

ANNEX

TEMPLATE FOR INTERREG PROGRAMMES

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| NUTS regions covered by the programme | Republic of Bulgaria - 6 NUTS III level districts: Vidin, Montana, Vratsa, Sofia, Pernik, Kyustendil Republic of Serbia – 7 NUTS III districts: Borski, Zaječarski, Pirotski, Nišavski, Toplički, Jablanički, Pčinjski |
| Strand | A |

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

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

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

The Bulgaria – Serbia CBC area is located in South East Europe and covers 13 NUTS III regions or equivalents, namely: 6 districts on Bulgarian side - Vidin, Montana, Vratsa districts Sofiyska oblast, Pernik and Kyustendil and 7 districts on the Serbian side - Bor, Zaječar, Nišava, Toplica, Pirot, Jablanica and Pčinja.

The length of the border between Bulgaria and Serbia is 341 km, 315 of which land border (including five operating border crossings Bregovo - Mokranje, Kula - Vrska Čuka, Kalotina - Gradina, Strezimirovci and Otomanci - Ribarci) and respectively 26 km along the Timok River. The total CBC area covers of 43 963 km². In Bulgaria representing 20,56% of the total country territory, while in Serbia it represents 12,09%.

The total population of the programme area 14.13% of the total population of both countries with average population density of 45,67 inhabitants per sq. km.

The settlement structure is characterized by sparse population, small size of settlements and limited number of bigger cities such as Vidin, Montana, Vratsa, Pernik and Kyustendil (on the Bulgarian side) and Pirot, Niš and Dimitrovgrad (on the Serbian side).

The border Mountains of Osogovo and Vlahina are also located there, as well as parts of several other mountains: Stara planina, Rila, Verila, Konyavska and Zemenska, (on the Bulgarian side) and Stara planina, Deli Jovan, Rtanj, and Ozren (on Serbian side).

The programme area is rich in water resources: rivers, the Danube River which borders the region to the North is a natural resource with strong potential for the region, Nišava, Timok, Erma, Struma, Iskar, Ogosta and Lom; lakes (Ogosta and Vlasina, numerous smaller ponds complement the rich water resources of the region) available across the whole cooperation area.

The climate is diverse, from moderate-continental, transitional-continental to mountainous. The border region is assessed as having rich cultural and natural heritage and a high level of environmental sensitivity in terms of climate change.

1.2. Joint programme strategy: Summary of main joint challenges, taking into account economic, social and territorial disparities as well as inequalities, joint investment needs and complementary and synergies with other other funding programmes and instruments, lessons-learned from past experience and macro-regional strategies and sea-basin strategies where the programme area as a whole or partially is covered by one or more strategies¹.

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

1. ECONOMIC, SOCIAL AND TERRITORIAL DISPARITIES

Multifaceted factors collide and shape the specific context of the cross-border cooperation at EU external borders. It is impossible for one to shadow the dividing lines on the EU external borders whose particularities can be traced in every policy domain and institutional setting. One such factor is the lasting negative impact of the historically rooted detachment of the two neighboring countries on the CBC area which continues to overwhelm the prosperity of the region. Another factor is the divergent institutional governance structures in both countries, which often affects attempts to joint and integrated actions and solutions. The simultaneous implementation of the EU enlargement and cohesion policy often gets in conflict while pursuing their individual goals. All these are only few of the preconditions that determine different strategic focus and implementation approaches in Interreg programs of external and internal borders. While most EU internal programs provide support for solutions to global challenges, the CBC-IPA territories are still confronted with the need to catch up in their socio-economic development. Therefore, the main joint challenge of the CBC region for 2021-2027 is to leave the group of lagging regions and take on more advanced course of development while still facing persistent risk of poverty and income inequalities issues urged by negative demographic change, underdeveloped CBC regional value chains and entrepreneurship, low technological specialization, unattractive and uncompetitive business setting. The following territorial divergence pattern across the CBC area can be outlined: a tendency for higher scores on the efficiency dimension (GDP and GVA), but lower scores on the basic dimension (infrastructure, health and education), innovation (digital readiness and business dynamisms) and environmental protection (diverse sources of all forms of pollution, limited capacity for civil protection against natural hazards). When these economic pushbacks take place in a weak cross-border institutional context and in the absence of carbon free practices, the prospects for territorial cohesion in line with EU objectives (Territorial Agenda 2030; Green Deal) are further challenged. The carried out Territorial Analysis for programming purposes and its updated version allows for structuring main findings into the following groups of policy areas, viewed from the perspectives of disparities and driving forces for development:

1.1. Negative demographic change

The programme area is sparsely populated having population density below the national average of the corresponding country. In general, the CBC area is characterised by a negative natural population change, negative net migration and high proportion of population aged 65 years and more, as follows (2019 data):

nation-level) data are used instead, accounting for comparability (in terms of sourcing, measurement and timeliness), reciprocity and relevancy in the CBC context so as to better capture territorial dimension of sector policies at all governance levels, whose need for that is highlighted in the Territorial Agenda 2030. There is one more methodological issue - due to large number of administrative units (13 in total) that shape the programme area and in order for the narrative to be as concise and, at the same time, informative as possible, quantitative data used are averaged per territory, e.g. Bulgarian part of the CBC area (average) / Serbian part of the CBC area (average). When observing trends vary significantly across districts, the intraregional disparities are presented per district instead of being averaged.

BG CBC area (average): Natural population change (-1720), Net migration (-602), 65 years and more (26%);

RS CBC area (average): Natural population change (-1217), Net migration (-364), 65 years and more (23%)

In overall, the demographics of the programme area do not differ considerably from others EU identical territories, but unlike them, the CBC area lacks incentives and measures to counter the unfavourable implications of the negative demographic change. Attractive job prospects, including measures of the silver economy, better business environment and better quality of services of general interest may do half of the work limiting outmigration, increasing births and generating higher regional income. As the next section exemplifies, low income levels and inequalities continue to drawback the economic development of the CBC area.

1.2 Poverty and income intraregional inequalities

Eurostat data² show that the CBC territory falls within the groups of regions with the second highest rate of poverty risk and social exclusion. Nearly one quarter of the total population (BG – 32.8%, RS– 31.7%) and at least half of the unemployed (BG – 58.7%, RS – 47.5%) were viewed as being at risk of poverty in 2019. Bulgaria holds the third highest rate (24%) of retired persons in the EU-27 at risk of poverty in 2019, while reciprocal data for Serbia place the country in a better position (14.9%), being below the EU28 (2013-2020) average (15.5%). It should be noted, that nearly one third of the CBC population is concentrated in the 8th poorest EU NUTS 2 region for 2019 – the Northwest region of Bulgaria. In the 2019 Regional Competitiveness Index the region reported negative scores in all observed indicators except Macroeconomic stability.

