage.

Measure 2.1 “Promote and protect the environmental resources of the area” aims to support interventions that protect the environment and mitigate the environmental impacts related to economic development.

This measure will support the following activities: improvement of the water quality of Axios/Vardar river and Doirani/Dojran and Prespa lakes implementation of trans-boundary environmental impact assessments; training and awareness programmes and regional certificates especially on eco-tourism, organic farming and renewable energy; development of networks and plans for the management and preservation of the water resources; development of links in the cross-border environmental planning; assessment of threatened elements of the environment; cross border strategies for waste and wastewater management especially in connection to rivers; enhance cooperation in the fields of protected areas; enhance coordination and joint training of natural hazards early warning and response mechanisms; development of innovative approaches in land use and urban development

Measure 2.2 “Promote and protect the natural and cultural heritage of the area” aims to support interventions that protect and mobilise the natural and cultural resources as means for a local-driven sustainable development while safeguarding the natural and cultural heritage from impacts related to economic development.

This measure will support the following activities: promotion and upgrade of natural and cultural monuments including religious monuments, traditional buildings, and historical sites; promotion and marketing of the region towards special interest groups; development of information and communication technologies for the promotion and protection of natural and cultural monuments; development of common tools to protect and restore cultural landscapes; promotion of local architecture; innovative approaches in land use and settlement development around leisure and recreation settlements and cultural sensitive areas; development of actions recording and promoting shared traditional features like music, languages, folklore including joint cultural events.

Priority Axis 3: Technical Assistance

Priority Axis 3 on Technical Assistance includes activities which secure the core management for the implementation of the programme (of the programme preparation, management, monitoring, evaluation and auditing) and implement accompanying actions to support the generation and implementation of high quality, result oriented cross border projects and partnerships.

Indicative timetable and amounts for the implementation of the measures:

Measures under priority axis 1 and 2 will be implemented through grant schemes. It is expected that two grant schemes, one per priority, will be launched in 2009 for an indicative amount of EUR 536 483 (Priority I) and EUR 670 604 (Priority II). The essential selection and award criteria for the award of grants as laid down in the practical guide (PRAG) to contract procedures for EC external aid should apply. The detailed selection and award criteria for the award of grants will be laid down in Call for proposals–Application Pack (Guidelines for applicants).

The Priority Axis "Technical Assistance" will be implemented through individual direct grant agreements without call for proposals to be established between the European Commission and the national authorities of the former Yugoslav Republic of Macedonia, in accordance with article 168 1. (c) of the Implementing Rules to the Financial Regulation, considering that the relevant national authorities, i.e. the CBC coordinator in the meaning of Art. 22 (2) (b) of the IPA Implementing Regulation and the Operating structures, enjoy a de facto monopoly situation for the implementation of the cross-border programme. The procurement of services, supplies or works by the direct grant beneficiaries is possible, under the terms and conditions established in the grant agreement and in accordance with Article 120 of the Financial Regulation and Article 184 of the Implementing Rules to the Financial Regulation. The direct grant agreement, for a total amount of EUR 134 121 can be signed as soon as the Financing Agreement is concluded. The IPA allocation for Priority Axis "Technical Assistance" will be complemented by a total amount of EUR 23 669 of national co-financing provided by the authorities of the former Yugoslav Republic of Macedonia.

2.4 Overview of past and on-going CBC experience, including lessons learned and donor co-ordination

- ***Past and on-going experience***

Cross Border Cooperation in the area was initiated with the INTERREG II/EXTERNAL BORDERS (1994-1999). They were the first major opportunity for an institutionalised cooperation between the 2 countries. This process was continued and strengthened with the **Interreg IIIA Greece/the former Yugoslav Republic of Macedonia 2000-2006 Programme**. The Programme was developed jointly between the Greece and the former Yugoslav Republic of Macedonia, finally approved early in 2002. Structural Funds assistance (ERDF) amounted to EUR 73.0 million out of a total budget of EUR 103.3 million.

Assistance to the former Yugoslav Republic of Macedonia was made available from the CARDS programme with a total CARDS budget of EUR 7 4 00 000.

On the 06.02.2006, the existing Cross-border cooperation programme between Greece and the former Yugoslav Republic of Macedonia was updated to a Neighbourhood Programme. The first joint call for Proposals was published on 17.11.2006. 161 proposals were submitted in total. 7 of these (4%) were dealing with Cross-border infrastructure, 24 with entrepreneurship (15%), 45 with tourism (28%), 30 with training and 55 with the environment (34%).

Applicants came from 4 prefectures and were mainly Local Authorities including some NGOs and other Non-profit Organisations. Implementation progress was exceptionally good in Priority 1, average in Priority 2 and good in Priority 3.

At the programme level, the last change from INTERREG to Neighbourhood programme has enabled the two countries to come closer to each other, though with some difficulties. The change resulted in establishing new Joint structures such as: JTS, and Joint Steering Committee.

- ***Donor coordination***

In line with Article 20 of the IPA Regulation and Article 6(3) of the IPA Implementing Regulation, the EC has asked the representatives of Member States and local IFIs in the former Yugoslav Republic of Macedonia to provide their comments regarding the draft cross-border programme submitted to the Commission.

2.5 Horizontal issues

The joint applications will have to cover both parts of the border and fulfil the following criteria:

- benefit partners from both sides of the borders
- support links between relevant institutions and organisations from both sides of the border
- encourage equal participation of women and marginalised groups
- meet particular needs of ethnic minorities
- be environmentally sustainable
- promote good governance, with particular attention to fight against corruption

Project partners should establish agreed co-ordination mechanisms to synchronise implementation of the joint projects throughout their implementation.

2.6 Benchmarks

	2009	2010 (cumulative)	2011 (cumulative)
Number of calls for proposals launched in the former Yugoslav Republic of Macedonia	2	2	2
Number of direct grants (Technical Assistance Priority) in the former Yugoslav Republic of Macedonia	1	1	1
Contracting Rate (%)	30	100	100

2.7 Roadmap for the decentralisation of the management of EU funds without ex ante controls by the Commission

A roadmap with indicative benchmarks and time limits to achieve decentralisation without ex ante controls by the Commission will be developed once the Commission has conferred the management powers to the national authorities.

Concerning the indicative roadmap for decentralisation with ex-ante control (DIS), the situation is the following:

The establishment of the management and control system was decided by the Government in October 2005, following the changes in IPA Regulations it was revised in December 2006. The National Fund (NF) and the Central Contracting and Financing Department (CFCD) were established and the Programme Authorising Officer (PAO), the Competent Accrediting Officer (CAO) and the Senior Programme Officers (SPOs) have been nominated. In the first half of 2007 a gap assessment to comply with the new IPA Implementing

Regulation has been carried out and the National Authorities have submitted a Gap assessment report to the Commission. In a subsequent step, gap plugging has been done during the second half of 2007, beginning of 2008. Following a compliance assessment and the accreditation of the system we then expect the CAO to submit the application to the Commission for conferral of management during the second half of 2008.

3 BUDGET FOR 2008

3.1 Indicative 2008 financial table for the former Yugoslav Republic of Macedonia

	EU – IPA assistance		National Contribution		Total (IPA plus National Contribution)	
	EUR (a)	% ⁽¹⁾	EUR (b)	(%) ⁽¹⁾	EUR (c)=(a)+(b)	(%) ⁽²⁾
Priority axis 1	536 483	85	94 674	15	631 157	40
Priority axis 2	670 604	85	118 342	15	788 946	50
Priority axis 3	134 121	85	23 668	15	157 789	10
TOTAL	1 341 208	85	236 684	15	1 577 892	100%

⁽¹⁾ Expressed in % of the Total (IPA plus National contributions) (column (c))

⁽²⁾ Expressed in % of the grand total of column (c). It indicates the relative weight of the each priority with reference to the total funds (IPA + National)

3.2 Principle of co-financing applying to the projects funded under the programme

The Community contribution has been calculated in relation to the eligible expenditure, which for that of the cross-border programme "Greece – the former Yugoslav Republic of Macedonia" concerning the former Yugoslav Republic of Macedonia is based on the total expenditure. The provisions of Article 90 of the IPA Implementing Regulation apply.

The rate of the Community contribution for this programme amounts to 85% for the former Yugoslav Republic of Macedonia. The co-financing under priority axis 1 and priority axis 2 will be provided by the final grant beneficiaries and it can be from public and private funds. Final grant beneficiaries should contribute with a minimum of 15% of the total eligible cost of the project, both for investment and institution building projects. The co-financing under priority axis 3 will be provided by the national authorities.

4 IMPLEMENTATION ARRANGEMENTS

The part of the programme concerning the former Yugoslav Republic of Macedonia will be managed according to the centralised management¹ model. The programme implementing provisions are based on the principle of both beneficiary countries being equal partners and with both beneficiary countries having an equal role in the cross-border cooperation management structures. The joint management of the programme will ensure local ownership, wider involvement, better planning and will create the base for genuine cross-border activities.

4.1 Method of Implementation

The "Greece – the former Yugoslav Republic of Macedonia IPA cross-border programme shall be implemented according to the provisions referred to in Article 99 (Transitional arrangements) of the IPA Implementing Regulation.

The part of this programme concerning the former Yugoslav Republic of Macedonia shall be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation² and the corresponding provisions of the Implementing Rules³. In the event of centralised management the role of the Commission in the selection of operations under a cross-border programme is specified in Article 140 of the IPA Implementing Regulation.

4.2 General rules for Procurement and grant award procedures

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules⁴ as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C(2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

Where appropriate, the Contracting Authorities shall also use the standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EC external actions" ("Practical Guide") as published on the EuropeAid website⁵ at the date of the initiation of the procurement or grant award procedure.

4.3 Environmental Impact Assessment and Nature Conservation

¹ The former Yugoslav Republic of Macedonia is in the process of preparing the accreditation of the managements structures. This process is expected to be completed in 2008 and the country will then shift to decentralised management.

² OJ L 248, 16.9.2002, p.1, Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1) and by Council regulation (EC, Euratom) n°1525/2007 of 17 December 2007 (OJ L 343, 27.12.2007, p.9).

³ OJ L 357, 31.12.2002, p. 1, Regulation as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 1).

⁴ See footnotes 2 and 3 *supra*.

⁵ current address:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

All investments shall be carried out in compliance with the relevant Community environmental legislation.

The procedures for environmental impact assessment as set down in the EIA-directive⁶ fully apply to all investment projects under IPA. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive.

If a project is likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made, equivalent to that provided for in Article 6 of the Habitats Directive must be documented⁷.

5. MONITORING AND EVALUATION

5.1. Monitoring

The implementation of the cross-border programme will be monitored by the joint monitoring committee referred to in Article 110 of the IPA Implementing Regulation, established by the participating countries, which include representatives of the Commission.

In the former Yugoslav Republic of Macedonia, the Commission may undertake any actions it deems necessary to monitor the programme concerned.

5.2 Evaluation

Programmes shall be subject to evaluations in accordance with Article 141 of the IPA Implementing Regulation, with an aim to improve the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of the cross-border programmes.

6. AUDIT, FINANCIAL CONTROL, ANTIFRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegations in the Beneficiary Countries.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and

⁶ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175, 5.7.1985, p. 40. Directive as last amended by Directive 2003/35/EC, OJ L 156, 25.6.2003, p. 17.

⁷ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 22.7.1992). Directive as last amended by Regulation (EC) No 1882/2003 (OJ L284, 31.10.2003, p. 1)

inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96⁸.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received Community funds.

7. LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature⁹, may be undertaken by the Commission's authorising officer by delegation (AOD), or by the Commission's authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

⁸ Council Regulation (EC, Euratom) 2185/96 of 11 November 1996, OJ L 292; 15.11.1996; p. 2.

⁹ These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.

**Greece – the former Yugoslav
Republic of Macedonia
IPA Cross-Border Programme
2007 - 2013**

CCI 2007 CB 16 IPO 009

Glossary of Acronyms

Acronym	Description
EBC	Cross Border Co-operation
CC	Candidate Countries
ERDF	European Regional Development Fund
IPA	Instrument for Pre-Accession Assistance
NP	Neighbourhood Programme
PCC	Potential Candidate Countries
ICT	Information and Communication Technologies
WLAN	Wireless Local Area Networks
NUTS	Nomenclature of Territorial Units for Statistics
UNESCO	United Nations Educational, Scientific and Cultural Organization
PHARE	Poland, Hungary, Assistance for Restructuring their Economies
ISPA	Instrument for Structural Policies for Pre-Accession
SAPARD	Special Accession Programme for Agriculture and Rural Development
IUCN	International Union for the Conservation of Nature

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Legal Basis

- Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA);
- Commission Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA);
- Communication from the Commission to the Council and the European Parliament, Instrument For Pre-Accession Assistance (IPA), Multi-Annual Indicative Financial Framework for 2008-2010
- Multi-Annual Indicative Planning Document for the former Yugoslav Republic of Macedonia.

Executive Summary

In the **Programming Period 2007-2013** the EU has introduced a **new strategic approach**, in order to ensure a better co-ordination of programmes and activities for the **Member States** and for **neighbouring candidate and potential candidate countries**. Lessons learnt in the 2000-2006 period led to the decision to combine **internal and external funds under one single umbrella**. In this context the **Instrument for Pre-accession Assistance (IPA)** dedicates a significant part of its resources to **Cross-Border Co-operation**, promoting sustainable economic and social development in the border areas and assisting co-operation for addressing common challenges in fields such as environment, natural and cultural heritage, public health and the prevention of and fight against organised crime.

The present **IPA Cross-Border Programme Greece/the former Yugoslav Republic of Macedonia** is the product of a bilateral **"Task Force"**, responsible for the joint and interactive planning effort between the two countries.

The eligible area is composed of the following NUTS III (or equivalent) regions:

- Fyrotina, Pella, Kilkis and Serres in **Greece** and
- Pelagonia, Vardar and Southeast in the former Yugoslav Republic of Macedonia.

In addition Thessaloniki in **Greece** and Southwest in the former Yugoslav Republic of Macedonia will form part of the programme area under the territorial flexibility rule.

The Strategy of the Programme is based on a detailed **analysis** of the programme area and the resulting **SWOT** underlining the significance of the location of the programme area. **Global Objective** of the programme is to **enhance convergence in the programme area by promoting sustainable local development**. This objective will be pursued along two Strategic Priorities:

On the one side the Programme will enhance the co-operation among economic actors and stakeholders through common approaches for the support of local economic activities, the development of local human resources and the protection human health as pillars for sustainable local economic development.

On the other side the Programme devotes its resources also to the protection and promotion of the environmental and cultural potential in the programme area as a mean for sustainable local development.

The Priority Axes of the Programme are defined below:

- **Priority 1:** "Enhancement of cross-border economic development", aiming at the promotion sustainable economic development, through common interventions and facilitate cross-border relations. Priority 1 will be implemented by four Measures focusing on the promotion of entrepreneurship, the enhancement of Human Resources, the development of sustainable tourism and protection of public health through cross-border activities.
- **Priority 2:** "Enhancement of the environmental resources and cultural heritage of the programme area" aiming to promote common actions for the protection of the natural and cultural environment and the mobilisation of the natural and cultural resources. Priority 2 will be implemented by two Measures focusing on the promotion and protection the environmental resources and natural and cultural heritage of the area.
- **Priority 3:** "Technical Assistance" aiming at the successful and smooth implementation of the Programme and the enhancement of high quality cross-border co-operation.

The Programme Greece – the former Yugoslav Republic of Macedonia is going to be implemented under the **transitional approach**.

The participating countries shall set up a **Joint Monitoring Committee**, ensuring the quality, effectiveness and accountability of the programme operations. They shall also set up a **Joint Steering Committee**, with the exclusive responsibility for selecting the operations to be funded under the IPA cross-border Programme.

The **Managing Authority** of the Programme is the CIP INTERREG at the Ministry of Economy and Finance in Thessaloniki, Greece. It shall be responsible for managing and implementing the IPA CBC Programme in accordance with the principle of sound financial management.

In the former Yugoslav Republic of Macedonia, the **Deputy Prime Minister for European Affairs** is designated as the National IPA Coordinator, who acts as the representative of the former Yugoslav Republic of Macedonia vis-à-vis the Commission and shall be responsible for coordinating the participation of the former Yugoslav Republic of Macedonia in the IPA cross-border Programme. The **Ministry of Local Self Government** has been designated by the National IPA Coordinator as the Cross-Border Co-operation Coordinator.

The Managing Authority shall set up a **Joint Technical Secretariat**, located in Thessaloniki. An **Antenna** will be located in **Bitola**. The Joint Technical Secretariat (JTS) shall assist the Managing Authority, the Joint Monitoring Committee and the Joint Steering Committee in carrying out their respective duties.

Beneficiaries will generally be **public and public equivalent bodies** from the eligible areas of the two countries. They will be invited to submit their **project proposals** using standardised application procedures during **open, public calls for proposals**.

1 Introduction

1.1 The Greece/the former Yugoslav Republic of Macedonia IPA Cross-Border Programme

(1) In the New Programming Period 2007-2013 the EU has inaugurated a new strategic approach, seeking better co-ordination of programmes and activities for the Member States and for the candidate and potentially candidate countries. Especially in the field of Cross-Border Co-operation, which in South-eastern Europe has experienced significant changes since the beginning of the 2000-2006 period evolving from the Interreg IIIA/CARDs to the Neighbourhood programmes, the Community Initiative INTERREG has evolved to a full Objective of the EU Cohesion Policy to be funded by the Structural Funds. EU Cohesion Policy aims at reducing the economic, social and territorial disparities which have arisen particularly in countries and regions whose development is lagging behind, and in connection to economic and social restructuring, and to the ageing of the population. The «European Territorial Co-operation» Objective includes three Strands, Cross-Border, Transnational and Interregional Co-operation, wherein the Cross-Border Strand aims at strengthening co-operation through joint local and regional initiatives.

(2) In addition, the Commission has introduced the new Instrument for Pre-accession Assistance, replacing the 2000-06 pre-accession financial instruments PHARE, ISPA, SAPARD, the Turkish pre-accession instrument, and the financial instrument for the Western Balkans, CARDS. IPA covers the countries with candidate status (currently Croatia, the former Yugoslav Republic of Macedonia and Turkey) and potential candidate status (Albania, Bosnia and Herzegovina, Montenegro and Serbia including Kosovo according to UNSCR 1244). Component 2 of the IPA is addressing all IPA countries and is dedicated to Cross-Border Co-operation. In the scope of IPA, Cross-Border Co-operation, such co-operation can pursue one or more of the following broad objectives:

- promoting sustainable economic and social development in the border areas;
- working together to address common challenges in fields such as environment, natural and cultural heritage, public health and the prevention of and fight against organised crime;
- ensuring efficient and secure borders;
- promoting joint small scale actions involving local actors from the border regions.

(3) In the past, there have been significant efforts to harmonise and coordinate the frameworks of cross-border co-operation under the Structural Funds and the pre-accession financial instruments, including for Interreg III and CARDs in 2000-2006 period. The lessons from this process have led to the decision to combine internal and external co-operation funds under one single umbrella. The present IPA Cross-Border Programme Greece/the former Yugoslav Republic of Macedonia is the product of the joint planning effort between the two countries seeking to take full advantage of the new possibilities offered within the Instrument for Pre-accession Assistance Framework.

1.2 Eligible Areas

(4) According to Article 88 of the IPA Implementing Regulation, for the purposes of cross-border co-operation between one or more Member States and one or more beneficiary countries, the eligible areas for financing shall be NUTS III level regions (or equivalent) along borders between the Community and the beneficiary countries, taking into account potential adjustments needed to ensure the coherence and continuity of the co-operation action.

Hence the seven (7) NUTS III (and equivalent) regions along the border of the two countries (Florina, Pella, Kilkis and Serres on the Greek side and Pella, Vardar and South-east from the side of the former Yugoslav Republic of Macedonia) are included in the eligible area.

(5) According to Article 97 of the IPA Implementing Regulation, NUTS III regions (or equivalent) along land borders between the Community and the beneficiary country are eligible areas for the purposes of cross-border co-operation. Article 97 foresees the possibility to finance expenditure incurred in implementing operations or parts of operations up to a limit of 20% of the amount of the Community contribution to the cross-border programme in NUTS III regions (or equivalent) areas adjacent to the eligible areas for that programme. Hence the regions of Thessaloniki and South-west are included in the eligible area due to their size and functional role they have in the programme area.

(6) The inclusion of Thessaloniki is based on the fact that the region is a geomorphological continuation of the Pelagonia massif and geologically stands at the western end of the Serronaeonian massif. The rock formations comprise a continuous belt of metamorphic and ophiolite formations of pillow lavas, dolerites, and upper mantle cumulative rocks stretching from the area of Veles to Thessaloniki bay. The hydrographic system which predominates in the entire eligible area is the hydrologic basin of the Axios/Vardar river – Dairani lake. These water bodies are shared between the two countries and constitute an excellent opportunity for both countries

to co-operate for the preservation of the wider quality and the environment. In general, Thessaloniki city maintains an important commercial part, has played a significant role in cultural and scientific exchanges in the broader area of Balkans over several centuries, and is a strong commercial and financial centre of northern Greece.

(7) The parts of the Southwest region in the former Yugoslav Republic of Macedonia, which belong to the Ballan Green Belt, hosts many protected areas (ten protected areas, two National Parks, seven Natural Monuments and one Natural Reserve). A part of the National Park "Gallica" belongs territorially to the Municipality of Resen (in the Pelagonija Region), which is included in the eligible area. Another part belongs to the Municipality of Ohrid/Southwest region. In the effort to secure integrated protection and management of the ecosystem and sustainable usage of the natural resources, the need for including the Southwest region into the eligible area is considered essential. Also, the Ohrid – Prespa region has been identified as a potential area for cross-border co-operation by the International Union of the Conservation of Nature (IUCN).

(8) With participation of the above mentioned regions in the Programme, it will be easier to fulfil objectives related to the Lisbon strategy:

- because of the fact that many research institutions, universities and additional regional resources and competences have their seats in them; and
- due to geographical and historical connection of the two additional regions to the core programme area.

(9) In addition, through the extension of the eligible territories, added value and higher level of cross-border co-operation will be achieved with the activities, which will have a broader impact on the development of the overall territory.

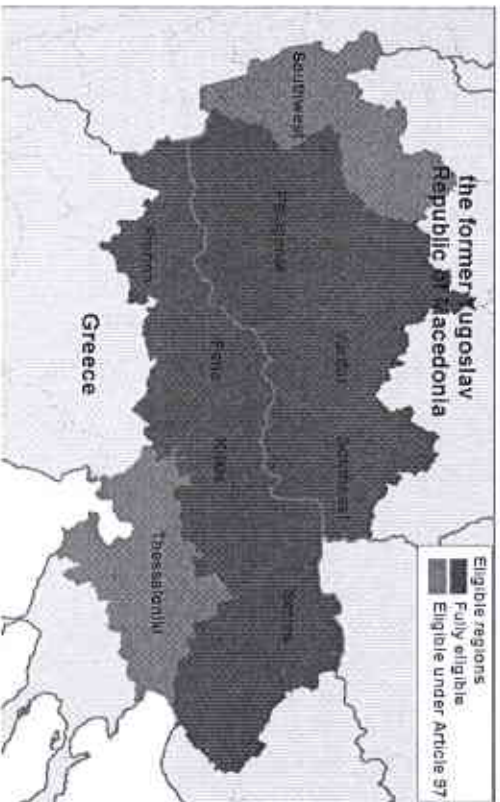
(10) The programme area has a border length of 246km (21km of lakes), covering an area of 28,702 km² and a population of 2,362,156. It is composed of the following regions:

Table 1: Eligible regions in the programme area

Greece NUTS III	Capital	Population	Area	Status
Forma	Flona	52,340	1,924	Fully eligible according to Article 88 of the IPA-IR
Peja	Edessa	138,761	2,506	Fully eligible according to Article 88 of the IPA-IR
Kiklis	Kiklis	81,710	2,519	Fully eligible according to Article 88 of the IPA-IR
Seres	Seres	196,247	3,790	Fully eligible according to Article 88 of the IPA-IR
Thessaloniki	Thessaloniki	946,864	3,683	Subject to Article 97 of the IPA-IR
the former Yugoslav Republic of Macedonia				
NUTS III	Seat of the Statistical Office	Population	Area	Programme Status
Pelagonia	Bitola	238,136	4,717	Fully eligible according to Article 88 of the IPA-IR
Vardar	Veles	133,160	3,392	Fully eligible according to Article 88 of the IPA-IR
Southeast	Gevgija	171,416	2,739	Fully eligible according to Article 88 of the IPA-IR
Southwest	Ohrid	221,855	3,432	Subject to Article 97 of the IPA-IR

¹ In Greece a NUTS III region is a "Prefecture", in the former Yugoslav Republic of Macedonia the eligible region is a "Planning region or regional development".

Figure 1: The Greece/the former Yugoslav Republic of Macedonia IPA Cross-Border Programme area



1.3 The Programming Process

(11) By the decision of the two countries, a bilateral "Task Force" for the elaboration of the new Greece/the former Yugoslav Republic of Macedonia IPA Cross-Border Programme was established. Members of the Task Force came from the relevant national authorities of the two countries including representatives from the European Commission. They have provided valuable information on the situation in the programme area, and the lessons learnt from the predecessor Neighbourhood Programme. Stakeholders and authorities responsible for the environment and gender aspects have also been consulted throughout the programming process.

(12) On 22.09.2006 the programming process started with a kick-off meeting held in Thessaloniki, followed by six Task Force Meetings: two in Skopje, one in Etola and three in Thessaloniki:

- TF meeting in Skopje, defining the basic orientation of the Programme,
- TF meeting in Thessaloniki, agreeing on the Programme structure,
- TF meeting in Skopje, approving the first draft version of the Programme,

- TF meeting in Thessaloniki concerning the Programme and the Implementing Provisions thereof,
- TF meeting in Etola, finalising the Programme and discussing the Implementing Provisions before submission
- TF meeting in Thessaloniki, finalising the Implementing Provisions and agreeing on the procedure for submission of the Programme.

(13) Before the submission of the programme, the two participating countries proceeded to public consultations in order to incorporate comments and observations before the submissions. Beyond publishing the programme and disseminating information about it via mass media, two Public Consultation events were arranged, addressing potential beneficiaries:

- One public consultation in Kikis (Greece) presenting and discussing the programme to potential beneficiaries
- One public consultation in Kavadarci (former Yugoslav Republic of Macedonia), presenting and discussing the programme to potential beneficiaries.

(14) During the programming process, the Taskforce was supported by three external expert teams on:

- Specific chapters of the Programme,
- The Ex-ante evaluation and
- The Strategic Environmental Assessment.

(15) To ensure broad regional and sector acceptance, as well as participation of social partners and stakeholders, the draft Programme was made available for public consultations in both countries. The Strategy and Priorities were presented and openly discussed. All representatives were invited to stress their viewpoints about the programme and give feedback as regards the final priorities. All respective feedback, along with the findings of the Ex-ante Evaluation and the Strategic Environmental Assessment, was taken into consideration for the formulation of the final Programming Document, while the discussion that followed the presentation of the new Programme further ensured that the initiatives and categories of project ideas proposed have a complementary rather than overlapping role to the regional and national strategies of both countries. The results of the consultation were continuously integrated in the programming document.

(16) The final Programming Document has been sent for approval to the European Commission and will be validated by the National authorities of both participating countries. Taking into

consideration all national policies and Programmes, the formulated Programme ensures the meeting of the needs of the programme area, complementing but not overlapping the actions and initiatives undertaken at the national and regional level. A final Task Force meeting, to take account of the comments received from the European Commission, was held in Thessaloniki on 21 February 2008.

2 Analysis of the socio-economic environment

2.1 Demography and spatial patterns

(17) The total population of the programme area is 2,362,158. (1,415,922 persons (68%) live in Greece, and 764,278 (32%) live in the former Yugoslav Republic of Macedonia. The total area covers 28,702 km² (14,422 km² in Greece and 14,280 km² in the former Yugoslav Republic of Macedonia.). 44% of the total population (1,011,790 persons) live in the NUTS III regions of Florina, Pella, Kilkis, Serres, Pelagonia, Vardar and Southeast. (469,058 in Greece and 542,732 in the former Yugoslav Republic of Macedonia) and the rest of the population in the two adjacent areas of Thessaloniki and Southwest. The metropolitan area of Thessaloniki gathers 46% of the total population in a single NUTS III area, and the Southwest region gathers a little more than 9% of the total population of the eligible areas. Apart from the metropolitan area of Thessaloniki, other major urban centres are Bitola (95,000), Prilep (76,000), Serres (56,000), Veles (55,000), Ohrid (55,700) Strumica (54,000), Kovandari (38,000), and Kikis, Edessa, Garmitza and Gevgelija with around 25,000 inhabitants each. As a general rule in the former Yugoslav Republic of Macedonia eligible areas, towns tend to be larger with smaller tendencies of suburbanisation than in Greece.

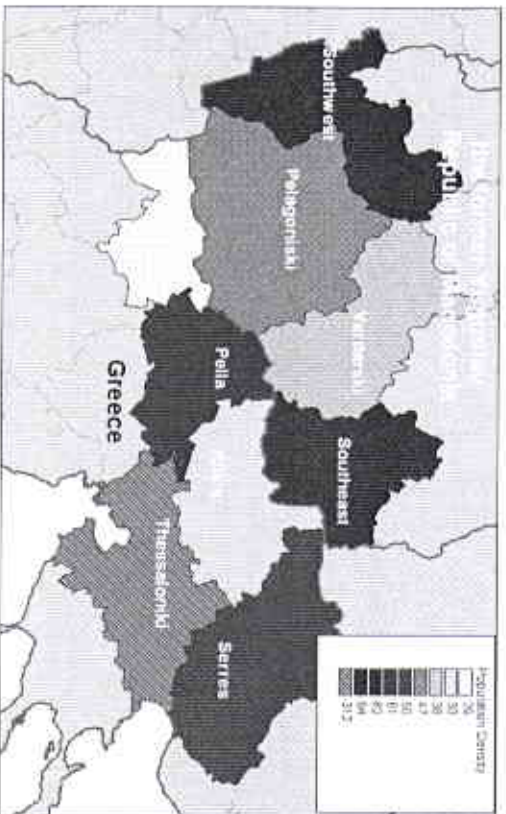
(18) In the Greek eligible areas there is a clear spatial imbalance in favour of Thessaloniki. Improvements in the accessibility networks have strengthened even further this metropolitan area at the cost of adjacent prefectures (e.g. Pella and Kilkis).

(19) Hence the programme area is characterised by a very high degree of urbanisation of almost 80% and a spatial concentration in the vicinity of the Axios/Vardar River and plain. A notable exception is the north-western part with the towns of Ohrid, Bitola and Prilep which illustrates a relatively independent development due to the accessibility barriers of the landscape and the resulting travelling times from and to the other centres of the programme area. Hence the border area is unique in its urban character, differing from the majority of European border areas, which are usually rural and isolated.

Table 2: Population in the programme area

Greece					
MUTS III	Census 2001	Current (2005)	Persons below 20	Persons over 65	Ratio male/female
Florina	54,768	55,710	13,197	16,075	1,04
Pella	145,747	146,100	33,058	28,705	1,01
Kilkis	88,056	91,938	18,552	18,075	1,05
Serres	200,551	203,093	40,495	77,258	0,99
Thessaloniki	948,824	1,099,588	237,061	148,491	0,94
The former Yugoslav Republic of Macedonia					
MUTS III	Census 2002	Current (2005)	Persons below 14	Persons over 65	Ratio male/female
Paologinis	228,738	227,579	42,446	35,826	n.a. at MUTS III
Vardar	132,780	131,908	25,119	15,006	n.a. at MUTS III
Southeast	171,416	171,837	33,983	18,281	n.a. at MUTS III
Southwest	221,848	221,855	41,787	22,430	n.a. at MUTS III
Total	2,201,274	2,262,158	495,670	372,097	-

Figure 2: Population Density



(20) The population development in the programme area is relative stable with minor population increases due to natural reasons and migration. Both sides of the border have balanced age

structures with a larger percentage of young population in the former Yugoslav Republic of Macedonia. Population density ranges from 29 persons/km² in Florina up to the terrific figure of 312 persons/km² in Thessaloniki. The respective national averages are 84 for Greece and 79 for the former Yugoslav Republic of Macedonia. The programme area is hence more sparsely populated (apart from obvious exceptions) than the rest of the respective country. Female to male ratio is comparable between the eligible prefectures in Greece and the national average in the former Yugoslav Republic of Macedonia. The effort for equal opportunities for all citizens is hindered mainly because of disparities within the individual regions including micro-regions with declining population.

2.2 Geography and Environment

(21) The cross-border eligible area is extremely rich in natural resources. During the long geological history, influences from relief, climate, soil etc. have contributed to create a rich mosaic of ecosystems. The border area is characterised by highly varied flora, fungi, fauna and natural habitats. The dominant terrestrial ecosystem types are forests, mountains and grasslands. Aquatic ecosystem types are rivers (Axios/Vardar) and its watershed, lakes, wetlands, marshes, swamps and temporary waters. The cross-border area is characterised also by the existence of many protected areas.

(22) The main characteristics of the programme area along the border line are the Prespa Lakes with the adjacent plains of Florina and Resen in the west, the mountain range of Vras reaching up to 2560m, the Axios/Vardar Valley, the Dorena/Dojran Lake and Belasica mountain range, reaching up to 2029m in the East. In the south the Gulf of Thessaloniki and the Axios/Vardar plain and Delta dominate. The area has fossil fuel reserves in Esroma (lignite) and significant deposits of decorative rock (granite, marble, bauxite) as well as mineral and thermal springs.

(23) The main river of the area is the cross-border Axios/Vardar. It originates a few kilometers north of Gostivar, passing through Gostivar, Skopje, Veles and crosses the Greek border near Gevgelija, Polykastro and Axioupoli before flowing into the Aegean Sea in Central Macedonia west of Thessaloniki. It is 388 kilometres long, and drains an area of around 25,000 km². The river is a major source for irrigation of the fertile plains of Kilkis and Thessaloniki and also a recipient of pollutants and wastewater from the settlements it crosses. The Delta under along with the adjacent Loudias and Aleksikon rivers with a total area of 11,808km² are a protected RAMSAR site. Another important river is located in the east of the programme area namely in the Serres prefecture. The Strymon/Struma springs at the Vitosha Mountain in Bulgaria. Its hydrologic catchment basing extends from the former Yugoslav Republic of Macedonia through Bulgaria to

Greece. It enters Greek territory at the Kula village and flows into the Aegean Sea, near Amphipolis in the Serres prefecture with a total length of 125km.

(24) At the western edge of the programme area the important Prespa lakes are located. Megali Prespa/Prespanskoto Ezero has a total surface of 190 km², divided between Albania, the former Yugoslav Republic of Macedonia and Greece. The Natural Reserve Ezerani on the Prespa Lake has been included in the Ramsar List since 1995 and Doyran Lake was added in 2007. Small Prespa Lake is shared only between Greece (138 km² drainage area; 43.5 km² surface area) and Albania (51 km² drainage area; 3.9 km² surface area). The area is protected as a National Park and as a special protection area under EU directive 79/409, and also as a RAMSAR wildlife habitat. The region remained undeveloped till the 1990s when it began to be promoted as a tourist destination. The area was declared a Transnational Park in 2000, including numerous cross-border co-operation projects. Other important natural lakes are the Ohrid (a UNESCO World Heritage site since 1979) lake in the south-west, Doyran/Doyran and Lake Kerkini (both RAMSAR wildlife habitats) in the east. Several ongoing initiatives for the development of ecological networks in the former Yugoslav republic of Macedonia are incorporated in the cross-border region. In particular, the Emerald network (figure 5) is of special conservation interest. At present, the Emerald network includes sixteen sites of special conservation interest. The most important of them are SNR Ezerani on the Prespa Lake, Belchisko Blato, SNR Tikves, NP Galichitsa, NP Pelister and Natural Monuments (Markovi Kuli, Doyran Lake, Demir Kaplija, Orlovo Brdo, Alibur, Mursaspitovo Swamp, Smolare and Kolesino Waterfalls).

(25) The mountains of the area are rich in flora and fauna and have not been seriously affected by human activity. A large number of protected areas exist e.g. NATURA 2000 sites in Greece and Emerald sites within the Green Belt Initiative along the borders of the former Yugoslav Republic of Macedonia. The Pan-European Ecological Network indicates the cross-border area as an important corridor for some migratory species that should be protected. The "Balkan Green Belt" initiative envisages the creation of an ecological network for transboundary co-operation in nature conservation and sustainable development. The Green Belt passes along the border of the former Yugoslav Republic of Macedonia with Albania, Greece and Bulgaria, and ranges from one to several tens of kilometres. An action plan aimed at preserving the area's bio-diversity has been developed. Nevertheless, pressure on natural resources is growing through urban sprawl and the expansion of outdoor activities and especially winter sports, although the size and impact of the interventions is of a moderate scale.

Figure 3: Lakes Ohrid, Megali Prespa/Prespanskoto Ezero and Mikri Prespa



Figure 4: Green Belt initiative, protected areas, on the side of the former Yugoslav Republic of Macedonia (marked in dark green colour)

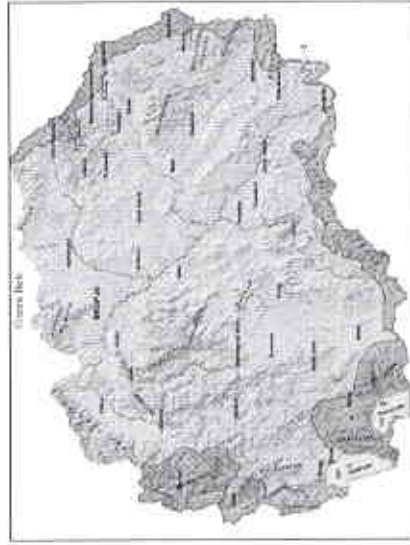


Figure 5: Emerald network in the former Yugoslav Republic of Macedonia



Figure 6: NATURA 2000 sites in the Greek programme area



(26) The programme area is also rich in economically interesting natural resources. Significant deposits of economic importance include marble, lignite, mineral resources and geothermal fields. Fertile irrigable plains cover a high percentage of the area and provide significant wealth to the rural population while at the same time requiring a pro-active environmental protective regime.

(27) Sedimentary deposits of coal are mainly located in the Amyntaion area in Florina prefecture, and it is anticipated that they are going to continue being extracted until 2050. Also the Suvodol and Boyd Negolino open pit mines in Pelagonia which feed the Bitola Power plant are expected to reach their end of their operational lives in the next few decades.

(28) The main environmental risks and hazards are caused by human activities. Industrial brownfields and contamination, hot-spots as e.g. in Veles, insufficient sewage treatment and release of waste in the rivers, pollution of the Axios/Vardar River and exhaustion of the aquifers in the coastal zone due to irrigation are the most common problems.

2.3 Economy

(29) The programme area has been neglected for many years, which has delayed the creation of a stable environment for the economic development. However reforms in the last 6 years and the perspective of EU membership for the former Yugoslav Republic of Macedonia, and an intensified economic presence of Greek enterprises with a significant number of cross-border investments within the eligible areas, are some of the reasons for considerable improvement of the situation. However most of the investments made in the cross-border areas are due to their attraction by cheap labour and do not necessarily have a long term character or the intention to establish themselves in the local markets. The economic situation of the cross border eligible area can be characterised as being still very weak.

(30) The agricultural sector is an important field of employment for the programme area with the obvious exception of Thessaloniki. The main occupation lies in agricultural activities. Agri-en topography defines a Western and Eastern Zone of agricultural activity. The eastern zone contains the regions of Vardar, Southeski, Pella, Kikos, Serres and Thessaloniki. The western zone is composed of the regions of Southwest, Pelagonia and Florina. The West is characterised by agricultural and livestock production, including wheat, beans, grapes, fruits and tobacco (Pilep area). In the East, cultivation along the Axios/Vardar valley and the lower Amos-Vardar Plain and Delta is characterised by the production of wheat, barley, corn, tobacco, cotton, sugar-beets, industrial tomatoes, rice, livestock and dairy products, while the Pella region stands out with a significant level of fruit production. Pella and the adjacent Imathia districts are world leaders in peach production. Grapes and wine production have increased in importance in the last decade in the areas of Kavadarci and Negotino and in Pella and Thessaloniki prefectures. In general the agricultural sector shows a large variety of cultivations. However disparities are evident in productivity, export orientation and the education level of the farmers between the plains and the hinterland.

(31) Industry has been developed in the former Yugoslav Republic of Macedonia especially around the Veles area (including metallurgy). However the disintegration of Yugoslavia, the loss of traditional markets and the impact of transition on the economy has led the industry to decline. In the southern part of the programme area Thessaloniki is an important industrial location. However industry is also in relative decline mainly due to lack of innovation and:

competitiveness. In the energy sector, the situation is stable or in decline. In the area of Bitola there are three units each of 225 MW with planned retirement/rehabilitation from 2013. The situation in the energy sector is similar in Greece with a relative stable Power Production sector in the Florina district. Geothermal fields are a potential energy source which has not been exploited yet but have been drawing attention from public bodies and investors alike. The food processing industry is well developed in Pelagonia, Pella, Thessaloniki and Serres including dairy products, sugar refineries, vegetable processing units, beverages and cattle-food industry which are all closely interrelated with the primary sector. The industrial zones of Thessaloniki and Kilkis are the main locations of industrial activities. Generous investment incentives of the Central Government and of the Regional Operational Programme of Central Macedonia and proximity to Thessaloniki have created a significant industrial cluster in Kilkis. This cluster includes among other new innovative industries, such as the biggest factory of photovoltaic elements in the Balkans. Nevertheless most industrial activity is oriented towards Thessaloniki and simply benefits from the territorial benefits provided by the government policy.

(32) The significance of the **tertiary** sector is rapidly growing in the entire programme area. Services including finance institutions and innovative industries are well developed in the metropolitan area of Thessaloniki and also important in some other larger centres such as Bitola. Tourism is becoming increasingly important, however the potentials of alternative and thematic tourism are not yet fully appreciated.

(33) **Tourism** has been growing rapidly. However the sector has been catering only for a domestic clientele. For example, the city of Ohrid is the prime domestic destination in the former Yugoslav Republic of Macedonia but has attracted limited visitors from Greece. In general there is an abundance of opportunities including thermal/spa tourism, entertainment and leisure activities, religious trails, mountaineering opportunities and cultural events. These opportunities have not yet attracted extra-regional attention and are used in a moderate way, thus setting a fertile base for the development of sustainable tourism.

(34) Overall trends are indicating a promising development. While agriculture will continue to decline in numbers, the new Common Agricultural Policy and the national rural development plans will guarantee a certain level of income for the farmers. The exploitation of the demand for organic products and the high quality of farming products from the area can be used as a development factor. The comparative advantages of the industrial sector are located in the availability of cheap labour in the former Yugoslav Republic of Macedonia and on regional state aids in Greece. Both advantages will change. Wages are expected to raise in the mid-term as a result of rising demand in the programme area. In the same time the NUTS 2 regions of Central

Macedonia and West Macedonia are Convergence Objective Phasing out regions in the 2007-13 Programming Period. Thus State Aid ceilings will be affected in the mid term.

(35) Trends show that agriculture and industry will continue to decrease in importance but can benefit (and be stabilised) through a reorientation towards ecological and high quality products (especially foodstuff). The tertiary service appears to be the most promising one due to the possibilities offered by the continuous intensification of cross-border economic relations, the upgrade of the metropolitan area of Thessaloniki and the city of Bitola as gateways, and the possibilities of decentralisation of services offered by new technologies and government policies.

Table 3: Economy of the programme area

Greece NUTS II	GDP per capita	Total GDP million EUR	Number Enterprises	Enterprises in Tourism and Culture	Unemployment Rate	State aids
Florina	13 230	721	4 115	26	15.2	Zone B (up to 30% Cash grant / Leasing subsidy)
Pella	11 685	1 700	10 914	45	9.3	Zone B (up to 30% Cash grant / Leasing subsidy)
Kilkis	15 421	1 340	6 124	13	15.7	Zone B (up to 30% Cash grant / Leasing subsidy)
Serres	10 085	1 937	14 198	22	6.5	Zone B (up to 30% Cash grant / Leasing subsidy)
Thessaloniki	17 384	19 378	90 646	128	8.9	Zone A (up to 20% Cash grant / Leasing subsidy)
The former Yugoslav Republic of Macedonia						
NUTS II	GDP per Total capita (PPP in \$) ²	Total GDP (PPP in \$)	Number enterprises	Enterprises Tourism Culture	Unemployment and rate ³	State aids
Pelagonia	6 905	1 544	6 582		39.9	
Vardar	5 591	744	3 745		43.9	
Southeast	6 050	1 030	4 454		34.4	
Southwest	4 192	921	5 632		47.4	

² Source: Data and indicators for the communities in the former Yugoslav Republic of Macedonia

³ Source: State Statistical Office, Census of population 2002.

Table 4: Economy Sectors of the programme area

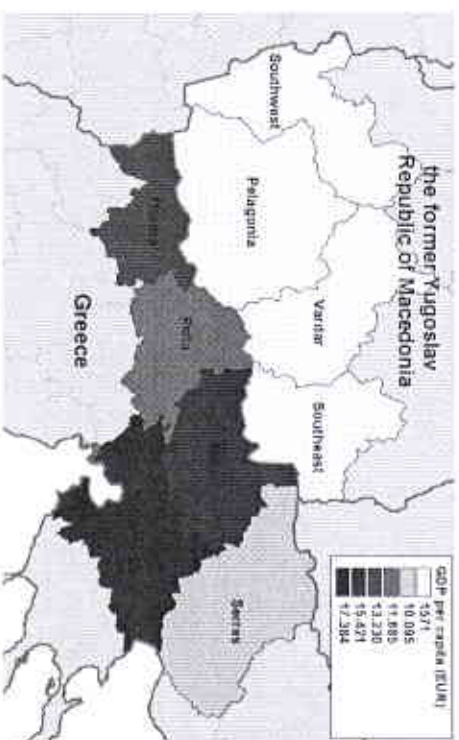
Greece		The former Yugoslav Republic of Macedonia*				
NUTS III	Agriculture (% of labour force)	Agriculture (% of GDP)	Industry (% of labour force)	Industry (% of GDP)	Services (% of labour force)	Services (% of GDP)
Florina	26.85%	13%	22.19%	26%	46.37%	52%
Pella	44.35%	18%	17.14%	18%	36.71%	55%
Kilkis	24.59%	11%	27.75%	37%	40.73%	42%
Serres	36.39%	15%	16.47%	15%	42.85%	61%
Thessaloniki	5.04%	2%	26.60%	25%	62.75%	64%
The former Yugoslav Republic of Macedonia*						
NUTS III	Agriculture (% of labour force)	Agriculture (% of GDP)	Industry (% of labour force)	Industry (% of GDP)	Services (% of labour force)	Services (% of GDP)
Pelagonia						
Vardar						
Southeast						
Southwest						

(36) There are 6,582 registered enterprises in Pelagonia, 3,240 in Vardar, 4,454 in Southeast and finally 5,632 in the Southwest district. The GDP per capita for the entire country was in 2005 1,571 EUR. At national level the primary sector contributed to the GDP by 9%, the secondary sector by 29% and the tertiary sector by 62%. For comparison the split in the Southwest district is approximately 24% in agriculture, 26% in industry and 50% in the tertiary sector. These numbers indicate the less industrialised and tourism-oriented character of the region. The pattern is similar in Pelagonia and Southeast, whereas Vardar has a slight stronger secondary sector. As to the employment pattern on national level, the primary sector occupied 18.44% of the labour force, the secondary sector 29.67% and the tertiary sector 51.87%. Unemployment was 38% nationwide. (Source: State Statistics Office)

* Data not available

(37) The structure of the economy reveals the internal disparities of the area. Low income, high unemployment and a large agricultural sector on the one side are confronted with dynamic metropolitan areas. The tertiary sector is rapidly rising, thus micro-regions with high agriculture dependency and older population tend to fall behind. SMEs are the mainstay of entrepreneurial activity; however their impact on reducing unemployment is limited. Female and young employees are especially affected by seasonal unemployment which is higher than the national average (c.f. in Greece 9%)

Figure 7: GDP per capita in the programme area



(38) Greece and the former Yugoslav Republic of Macedonia have developed significant trade relations. 15.5% of the exports from the former Yugoslav Republic of Macedonia are directed towards Greece and 9.1% of its imports come from Greece. Greek imports from the former Yugoslav Republic of Macedonia grew from 97 Million € in 2004 to 169 Million € in 2005 (approximately 75% increase). Exports also grew from 255 Million € in 2004 to 271 Million € in 2005 (approximately 6.4% increase). The most important products traded between the two

countries are: iron and steel, clothing, fossil fuels, boilers - machines, electric machines, plastics, fruits and vegetables, cotton, knitwear and meat.

(39) Greek foreign investment in former Yugoslav Republic of Macedonia reached in 2005 approximately 82 Million €. whereas in 2004 it reached approximately 107 Million €. While there is no data on the location of foreign investment, most enterprises concentrated their activities either in the capital city of Skopje or in the programme area.

2.4 Education and R&D

(40) The programme area demonstrates an extensive and adequate network and number of primary and secondary schools. The general level of the schools is good, especially in the urban centres. Rural areas are also reasonably served with 1,493 primary and 488 secondary schools in Greece. In the eligible area of the former Yugoslav Republic of Macedonia there are 351 primary and 83 secondary schools⁵. The accessibility of schools is relatively unproblematic.

(41) The programme area boasts a substantial number of tertiary institutions, especially in the Thessaloniki district. While universities of the region are very active in international and interregional collaboration, bilateral cross-border co-operation has been weak. The co-operation developed mainly under Interreg IIIA/ CARDS between the Aristotelean University of Thessaloniki and the University of West Macedonia/Department of Balkan Studies on the one side and the St. Kliment Ohridski University in Bitola on the other side was encouraging but remained on an ad-hoc level.

(42) The number of graduates is comparable to the national averages. However lack of sufficient employment opportunities drives many young highly educated persons in the metropolitan centres of Skopje and Thessaloniki. The development of curricula (e.g. Department in Florina) offered to local needs helps to reverse the trend but the impact is still not noticeable.

(43) Vocational training and human resources development is also unevenly distributed. Almost all vocational training institutes are concentrated in Thessaloniki, while the regional centres have centres of limited capacity.

⁵ Source: Ministry of Local Self Government

Table 5: Education of the programme area

Greece		
NUTS II	Post-secondary schools and technological foundations	Universities
Florina	TEI of Western Macedonia	University of West Macedonia
Pella		University of Macedonia
Kilpis	TEI of Thessaloniki	
Serrae	TEI of Serrae	
Thessaloniki	TEI of Thessaloniki	Aristotle University of Thessaloniki University of Macedonia American College of Thessaloniki City College, Affiliated Institution of the University of Sheffield
The former Yugoslav Republic of Macedonia		
NUTS II	Secondary schools with vocational training	Universities ^a
South west	7	State University "St. Kliment Ohridski" - Bitola (Faculty of tourism and catering industry - (Chem)) Private European: University of political sciences, information technology, Art and Design) FDN - Private University - Struga (Faculty of Law, Political Sciences and International relations, Applied foreign languages, Detective and Security and management, Environment)
Peagonia	13	State University "St. Kliment Ohridski" - Bitola (Faculties of Technical Sciences, Pedagogy, Biotechnical Sciences, Administration and IT management, Highly specialized school of Health Care)
Vardarski	5	
South east	6	State University "Goce Delchev" - Strp (Faculties of Economics, Law, Agriculture, Music, Art, Information technology, School of Health Care) State University "St. Kiril and Metodij" - Skopje (Faculties of Mining, Geology and Pedagogy - Strp)

^a Source: Ministry of Education

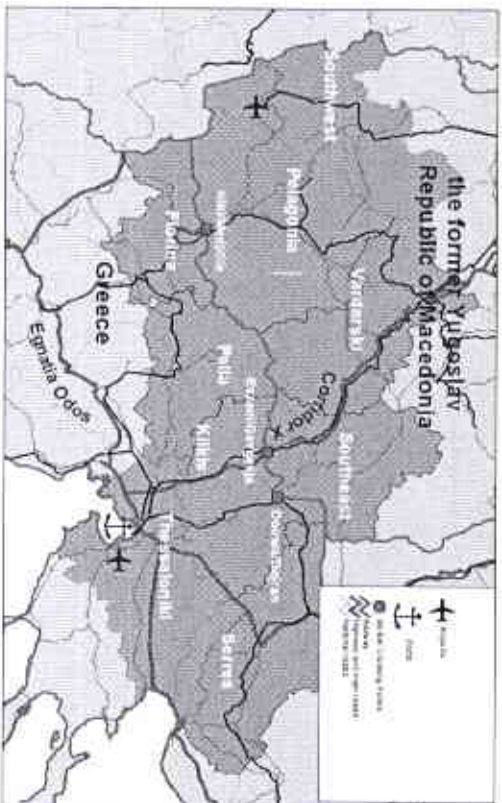
(44) In the field of research and development there is no data at the regional level. However research and development is concentrated in the prefectures and districts where the major universities have their seats (i.e. in Peloponnese and Thessaloniki). In Greece the figures for expenditure on R&D were in 2001 and 2003 respectively at 0,64% and 0,63% of the GDP. In 2003 less than 30% (28,2%) of that was funded by industry 21,6% was funded from abroad and 46,4% was funded by the government. In the former Yugoslav Republic of Macedonia the national expenditure on R&D as a % of GDP fell between 2001 - 2003 from 0,32 to 0,22. For comparison, in the EU 25, in 2003, 1,9% of the GDP was spent on R&D. (Source: Eurostat)

2.5 Accessibility

(45) Two important motorways cut across the programme area. Pan-European Corridor X with a general N-S direction connects Salzburg to Ljubljana - Zagreb - Beograd - Niš - Skopje - Veles - Thessaloniki. The Egnatia Odos (E90) with E-W direction connects Igoumenica to Kila. Two vertical axes of Egnatia Odos, the Kazani-Florina-Niki to the West and Malgari-Evzoni to the East connect Egnatia Odos to the core of the eligible area. Branch C of European Corridor X will connect Veles-Philip-Bitola-Niki. The completion of Corridor X will be implemented in a coordinated effort of the Secretariat of European Affairs and the Hellenic Ministry of Foreign Affairs. Part of the project cost will be financed by the Greek Plan for Economic Restructuring of the Balkans. A further Pan-European Corridor affecting the programme area is Corridor VIII from Durres to Varna, crossing near Ohrid.

(46) Local accessibility patterns in the area are defined by the topography of the area and the Voras mountain which is a natural barrier in the middle of the programme area. There are three crossing points: Niki/Medija to the west, and Evzoni/Seyvelja and Dorani/Doyran to the east. The regional secondary network is of mixed quality with inadequate infrastructure mainly in the Veles-Philip-Bitola axis and the Florina-Pella link.

Figure 8: Accessibility in the programme area



(47) Investment in transport and in particular road infrastructure has been significant. The motorway connecting Skopje to Geyvelja has been modernised with PHARE funding and consists of dual carriageway for its entire length with the exception of the area between Miletovo and Demir Kopia and some parts still under construction. Egnatia Odos (including funding from the Cohesion Fund, the European Regional Development Fund, the Trans European Networks Transport, national funds and the European Investment Bank) is also mainly complete, while the vertical axes are expected to be operational by 2010.

(48) Further accessibility points of the programme areas are the railway connections, the port of Thessaloniki and the airports. The railway is part of the connection between Central Europe and Thessaloniki and the Aegean sea, but its significance in passengers' traffic has declined. Rail transport is also limited to bulky cargo due to the absence of attractive multi-modal nodes. Secondary connections from Veles to Bitola and from Thessaloniki to Florina are of negligible impact. Kila is serviced by the Thessaloniki-Alexandroupolis-Istanbul axis which is expected to gain in importance. The part of Thessaloniki is of super-regional importance as the single most important gateway into large parts of the Balkan Peninsula and a central node for shipping and commerce to and from the hinterland. The inevitable development of the area west of Thessaloniki as a logistics centre requires investments in multimodal connections combining the vicinity of the port and the crossing of Corridor X (E75), Egnatia (E90) and the railway axes Belgrade-Thessaloniki and Thessaloniki-Alexandroupolis. Finally the area is serviced by two

international airports, the "Makedonia" international airport in Mkiro, east of Thessaloniki and the "Apostle Paul" international airport in Ohrid. Both airports are an important destination for regional routes and charter flights in the holiday season.

(49) Telecommunication infrastructure is well developed. Terrestrial and cellular telephony coverage is sufficient. Internet connectivity is equal to the national average. Most centres in the southern zone are covered by ADSL lines, whereas in the entire territory of the former Yugoslav Republic of Macedonia is covered with WLAN access. An important development for the programme area is the development of the South-Eastern European Research and Education Network aiming at the interconnection of Research and Education Networks of the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, Bulgaria, Greece, Hungary, Serbia, Romania and their connection to GEANT (a multi-sigabit pan-European data communications network, reserved specifically for research and education use). Certain parts of the network are financed under the Greek Plan for the Economic Restructuring of the Balkans.

2.6 Health and Social Protection

(50) The main urban centres are equipped with sufficient health infrastructure including state hospitals, health centres and sanatoria. Especially the area of Thessaloniki has emerged as a medical services centre of super-regional importance concentrating large hospital centres like the Papageorgiou hospital, the Papanikolaou hospital, the 424th General Military Hospital, the AHEPA University Hospital and the Interbalkan Medical Centre. These medical centres have state of the art facilities and can play an important role in the cross-border area acknowledging the international trend for large central hospitals and efficient medical transportation systems.

(51) Primary health care in the rural areas is basic but adequate. Emergency and search and rescue mechanisms exist but have deficits in equipment and organisation. Taking into account the high level of accessibility of the region, the development of mobile treatment units and medical evacuation services will be of key importance.

2.7 Culture

(52) Cultural heritage represents one of the most important potentials in regional cross-border development from the social, economic and environmental aspect. The programme area is rich in cultural resources including numerous significant ancient sites like Heraclea and Pella which are of world importance. There is also a large number of medieval monasteries, chapels and churches, which have been nodes of vivid religious and lay networks for centuries. The programme area also boasts a large number of important historical towns, villages and settlements that present architectural heritage. Ohrid has been a UNESCO World Heritage Site

since 1980. The southern part is particularly famous for its concentration of historical monuments, churches, monasteries (monastery of St. Naum, the medieval church St. Sofia, etc.) and frescoes dating from the Byzantine period to the XIX century. The archaeological site of Vergina and the Palaeochristian and Byzantine monuments of Thessaloniki are part of the UNESCO World Heritage List, and the area of Prespes Lakes is included in the tentative UNESCO World Heritage List.

(53) The cultural infrastructure of the city of Thessaloniki has been greatly reinforced, through a number of projects, which included the improvement of museums (e.g. the Archaeological Museum, the Museum of Byzantine Culture), the enhancement of Roman and Byzantine monuments, as well as Contemporary Culture events.

(54) Living culture is also very active with cultural events and festivals organised in the region like the music festival "summer of Ohrid", the Bitola classical music festival, Video-art festival and International Amateur Documentary film festival, the periodical exhibition of Modern Art in Florine (which awards talented young artists) and the Thessaloniki Film Festival, International Bookfair, Cinema Museum, Biennale Visual Arts.

(55) Finally, the region is rich in diversified culinary traditions and handicrafts. These traditions could play an important role in the promotion and the tourism offer of the region but, so far, are largely underestimated. There is a significant number of museums, culture centres and sites, which can support the promotion of the local culture potential.

2.8 Administration and planning capacity

(56) The districts of the programme area are NUTS III level. The Greek prefectures belong to the NUTS II regions of Western Macedonia (Florina) and Central Macedonia (Pella, Kilkis, Serres and Thessaloniki). In these NUTS II regions most administrative bodies have acquired substantial administrative and planning capacity due to the implementation of large multi-annual Regional Operational Programmes within the Structural Funds Framework.

(57) The former Yugoslav Republic of Macedonia has established a one-tier local government system. Units of local self-government are municipalities. The territory of the country is divided into 84 municipalities and the City of Skopje as a special unit of local self-government. For the purposes of protection and enhancement of the common interest the municipalities may form associations. The municipalities may co-operate with units of local self-government of other states, as well as international organisations of local communities, and may be members of international organisations of local governments. There is one Association of Units on Local self-government - ZELS. According to the new Law on Regional Development, adopted in May 2007,

there are eight planning regions for regional development, on the equivalent of NUTS III level: Peloponnis, Vardar, Northeast, Southwest, Skopje, Southeast, Potoski and East region. The law will serve as a basis for the institutional structure for regional development by the end of 2007.

(58) In the field of cross-border co-operation the Community Initiative INTERREG and the external co-operation programme PHARE-CDC have been a very positive experience and have set the foundations for successful co-operation. However, implementation modalities and administrative constraints have limited genuine co-operation. Hence public bodies have developed marginal capacity in bilateral planning and implementation. Non-governmental organisations and especially business associations have been able to fill this gap and are expected to play an important role in the future too.

(59) Within the cross border region, there are some Euroregions, which cover parts of the cross-border area as well as areas outside the eligible area (in Albania and Bulgaria).

2.9 Lessons learnt in the former programming periods

(60) Cross border Co-operation in the area was initiated with the INTERREG II/EXTERNAL BORDERS programme of 1994-1999. This was the first major opportunity for an institutionalised co-operation between the 2 countries. This process was continued and strengthened with the **Interreg IIIA Greece/the former Yugoslav Republic of Macedonia 2000-2006 Programme**. The Programme was developed jointly between Greece and the former Yugoslav Republic of Macedonia, and was approved early in 2002. Structural Funds assistance (ERDF) amounted to EUR 73 million out of a total budget of EUR 103 million. Assistance to the former Yugoslav Republic of Macedonia was made available from the CARDS programme with a total CARDS budget of 7.4 Million EUR.

(61) The programme identified three priorities (apart from a priority on technical assistance) for cross-border co-operation, namely:

- Priority 1: Cross border infrastructure including actions like upgrading connections of the border areas with the former Yugoslav Republic of Macedonia, creating and modernising border crossing installations, customs facilities and border control, and security installations.
- Priority 2: Economic development and employment including actions like co-operation between firms, promoting cultural and tourist resources and new employment opportunities.

- Priority 3: Quality of life, environment and culture focusing on actions protecting and improving the natural environment and the quality of public health services.

(62) On 06.02.2006, the existing cross border co-operation programme between Greece and the former Yugoslav Republic of Macedonia was updated to a **Neighbourhood Programme**. The first joint call for Proposals was published on 17.11.2006. 161 proposals were submitted in total, 7 of these (4%) dealt with cross border infrastructure, 24 with entrepreneurship (15%), 45 with tourism (28%), 30 with training and 55 with the environment (34%). Applicants came from 4 prefectures and were mainly local authorities including some NGOs and other non-profit organisations. Implementation progress was exceptionally good in Priority 1, average in Priority 2 and good in Priority 3. Commitments have till today reached 100% and absorption is currently at 50%.

(63) The dual structures of ERDF and CARDS made co-ordination among projects and partners difficult. At the programme level, the late change of the programme to a Neighbourhood Programme has enabled the two countries to come closer to each other, though with some difficulties. Co-operation on this level including bilateral meetings of the Monitoring and Steering Committees, exchange of information and decision making, evolved considerably.

(64) A Joint Technical Secretariat, a Joint Monitoring Committee and a Joint Selection Committee have been established. The need for establishing these new joint structures combined with the differences in the legal framework have delayed the two countries in introducing fast implementation techniques for the programming period 2000 – 2006. As the set up of the joint structures proved to be time consuming, the first joint Call for Proposals was published on November of 2006 (many of the awarded projects are currently still being implemented).

(65) On the other hand, the experience gained in setting up the joint structures has contributed to the better preparation of both countries in terms of coping with the new demands for the 2007-13 programming period.

(66) It is expected that the characteristics of the new IPA instrument providing a single legal base, the joint management structures that permit the representation of the authorities of both sides and the implementation of the programme through joint cross-border projects selected through open call for proposals and led by a "lead partner", will greatly promote the cross-border cooperation between the two countries.

3 SWOT Analysis

(67) The socio-economic background of the programme area represents one important input for implementing the SWOT analysis. Additionally to the present analysis, regional plans and programmes and other strategic documents along with the opinions of the Programming Group have been taken in consideration.

(68) The programme area is far from being a homogenous region – neither between the two countries nor within the single participating districts themselves. First of all the area is strongly unbalanced and by interregional standards has, apart from the agricultural sector, a potential industrial base. The primacy of Thessaloniki is a considerable advantage, providing the programme area with economic, administrative and entrepreneurial resources. On the other hand, the metropolitan area of Thessaloniki also causes a serious imbalance since its force of attraction inevitably impacts on all other centres. This has been the case in Greece with all smaller centres in the periphery and the same is expected to happen with the areas in the former Yugoslav Republic of Macedonia which are adjacent to the E75. The Bitola-Prilep area could be an exception, mainly due to their relative remoteness, at least until Egnatia Odos and its vertical axes are completed. At the same time rural settlements of the programme area have different needs and capacities, requiring a detailed case by case approach in order to overcome their problems and keep up with their regional centres.

(69) The following SWOT analysis concentrates on the joint strengths and weaknesses and opportunities and risks being aware of the diversities in economic level, structure and development processes and also in the institutional framework.

Greece/the former Yugoslav Republic of Macedonia IPA Cross-Border Programme

Table 6: SWOT Analysis	
Sector	Strengths
Demography and accessibility	Strategic position on the Corridor X (E75) and Egnatia Odos (E90) crossroad Advanced primary transport infrastructure Port of Thessaloniki as a gateway. Advanced ICT infrastructure.
Geography, Environment and Culture	Natural environment and valuable fields Numerous rivers and lakes Fertile plains and favourable climate for agriculture. Rich cultural and natural heritage and developed environmental and cultural institutions. Landscapes suited for outdoor activities Winter sports Networks and cultural exchanges performed during the past cross-border experience
Economy	Export oriented and competitive agricultural sector in the Greek prefectures. Strong industrial clusters in certain areas Growing cross-border business. Availability of competent research institutes and universities Young population with high interest in the adoption of ICT
Education, R&D, Health and Social Protection	Regional and demographic disparities in the educational level of human resources. Active NCO Network Foster experience of cross-border co-capacities
Administration and state bodies	Acceptance of new technologies Active NCO Network Foster experience of cross-border co-capacities
Opportunities	EU focus on environmental protection policies including a trans-boundary dimension Climate change Heavy pressure on the natural and cultural environment from the frames of time management Promotion of natural, historical and cultural heritage Rapid economic recovery in the former Yugoslav Republic of Macedonia. Growing bilateral trade Rising consumer demand for organic farming. Talent medicine
Threats	Urban sprawl and rising consumption of un-replenished natural resources Pollution in adjacent areas EU focus on environmental protection policies including a trans-boundary dimension Climate change Heavy pressure on the natural and cultural environment from the frames of time management Promotion of natural, historical and cultural heritage Rapid economic recovery in the former Yugoslav Republic of Macedonia. Growing bilateral trade Rising consumer demand for organic farming. Talent medicine Delays in institutional framework for regional development in the former Yugoslav Republic of Macedonia

Table 6: SWOT Analysis

Sector	Strengths operation and cross-border investments (add to analysis),	Weaknesses	Opportunities Yugoslav Republic of Macedonia and regional focus of Structural Funds Management in Greece; Trends for state decentralisation	Threats Macedonia

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4 Programme Strategy

4.1 Strategy Framework

(70) The Programme strategy is the result of the interaction of the following elements:

- EU strategic decisions as laid down in the Community Strategic Guidelines on Cohesion (2006/202/EC),
- The specific needs and challenges of the programme area between Greece and the former Yugoslav Republic of Macedonia as presented in the analysis and SWOT of the present document,
- The scope of a cross border co-operation programme as outlined in the relevant regulations (e.g. Article 9, Council Regulation (EC) No 1085/2006 on IPA).

These elements design the outline of the strategy and define the placement of the Global and Specific Objectives and corresponding Priorities of the Programme.

(71) The basic logic underlying the formulation of the Strategy is the definition of "policy responses" to the Strengths, Weaknesses, Opportunities and Threats identified.

Taking in account the limited funds of the Programme the policy responses are defined by the possible combination of:

- Strengths and Opportunities in order to accelerate developments in suitable fields;
- Strengths or Opportunities against Weaknesses in order to overcome existing shortcomings or
- Strengths or Opportunities against Threats in order to mobilise the existing potentials.

(72) The fundamental conclusions from the analysis of the programme area and the SWOT underline the significance of the location of the programme area. The Programme area is located on an important crossroads for the development of the entire South-East Europe and Mediterranean Space. The national and EU policies are investing in the improvement of the accessibility infrastructure and in the connection of the metropolitan growth areas. These trends are reinforced by rising cross border trade and the dynamic of Greek investment across the border. The existing universities are competent and capable of providing skilled graduates able to maintain the development momentum. The invaluable nature and culture are also dominant components in the development of the area, especially concerning the development of sustainable tourism but also in the quality of life of the local population. On the other hand the

border is still a considerable barrier, while the large socio-economic disparities between the 2 countries and also within the individual eligible regions themselves and the limited co-operation in crucial cross-border issues such as environment and health are confronting the region with essential challenges. EU policies are seen as an important external component which either intervenes in areas which can not be addressed by the Programme - such as state reforms through the IPA Component 1 or through infrastructure investments through the Regional Operational Programmes of the Greek NUTS II regions - or provides incentives and political legitimization in issues such as the exploitation of renewable energy sources or the protection of the environment, hence providing for the ignition of locally driven sustainable development.

4.2 Application of EU principles

(73) This chapter addresses the EU principles on the promotion of sustainable development and the promotion of the equal opportunities and non-discrimination and describes how the programme will pursue these horizontal objectives.

(74) **Principle: Promotion of sustainable development:** Development in this programme area is taking place in highly sensitive areas. As a horizontal principle, sustainability must be part of all actions. A special consideration is whether activities are confronted with different user demands. Sustainable concepts are especially requested and implemented in regional and environmental development, the further development of national and nature parks, but also in sector activities, e.g. tourism, leisure economy, technical infrastructure (energy). The principle of sustainability aims at providing relevant development conditions to the living generation, without decreasing the development possibilities for future generations. To reach this point, there have to be taken into consideration the 4 dimensions of sustainability, the environmental, the economic, the social and last but not least the cultural one.

- **Environmental sustainability** means the environmental friendly use of natural resources, the improvement of the quality of the environment, the protection of biodiversity and risk prevention for humans and the environment.
- **Economic sustainability** means to create a future oriented economic system and to increase economic capability and competence for innovation.
- **Social sustainability** means social balance, the right for human life and the participation of the population in policy and society.
- **Cultural sustainability** means to safeguard cultural vitality of a society, through support for cultural activities and cultural heritage and programs as a corner-stone for sustainable community development.

(75) In the programme context that would mean that all envisaged actions respect the four dimensions of sustainability. The overall Objectives Structure and the resulting Priorities show direct links to these dimensions, addressing environmental protection and improvement, promoting a future oriented economic system based on knowledge and innovation and underlining social equality and public participation as a vital part of the planning and building of sustainable communities.

(76) **Principle: Promotion of equal opportunities and non-discrimination:** The implementation of the activities will be in line with European and national policies for equal opportunities and non-discrimination. Equal opportunities is no separate topic, but is the basic principle for each single activity. By inclusion of equal opportunities in all concepts and activities there should be achieved balance and fairness within the society. In the programme context that would mean that all priorities offer tools and opportunities to discriminated groups to improve their situation, while preventing or minimising negative developments in the fields of equal opportunities and non-discrimination. These elements are respected in all priorities addressing participation and accessibility for everyone and promoting the inclusion of all citizens in the development processes.

4.3 Objectives and Priorities

(77) Hence, the Programme Strategy is structured along one Global Objective and two Strategic Priorities which will be achieved within two Priorities. These two Priorities will be accompanied by a Priority on Technical Assistance aiming at successful programme implementation.

(78) The **Global Objective** of the programme is to **enhance convergence** in the programme area by promoting **sustainable local development**.

(79) The Global Objective is addressing sustainability in its economical, social, cultural and environmental components, thus taking into account the need to specify and focus, on the one hand, on the socio-economic dimension and, on the other, on the indivisible whole of nature and culture and their interactions in this programme area.

(80) On the one side the Programme will enhance the co-operation among economic actors and stakeholders through common approaches for the support of local economic activities, the development of local human resources and the protection of human health as pillars for sustainable local economic development.

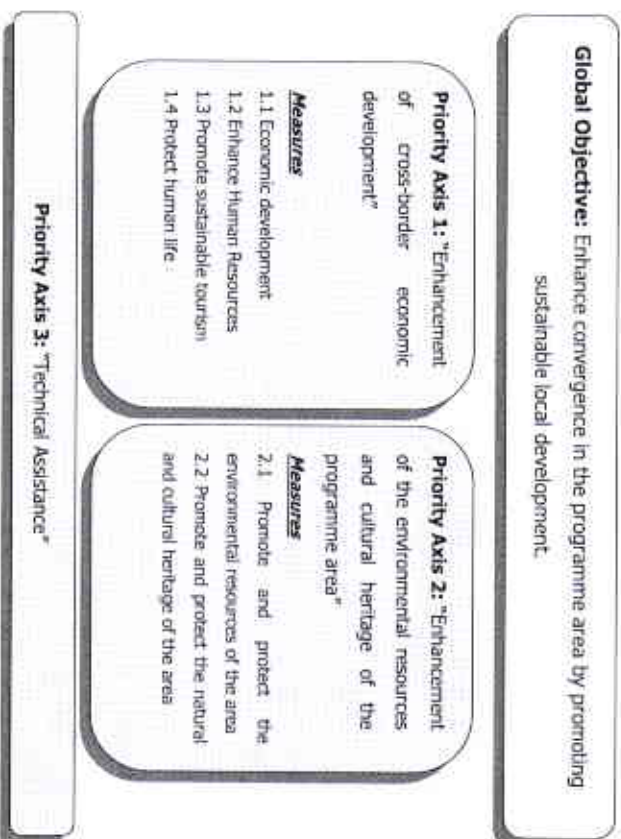
(81) On the other side the Programme devotes its resources also to the protection and promotion of the environmental and cultural potential in the programme area as a means for sustainable local development.

(82) The priorities of the Programme are defined below:

- **Priority 1: "Enhancement of cross-border economic development"**, aiming at the promotion of sustainable economic development through common interventions and facilitating cross-border relations. **Priority 1** will be implemented by **four Measures** focusing on the promotion of entrepreneurship, the enhancement of Human Resources, the development of sustainable tourism and protection of public health through cross-border activities.
- **Priority 2: "Enhancement of environmental resources and the cultural heritage of the programme area"** aiming to promote common actions for the protection of the natural and cultural environment and the mobilisation of natural and cultural resources. **Priority 2** will be implemented by **two Measures** focusing on the promotion and protection of environmental resources and the natural and cultural heritage of the area.
- **Priority Axis 3: "Technical Assistance"** aiming at the successful and smooth implementation of the Programme and the enhancement of high quality cross-border co-operation, contributing primarily to the Global Objective.

(83) It should be added here that the programme cannot be a substitute for other national policies and programmes. Thus the focus is located in the implementation of projects with real cross-border character. However the programme will consider all programmes and pilots financed by other EU or national resources and take full advantage of synergy potentials.

Figure 9: Programme Structure



(84) The Programme follows a coherent objectives sequence ranging from the Objectives of the IPA regulations to the aims of each Measure and the evolving project ideas. This sequence is illustrated in Table 7 for clarity/reasons. Beneficiaries are encouraged to reflect the objectives of overall Programme Structure in their project ideas.

Table 7: Programme Structure

Level	Objectives
Greece/the former Yugoslav Republic of Macedonia IPA Cross-Border Programme	The global objective of the programme is to enhance convergence in the programme area by promoting sustainable local development
Priority 1: Enhancement of cross-border economic development	The Aim is to: Promote sustainable economic development through common interventions and facilitate cross-border reciprocal relations
Measure 1.1 Economic Dev.	The aim is to support interventions facilitating the development of cross-border economic activities through the utilisation of the existing potential and the emerging opportunities.
Measure 1.2 Enhance Human Resources	The aim is to support interventions which upgrade the professional skills of the local population, thus reacting to the demand of the programme area, providing opportunities of employment and countering migration.
Measure 1.3 Promote Sustainable Tourism	The aim is to support common cross-border activities supporting sustainable tourism.
Measure 1.4 Protect human life	The aim is to support interventions which protect public health, minimise the impact of the borderline in health services provision and facilitate the common use of health facilities.
Priority Axis 2: Enhancement of the environmental resources and cultural heritage of the programme area	The Aim is to: Promote common actions for the protection of the natural and cultural environment and the mobilisation of the natural and cultural resources.
Measure 2.1 Promote and protect the environmental resources of the area	The aim is to support interventions that protect the environment and mitigate the environmental impacts related to economic development.
Measure 2.2 Promote and protect the natural and cultural heritage of the area	The aim is to support interventions that protect and mobilise the natural and cultural resources as a means for a local-driven sustainable development while safeguarding the natural and cultural heritage
Priority 3: Technical Assistance	The Aim is to: the successful and smooth implementation of the Programme and the enhancement of high quality cross border co-operation

4.4 Financial allocation per priority

(84) The Programme objectives, the internal coherence of the Programme, the lessons learned during the InterregIIA/CARDS Programme Greece/the former Yugoslav Republic of Macedonia 2000-2006 and the experience from the previous calls of proposals suggest that a **balanced allocation** of the available funds is necessary. The financial allocation in the table gives an indicative breakdown of funds per priority.