In terms of income inequalities, the Eurostat indicator “income quintile share ratio”³ shows opposite processes that undergo in both countries, yet their individual performance is below the EU average:

EU28 (2013-2020): 5.22 (2015); 5.09 (2019);

Bulgaria: 7.11 (2015); 8.10 (2019);

Serbia: 10.70 (2015); 6.46 (2019)

Conditions for income equalization have been improved in Serbia, while opposite trend has been observed in Bulgaria. The correlation between aging and income inequalities is evident, especially in territories with high rates of retired persons at risk of poverty (Bulgaria). One approach to address that issue is to propose economic incentives for more active inclusion of elderly in the social, civic and economic life. From a more general perspective, however, poverty eradication presents a complex challenge. Beside hunger and malnutrition, its manifestations include limited access to education and other basic services, social discrimination and exclusion as well as the lack of participation in decision-making. Various social groups bear disproportionate burden of poverty and income distribution. Therefore, all these aspects call for integrated, multi-sectoral and multi-governance approach to address the root causes of poverty, provide for basic needs for all and ensure that the poor

² https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_statistics_at_regional_level#Poverty_and_deprivation

³ https://ec.europa.eu/eurostat/databrowser/view/ilc_di11/default/table?lang=en

have access to productive resources, including education and training so as to achieve sustainable livelihoods and quality living.

1.3 Disparities in educational and employment outcomes

Serbian part of the programme area is equipped with more education facilities as % of their total number in the country. The higher number of formal education institutions in the Serbian part of the CBC area is determined by its larger population. Nevertheless, comparable data show that Serbian population of the programme area has better accessibility to formal education services, than the Bulgarian population on the other side of the border. This is particularly relevant when it comes to the assessment of the pupil/teacher ratio in primary and secondary education – on the Serbian territory it is 8.3, while equivalent data for the Bulgarian part of the area account for 11.3. There is no optimum number for this ratio, however, a lower ratio tends to indicate a more positive and tailored teaching approach.

The share of attained primary and secondary education level in the whole CBC area is slightly above or very close the national average of the respective country. The drop out of school rates have been decreasing every year. Serbia outperforms Bulgaria and the EU average on the Eurostat ‘Early leavers from education and training (% of population aged 18-24)’ indicator, as follows:

EU28 (2013-2020): 11.2 (2014); 10.3 (2019);

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

Serbia: 8.4 (2014); 6.6 (2019)

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

In both countries, the curricula of the secondary education are not flexible enough to ongoing update to swift technological development and options for adapting them are limited to those of the elective classes and extracurricular activities. This consideration is important when territorial measures for overcoming certain education deficits need to be put in place.

In terms of tertiary education, Bulgaria and Serbia report similar directions of performance measured by the Eurostat indicator ‘Distribution of tertiary education graduates by broad field of education’, yet key differences appear to imply diverse future economic specialization between both countries with a dominance of manufacture in Serbia and services - in Bulgaria. The 2018 data show that the largest share of graduates in both countries come from the Business administration and Law field (Bulgaria-31.8%, Serbia-23.1%), followed by 13.1% share of graduates in Social sciences and 12.4% in Engineering/Manufacturing (Bulgaria). In Serbia, it is the opposite distribution of graduates - 17.3% in Engineering/Manufacturing and 10.3% in Social Sciences. These data may be seen both as an indication for future sectoral specialization and as a reflection of current labour market needs.

Demographic trends and rising skill shortages suggest that both countries need to invest more and better in the skills of their current and future workforce. The need to upskill and reskill the adult

population is high while participation in adult learning is low. Steps have been taken to increase the labour market relevance of vocational education and training (VET) in both countries.

In overall, Bulgaria and Serbia performs moderately in adult education. Adult participation in learning indicator for 2019, maintained by Eurostat, ranks Bulgaria (2%) and Serbia (4.3%) at the bottom of the European classification (EC28: 11.3%).

Another standardized scoring instrument who is vastly used for assessing education performance is the PISA assessment⁴. The 2018 edition of the PISA testing reveal that students in both countries scored lower than the OECD average in reading, mathematics and science.

Employment indicators in CBC Region, 2019

In overall, the labor market in the border area is characterized by low level of employment of the population, extreme wages (minimum and maximum wages of Bulgaria present in the Bulgarian CBC), and low mobility of labor force.

Bulgaria: (2019): Employment rate (73.2), Unemployment rate (4.3)

BG CBC area (2019): Employment rate (70.1), Unemployment rate (8.9)

Serbia: (2019): Employment rate (49.0), Unemployment rate (10.4)

RS CBC area (2019): Employment rate (47.7), Unemployment rate (13.2)

In terms of employment, on the Bulgarian side, it is only Sofia district who performs above the national average, while in the Serbian part of the border only Toplica region's employment rate equals the national benchmark.

There is a small gap of around 4% in the average *unemployment rate* of the two countries, but the situation on both sides of the border is worsening due to stark intraregional disparities. While the Serbian NUTS III level equivalent regions show an unemployment rate either above or close to the national average, the figures of the Bulgarian district are quite diverse – for example the rate in Vidin district is almost 4 times above the national average, while for Sofia is almost 5 times below the average. Despite the high unemployment rate of Serbia, its size has been continuing decreasing since 2014, whereas the employment rate has been keeping relatively stable value over the same period of time.

Another employment-related challenge for both countries is the need to struggle with the high rate of youth NEETs (neither in employment nor in education and training). Data below is for 2019.

EU28 (2013-2020): 13.6%;

Bulgaria: 17.5%

Serbia: 19.9%

The lack of equal employment opportunities for youth in the CBC area gives rise to concerns that the regional economic disparities may further deepen by making a whole generation of young people

⁴ <https://www.oecd.org/pisa/publications/pisa-2018-snapshots.htm>

excluded from the CBC labour market for years to come. Therefore, institutional and business efforts to develop attractive working arrangements for the millennials are utterly needed, especially in the transition stage from education into the labour market.

1.4 Inequalities in access to healthcare

The health challenges in CBC border region are mainly related to: (1) inequalities in the supply of health services across urban and rural areas; (2) the quality of health services, (3) shortages of medical professionals, (4) high relative share of individual health costs. The remoteness of some small municipalities from urban agglomerations from the point of view of medical assistance delivery (primary, specialist, hospital, urgent and emergency) remains a serious CBC challenge in healthcare. Reliance on eHealth solutions within the system carries a significant potential for efficiency gains in the system, but both countries lag behind EU on eHealth⁵.