Table 8: Indicative financial allocation per Priority

Priority	Budget share
Priority 1: "Enhancement of cross-border economic development"	40%
Priority 2: "Enhance the environmental resources and cultural heritage of the programme area"	50%
Priority 3: "Technical Assistance"	10%

4.5 Quantification of objectives

(85) The IPA Implementing Regulation, Article 94 emphasises the need to describe the objectives of each priority using a limited number of indicators for output and results. All priorities should set quantified targets by means of a limited set of indicators to measure the achievement of the programme objectives.

(86) Due to the limited financial resources of this Programme and the scope, limitations and possible activities of Territorial Co-operation in general, it is obvious that the results of the programme will be mainly of intangible nature; however, in some cases material investments may be appropriate and justifiable. Results will be more difficult to measure compared to e.g. Convergence Objective programmes. Results are generated through the outputs of projects within the scope of the programme.

(87) The Programme contains only a set of output and result indicators, which are ex-ante-quantified. The ex-ante quantification of the output and result targets is based on two parameters: the allocation of EU funds per priority and an estimated average project size. The complete list of output and results indicators (which is not part of the operational programme) could include more output and results indicators referring to all priorities and measures and horizontal output-indicators reflecting project characteristics, strategic implementation principles, output of project activities, public awareness. All relevant indicators should be included in application forms and reports.

Table 9: Ex-Ante-quantified Output and Result Indicators for the Programme

IPA Programme	Indicator	Target	Source of Verification
IPA cross-border Programme Greece/the former Yugoslav Republic of Macedonia	Output: 1. No of projects respecting only one of the following criteria: joint development, joint implementation, joint staffing, joint financing 2. No of projects respecting only two of the following criteria: joint development, joint implementation, joint staffing, joint financing	84	Output: 1. Programme Monitoring 2. Programme Monitoring
Pr. Axis 1. Enhancement of cross border economic development	1. No of projects contributing to Cross Border Economic Development	43	1. Programme Monitoring
Measure 1.1 Economic Development	1. Output: Number of projects 2. Result: Contributions to the economic development of the eligible border area	15 10	1. Programme Monitoring 2. Project reporting
Measure 1.2 Enhance Human Resources	1. Output: Number of projects 2. Result: Contributions to the enhancement of the local Human Resources	10	1. Programme Monitoring 2. Project reporting
Measure 1.3 Promote Sustainable Tourism	1. Output: Number of projects 2. Result: Contributions to the tourism development of the eligible border area	10	1. Programme Monitoring 2. Project reporting
Measure 1.4 Protect heritage the	1. Output: Number of projects 2. Result: Contributions to the protection of human the of the eligible border area	8	1. Programme Monitoring 2. Project reporting
Pr. Axis 2. Enhancement of the environmental resources and cultural heritage of the eligible border area	1. No of projects contributing to the Enhancement of the environmental and natural and cultural resources	41	1. Programme Monitoring
Measure 2.1 Promote and protect the environmental resources of the area	1. Output: Number of projects 2. Result: Contributions to the protection and promotion of the environment	26	1. Programme Monitoring 2. Project reporting
Measure 2.2 Promote and protect the natural and cultural heritage of the area	1. Output: Number of projects 2. Result: Contributions to the protection and promotion of the natural and cultural heritage	15	1. Programme Monitoring 2. Project reporting
Pr. 3. Technical Assistance	1. Output: No of informative dissemination activities targeting final beneficiaries (seminars, consultations, newsletters, brochures etc.) No of meetings held at trans-border level Communication Plan	50 10 1	1. Programme Monitoring

(88) According to the IPA Implementation regulation, Article 94 the Programme must provide information on the priority axes, the related activities and their specific targets. Those targets shall be quantified using a limited number of indicators for output and results, taking into account the proportionality principle. The indicators shall make it possible to measure the progress in relation to the baseline situation and the effectiveness of the targets implementing the priorities.

(89) Context indicators should monitor the evolving socio-economic context of the programme. Context indicators form part of the analysis to describe the socio-economic development status:

based on official statistics (e.g. Public expenditure on education in % of GDP, 2004). For the Programme no context indicators (going beyond the analysis) are defined. The fund volume of the Programme represents **only a very small part** of the entire public expenditure in the programme area. A connection between the Programme funds and context indicators is not possible.

4.6 Compliance and complementarity with other policies and programmes

(90) The new IPA Cross Border Programme Greece/the former Yugoslav Republic of Macedonia conforms to the principles addressed by the EU regarding European policies and priorities for Equality, Sustainability, Cohesion, Competitiveness, etc. The 2 Priorities (apart from the Priority "Technical Assistance") and the corresponding measures reflect the Lisbon and Gothenburg Agendas. They are aiming at improving the local economic base, which apart from innovation and entrepreneurship promotes social cohesion, tourism and environmental sustainability (of the natural and cultural environment), advances human resources and promotes Civil Society.

(91) The new Cohesion Policy addressed by the European Union and in its application in the context of cross-border activity, focuses on four main principles:

- Encouraging innovation, entrepreneurship and promoting the knowledge economy.
- Improving the attractiveness of the two States concerned and their cross-border regions, as places to invest and reside, through better accessibility, higher quality of life and environmental conservation.
- Achieve gender convergence by providing more and better jobs for women as well as more opportunities for the disadvantaged.
- Promote convergence between urban and rural areas to help limit the gap between the rich and the poor.

(92) All the aforementioned principles are consistent with the Lisbon Agenda and the Gothenburg Strategy for Sustainable Development. The main objectives of the Structural Funds (ERDF & ESF) and Cohesion Fund are:

- the promotion of sustainability, environmental protection and risk prevention, equal job opportunities,
- enhancement of access to employment and participation in the labour market,

Conformity with National Policies and Priorities

(95) The IPA Cross-Border Programme Greece/the former Yugoslav Republic of Macedonia is based on the main guidelines provided by the National Strategic Reference Framework (NSRF) for Greece and the National Development Plan together with the MIPD for the former Yugoslav Republic of Macedonia, as well as on the priorities provided by the EU, concerning the promotion of sustainability and cohesion.

(96) The above mentioned documents represent the National Policies and priorities for sustainability, entrepreneurship and innovation, investments and promotion of employment.

(97) All the aforementioned priorities have been derived from the Treaty, the renewed Lisbon Agenda, as well as the relevant EU Regulations, and the renewed directive for sustainability that will be applied during the current programming period.

Greek National Strategic Reference Framework

(98) The Greek policy for Cohesion is based on the European principles according to which the European Union should:

1. Become a more attractive place for investments (foreign and internal) and employment.
2. Enhance innovation and knowledge economy for embracing spatial development.
3. Offer more and better jobs for equal opportunities.

(99) The main keywords of the aforementioned principles are "Territorial Cohesion and Co-operation", "Improving Infrastructures", "Conservation of the Environment", "Enhancing Competitiveness and Entrepreneurship, Innovation and Knowledge Economy", "Funding" and "More and better jobs".

(100) According to the aforementioned analysis, the strategy for the Cohesion and Development of the country is relevant and convergent to the ESPD and the European Framework of Priorities and Principles for Equality, Lisbon and Gothenburg Strategies and Structural Funds' regulations. The new regulations take into consideration the spatial integration and engagement of the European Union, in order to secure social and economic cohesion and prosperity.

National Policies and Priorities for the former Yugoslav Republic of Macedonia

(101) The strategic priorities of the Government of the former Yugoslav Republic of Macedonia for 2007-2009 are:

- Integration into the European Union and NATO;
- High-level sustainable economic development.

(102) The National Development Plan 2007-2009 (NDP), together with the Multi-annual Indicative Planning Document (MIPD) and the Multi-annual Indicative Financial Framework (MIF) for the same 2007 – 2009 period, is a backbone for preparation of the sectoral programming documents associated with components of the IPA. The selected priorities of this Programme supplement the priorities of the IPA Programmes per component, aiming to improve: corporate sector competitiveness; human resource development; economic infrastructure; and agriculture and rural development.

Programme on Transition Assistance and Institutional Building (IPA Component 1)

(103) The Programme on Transition Assistance and Institutional Building corresponds closely to the cross-border co-operation programme, especially as both of the programmes hold economic development and social cohesion as their priorities.

(104) In this regard, the support provided through the Programme on Transition Assistance and Institutional Building is focused on the capacity building through public administration reform, support to judicial reform, police reform, capacity building for the decentralised management of EU funds, support for acquis implementation, along with the support for the country's further programming activities will generally increase the accountability of the administrations, enhance the country's institutions and harmonise the legal frameworks – thereby creating conditions conducive to enhanced growth in the cross-border area.

(105) In the framework of the IPA Component on Institution Building, a EUR 7 million EU contribution from the 2007 funds allocated to the former Yugoslav Republic of Macedonia will be used for local infrastructure for economic and social development. The overall objective of the activities supported within this framework will be to stimulate social and economic cohesion through the development of infrastructure in municipalities, as well as training the municipal officers in developing, implementing and supervising these infrastructural projects. The local infrastructure projects would – as a matter of priority – focus on those areas where new competences have been decentralised to the municipalities. The major competences which have been decentralised include:

- Social welfare and child protection - Old age people homes, day centers for children with disabilities, street children, drug abusers and homeless; centers for victims of family violence, kindergartens.

- Sport and recreation - Transfer of the title of immovable and movable goods, staff and documentation related to the sport facilities;
- Health care - Protection of health of workers and protection at work; health oversight over the environment; assistance to patients with special needs, e.g. mental health, child abuse, etc.
- Education - The management and maintenance of primary and secondary schools;
- Culture - The management and maintenance of local cultural institutions;
- Fire and rescue - The management and maintenance of the fire and rescue services;
- Urban Planning and construction - The management of local urban planning.

(106) In case that insufficient number of acceptable projects will be proposed within the remit of the competencies above, projects may be financed within the competence of Communal services, which includes the reconstruction of local roads, water supply and sewerage.

Regional Development Programme (IPA Component III)

(107) The Regional Development Programme has a strategic goal to increasing productivity of the economy and hence its international competitiveness leading to higher economic growth, through development of a reliable and cost effective infrastructure services. The transport infrastructure should provide the business sector with a reliable and cost-effective access to markets for inputs and outputs, and citizens with good passenger transport services, for access to jobs, training and other activities. The key objective in the environmental infrastructure sector is to establish financially sustainable integrated water and waste management systems, improving the quality of life of the population by the rational use and protection of the environment. Activities of the Regional Development Programme for establishing integrated and financially self-sustainable waste management system can supplement the operations of this Programme for safeguarding biodiversity, and facilitating co-operation between existing institutions, joint research studies and transfer of information between relevant institutions, data collection and know how exchange on the cross-border area's natural resources protection, joint training and awareness raising of environmental conservation and protection awareness.

Human Resource Development Programme (IPA Component IV)

(108) The overall strategic objective of the Programme for Human Resources Development is to efficiently use the existing human capital, as well as to improve its quantity and quality in order to strengthen the international competitiveness, leading to higher growth and living standards. In addition, the Human Resources Development component should prepare the country for efficient implementation and management of funds from the European Social Fund (ESF). Some small-scale activities of this Programme could supplement the following

operations of the Programme for Human Resources Development: speeding up the transition of the grey economy employment into the formal sector; increasing the quality of education services and to improve educational attainment of citizens; and improving quality and efficiency of the social system in terms of fast integration of disadvantaged people in the society and reduction of poverty.

Rural Development programme (IPA Component V)

(109) Key objectives of the Rural Development programme are: improving the efficiency of agricultural production, bringing it into compliance with market requirements; ensuring the development of a competitive and efficient food processing industry; and providing conditions for sustainable rural development to contribute to the socio-economic development of rural areas. Some complementary activities from this Programme could be: facilitating competition in the internal market by the introduction of new technologies and innovation; improving product quality and safety (improvement of hygiene, animal welfare and environmental standards on agricultural holdings); increasing the competitiveness of farmers by the use of efficient modern technologies and the reduction of production costs; promotion of environmentally friendly methods of production (decreasing the pollution of the environment through agricultural production, better use of by-products and/or elimination of by-products or of wastes); increasing economic activities in rural areas; improving the quality of life of the rural population; increasing the income of the rural population through the development and diversification of on-farm and/or off-farm activities; creating new employment opportunities through the development and diversification of on-farm and/or off-farm activities.

Co-ordination with Rural Development Programmes

(110) Particular attention must be paid to appropriate co-ordination with rural development programmes on both sides of the border, in order to ensure complementarity and remove the risk of overlapping actions. It should be noted, however, as this programme is exclusively cross-border in nature, the risk of any overlaps is significantly reduced since rural development programmes in Greece or the former Yugoslav Republic of Macedonia are, by their nature, national.

(111) The managing authority shall proceed to all necessary steps in order to ensure co-ordination with the Greek Rural Development Programme for 2007-2013, including keeping the managing authority of the Rural Development Programme informed of all projects supported which are of relevance for that programme. Any funding related to so called "Annex I" products (cf. Article 32 of the EU Treaty) must be fully compliant with all rules relating to cumulative aid in particular.

(112) In any rural development programme for the former Yugoslav Republic of Macedonia supported by the IPA funds, the competent Authority in the former Yugoslav Republic of Macedonia (EC Delegation or Operating Structure) will ensure the appropriate co-ordination.

Conclusion

(113) The strategy of the Programme is formulated to ensure complementarities with the afore mentioned National Policies. Regarding the conformity of the Programme with the National and European Guidelines, meetings have taken place for ensuring that overlapping with actions taken at the national level will be avoided.

4.7 Bilateral Co-operation and Agreements between Greece and the former Yugoslav Republic of Macedonia

(114) The two countries have developed intensive bilateral co-operation beyond the territorial co-operation framework. The two countries have signed a number of protocols on issues such as transport and communications, visa regime and taxes, international green cards for insurance of vehicles, implementation of custom issues, A number of Memoranda of Understanding in the field of environment and Pan-European Corridor X also exist.

(115) In addition, Greece has initiated the Hellenic Plan for the Economic Restructuring of the Balkans (HIPERB - also known under the Greek acronym of ESCAB). Part of the obligations of the country within the OECD Development Co-operation Directorate, HIPERB is the commitment to provide development assistance to the Balkan countries, aiming to promote the political, economic and social stability in these countries. In particular it aims to modernise infrastructure, to promote productive investments and to support democracy and the rule of law, as well as to modernise public administration and local self-government alongside the promotion of the welfare state. In this framework, the HIPERB particularly seeks to implement large infrastructure projects, but also to strengthen the private initiative and co-operation between the countries.

(116) During the period 2004-2011 the former Yugoslav Republic of Macedonia will receive EUR 74,840,000, of which 79% (EUR 59,123,600) is earmarked for large scale infrastructure projects, 20% (EUR 14,968,000) will address private productive investments, and 1% (EUR 748,400) are to be channelled into small scale type of projects.

(117) In the framework of the funds for large infrastructure projects, which cover 79% of the HIPERB, by the end of 2007 HIPERB was planning large-scale infrastructure projects in the former Yugoslav Republic of Macedonia with a total of EUR 51,606,230. These funds concern the following projects which are of particular interest to the programme area:

- Construction of Pan-European Corridor X between Demir Kapija – Uldovo – Smokvica – Gevgelija (33.2 km) receiving the largest share of the funds. Both governments have confirmed that the Corridor 10 is a priority project and the Greek government has pledged to support its construction with an amount of approximately 50 mill EUR. The Government of the former Yugoslav Republic of Macedonia has already submitted the HIPERB application for the Corridor 10 and its approval is expected.
- a water treatment station in Gevgelija (thus far 2 million euros have been allocated for the purposes of the project. Waste water treatment plan and building of sewage system and system for atmospheric water in municipality of Gevgelija.)

(118) 6 projects addressing private investments have been implemented with support from HIPERB. In this framework of the HIPERB component on private projects (20% of the HIPERB – 15 mil EUR), the following projects have been approved:

1. PR D Doel (production of electrical equipment) in Gevgelija, Total investment 1.600.000 Euros Financing 540.000 euros (45 employees).
2. Planina doel (clothing industry) in Bitola, Total investment 856.800 euros, Financing 256.800 euros (140 employees).
3. AD Dlhjos Strumica (production of furniture) in Strumica, Total investment 3.719.824 euros, Financing 1.115.977 euro (110 employees)
4. Union Fashion (clothing industry) in Bitola, Total investment 2.400.000 euros, Financing 656.700 euros (71 employees).
5. Linde Gaz BITOLA (industry of gas CO2) in Bitola, Total investment 884.000 euros, Financing 265.000 euros (6 employees).
6. Konington Doel (clothing industry) in Bitola, Total investment 885.000 euros, Financing 265.500 euros (140 employees).

(119) 8 small scale projects of mainly social character – in the sense of equipping mobile first aid stations and purchase of medical equipment – have been implemented until today with support of HIPERB (total support: EUR 365.000). In this framework of the HIPERB component on small projects (1% - 0.75 mil EUR), which were internally procured by the Hellenic Liaison Office in Skopje, the following medical equipment has been secured:

- One mammography unit
- One X-Ray bone densitometer (osteoporosis)
- One Ultrasound Doppler
- One Cell saver and
- Four ambulances

4.8 Main findings of Ex-ante Evaluation and Strategic Environmental Assessment

4.8.1 Main findings of the Ex-ante Evaluation

(120) Ex-Ante Recommendations	Integration in the Programme
The socio-economic analysis should explore more & assess crucial development factors that affect potential sources of comparative advantage, such as capital-asset flows in the cross-border area creating prospects for emerging industrial and service concentrations and clusters, accompanied by changes in labour and knowledge intensity of production, and possible branding of local skills and competencies in connection with the area's unique characteristics (cultural heritage, eco-tourism, other) that have cross-border synergies and global appeal.	Scope of socio-economic analysis was extended to document changing structure of area economy in reflection of global market pressures, and to identify development potential in key areas (e.g. transport, health, culture)
Some minor additions and corrections in the designation of various elements to quadrants of the SWOT analysis	Accepted & SWOT analysis was revised accordingly
The SWOT analysis could be further used, by the combined reading of statements in the quadrants, as a policy-option generating tool (see attached Table 1).	The programme partners consider that the SWOT analysis has been fully used as a policy-option generating tool.
A brief reference to the strategic role of Thessaloniki in this Programme is advisable when discussing Programme strategy since as a growth pole of significant proportions the city's envisioned role should be to facilitate and complement the sustained spatial development of the cross-border area.	The programme partners consider that the role of Thessaloniki has been sufficiently addressed in the programme.
The initial strategic framework of the Programme was very generic, broadly-stated and unnecessary complicated at the specific objective level.	After extensive discussion, a modified version of the suggested overall aim was adopted, as well as the simplified priorities structure.
It could've been re-phrased to better reflect the identifying characteristics of the cross-border area, as well as the limited financial means, for example the overall aim of the Programme could be to accelerate the pace of convergence in the cross-border area by sustainable development and joint capacity-building measures.	
In addition, the implementation of the basic programme strategy could be carried out within two strategic priorities, instead of differentiating between 2 specific objectives & 2 priority axis.	
Initially, the achievements of the 2004-6 funding period were used as baseline for Results indicators, which is not advisable because it is not consistent with methodological guidance from the European Commission and will likely marginalise the ramifications of the Programme 2007-13 given the reduced budget.	Accepted & baseline of Results indicators was revised
Add as an Impact indicator, jobs created	From the point of view of the proportionality,

programme partners decided not to make use of impact indicators.
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4.8.2 Main findings of the Strategic Environmental Assessment

4.8.2.1 Introduction

(121) The objective of the SEA environmental report is the evaluation of the Programme, regarding the environmental objectives that are set within the framework of sustainable development of the area, taking into account the particular characteristics and needs of the regions under study, and also the international and national objectives and priorities for sustainable development and the protection of environment.

(121) The Programme eligible border area is composed of the following NUTS III regions:

- Foina, Pella, Kilkis, Serres and Thessaloniki (under the territorial flexibility rule) in Greece and
- Pelagonia, Vardar, Southeast, Southwest (under the territorial flexibility rule) in the former Yugoslav Republic of Macedonia.

(122) The assessment of the programme's environmental impacts will be made for the period of the programme implementation, which includes the programme period 2007 - 2013 as well as the period up to the programme's expiration in 2015.

4.8.2.2 The Community's Strategic Framework - The Directive 2001/42

(123) According to the «Directive 2001/42/EC of the European Parliament and the Council of 27th of June of 2001 on the assessment of the effects of certain plans and programmes on the environment (SEA)» the Strategic Environmental Assessment (SEA) environmental report is an integral Programme's part and the liability for its conduction is laid to the Managing Authority of each Programme.

(124) The term "Strategic Environmental Assessment" means the standard, systematic and comprehensive procedure by which the environmental effects of the proposed development activities as Plans and Programmes, are assessed. The SEA procedure starts as earlier as possible including; obligatory public consultation, the use of the aforementioned activities in order to formulate a final decision for approval and also the conduction of an environmental report.

(125) The issue of the aforementioned Directive allows the high quality environmental protection, embodying environmental issues during the preparation and enactment of Plans

and Programmes, aiming to promote sustainable development assuring that there will be an environmental impact assessment for some Plans and Programmes which might pose significant effects to the environment.

(126) The aim of assessing the environmental impacts of Plans or Programmes is to investigate the environmental effects of the Operational Programmes proposals, approaching them at a strategic level, and also appointing the optimum choice among the proposed alternatives.

(127) The process of assessing the environmental impacts of Plans and Programmes is a tool of improvement the last since it embodies the environmental dimension into devising the Operational Programmes, focusing to the minimization of the environmental hazards and effects and also to the maximization of the environmental benefits which occur from the proposed interventions.

(128) In addition the conduction of the SEA environmental report contributes to the development of an effective strategy for the environmental rehabilitation by taking the appropriate remedial measures.

(129) The Strategic Environmental Assessment is a parallel and complementary procedure to the process of devising the Operational Programme.

(130) The Strategic Environmental Assessment (SEA) procedure, as it is determined according to the Directive 2001/42/EC (article 2b), is consisted of four thematic units which are:

- The preparation of the SEA Environmental Report.
- The consultation with competent authorities and public.
- Assessing the SEA environmental report along with the consultation results during the decision making process.
- The provision of information related to the decision.

(131) Article 5 and Annex 1 of the Directive designates the minimum information which must be provided in the SEA environmental report:

- (a) an outline of the contents, main objectives of the plan or programme and relationship with other relevant plans and programmes;
- (b) the relevant aspects of the current state of the environment and the likely evolution thereof without implementation of the plan or programme;
- (c) the environmental characteristics of areas likely to be significantly affected;
- (d) any existing environmental problems which are relevant to the plan or programme including, in particular, those relating to any areas of a particular environmental

importance, such as areas designated pursuant to Directives 79/409/EEC and 92/43/EEC;

- (e) the environmental protection objectives, established at international, Community or Member State level, which are relevant to the plan or programme and the way those objectives and any environmental considerations have been taken into account during its preparation;
- (f) the likely significant effects⁽¹⁾ on the environment, including on issues such as biodiversity, population, human health, fauna, flora, soil, water, air, climatic factors, material assets, cultural heritage including architectural and archaeological heritage, landscape and the interrelationship between the above factors;
- (g) the measures envisaged to prevent, reduce and as fully as possible offset any significant adverse effects on the environment of implementing the plan or programme;
- (h) an outline of the reasons for selecting the alternatives dealt with, and a description of how the assessment was undertaken including any difficulties (such as technical deficiencies or lack of know-how) encountered in compiling the required information;
- (i) a description of the measures envisaged concerning monitoring in accordance with Article 10;
- (j) a non-technical summary of the information provided under the above headings.

(132) As far as it concerns the consultations which are described in the Directive, these are the following:

- *Consultation with competent authorities and public:* an early and effective opportunity shall be given to competent authorities and public within appropriate time frames in order to express their opinion on the draft plan or programme and the accompanying environmental report, before the adoption of the plan or programme or the start of the legislative procedure (article 5 paragraphs 1 and 2).
- *Transboundary consultations with member states,* which perceive that the implementation of the proposed plan or programme might pose significant effects to the environment of their territory (article 7).

(133) Member States should have bring into force the laws, regulations and administrative provisions necessary to comply with this Directive before 21 July 2004

4.8.2.3 National Legislative Framework

The Greek Legislative Framework (THE MINISTERIAL DECISION: YPEXODEI_ EYPEI_ OIK 107017/2006)

(134) For the compliance of Greek legislation to the Directive 2001/42, a Ministerial Decision (YPEXODEI/ EYPEI/ OIK 107017/2006) was published in the Journal of the Greek Government (no: 1225/B /5.9.2006) titled: «Assessment of the environmental effects of specific plans and programmes in accordance to the clauses of the Directive 2001/42/EC of the European Parliament and of the Council of 27th of June 2001 on the assessment of the effects of certain plans and programmes on the environment».

(135) The overall objective of the Ministerial Decision is the assessment of the environmental effects of specific plans and programmes so that the environmental dimension of plans and programmes is taken into account before their adoption, by the institution of the required measures, clauses and procedures for the evaluation and assessment of the likely effects on the environment, aiming to the promotion of sustainable development and to a high quality environmental protection.

(136) For the purposes of the Ministerial Decision plans and programmes include those which are co-financed by the European Community, as well as any modifications to them:

- which are subject to preparation and/or adoption by a public authority at national, regional or local level or which are prepared by a public authority in order to be adopted, through a legislative procedure by the Greek Parliament or Government, and
- which are required by legislative, regulatory or administrative provisions of the Greek government. More specifically: Laws, Ministerial Decisions, Presidential Decrees, decisions of General Secretariats of Regions and also Legislative Acts which are issued from the competent institutions including Municipalities and Communities.

(137) Before the adoption of Plans or Programmes of national, regional, prefectural, or local level, which might have significant effects to the environment, a Strategic Environmental Assessment (SEA) environmental report shall be prepared, in which: the likely significant effects on the environment which occur from implementing the plan or programme, and reasonable alternatives, taking into account the objectives and the geographical scope of the plan or programme, are identified, described and evaluated.

(138) More specifically the SEA procedure is required for:

- Operational programmes of Community Support Framework and other plans or programmes which are co-funded by European Union and are relevant to the sectors mentioned in paragraph 1 of article 3.
- Special frameworks for physical planning and sustainable development (example: renewable energy sources, industry, tourism, energy).
- Regional frameworks of physical planning and sustainable development.
- Regulative plans.

- Urban design plans.
- Plans of territorial and residential system of open cities.
- Regions of systematic development of productive activities.
- Regions of special territorial interventions;
- Plans of integrated urban interventions.
- Regions of special adjustable urban planning.
- Regions of integrated tourist development.
- Water system management plans.
- Regional plans of solid waste management.
- National planning of dangerous waste management.
- Land reclamation work plans and plans of utilisation of land and water resources.
- Plans of touristic ports development.

(139) So the SEA environmental report according to the Annex III of article 11 of the Ministerial Decision must contain at least the following:

- **General data**, where the general data: of the planning authority of the plan or programme, and the researcher are provided.
- **Non technical summary of the whole SEA environmental report**, where a non technical summary of the whole SEA environmental report is provided.
- **Scope and objectives of the Plan or Programme**, where the scope and objectives of the plan or programme are analyzed. In this chapter: the environmental protection objectives established at International, Community, or Member State level which are relevant to the plan or programme and the way those objectives and any environmental considerations have been taken into account during the plan or programme preparation, and the plan or programme relation to other plans and programmes, are included.
- **Description of the plan or programme**, where the plan or programme is described and reference is made to the geographical field of its implementation, its content, and the works and activities, which will occur from its implementation.
- **Alternatives**, where all the alternatives scenarios are described and reference is made to:
 - no action,

the reason for choosing the examined alternatives.

- the environmental reasons for selecting the proposed plan or programme in comparison to other alternative/-s scenario/-ios.
- **Description of the environmental condition**. In this chapter the environmental condition is described and information is provided about: a) the relevant aspects of the current state of the environment and the likely evolution thereof without implementation of the plan or programme, b) the environmental characteristics of areas likely to be significantly affected in the study area, c) any existing environmental problems in the study area.

- **Assessment, evaluation and confrontation of the environmental effects to the environment of the plan or programme**, where the potential significant environmental effects are identified, assessed and evaluated. More specifically: the primary, secondary, cumulative, synergistic, short, medium- long, term, permanent, temporary, positive and negative effects are examined on factors, such as biodiversity, population, human health, fauna, flora, soil, water, air, climatic factors, material assets, cultural heritage including architectural and archaeological heritage, landscape and the interrelationship between the above factors.

(140) In this chapter, the method of assessment of environmental effects, the proposals/ directions/ measures for the prevention, limitation, confrontation of the significant negative environmental effects, and also the monitoring of the effects, are described.

- **Information on normative action**, where the information of the normative action is provided for the approval of the plan or programme.
- **Difficulties occurred during the SEA process**: in this chapter the difficulties which occurred (as technical faults or lack of knowledge, data or information) during the study and while conducting the SEA environmental report are mentioned.
- **Required studies and researches**. In this chapter the required additional studies and researches are listed. These have to be conducted before the approval of the works and activities resulting from the plan or programme implementation.
- **Annexes** where the relevant accompanying documents according to the researcher such as: texts, maps, plans are provided, taking into account the programme's territorial extension.
- (141) In addition, in the file of the SEA environmental report the following will be provided:
 - Positive consultative response along with copy of the approved map containing schematic description of the plan or programme, if the plan or programme has been through environmental screening procedure.

- Response of the competent authority, if there has been a question for the plan or programme, according to paragraph 3 of article 6 of the ministerial decision.

(142) The planning authority shall submit an application accompanied with the SEA environmental report file in ten copies.

(143) In case the SEA file is not complete, the competent authority has to inform the planning authority in a period of twenty days after the file's submission about the missing information, data and documentation, in order to complete the file. If the completions are of major interest, the file is returned back.

(144) For the completion of the Strategic Environmental Assessment there is a consultation process with the public authorities and the public. After the examination of the submitted file by the competent authority and if the substantialness of the file is ascertained, the competent authority communicates it (in a period of twenty days from its submission) to the relevant public authorities and to the planning authority. The planning authority makes the file available to the public for expressing opinion. In case of cross border consultation the SEA environmental report has to be publicly available in both countries.

(145) After the submission of the comments of the public authorities, the regional and prefectural authorities and the interested public, or the expiration of the 45 days time limit and not taking into account whether the comments have been submitted or not, the competent authority evaluates the potential significant environmental effects of the plan or programme taking into account:

- the SEA environmental report file,
- the results of consultation with the public authorities,
- the results of consultation with the interested public and,
- the results of the cross-border consultation, if they are required

(146) Then the competent authority devises a decision plan for approval or rejection of the SEA environmental report, within twenty days.

The former Yugoslav Republic of Macedonia Legislative Framework

(147) During the 2007, improvements have been made in legal grounds in the Law on Environment, enabling more detailed regulation of the procedure for Strategic Environmental Assessment (SEA). The following bylaws regarding the Strategic Environmental Assessment were adopted in the second half of 2007:

- Decree on the strategies, plans and programmes, including the amendments of these strategies, plans and programmes, for which the procedure of environmental impact

assessment and assessment on human lives and health is obligatory ("Official Gazette of the former Yugoslav Republic of Macedonia" No. 153/07);

- Decree on the criteria based on which decisions are made whether certain plan documents might have significant impact on the environment and human health ("Official Gazette of the former Yugoslav Republic of Macedonia" No.144/07) and Decree on the contents of the report for strategic environmental assessment ("Official Gazette of the former Yugoslav Republic of Macedonia" No.153/07).

- A Rulebook regarding the List of experts on Strategic Environmental Assessment, was published in the "Official Gazette of the former Yugoslav Republic of Macedonia No. 129/07". The Rulebook regards the manner of publishing the information and public participation in adoption of the plan document, and the manner of preparing the report in inter-sectoral consultation.

(148) The adoption of these bylaws completes the legal framework for strategic environmental assessment, which completely transposes the Directive 2001/42/EC on environmental impact assessment of certain plans and programmes.

(149) The Rulebook on the composition of the Commission and the manner of its work, the programme and the manner of conducting the expert examination, the level of the compensation for the expert examination taking and the compensation for the establishment and updating of the List of experts and the manner of acquiring and revoking the status of expert in environmental impact assessment for projects, as well as the manner of enrollment in and exclusion from the List of experts has been enacted ("Official Gazette of the former Yugoslav Republic of Macedonia" No. 93/07).

4.8.2.4 Environmental objectives

4.8.2.4.1 The Gothenburg Strategy on Sustainable Development

(150) During 2005 the European Committee and the European Council published a declaration (COM 2005/658 final) for the update and enrichment of the strategy for the sustainable development. According to this declaration the environmental objectives that should be taken into account during the development of strategies are the following:

- *Examination of climatic changes*, having as general objective the restriction of climatic changes and their impacts on society
- *Promotion of health and public health*, having as a general objective the promotion of good public health and the improvement of protection against the hazards that threaten health.

- *Restoration of the social exclusion and deal with the demographic changes* having as a general objective the creation, of favourable societies
- *Better (sustainable) management of natural resources*, having as general objectives: assurance of the capacity of land to reinforce life, respecting the natural resources potential and promotion of sustainable production and consumption patterns in order to detach economic development from environmental degradation.
- *Enhancement of the sustainability of transportation*, having as a general objective the assurance of the correspondence of transportation systems to the economic and social needs of society, minimizing at the same time their negative impacts to economy, society and the environment.
- *Fight against the poverty on the planet and promotion of development*, having as a general objective the confrontation of poverty, which will assist in the active promotion of sustainable development throughout the whole world.

4.8.2.4.2 6th Environment Action Programme

(151) The sixth Environment Action Programme the European Union (EU) sets the priorities and objectives of European Policy for the environment for the time period up to 2010 and beyond, and describes in detail the measures that should be taken in order to implement a sustainable development strategy.

(152) The programme is based on four priority axes:

- Climate change
- Resources and Waste Sustainable Management
- Nature and biodiversity.
- Environment and health.

(153) The action programme envisages the planning of seven thematic strategies in the sectors of: atmospheric pollution, protection and maintenance of marine environment, sustainable management of natural resources, prevention of waste production, recycling, sustainable use of pesticides, protection of soil and improvement of urban environment. Each thematic strategy includes specific strategic objectives for environmental protection, considering the sustainability community objectives set in Lisbon and Gothenburg strategy, and also the community commitments within the framework of International Conventions for the environmental protection.

4.8.2.5 Priority Axes

(154) The analysis of the existing situation, combined with the National and Community policies, constitutes the base for the development strategy of the Cross-Border Co-operation Programme.

(155) For the programme Greece - the former Yugoslav Republic of Macedonia the priorities set are the following:

- entrepreneurship,
- tourism, culture and cross-border trade,
- environmental protection and management,
- improvement of the access to: public transport, data and communication networks,
- water, energy and waste management systems,
- common use of health, culture and education infrastructures,
- supporting the urban and rural areas.

(156) For the achievement of the programme's vision and strategic objectives, three priority axes are set:

- Priority Axis 1: "Enhancement of cross border economic development
- Priority Axis 2: "Enhance the environmental resources and cultural heritage of the eligible border area
- Priority Axis 3: "Technical Assistance

4.8.2.6 Conclusions from the Greece – the former Yugoslav Republic of Macedonia Programme Analysis

(157) According to the objectives, the strategy, and the content of the programme, the following conclusions are extracted:

1. According to the Programme's content, its aim is to protect the environment in sectors that have international importance, such as the prevention of environmental hazards.
2. The Programme contains mostly soft to the environment actions, which in majority do not pose significant negative environmental impacts.
3. The Programme includes actions which set the framework for implementation of activities about the environmental protection and the improvement of the environment in the cooperation area. These actions are mainly found within the framework of Priority Axis 2.

which focuses to the enhancement of the environmental resources and cultural heritage of the eligible border area.

4. The Programme provides motives to the local authorities for undertaking development initiatives which promote the innovation and are compatible to the special characteristics of each area.
5. The Programme foresees activities for the protection and enhancement of the cultural heritage of both countries, by promoting the social life of residents and the cultural elements exchange.

4.8.2.7. Alternative possibilities for the programme implementation

(158) This chapter describes the possibilities and alternative solutions for the Programme implementation along with their environmental performance, according to the Directive 2001/42/EU. The first alternative option that will be examined is the zero solution. Zero solution is assessed as the most unfavourable option for the following reasons:

- It is opposed to the general principle of the EU for the cohesion and balancing of inequalities in governmental and regional level.
- The advantages which occur due to the cross-border cooperation of the countries will be disappeared. These advantages occurred from the cooperation in sectors that have been tested in the past mostly related with environmental subjects of the two countries.
- The cooperation and contact between the two neighbouring countries is limited. This cooperation concerns exchange of experience and know-how and the development of linkages between institutions and stakeholders of public and private sector of the two countries.

(159) Also, there are alternative solutions, beside the zero solution, related to the different financing allocation per priority axis of the proposed programme. The proposed alternative financing options per priority axis are:

- Priority Axis 1: "Enhancement of cross border economic development": 15.774.861,37 **(50%)**
- Priority Axis 2: "Enhance the environmental resources and cultural heritage of the eligible border area": 12.619.889,10 **(40%)**
- Priority Axis 3: "Technical Assistance": 3.154.972,77 **(10%)**

(160) Alternative solution A: As Alternative A we will consider the possibility of reallocating the financing per priority axis of the proposed programme drawing more attention on, Priority axis 1: "Enhancement of cross border economic development". In this case the financing has as follows:

- Priority Axis 1: **70%**
- Priority Axis 2: **20%**
- Priority Axis 3: **10%**

(161) In this case, significance will be given to Priority Axis 1 and the promotion of the sustainable economic development through a common intervention and the facilitation of the transboundary relationships, the promotion of contract works, the enhancement of Human Resources, the development of sustainable tourism and the protection of public health through transboundary initiatives. Since Priority axis 2 should have half of the financing in comparison with the current status, the programme would promote far less actions for the natural and cultural environment and the mobility of natural and cultural resources, and so the promotion and protection of natural resources and the natural and cultural heritage of the selected regions would be not sufficient.

(162) In this case is very likely that further promotion of the priority axis 1 and the degradation of priority axis 2 may cause several environmental impacts due to the low number of actions on promotion and protection of natural resources and the natural and cultural heritage of the selected areas. For the above mentioned reasons, Alternative solution A is eliminated.

(163) Alternative B: As Alternative B we will consider the eventuality of reallocating the financing per priority axis of the proposed programme drawing more attention on Priority axis 2. "Enhancement of the environmental resources and cultural heritage of the eligible border area". In this case the financing has as follows:

- Priority axis 1: **30%**
- Priority axis 2: **60%**
- Priority axis 3: **10%**

(164) In a case like this, significance will be given to Priority Axis 2 and the promotion of the actions for the natural and cultural environment and the mobility of natural and cultural resources and as a result the promotion and protection of natural resources and the natural and cultural heritage of the selected regions will be enhanced. The aforementioned will definitely promote the environmental protection and contribute at eliminating the environmental impacts, but it would promote far less the sustainable economic and social development at the selected areas, which is a main objective of the programme.

(165) Taking account that Priority axis 1 will have 20% less financing than with the current status, the programme will promote far less the sustainable economic development through a common intervention and the facilitation of the transboundary relationships, the promotion of

contract works, the enhancement of Human Resources, the development of sustainable tourism and the protection of public health through transboundary initiatives.

(166) In this case is very likely that further promotion of the Priority axis 2 and the degradation of Priority axis 1 will cause several significant economic impacts to the study area, since the financing would be one sided and no taking account the important requirements of the area for the reinforcement of the human resources and sustainable economic development and business diversity. For the aforementioned reasons the Alternative solution B is eliminated.

(166) The current status of the finance allocation seems as the right and most well balanced, since it promotes enough the cross border financial development taking into account the promotion and protection of the natural resources and cultural heritage of the selected border areas, eliminating the significant negative environmental impacts. For the reasons which were analyzed above it is proposed that the financing remains as is:

4.8.2.8 Existing Environment Situation

4.8.2.8.1 Geography and Morphology

(167) The surface of the cross-border area of cooperation between Greece and the former Yugoslav Republic of Macedonia extends to 20,839km². The Greek region constitutes the 8% of total surface of Greece, while the former Yugoslav Republic of Macedonia region constitutes 39,7% of its total surface area.

(168) The eligible Greek region includes two administrative units, in levels of Regions: Central and Western Macedonia, four units in level of prefectures: Florina, Thessalonica, Kilkis, Pella and Serres. For the former Yugoslav Republic of Macedonia, the region includes four units in level of Municipalities, 12 regions (municipalities group) in NUTS IV level and 27 units in NUTS V level B (municipalities).

(169) In the cross-border region, the mountain Voras /Nidze prevails, and constitutes a natural border between the two states for a long border line.

The distribution of urban centres in the Greek side is linear, and the big cities are present along the road axis Florina - Thessalonica. Florina is the Eastern gate to the former Yugoslav Republic of Macedonia, Edessa, Giannitza and Thessalonica are along this axis, with Thessalonica being the metropolitan center of the eligible region.

(170) Kilkis is located at the north sector of this axis and is the Eastern gate to the former Yugoslav Republic of Macedonia. The former Yugoslav Republic of Macedonia's urban centres are not distributed linearly, but rather in a S curve, the main urban centres are Bitola and Prilep gathered at the west end of the eligible region.

(171) The total surface of the transboundary region that is located in the former Yugoslav Republic of Macedonia extends 10,207km², which is equivalent to the 39,7% of the total surface of the country. The former Yugoslav Republic of Macedonia has many mountain chains followed by plains, three big natural lakes and Vardar (Axios) river that crosses the country and separates it into 2 distinctive parts.

(172) The former Yugoslav Republic of Macedonia is a south European country. The river Vardar, which crosses the country, it forms the main geographical axis of the trans-Balkanic cooperation. Moriana valley and the area around Vardar River is the most visited area and nearby is situated the urban region of the country. The central position of the country in the Balkan Peninsula and the geographic characteristics of region stimulate the collaboration with the neighboring countries and regions as well as the attendance in international activities and the country contribution in these activities.

(173) The cross-border region (24,889km²) includes important geomorphologic characteristics that influence the quantity and the quality of cooperation of at both sides borders.

Table 2-1: Extent - Distribution of territories

INDICATORS/ REGIONS	GREECE					the former Yugoslav Republic of Macedonia
	CROSS-BORDER REGION					
Area (in km2)	Prefecture of Florina	Prefecture of Thessalonica	Prefecture of Kilkis	Prefecture of Pella	Prefecture of Serres	10.207km ²
Mountains (%)	74	35,6	35	59,4	10,8	
Flat (%)	26	64,4	65	40,6	20,4	
Forest (%)	25,9	10	17,1	23,5	29,1	38,2
Agricultural ground (%)	28,7	43,7	45,7	37,5	39,7	14,2

4.8.2.8.2 Protected Sites

(174) The study area presents a rich natural environment and important biodiversity. This is proven by the many regions and sites which are protected by the National and Community Framework.

(175) The characterization of region as "NATURA 2000" takes place based on Council Directive 92/43/EEC "on the conservation of natural habitats and of wild fauna and flora".

(176) The natural environment of **Central Macedonia Region** is characterized by an important number of natural ecosystems and individual elements of nature, which present special environmental and ecological interest. The ground water resources are important and have cross-border character. The most important river is Axios/ Vardar (Prefectures of Kilkis and Thessalonica) and the most important lake is Doiran/ Dojran (Prefecture of Kilkis). Great renewable reserves of underground water have been identified east of mountain Pailko (in the zone from Edessa to Veria). The natural environment of Central Macedonia Region also features important water resources potential in general, but it also includes regions which have shortage of water resources.

(177) The **Western Macedonia Region** features many and rich ecosystems. All the lakes are important water reserves, while the mountains have important flora and fauna species. Two out of the ten National Parks of Greece are included in Western Macedonia Region. The most important National Park is Prespes Lakes which apart from being protected as a National Park has also been characterized as a region of special protection and a water reserve of international importance by Directive 79/409/EEC. The flora and fauna of Prespes Lakes area is rich and in many cases includes rare species, which are unique worldwide.

(178) The most important hazards that threaten Prespes Lakes water reserve are: illegal hunting, modern fishing methods, the shrinkage of wet-fields (places of reproduction of fishes), the extension of irrigation works, the disposal of wastes from the nearby settlements, and the degradation due to the pesticides and fertilizers via the surface water flow. In addition Prefecture of Florina features lot of land reserves which have rare flora and fauna species many of which are threatened by extinction.

(179) The eligible area includes the following Natura 2000 sites:

Code	Name	Area (ha)
GR1220001	LAKES VOLVI AND LAGADA	16.388
GR1220002	AXIOS DELTA – ESTUARIES OF LOYDIAS – ALIAKMONAS DELTA	11.808
GR1220003	RENTINA PASS	2.878
GR1220004	LAGOON OF EPANOMI	900

GR1220005	LAGOON OF AGELOHORI	800
GR1220006	FORMER LAKE LAITZA	2.875
GR1220007	AXIOS RIVER	7.700
GR1220008	SAINT TRINITY	116
GR1230001	PIKROLIMNI LAKE	1.087
GR1220002	AQUATIC FOREST OF MOURIES	530
GR1260001	KERKINI LAKE - KROUSIA – CRESTS OF MOUNTAIN BELES	72.000
GR1260002	ESTUARIES OF STRYMONAS RIVER	1.300
GR1260003	AI-YIANNIS	330
GR1260004	CRESTS OF MENOIKO AND KOYSKOYRA MOUNTAINS	23.300
GR1260005	CRESTS OF ORVILLOS MOUNTAIN	5.000
GR1260007	VRONTOU – LAILIA MOUNTAINS	6.800
GR1260008	ARTIFICIAL LAKE KERKINI	27.700
GR1240001	CRESTS OF VORA MOUNTAIN	38.917
GR1240002	TZENA MOUNTAIN	12.740
GR1240003	PAJKO MOUNTAIN	35.545
GR1240004	AGRA LAKE	1.480
GR1240005	APSALOU – MOLENITSA PASSAGES	6.048
GR1240006	AGRA'S LAKE AND DAM	1.390
GR 1210001	VERMITO MOUNTAIN	22.068
GR 1340001	PRESPESS LAKES NATIONAL PARK	19.470
GR 1340003	VARNOUNTA MOUNTAIN	6.126
GR 1340004	VEGORITIDA – PETRES LAKES	12.077
GR 1340006	VERNON MOUNTAIN – VITSI CREST	8.194
GR 1210002	ALIAKMONAS PASSAGES	3.610

(180) With regard to in convention of RAMSAR, the eligible area includes the following sites:

- Lagada and Volvi lakes.

- Axios - Loulillas - Aisakmonas Delta and Saliern of Kitrous.
- Snail and Big Prespa Lakes.

(181) As far as it concerns environment, the most important issues are the following:

1. In many areas there is important environmental nuisance occurring from industrial pollution (which is high in many cases).
2. The environmental degradation of the international water resources (river Axios, Prespas and Dorevli lakes).

(181a) Protected areas in the former Yugoslav Republic of Macedonia

The protected areas network in the former Yugoslav Republic of Macedonia includes 83 sites covering an area of about 7,4% of the territory and most of the protected areas are concentrated in the cross-border region.

In the eligible border region (Southwest, Pelagonia, Vardar and Southeast Region) 31 protected areas have been developed: 3 Strict Nature Reserves (SNR) - I category of IUCN; 2 National Parks (NP) - II category of IUCN; and 26 Natural Monuments (NM) - III category of IUCN (Annex). In the eligible area, protected areas of IV, V and VI category of IUCN have not been developed.

The eligible area includes the following important protected areas:

- SNR Ezerani proclaimed in 1956, covering an area of 2,080 ha. Ezerani covers the northern coastal area of Lake Prespa. It is the habitat of approximately 200 bird species.
- SNR Tikvesh proclaimed in 1997, covering an area of 10,650 ha.
- SNR Lokvi- Golemo Konjare, proclaimed in 2003, covering an area of 25 ha.
- NP Pezister established in 1948, covering an area of 12,500 ha.
- NP Galichica established in 1958, covering an area of 22,750 ha.
- Two tectonic lakes Ohrid and Prespa Lakes are protected as Natural Monuments since 1977. The Ohrid Lake is included on the UNESCO List of World Heritage (1979) and Prespa Lake is included in the Ramsar List (1995).
- Doyran Lake is protected as Natural Monument in 1977 and is included in the Ramsar List (2007).

4.8.2.R.3 Population - Demographic elements

(182) The demographic data which is presented regarding the eligible area of the former Yugoslav Republic of Macedonia is taken from the 2002 census. This data was used for the recent territorial division. The eligible area of the former Yugoslav Republic of Macedonia is the 39,7% of the total surface of the country, and in this area the 29,55% of the residents of the country, live.

(183) There is significant differentiation regarding the distribution of the population within the former Yugoslav Republic of Macedonia's eligible area. The higher population density is found to municipalities which include an urban centre and have a relatively small extent (Ohrida, Monastirly, Prilep, Geygeli, Stroyka and Stroymba). The rural municipalities, mainly in the southern part of country, have very low population density (Mogkila, Memir, Kapigla, Nobatsi, Dairanis, Nlemer' Chisar'), this happens due to the significant immigration trends which are domestic (from rural in urban regions), and international.

(184) The total number of households in the eligible cross-border area of the former Yugoslav Republic of Macedonia, according to data of 2002 census, are 287.211, and the average value of inhabitants per household is 3,43.

(185) As far as it concerns the eligible Greek area, Prefecture of Thessalonica has a high population density, and the metropolitan area of Thessalonica has the highest. The age's distribution presents a high density to the group of 15-64 years old, in the Greek eligible area.

Table 2-2: Demographic Data

INDICATORS/ REGIONS	Cross-Border Area					the former Yugoslav Republic of Macedonia
	WESTERN MACEDONIA	REGION OF REGION OF CENTRAL MACEDONIA	GREECE	ELIGIBLE AREA OF the former Yugoslav Republic of Macedonia	ELIGIBLE AREA OF the former Yugoslav Republic of Macedonia	
	Prefecture of Florina	Prefecture of Thessalonica	Prefecture of Pella	Prefecture of Kilkis	Prefecture of Serres	

Population 1991	53.147	946.864	138.761	81.710	192.219	305.344
Population 2001	54.768	1.057.825	145.797	89.056	200.916	597638
% of the Country	0,52	9,23	1,35	0,80	1,87	29,55
Increase of population (1991-2001)	3,05%	11,72%	5,07%	8,99%	4,52%	

(186) The Region of Central Macedonia, according to its population, is classified second among the 13 Regions of the country, having a population of 1.792.304 residents according to the estimation of the National Statistical Service of Greece for 1998. This population is equivalent to the 17,1% of the total population of the Greece. The rate of the population increase of the Region for the period 1993-98 was higher than the rate of increase of the population of the country (3,13% comparing to 1,56%), and over the double of the average population increase rate of the European Union. The high rate of the population increase took place due to the natural population increase, as well as due to the high number of immigrants that came to the region.

(187) The population density of the region of Central Macedonia is 93,6 residents per km² while 79,7 is the figure for the country. The urban population is equal to the 57% of the total population (1991) and has been approximately steady since 1981. The rural population is equal to the 26% of the total population and it is lower than in 1981, while the semi-urban population has increased and is equal to the 17% of the total. The rate of the population increase of the Region is one of the highest increase rates in Greece. This is confirmed by the official land planning study of the Region of Central Macedonia, where the increase for the period 1991 - 2001 was estimated between 6,8% and 24,3%, and for the period 1999 - 2011 between 23% and 37,7%.

(188) The population of Western Macedonia is 302.750 residents (National Statistical Service of Greece, 2001) and equals to the 2,9% of the total population of Greece. The increase rate of the population for the period 1993 - 1998 was 1,66%, slightly higher than the equivalent rate of Greece (1,56%). The population density of the Region equals to 32 residents per square kilometre while the figure for Greece is 79,7. The urban population equals to the 25% of total population, the semi-urban to the 15% and the rural to the 56% respectively.

(189) The Prefecture of Florina (which has capital the city of Florina) has population which equals to the 0,5% of the Greek population. The high rate of the population's reduction is progressively limited (births /1.000 residents: -0,8 in 1996, -0,2 in 1999). Between 1991 and

2001 the population of the prefecture was increased by 3,1% (according to data from the National Statistical Service of Greece).

(190) In the eligible area of the former Yugoslav Republic of Macedonia the population is 597.638 residents and is equal to the 29,55% of the total population of the former Yugoslav Republic of Macedonia. The population density is rather low in the wider region, and equals to 57,41 residents per km², while the figure for the former Yugoslav Republic of Macedonia is 79,66 residents per km².

4.8.2.8.4 Economic structure

(191) The primary sector for the Greek eligible area is well developed, specialized in products similar with those produced in the former Yugoslav Republic of Macedonia (apples, beans, potatoes, vines etc), fact that implies that treatment and exports are decreased. The livestock-farming does not present important increase in Greece, while it presents important increase in the eligible area of the former Yugoslav Republic of Macedonia.

(192) From the former Yugoslav Republic of Macedonia side, the cross-border area includes two of the most important agricultural regions. The first one is the plateau of Prespansko, in height of 880 meters above the sea. The second one is the region Bitolisko - Prilepsko which is the largest agricultural region in the former Yugoslav Republic of Macedonia and extends from the Greek borders up to the former Yugoslav Republic of Macedonia's geographic centre, covering 1.206km², or 4,7% of total country's surface, and 25% of the total flat country's surface.

(193) Next to the Bitolisko - Prilepsko region is the Manovo region, the population of which is mainly employed to agriculture, livestock-farming and stock farming of horses. This region includes the areas between Bitolisko - Prilepsko and the Prefecture of Kavadarci, to with it has similar characteristics.

(194) Prefecture of Thessalonica is the most forceful productive pole in the entire Greek eligible area of the present Programme (16% of total secondary production of Greece). The investments of the secondary sector enterprises in the Prefecture of Florina after the important increase of period 1997-1999, decreased in 2000. In the Prefecture of Kilkis the 1,1% of total secondary production of Greece is produced, while in the Prefecture of Pella the 0,9% of total secondary production of Greece is produced.

(195) In the eligible area of the former Yugoslav Republic of Macedonia the industry is in a crisis since the traditional markets of Bailonis are lost, and there does not exist a proper planning for the recovery of new markets. The 45% of the enterprises in the eligible area of the former Yugoslav Republic of Macedonia are dealing with the metal treatment sector.

(196) The eligible area of the former Yugoslav Republic of Macedonia is an important producer of energy, covering roughly the 80% of the total production of the country. The eligible area of Western Macedonia in Greece, is the energy centre of Greece (it covers the 80% of domestic needs).

(197) The improvement of the existing interconnection network of 400kV tension at the department of Monastery - Florina is essential in order for the system to acquire stability, for the exchange and the transport of energy to be allowed, as well as for the marketing of the electric power.

(198) The services sector is well developed in the former Yugoslav Republic of Macedonia including the financial organisations and the innovative technologies sector.

(199) On the contrary, there is not important development of tourist activities in the cross-border area, and the relevant supporting installations are relatively poor. Nevertheless, the development of alternative forms of tourism is observed, the support of which will further contribute to the economic development of the region.

4.8.2.8.5 Economy - Production

(200) The region of Central Macedonia of which's capital is Thessalonica, in year 2001 featured the 17% of the total Greek population and it produced the 17,3% of the Gross Domestic Product GDP of Greece. In the region of Central Macedonia the 16,5% of total agricultural production, the 20% of secondary production, and the 17% of services is produced.

(201) The per capita income (GDP) of the Region of Central Macedonia for 2001 was the 100,4% of the Greek average, and decreased from 1991, when the GDP was the 101% of the Greek average. The Greek GDP equis to the 73,7% of the European Union average, the GDP of Greece per resident should be equal to the 73,6% of the GDP average of the 25 member states EU. The declared income per taxpayer resident for 2003 was 11,2 thousand €.

(202) In the Region of Western Macedonia the per capita GDP equals to the 104,3% of the Greek average for 2001, and increased from 1989, when it was 103,6% of the Greek average. The GDP per resident of the Region for 2001 equals to 104,3% of Greek average and to the 75,4% of the average of the 25 member EU. According to the 2001 census the Region of Western Macedonia produces: 2,8% of GDP, 5,1% of the total agricultural production, 0,6% of the secondary production, 2,2% of the services, and contributes also in

the energy sector, producing the 19% of the whole sector's production

(203) In 2003, in the former Yugoslav Republic of Macedonia the 11,41% of its GDP occurred from agricultural activities, 20,84% from industrial activities, 5,38% from constructions, and 62,36% from services.

(204) The improvement of economy in the former Yugoslav Republic of Macedonia started in 2001, when the GDP decreased 4,5%. The per capita GDP of the former Yugoslav Republic of Macedonia for 2003 was 2.230 US Dollars.

(205) For the year 2003 the GDP was 4.105 millions of Euros, calculated according to the annual average exchange parity of Euro. During the 2001-2003 period the GDP was permanently increasing. During this period the portion of the manufacturing sector of the former Yugoslav Republic of Macedonia to the GDP decreased for 2002 and 2003 comparing to 2001. The portion of manufacturing sector to the GDP was: for 2001 (16,9%), for 2002 (15,5%) and for 2003 (15,8%).

(206) The last years, especially after the taking out of embargo in 1995, the commercial relations between Greece and the former Yugoslav Republic of Macedonia are continuously increasing, and the relations of the two countries are improved.

(207) Greece is one of the most important foreign investors in the former Yugoslav Republic of Macedonia, and for the year 2004 its investments exceed 262 millions Dollars.

(208) Over 50 Greek companies are active in the former Yugoslav Republic of Macedonia and it is estimated that there have been created more than 8.000 new employment places. There is an increase of the Greek investments in the former Yugoslav Republic of Macedonia, mainly in the sectors of: food and beverages, clothing (subcontracting), industry of cement, oil refinement, tobacco industry and mining industry as well as in the construction of commercial enterprises.

4.8.2.8.6 Infrastructure

(209) The geographic position and the geomorphology of the Region of Western Macedonia isolate the region from the rest of the Greek country. Moreover, due to the meteorological conditions a significant part of the transport network remains inaccessible many times during the winter. As far as it concerns the road infrastructures, the most important factor is Egnatia road that crosses the Region from east to west, covering a distance of 123km.

(210) The completion of Egnatia road, and the construction of the vertical axis "NIKI – Florina – Kozani" which has direction from North to South, will help in the connection of Western Macedonia with Central Greece and the rest of Greece. The intraregional road network covers

satisfactorily the needs of the Region. The railway network of Western Macedonia region is

insufficient and consists of a sole direction network which has 170km length. The area of Western Macedonia is served by two airports, Kastoria and Kozani.

(211) The region of Central Macedonia has shown important development to the international road, marine and air transports. The geographic position of the Region of Central Macedonia in relation to the significant road axes, the port and the airport of Thessalonica, make the whole area to have a preferential place regarding the interconnection with the Balkan countries, the European Union, and the Central Europe. After the completion of two important road axes (Patra - Athens - Thessalonica - Eidomeni, and Egnatia), the role and position of the Region of Central Macedonia is expected to significantly improve.

(212) The road axis, that passes through the prefecture of Thessalonica (56km) and from the prefecture Kilkis (32km), Egnatia Road that passes through the prefecture of Thessalonica, and also the vertical axis that passes through the prefecture of Serres and connects the Greek-Bulgarian borders (Promahonas) with Thessalonica, Egnatia, the port etc. will constitute comparative advantage not only for the two particular prefectures, but will also strengthen the connectivity with the Balkan countries and will increase the wider international importance of the wider region.

(213) As far as it concerns the inter-prefectural level, the road axes that pass through from Thessalonica are in a good condition while this does not always happen for the road connections of other urban centres of the Region to each other. Thessalonica is a transport interchange in international, national, and regional level, because of the convergence of the transport infrastructures (road, railway, sea and air). As far as it concerns the railway network, the region is served mainly by the Axis of Petra - Athens - Thessalonica - Eidomenis - Promahonas, which is divided in the following lines:

- Piraeus - Athens - Thessalonica - Eidomenis which connects the biggest cities of the country, Athens and Thessalonica, and is the main railway route of Greece. This route has length 594km (from which the 103km cross the prefectures Thessalonica and Kilkis), and is a department of the High Speeds European Network.
- Thessalonica - Strimonas / Rampant - Alexandroupoli - Ormenio which has length of 632km (from which the 133km cross the prefectures of Thessalonica and Serres). The route is part of the Tran European Networks.

(214) The railway network has important problems, mainly because of the poor infrastructure quality and the low speeds.

(215) Moreover, the presence of the port of Thessalonica, which is at a very important geographic position between East and West, makes the region the natural gate of the Balkan Peninsula and a nodal point for the transit trade of interior country.

(216) The density of the road network on the cross-border region of the former Yugoslav Republic of Macedonia is relatively low. Three cities have railway stations (Monastiri, Gevgelji and Prilep) and approximately the 16% of the domestic travels are done by train. The cross-border region of the former Yugoslav Republic of Macedonia is in strategic place, since it is placed on the European North-South corridor (Corridor 10, E75), having a road part of 4,2km length from Gevgelji of the former Yugoslav Republic of Macedonia up to the Greek borders.

(217) The main road direction in the former Yugoslav Republic of Macedonia is Corridor X, which has a direction from North to South with the following course: Tampanobitse (borders of the former Yugoslav Republic of Macedonia and Serbia) - Skopje - Mpoqkoroditka (borders of the former Yugoslav Republic of Macedonia and Greece) with the department C of Corridor X: Veles - Monastiri - Mentziligia - Florina (via Egnatia road) on the borders of the former Yugoslav Republic of Macedonia with Greece.

(218) The railway network has a length of 925km, and its most important part is the line Belgrade - Thessalonica which crosses the former Yugoslav Republic of Macedonia.

(219) The health infrastructures in the Region of Central Macedonia are not in a satisfactory level. The relevant indicators have a low level, for the all prefectures of the Region. Prefecture of Thessalonica is an exception in which the relevant indicators have a high level, and has a satisfactory level of health infrastructures, with the most infrastructures found in the city of Thessalonica.

(220) More specifically, in 2001 in the Prefecture Thessalonica there were 11 public hospitals and 24 private clinics, giving a portion of 4 doctors per 1.000 residents, while the Prefecture Kilkis had 2 public hospitals and a portion of 2,7 doctors per 1.000 residents, and the Prefecture of Bella had 2 public hospitals and 4 private clinics and a portion of 1,3 doctors per 1.000 residents.

(221) The region of Western Macedonia is still lower than the average level of Greece. Despite the fact that Western Macedonia Region does not have a regional Hospital, the building infrastructures of health are in a satisfactory level. However the improvement of quality, operations, and the equipment of the health units is required. As well as reconstructing the operations of the primary health units. The infrastructures of health in the prefecture of Florina are consisted of a public hospital, health centres and a clinic, and Florina has a portion of 1,2 doctors per 1.000 residents.

(222) There is a Cross-Border Public Health Centre, which operates within the cross-border region, which is placed to Krystalopigi and mainly serves the cross-border region between Greece and Albania. The construction of a similar Public Health Centre for the service of cross-border needs of the programme is considered essential.

(223) The educational infrastructures in all the Region of Central Macedonia are not enough developed. The exception in the Region of Central Macedonia is again the Prefecture of Thessalonica, where the level of educational infrastructures is at a satisfactory level. At the cross border region of the former Yugoslav Republic of Macedonia the educational infrastructures do not have a satisfactory level.

(224) In the regions of the cross-border area of the former Yugoslav Republic of Macedonia some important educational institutions, as the University Saint Klementius of Ochridas, the College of Agriculture at the city Mpitola, the University of Economic Sciences and the Institute of Tobacco at Prilep, are operating.

4.8.2.9 Assessment and Evaluation of the Programme's Impacts

(225) In this SEA environmental report the potential environmental impacts which will occur from the "Greece – the former Yugoslav Republic of Macedonia IPA Cross-Border Programme" implementation, are identified and assessed. The objective of this chapter is the qualitative, quantitative, territorial and time determination of the programme's implementation potential impacts. In this framework all the primary, secondary, cumulative, synergistic, short- middle-long term, permanent and temporary, positive and negative environmental impacts to the various environmental aspects of the cooperation area's environment, are identified and assessed.

(226) For the identification of its impacts, the programme is broken down to its priority axes and their measures. The impacts are identified on measure level, taking into account each measure's indicative activities and targets and their potential environmental impacts to the environmental aspects of the cooperation area. The environmental aspects are the following:

1. SOIL,
2. AIR,
3. WATER,
4. BIODIVERSITY - FLORA – FAUNA,
5. POPULATION – MATERIAL ASSET ELEMENTS,
6. CLIMATE PARAMETERS,
7. HUMAN HEALTH,
8. LANDSCAPE,
9. CULTURAL HERITAGE

(227) For the identification of the environmental impacts of each measure to the environmental aspects, a number of questions related to each aspect and the programme's objectives is answered. These questions can be found in the tables in the environmental impact assessment section. Based on these questions the types of impacts that the implementation of each measure might produce are identified. The types of these impacts are the following:

- **Positive impact:** when the impact of the measure's activities to the environmental aspects is directly positive.
- **Indirect positive impact:** when the impact of the measure's activities to the environmental aspects is indirectly positive.
- **Neutral impact:** when the impact of the measure's activities to the environmental aspects is neutral.
- **Indirect negative impact:** when the impact of the measure's activities to the environmental aspects is indirectly negative.
- **Negative impact:** when the impact of the measure's activities to the environmental aspects is directly negative.

(228) Within the framework of the programme a number of works and activities will be implemented; the programme though does not fully designate these works and activities but just describes them. Thus, the evaluation of the environmental impacts which will occur by the programme's implementation is more qualitative than quantitative.

(229) The environmental impacts of each measure are identified and evaluated for the aforementioned 9 environmental aspects. There are comments for the identified impacts regarding each environmental aspect separately. At the end of the assessment/ evaluation of the environmental impacts of each measure for the 9 environmental aspects, there is a detailed analysis of the significant impacts which will occur, and there are also other measures proposed for the mitigation of the significant negative impacts and the enhancement of the positive impacts.

(230) The assessment of the overall impacts of the programme to the nine examined environmental aspects is presented in the following table. The table is extracted by providing scores to the direct and indirect positive or negative impacts of each measure of the priority axes in each environmental aspect. The scores have been provided according to the following rule:

- Positive impacts: +2 units
- Indirect positive impact: +1 unit
- Neutral impact: 0 units

- Indirect negative impact: -1 unit
- Negative impact: -2 јединица

(231) In the last vertical column, the total assessed impact for each environmental aspect is presented taking into account the measures in both priority axes. In the last horizontal column, the total impact in each priority axis is presented.

ENVIRONMENT ASPECT	PRIORITY AXIS 1	PRIORITY AXIS 2	TOTAL
Soil	4	6	10
Air	0	0	0
Water	2	8	10
Biodiversity-Flora-Fauna	5	20	25
Population – Material asset elements	22	7	29
Climate parameters	0	0	2
Human Health	5	0	5
Landscape	3	4	7
Cultural Heritage	6	6	12
Total	47	53	100

(232) By assessing the environmental impacts of the programme, the following conclusions can be derived:

- The Programme is expected to have positive impact to the protection of the environment in the area of cooperation.
- The most important positive impacts can be found in the aspects: "Biodiversity – Flora – Fauna" and "Population – Material asset elements". This is due to the activities that are expected to be implemented and which contribute directly or indirectly to the protection of the very important habitats that exist in the area, as well as of the rare flora and fauna species that live there. Activities that aim to the increase of the employment and the enhancement of the entrepreneurship of the area have the most important contribution in the second environmental aspect.
- No negative impact to the environment is expected by the implementation of the activities in the two priority axes.

- Priority Axis 2 is expected to have more positive environmental impacts than Priority Axis 1. This is due to measure 2.1, whose activities directly aim at the protection of the environment resulting to important positive contribution to all environmental aspects. In combination with other activities of other measures, the positive environmental impacts of this axis are additionally increased.

4.8.2.10. Measures to mitigate environmental impacts

(233) The main points that need to be addressed, so that the environmental effectiveness of the programme is enhanced and the maximum results are accomplished, are summarized below:

- Promotion of the maximum cooperation for the utilization of the programme's funds and development possibilities. In order for the maximum results to be achieved, the cross – border character of the programme must be utilized and priority should be given to activities that enhance the cooperation between the two countries, targeting to the joint fading of the environmental problems. This cooperation will result to the effective short and long-term improvement of the natural and human environment.
- Aim to the maximum cooperation on the sectoral strategies and the regional programmes of Greece and the former Yugoslav Republic of Macedonia. Both the limited available resources of the programme and the cross – border character demand the implementation of supplementary actions by sectoral and regional strategies. In this framework, and especially for the environmental sector, the maximum possible synergy with the business programmes of the new programming period must be investigated.
- Focus on the special environmental needs of the cooperation area. Before the funding of the activities, the intervention sectors of the programme must be set, focusing on the needs of the area.
- Aim to the best result through the assessment of the costs and benefits of the proposed projects. It is very important to assess as many as possible parameters during the selection of the proposals, so as to fund actions that will bring the best results.
- Evaluation of the spatial disparities that are detected in the area during the selection of the projects that will be funded, aiming to the development of the less developed parts of the cooperation area. Through this direction, the maximum utilization of the funds will be accomplished and the strategic objectives of the programme will succeed.

- Aim to exchange best practices and methods. The cross – border cooperation may contribute to the exchange of know-how between the two countries. This exchange is very important for the development of new business sectors and the competitiveness improvement in the area, securing the economic development and increasing employment. The transfer of best practices is of great importance, especially in cases where one country is more developed than the other.

Use of the existing infrastructures and human scientific resources of the cooperation area.

- Full implementation of the European and national legislative framework regarding the environmental licensing of projects and activities which are included in the field of the programme.

(234) More specifically, the activities that must be promoted, in order to increase the environmental effectiveness of the programme and achieve the maximum results, for each priority axis (for priority axes 1 and 2) are summarized below:

(235) Priority 1: "Enhancement of cross border economic development"

- Promotion of actions related to entrepreneurship activities and adaptation of production methods friendly to the environment. Also promotion of actions that implement pollution prevention technologies or apply measures of environmental management improvement.
- Aim to implement activities that enhance the environmental effectiveness and management of companies, through the implementation of Environmental Management Systems, such as the European Eco-Management and Audit Scheme (EMAS), the international standard for environmental management EN ISO 14001, award schemes for environmental friendly products and services (eco-label).
- Promotion of energy saving activities in enterprises, investments for renewable energy sources and plans of rational energy use.
- Promotion of the implementation of green procurement by the business sector.
- Promotion of activities that raise the awareness of people in fields, such as environmental protection, renewable energy sources, prevention of natural disasters.
- Enhancement of the cooperation between academic institutes and promotion of activities that contribute to natural environment conservation and improvement.
- Enhancement of employment and economic development in the cooperation area, through activities that promote the training of women and minorities.

- Promotion of the cooperation between NGOs and other bodies or federations, so as the exchange of know-how and information is enhanced.
- Providing motives to the local stakeholders and enterprises in order to develop sustainable tourism activities. Implementation of dissemination activities of sustainable tourism to local communities and to both countries in order to attract tourists and investments.

Combination of activities that apart from contributing to the protection of human health and the achievement of the project's objectives, also contribute directly or indirectly to the protection of the environment (for example, for the development of mobile cross/ border Primary Health Care special attention could be given on the environmentally friendly management of the produced waste that is considered infectious).

With regard to the provided health services and the communication of the health centres with the patients, priority should be given in activities that promote the provision of medical services through the use of IT technology and electronic correspondence (resulting to reduction of generated waste and increase of the effectiveness and the time efficiency of the provided services).

(236) Priority 2: "Enhancement of the environmental resources and cultural heritage of the eligible border areas"

- Special priority must be given to activities that aim to the protection and promotion of habitats and the coordination of public bodies in issues of environmental planning.
- Enhancement of activities that concern the protection and sustainable management of cross border water resources.
- Promotion of activities that concern the sustainable management of waste, since they may contribute to: the conservation and protection of the natural environment, the improvement of the quality of life in the cooperation area and the sustainable development of the area in general. Special emphasis should be given on activities that aim to the application of new European policies in the field of waste management or in waste management plans that focus on issues of waste prevention, re-use, and recycling.
- Promotion of activities within the framework of enhancing cultural, natural and architectural heritage
- Promotion of building reconstruction, and infrastructure development activities, in a way that they will be incorporated to the area landscape and their construction will not cause negative impacts to the environment and the landscape.

- Promotion of tourism activities, which are consistent to the protection of the natural and cultural heritage of the area.

4.8.2.11 Environmental Monitoring System

(237) The monitoring of the CBC Programme Greece – the former Yugoslav Republic of Macedonia is one of the main factors for the successful implementation of the Programme and one of the main requirements of the European Directive 2001/42/EC and the Hellenic Common Ministerial Decision 107017/28.8.2006. The monitoring of the Programme and of its environmental impacts should be ensured at all stages in order to identify immediately and deal with the non conformities. This is important in order to undertake all the necessary corrective activities, if required.

(238) The correct choice of the indicators is an essential precondition for the successful monitoring of the Programme. The indicators will contribute to the evaluation of the programme's results. The proposed indicators are specific and quantitative and can be monitored during the approval of the projects.

Measure	Environmental Indicators	Unit
1.1. Enhancement of Entrepreneurship	Environmental-friendly enterprises	Number of enterprises
	Certified enterprises or enterprises that produce or have certified products or procedures	Number of enterprises
1.2. Enhancement of human resources	Increase of employment	Number or percentage (%) of increase of new jobs
	Increase of the women employment	Number or percentage (%) of increase of new jobs
	Increase in the employment of disadvantage groups	Number or percentage (%) of increase of new jobs
	Organisation of environmental training activities	Number of events/ training activities Number of participants

1.3. Sustainable Tourism	Organisation of environmental events/ fairs	Number of events Number of participants
	Implementation of environmental programmes	Number of programmes Protected Area (sq. Kms)
1.3. Sustainable Tourism	Organisation of training programmes for the sustainable tourism	Number of programmes Number of trainees
	Development of eco-tourist actions	Number of activities Number of visitors
	Development of environmental certificates	Number of certificates developed Number of enterprises/ organizations developed
1.4. Protection of human health	Developed of tools and networks for sustainable tourism	Number of tools/ networks developed Number of people that have access to them
	Protection of public health from environmental factors	Protected Population
2.1. Promote and protect the environmental resources of the area	Solid waste management	Number of plants or management systems
	Protection of important habitats	Protected Area (sq. Kms) Number of protected species
	Protection from natural disasters	Number of plans implemented
	Implementation of cross border projects considering environmental impacts	Number of cross border EIA's
2.1. Promote and protect the environmental resources of the area	Organisation of environmental training activities	Number of training events/activities Number of participants

Implementation of plans for sustainable urban development	Area (sq. Kms) restored/rehabilitated
2.2.Promote and protect the natural and cultural heritage of the area	Number of monuments protected
Protection of natural and cultural monuments	Protected Area (sq. Kms)
	Number of programmes
	Number of tools for sustainable tourism
Implementation of cultural programmes	Number of people that have access to them

5 Priorities and Measures

(239) The structure of the programme consists of **two Priorities** with **six Measures**. Priorities 1 and 2 are oriented towards Lisbon as well as Gothenburg principles and take into consideration the cross-cutting issues of equal opportunities, genuine cross-border co-operation and sustainability.

(240) Additionally a Priority 3 "Technical Assistance" is foreseen.

5.1 Priority 1: "Enhancement of cross-border economic development"

(241) Context: Cross-border co-operation in the programme area has an advantageous starting point due to the positive experiences, the vivid economic relations and the geographical position on the crossroads of important European connections. With high quality export-oriented agriculture and a large potential for sustainable tourism, the area disposes over significant assets in the drive for economic development. Those strong points are escorted by the availability of high quality education centres. On the negative side, large socio-economic disparities, declining rural areas, obsolete sectors and the dominance of adjacent metropolitan centres limit the development of the endogenous potential. The Programme can intervene in providing the missing links for facilitating the transfer of know-how from the more advanced areas and sectors, hence addressing internal disparities, and the co-ordination of activities thus addressing the request for convergence. Important pillars in this effort are the common intervention in the field of human resources and skills as a long-term guarantee for self-sustained economic development, and the promotion of

sustainable tourism as an opportunity of using the programme area's unique and "immovable" comparative advantages. Last but not least, the pro-active (e.g. in disease control) and re-active (e.g. through medical emergency systems) protection of human life are important prerequisites in an area where agriculture and tourism are regarded to be crucial elements for economic development.