1.5 Disparities in competitiveness and business environment

In the 2018-2019 edition of the Global Competitiveness Index (GCI), Bulgaria ranks 49th out of 141 countries analysed, advancing from 51st place in the previous edition, while Serbia is at 72nd globally, falling down with 7 places from the previous edition. The figures from 2019 edition show that Bulgaria performs better in macroeconomic stability, labour market conditions, financial system and the innovation ecosystem indicators. At the same time the figures for the following pillars show a need for improvement: infrastructure, health, product market and business dynamism. Serbia's performance is mixed, with significant progress in some dimensions while losing some ground in others. Among the most improved elements, Serbia advances on health, macroeconomic stability and infrastructure, while more catch up efforts are needed in innovation, market size, institutions and ICT adoption. One of the most frequently articulated problems in performing business activity in Serbia is a lack of available, accessible and diverse finance. Poor access to finance affects the majority of SMEs, both the ones operating on the domestic market as well as exporters.

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

The number of enterprises and the total turnover of each CBC district increases every year, except for Vidin, whose economic activity has been shrinking over the last years. Active enterprises in the service sector prevail in the CBC area, followed by the number of enterprises in the industry and the construction. This regional service-industry specialization provides significant opportunities for the integration of domestic enterprises in regional and international value chains, as well as displays high potential for the development of cross-border regional value chains, but at the same time deepens the

⁵https://www.espon.eu/sites/default/files/attachments/Final%20report.%202019%2003%2025_final%20version_0.pdf

regional income gap – income inequalities appear between northern and southern part of the entire CBC area.

1.6 Disparities in digital and innovation achievements

Ever since DESI index⁶ for 2020 has been built, Bulgaria has been ranked last in every edition of the index in its all indicators – connectivity, digital skills, use of internet services, integration of digital technologies, digital public services. Although its overall score has risen to 36.4, it now ranks lower than before on the basis of data prior to the pandemic. This is because the country has not performed particularly well on some DESI indicators, while EU peers have improved their performance on certain indicators. Serbia also scores low (3 out of 5) in the OECD Competitiveness Outlook (2021) with regards to with regards to digital society on the six Western Balkan economies.

The European Innovation Scoreboard 2021 assesses Bulgaria and Serbia as Emerging innovators. On regional level the Bulgarian South-West region (incl. Sofia, Pernik and Kyustendil districts) is assessed as moderate innovator. Nevertheless, in both countries there is a lack of attractive research system and cooperation and coordination among academia, the private sector and the government which makes their innovation helix frameworks underdeveloped.

In terms of entrepreneurship, no representative data for Serbia has been found. As per Bulgaria, the country performs far below the EU average in entrepreneurship, with the lowest score of all Member States.

The 2019 SBA factsheets for Bulgaria and Serbia⁷ provide interesting comparative perspectives of SMEs performance in both countries. For skills and innovation pillar, the following disparities have been observed: Serbia goes in line with the EU average on 4 innovation indicators out of 7 and even outperforms it on two indicators: ‘% of SMEs selling online’ and ‘% of persons employed that have ICT skills’. Bulgaria goes below the EU average in 6 indicators and outperforms it only on ‘% of persons employed that have ICT skills’. It seems that both countries have a well-prepared workforce (ICT skills of employees) to take on more digitalised course of development, yet Serbia is more advanced in that direction.

Among most important preconditions for implementing digital transformation policies and practices is the internet connection and usage. Both countries score almost equally on the use of internet and the share of households with access to the internet at home. Mobile broadband penetration is also expanding in Bulgaria and Serbia. In the 2019 GSMA’s publication on The State of Mobile Internet Connectivity both countries are placed in the group of advanced countries.

1.7 Underdeveloped tourist infrastructure

The variety of natural and cultural assets in the CBC area is a key precondition for defining target-oriented tourist offer. However, findings indicate a lack of cross-border competitive year-round tourist products.

Bulgaria is conceptually divided into nine tourism regions which facilitates the devise of regional tourism products and supports the implementation of regional marketing and promotion. The

⁶ <https://ec.europa.eu/digital-single-market/en/digital-economy-and-society-index-desi>

⁷ https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en

programme territory on the Bulgarian side falls under 5 tourism regions: Danube (cruise, ecotourism), Stara Planina (mountain, recreation), Rose valley (health, SPA and culture tourism), Sofia (business and cultural tourism), and Rila – Pirin (mountain, ski, hiking, religious tourism, SPA and wellness). The Serbian part of the CBC area also offers a great variety of tourism services: cultural tourism (Gamzigrad, Niš, Negotin, Pirot), balneo tourism (Zvonačka banja, Vranjska banja, Niška banja), as well as all various forms of mountainous tourism (Stara, Suva, Ozren and Rtan mountains). Tourism, however, is one of the underdeveloped economic opportunities for Southern and Eastern Serbia and for the entire country.

On both sides of the border, opposite trends in the change of the number of accommodation establishments has been observed since 2016. The number of accommodation establishments in all six districts of the Bulgarian CBC area has decreased during the period of 2016 and 2018, with the exception only of Kyustendil district where in 2018 has been registered an increase of 7.35 % compared to the previous years. In the Serbian part of the CBC area the number of accommodation establishments has been rather stable over the same period of time with two exceptions: Nis reports a slight increase, while the accommodation capacity of Zajecar shrinks. In less developed districts with a decreasing number of the accommodation establishments (Vidin, Montana, Zajecar), an increasing number of beds has been observed, which implies for an uptake of efficiency measures. There is a positive trend of increasing number of beds (decreasing number of tourists) in the Serbian part of the programme area, and an opposite trend of decreasing number of beds (increasing number of tourists) on the Bulgarian side of the border. These conflict trades proves that availability of larger accommodation capacity do not automatically precondition higher tourism attractiveness – there is no direct correlation between number of beds (three times higher in the Serbian part) and number of tourists (tree times higher in the Bulgarian part). It should be noted, however, that the largest number of tourists on the Bulgarian side of the border is due to the proximity of the capital city of Sofia, which is an important factor

The number of tourists is by far the most important indicator showing the degree of tourism attractiveness. Sofia and Kyustendil (Bulgaria) hit the top of the most visited CBC regions, followed by Zajecar and Nis (Serbia) – which cumulatively account to 60% of the total number of tourists in the Serbian part of the programme area. The least attractive regions are Pirot, Pcinja, Toplica, Jablanica (Serbia) and Pernik (industrial centre with lacking tourist attractions) and Vidin (distant from tourism hotspots despite its location on the Danube, with underdeveloped transport connectivity and low quality of the road system).