(242) Objective: Priority 1: "Enhancement of cross-border economic development" aims to promote sustainable economic development through common interventions and facilitate cross-border reciprocal relations. Priority 1 will be implemented via four Measures focusing on economic development (M 1.1); enhancement of human resources (M 1.2); the development of sustainable tourism (M 1.3) and the protection of human life (M 1.4).

(243) Indicative Beneficiaries: Priority 1 is directed mainly towards chambers of commerce, professional associations, local self-government and related public bodies, ministries and central state bodies with regional competences, education and research institutes, museums and cultural institutes, health institutions, non-governmental organisations and regional authorities. As a general rule, possible applicants are public or public equivalent bodies implementing activities of non-profit character. However the Programme remains objective-driven, meaning that all projects implemented contribute to the objectives. Hence all eligible beneficiaries are welcomed to participate and are evaluated based on the virtue of their project proposals and contributions.

(244) Measure 1.1 "Economic Development" aims to support interventions facilitating the development of cross-border economic activities through the use of existing potential and emerging opportunities.

(245) Potential indicative activities are:

- Development of public services for activities for the facilitation of cross-border trade and investment;
- Development of joint actions for professional bodies and chambers including common events and fairs;
- Support for research activities and studies for the facilitation of cross-border trade and investment;
- Development of cross-border databases and business partner search facilities;
- Enhancement of research and development facilities and connections to existing enterprises;
- Development of a regional identity for the promotion of local products;
- Promotion of e-business and e-solutions making use of WVAW development (one stop shops at the municipal level);

- Improvement of cross-border control points and improvement of safety procedures linked to mobility of persons, capital and goods;
- Connection and presence of municipalities to the economic development and innovation zones of urban areas and the attraction of external investment.

(246) Measure 1.2 "Enhancement of Human Resources" aims to support interventions which upgrade the professional skills of the local population, thus reacting to the demand of the border area, providing opportunities for employment and countering migration.

(247) Potential indicative activities are:

- Co-operation of universities and education institutes for the development of common courses for students and professionals;
- Development of vocational training and qualifications for women and disadvantaged groups;
- Development of life-long learning concepts;
- Enhancement of student mobility;
- Development and intensification of the relations between NGOs and companies.

(248) Measure 1.3 "Promote Sustainable Tourism" aims to support common cross-border activities supporting tourism and using the existing natural and cultural heritage.

(249) Potential indicative activities are:

- Development of eco-tourism alternatives related to sites of geothermal springs, outdoor activities, mountaineering and winter sports facilities in the mountain areas, including improvements of small scale facilities;
- Development of training and awareness programmes and regional certificates in the fields of sustainable tourism;
- Development of tourism networks and information platforms on targeted tourism activities;
- Development of thematic clusters and trails; (for example: linking different outdoor activities, or development and promotion of routes of different guilds' heritage)
- Development of joint tourism territorial planning;
- Development of a regional brand name and joint marketing initiatives;
- Development of standards for services, common billing systems, common training etc.

(250) Measure 1.4 "Protect human life" aims to support interventions which protect public health, minimise the impact of the borderline in health services provision and facilitate the common use of health facilities.

(251) Potential indicative activities are:

- Development of mobile cross-border Primary Health Care;
- Development of health related cross-border databases;
- Improvement of the quality of services provided and access of local population to Cross-Border Health Centres;
- Prevention, control of and research on infectious and epidemic diseases;
- Development of links for the local and central health services and "Search and Rescue" for joint response to health emergencies;
- Support to the use of new technologies and ICT in cross-border co-operation in the health sector.

5.2 Priority 2: "Enhance the environmental resources and cultural heritage of the programme area"

(252) Context: The programme area is characterised by rich and valuable ecosystems and landscapes. This natural environment has provided the setting for the development of long-standing cultural traditions and a lively living culture. These strong points of the programme area are important pillars in the quality of life and also accelerators of economic and social development. On the other hand, the area has growing urban areas and industrial clusters which put heavy pressure on both the cultural and natural environment and especially water resources. National borders pose an additional obstacle in the protection of the environment, making the co-ordination of actions difficult. Exactly at this point the Programme can offer an invaluable contribution induced by its very cross-border nature. The EU focus on environmental protection as an indispensable quality of life factor and the drive for co-ordination and harmonisation of actions (e.g. as outlined in the Water Framework Directive) and the widespread public support for environmental protection offer an encouraging framework for cross-border co-operation. Simultaneously cultural heritage is interwoven with the request for closer cross-border relations and the promotion of sustainable tourism. The protection of cultural heritage can be twofold. On the one hand it can focus on the protection and promotion of cultural monuments of the past but on the other hand it can act as a bridge between the living cultures of our times. Cross-border co-operation in the field of culture can contribute to broadening perspectives for cross-border co-operation, to better understanding of cultural differences and similarities in the programme area, and to presenting the diverse cultural richness to the wider European audiences.

(253) Objective: Priority 2 aims to promote common actions for the protection of the environment and the mobilisation of natural and cultural heritage. Priority 2 will be implemented via two Measures focusing on the promotion and protection of environmental resources (M 2.1) and the natural and cultural heritage of the area (M 2.2).

(254) Indicative Beneficiaries: Priority 2 is directed mainly towards chambers, professional associations, local self-government and related public bodies, ministries and central state bodies with regional competences, public utilities enterprises, education and research institutes, museums and cultural institutes, health institutions, protected areas management bodies, national parks, non-governmental organisations and regional authorities. As a general rule, possible applicants are mainly public or public equivalent bodies implementing activities of non-profit character. However the Programme remains objective-driven, meaning that all projects implemented contribute to the objectives. Hence all eligible beneficiaries are welcomed to participate and are evaluated based on the virtue of their project proposals and contributions.

(255) Measure 2.1 "Promote and protect the environmental resources of the area" aims to support interventions that protect the environment and mitigate the environmental impacts related to economic development.

(256) Potential indicative activities are:

- Co-ordination in improving the water quality of Axios/Vardar river and Doiran/Dojran and Prespa lakes;
- Implementation of transboundary environmental impact assessments;
- Development of joint waste management plans and systems
- Development links in the cross-border environmental planning of the involved public bodies;
- Co-operation in the fields of protected areas; and NATURA 2000 sites;
- Co-ordination and joint training of natural hazards response mechanisms;
- Development of innovative approaches in land use and urban development especially around brownfields, environmental hotspots and envisaged development zones.

(257) Measure 2.2 "Promote and protect the natural and cultural heritage of the area" aims to support interventions that protect and mobilise the natural and cultural resources as means for a locally-driven sustainable development while safeguarding the natural and cultural heritage from impacts related to economic development.

(258) Potential indicative activities are:

- Promotion and upgrade of natural and cultural monuments including religious monuments, traditional and listed buildings, historical and archaeological sites;
- Development of ICT tools for the promotion and protection of natural and cultural monuments;
- Development of common tools in the fields of protection and restoration of cultural landscapes;
- Combination of local craftsmanship and cultural tourism;
- Promotion of local architecture;
- Development of thematic clusters and trails (e.g. festivals, wine, monasteries) in connection with cultural activities;
- Development of innovative approaches in leisure and recreation settlements and culturally sensitive areas.

5.3 Priority 3: Technical Assistance

(259) Priority 3 on Technical Assistance includes activities which

- Secure the core management for the implementation of the programme (of the programme preparation, management, monitoring, evaluation, information and publicity, and auditing);
- Implement accompanying actions to support the generation and implementation of high quality, result oriented cross-border projects and partnerships.

(260) As outlined in detail in Chapter 8 (Implementing Provisions) Technical Assistance will focus on activities necessary for the effective management and implementation of the programme. Technical Assistance should also provide for programme implementation documents that clarify details for the implementation of the programme. Last but not least, Technical Assistance funds should also be earmarked to provide environmental monitoring of the Programme, if existing monitoring measures are considered inadequate (in accordance with the SEA report).

(260a) Activities covered by TA should be elaborated using the project management approach, including: objective, activities, target groups, costs. TA costs have to be previously approved by the Joint Monitoring Committee. Costs have to respect the Programme eligibility rules and procedures and shall be the subject of regular control by the Joint Programme management bodies.

6 Publicity and Visibility

(261) In accordance with Article 62 and 63 of the IPA Implementing Regulation, the Managing Authority of the Programme will provide and guarantee for its publicity and its visibility. The information provided shall be addressed to all citizens and beneficiaries with the aim of highlighting the role of the Community and ensure that assistance from the Funds is transparent.

(262) Publicity and its visibility on the Programme will be provided by:

- Publication of full information on the Programme on the Programme website;
- Publication of short information on the Programme in brochures and leaflets;
- Generation of annual and final reports for the Commission;
- Implementation of information activities and events including regional and local stakeholders related to project development and implementation;
- Implementation of information activities and events related to management, monitoring and evaluation of the Programme.

(263) A Communication Plan will be elaborated by the Managing Authority, providing all interested potential applicants at local or regional level with information on the Programme as well as on the relevant funding instruments. The Communication Plan will be approved by the Joint Monitoring Committee.

7 Financial Tables

7.1 Annual commitment in the programme

Table 113: Annual commitment in the programme (in Euro):

Year	EU contribution for actions within Member State	EU contribution for actions within non Member State
2007	0	785,021
2008	3,281,124	1,341,208
2009	2,262,342	1,466,040
Total 2007-2009	5,543,466	3,592,269

7.2 Indicative breakdown by priority axes and by year

Table 14: Priority axes by source of funding (in euros)

PRIORITIES	Greece				the former Yugoslav Republic of Macedonia				
	Community funding	National funding	Total funding	Rate of Community contribution	Community funding	National funding	Total funding	Rate of Community contribution	
	(a)	(b)	(c)=(a)+(b)	(d) = (a)/(c)	(a)	(b)	(c)=(a)+(b)	(d) = (a)/(c)	
2007	Priority 1				314,008	55,413	369,421	85%	
	Priority 2				392,511	69,267	461,778	85%	
	Priority 3				78,502	13,853	92,355	85%	
	TOTAL				785,021	138,533	923,554	85%	
2008	Priority 1	1,312,449	437,483	1,749,932	75%	536,483	94,674	631,157	85%
	Priority 2	1,640,563	546,854	2,187,417	75%	670,604	118,342	788,946	85%
	Priority 3	328,112	109,371	437,483	75%	134,121	23,668	157,789	85%
	TOTAL	3,281,124	1,093,708	4,374,832	75%	1,341,208	236,684	1,577,892	85%
2007	Priority 1	904,937	301,646	1,206,583	75%	586,416	103,485	689,901	85%
	Priority 2	1,131,171	377,057	1,508,228	75%	733,020	129,356	862,376	85%
	Priority 3	226,234	75,411	301,645	75%	146,604	25,872	172,476	85%
	TOTAL	2,262,342	754,114	3,016,456	75%	1,466,040	258,713	1,724,753	85%
Grand total	5,543,466	1,847,822	7,391,288	75%	3,592,269	633,930	4,226,199	85%	

8 Implementing provisions

8.1 Introduction

(264) In line with Article 98 of the Commission Regulation (EC) No 719/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) the IPA Greece-the former Yugoslav Republic of Macedonia Cross-border Programme is going to be implemented under the transitional arrangements. The programme may be converted during the programming period into an integrated mode if agreed by the participating countries and the European Commission.

(265) The structures of the programme are:

- a single Managing authority,
- a single Certifying authority
- a single Audit authority
- a Joint Monitoring Committee
- a Joint Steering Committee and
- a Joint Technical Secretariat

(266) After the conferral of management powers by the European Commission to the beneficiary country, the latter shall establish the following decentralised management structures (Article 21 of the IPA Implementing Regulation):

- a national IPA co-ordinator,
- a National Authorising Officer as Head of the National Fund,
- a National Fund,
- an Operating Structure (with Implementing agency)
- an Audit Authority

8.2 Managing Authority

(267) The Managing Authority of CIP INTERREG at the Ministry of Economy and Finance, Thessaloniki, Greece is designated as the Managing Authority of the IPA Cross-border Programme.

(268) The Managing Authority shall be responsible for managing and implementing the IPA Cross-border Programme in accordance with the principle of sound financial management and in particular for:

- ensuring that operations are selected for funding in accordance with the criteria applicable to the IPA Cross-border Programme and that they comply with applicable Community and national rules for the whole of their implementation period. In particular, the Managing Authority shall:
 - ✓ ensure that beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time limit for execution and the financial and other information to be kept and communicated;
 - ✓ satisfy itself that the beneficiary has the capacity to fulfil these conditions before the approval decision is taken;
 - ✓ ensures that the evaluation procedure took place in accordance with the terms of the call for proposals, including the approved criteria for the selection of operations;
- ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the IPA Cross-border Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- ensuring that the expenditure of each beneficiary participating in an operation has been validated by the controller referred to in Article 108 (Regulation (EC) No 718/2007.);
- ensuring that the operations are implemented according to the public procurement provisions referred to in Article 121(Regulation (EC) No 718/2007.);
- ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- ensuring that the evaluations of the IPA Cross-border Programme are carried out in accordance with Article 109(Regulation (EC) No 718/2007.);
- setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are kept available for the Commission and the Court of Auditors for a period of three years following the closure of the programme and in accordance to Article 134(Regulation (EC) No 718/2007.);

- ensuring that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- guiding the work of the Joint Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the IPA Cross-border Programme to be monitored in the light of its specific goals;
- drawing up and, after approval by the Joint Monitoring Committee, submitting to the Commission the annual and final reports on implementation referred to in Article 112;
- ensuring compliance with the information and publicity requirements laid down in Article 62 (Regulation (EC) No 718/2007.);
- drawing up proposals for the review of the Programme and submitting them to the Joint Monitoring Committee for approval;
- supervising the work of the Joint Technical Secretariat

(269) The Managing Authority shall lay down the implementing arrangements for each operation, where appropriate in agreement with the lead beneficiary.

8.3 Certifying Authority

(270) The Paying Authority for the CSF, the Community Initiatives and the Cohesion Fund at the Ministry of Economy and Finance is designated as the Certifying Authority of the IPA Cross-border Programme.

(271) The Certifying Authority of the IPA Cross-border Programme shall be responsible in particular for:

- (a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- (b) certifying that:
 - ✓ the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
 - ✓ the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;
- (c) ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;

- (d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;
- (e) maintaining accounting records in computerised form of expenditure declared to the Commission. The Managing Authority and the Audit Authority shall have access to this information. At the written request of the Commission, the Certifying Authority shall provide the Commission with this information, within ten working days of receipt of the request or any other agreed period for the purpose of carrying out documentary and on the spot checks;
- (f) keeping an account of amounts recoverable and of amounts withdrawn for Greek beneficiaries following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the IPA Cross-border Programme by deducting them from the next statement of expenditure;
- (g) sending the Commission, by 28 February each year, a statement, identifying the following for each priority axis of the cross-border programme:
 - (i) the amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation;
 - (ii) the amounts recovered which have been deducted from these statements of expenditure;
 - (iii) a statement of amounts to be recovered as at 31 December of the preceding year classified by the year in which recovery orders were issued
- (h) receiving Community contribution payments that correspond to the Greek beneficiaries within the IPA Cross-border Programme from the Commission and making payments to Greek lead beneficiaries as quickly as possible and in full;
- (i) ensuring that any amounts unduly paid are recovered by Greek lead beneficiaries. Greek beneficiaries shall return to the Greek lead beneficiary unduly paid amounts on the basis of the agreement existing between them;
- (j) submitting to the Commission provisional forecasts of likely applications for payment in accordance with article 122 of Regulation (EC) No 718/2007.

8.4 Audit Authority

(272) The Financial Audit Committee (EDEL) at the Ministry of Economy and Finance – Secretariat General for Fiscal Policy (General Accounts of the State) is designated as the Audit Authority for the IPA Cross-border Programme. The Financial Control Committee consists of seven members and is independent of the Managing and Certifying Authorities.

- The Audit Authority of the IPA Cross-border Programme shall be responsible in particular for:
- (a) ensuring that audits are carried out to verify the effective functioning of the management and control system of the IPA Cross-border Programme;
 - (b) ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
 - (c) by 31 December each year from the year following the adoption of the IPA Cross-border Programme to the fourth year following the last budgetary commitment:
 - (i) submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month period ending on 30 June of the year concerned and reporting any shortcomings found in the systems for the management and control of the Programme. The first report, to be submitted by 31 December of the year following the adoption of the IPA Cross-border Programme, shall cover the period from 1 January of the year of adoption to 30 June of the year following the adoption of the Programme. The information concerning the audits carried out after 1 July of the fourth year following the last budgetary commitment shall be included in the final control report supporting the closure declaration. This report shall be based on the systems audits and audits of operations carried out under point (a) and (b);
 - (ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;
- When a common system applies to several IPA Cross-border Programmes, the information referred to in point (i) may be grouped in a single report, and the opinion and declaration issued under point (ii) may cover all the IPA Cross-border Programmes concerned;
- (d) submitting to the Commission at the latest by 31 December of the year following the last budgetary commitment a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report. This closure declaration shall be based on all the audit work carried out by or under the responsibility of the Audit Authority.

(273) The Audit Authority shall ensure that the audit work takes account of internationally accepted audit standards.

Where the audits and controls referred to in points (a) and (b) are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that such bodies have the necessary functional independence.

(274) If weaknesses in management or control systems or the level of irregular expenditure detected do not allow the provision of an unqualified opinion for the annual opinion referred to in point (c) or in the closure declaration referred to in point (d), the Audit Authority shall give the reasons and estimate the scale of the problem and its financial impact.

Group of Auditors

(275) The Audit Authority for the IPA Cross-border programme shall normally be assisted by a group of auditors comprising a representative of each country participating in the IPA Cross-border Programme carrying out the duties provided for in Article 105 (Regulation (EC) No 718/2007.)

(276) However, as this programme will be implemented under the transitional arrangements, and the Audit Authority will be responsible only for expenditure within Greece, a Group of Auditors is not required in this case. Nevertheless, such a Group may be established in order to ensure an appropriate exchange of information and good practice between the participating countries.

Audits of operations

(277) The audits referred to in Article 105(1)(b) - Regulation (EC) No 718/2007, shall be carried out each twelve-month period from 1 July of the year following the adoption of the IPA Cross-border Programme on a sample of operations selected by a method established or approved by the Audit Authority in agreement with the Commission.

(278) The audits shall be carried out on the spot on the basis of documentation and records held by the beneficiary.

(279) The participating countries shall ensure the appropriate repartition of those audits over the implementation period.

(280) The audits shall verify that the following conditions are fulfilled:

- (a) the operation meets the selection criteria for the IPA Cross-border Programme and has been implemented in accordance with the approval decision and fulfils any applicable conditions concerning its functionality and use or the objectives to be attained;

(b) the expenditure declared corresponds to the accounting records and supporting documents held by the beneficiary;

(c) the expenditure declared by the beneficiary is in compliance with Community and national rules;

(d) the public contribution has been paid to the beneficiary in accordance with Article 40(9).

(281) Where problems detected appear to be systemic in nature and therefore entail a risk for other operations under the IPA Cross-border Programme, the Audit Authority shall ensure that further examination is carried out, including additional audits where necessary, to establish the scale of such problems. The necessary preventive and corrective action shall be taken by the relevant authorities.

(282) No less than 5% of the total expenditure declared by lead beneficiaries and certified to the Commission in the final statement of expenditure shall be audited before the closure of an IPA Cross-border Programme.

8.5 Joint Technical Secretariat

(283) The Managing Authority, after consultation with the Operating Structure in the former Yugoslav Republic of Macedonia, shall set up a Joint Technical Secretariat (Article 107, IPA Implementing Regulation 718/2007).

(284) The Joint Technical Secretariat will be located in Thessaloniki, Greece.

(285) An Antenna, will be located in Bitola, the former Yugoslav Republic of Macedonia

(286) The Joint Technical Secretariat (JTS) shall assist the Managing Authority, the Operating Structure, the Joint Monitoring Committee and the Joint Steering Committee in carrying out their respective duties. Moreover, it may assist the Audit Authority to organise the meetings of the Group of Auditors, if such a Group is established.

(287) The responsibilities of the JTS of the IPA Cross-border Programme are in particular as follows:

1. assists the MA and the Operating structure in organising the meetings of the Joint Monitoring Committee and the Joint Steering Committee and provides all necessary documents to ensure the quality of the implementation of the IPA Cross-border Programme in the context of its specific goals by:
 - organising the meetings of the Joint Monitoring Committee and the Joint Steering Committee;
 - preparing all necessary documents and the minutes of the meetings;

- Informing beneficiaries of the decisions of the Joint Monitoring Committee and the Joint Steering Committee;
 - carrying out various administrative tasks and services;
2. draws up the criteria for selecting the operations and forwards them to the Managing Authority. The Managing Authority examines the criteria and when accepted, is submits them to the EC Delegation. If approved by the EC Delegation, the Managing Authority submits them to the Joint Monitoring Committee for approval;
 3. draws up the standard application form for the call for proposals and forwards it to the Managing Authority. The Managing Authority examines the standard application form for the call for proposals and when accepted, submits it to the EC Delegation. If accepted by the EC Delegation in the former Yugoslav Republic of Macedonia, the Managing Authority submits it to the Joint Monitoring Committee for approval;
 4. prepares the required material for each call for proposals and forwards it to the Managing Authority. The Managing Authority examines the material for the call for proposals and when accepted, submits it to the EC Delegation in the former Yugoslav Republic of Macedonia, which endorses it. Following the endorsement by the EC Delegation, the Managing Authority launches the call for proposals;
 5. supports potential beneficiaries in preparing their project proposals. The JTS organises information seminars, promotes co-operation and stimulates partnership between potential beneficiaries from both sides of the border etc. Furthermore, it shall co-operate with the Operating Structure and the CBC Coordinator for the organisation of seminars and promotion activities in the former Yugoslav Republic of Macedonia;
 6. assists the Managing Authority and the Joint Steering Committee in order to ensure that operations are selected for funding in accordance with the criteria applicable to the IPA Cross-border Programme and that they comply with applicable Community and national legislation governing the implementation of the Programme. More specifically, its assistance is analysed in Section 8.10 (Submission of Proposals and Project Selection);
 7. provides technical support to beneficiaries throughout the implementation period of the operations;
 8. assists the MA in collecting and recording in computerised form accounting records for all operations. In addition, assists the MA in collecting implementation data required for financial management, monitoring, verification, audit and evaluation;
 9. assists the MA in collecting and keeping all documents relating to expenditure and audits. In order to ensure an effective audit trail through:
 - collecting progress reports from beneficiaries

- assessing the implementation of operations and making recommendations to the MA
 - drafting progress reports concerning the implementation of the IPA Cross-border Programme
10. assists the MA in preparing annual reports as well as the final report on the IPA Cross-border Programme and forwards them to the MA.
 11. supports the MA in order to ensure that information and publicity requirements are complied with, by providing the following:
 - creating and regularly updating the Programme's website
 - organising seminars to promote the IPA Cross-border Programme
 - creating a partner search webpage for the benefit of potential beneficiaries
 - preparing the communication plan
 12. prepares the Technical Assistance annual plan and forwards it to the MA. The MA examines it and when accepted, submits it to the Joint Monitoring Committee for approval.
- (288)** The functions and the role of the JTS shall be determined, in agreement with the MA and the participating countries, in its terms of reference.
- Tasks of the Antenna**
- (289)** The staff of the Antenna will work in close co-ordination with the JTS in the execution of the following tasks:
- Acting as a first "contact point" for potential beneficiaries to provide information, advice and help to the project partners on the territory of the former Yugoslav Republic of Macedonia;
 - Supporting the MA in the implementation of communication activities (including events, info-days, Communication Plan) on the territory of the former Yugoslav Republic of Macedonia;
 - Supporting the CBC Coordinator (if required) with monitoring of projects implementation on the territory of the former Yugoslav Republic of Macedonia.
- (290)** The Joint Technical Secretariat and the Antenna will be funded from the Technical Assistance budget.

8.6 Intermediate Body

(291) The Management Organisation Unit (MOU) S.A. can be designated as the Intermediate Body of the Managing Authority, in relation to the Technical Assistance Priority of the IPA Cross-border Programme. The tasks and responsibilities that are going to be delegated to MOU S.A. will be defined in agreement with the participating countries and described in the framework of the IPA Cross-border Programme management and control systems.

8.7 National IPA Coordinator

(292) The Deputy Prime Minister for European Affairs in the former Yugoslav Republic of Macedonia is designated as the National IPA Coordinator (NIPAC), who acts as the representative of the former Yugoslav Republic of Macedonia vis-à-vis the Commission and is in charge for the overall coordination of the Programme at the territory of the participating beneficiary country.

(293) The NIPAC in the former Yugoslav Republic of Macedonia has designated the Ministry of Local Self Government as the Cross-Border Co-ordinator.

8.8 National Authorising Officer

(294) After the conferral of management powers by the EC to the participating beneficiary country (establishment of decentralised management), the National Authorising Officer (NAO) shall be appointed as an official of the Ministry of Finance, heading the National Fund (NF) and shall be entrusted with the overall responsibility for the financial management of the EU funds on the territory of the former Yugoslav Republic of Macedonia. NAO shall:

(a) be responsible for the legality and regularity of the underlying transactions. NAO shall in particular fulfil the following tasks:

- provide assurance about the regularity and legality of underlying transactions;
- draw up and submit to the Commission certified statements of expenditure and payment applications
- bear the overall responsibility for the accuracy of the payment application and for the transfer of funds to the Operating structure and/or final beneficiaries;
- verify the existence and correctness of the co-financing elements;
- ensure the identification and immediate communication of any irregularity;
- make the financial adjustments required in connection with irregularities detected, according to the provisions of Article 50 of the Regulation (EC) No 718/2007;

- be the contact point for financial information sent between the Commission and the beneficiary country

(b) be responsible for the transfer of funds from the National Fund to the Operating Structure, following the submission of a Request for Funds.

(c) be responsible for the effective functioning of management and control systems under the IPA Regulation.

- ensure the existence and effective functioning of system of management of assistance under the IPA Regulation;
- ensure that the system of internal control concerning the management of funds is effective and efficient;
- report on the management and control systems;
- ensure that a proper reporting and information system is functioning;
- follow-up the findings of audit reports from the Audit Authority established in the former Yugoslav Republic of Macedonia ;
- draw up an annual statement of assurance, as defined in Article 27 (Regulation (EC) No 718/2007).

(295) After the conferral of management powers by EC, the NAO shall ensure that all the relevant information is available to ensure at all times a sufficiently detailed audit trail. This information shall include documentary evidence of the authorisation of payment applications, of the accounting and payment of such applications, and of the treatment of advances, guarantees and debts, in accordance with the Article 20 of the Regulation (EC) No 718/2007.

5.9 Operating Structure

(296) The Operating Structure in the former Yugoslav Republic of Macedonia, as defined in Article 28 of Regulation (EC) No 718/2007, is the Central Financing and Contracting Department (CFCD) within the Ministry of Finance. The Operating Structure is responsible for managing and implementing the part of the Programme concerning the former Yugoslav Republic of Macedonia. It may delegate some tasks related to the technical implementation of the Programme to the CBC Coordinator.

(297) The CFCD has been designated as the Implementing Agency and will be responsible for awarding grants, tendering, contracting and payments in the case after the conferral of management powers from the Commission (Decentralised Implementation System), with ex-ante approval by the Commission.

(298) The National Authorising Officer in the participating beneficiary country shall, after consulting the National IPA Coordinator, designate a Programme Authorising Officer to head the implementing agency.

(299) The Programme Authorising Officer shall be an official of the State administration of the former Yugoslav Republic of Macedonia. She/he shall be responsible for the activities carried out by the implementing agency.

(300) The implementation of the Programme, according to the transitional arrangements under centralised management - arrangements that apply at present, and specifically the awarding of grants, tendering, contracting and payments are the responsibility of the Delegation of the European Commission in Skopje.

(301) The responsibilities of the Operating Structure (relating to decentralized management under the transitional arrangements) are:

- The establishment of procedures that will ensure the retention of all documents required to ensure an adequate audit trail (art. 20 of IPA IR)
- Ensuring that all bodies involved in the implementation of operations maintain a separate accounting system or a separate accounting codification
- The establishment, maintenance and updating of the reporting and information system
- Ensuring the internal audit of its different constituting bodies
- Ensuring irregularity reporting
- Ensuring compliance with the information and publicity requirement

- Monitoring the programme implementation and assisting the work of the monitoring committee by providing the necessary documents for monitoring the quality of implementation of the programme at the former Yugoslav Republic of Macedonia
- Drawing up annual and final implementation reports (art. 61(1)) and submitting them to the national IPA coordinator and the national authorizing officer
- Ensuring that the operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the programme and that they comply with relevant Community and national rules
- Arrangements for tendering procedures, grant award procedures, the ensuing contracting and making payments to, and recovery from, the final beneficiary.
- Carrying out verifications to ensure that the declared expenditure has been incurred in accordance with the applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct. These verifications shall cover administrative, financial, technical and physical aspects of operations as appropriate.
- Co-operating with the Managing authority for the preparation of the programme amendments to be discussed in the Joint Monitoring Committee;
- Assisting with the preparation of and implementation of the strategic decisions of the JMC;
- Establishing a system, assisted by the JTS, for gathering reliable information on the programme's implementation and provide data to the JMC/CBC coordinator or the European Commission;
- Reporting to the NIPAC/CBC Coordinator on all aspects concerning the implementation of the programme
- Ensuring the monitoring of commitments and payments at programme level;
- Ensuring that bodies responsible for the operative management at project level make adequate provisions for financial reporting (monitoring) and sound financial management (control));
- Ensuring an efficient system for internal financial reporting;
- Promoting information and publicity-actions
- Representatives of the Operating Structure are represented in the Joint Monitoring Committee

(302) Following the termination of transitional arrangements or any other modification of the implementing provisions, including the transition in the beneficiary country from centralised to

decentralised management - at the initiative of the participating countries or of the Commission in agreement with the participating countries - the cross-border programme may be re-examined and, if necessary, revised in accordance with Article 93 of the IPA IR.

8.10 Audit Authority (responsible for the report and opinion for the former Yugoslav Republic of Macedonia)

(303) Under decentralised management, an Audit Authority, functionally independent from all actors in the management and control system and complying with internationally accepted audit standards, shall be designated in the former Yugoslav Republic of Macedonia. The Audit Authority shall be responsible for verifying the effective and sound functioning of the Programme management and control systems at its territory.

(304) The Audit Authority under the responsibility of its head, shall in particular during the course of each year, establish and fulfil an annual audit work plan which encompasses audits aimed at verifying:

- the effective functioning of the management and control systems,
- the reliability of accounting information provided to the EC.

(305) The audit work shall include audits of an appropriate sample of operations or transactions, and an examination of procedures.

(306) The annual audit work plan shall be submitted to National Authorising Officer and the EC before the start of the year in question.

(307) The Audit Authority shall submit the following :

- an annual audit activity report to the EC, NAO and Competent Accrediting Officer (CAO);
- an annual opinion to EC, NAO and CAO; and
- an opinion on any final statement of expenditure, submitted to EC by the NAO (in accordance with Article 29 of IPA IR).

8.11 Body responsible for the report and opinion referred to in Article 116

(308) As stipulated in Article 116 of the IPA Implementing Regulation 718/2007, the description of the IPA Cross-border Programme management and control systems shall be accompanied by a report setting out the results of an assessment of the systems set up and an opinion on its compliance with Articles 101 and 105.

(309) The report and the opinion referred to above are established by the Audit Authority or by a public or private body functionally independent of the Managing and Certifying Authorities, which shall carry out its work taking account of internationally accepted audit standards.

8.12 Generation and Selection of Projects

Preparation and Publication of Call for Proposals

(310) Before any call for proposals is launched, the JTS shall draw up the standard application form as a basis for all the call for proposals and forward them to the Managing Authority. The Managing Authority examines the standard application form and when accepted, submits it to the EC Delegation. If accepted by the EC Delegation in the former Yugoslav Republic of Macedonia, the Managing Authority submits it to the Joint Monitoring Committee for approval. Thereon, minor modifications of the standard application form are not approved by the JMC, unless the Managing Authority deems it is necessary. The JMC will be informed of all such changes.

(311) With respect to each call for proposals the JTS prepares all required material and forwards it to the Managing Authority. The Managing Authority examines the material for the call for proposals and when accepted, submits it to the EC Delegation, which endorses it [Article 140(1)(b)].

(312) Following the endorsement by the EC Delegation, the Managing Authority launches the call for proposals, informing potential beneficiaries about financing, the particular conditions and requirements applicable to their eligibility under the call, the selection procedures and criteria, the main obligations to be undertaken by beneficiaries in case an operation is selected for funding under the IPA Cross-border Programme etc.

(313) The programme shall finance joint operations which have been jointly selected by the participating countries through a single call for proposals covering the whole eligible area. (Article 95 of Regulation (EC) No 718/2007)

Submission of Proposals and Project Selection

(314) As illustrated in Diagram 1, potential beneficiaries prepare a proposal. The Greek beneficiaries appoint a Lead Beneficiary among themselves. Equally, the beneficiaries from the former Yugoslav Republic of Macedonia appoint a Lead Beneficiary among themselves [Article 96(2)]. The Lead Beneficiaries submit the proposal to the Joint Technical Secretariat (JTS).

(315) The Joint Technical Secretariat examines the proposals and makes certain that:

1. proposals are submitted within the deadline;
2. all standard documents required are completed;
3. beneficiaries are eligible

(316) Then the JTS carries out the evaluation of project proposals, based on the selection criteria, approved by the Joint Monitoring Committee. In order to carry out the evaluation procedure, the JTS may be assisted by external experts. The procedure, as well as the criteria for the selection of these experts will be mutually agreed by the participating countries. The JMC will approve the list of assessors. Assessors will sign a declaration of confidentiality and impartiality.

(317) The Managing Authority ensures that the evaluation procedure was carried out in accordance with the requirements of the call for proposals and the approved selection criteria.

(318) Then, the MA in cooperation with the Operating structure may convey a bilateral technical working group consisted of the Head of the JTS and representatives of the EC Delegation in the former Yugoslav Republic of Macedonia, the MA, MIPAC and the designated CBC Coordinator and the Operating Structure, in order to discuss upon and ensure the cross-border character of the selected projects.

(319) Operations selected shall include final beneficiaries from the two participating countries which shall co-operate in at least one of the following ways for each operation: joint development, joint implementation, joint staffing and joint financing. (Article 95, Regulation (EC) No 718/2007).

(320) After the MA has accepted the evaluation, submits to the EC Delegation in the former Yugoslav Republic of Macedonia the ranking list of evaluated project proposals for comments and coordination, providing reasonable time for reaction. Then, the MA submits to the Joint Steering Committee:

1. the application forms of the submitted project proposals;
2. a ranking list of evaluated project proposals;
3. all evaluation forms.

(321) The Joint Steering Committee selects the operations to be funded.

(322) After the Joint Steering Committee has selected the operations to be funded, the JTS, in consultation with the MA, establishes Decision – Minutes, including the list of projects to be funded and circulates this Decision to all the members of the Steering Committee. Following this procedure:

1. The Managing Authority shall sign a subsidy contract with the Greek Lead Beneficiaries of operations approved for funding. In case the MA has any reservation concerning efficiency and/or correctness of management, concerning the use of the financial system, regularity of financial operations, control operations, compliance

with Community policies, tendering procedure, respect of information and publicity plan obligations, will either suspend the Decision until these aspects are fully clarified with the European Commission or the irregularities removed, or ask for a new Decision in case the issue cannot be clarified;

2. The above Decision of the Joint Steering Committee constitutes the Evaluation Report in context of EU External Aid Rules; therefore, the EC Delegation proceeds with contracting with the Lead Beneficiaries from the former Yugoslav Republic of Macedonia. In case the EC Delegation has any reservation concerning the contracting of selected operation(s), it informs the MA immediately and either suspends the Decision of the Steering Committee for the particular operation(s) until the problem is clarified/resolved, or, if the issue cannot be clarified/resolved, the MA may ask for a new Decision.

Figure 10: Project proposal submission, evaluation and selection structure

DIAGRAM 1: SUBMISSION, EVALUATION, SELECTION OF PROPOSALS - CONTRACTING

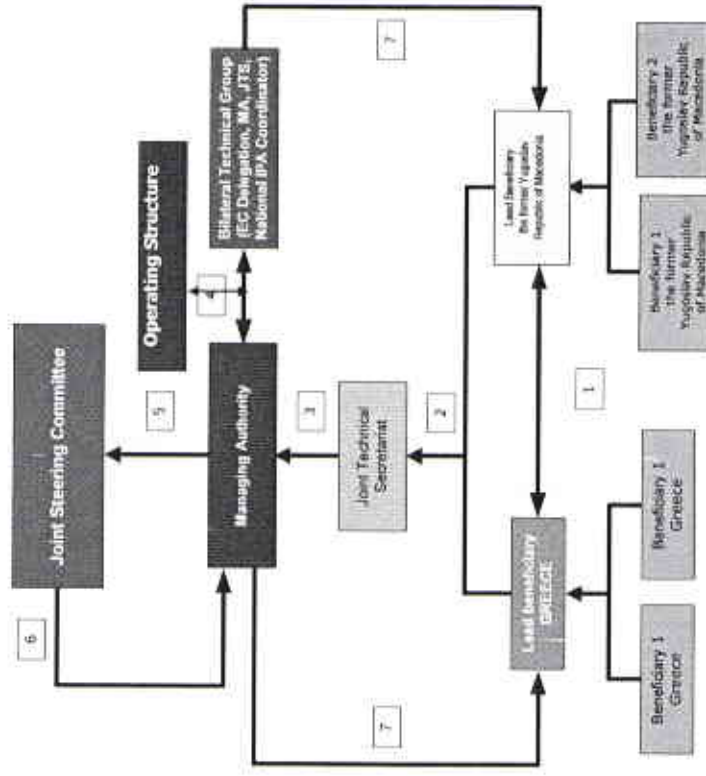


Figure 11: Project proposal submission, evaluation and selection procedure

<p>Step 1: Potential beneficiaries prepare a proposal in close co-operation and appoint a Lead Beneficiary from Greece as well as a Lead Beneficiary from the former Yugoslav Republic of Macedonia among themselves.</p> <p>Step 2: Lead Beneficiaries submit the proposal to the Joint Technical Secretariat (JTS).</p> <p>Step 3: The JTS checks proposals for: 1) timely submission, 2) completion of required documents and 3) eligibility of beneficiaries. Then, the JTS evaluates the proposals with respect to the approved criteria by the Joint Monitoring Committee (JMC).</p> <p>Step 4: Managing Authority (MA) ensures that the evaluation procedure was carried out in accordance with the requirements of the call for proposals and the approved selection criteria. Then the MA may convene a bilateral technical working group consisting of the MA, the Head of the JTS and representatives of the EC Delegation in the former Yugoslav Republic of Macedonia, the National IPA Coordinator, and the Co-ordinating Structure in order to discuss upon and ensure the cross-border character of the submitted projects.</p> <p>Step 5: After the MA has accepted the evaluation, submits to the EC Delegation in the former Yugoslav Republic of Macedonia the ranking list of evaluated project proposals for comments and coordination, providing reasonable time for reaction. Then, the MA submits to the Joint Steering Committee: 1) the application forms of the submitted project proposals, 2) a ranking list of all evaluated project proposals and 3) all evaluation forms.</p> <p>Step 6: The Joint Steering Committee selects the operations for funding.</p> <p>Step 7: After the Joint Steering Committee has selected the operations to be funded, the JTS, in consultation with the MA, establishes a Decision - Minutes, including the list of projects to be funded and evaluates this Decision to all the members of the Steering Committee. Following this procedure:</p> <p>1. The Managing Authority shall sign a subsidy contract with the Greek Lead Beneficiaries of operations approved for funding. In case the MA has any reservation concerning efficiency and/or conditions of management, concerning the use of the financial system, regularity of financial operations, control operations, compliance with Community policies, tendering procedure, receipt of information and publicly plan obligations, will submit suspend the Decision until these aspects are fully clarified with the European Commission or the requisites removal, or ask for a new Decision in case the issue cannot be clarified.</p> <p>2. The above Decision of the Joint Steering Committee constitutes the Evaluation Report in context of EU External Aid Rules, therefore, the EC Delegation proceeds with contacting with the Lead Beneficiaries from the former Yugoslav Republic of Macedonia. In case the EC Delegation has any reservation concerning the contacting of selected operational, it informs the MA immediately and either suspends the Decision of the Steering Committee for the particular operation(s) until the problem is clarified/resolved, or, if the issue cannot be clarified/resolved, the MA may call for a new Decision.</p>
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8.13 Joint Steering Committee

(323) For optimum effectiveness in the selection of projects, the participating countries, through the Joint Monitoring Committee, shall set up a Joint Steering Committee, and shall delegate to that Steering Committee the function of selecting projects to be funded.

(324) The composition of the JSC shall be decided by the participating countries, taking into account that the countries are equally represented.

(325) The Joint Steering Committee shall set up its own rules of procedure and will submit them for validation to the Joint Monitoring Committee.

(326) The Joint Monitoring Committee shall be chaired by a representative of one of the two participating countries or the Managing Authority, according to its internal rules of procedure.

(327) The Commission (including the EC Delegation in the former Yugoslav Republic of Macedonia) and the Managing Authority shall participate in the work of the Joint Steering Committee in an advisory capacity.

(328) Moreover, specialists or experts on economic, technical, social, scientific and other matters, depending on the agenda items, may be invited to attend the Joint Steering Committee meetings in an advisory capacity.

(329) The Joint Technical Secretariat undertakes the secretarial support to the Joint Steering Committee, including the organization of the meetings, preparation of the agenda and taking the minutes.

(330) The Joint Steering Committee shall draw up its rules of procedure within the institutional, legal and financial framework of the Member State where the programme Managing Authority is based. It shall adopt them in agreement with the Managing Authority, Operating Structure/Implementing Agency (under DIS), and the CBC Coordinator of the former Yugoslav Republic of Macedonia, following the validation by the Joint Monitoring Committee.

8.14 Responsibilities of the Lead Beneficiaries and the other Beneficiaries

(331) The Greek Beneficiaries of an operation shall appoint a Greek Lead Beneficiary among themselves prior to the submission of the proposal for the operation. Equally, the Beneficiaries from the former Yugoslav Republic of Macedonia of an operation shall appoint a Lead Beneficiary from the former Yugoslav Republic of Macedonia among themselves prior to the submission of the proposal for the operation. The Lead Beneficiaries shall sign the relevant grant or subsidy contract with either the Managing Authority (Greek Lead Beneficiary) or the EC Delegation (Lead Beneficiary from the former Yugoslav Republic of Macedonia) in case of centralised management. In case of decentralised management the Lead beneficiary from the former Yugoslav Republic of Macedonia shall sign the relevant grant or subsidy contract with the Implementing Agency.

(332) The Lead Beneficiaries of the countries participating in an operation shall ensure a close co-ordination of the implementation of the operation. Either the Lead Beneficiary from Greece or from the former Yugoslav Republic of Macedonia shall act as the "Overall Lead Partner" of the cross-border project. This Overall Lead Partner is responsible for reporting on the overall implementation of the cross-border project and for acting as the single representative of the project partnership. This role has no impact on the individual financial

responsibilities of the two Lead Beneficiaries, which are governed by the relevant grant and subsidy contracts.

(333) Each Lead Beneficiary shall assume the following responsibilities:

- (i) it shall lay down the arrangements for its relations with the beneficiaries participating in the operation in an agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
- If the Lead Beneficiary does not succeed in securing repayment from a beneficiary, the participating country on whose territory the relevant beneficiary is located, shall reimburse the competent Authority (Certifying Authority for Greece) the amount unduly paid to that beneficiary.
- (ii) it shall be responsible for ensuring the implementation of the operation in the respective participating country;
- (iii) it shall be responsible for transferring the Community contribution to the beneficiaries participating in the operation, of the respective participating country;
- (iv) it shall ensure that the expenditure presented by the beneficiaries participating in the operation has been paid for the purpose of implementing the operation and corresponds to the activities agreed between those beneficiaries;

(334) In addition, the Greek Lead Beneficiary shall verify that the expenditure presented by the Greek beneficiaries participating in the operation has been validated by the controllers operating on the Greek side of the border.

(335) The Lead Beneficiaries of the countries participating in an operation shall ensure a close co-ordination on the implementation of the operation.

(336) Each beneficiary participating in the operation is responsible for irregularities in the expenditure which it has declared.

8.15 Certification of Expenditure (Greece)

(337) Eligibility of expenditure shall comply with Article 89 of Commission Regulation (EC) 718/2007, applicable for both participating countries.

(338) In order to validate the expenditure, Greece shall set up a control system making it possible to verify the delivery of the products and services cofinanced, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure and of related operations or parts of those operations with Community, when relevant, and its national rules.

(339) For this purpose, Greece shall designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation.

(340) Greece shall ensure that the expenditure can be validated by the controllers within a period of three months from the date of its submission by the Greek Lead Beneficiary to the controllers.

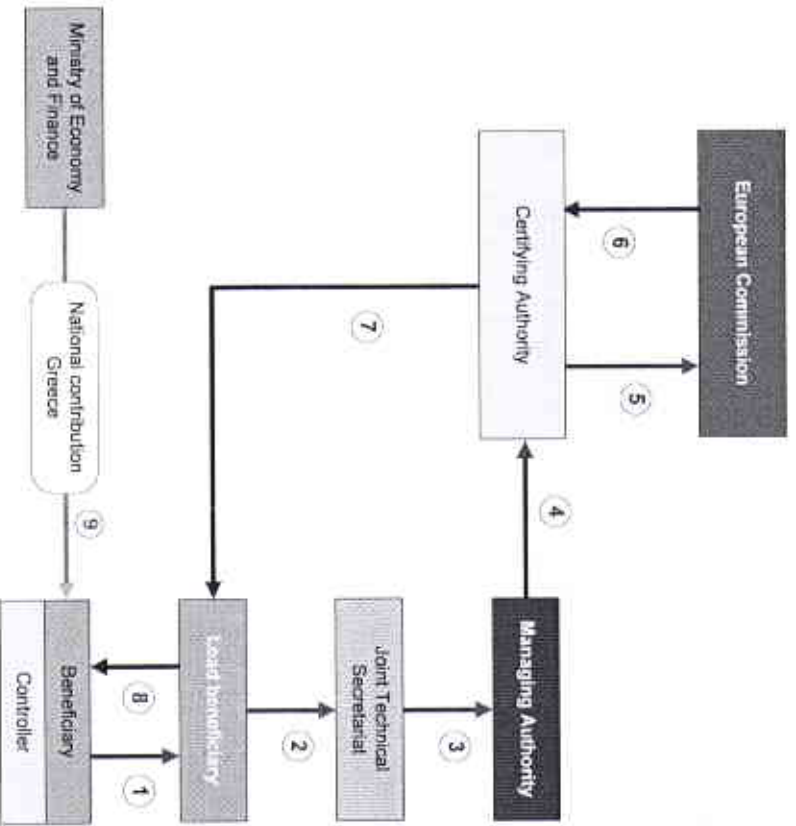
(341) Diagram 2 illustrates the certification of expenditure flow as well as the financial flows (Section 3.2.1) for Greek beneficiaries. Each beneficiary shall forward all certified expenditure to the Greek Lead Beneficiary of the operation, which shall forward all certified expenditures of Greek beneficiaries to the Joint Technical Secretariat. The JTS shall conduct a preliminary check (completeness of data and eligibility of declared expenditure) and transmit them together with comments to the Managing Authority. The Managing Authority shall ensure that all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification is available. It shall then transmit them to the Certifying Authority, which is responsible for preparing and submitting to the Commission certified statements of expenditure and applications for payment.

8.16 Financial Flows (Greece)

(342) The Certifying Authority shall receive Community contribution payments that correspond to the Greek beneficiaries within the IPA Cross-border Programme from the Commission and shall transfer them to the Greek Lead Beneficiaries. The Greek Lead Beneficiary is responsible for distributing the Community contribution to the Greek beneficiaries participating in an operation.

(343) The Greek Ministry of Economy and Finance shall transfer the Greek national contribution to the Greek beneficiaries, upon the request of the Managing Authority.

Figure 12: Certification of expenditure and financial flows for Greek beneficiaries



8.17 Control system in the former Yugoslav Republic of Macedonia

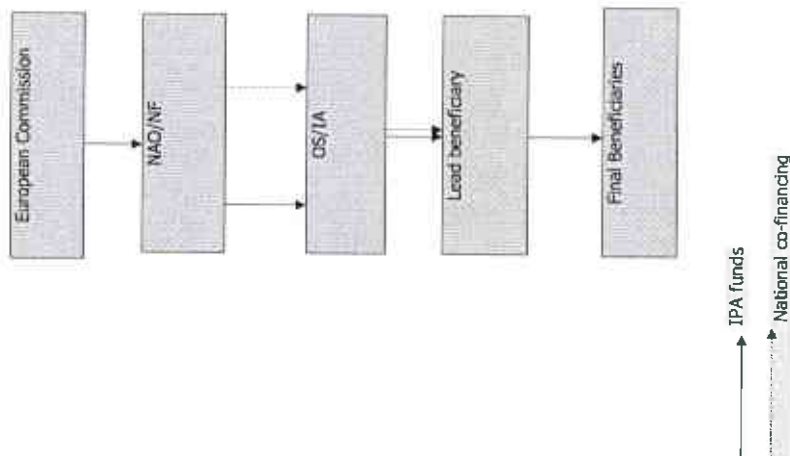
(344) National Authorising Officer shall be responsible for the legality and regularity of the underlying transactions and shall bear the overall responsibility for the financial management of EU funds and the effective functioning of management and control systems.

(345) This will be ensured by the Operating Structure (verifying the delivery of products and services, the soundness of expenditure declared), through the Operational Agreement signed between the Operating Structure (OFCO) and the CBC Coordinator.

8.18 Financial Flows (Beneficiaries from the former Yugoslav Republic of Macedonia)

(346) In the case of centralised management the national co-financing shall be ensured by the State Budget. Once the decentralised management is introduced in the participating beneficiary country, the National Authorising Officer (NAO) shall be responsible for ensuring the national co-financing from the State Budget.

Figure 13: Financial flows for the former Yugoslav Republic of Macedonia under the Decentralised Management



8.19 Irregularities and Recovery of Amounts Unduly Paid (Greece)

(347) Greece shall be responsible for preventing, detecting, correcting irregularities and recovering amounts unduly paid together with interest on late payments where appropriate for Greek beneficiaries. It shall notify these to the Commission, and keep the Commission informed of the progress of administrative and legal proceedings.

(348) Without prejudice to Greece's responsibility for detecting and correcting irregularities and for recovering amounts unduly paid, the Certifying Authority shall ensure that any amount paid as a result of an irregularity is recovered from the Greek Lead Beneficiaries. The beneficiaries shall repay the Greek Lead Beneficiary the amounts unduly paid in accordance with the agreement existing between them. If the Greek Lead Beneficiary does not succeed in securing repayment from a beneficiary, Greece shall reimburse the Certifying Authority the amount unduly paid to that beneficiary.

8.20 Irregularities and Recovery of Amounts Unduly Paid (the former Yugoslav Republic of Macedonia under decentralised management)

(349) Under decentralised management, the National Authorising Officer, who bears the responsibility for detecting irregularities, shall make the financial adjustments where such irregularities or negligence are detected in operations. This will be done by cancelling all or part of the Community contribution to the operations concerned. The National Authorising Officer shall take into account the nature and gravity of the irregularities and the financial loss to the Community contribution.

(350) In case of an irregularity, the National Authorising Officer shall recover the Community contribution paid to the beneficiary in accordance with national recovery procedures and with Article 50(2) of the IPA IR.

8.21 Joint Monitoring Committee

(351) The participating countries shall set up a Joint Monitoring Committee for the IPA Cross-border Programme within three months from the date of the notification to the participating countries of the decision approving the IPA Cross-border Programme (Article 110 - IPA Implementing Regulation).

(352) The composition of the Joint Monitoring Committee of the IPA Cross-border Programme is decided by both participating countries taking into account that both countries shall be equally represented and comply with the partnership principle in managing, monitoring and evaluating the operations in all stages of the Programme implementation.

- (353) Each country participating in the Cross-border Programme shall appoint representatives to sit on the Joint Monitoring Committee in accordance with current national rules and practices, taking into consideration the regional, local and other public authorities, the economic and social partners and any other competent body representing civil society, the need to promote equality between men and women and sustainable development.
- (354) The Joint Monitoring Committee shall meet, in general, at least twice a year, at the initiative of the participating countries or of the Commission.
- (355) The Joint Monitoring Committee shall be chaired by a representative of one of the two participating countries or the Managing Authority, according to its internal rules of procedure.
- (356) The Commission shall participate in the work of the Joint Monitoring Committee in an advisory capacity.
- (357) Moreover, specialists or experts on economic, technical, social, scientific and other matters, depending on the agenda items, may be invited to attend the Joint Monitoring Committee meetings in an advisory capacity.
- (358) The Joint Technical Secretariat undertakes the secretarial support to the Joint Monitoring Committee, including the organization of the meetings, the preparation of the agenda and taking the minutes.
- (359) The Joint Monitoring Committee shall draw up its rules of procedure within the institutional, legal and financial framework of the participating countries. It shall adopt them in agreement with the Managing Authority, and the CBC Coordinator of the former Yugoslav Republic of Macedonia.
- (360) The Joint Monitoring Committee shall satisfy itself as to the effectiveness and quality of the implementation of the IPA Cross-border Programme, in accordance with the following provisions:
- It shall consider and approve the criteria for selecting the operations financed by the IPA Cross-border Programme and approve any revision of those criteria in accordance with programming needs;
 - It shall set up a Joint Steering Committee, and shall delegate to that Steering Committee the function of selecting projects to be funded. The Joint Monitoring Committee will validate the rules of procedure set up by the Joint Steering Committee;
 - It shall periodically review progress made towards achieving the specific targets of the IPA Cross-border Programme on the basis of documents submitted by the Managing Authority and the Operating Structure in the former Yugoslav Republic of Macedonia;

- It shall examine the results of implementation, particularly achievement of the targets set for each priority axis and the evaluations referred to in Article 57(4) and Article 109 of the Implementing Regulation (EC) No 718/2007;
 - It shall consider and approve the annual and final reports on implementation referred to in Article 112 of the Implementing Regulation (EC) No 718/2007 and it shall examine the reports referred to in Article 144 of the Regulation;
 - It shall be informed of the annual control report, referred to in Article 105 (1)(c) and of the annual audit activity report referred to in Article 29(2)(b) first indent, and of any relevant comments the Commission may make after examining those reports;
 - It may propose any revision or examination of the IPA Cross-border Programme likely to make possible the attainment of the objectives referred to in article 96(2) or to improve its management, including its financial management;
 - It shall consider and approve any proposal to amend the content of the IPA Cross-border Programme;
 - It shall approve the standard application forms for the call for proposals. If minor modifications are required within the framework of a call for proposals, re-approval of the application forms by the Joint Monitoring Committee is not mandatory, although it will be informed;
 - It shall approve the annual budget for the Technical Assistance of the IPA Cross-border Programme;
- (361) For the beneficiary countries where the programme is implemented on a decentralised basis, the Joint Monitoring Committee fulfils the role of the Sectoral Monitoring Committee referred to in Article 59 of the IPA Implementing Regulation (as described in the Article 99 of the IPA Implementing Regulation concerning the transitional arrangements).
- 8.22. Project level monitoring**
- (362) The projects' monitoring presumes the systematic and continuous collection of information, related to tracking project progress in line with contract obligations – activities, outputs and costs. The overall Lead Partner of a Project is responsible for the overall project implementation and for the supply of all necessary information concerning the project progress to the Managing Authority. The Managing Authority may take action to monitor the part of the project implemented on the territory of Greece.

(363) The Operating Structure (CFCD) in case of decentralized management may delegate some tasks to the CBC Coordinator, based on an Operational Agreement to monitor the part of projects implemented on the territory of the former Yugoslav Republic of Macedonia (transitional arrangements).

8.23 Monitoring Indicators

(364) The targets of the IPA Cross-border Programme are quantified using a limited number of indicators for output and results, taking into account the proportionality principle.

(365) The indicators of the IPA Cross-border Programme have been developed on the basis of the Commission proposed methodology, developed in the relevant working document for the programming period 2007-2013 "Indicators for Monitoring and Evaluation: A Practical Guide".

(366) The choice of indicators for monitoring the attainment of the objectives of the IPA Cross-border Programme shall meet the particular character of the Programme, its objectives and the prevailing socio-economic and environmental conditions of its geographic implementation area.

(367) Data necessary for calculating the indicator values during the implementation of the IPA Cross-border Programme shall be collected at the level of operation and aggregated at priority axis level and finally at programme level.

(368) In the context of regular evaluation of the quality and the effectiveness of the implementation of the IPA Cross-border Programme, the Managing Authority and the Operating Structures in the former Yugoslav Republic of Macedonia shall send to the Joint Monitoring Committee data derived from the monitoring systems, mainly summarised financial data and information pertaining to output and result indicators.

(369) A Management Information System (MIS) will be used to record information on operations concerning Greek beneficiaries and collect reliable financial and statistical data concerning the implementation of the Programme.

8.24 Annual Report and Final Report on Implementation

Obligations of the Managing Authority

(370) By 30 June each year at the latest, the Managing Authority shall submit to the Commission an annual report on the implementation of the IPA Cross-border Programme, approved by the Joint Monitoring Committee. The first annual report shall be submitted in the second year following the adoption of the Programme.

(371) The Managing Authority shall submit a final report on the implementation of the IPA Cross-border Programme by 31 December of the fifth year following the last budgetary commitment at the latest.

(372) The reports shall include all information referred to in Article 112(2) of the IPA - Implementing Regulation 718/2007.

(373) In that context, the Managing Authority shall take steps to continually monitor and improve indicators used for monitoring and evaluating the programme.

(374) The operating structures of the IPA Cross-border Programme and the National IPA Coordinator shall provide all necessary information concerning the annual report and the final report on the implementation of the IPA Cross-border Programme to the Managing Authority in due time.

Obligations of the Operating Structure

(375) The Operating Structure of the participating beneficiary country shall send to the Commission and the respective National IPA Coordinator an annual report and a final report on the implementation of the IPA cross-border Programme after examination by the Joint Monitoring Committee. The reports shall also be sent to the National Authorising Officer in the case of decentralised management.

(376) The annual report shall be submitted by 30 June each year and for the first time in the second year following the adoption of the IPA Cross-border Programme.

(377) The reports shall include all information referred to in Article 144(2) of the IPA - Implementing Regulation 718/2007.

(378) The final report shall be submitted at the latest 6 months after the closure of the IPA cross-border Programme.

8.25 Annual Examination of the IPA Cross-border Programme

(379) As stipulated in Article 113 of the IPA Implementing Regulation 718/2007, every year, when the annual report on implementation is submitted, the Commission and the Managing Authority shall examine the progress made in implementing the IPA Cross-border Programme, the principal results achieved over the previous year, the financial implementation and other factors with a view to improving implementation.

(380) Any aspects of the operation of the management and control system, raised in the last annual control report, may also be examined.

(381) Following the examination of the IPA Cross-border Programme referred to above, the Commission may make comments to the Managing Authority and to the Operating Structure, which shall inform the Joint Monitoring Committee thereof. The participating countries shall inform the Commission of the action taken in response to those comments.

8.26 Evaluation

(382) As stipulated in Articles 109 and 141 of the IPA Implementing Regulation 718/2007, during the programming period, evaluations linked to the monitoring of the IPA Cross-border Programme in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of the IPA Cross-border Programme (evaluations of an operational nature), are carried out under the responsibility of the Commission. The results of these evaluations shall be sent to the Joint Monitoring Committee.

8.27 Information and Publicity

(383) The participating countries, the Managing Authority and the IPA Coordinator shall provide information on operations within the IPA Cross-border Programme and ensure the required publicity.

(384) For the purposes of providing the information referred to above, information and publicity measures, set out in a structured way in the communication plan for the IPA Cross-border Programme, shall be taken throughout the period of implementation of the Programme. The communication plan shall include the aims and target groups, the strategy and content of the information and publicity measures to be taken in respect of each target group (potential beneficiaries, beneficiaries, the public), the indicative budget for implementation of the plan, the administrative departments or bodies responsible for implementation of the information and publicity measures, an indication of how the information and publicity measures are to be evaluated in terms of visibility and awareness of the IPA Cross-border Programme and of the role played by the Community.

(385) The information and publicity measures shall make reference to the added value of the Community contribution at national, regional and local levels.

(386) The amounts allocated to information and publicity measures shall be included in the financing of the IPA Cross-border Programme under the technical assistance.

8.28 Electronic Exchange of Data

(387) The Managing Authority of the IPA Cross-border Programme shall update the computer system established by the Commission (SFC 2007) for the exchange of data relating to the part of the IPA Cross-border Programme concerning Greek beneficiaries, once the system has been modified to deal with IPA Cross-border programmes.

(388) The Managing Authority of the IPA Cross-border Programme in co-operation with the EC Delegation shall also ensure that there is a system for recording and storing in computerised form accounting records for each operation under the Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected. For that purpose, in the context of the description of Management and Control Systems, a description of the system shall be submitted to the Commission.

(389) The existing Management Information System, set up for the requirements of the 3rd programming period at the Ministry of Economy and Finance, shall be appropriately customised for that purpose.

(390) The Management Information System may also cover the needs of collecting and recording data relating to the functions of the Audit Authority and the Certifying Authority of the IPA Cross-border Programme and support the authorities concerned with their obligation of electronic data exchange with the Commission.

8.29 Partnership

(391) The objectives of the Funds shall be pursued in the framework of close co-operation, hereinafter referred to as partnership, between the Commission and each participating country and between the participating countries and stakeholders (the competent national, regional and local authorities, the economic and social partners, any other appropriate body representing civil society, environmental partners, non-governmental organisations and bodies responsible for promoting equality between men and women).

(392) The partnership shall be protected on all levels of implementation of the Programme through:

- (i) the application of broad consultation procedures at all levels of planning with a view to shaping a multifaceted approach to alternative solutions to the development of the eligible regions via a productive and effective dialogue with the bodies involved.
- (ii) the active involvement of partners, especially at regional level, at various stages of the programming procedures.
- (iii) the proportional representation of partners on the composition of the Joint Monitoring Committee for the IPA Cross-border Programme, which is the key mechanism to ensure the quality and the effectiveness of the Programme, and on which all bodies with an interest in the targets and actions of the Programme are being represented.

8.30 Promoting Equality Between Men And Women And Ensuring The Principle Of Non-Discrimination

(393) The countries participating in the IPA Cross-border Programme and the Commission shall ensure that equality between men and women and the integration of the gender perspective is promoted during the various stages of implementation of the Funds.

(394) The participating countries and the Commission shall take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementation of the Funds and, in particular, in the access to them. In particular, accessibility for disabled persons shall be one of the criteria to be observed in defining operations co-financed by the Funds and to be taken into account during the various stages of implementation.

(395) Measures to be taken to promote gender equality and prevent discrimination during the various stages of the implementation of the IPA Cross-border Programme shall include:

- (i) taking appropriate steps to publicise the programme and the specific operations included in it in order to ensure the best possible and wider access to Community co-financing. Such measures shall include, inter alia, the sending of calls to all members of the Joint Monitoring Committee for the IPA Cross-border Programme and also to all stakeholders, who can ensure a broader dissemination of funding opportunities and the special conditions and requirements for receiving it
- (ii) the follow up and the provision of relevant information to the Joint Monitoring Committee for the IPA Cross-border Programme and the Commission through the annual report in respect of the measures taken in support of creating equal opportunities under the Programme, their effectiveness and corrective actions required to ensure non-discrimination.

Annex

Table 125: List of municipalities in the programme area in Greece

Greece	Municipalities
Prefecture	
Florina	Aetos, Amyntaion, Kato Kina, Meliti, Perasma, Prespes, Fliotas, Florina, Vanko, Kristallopigi, Lohovo, Nymfiio
Pella	Andra, Vignitika, Gianniza, Edessa, Esaplatanos, Kria Vissi, Kiroi, Megaloi Alexandroi, Marmidas, Pella, Sydra
Kilkis	Aloupoli, Galikos, Goumenissa, Doxari, Evropos, Kilia, Krusisa, Mouries, Pteridimoi, Pylikastru, Chiono, Livadion
Serres	Alistrati, Amfipoli, Achinos, Visalia, Eim, Pappou Iraklia, K. Mitrousi, Kerkiri, Koumissas, Lefkotas, Nesa Zichni, Nigrita, Pefitli, Pylai, Rodolivos, Serres, Sidirokastron, Skotoussa, Skouzari, Stimoniko, Simonas, Tragilos, Agastroi, Ano Vrontoi, Achladochoi, Oreini, Promachonas
Thessaloniki	Agiou Athanasios, Agios Georgios, Agios Pavlos, Ampelokipoi, Auloi, Apollonia, Avrahoussa, Assiros, Vasilika, Veriskos, Egnatia, Eleftheri-Kordelio, Epanomi, Evosmos, Echedoros, Thessaloniki, Thessaloniki, Kalamaria, Kalithea, Kalfitoni, Koroneia, Koufalia, Lagados, Larinae, Madytos, Menemeni, Michaniona, Mikra, Mygdonia, Nespilo, Panorama, Polichni, Palaia, Rentina, Sohros, Stavroupolis, Syllias, Thessaloniki, Chalastria, Chalkidona, Chortiatis, Drosokastro, Eykarpia, Pella

Table 136: List of municipalities in the programme area in the former Yugoslav Republic of Macedonia

the former Yugoslav Republic of Macedonia	
NUTS III	Municipalities
South-east	Valandovo, Givogolja, Bogdanci, Doljan, Radovis, Kocra, Strumica, Boshovo, Vashovo, Nova Selo
Pełagonia	Bitola, Mogila, Novaci, Demir Hisar, Kausavo, Prilep, Dolnoliste, Krivopalanok, Resen
Vardar	Veles, Gornitsko, Caspa, Kavadarci, Rosoman, Negotino, Demir Kapija
South-west	Debar, Centar Zupa, Kicevo, Vranestica, Dugovo, Zajas, Dabovci, Makedonski Brod, Piplanica, Ohrid, Debarca, Struga, Vevcani

FRAMEWORK AGREEMENT

BETWEEN

THE GOVERNMENT OF THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA

AND

THE COMMISSION OF THE EUROPEAN COMMUNITIES

ON

THE RULES FOR CO-OPERATION CONCERNING EC-FINANCIAL
ASSISTANCE TO THE FORMER YUGOSLAV REPUBLIC OF
MACEDONIA IN THE FRAMEWORK OF THE IMPLEMENTATION
OF THE ASSISTANCE UNDER THE INSTRUMENT FOR PRE-
ACCESSION ASSISTANCE (IPA)

DATED: 30 OCTOBER 2007



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- ANNEX A:** Functions and common responsibilities of the structures, authorities and bodies in accordance with Article 8 of the Framework Agreement between the Commission and the Government of the former Yugoslav Republic of Macedonia
- ANNEX B:** Model Statement of Assurance of the national authorising officer in accordance with Article 17 of the Framework Agreement between the Commission and the Government of the former Yugoslav Republic of Macedonia
- ANNEX C:** Model Annual Audit Activity Report of the audit authority of the former Yugoslav Republic of Macedonia in accordance with Article 29(2)(b) of the IPA Implementing Regulation
- ANNEX D:** Model Annual Audit Opinion of the audit authority of the former Yugoslav Republic of Macedonia in accordance with Article 29(2)(b) of the IPA Implementing Regulation
- ANNEX E:** Model Audit Opinion of the audit authority of the former Yugoslav Republic of Macedonia on the final statement of expenditure for the closure of a programme or parts of a programme in accordance with Article 29(2)(b) of the IPA Implementing Regulation

The Commission of the European Communities, hereinafter referred to as "the Commission", acting for and on behalf of the European Community, hereinafter referred to as "the Community"

on the one part,

and

the Government of the former Yugoslav Republic of Macedonia, acting on behalf of the former Yugoslav Republic of Macedonia,

hereinafter referred to as "the Beneficiary",

and together, jointly referred to as "the Contracting Parties"

Whereas

- (1) On 1 August 2006, the Council of the European Union adopted Regulation (EC) No 1085/2006 of 17 July 2006⁽¹⁾ establishing an instrument for pre-accession assistance (hereinafter referred to as "IPA Framework Regulation"). With effect from the 1 January 2007, this new instrument constitutes the single legal basis for the provision of financial assistance to candidate countries and potential candidate countries in their efforts to enhance political, economic and institutional reforms with a view to become members of the European Union;
- (2) On 12 June 2007, the Commission has adopted the regulation implementing the IPA Framework Regulation, detailing applicable management and control provisions;
- (3) The new instrument for pre-accession assistance (IPA) replaces the five previously existing pre-accession instruments: Regulation (EEC) No 3906/1989 on economic aid to certain countries of Central and Eastern Europe, Regulation (EC) No 1267/1999 on the establishment of an instrument for structural policies for pre-accession, Regulation (EC) No 1268/1999 on the support for pre-accession measures for agriculture and rural development, Regulation (EC) No 2666/2000 on assistance for Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia, repealing Regulation (EC) No 1628/96 and amending Regulations (EEC) No 3906/89 and (EEC) No 1360/90 and Decisions 97/256/EC and 1999/311/EC, and Regulation (EC) No 2500/2001 on the financial assistance to Turkey;
- (4) The Beneficiary is eligible under IPA as provided for in the IPA Framework Regulation and in Commission Regulation (EC) No 718/2007 of 12 June 2007⁽²⁾ implementing the IPA Framework Regulation (hereinafter referred to as "IPA Implementing Regulation");

¹ OJ L 210, 31 July 2006, p. 82

² OJ L 170, 29 June 2007, p. 1

- (5) The Beneficiary figures in Annex I of the IPA Framework Regulation, and should therefore have access to the 5 components established under IPA, i.e. the Transition Assistance and Institution Building Component, the Cross-Border Co-operation Component, the Regional Development Component, the Human Resources Development Component and the Rural Development Component;
- (6) It is therefore necessary to set out the rules for co-operation concerning EC financial assistance with the Beneficiary under IPA;

HAVE AGREED AS FOLLOWS:

SECTION I GENERAL PROVISIONS

Article 1 Interpretation

- (1) Subject to any express provision to the contrary in this Framework Agreement, the terms used in this Agreement shall bear the same meaning as attributed to them in the IPA Framework Regulation and the IPA Implementing Regulation.
- (2) Subject to any express provision to the contrary in this Framework Agreement, references to this Agreement are references to such Agreement as amended, supplemented or replaced from time to time.
- (3) Any references to Council or Commission Regulations are made to the version of those regulations as indicated. If required, modifications of these regulations shall be transposed into this Framework Agreement by means of amendments.
- (4) Headings in this Agreement have no legal significance and do not affect its interpretation.

Article 2 Partial invalidity and unintentional gaps

If a provision of this Agreement is or becomes invalid or if this Agreement contains unintentional gaps, this will not affect the validity of the other provisions of this Agreement. The Contracting Parties will replace any invalid provision by a valid provision which comes as close as possible to the purpose of and intent of the invalid provision. The Contracting Parties will fill any unintentional gap by a provision which best suits the purpose and intent of this Agreement in compliance with the IPA Framework Regulation and the IPA Implementing Regulation.

Article 3 Purpose

- (1) In order to promote co-operation between the Contracting Parties and to assist the Beneficiary in its progressive alignment with the standards and policies of the European Union, including, where appropriate the *acquis communautaire*, with a view to membership, the Contracting Parties agree to implement activities in the various fields as specified in the two regulations mentioned above and as applicable to the Beneficiary.

- (2) The assistance activities shall be financed and implemented within the legal, administrative and technical framework laid down in this Agreement and as further detailed in Sectoral Agreements and/or Financing Agreements, if any.
- (3) The Beneficiary takes all necessary steps in order to ensure the proper execution of all assistance activities and to facilitate the implementation of the related programmes.

Article 4 General rules on financial assistance

- (1) The following principles shall apply to financial assistance by the Community under IPA:
 - a) Assistance shall respect the principles of coherence, complementarity, co-ordination, partnership and concentration;
 - b) Assistance shall be coherent with EU policies and shall support alignment to the *acquis communautaire*;
 - c) Assistance shall comply with the budgetary principles laid down in Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002³) on the Financial Regulation applicable to the general budget of the European Communities (hereinafter referred to as "Financial Regulation") and its Implementing Rules⁴;
 - d) Assistance shall be consistent with the needs identified in the enlargement process and absorption capacities of the Beneficiary. It shall also take account of lessons learned;
 - e) The ownership of the programming and implementation of assistance by the Beneficiary shall be strongly encouraged and adequate visibility of EU intervention shall be ensured;
 - f) Operations shall be properly prepared, with clear and verifiable objectives, which are to be achieved within a given period; the results obtained should be assessed through clearly measurable and adequate indicators;
 - g) Any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation shall be prevented during the various stages of the implementation of assistance;
 - h) The objectives of pre-accession assistance shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment.
- (2) Assistance for the Beneficiary shall be based on the priorities identified in the existing documents i.e. the European Partnership, the Accession Partnership, the national programme for the adoption of the *acquis communautaire*, the reports and strategy paper contained in the annual enlargement package of the Commission, the Stabilisation and Association Agreement and the negotiation framework.

³ OJ L 248, 16 September 2002, p.1, as amended by Regulation No 1995/2006 of 13 December 2006 (OJ L 390, 30 December 2006, p.1)

⁴ Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Commission Regulation No 478/2007 of 23 April 2007 (OJ L 111, 28.4.2007)

- (3) All operations receiving assistance under IPA shall in principle require co-financing by the Beneficiary and the Community, unless otherwise agreed upon in a Sectoral Agreement or Financing Agreement.
- (4) Where the execution of activities depends on financial commitments from the Beneficiary's own resources or from other sources of funds, the funding of the Community shall become available at such time as the financial commitments of the Beneficiary and/or the other sources of funds themselves become available.
- (5) The provision of Community financing under IPA shall be subject to the fulfilment by the Beneficiary's obligations under this Framework Agreement and under Sectoral Agreements and Financing Agreements, if any.

Article 5 Implementation methods

- (1) For the implementation of assistance under IPA in the former Yugoslav Republic of Macedonia, decentralised management, whereby the Commission confers the management of certain actions on the Beneficiary, while retaining overall final responsibility for general budget execution in accordance with Article 53c of the Financial Regulation and the relevant provisions of the EC Treaties, shall apply as a rule. Decentralised management shall cover at least tendering, contracting and payments by the national administration of the Beneficiary. Operations shall be implemented in accordance with the provisions laid down in Article 53c of the Financial Regulation and the ones referred to in this article.
- (2) However, the Contracting Parties may agree to make use of
 - a) centralised management as defined in Article 53a of the Financial Regulation under the Transition Assistance and Institution Building Component, in particular for regional and horizontal programmes, and under the Cross-Border Co-operation Component. It may also be used for technical assistance under any of the IPA components. Operations shall be implemented in accordance with the provisions laid down in Articles 53 point (a), 53a and 54 to 57 of the Financial Regulation.
 - b) joint management as defined in Article 53d of the Financial Regulation for the Transition Assistance and Institution Building Component, in particular for regional and horizontal programmes, and for programmes involving international organisations. Operations shall be implemented in accordance with the provisions laid down in Articles 53 point (c) and 53d of the Financial Regulation.
 - c) shared management as defined in Article 53b of the Financial Regulation under the Cross-Border Co-operation Component, for cross-border programmes involving Member States of the European Union. Operations shall be implemented in accordance with the provisions laid down in Articles 53 point (b), 53b and Title II of Part two of the Financial Regulation. The following particular provision shall be taken into account in the implementation of cross-border programmes with Member States.

Where one or more Member States of the European Union and the Beneficiary participating in a cross-border programme are not yet ready for implementation of the whole programme under shared management, the part of the programme

concerning the Member State(s) shall be implemented in accordance with Title II (Cross-Border Co-operation Component), Chapter III, Section 2 of the IPA Implementing Regulation (Articles 101 to 138) and the part of the programme concerning the Beneficiary shall be implemented in accordance with Title II, Chapter III, Section 3 of the IPA Implementing Regulation. (Articles 139 to 146 IPA Implementing Regulation, with the exception of Article 142. The provisions concerning the joint monitoring committee of Article 110 shall apply).

- (3) If required by the related Financing Decision, the Commission and the Beneficiary shall conclude a Financing Agreement in accordance with Article 8 of the IPA Implementing Regulation on multi-annual or annual programmes. Financing Agreements may be concluded between the Commission and several beneficiary countries under IPA including the Beneficiary for assistance for multi-country programmes and horizontal initiatives.
- (4) This Framework Agreement shall apply to all Financing Agreements concluded between the Contracting Parties for the financial assistance under IPA. Where they exist, Sectoral Agreements related to a given component shall apply to all Financing Agreements concluded under that component. Where there is no Financing Agreement, the rules included in this Framework Agreement apply together with Sectoral Agreements, if any.