Tourism attractiveness of the CBC area is mainly shaped by the rich diversity of historical and cultural assets, national parks and landmarks, as well as balneo resources. In the programme area, there are two UNESCO World Heritage cultural sites or natural sites - Gamzigrad-Romuliana, Palace of Galerius in Serbia and Rila Monastery in Bulgaria. The UNESCO Tentative List of World Cultural Heritage includes 16 tangible immovable sites in Bulgaria and 12 in Serbia among which one cultural/historic landmark is located in the CBC area – Frontiers of the Roman Empire - The Danube Limes in Bulgaria and Frontiers of the Roman Empire (for Serbia). All these constitute a key prerequisite for development of integrated tourist products, but despite the allocated so far vast Interreg support to individual tourism projects, sustainable integrated and cross-border tourism effect (e.g. year-round CBC tourism products that includes visits to various CBC sites) has not been achieved. Therefore, in spite of the enabling factors and preconditions, tourism in the region "recognizes" insurmountable weaknesses: underdeveloped tourism product as a whole,

underdeveloped network of tourism companies, insufficiently qualified staff in the field of tourism services, poor condition and limited access to natural and cultural-historical heritage sites.

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

The link between biodiversity and the provision of ecosystem services has not yet been built in the CBC area, despite the large amount of natural areas that enjoy various national and international protection statuses. The diversity of terrain, climate, ecological, hydrological and pedological (soils in their natural environment) characteristics of the targeted area showcase significant geo- and biodiversity. As a result of the climatic, relief and soil exuberance the border area is characterized by highly varied flora and fauna. However, due to extensive mining and other industrial production with negative footprint on the environment, as well as taking into account all the negative climate change implications, the CBC area is at high risk of natural hazards. The biggest environmental polluters in the CBC area are: the mining and smelting basin Bor, the industrial complexes in Kladovo and Negotin, the coal mining and heavy industry in Pernik. Another main air polluter in the area is the use of solid fuels for domestic heating in the winter season. In addition, the majority of waste waters produced in the region flow directly to the rivers causing damages and significant environmental problems. Soil erosion is also recognized as one of the major soil degradation processes on the territory of the CBC area.

Most of the border-region is characterized by mountainous and alpine terrain, except for a short undulating and hilly terrain in the northern part and a strip in the area where the main road from Sofia to Belgrade passes. The Southern part of the CBC area face greater risks from droughts, fires and landslides, while the Northern part of the area face greater risks from floods in the plains. In recent years, natural disasters as droughts, floods, forest fires and landslides have become more frequent in the programme area due to mix of factors such as climate change and industrialization. This will have a negative impact on all sectors of the economy, human health, ecosystems and biodiversity.

Since the ecological infrastructure in the CBC area is generally assessed as underdeveloped, the absence of ecosystem-based practices and services to deal with various environmental challenges, weakens efforts for addressing climate change issues. Various analyses, assessments, and scenarios by national and international institutions and experts place Bulgaria and Serbia among the countries with a higher risk of climate change.

The integrity of almost all natural ecosystems in the CBC area is currently threatened, due partly to ongoing climatic changes but also to anthropogenic pressures, resulting in habitat degradation and the increasing threat of forest fires. The biodiversity loss continues, and populations of several rare species continue to decline in size. Currently applied management approaches and strategies do not provide for effective biodiversity conservation. The current national protected areas network that falls within the CBC area does not ensure ecological continuity and connectivity, as linking ecological corridors are still lacking. The integration of ecosystem-based practices and services to handle natural hazards involves all authorities at local, regional and national levels, the private sector, civil society organisations and citizens to collectively deal with natural hazards by: (1) developing institutional capacity through building of expertise, knowledge base, monitoring and reporting; (2) raising awareness: improving education, participation of society in humanitarian and climate adaptation actions and 3) building sustainability by strengthening infrastructure, protecting natural and human capital.

1.9 Limited preparedness for green transition

Bulgaria's and Serbia's economies are highly energy-intensive. In both countries the main energy source is coal. In Serbia it supplies approximately 50% of the total energy, while in Bulgaria its share amounts to 25%.

The energy sector in Serbia remains largely inefficient and highly polluting⁸. Serbia has undertaken commitments to increase the share of renewable energy under the Energy Community Treaty to 27% in 2020. In 2017 it had managed 24.5% renewable energy – mostly wood used for space heating. In 2019 several wind plants came online, a trend expected to continue in 2020, but this will not be enough to meet the target⁹. In terms of aiming for 80-95% emissions reductions by 2050, in line with EU policy, Serbian government and the national power utility EPS (Elektroprivreda Srbije – Power Industry of Serbia) plan to remain locked-in to a carbon-intensive energy system, most notably through the construction of the 350 MW Kostolac B3 lignite power plant and the revival of the long-dormant Kolubara B project. With its traditional forms of generation not proving resilient to climate change, Serbia needs to do more to diversify its energy mix and improve energy efficiency. In January 2020, the country adopted its national emission reduction plan. One positive outcome in this direction has been already achieved: the energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2010 constant prices) has been decreased from 543.2 in 2007 to 424.3 in 2018. Similarly, the Gross inland energy consumption has also marked a slight decrease of 6% from 2007 to 2018¹⁰.

In Serbia, the recycling rate of municipal waste is the lowest in Europe – 0.3% in 2018. The country needs to redouble efforts to close its non-compliant landfills and invest in waste reduction, separation and recycling.

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

Although policy actions promoting green transition have been taken in Bulgaria, the country continues lagging behind the EU in all components of the circular economy¹¹. The scale of resource productivity of Serbia also is far below the EU28's average. Both countries lack a circular economy strategy. Therefore, there is an urgent call on the two countries to rise to the challenge of promoting and supporting more actively the principles of the circular economy and the related production practices.

1.10 Underutilized potential for regional connectivity

Despite its strategic location, in view of current and future international transport traffic flows, the CBC area is presently not in a position to fully benefit from this asset. Through its territory pass two

⁸ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

⁹ https://www.energy-community.org/dam/jcr:a915b89b-bf31-4d8b-9e63-4c47dfcd1479/EnC_IR2019.pdf

¹⁰ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf

¹¹ <https://ec.europa.eu/eurostat/web/circular-economy/indicators/main-tables>

of the core TEN-T network corridors with extensions to third countries: Rhine-Danube corridor and Orient/East-Mediterranean corridor.

Another important Pan-European corridor (London-Budapest-Belgrade-Sofia-Plovdiv-Istanbul-Calcutta), which is the shortest road connecting Western Europe, the Near East and the Middle East, also crosses the CBC area. Reconstruction of 48 km long road of this Europe motorway connecting Kalotina border crossing and Bulgaria's capital Sofia is undergoing. Serbia has already built its own section to the Bulgarian border - the extension of the Belgrade-Nis highway. With the implementation of the entire cross-border motorway project, the travel time between Sofia and Belgrade it is expected to be reduced to three hours.

Beside that joint motorway project, no other significant transport infrastructure improvements have been implemented. In overall, limited road connections between both countries present due to the fact that most of the borderline coincides with the ridgeline of the Western Balkan Mountains and that negatively impacts the rural transport along the border. The length of the road network in the Bulgarian part of the CBC area is 4 599 km, while corresponding data for Serbia show better road coverage – 10,852 km.

The railway network of the region is very much identical to the road one in terms of its general layout – almost each main road link has as a parallel railway line. The only railway connection between the two countries (Sofia-Niš-Belgrade) is single-tracked and has several black points where the speed has to be seriously slowed down. Most of the railway lines inside the border area are quite old and need a complete overhaul.

Infrastructure is the variable on which the Bulgarian part of the CBC area scores lowest in the 2019 European Regional Competitiveness Index. The need to build reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure in Bulgaria, has been recognized in the Commission's Country Report Bulgaria for 2020. Furthermore, the country is among the Member States with the lowest perceived quality of transport infrastructure. On road and rail, it is still lagging behind.

Joint challenges in a nutshell

- The social and economic gap between the socio-economically advantaged and disadvantaged persons (incl. in terms of income distribution), with an absence of incentives to counter unfavourable implications of the negative demographic change, continue to drawback the economic development of the CBC area. Conditions for income equalization have been improved in Serbia, while opposite trend has been observed in the Republic of Bulgaria.
- Demographic trends and rising skill shortages suggest that both countries need to invest more and better in the skills of their current and future workforce, as well as to better link education and training with labour market's needs;
- The labour market is characterized by strong cross-border and intraregional disparities. More economic incentives are needed to tackle unemployment, particularly youth one;
- Observed disparities between the demand and the supply of health services across urban and rural areas and between different income groups;

- Vulnerable and disadvantaged groups of people continue to have limited access to services of general interest, therefore integrated measures for service quality enhancement and active economic inclusion of vulnerable persons should be determined with priority and allowing for more digital solutions;
- ICT adoption remains one of the variables on which both countries performs relatively well, yet in a less digitally transformed environment – that opens room for development of more digitalized solutions across various policy domains.
- Both countries’ research and innovation systems are underdeveloped and face a number of structural shortcomings;
- Weak integration of domestic companies in international value chains;
- Weak tourism marketing and promotion, along with the lack of cross-border competitive year-round tourist products, hinders the tourism industry development;
- Lack of ecosystem-based practices and services to limit biodiversity loss and occurrence of natural hazards;
- High energy consumption, dominance of coal in the total energy supply, insufficiently built renewable energy capacity and underdeveloped circularity models slower the pace of the CBC area to contribute to climate-neutral competitiveness and carbon-free transformation;

2. DRIVING FORCES FOR ECONOMIC GROWTH OF THE PROGRAMME AREA

2.1 Favourable macroeconomic background and SME performance

Bulgaria’s competitive position (GDP growth of 3,7% in 2019) is exemplified through total factor productivity, growing export market share, increasing cost of labour per unit of output produced and continued integration in global value chains. Driven by strong exports and increased domestic demand, GDP of Serbia increased by 4.4% in 2019. The structure of the economy improved further and economic integration with the EU remained high. The COVID-19 crisis is however projected to strongly deteriorate the economic outlook of both countries in 2020, in particular as regards GDP growth, public finances and employment.

At the CBC level, some discrepancies in the regional GDP pop up. The largest economic output for 2018 has been produced in Sofia district (1 844,15 mln. Euro), followed by Nisavska oblast (1637,86 mln. Euro). The Toplicka oblast has produced the smallest economic output - 303,51 mln. Euro, slightly outperformed by Vidin district who reports GDP of 348,24 mln. Euro.

In overall, the economic structure (in terms of GVA) of the CBC region on both sides of the border follow national trends, who report continuing growth of services sector at the expense of shrinking industry and agriculture.

In the last years, SMEs in the Serbian ‘non-financial business economy’ consistently generated value added growth around 31.5 %. However, the productivity of Serbian SMEs, calculated as value added per person employed, is almost four times lower than the EU average. Wholesale, retail trade sector and manufacturing shapes the sectoral specialization of the Serbian part of the programme.

In Bulgaria SMEs generate two thirds of total value added and three quarters of total employment in the country, far exceeding the respective EU averages of 56.4% and 66.6%. In 2014-2018, SMEs in the ‘non-financial business economy’ generated a substantial increase of 50.7% in SME value added. Likewise Serbia, the annual SME productivity, calculated as value added per person employed, is far below the EU average. Although Bulgaria’s economy is very service oriented, manufacturing outperforms wholesale and retail trade sector and SME value added of the formal rose by 41.1%.

In contrast to Bulgaria who go in line with the EU average, Serbia scores very low in the field of internalization¹². It is only the ‘Extra-EU online exporters’ indicator where Serbia performs above the EU average. The underperformance of Serbia in the internalization area may be seen as a direct effect of not being a Member State of EU.

2.2 Rich biodiversity with a strong impact on economic growth

The programme area enjoys a very rich and diverse natural heritage. Bulgaria ranks third EU country in the National Ecological Network (NEN) having covered 34.4% of its national territory under Natura 2000 network. The number of CBC protected areas included in NATURA 2000 is very high. The border area is characterized by a variety of flora, fauna and natural habitats. Numerous plains and valleys form a strong natural potential for the development of agriculture, forestry and tourism. The region is rich in natural parks, protected areas and natural reserves due to its location in the centre of the Balkan Peninsula. Numerous geomorphologic phenomena (caves, natural bridges, gorges and canyons), hydrologic (springs), dendrology monuments and smaller nature reserves are protected by formal instruments as well. A further credit to the natural wealth of the region bring also its healthy thermal springs, which form a factor with significant added value to the potential for tourism development in the region. There are also wetlands of international importance, with suitable nutrition conditions, microclimate and wind regime. The bird migration route – Via Aristotelis - crosses the CBC area.

2.3 Potential for integration in international tourism network

One of the European cycle routes, namely EuroVelo 13 Iron Curtain Trail, passes through the CBC area. It gives the possibility of visiting 20 countries starting in northern Finland passing near the Baltic Sea, Germany, Czech Republic, Slovakia-Bratislava, Romania and ending in Bulgaria at the small Black Sea town of Rezovo. Following this route for more than 9,950 km is a living history lesson but also provides a welcome reminder of the peace and reconciliation that have followed the fall of the ‘Curtain’.

2.4 Good regional connectivity and potential for multimodal transport

There are 5 border crossing checkpoints (BCCP): Bregovo – Mokranje, Kula - Vrska Čuka, Kalotina – Gradina, Strezimirovci and Otomanci – Ribarci, but only one of them (Kalotina – Gradina) is suitable for international traffic.

The Kalotina border checkpoint is located on the main road and railway connections between the two countries. The border checkpoint is one of the most important BCCP for Bulgaria due to its proximity to Sofia through which passes the main traffic between Europe and Asia.

¹² 2019 SBA Factsheets for Bulgaria and Serbia.

At Bregovo - Mokranje a new checkpoint has to be built as the existing one is situated in the village, a bit too far from the actual border. The access there is comparatively good and the traffic intensity is low.