SECTION II MANAGEMENT STRUCTURES AND AUTHORITIES

Article 6 Establishment and designation of structures and authorities for decentralised management

- (1) The following structures and authorities must be designated by the Beneficiary in the event of decentralised management:
 - a) The competent accrediting officer (CAO);
 - b) The national IPA co-ordinator (NIPAC);
 - c) The strategic coordinator for the Regional Development Component and the Human Resources Development Component;
 - d) The national authorising officer (NAO);
 - e) The national fund (NF);
 - f) Operating structures per component or programme to deal with the management and implementation of assistance under the IPA Regulation;
 - g) The audit authority.
- (2) Specific bodies may be established within the overall framework defined by the bodies and authorities described above within or outside the operating structures initially designated. The Beneficiary shall ensure that the final responsibility for the functions of operating structures shall remain with the operating structure initially designated. Such a restructuring shall be formalised in written agreements and shall be subject to accreditation by the national authorising officer and the conferral of management by the Commission.

- (3) The Beneficiary shall ensure that appropriate segregation of duties applies to the bodies and authorities mentioned under paragraph 1 and 2 above in accordance with Article 56 of the Financial Regulation. Duties are segregated when different tasks related to a transaction are allocated to different staff, thereby helping to ensure that each separate task has been properly undertaken.

Article 7 Establishment and designation of structures and authorities for centralised or joint management

- (1) In the event of centralised or joint management the national IPA co-ordinator shall act as the representative of the Beneficiary vis-à-vis the Commission. He shall ensure that a close link is maintained between the Commission and the Beneficiary with regard both to the general accession process and to EU pre-accession assistance under IPA.
- (2) The national IPA co-ordinator shall also be responsible for co-ordinating the Beneficiary's participation in the relevant cross-border programmes, both with Member States and with other Beneficiary countries, as well as in the trans-national, interregional or sea basins programmes under other Community instruments. He may delegate the tasks relating to this latter responsibility to a cross-border co-operation co-ordinator.
- (3) In the case of the Cross-border Co-operation Component, operating structures shall be designated and put in place by the Beneficiary, in accordance with Article 139 of the IPA Implementing Regulation.

Article 8 Functions and common responsibilities of the structures, authorities and bodies

- (1) The bodies and authorities mentioned in Article 6 above shall be allocated the functions and common responsibilities as set out in ANNEX A to this Framework Agreement.
- (2) Component-related specific allocations of functions and responsibilities may be set out in Sectoral Agreements or Financing Agreements. They must not be in contradiction to the basic approach chosen for the allocation of functions and common responsibilities as shown in ANNEX A.
- (3) Where under decentralised management specific persons have been given responsibility for an activity in relation to the management, implementation and control of programmes, the Beneficiary shall enable such persons to exercise the duties associated with that responsibility including in cases where, there is no hierarchical link between them and the bodies participating in that activity. The Beneficiary shall, in particular, provide those persons with the authority to establish, through formal working arrangements between them and the bodies concerned:
- a) an appropriate system for the exchange of information, including the power to require information and a right of access to documents and staff on the spot, if necessary;
 - b) the standards to be met;
 - c) the procedures to be followed.

SECTION III ACCREDITATION AND CONFERRAL OF MANAGEMENT POWERS UNDER DECENTRALISED MANAGEMENT

Article 9 Common requirements

Management relating to a component, a programme or a measure can only be conferred on the Beneficiary, if and when the following requirements are fulfilled:

- a) The Beneficiary meets the conditions set to Article 56 of the Financial Regulation, in particular as regards the management and control systems. The management and control systems set up in the former Yugoslav Republic of Macedonia shall provide for effective and efficient control in at least the areas set out in the Annex to the IPA Implementing Regulation and as listed under No 1 c) of ANNEX A to this Framework Agreement. The Contracting Parties may define further provisions in Sectoral Agreements or Financing Agreements.
- b) The competent accrediting officer has given accreditation to the national authorising officer both
 - as the head of the national fund bearing overall responsibility for the financial management of EU funds in the former Yugoslav Republic of Macedonia and being responsible for the legality and regularity of the underlying transactions;
 - with regard to national authorising officer's capacity to fulfil the responsibilities for the effective functioning of management and control systems under IPA.

The accreditation of the national authorising officer shall also cover the national fund as described in Annex A, 5.

- c) The national authorising officer has given accreditation to the relevant operating structures.

Article 10 Procedure for accreditation of the national authorising officer and the national fund by the competent accrediting officer

- (1) Accreditation of the national authorising officer in accordance with Article 11 of the IPA Implementing Regulation is subject to his fulfilment of the applicable requirements set out in Article 11 of the said regulation and as further defined in Annex A, 4. This accreditation shall be supported by an audit opinion drawn up by an external auditor functionally independent from all actors in the management and control system. The audit opinion shall be based on examinations conducted according to internationally accepted auditing standards.
- (2) The competent accrediting officer shall notify the Commission of the accreditation of the national authorising officer, not later than the notification of the accreditation of the first operating structure. The competent accrediting officer shall provide all relevant supporting information required by the Commission.
- (3) The competent accrediting officer shall immediately inform the Commission of any changes concerning the national authorising officer or the national fund. Where a change affects the national authorising officer or the national fund in relation to the applicable requirements as set out in Article 11 of the IPA Implementing Regulation, the competent accrediting officer shall send to the Commission an assessment of the consequences of such a change on the validity of the accreditation. Where such a change is significant, the competent accrediting officer shall also notify the Commission of his decision concerning the accreditation.

Article 11 Procedure for accreditation of operating structures by the national authorising officer

- (1) Accreditation of an operating structure is subject to its fulfilment of the requirements set out in Article 11 of the IPA Implementing Regulation. This assurance shall be supported by an audit opinion drawn up by an external auditor functionally independent from all actors in the management and control system. The audit opinion shall be based on examinations conducted according to internationally accepted auditing standards.
- (2) The national authorising officer shall notify the Commission of the accreditation of the operating structures and shall provide all relevant supporting information required by the Commission, including a description of the management and control systems.

Article 12 Procedure for conferral of management powers by the Commission

- (1) The Commission shall confer management powers on the Beneficiary, only after the bodies and authorities referred to in Article 6 above have been designated and put in place and the conditions laid down in this article are fulfilled.
- (2) Before the conferral of management powers, the Commission shall review the accreditations of the national authorising officer and the operating structures as laid down in Articles 10 and 11 above and examine the procedures and structures of any of the bodies or authorities concerned in the former Yugoslav Republic of Macedonia. This may include on-the-spot verifications by the services of the Commissions or subcontracted to an audit firm.
- (3) The Commission may, in its decision to confer management powers, set further conditions, with a view to ensuring that the requirements referred to in Article 11 of the IPA Implementing Regulation are met. These further conditions must be fulfilled within a fixed period determined by the Commission for the conferral of management powers to remain effective.
- (4) The Commission Decision on the conferral of management powers shall lay down the list of the *ex ante* controls, if any, to be performed by the Commission on the tendering of contracts, launch of calls for proposals and the award of contracts and grants. This list may vary with the component or the programme. The *ex ante* controls shall apply, depending on the component or programme, until the Commission allows for decentralised management without *ex ante* controls as referred to in Article 16 below.

Article 13 Withdrawal or suspension of the accreditation of the national authorising officer and the national fund

- (1) After the conferral of management powers by the Commission, the competent accrediting officer shall be responsible for monitoring the continuing fulfilment of all the requirements for this accreditation to be maintained and shall inform the Commission of any significant change related thereto.

- (2) If any of the applicable requirements set out in Article 11 of the IPA Implementing Regulation, are not, or are no longer, fulfilled, the competent accrediting officer shall either suspend or withdraw the accreditation of the national authorising officer, and shall immediately inform the Commission of his decision and of the reasons for his decision. The competent accrediting officer shall assure himself that those requirements are again fulfilled before restoring the accreditation. This assurance shall be supported by an audit opinion as specified in Article 10(1) above.
- (3) Where the accreditation of the national authorising officer is withdrawn or suspended by the competent accrediting officer, the following provisions shall apply:
- The Commission shall cease to make transfers of funds to the Beneficiary during the period when the accreditation is not in force;
 - During the period when the accreditation is not in force, all the euro accounts or the euro accounts for the components concerned shall be blocked and no payment made by the National Fund from those euro accounts which are blocked shall be considered eligible for Community funding;
 - Without prejudice to any other financial corrections, the Commission may make financial corrections as laid down in Article 30 below against the Beneficiary in respect of its past non-compliance with the requirements for the conferral of management powers.

Article 14 Withdrawal or suspension of the accreditation of the operating structures

- (1) After the conferral of management powers by the Commission, the national authorising officer shall be responsible for monitoring the continuing fulfilment of all the requirements for this accreditation to be maintained and shall inform the Commission and the competent accrediting officer of any significant change related thereto.
- (2) If any of the requirements set out in Article 11 of the IPA Implementing Regulation are not, or are no longer, fulfilled, the national authorising officer shall either suspend or withdraw the accreditation of the operating structure concerned, and shall immediately inform the Commission and the competent accrediting officer of his decision and of the reasons for his decision.
- The national authorising officer shall assure himself that those requirements are again fulfilled before restoring the accreditation concerned. This assurance shall be supported by an audit opinion as referred to in Article 11(1) above.
- (3) Where the accreditation of an operating structure is withdrawn or suspended by the national authorising officer, the following provisions shall apply:
- The Commission shall make no transfers to the Beneficiary of funds relating to programmes or operations implemented by the operating structure concerned while its accreditation is suspended or withdrawn;
 - Without prejudice to any other financial corrections, the Commission may make financial corrections as laid down in Article 30 below against the Beneficiary in respect of its past non-compliance with the requirements and conditions for the conferral of management powers;

- No new legal commitments made by the operating structure concerned shall be considered eligible during the period when the accreditation is not in force;
- The national authorising officer shall be responsible for taking any appropriate safeguard measures regarding payments made or contracts signed by the operating structure concerned.

Article 15 Withdrawal or suspension of conferral of management powers

- (1) The Commission shall monitor compliance with the requirements set out in Article 11 of the IPA Implementing Regulation.
- (2) Irrespective of the decision by the competent accrediting officer to maintain, suspend or withdraw the accreditation of the national authorising officer, or of the decision by the national authorising officer to maintain, suspend or withdraw the accreditation of the operating structure, the Commission may withdraw or suspend the conferral of management powers at any time, in particular in the event that any of the requirements mentioned in Article 11 of the IPA Implementing Regulation are not, or no longer, fulfilled.
- (3) Where the conferral of management powers is withdrawn or suspended by the Commission, the following provisions shall apply:
 - The Commission shall cease to make transfers of funds to the Beneficiary;
 - Without prejudice to any other financial corrections, the Commission may make financial corrections as laid down in Article 30 below against the Beneficiary in respect of its past non-compliance with the requirements for the conferral of management powers.

The Commission may lay down other consequences of such a suspension or withdrawal in a specific Commission Decision.
- (4) The Commission Decision may lay down provisions concerning the suspension or withdrawal of the conferral of management powers in relation to specific bodies or authorities.

Article 16 Decentralisation without ex-ante control by the Commission

- (1) Decentralisation without ex-ante control by the Commission shall be the objective for the implementation of all IPA components where assistance is implemented on a decentralised basis in accordance with Article 5 above. The timing for attainment of this objective may vary depending on the IPA Component concerned.
- (2) Before dispensing with the *ex-ante* controls laid down in the Commission Decision on conferral of management, the Commission shall satisfy itself of the effective functioning of the management and control system concerned in accordance with the relevant Community and national rules. In particular, the Commission shall monitor the implementation, by the Beneficiary, of the roadmap included in the Financing Agreement, which may refer to a phased waiver of different types of ex-ante controls. The Commission shall take due account of the results achieved by the Beneficiary in this context, in particular in the provision of assistance and in the negotiation process.

Article 17 Statement of assurance by the national authorising officer

- (1) The national authorising officer shall make an annual management declaration covering
- his overall responsibility, in his function as head of the national fund, for the financial management of EU funds in the former Yugoslav Republic of Macedonia and for the legality and regularity of the underlying transactions;
 - his responsibility for the effective functioning of management and control systems under IPA.

This management declaration shall take the form of a statement of assurance to be presented to the Commission by 28 February each year with a copy to the competent accrediting officer.

- (2) The Statement of Assurance shall be based on the national authorising officer's actual supervision of the management and control system throughout the financial year.
- (3) The Statement of Assurance shall be drawn up according to the model attached in ANNEX B to this Framework Agreement.
- (4) If the confirmations regarding the effective functioning of the management and control systems and the legality and regularity of underlying transactions required through the Statement of Assurance are not available, the national authorising officer shall inform the Commission, copy to the competent accrediting officer, of the reasons and potential consequences as well as of the actions being taken to remedy the situation and to protect the interests of the Community.

Article 18 Establishment of reports and opinions by the audit authority and follow up by the national authorising officer and the Commission

- (1) Subject to the detailed functions and responsibilities of the audit authority as set out in ANNEX A to this Framework Agreement, the audit authority shall in particular establish the following reports and opinions:
- a) An annual audit activity report according to the model in ANNEX C to this Framework Agreement;
 - b) An annual audit opinion on the management and control system according to the model in ANNEX D to this Framework Agreement;
 - c) An audit opinion on the final statement of expenditure for the closure of a programme or parts of a programme according to the model in ANNEX E to this Framework Agreement.
- (2) Following receipt of the annual audit activity report and the annual audit opinion referred to in paragraph 1, the national authorising officer shall:
- a) decide whether any improvements to the management and control systems are required, record the decisions in that respect and ensure the timely implementation of those improvements;
 - b) make any necessary adjustments to the payment applications to the Commission.

- (3) The Commission may decide either to take follow-up action itself in response to the reports and opinions, for example by initiating a financial correction procedure, or to require the Beneficiary to take action, while informing the national authorising officer and the competent accrediting officer of its decision.

SECTION IV GENERAL RULES FOR COMMUNITY FINANCIAL ASSISTANCE

Article 19 Eligibility of expenditure

- (1) In the event of decentralised management, notwithstanding accreditations by the competent accrediting officer and the national authorising officer, contracts and addenda signed, expenditure incurred and payments made by the national authorities shall not be eligible for funding under IPA prior to the conferral of management by the Commission on the concerned structures and authorities. The end date for the eligibility of expenditure shall be laid down in Financing Agreements, where necessary.
- (2) By way of derogation from paragraph 1,
- a) technical assistance to support the setting up of management and control systems may be eligible prior to the initial conferral of management, for expenditure incurred after 1 January 2007;
 - b) expenditure following the launch of calls for proposals or calls for tenders may also be eligible if the call is launched prior to the initial conferral of management, subject to this initial conferral of management being in place within the time limits defined in a reserve clause to be inserted in the operations or calls concerned, and subject to prior approval of the documents concerned by the Commission. The calls for proposal or calls for tender concerned may be cancelled or modified depending on the decision on conferral of management.
- (3) Expenditure financed under IPA shall not be the subject of any other financing under the Community budget.
- (4) In addition to paragraph 1 to 3 above, more detailed rules on eligibility of expenditure may be set out in Financing Agreements or Sectoral Agreements.

Article 20 Property of interest

Any interest earned on any of the component-specific euro accounts remains the property of the Beneficiary. Interest generated by the financing by the Community of a programme shall be posted exclusively to that programme, being regarded as a resource for the Beneficiary in the form of a national public contribution, and shall be declared to the Commission, at the time of the final closure of the programme.

Article 21 Audit trail

The national authorising officer shall ensure that all the relevant information is available to ensure at all times a sufficiently detailed audit trail. This information shall include documentary evidence of the authorisation of payment applications, of the accounting and payment of such applications, and of the treatment of advances, guarantees and debts.

Article 22 Aid intensities and rate of Community contribution

- (1) The Community contribution shall be calculated in relation to the eligible expenditure, as defined in Part II of the IPA Implementing Regulation for each IPA component.
- (2) Financing decisions adopting the annual or multi-annual programmes for each IPA component shall set the maximum indicative amount of the Community contribution and the subsequent maximum rate for each priority axis.

SECTION V GENERAL RULES FOR IMPLEMENTATION

Article 23 Rules on procurement

- (1) Assistance under all IPA components shall be managed in accordance with the rules for External Aid contained in the Financial Regulation. This shall not apply to assistance implemented under the transitional arrangements of Article 99 IPA Implementing Regulation regarding the Cross-Border Co-operation Component to that part of the programme that is implemented on Member States' territory, unless otherwise decided by the participating Member State.
- (2) Results of tender procedures shall be published according to the rules referred to in paragraph 1 above and as further specified in Article 24(3) below.
- (3) The rules of participation and origin as laid down in Article 19 of the IPA Framework Regulation shall apply to all contract award procedures under IPA.
- (4) All service, supplies and work contracts shall be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question, unless otherwise provided for in Sectoral or Financing Agreements.

Article 24 Publicity and visibility

- (1) In the case of centralised and joint management, information on programmes and operations shall be provided by the Commission with the assistance of the national IPA co-ordinator as appropriate. In the case of decentralised management and in all cases for programmes or part of programmes under the cross-border co-operation component not implemented through shared management, the Beneficiary, in particular the national IPA co-ordinator, shall provide information on and publicise programmes and operations. In the case of shared management, the Member States and the Beneficiary shall provide information on and publicise programmes and operations. The information shall be addressed to the citizens and beneficiaries, with the aim of highlighting the role of the Community and ensuring transparency.
- (2) In the case of decentralised management, the operating structures shall be responsible for organising the publication of the list of the final beneficiaries, the names of the operations and the amount of Community funding allocated to the operations by means of the award of grants in the following way:

- a) The publication shall be made according to a standard presentation, in a dedicated and easily accessible place of the Beneficiary's internet site. If such internet publication is impossible, the information shall be published by any other appropriate means, including the national official journal.
 - b) Publication shall take place during the first half of the year following the closure of the budget year in respect of which the funds were attributed to the Beneficiary.
 - c) The Beneficiary shall communicate to the Commission the address of the place of publication. If the information is published otherwise, the Beneficiary shall give the Commission full details of the means used.
 - d) The operating structures shall ensure that the final beneficiary is informed that acceptance of funding is also an acceptance of their inclusion in this list of beneficiaries published. Any personal data included in this list shall nevertheless be processed in accordance with the requirements of Regulation (EC) No 45/2001 of the European Parliament and the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data⁵, and with due observance of the requirements of security.
- (3) In the case of decentralised management, the relevant bodies shall prepare a contract award notice, once the contract has been signed, and send it to the Commission for publication. The contract award notice may also be published by the beneficiary in the appropriate national publications.
 - (4) The Commission and the relevant national, regional or local authorities of the Beneficiary shall agree on a coherent set of activities to make available, and publicise, in the former Yugoslav Republic of Macedonia information about assistance under IPA. The procedures for implementing such activities shall be specified in the Sectoral or Financing Agreements.
 - (5) Implementation of the activities referred to in paragraph 4 shall be the responsibility of the final beneficiaries, and might be funded from the amount allocated to the relevant programmes or operations.

Article 25 Granting of facilities for the implementation of programmes and execution of contracts

- (1) In order to ensure the effective implementation of programmes under IPA, the Beneficiary shall take all necessary measures to ensure:
 - a) that, in the case of service, supplies or works tender procedures, natural or legal persons eligible to participate in tender procedures pursuant to Article 23 above shall be entitled to temporary installation and residence where the importance of the contract so warrants. This right shall be acquired only after the invitation to tender has been launched and shall be enjoyed by the technical staff needed to carry out studies and other preparatory measures to the drawing up of tenders. This right shall expire one month after the decision of contract award;

⁵ OJ L 8, 12 January 2001, p. 1

- b) that personnel taking part in Community financed activities and members of their immediate family are accorded no less favourable benefits, privileges and exemptions than those usually accorded to other international staff employed in the former Yugoslav Republic of Macedonia, under any other bilateral or multilateral agreement or arrangements for assistance and technical co-operation;
 - c) that personnel taking part in Community financed activities and members of their immediate family are allowed to enter the former Yugoslav Republic of Macedonia, to establish themselves there, to work there and to leave the country, as the nature of the underlying contract so justifies;
 - d) the granting of all permits necessary for the importation of goods, above all professional equipment, required for the execution of the underlying contract, subject to existing laws, rules and regulations of the Beneficiary;
 - e) that imports carried out under IPA will be exempted from customs duties, import duties and other fiscal charges;
 - f) the granting of all permits necessary for the re-export of the above goods, once the underlying contract has been fully executed;
 - g) the granting of authorisations for the import or acquisition of the foreign currency necessary for the implementation of the underlying contract and the application of national exchange control regulations in a non-discriminatory manner to contractors, regardless of their nationality or place of establishment;
 - h) the granting of all permits necessary to repatriate funds received in respect of the activity financed under IPA, in accordance with the foreign exchange control regulations in force in the former Yugoslav Republic of Macedonia.
- (2) The Beneficiary shall ensure full co-operation of all relevant authorities. It will also ensure access to state-owned companies and other governmental institutions, which are involved or are necessary in the implementation of a programme or in the execution of the contract.

Article 26 Rules on taxes, customs duties and other fiscal charges

- (1) Save where otherwise provided for in a Sectoral Agreement or a Financing Agreement, taxes, customs and import duties or other charges having equivalent effect are not eligible under IPA.
- (2) The following detailed provisions shall apply:
 - a) Customs duties, import duties, taxes or fiscal charges having equivalent effect in the case of the import of goods under a Community financed contract are not eligible under IPA. The imports concerned shall be released from the point of entry into the former Yugoslav Republic of Macedonia for delivery to the contractor, as required by the provisions of the underlying contract and for immediate use as required for the normal implementation of the contract, without regard to any delays or disputes over the settlement of the above mentioned duties, taxes or charges;

- b) Community financed contracts for services, supplies or works carried out by contractors registered in the former Yugoslav Republic of Macedonia or by external contractors shall not be subject in the country to value added tax, documentary stamp or registration duties or fiscal charges having equivalent effect, whether such charges exist or are to be instituted. EC contractors shall be exempted from VAT for services rendered, goods supplied and/or works executed by them under EC contracts with the right of the contractors to offset or deduct input VAT paid in connection with the services rendered, the goods supplied and/or the works executed against any VAT collected by them for any of their other transactions. Should the EC contractors not be able to make use of this possibility, they shall be entitled to obtain VAT refund directly from the tax authorities upon submission of a written request accompanied by the necessary documentation required under the national/local law for refund and by a certified copy of the underlying EC contract.

For the purposes of this Framework Agreement, the term "EC contractor" shall be construed as natural and legal persons, rendering services and/or supplying goods and/or executing works and/or executing a grant under an EC contract. The term "EC contractor" shall also cover pre-accession advisors, also known as resident twinning advisors, and experts included in a twinning covenant or contract. The term "EC contract" means any legally binding document through which an activity is financed under IPA and which is signed by the EC or the Beneficiary.

At least the same procedural privileges shall apply to such contractors as applicable to contractors under any other bilateral or multilateral agreement or arrangements for assistance and technical co-operation.

- c) Profit and/or income arising from EC contracts shall be taxable in the former Yugoslav Republic of Macedonia in accordance with the national/local tax system. However, natural and legal persons, including expatriate staff, from the Member States of the European Union or other countries eligible under IPA, executing Community financed contracts shall be exempted from those taxes in the former Yugoslav Republic of Macedonia.
- d) Personal and household effects imported for personal use by natural persons (and members of their immediate families), other than those recruited locally, engaged in carrying out tasks defined in technical co-operation contracts, shall be exempted from customs duties, import duties, taxes and other fiscal charges having equivalent effect, the said personal and household effects being re-exported or disposed of in the state, in accordance with the regulations in force in the former Yugoslav Republic of Macedonia after termination of the contract.

Article 27 Supervision, control and audit by the Commission and the European Court of Auditors

- (1) All Financing Agreements as well as all resulting programmes and subsequent contracts shall be subject to supervision and financial control by the Commission including the European Anti-Fraud Office (OLAF) and audits by the European Court of Auditors. This includes the right of the Delegation of the Commission in the former Yugoslav Republic of Macedonia to carry out measures such as ex-ante

verification of tendering and contracting carried out by the related operating structures, as long as ex-ante control has not been waived in accordance with Article 16 above. The duly authorised agents or representatives of the Commission and of OLAF shall have the right to carry out any technical and financial verification that the Commission or OLAF consider necessary to follow the implementation of a programme including visits of sites and premises at which Community financed activities are implemented. The Commission shall give the national authorities concerned advance notice of such missions.

- (2) The Beneficiary shall supply all requested information and documents including any computerised data and take all suitable measures to facilitate the work of the persons instructed to carry out audits or inspections.
- (3) The Beneficiary shall maintain records and accounts adequate to identify the services, supplies, works and grants financed under the related Financing Agreement in accordance with sound accounting procedures. The Beneficiary shall also ensure that the agents or representatives of the Commission including OLAF have the right to inspect all relevant documentation and accounts pertaining to items financed under the related Financing Agreement and assist the European Court of Auditors to carry out audits relating to the use of Community funds.
- (4) In order to ensure the efficient protection of the financial interests of the Community, the Commission including OLAF may also conduct documentary and on-the-spot checks and inspections in accordance with the procedural provisions of Council Regulation (EC, Euratom) No 2185/1996 of 11 November 1996⁶. These checks and inspections shall be prepared and conducted in close collaboration with the competent authorities designated by the Beneficiary, which shall be notified in good time of the object, purpose and legal basis of the checks and inspections, so that they can provide all the requisite help. The Beneficiary shall identify a service which will assist at OLAF's request in conducting investigations in accordance with Council Regulation (EC, Euratom) No 2185/1996. If the Beneficiary wishes, the on-the-spot checks and inspections may be carried out jointly with them. Where the participants in Community financed activities resist an on-the-spot check or inspection, the Beneficiary, acting in accordance with national rules, shall give Commission/OLAF inspectors such assistance as they need to allow them to discharge their duty in carrying out an on-the-spot check or inspection.

The Commission/OLAF shall report as soon as possible to the Beneficiary any fact or suspicion relating to an irregularity which has come to its notice in the course of the on-the-spot check or inspection. In any event, the Commission/OLAF shall be required to inform the above-mentioned authority of the result of such checks and inspections.

- (5) The controls and audits described above are applicable to all contractors and sub-contractors who have received Community funds including all related information to be found in the documents of the national fund of the Beneficiary concerning the national contribution.

⁶ OJ L 292, 15 November 1996, p. 2

- (6) Without prejudice to the responsibilities of the Commission and the European Court of Auditors, the accounts and operations of the National Fund and, where applicable, operating structures may be checked at the discretion of the Commission by the Commission itself or by an external auditor assigned by the Commission.

Article 28 Prevention of irregularity and fraud, measures against corruption

- (1) The Beneficiary shall ensure investigation and effective treatment of suspected cases of fraud and irregularities and shall ensure the functioning of a control and reporting mechanism equivalent to that foreseen in the Commission Regulation (EC) No 1828/2006 of 8 December 2006 ⁽⁷⁾. In the case of suspected fraud or irregularity, the Commission shall be informed without delay.
- (2) Furthermore, the Beneficiary shall take any appropriate measure to prevent and counter any active or passive corruption practices at any stage of the procurement procedure or grant award procedure or during the implementation of corresponding contracts.
- (3) The Beneficiary, including the personnel responsible for the implementation tasks of the Community financed activities, undertakes to take whatever precautions are necessary to avoid any risk of conflict of interests and shall inform the Commission immediately of any such conflict of interest or any situation likely to give rise to any such conflict.
- (4) The following definitions shall apply:
- a) *Irregularity* shall mean any infringement of a provision of applicable rules and contracts resulting from an act or an omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.
 - b) *Fraud* shall mean any intentional act or omission relating to: the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities; non disclosure of information in violation of a specific obligation with the same effect; the misapplication of such funds for purposes other than those for which they are originally granted.
 - c) *Active corruption* is defined as the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the financial interests of the European Communities.
 - d) *Passive corruption* is defined as the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or a third party, or accepts a promise of such advantage, to act or to refrain from acting in accordance with his duty or in the exercise of his

⁷ OJ L 371, 27 December 2006, p. 4

functions in breach of his official duties in a way which damages or is likely to damage the financial interests of the European Communities.

Article 29 Recovery of funds in case of irregularity or fraud

- (1) Any proven case of irregularity or fraud discovered at any time during the implementation of assistance under IPA or as the result of an audit will lead to the recovery of the funds by the Commission from the Beneficiary.
- (2) The national authorising officer shall recover the Community contribution paid to the Beneficiary from those who committed the irregularity, fraud or corruption or benefited from it, in accordance with national recovery procedures. The fact that the national authorising officer does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the Beneficiary.

Article 30 Financial corrections

- (1) In the case of decentralised management, in order to ensure that the funds are used in accordance with the applicable rules, the Commission shall apply clearance-of-accounts procedures or financial correction mechanisms in accordance with Article 53b(4) and 53c(2) of the Financial Regulation and as detailed in Sectoral Agreements or Financing Agreements.
- (2) A financial correction may arise following either:
 - identification of a specific irregularity, including fraud;
 - identification of a weakness or deficiency in the management and control systems of the Beneficiary;
- (3) If the Commission finds that expenditure under the programmes covered by IPA has been incurred in a way that has infringed applicable rules, it shall decide what amounts are to be excluded from Community financing.
- (4) The calculation and establishment of any such corrections, as well as the related recoveries, shall be made by the Commission, following the criteria and procedures provided for in Articles 32, 33 and 34 below. Provisions on financial corrections which have been set down in Sectoral Agreements or Financing Agreements shall apply in addition to this Framework Agreement.

Article 31 Financial adjustments

In the case of decentralised management the national authorising officer, who bears in the first instance the responsibility for investigating irregularities, shall make the financial adjustments where irregularities or negligence are detected in operations or operational programmes, by cancelling all or part of the Community contribution to the operations or the operational programmes concerned. The national authorising officer shall take into account the nature and gravity of the irregularities and the financial loss to the Community contribution.

Article 32 Criteria for financial corrections

- (1) The Commission may make financial corrections, by cancelling all or part of the Community contribution to a programme, in the situations referred to in Article 30(2) above.
- (2) Where individual cases of irregularity are identified, the Commission shall take into account the systemic nature of the irregularity to determine whether flat-rate corrections, punctual corrections or corrections based on an extrapolation of the findings should be applied. For the Rural Development Component, criteria for financial corrections are set out in Financing Agreements or Sectoral Agreements.
- (3) When deciding the amount of a correction, the Commission shall take into account the nature and gravity of the irregularity and/or the extent and financial implications of the weaknesses or the deficiencies found in the management and control system in the programme concerned.

Article 33 Procedure for financial corrections

- (1) Before taking a decision on a financial correction, the Commission shall inform the national authorising officer of its provisional conclusions and request his comments within two months.

Where the Commission proposes a financial correction on the basis of extrapolation or at a flat rate, the Beneficiary shall be given the opportunity to establish the actual extent of the irregularity, through an examination of the documentation concerned. In agreement with the Commission, the Beneficiary may limit the scope of this examination to an appropriate proportion or sample of the documentation concerned. Except in duly justified cases, the time allowed for this examination shall not exceed a period of two months after the two-month period referred to in the first subparagraph.

- (2) The Commission shall take account of any evidence supplied by the Beneficiary within the time limits mentioned in paragraph 1.
- (3) The Commission shall endeavour to take a decision on the financial correction within six months after opening the procedure as set out in paragraph 1.

Article 34 Repayment

- (1) Any repayment to the general budget of the European Union shall be effected before the due date indicated in the recovery order drawn up in accordance with Article 72 of the Financial Regulation. The due date shall be the last day of the second month following the issuing of the order.
- (2) Any delay in repayment shall give rise to interest on account of late payment, starting on the due date and ending on the date of actual payment. The rate of such interest shall be one-and-a-half percentage points above the rate applied by the European Central Bank in its main refinancing operations on the first working day of the month in which the due date falls.

Article 35 Re-use of Community contribution

- (1) The resources from the Community contribution cancelled following financial corrections pursuant to Article 30 shall be paid to the Community Budget, including interest thereon.
- (2) The contribution cancelled or recovered in accordance with Article 31 above may not be re-used for the operation or operations that were the subject of the recovery or the adjustment, nor, where the recovery or adjustment is made for a systemic irregularity, for existing operations within the whole or part of the priority axis in which the systemic irregularity occurred.

Article 36 Monitoring in the case of decentralised management, monitoring committees

- (1) In the case of decentralised management, the Beneficiary shall, within six months after the entry into force of the first financing agreement, set up an IPA monitoring committee, in agreement with the Commission, to ensure coherence and coordination in the implementation of the IPA components.
- (2) The IPA monitoring committee shall be assisted by sectoral monitoring committees set up under the IPA components. They shall be attached to programmes or components. They may include representatives of civil society, where appropriate. More detailed rules may be provided for in Financing Agreements or Sectoral Agreements.
- (3) The IPA monitoring committee shall satisfy itself as to the overall effectiveness, quality and coherence of the implementation of all programmes and operations towards meeting the objectives set out in the multi-annual indicative planning documents and the financing agreements.
 - (a) The IPA monitoring committee may make proposals to the Commission, the national IPA co-ordinator and the national authorising officer for any actions to ensure the coherence and co-ordination between the programmes and operations implemented under the different components, as well as for any cross-component corrective measures needed to ensure the achievement of the global objectives of the assistance provided, and to enhance its overall efficiency. It may also make proposals to the relevant sectoral monitoring committee(s) for decisions on any corrective measures to ensure the achievements of programme objectives and enhance the efficiency of assistance provided under the programmes or IPA component(s) concerned;
 - (b) The IPA monitoring committee shall adopt its internal rules of procedure in compliance with a monitoring committee mandate established by the Commission, and within the institutional, legal and financial framework of the Beneficiary;
 - (c) Unless otherwise provided in the monitoring committee mandate set out by the Commission, the following provisions shall apply:
 - aa) The IPA monitoring committee shall include among its members representatives of the Commission, the national IPA co-ordinator, the national authorising officer, representatives of the operating structures, and the strategic co-ordinator.

- bb) A representative of the Commission and the national IPA co-ordinator shall co-chair the IPA monitoring committee meetings;
- cc) The IPA monitoring committee shall meet at least once a year. Intermediate meetings may also be convened on a thematic basis.

Article 37 Monitoring in the case of centralised and joint management

In the case of centralised and joint management, the Commission may undertake any actions it deems necessary to monitor the programmes concerned. In the case of joint management, these actions may be carried out jointly with the international organisation(s) concerned.

Article 38 Annual and final reports on implementation

- (1) The operating structures shall draw up a sectoral annual report and a sectoral final report on the implementation of the programmes for which they are responsible, in compliance with the procedures defined for each IPA component in Part II of the IPA Implementing Regulation.

The sectoral annual reports on implementation shall cover the financial year. The sectoral final reports on implementation shall cover the whole period of implementation and may include the last sectoral annual report.

- (2) The reports referred to in paragraph 1 shall be sent to the national IPA co-ordinator, the national authorising officer and to the Commission, after examination by the sectoral monitoring committees.
- (3) On the basis of the reports referred to in paragraph 1, the national IPA co-ordinator shall send to the Commission and the national authorising officer, after examination by the IPA monitoring committee, annual and final reports on the implementation of assistance under the IPA Regulation.
- (4) The annual report on implementation referred to in paragraph 3, which shall be sent by 31 August each year and for the first time in 2008, shall synthesise the different sectoral annual reports issued under the different components and shall include information about:
 - a) progress made in implementing Community assistance, in relation to the priorities set up in the multi-annual indicative planning document and the different programmes;
 - b) financial implementation of Community assistance.
- (5) The final report on the implementation as referred to in paragraph 3 shall cover the whole period of implementation and may include the latest annual report mentioned in paragraph 4.

Article 39 Closure of programmes under decentralised management

- (1) After an application for final payment has been received by the Commission from the Beneficiary, a programme is considered closed as soon as one of the following occurs:

- payment of the final balance due by the Commission;
 - issuance of a recovery order by the Commission;
 - de-commitment of appropriations by the Commission.
- (2) The closure of a programme does not prejudice the right of the Commission to undertake a financial correction at a later stage.
 - (3) The closure of a programme does not affect the obligations of the Beneficiary to continue to retain related documents.
 - (4) In addition to paragraph 1 to 3 above, more detailed rules on the closure of programmes may be set out in Financing Agreements or Sectoral Agreements.

Article 40 Closure of programmes under centralised and joint management

- (1) A programme is closed when all the contracts and grants funded by this programme have been closed.
- (2) After a final payment application has been received, a contract or grant is considered closed as soon as one of the following occurs:
 - payment of the final amount due by the Commission;
 - issuance of a recovery order by the Commission following receipt of the final payment application;
 - de-commitment of appropriations by the Commission.
- (3) The closure of a contract or grant does not prejudice the right of the Commission to undertake a financial correction at a later stage.
- (4) In addition to paragraph 1 to 3 above, more detailed rules on the closure of programmes may be set out in Financing Agreements or Sectoral Agreements.

SECTION VI FINAL PROVISIONS

Article 41 Consultation

- (1) Any question relating to the execution or interpretation of this Framework Agreement shall be the subject of consultation between the Contracting Parties leading, where necessary, to an amendment of this Framework Agreement.
- (2) Where there is a failure to carry out an obligation set out in this Framework Agreement which has not been the subject of remedial measures taken in due time, the Commission may suspend the financing of activities under IPA after consultation with the Beneficiary.
- (3) The Beneficiary may renounce in whole or in part the implementation of activities under IPA. The Contracting Parties shall set out the details of the said renunciation in an exchange of letters.

Article 42 Settlement of differences, arbitration

- (1) Differences arising out of the interpretation, operation and implementation of this Framework Agreement, at any and all levels of participation, will be settled amicably through consultation as provided for under Article 41.
- (2) In default of amicable settlement, either Contracting Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of this Framework Agreement.
- (3) The language to be used in the arbitral proceedings shall be English. The appointing authority shall be the Secretary-General of the Permanent Court of Arbitration following a written request submitted by either Contracting Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.