In the BCCP Kula - Vrska Čuka, the access is also comparatively good and there is low traffic.

Strezimirovci is a brand new border crossing checkpoint, corresponding to the requirements but the building and the equipment are not yet fully operational.

A new positive trend for improving regional accessibility is the agreement for opening of three new border crossing checkpoints between the two countries: Salash – Novo Korito, Bankya – Petachinci, and Treklyano – Bosilegrad.

The regional connectivity is not exhausted with the 5 land borders. The inland waterways provides opportunities for the development of environmental friendly and low cost transport services which makes it a viable alternative to international road transport. Having an outlet to one of the most important European waterways – the Danube River, the region thus gains a significant advantage. The CBC area enjoys 6 ports as follow: Vidin, Lom, Oryahovo (Bulgaria) and Kladovo (new one, still not in operation), Prahovo, Donji Milanovac International Passenger Port (Serbia). Part of the port system of the area has been connected to other means of transport, yet further substantive investments are needed to build up a modern, flexible and business-oriented CBC multimodal infrastructure. The main potential in this direction is seen through the following cross-transport service centres:

- Vidin: port-road-railway connections (provide links with the intermodal terminal in Ruse, as well as railway and road links to the Orient/East-Mediterranean corridor of the core TEN-T network);
- Port of Lom and Port of Oryahovo are part of the Vidin port area from the Rhine-Danube corridor, but are included as inland waterway ports in the comprehensive TEN-T network. In addition to general and bulk freight, Port of Oryahovo also serves passengers, and the Oryahovo Ferry Terminal processes ro-ro freight;
- Prahovo – port-railway connections (1270 m industrial track is connected to the national railway network).

3. JOINT INVESTMENT NEEDS

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

- Investments for multidimensional integrated territorial measures addressing income gap, the relatively high poverty risk, social inclusion through community-based services and integrated employment, health and social mobile support in the home environment, improved access to and quality of general services for people and enterprises;
- Investments for development and implementation of attractive job prospects and comprehensive digital upskilling programmes, including measures of the silver economy, in order to build a sustainable path towards the 2030 employment target of 78%;

- Investments for improving the quality, labour market relevance, and inclusiveness of education and training, incl. for tailoring education and training to labour market needs;
- Investments for technological modernization, export diversification, accessing value chains, establishment of cross-border enterprise clusters.
- Investments for introduction and dissemination of the ‘tech-with-a-purpose’ approach who would leverage R&I to create the solutions that match the urgency of the CBC environmental and social challenges;
- Investments for development of ecosystem-based approaches in handling environmental issues, particularly in enhancing civil protection capacity;
- Investments for development and application of technological solutions aimed at reducing GHG emissions and increasing circularity performance;
- Investments for utilization of the CBC potential for integration in international tourism network and for developing all-year-round tourism products with attractive offering of services in the off-peak season.

4. COMPLIMENTARY AND SYNERGIES WITH OTHER FUNDING PROGRAMMES AND INSTRUMENTS

The CBC-IPA III programme between Bulgaria and Serbia accounts for complementarity and synergies with the following funding programmes and instruments, yet most of them are still under development, therefore, it is only possible to refer to their draft (if any) versions.

The programme *INTERREG - IPA CBC Republic of Bulgaria - Republic of Serbia 2021-2027* interacts with the *Human Resources Development Programme 2021-2027 of Bulgaria* in the field of employability and labor market, which will have a real impact on the implementation of the planned activities under *PO5: Europe closer to the citizens* and the objectives for promoting integrated, social, economic development. Part of the reform intentions in the education system (Programme Education 2021-2027 of Bulgaria), which is also related to measures improving the quality, inclusiveness, effectiveness and labour market relevance of education systems, with focus on skills related to digital transformation and green economy, i.e. the Programme will support all educational stages - pre-school, school, VET and Higher education. .

Interventions under *PO1: A smarter Europe for improving the sustainable growth and competitiveness of SMEs and job creation in SMEs, incl. productive investments* under the proposed Programme also largely supplement the following national programmes: *Regional Development Programme 2021-2027; Innovation and Competitiveness Programme 2021-2027; Bulgarian National Resilience and Recovery Plan.*

Major options for amplifying territorial investments and their impact stem from the strong synergies between the CBC programme and the *Regional Development Programme 2021-2027* in, practically, all selected policy areas, with the exclusion of PO1 Smart economy. The CBC districts of Pernik and Kyustendil fall under the group of regions most affected by the transition to climate neutrality and therefore, relevant enterprises and their zero-carbon solutions will be supported by the mainstream programme within *PRIORITY 3: A Fair Energy Transition.*

There is a strengthened strategic alignment of the CBC programme with the ***Bulgarian National Resilience and Recovery Plan*** as well, in terms of increasing the ability of people to timely adapt to technological transformation and the respective changes in the labour market, increasing the level of digitalization and greening of Bulgarian SMEs, biodiversity.

Complementarities exist with the ***Innovation and Competitiveness Program 2021-2027*** particularly in the field of competitiveness, digitalization, green production solutions and technologies.

Interventions under *PO2: A greener, low-carbon Europe* to promote adaptation to climate change, risk prevention and disaster resilience supplements the *PRIORITY 4 Risk and Climate Change* under ***Environment Programme 2021-2027***, which will take prevention measures and flood and drought risk management, risk analysis and implementation of prevention and protection measures in processes related to the movement of land masses, increasing the preparedness of the population and the capacity of the response forces in case of floods, fires and earthquakes, raising public awareness, as well as trainings, information and education measures for the formation and implementation of policy objectives related to climate change and disaster protection, optimizing and expanding existing warning, monitoring systems, reporting, forecasting and signaling.

The most significant synergy with the ***INTERREG-IPA CBC Romania – Serbia Programme 2021 - 2027*** will be under *PO2: A greener, low-carbon Europe, Specific objective: Promoting climate change adaptation, risk prevention and disaster resilience* of the current Programme. ***INTERREG-IPA CBC Romania – Serbia Programme 2021 - 2027*** proposes measures like investments in restoration of natural areas (e.g. forests, river banks) to prevent floods and land-slides, afforestation and reforestation of the areas vulnerable to floods and landslides, prevention and management of climate related risks (fires, storms, drought), risk prevention and management of non-climate related natural risks and risks linked to human activities, civil protection and disaster management systems and infrastructures, development and implementation of awareness measures and training products in the field of environment and emergency preparedness, implementing joint works for flood prevention on Danube River, joint strategies and action plans for preventing natural risks, development and implementation of awareness measures in the field of climate change. Both programmes will have a great contribution to the implementation of interventions proposed under *Specific objective: Fostering the integrated social, economic and environmental development, cultural heritage and security in urban areas and other than urban areas*. Few of them are development and implementation of measures to develop and promote tourism assets and services, natural heritage and eco-tourism, cultural heritage and cultural services.

The clear and strategic commitment of the EU to the region is reflected in a number of key actions. The IPA III Instrument for Serbia provides important assistance complementing the vast EU funded support in the Western Balkans. The implementation of the CBC programme's strategic project, in the field of disaster risk prevention and resilience, will unequivocally add to the achievement of the outcome 1 of the 'EU for connectivity and green agenda' Action of the IPA III Programming Framework. The IPA III mechanism will promote the green agenda in the country by reinforcing environmental protection infrastructure and increasing capacities for environmental protection and climate change. The synergies between the CBC programme and the IPA III Instrument for Serbia are further strengthened by the provision of different in scale, but equal in purpose, support for private sector development, trade, research and innovation through the Action 'EU for sustainable economy, agriculture and rural development' (IPA III framework) and the priorities 1 and 2 of the CBC

programme. Thus, as a cumulative effect, both instruments would help border enterprises deal with competitive pressures in a more comprehensive way.

Furthermore, the CBC programme has a potentially strong impact on the progress of implementation of 3 out of 6 flagship initiatives of the EU-Western Balkans Strategy (EUWBS), namely *'Support for socio-economic development'* (Common Regional Market), *'Digital Agenda'* (digitalisation of industries) and *'Good neighbourly relations'* (cooperation in education, culture, youth and sport). By providing support to border businesses to cooperate, internalize and join international value chains while also facilitating free movement of goods, services, capital and people, the Programme, through its priority 1, complements the EU-Western Balkans efforts for establishment a Common Regional Market covering aspects of digital, investment, innovation and industrial policy and promoting the region as one investment destination. The vast and comprehensive support of the CBC programme to SMEs (direct support under priority 1 and indirect one under priority 2) has a strong digitalization focus which would contribute to the accomplishment of the Western Balkan Digital Agenda mission. The largest share (55%) of the programme budget is earmarked for integrated territorial development. Collected project ideas from stakeholders, during programming, showed a definite need to join efforts to improve access to and quality of services in education, culture, youth and sport. Outcomes of the CBC cooperation in these fields (under specific objective 1 'To expand and improve service provision' of the Integrated Territorial Strategy) are expected to magnify and strengthen the impact of the 'Good neighbourly relations' flagship initiative of the EUWBS. The CBC programme touches upon priorities of the Green agenda of EUWBS in relation to climate proofing defining a strategic project on the topic. As Commission's Guidelines for the Implementation of the Green Agenda for the Western Balkans (SWD(2020) 223 final) highlights *'strengthening the efforts on climate proofing, resilience building, prevention and preparedness in the region is therefore crucial'*.

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

5. LESSONS-LEARNT FROM PAST EXPERIENCE

Bulgaria-Serbia IPA CBC Programme 2007-2013 operated in a wide range of priority areas and covered a variety of sectors, without clear prioritization. Despite the thematic concentration imposed by the EU Regulations in 2014 -2020 period, the areas of intervention defined under INTERREG-IPA CBC Programme 2014 -2020 still remained quite diverse and without any interdependence.

Opposite to limited (even reduced in 2014-2020 period) financial resources, the interest in the programme remained high during both programming periods. In 2007-2013 period – under the 2 open calls 367 projects were submitted and 156 contracts signed while in 2014-2020 period – under the 2 open calls 559 projects were submitted and 101 project signed. This comes to show that more than 70 % of the project proposals were not financed. Reasons for that varies from high expectations of potential beneficiaries through low quality of project proposals to lack of clear thematic focus of the calls. The evident disproportion between the numbers of applied and contracted projects resulted in scattered sectoral investments, as well as in fragmented and dot-like interventions which are generally

not capable of comprehensively addressing actual needs and potentials of the CBC area, thus fail also to significantly impact inclusive and sustainable growth.

Despite the demonstrated high interest, the low competence of some beneficiaries in terms of project implementation of certain measures and the low level of partnership between public and non-governmental sectors contributed to the lack of capitalization of the project results. In addition exhaustion in generation of project ideas was observed – e.g. circulation of routine and repetitive project actions has been vastly observed as well as an increased number of projects, with already financed similar ideas/objectives. Furthermore, and in all calls most of the applicants were one and the same organizations/institutions.

Outcomes of the performed mid-term and ex-post evaluations

The Impact Evaluation of the 2007-2013 Programme, as well as the Midterm evaluation of 2014-2020 Programme, showed that, in correspondence to the diversity of the spheres of intervention, a wide number and range of outputs were delivered. From a financial perspective, it was observed a drastic discrepancy between available, requested and contracted funds - in average, the total budget of all applications exceeds with 498 % the available one, while only 16 % of the total requested funding has been contracted. Often, such financial disproportion is a precondition for weak programme effects in terms of efficiency and sustainability. That is why it is difficult for the programme to bring out benefits for the communities, to intensify its effects for the region and especially its value added achieved through cooperation. In that respect, in order a visible impact to be achieved, a new, more results-oriented approach in the implementation of the future programmes was recommended. It is expected that a better programme focus would strengthen linkages between needs and resources (through concentrating more funds to most demanded intervention areas) thus generating proportionate and sustainable effects on the territory.

6. MACRO-REGIONAL STRATEGIES (MRSs) AND SEA-BASIN STRATEGIES

The programme area is at the centre of the European Danube Macro-Region (EUSDR) and it partially overlaps with the European Adriatic-Ionian Macro-Region (EUAIRS), where Serbia participates with its entire territory. Through their integrated approach, EU Macro-regional strategies encourage targeted solutions to challenges within functional areas, which cannot be solved by a single country, region or municipality. Hence, the EUSDR and the EUAIRS are an important tool on the strategic side for identifying the main objectives of the Bulgaria-Serbia INERREG-IPA CBC Programme 2021-2027.

The territorial challenges that the CBC programme addresses (e.g. environmental threats, uneven socio-economic development, uncompetitive business environment, untapped tourism potential) have been also recognized as such in both MRSs. This opens up possibilities to align relevant priorities of the CBC programme with the two MRSs and to embed the latter into the strategic framework of the reference programme. The synergies and coordination of actions between the CBC programme and the two MRSs can be potentially projected in the area of institutional capacity and exchange of practices/knowledge/solutions in the following MRSs priorities:

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

A substantial scope of the CBC programme actions, that are going to be supported under priority ‘Integrated development of the border region’, corresponding to 40% of the priority budget, will be focused on tourism. Investments are expected to improve tourism-related infrastructure and services, branding and marketing as well as to strengthen inter-institutional coordination and policy development while fostering the preservation of and re-connecting with natural ecosystems in pursuit of a sustainable tourism cross-border community. People to people relations are at the heart of this community.