Article 43 Disputes with third parties

- (1) Without prejudice to the jurisdiction of the court designated in a contract as the competent court for disputes arising out of that contract between the parties to it, the European Community shall enjoy in the territory of the former Yugoslav Republic of Macedonia immunity from suit and legal process with respect to any dispute between the European Community and/or the Beneficiary and a third party, or between third parties, which directly or indirectly relates to the provision of Community Assistance to the Beneficiary under this Framework Agreement, except in so far as in any particular case the European Community has expressly waived its immunity.
- (2) The Beneficiary shall in any legal or administrative proceedings before a court, tribunal or administrative instance in the former Yugoslav Republic of Macedonia defend this immunity and take a position which takes duly account of the interests of the European Community. Where necessary, the Beneficiary and the European Commission shall proceed with consultations on the position to take.

Article 44 Notices

- (1) Any communication in connection with this Framework Agreement shall be made in writing and in the English language. Each communication must be signed and must be supplied as an original document or by fax.
- (2) Any communication in connection with this Framework Agreement must be sent to the following addresses:

For the Commission:
European Commission
Directorate-General Enlargement
1049 Brussels
BELGIUM
Fax: +32 2 295.95.40

For the Beneficiary:
Secretariat for European Affairs
Government Building
Ilindenska bb
1000 Skopje
THE FORMER YUGOSLAV
REPUBLIC OF MACEDONIA
Fax: +389 (2) 3113 710

Article 45 Annexes

The Annexes shall be deemed an integral part of this Framework Agreement.

Article 46 Entry into force

This Framework Agreement shall enter into force on the day on which the Contracting Parties inform each other in writing of its approval in accordance with the existing internal legislation or procedure of each of the Parties.

Article 47 Amendment

Any amendment agreed to by the Contracting Parties will be in writing and will form part of this Agreement. Such amendment shall come into effect on the date determined by the Contracting Parties.

Article 48 Termination

- (1) This Framework Agreement shall continue to be in force for an indefinite period unless terminated by written notification by one of the Contracting Parties.
- (2) On termination of this Framework Agreement, any assistance still in the course of execution shall be carried out to its completion in accordance with this Framework Agreement and any Sectoral Agreement and Financing Agreement.

Article 49 Language

This Framework Agreement is drawn up in duplicate in the English language.

Signed, for and on behalf of the
Commission by

Signed, for and on behalf of the Beneficiary by

Mr Erwan FOUERE
Head of Delegation
EC Delegation
Skopje
Date: 29 October 2007

Ms Gabriela KONEVSKA TRAJKOVSKA
Deputy Prime Minister
Skopje
Date: 29 October 2007

ANNEX A

Allocation of functions and common responsibilities to the structures, authorities and bodies in accordance with Article 8 of the Framework Agreement between the Commission and the Beneficiary

Preliminary remark:

This list shows the main functions and common responsibilities of the structures, authorities and bodies concerned. It is not to be considered exhaustive. It supplements the core part of this Framework Agreement.

1) The Competent Accrediting Officer (CAO):

- a) The CAO shall be appointed by the Beneficiary. He shall be a high-ranking official in the government or the state administration of the Beneficiary.
- b) The CAO shall be responsible for issuing, monitoring and suspending or withdrawing the accreditation of the national authorising officer (NAO) both
 - as the head of the national fund bearing overall responsibility for the financial management of EU funds in the former Yugoslav Republic of Macedonia and being responsible for the legality and regularity of the underlying transactions;
 - with regard to the NAO's capacity to fulfil the responsibilities for the effective functioning of management and control systems under IPA.

The accreditation of the NAO shall also cover the national fund (NF).

The CAO shall notify the Commission of the accreditation of the NAO and shall inform the Commission of any changes regarding the accreditation of the NAO. This includes the provision of all relevant supporting information required by the Commission.

- c) Prior to accrediting the NAO, the CAO shall satisfy himself that the applicable requirements set out in Article 11 of the IPA Implementing Rules are fulfilled. This includes the verification of the compliance of the management and control system set up by the Beneficiary for effective controls in at least the areas set out in the Annex to the IPA Implementing Regulation (accreditation criteria). This annex provides for the following overall requirements:
 - Control environment (establishment and management of the organisation and the staff) comprising ethics and integrity policies, irregularity management and reporting, staff planning, recruitment, training and appraisal including sensitive post management, sensitive functions and conflicts of interest, establishment of legal bases for bodies and individuals, formal establishment of accountability, responsibility, delegated responsibility and any necessary related authority for all tasks and positions throughout the organisation);
 - Planning and risk management comprising risk identification, assessment and management, objective setting and allocation of resources against objectives, planning of the implementation process;

- Control activities (implementation of interventions) comprising verification procedures, procedures for supervision by accountable management of tasks delegated to subordinates, including annual statements of assurance from subordinate actors, rules for each type of procurement and calls for proposals, procedures including checklists for each step of procurement and calls for proposals, rules and procedures on publicity, payment procedures, procedures for monitoring the delivery of co-financing, budgetary procedures to ensure the availability of funds, procedures for continuity of operations, accounting procedures, reconciliation procedures, reporting of exceptions, amongst others exceptions to normal procedures approved at appropriate level, unapproved exceptions and control failures whenever identified, security procedures, archiving procedures, segregation of duties and reporting of internal control weaknesses;
- Monitoring activities (supervision of interventions), comprising internal audit with handling of audit reports and recommendations, evaluations;
- Communication (ensuring all actors receive information necessary to fulfil their role) comprising the regular coordination meetings between different bodies to exchange information on all aspects of planning and implementation and the regular reporting at all appropriate levels on efficiency and effectiveness of internal control.

2) **The National IPA Coordinator (NIPAC):**

- a) The NIPAC shall be appointed by the Beneficiary. He shall be a high-ranking official in the government or the state administration of the Beneficiary.
- b) He shall ensure the overall coordination of assistance under IPA.
- c) The NIPAC shall ensure partnership between the Commission and the Beneficiary and close link between the general accession process and the use of pre-accession assistance under IPA. He shall bear the overall responsibility for
 - the coherence and coordination of the programmes provided under IPA;
 - the annual programming for the Transition Assistance and Institution Building Component at national level;
 - the co-ordination of the participation of the Beneficiary in the relevant cross-border programmes both with Member States and with other Beneficiary countries, as well as the transnational, interregional or sea basins programmes under other Community instruments. The NIPAC may delegate the tasks relating to this co-ordination to a cross-border co-operation co-ordinator.
- d) The NIPAC shall draw up and, after examination by the IPA monitoring committee, submit to the Commission the IPA annual and final reports on implementation as defined in Article 38 of this Framework Agreement and in Article 61(3) of the IPA Implementing Regulation. He shall send a copy of these reports to the NAO.

3) The Strategic Co-ordinator:

- a) A strategic co-ordinator shall be appointed by the Beneficiary to ensure the co-ordination of the Regional Development Component and Human Resources Development Component under the responsibility of the national IPA co-ordinator. The strategic co-ordinator shall be an entity within the state administration of the Beneficiary with no direct involvement in the implementation of components concerned.
- b) The strategic co-ordinator shall in particular:
 - co-ordinate assistance granted under the Regional Development Component and the Human Resources Development Component;
 - draft the strategic coherence framework as defined in Article 154 of the IPA Implementing Regulation;
 - ensure co-ordination between sectoral strategies and programmes.

4) The National Authorising Officer (NAO):

The NAO shall be appointed by the Beneficiary. He shall be a high-ranking official in the government or the state administration of the Beneficiary.

The NAO shall fulfil the following functions and assume the following responsibilities:

- a) As the head of the national fund, bearing overall responsibility for the financial management of EU funds in the former Yugoslav Republic of Macedonia and being responsible for the legality and regularity of the underlying transactions. The NAO shall in particular fulfil the following tasks as regards these responsibilities:
 - providing assurance about the regularity and legality of underlying transactions;
 - drawing up and submitting to the Commission certified statements of expenditure and payment applications; he shall bear overall responsibility for the accuracy of the payment application and for the transfer of funds to the operating structures and/or final beneficiaries;
 - verifying the existence and correctness of the co-financing elements;
 - ensuring the identification and immediate communication of any irregularity;
 - making the financial adjustments required in connection with irregularities detected, in accordance with Article 50 of the IPA Implementing Regulation;
 - being the contact point for financial information sent between the Commission and the Beneficiary.
- b) being responsible for the effective functioning of management and control systems under IPA. The NAO shall in particular fulfil the following tasks as regards these responsibilities:
 - being responsible for issuing, monitoring and suspending or withdrawing the accreditation of the operating structures;

- ensuring the existence and effective functioning of systems of management of assistance under IPA;
- ensuring that the system of internal control concerning the management of funds is effective and efficient;
- reporting on the management and control system;
- ensuring that a proper reporting and information system is functioning;
- following-up the findings of audit reports from the audit authority, in accordance with Article 18 of this Framework Agreement and Article 30(1) of the IPA Implementing Regulation;
- immediately notifying the Commission, with a copy of the notification to the CAO, any significant change concerning the management and control systems.

As corollary to the responsibilities under a) and b) above, the NAO shall establish an Annual Statement of Assurance as defined in Article 17 of this Framework Agreement and following ANNEX B to this Agreement, which shall include:

- a) a confirmation of the effective functioning of the management and control systems;
- b) a confirmation regarding the legality and regularity of the underlying transactions;
- c) information concerning any changes in systems and controls, and elements of supporting accounting information.

If the confirmations regarding the effective functioning of the management and control systems and the legality and regularity of underlying transactions (a) and b) above) are not available, the NAO shall inform the Commission, copy to the CAO, of the reasons and potential consequences as well as of the actions being taken to remedy the situation and to protect the interests of the Community.

5) The National Fund (NF):

- a) The NF shall be a body located in a State level Ministry of the Beneficiary and shall have central budgetary competence and act as central treasury entity.
- b) The NF shall be in charge of tasks of financial management of assistance under IPA, under the responsibility of the NAO.
- c) The NF shall in particular be in charge of organising the bank accounts, requesting funds from the Commission, authorising the transfer of funds from the Commission to the operating structures or to the final beneficiaries and the financial reporting to the Commission.

6) The Operating Structures:

- a) An operating structure shall be established for each IPA component or programme to deal with the management and implementation of assistance under IPA. The operating structure shall be a body or a collection of bodies within the administration of the Beneficiary.

- b) The operating structure shall be responsible for managing and implementing the IPA programme or programmes concerned in accordance with the principle of sound financial management. For those purposes, the operating structure shall carry out a number of functions that include:
- drafting the annual or multi-annual programmes;
 - monitoring programme implementation and guiding the work of the sectoral monitoring committee as defined in Article 36(2) of this Framework Agreement and in Article 59 of the IPA Implementing Regulation, notably by providing the documents necessary for monitoring the quality of implementation of the programmes;
 - drawing up the sectoral annual and final implementation reports defined in Article 38(1) and (2) of this Framework Agreement and in Article 61(1) of the IPA Implementing Regulation and, after their examination by the sectoral monitoring committee, submitting them to the Commission the NIPAC and the NAO;
 - ensuring that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the programmes, and that they comply with the relevant Community and national rules;
 - setting up procedures to ensure the retention of all documents regarding expenditure and audits required to ensure an adequate audit trail;
 - arranging for tendering procedures, grant award procedures, the ensuing contracting, and making payments to, and recovery from, the final Beneficiary;
 - ensuring that all bodies involved in the implementation of operations maintain a separate accounting system or a separate accounting codification;
 - ensuring that the NF and the NAO receive all necessary information on the procedures and verifications carried out in relation to expenditure;
 - setting up, maintaining and updating the reporting and information system;
 - carrying out verifications to ensure that the expenditure declared has actually been incurred in accordance with the applicable rules, the products or services have been delivered in accordance with the approval decision, and the payment requests by the final Beneficiary are correct. These verifications shall cover administrative, financial, technical and physical aspects of operations, as appropriate;
 - ensuring internal audit of its different constituting bodies;
 - ensuring irregularity reporting;
 - ensuring compliance with the information and publicity requirements.
- c) The heads of the bodies constituting the operating structure shall be clearly designated and shall be responsible for the tasks assigned to their respective bodies, in accordance with Article 8(3) of this Framework Agreement and with Article 11(3) of the IPA Implementing Regulation.

7) The Audit Authority:

- a) The audit authority shall be designated by the Beneficiary and shall be functionally independent from all actors in the management and control system and comply with internationally accepted audit standards.
- b) The audit authority shall be responsible for the verification of the effective and sound functioning of the management and control systems.
- c) The audit authority, under the responsibility of its head, shall in particular fulfil the following functions and assume the following responsibilities:

- During the course of each year, establishing and fulfilling an annual audit work plan which encompasses audits aimed at verifying:

- the effective functioning of the management and control systems;
- the reliability of accounting information provided to the Commission.

The audit work shall include audits of an appropriate sample of operations or transactions, and an examination of procedures.

The annual audit work plan shall be submitted to the NAO and the Commission before the start of the year in question.

- submitting reports and opinions as follows:

- an annual audit activity report following the model in ANNEX C to this Framework Agreement and setting out the resources used by the audit authority, and a summary of any weaknesses found in the management and control system or in transaction findings from the audits carried out in accordance with the annual audit work plan during the previous 12 month period, ending on 30 September of the year concerned. The annual audit activity report shall be addressed to the Commission, the NAO and the CAO by 31 December each year. The first such report shall cover the period 1 January 2007 - 30 November 2007.
- an annual audit opinion following the model set out in ANNEX D to this Framework Agreement as to whether the management and control systems function effectively and conform to the requirements of this Framework Agreement and the IPA Implementing Regulation and/or any other agreements between the Commission and the Beneficiary. This opinion shall be addressed to the Commission, the NAO and the CAO. It shall cover the same period and have the same deadline as the annual audit activity report.
- an opinion on any final statement of expenditure submitted to the Commission by the NAO, for the closure of any programme or of any part thereof. Where appropriate, the final statement of expenditure may include payment applications in the form of accounts submitted annually. This opinion shall address the validity of the final payment application, the accuracy of the financial information, and, where appropriate, be supported by a final audit activity report. It shall follow the model provided in ANNEX E to this Framework Agreement. It shall be sent to the Commission and to the CAO at the same time as the relevant final statement of expenditure submitted by the NAO, or at least within three months of the submission of that final statement of expenditure.

- Further specific requirements for the annual audit work plan and/or the reports and opinions mentioned under the previous bullet point may be set out in the Sectoral Agreements or Financing Agreements.
- With regard to the methodology for the audit work, reports and audit opinions, the audit authority must comply with international standards on auditing in particular as regards the areas of risk assessment, audit materiality and sampling. That methodology may be complemented by any further guidance and definitions from the Commission, notably in relation to an appropriate general approach to sampling, confidence levels and materiality.

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ANNEX B

to the Framework Agreement between the Commission and the
Government of the former Yugoslav Republic of Macedonia

Statement of Assurance¹

of the National Authorising Officer of (country)²

I, (name, first name, official title or function), National Authorising Officer of (country) herewith present to the Commission the [statement of expenditure] [accounts and statement of expenditure]³ of the Instrument for Pre-accession (IPA) for (country) for the financial year 01/01/20xx to 31/12/20xx.

I declare that I have put in place, and supervised the operation of, a management and internal control system relating to the IPA component [1 to 5] (Annual Management Declaration).

I confirm, based on my own judgment and on the information at my disposal, including, *inter alia*, the results of the work of the internal audit, that:

- The expenditure declared [and the accounts submitted]³ to the Commission during the financial year 01/01/20xx to 31/12/20xx give[s], to the best of my knowledge, a true, complete and accurate view of the expenditure and receipts related to the IPA component [1 to 5] for the financial year mentioned above;
- The management and control system has functioned effectively to provide reasonable assurance on the legality and regularity of the underlying transactions including, *inter alia*, the adherence to the principles of sound financial management;
- The management and control system in operation for component [1 to 5] was not [significantly]⁴ changed as compared to the description provided at the moment of submitting the application for conferral of management (taking into account of changes notified to the Commission in previous years);
- All relevant contractual agreements which could have a material effect on the expenditure declared [and the accounts submitted]³ during the reference period in the event of non-compliance have been complied with. There have been no incidences of non-compliance with Community rules that could have a material effect on the expenditure declared [and the accounts submitted]³ in the event of non-compliance.

I confirm that, where necessary, I have taken appropriate actions in respect of the reports and opinions from the audit authority issued to date in accordance with Article 29 of the IPA Implementing Rules.

¹ per component

² pursuant to Article 27 of the IPA Implementing Regulation

³ option to be selected for component 5

⁴ where appropriate

[This assurance is, however, subject to the following reservations <also describe remedial actions>:

- ...
- ...]

Furthermore, I confirm that I am not aware of any undisclosed matter which could be damaging to the financial interest of the Community.

(Place and date of issue

Signature

Name and official title or function of the National Authorising Officer)



ANNEX C

to the Framework Agreement between the Commission and the
Government of the former Yugoslav Republic of Macedonia

Annual Audit Activity Report¹

of the Audit Authority of (country)²

addressed to

- the European Commission, Directorate-General ...
- the Competent Accrediting Officer (CAO) of (country) and
- [copy to]³ the National Authorising Officer (NAO) of (country)

1. INTRODUCTION

- Identify the component/programme of IPA covered by the report
- Indicate the bodies that have been involved in preparing the report, including the Audit Authority itself
- Describe the steps taken for the preparation of the report
- Indicate the scope of the audits (including the expenditure declared to the Commission for the year concerned in respect of the relevant operations)
- Indicate the period which is covered by this annual audit activity report (*previous 12 months ending on 30/09/20xx*)

2. SUMMARY OF FINDINGS

- Describe the nature and extent of findings arisen from both systems and substantive testing. (Categorise these findings by reference to their level of importance - "major", "intermediate" and "minor". The list of these findings is shown in the annex to this report). Indicate those errors, which are considered systemic in nature and assess the probability of a possible subsequent qualification linked to the errors. Describe and quantify any irregularities encountered.

3. CHANGES IN MANAGEMENT AND CONTROL SYSTEMS

- Indicate any significant changes in the management and control systems as compared to the description provided for at the moment of submitting the application for conferral of management (decentralised management) and since the last annual audit activity report.
- Confirm whether or not the changes referred to have been communicated by the NAO in accordance with Annex A 4) b) of the Framework Agreement.

¹ per component

² pursuant to Article 29(2)(b) of the IPA Implementing Regulation

³ option to be selected

4. CHANGES TO THE ANNUAL AUDIT WORK PLAN

- Indicate any changes that have been made to the annual audit work plan or are proposed, giving explanations and reasons.
- Given the changes listed above, describe the audit approach adopted in response. Outline the implications of the changes and deviations, including an indication of the basis for selection of any additional audits in the context of the revised annual audit work plan.

5. SYSTEMS AUDITS

- Indicate the bodies that have carried out systems testing for the purpose of this report, including the Audit Authority itself.
- Attach a summary list of the audits carried out; indicate the materiality and confidence levels applied (%), where appropriate, and the date on which the audit report was forwarded to the Commission.
- Describe the basis for selection of the audits in the context of the annual audit work plan.
- Describe the principal findings and the conclusions drawn from the audit work for the management and control systems, including the adequacy of the audit trail and compliance with Community requirements and policies.
- Indicate any financial impact of findings.
- Provide information on the follow-up of the audit findings and in particular any corrective and preventive measures applied or recommended.

6. AUDITS OF SAMPLE OF OPERATIONS

- Indicate the bodies that have carried out substantive testing for the purpose of this report, including the Audit Authority itself.
- Attach a summary list indicating the number of audits carried out, the materiality and confidence levels applied (%), where appropriate, and the amount of expenditure checked, broken down by components, programme priority axis and/or measure if relevant, distinguishing between risk-based and statistical sampling, where appropriate. Provide the percentage of expenditure checked in relation to total eligible expenditure declared to the Commission (both for the period in question and cumulatively).
- Describe the basis for selection of the operations inspected.
- Describe the principal results of the substantive testing, indicating in particular, the overall rate of financial errors in proportion to the total expenditure audited resulting from the sample.
- Provide information on the follow-up of errors the application of any financial adjustments and/or any remedial action plan.
- Indicate any resulting financial corrections.

7. CO-ORDINATION BETWEEN AUDIT BODIES AND SUPERVISORY WORK OF THE AUDIT AUTHORITY

- Describe the procedure for co-ordination between different national audit bodies and the audit authority itself (if applicable).
- Describe the procedure for supervision applied by the audit authority to other audit bodies (if applicable).

8. FOLLOW-UP OF PREVIOUS YEARS' AUDIT ACTIVITY

- Provide information, where appropriate, on the follow-up to audit recommendations and results of audits of operations from earlier years.

9. RESOURCES USED BY THE AUDIT AUTHORITY

- Describe the resources used in order to establish this Annual Audit Activity Report

ANNEX: Annual audit work plan for the reference year (*previous 12 months ending on 30/09/20xx*)

[List of findings according to point 2 above]

[List of changes according to point 4 above]

[Summary list according to point 5 above following the model enclosed]

[Summary list according to point 6 above following the model enclosed]

{Summary list according to point 5 above} FOR SYSTEMS AUDITS

Date of performance of the systems audit	Programme / system audited	Auditing entity	Expenditure declared in reference year	Total cumulative expenditure declared	Basis of selection of the programme

{Summary list according to point 6 above} FOR DECLARED EXPENDITURE AND SAMPLE AUDITS

Fund	Reference (CCI no)	Programme	Expenditure declared in ref year	Expenditure in ref year audited for the random sample	Amount and percentage (error rate) of irregular expenditure in random sample (3)	Other expenditure audited (4)	Amount of irregular expenditure in other expenditure sample	Total expenditure declared cumulatively	Total expenditure audited cumulatively as a percentage of total expenditure declared cumulatively	Materiality level (%)	Confidence level (%)

1. Amount of expenditure audited.
2. Percentage of expenditure audited in relation to expenditure declared to the Commission in the reference year.
3. Where the random sample covers more than one Fund or programme, the information is provided for the whole sample.
4. Expenditure from complementary sample and expenditure for random sample not in reference year.

ANNEX D

to the Framework Agreement between the Commission and the
Government of the former Yugoslav Republic of Macedonia¹

Annual Audit Opinion

of the Audit Authority of (country)² on the management and control systems

addressed to

- the European Commission, Directorate-General
- the Competent Accrediting Officer (CAO) of (country) and
- [copy to]³ the National Authorising Officer (NAO) of (country)

Introduction:

I, (name, first name, official title or function), Head of the Audit Authority of (country), (name of Audit Authority designated), have examined the functioning of the management and control systems for the operations under component [1 to 5] of the Instrument for pre-accession (IPA) during the previous 12-month period ended on (date), as presented in the description sent to the Commission on (date) at the moment of submitting the application for conferral of management (taking into account of changes notified to the Commission in previous years on (date) together with the changes identified in the annual audit activity report accompanying this opinion).

The objective of this examination is to issue an opinion on the conformity of the management and control systems with the Framework Agreement and/or any other agreements between the Commission and (country) in the framework of IPA and as to whether these management and control systems - designed to contribute to the production of reliable [statements of expenditure] [accounts and statements of expenditure]⁴ presented to the Commission and therefore to help to ensure, inter alia, the legality and regularity of the transactions underlying those statements - were operated effectively.

Respective responsibilities of the NAO and the auditors:

The NAO is responsible, inter alia, for the preparation and fair presentation of the Statement of Assurance in accordance with Article 25 of the IPA Implementing Regulation (IPA IR). This responsibility includes the expression of a representation as regards the truth, completeness and accuracy of the expenditure declared [and the accounts submitted]³ to the Commission, as well as whether the effective functioning of the management and control systems under IPA provides reasonable assurance as to the legality and regularity of transactions underlying the Statement.

The NAO should base his/her assessment upon all information at his/her disposal. This includes the work of the internal audit service.

¹ per component

² pursuant to Article 29(2)(b) of the IPA Implementing Regulation

³ option to be selected

⁴ option to be selected depending on the component

My responsibility in this report – in accordance with Article 29(2)(b) 2nd indent of the IPA IR - is to express an opinion on the effective functioning of the management and control systems established for the operations under the IPA component [1 to 5] during the previous 12-month period ended on *(date)* in all material respects.

Our audits are organised with this objective in mind (together with the objective of also providing opinions on expenditure declared [and annual accounts of Component 5]⁵ and final statements of claim). We organise an overall audit work plan to fulfil all our responsibilities under Article 29 IPA IR. We did not plan and perform our audits with a view to be able to express an overall opinion on the reliability of the NAO's Statement of Assurance as such. However, we do state our conclusions whether the results of the audit work that we have carried out give rise to any significant doubts in respect of the Statement of Assurance. In particular we have assessed whether our audit findings are consistent with the presence or absence of reservations by the NAO to the Statement of Assurance. We conducted our audits in accordance with international auditing standards. Those standards require, inter alia, that we comply with ethical requirements, and that we plan and perform the audits to obtain reasonable assurance on which to base our opinion.

I believe that the work carried out provides a sound basis for our opinion.

Scope of the examination:

The audit assignments were carried out in accordance with the annual audit work plan in respect of this component during the 12-month period in question and reported in the annual audit activity report covering the period until ... *(date)*.

Our system-based audit included an examination, on a test basis, of the design and operation of the management and control systems put in place by the beneficiary to effectively manage those risks which threaten the production of reliable [statements of expenditure] [accounts and statements of expenditure]³ presented to the Commission.

Indicate any limitations on the scope of the examination:

- Explain any limitations

Auditors' Opinion:

[Option 1 - Unqualified opinion

Based on the examination referred to above, it is my opinion that for the period 1 October 20xx until 30 September 20xx+1) the management and control systems established for the component [1 to 5] to contribute to the production of reliable [statements of expenditure] [accounts and statements of expenditure]³ presented to the Commission and, therefore, to help to ensure, inter alia, the legality and regularity of the transactions underlying those statements, functioned effectively and, concerning its design and operation, complied in all material respects with all applicable requirements of the IPA Framework Agreement and/or any other agreements between the Commission and *(country)* in the framework of IPA. Without expressing an opinion on the overall reliability of the Statement of Assurance I conclude that the Statement of Assurance issued by the NAO did not contain any representations that would be materially inconsistent with our audit findings and which would therefore provide any reason to doubt that the Statement of Assurance has been correctly drawn up in accordance with the applicable legislation.

⁵ option to be selected for component 5

The audits were conducted between DD/MM/20YY and DD/MM/20YY. A report on my findings is delivered at the same date as the date of this opinion.

(Place and date of issue

Signature

Name and official title or function of the Head of the Audit Authority designated))

[Option 2 - Qualified opinion⁶

Based on the examination referred to above, it is my opinion that for the period 1 October 20xx until 30 September 20xx+1) the management and control systems established for the component [1 to 5] to contribute to the production of reliable [statements of expenditure] [accounts and statements of expenditure]³ presented to the Commission and, therefore, to help to ensure, inter alia, the legality and regularity of the transactions underlying those statements, functioned effectively and, concerning its design and operation, complied in all material respects with all applicable requirements of the IPA Framework Agreement and/or any other agreements between the Commission and (country) in the framework of IPA except in the following respects:

- State and explain the qualifications (whether due to disagreement with the NAO or scope limitation); in particular, indicate the bodies concerned
- Indicate whether the qualifications are of a recurring / systemic nature or one-off

As a consequence, [(country)] [the ... authority] [any other actor(s)] has failed to comply with the requirements of the IPA Framework Agreement and/or any other agreements between the Commission and (country) in the framework of IPA.

I estimate the impact of the qualification(s) to be ... EUR [%] of the total expenditure declared, corresponding to ... EUR [%] of the public contribution. The Community contribution affected is thus.... Without expressing an opinion on the overall reliability of the Statement of Assurance as a whole, I conclude that the Statement of Assurance issued by the NAO contained representation(s) that is / are materially inconsistent with our audit findings and which therefore provide(s) some reason to doubt that the Statement of Assurance has been correctly drawn up in accordance with the applicable legislation in this respect. This/These reservation(s) and inconsistency(ies) is / are: <describe reservation>

The audits were conducted between DD/MM/20YY and DD/MM/20YY. A report on my findings is delivered at the same date as the date of this opinion.

(Place and date of issue

Signature

Name and official title or function of the Head of the Audit Authority designated))

[Option 3 - Adverse opinion

⁶ applicable due to either disagreement with the NAO or scope limitation.

BT

Based on the examination referred to above, it is my opinion that for the period 1 October 20xx until 30 September 20xx+1) the management and control systems established for the IPA component [1 to 5] to contribute to the production of reliable [statements of expenditure] [accounts and statements of expenditure]³ presented to the Commission and, therefore, to help to ensure, inter alia, the legality and regularity of the transactions underlying those statements, did not function effectively and, concerning its design and operation, failed to comply, in significant respects, with applicable requirements of the IPA Framework Agreement and/or any other agreements between the Commission and (country) in the framework of IPA.

This adverse opinion is based on the following observation(s):

- Describe the circumstances giving rise to the reservations – together with its significant compliance implications with Community rules - and name in particular the bodies affected, if applicable.

Because of the effects of the matters described in the preceding paragraph [(country)] [the ... authority] [any other actor(s)] has failed to comply with the requirements of the IPA Framework Agreement and/or any other agreements between the Commission and (country) in the framework of IPA.

The audits were conducted between DD/MM/20YY and DD/MM/20YY. A report on my findings is delivered at the same date as the date of this opinion.

(Place and date of issue

Signature

Name and official title or function of the Head of the Audit Authority designated))

[Option 4 - Disclaimer of opinion

Because of the significance of the matter discussed in the preceding paragraph, I do not express an opinion on the effectiveness of the management and control systems under the IPA component [1 to 5] for the period 1 October 20xx until 30 September 20xx+1 and its conformity with the IPA Framework Agreement and/or any other agreements between the Commission and (country) in the framework of IPA. Without expressing an opinion on the overall reliability of the Statement of Assurance as a whole, I conclude that the Statement of Assurance issued by the NAO contained representation(s) that is / are materially inconsistent with our audit findings and which therefore provide(s) some reason to doubt that the Statement of Assurance has been correctly drawn up in accordance with the applicable legislation in this respect. This/These reservation(s) and inconsistency(ies) is / are: <describe reservation>

(Place and date of issue

Signature

Name and official title or function of the Head of the Audit Authority designated))

ANNEX E

to the Framework Agreement between the Commission and the
Government of the former Yugoslav Republic of Macedonia¹

Audit Opinion

of the Audit Authority of (country)²

on the final statement of expenditure of the {programme with reference: ...}

[on the accounts and statement of expenditure of component 5]³

[part ... of the programme with reference: ...]

[as supported by the final Audit Activity Report]⁴

addressed to

- the European Commission, Directorate-General
- the Competent Accrediting Officer (CAO) of (country)

1. Introduction

I, (name, first name, official title or function), Head of the Audit Authority of (country), (name of Audit Authority designated), have examined the results of the audit work carried out on the programme (indicate programme - title, component, period, reference (CCI) number) by or under the responsibility of the Audit Authority in accordance with the audit work plan [and have carried out additional work as I judged necessary].

2. Respective responsibilities of the National Authorising Officer (NAO) and the auditors

In accordance with Article 25 of the IPA Implementing Regulation (IPA IR) the preparation and fair presentation of the expenditure statements submitted to the Commission, as well as ensuring the legality and regularity of the transactions underlying those statements, rest with the NAO.

[This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances]³.

My responsibility in this report – in accordance with Article 29(2)(b) 3rd indent of the IPA IR – is to express an opinion [on the reliability of the final statement of expenditure] [on the reliability of statement of expenditure and annual accounts]³ [and the validity of the final payment application] submitted by the NAO. I conducted the audits in accordance with international auditing standards.

¹ per component

² pursuant to Article 29(2)(b) of the IPA Implementing Regulation

³ option to be selected for component 5

⁴ where appropriate, in any case not applicable to component 5

Those standards require that I plan and perform the audits in order to obtain reasonable assurance about whether the statement of expenditure [and the annual accounts]³ [and the payment application for the final balance of the Community contribution to the programme] is [are] free of material misstatement [and the effectiveness of internal control procedures]³.

We organise an overall audit work plan to fulfil all our responsibilities under Article 29 of the IPA IR. The audits included [examination, on a test basis, of evidence supporting the amounts and disclosures in the final statement of expenditure and the payment application for the final balance of the Community contribution to the programme] [examination, on a test basis, of evidence supporting the information in the annual accounts, an examination of procedures and of an appropriate sample of transactions to obtain audit evidence about the amounts and disclosures in the statement of expenditure and the annual accounts]³. [The audits covered compliance of payments with Community rules only as regards the capability of the accredited administrative structures to ensure that such compliance has been checked before payment is made]⁵.

I believe that my audits provide a reasonable basis for my opinion.

3. Scope of the examination

I have conducted my examination in accordance with Article 29(2)(b) IPA IR.

<The scope of our examination was not designed to form an opinion on the legality and regularity of the transactions underlying the final statement of expenditure submitted to the Commission.>⁶ <There were no limitations on the scope of the examination.>⁵

The scope was further limited by the following factors:

- (a) ...
- (b) ...
- (c) ..., etc.

(Indicate any limitation on the scope of the examination, for example any systemic problems, weaknesses in the management and control system, lack of supporting documentation, cases under legal proceedings, etc., and estimate the amounts of expenditure and the Community contribution affected. If the Audit Authority does not consider that the limitations have an impact on the final expenditures declared, this should be stated.)

4. Errors and irregularities

[The error rates and cases of irregularity found in the audit work are not such as to preclude an unqualified opinion given the satisfactory way they have been dealt with by the NAO and the trend in the level of their occurrence over time.]

Or

[The rate of errors and irregularities found in the audit work and the way, they have been dealt with by the NAO, are such as to preclude an unqualified opinion. A list of these cases is provided in the final audit activity report together with an indication of their possible systemic character and the scale of the problem.]

³ optional for component 5

⁶ option to be selected

5. Auditors' opinion on the final statement of expenditure

[Option 1 - Unqualified opinion

(If there have been no limitations on the scope of the examination, and the error rates and cases of irregularity and the way they have been dealt with by the NAO do not preclude an unqualified opinion)

[Based on the examination referred to above covering the audit work carried out in accordance with Article 29(2)(b) IPA IR (and the additional work I have performed), it is my opinion that the accounts submitted to the Commission for the operations under the IPA component [1 to 5] for the period from (date) to (date) (in particular, the statement of expenditure) are presented fairly, in all material respects <, including those pertaining to the legality and regularity of the underlying transactions>⁷ [and the internal control procedures have operated satisfactorily]³.]

Or

[Based on the examination referred to above covering the audit work carried out in accordance with Article 29(2)(b) IPA IR (and the additional work I have performed), it is my opinion that the final statement of expenditure presents fairly, in all material respects - <including those pertaining to the legality and regularity of the underlying transactions>⁷ - the expenditure paid under the operational programme with reference: ... of the IPA component [1 to 5] for the period from (date) to (date), and that the application for payment of the final balance of the Community contribution to this programme is valid.]

My audits were conducted between DD/MM/20YY and DD/MM/20YY.

(Place and date of issue

Signature

Name and official title or function of the Head of the Audit Authority designated))

[Option 2 - Qualified opinion

(If there have been limitations on the scope of the examination and/or the error rates and cases of irregularity and the way they have been dealt with by the NAO calls for a qualified opinion but do not justify an unfavourable opinion for all the expenditure concerned)

[Based on the examination referred to above covering the audit work carried out in accordance with Article 29(2)(b) IPA IR (and the additional work I have performed), it is my opinion that the accounts submitted to the Commission for the operations under the IPA component [1 to 5] for the period from (date) to (date) are presented fairly in all material respects - <including those pertaining to the legality and regularity of the underlying transactions>⁷ [and the internal control procedures have operated satisfactorily]³ - except in the following respects:

- (a) ...
- (b) ...
- (c) ..., etc.

(state the qualifications, in particular the bodies concerned, and explain, e.g. whether they are of a recurring / systemic nature or one-off)

⁷ to be included optionally for components where applicable (see foot-note 6 above).

I estimate the impact of the qualification(s) to be [EUR] [%]... of the total expenditure declared, [corresponding to [EUR] [%] of the public contribution]. The Community contribution affected is thus].

Or

[Based on the examination referred to above covering the audit work carried out in accordance with Article 29(2)(b) IPA IR [and the additional work I have performed], it is my opinion that the final statement of expenditure presents fairly, in all material respects - <including those pertaining to the legality and regularity of the underlying transactions>⁷ the expenditure paid under the operational programme with reference:... of the IPA component [1 to 5] for the period from (date) to (date), and that the application for payment of the final balance of the Community contribution to this programme is valid except with regard to the matters referred to at point 3 above and/or to the observations at point 4 regarding the error rates and cases of irregularity and the way they have been dealt with by the NAO.

I estimate the impact of the qualification(s) to be [EUR] [%]... of the total expenditure declared, [corresponding to [EUR] [%] of the public contribution]. The Community contribution affected is thus].

My audits were conducted between DD/MM/20YY and DD/MM/20YY.

(Place and date of issue

Signature

Name and official title or function of the Head of the Audit Authority designated))

{Option 3 - Adverse opinion

(If the nature and extent of the errors and of the cases of irregularities and the way they have been dealt with by the NAO are so pervasive that a qualification is deemed inadequate to disclose the misleading nature of the final statement of expenditure as a whole)

[Based on the examination referred to above covering the audit work carried out in accordance with Article 29(2)(b) IPA IR [and the additional work I have performed], and in particular in view of the nature and extent of the errors and of cases of irregularities and the fact that they have not been dealt with satisfactorily by the NAO as disclosed under point 4, it is my opinion that that the accounts submitted to the Commission for the operations under the IPA component [1 to 5] for the period from (date) to (date) are not presented fairly, in all material respects [and the internal control procedures have not operated satisfactorily]⁷.]

OR

[Based on the examination referred to above covering the audit work carried out in accordance with Article 29(2)(b) IPA IR [and the additional work I have performed], it is my opinion that the final statement of expenditure does not present fairly, in all material respects - <including those pertaining to the legality and regularity of the underlying transactions>⁷ the expenditure paid under the operational programme with reference:... of the IPA component [1 to 5] for the period from (date) to (date), and that the application for payment of the final balance of the Community contribution to this programme is not valid.]

My audits were conducted between DD/MM/20YY and DD/MM/20YY.

(Place and date of issue

Signature

Name and official title or function of the Head of the Audit Authority designated))

[Option 4 - Disclaimer of opinion

(If there have been major limitations on the scope of the examination such that no conclusion can be reached on the reliability of the final statement of expenditure without considerable further work)

[Based on the examination referred to above covering the audit work carried out in accordance with Article 29(2)(b) IPA IR [and the additional work I have performed], and in particular in view of the matters referred to at point 3, I am unable to express an opinion.

(Place and date of issue

Signature

Name and official title or function of the Head of the Audit Authority designated))

- [copy to: National Authorising Officer (NAO) of (country)]⁶