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

Under priority 3 “A more resilient border region” the CBC programme will seek to reduce the risk of natural disasters as a means to prevent biodiversity and human lives loss, as well as ecosystem collapse. Public authorities are traditional risk prevention and rapid response management bodies, therefore putting forward practices for strengthening institutional capacity for climate change adaptation would add on valuable impact to the achievement of EUSDR and EUAIRS targets.

7. PROGRAMME STRATEGY: main development challenges and policy responses

The policy and strategic framework of the programme came out as a result of a three-year long elaboration process. It first started in 2019 with regional consultations on both sides of the border complemented by a parallel study of cross-border territorial needs and potentials - both provided the bottom-up data and trends. During the meetings with the regional stakeholders some well-known territorial challenges have been confirmed as continuing and still unresolved (such as lack of diverse possibilities for work, high unemployment, low income, uneven economic and year-round tourism development across the CB area, etc.). It has been confirmed that tourism is the most suitable sector for building strong cooperation links, but persistent obstacles hamper sector’s potentials to flourish and expand, partially because of the limited participation of tourism service providers in the programme (in most cases these are SMEs). The need to provide SMEs with equal access to programme resources and perceive the enterprises as change boosters addressing, however, their specific needs, particularly in the field of competitiveness and internationalization, was stressed out. The prospective of establishing cross-border added value chains in certain sectors was positively assessed. In parallel to the public consultations, a separate round of CBC institutional consultations has been implemented to sort out project ideas of strategic importance. The relevancy and feasibility of the joint idea of the Bulgarian and Serbian Ministry of Interior on improvement of risk prevention and rapid response management in case of natural disaster had been assessed against the other collected ideas but its maturity and contribution to solving joint challenges made it preferred by the members of the JWG.

Most of the discussed, during the consultations, territorial needs and potentials have found their evidence support in the Territorial analysis and have further been linked with key EU policies such as green and digital transition, TA2030, EU enlargement with the Western Balkans. Territorial cooperation has allowed Western Balkans countries to cooperate with neighbouring Member States across many issues. The ‘2021 Communication on EU Enlargement Policy’ document highlights the cross-border cooperation as a critical factor for the reconciliation process in the region. The EU agrees to promote a market- and investment-friendly environment in the Western Balkans to move faster

towards a digital economy and to sustainable and climate-friendly societies in line with the Paris agreement. The Sofia Western Balkans Summit Declaration laid the foundations for building a Common Regional Market in the region. The idea of building such market is also deeply embedded in the strategic foundations of programme's priority 1 (direct support to SMEs for technological modernization through productive investments) and 2 (indirect, business support to SMEs to acquire new knowledge and skills, incl. access to external finances). Thus, it can be said that the decision to provide a wide-ranged support to enterprises was simultaneously bottom-up (consultations outcomes) and top-down (EU enlargement policy) driven and that legitimizes its selection.

The pillars of the European perspective of the Western Balkans, (good neighbourly relations and regional cooperation), remain essential elements of the programme strategy. The very selection of PO5 and the largest programme budget share it enjoys (55%), unequivocally reveals that building mutual trust (highlighted accession principle in the Communication from the Commission 'Enhancing the accession process – A credible EU perspective for the Western Balkans') and cooperation between territorial actors has been put on central in the programme strategy. The abundant possibilities of PO5 for territorial development, particularly from the perspective of functioning of democratic institutions and economic reforms (two of the three fundamentals of the accession negotiation process with Serbia, have been fully incorporated in the programme strategy and its implementation arrangements. Therefore, the programme is expected to contribute to the accession process and at the same time to the strengthening of the territorial cohesion. Having regard to all this, as well as taking into account the need for preservation of cultural, social and economic links between the regions of both countries, the JWG agreed on the following overall objective of the Programme:

To strengthen the territorial cohesion of the Bulgaria-Serbia cross-border region

The programme goal is ambitious – sharp territorial divergences are observed between the programme regions having extreme ranges of socio-economic development, while the overall economic performance of the CBC area remains lowest in the EU and below national average. The programme response to this challenge is the delineation of programme priority "Integrated development of the cross-border region" with 60% budget earmarked for expanding access and improving quality of services of general interest and for provision of framework support to local businesses to grow, expand and perform better in a greener and smarter competitive global market whose outcomes are expected to influence the labour market in a long-term perspective. The implementation of the priority through a dedicated Integrated Territorial Strategy addresses territorial challenges such as depopulation, aging, high unemployment (particularly youth one), low income level. The integrated development aligns fully with the programme objective, because both concepts precondition strong collaboration and cooperation between territorial actors. The promotion of genuine cooperation under that priority has been done at three levels: programming (JWG), implementation (through Interreg indicators preconditioning cross-border dimension of the investments) and management (joint committee/strategy board will be set up to participate in the project selection process).

The uneven territorial and socio-economic development of the CBC area finds further strategic reflections in priority 1 whose aim is to support the enterprise sector in increasing productivity through direct productive investments. The expected effects of the interventions envisage an increase in the productivity of the supported enterprises, which will reflect in a higher rate of economic growth, higher employment and labour incomes.

The new EU cohesion legislative package made the policy actions arising from the Green Deal imperative for all EU funded programmes. Thus, the selection of PO2 as a priority in the programme was top-down driven. Even in the absence of this obligation, however, the collected data from the institutional consultations and the Territorial analysis in the area of environment unequivocally confirm the need for continuous joint actions in risk prevention of natural and man-made hazards in order to reach long-term sustainability. The interest of territorial actors to invest joint efforts in this field has been traditionally strong. The CBC area is rich in natural parks, protected areas and natural reserves due to its location in the centre of the Balkan Peninsula. However, due to extensive mining and other industrial production with negative footprint on the environment, as well as taking into account all the negative climate change implications, the CBC area is at high risk of natural hazards. Therefore, in pursuit of more sustainable results, a strategic project with three main courses of action, namely inter-institutional coordination on risk prevention and rapid response management, harmonization of procedures and approaches, and improved citizen preparedness, has been proposed by its authors, and agreed by JWG, as a programme response to this challenge.

8. HORIZONTAL PRINCIPLES 2021-2027

The new programme period is marked by a new generation of horizontal principles. Their aim is to promote equally important understandings and practices from various policy domains whose cumulative application will ultimately bring more peace, health and wellness for all. The CBC programme will scrutinize each project approved for funding whether it contradicts the principles described here. The EU Charter of Fundamental Rights remains the main principle promoting and ensuring equality and inclusiveness across Europe. The MA will seek to ensure gender balance in the composition of JMC, as well as it will require from project promoters to adhere to EU Charter and provide evidence for that. The MA will take any possible action throughout the preparation, implementation, monitoring, reporting and evaluation of the CBC programme to positively influence poverty eradication, social exclusion and any form of inequality and discrimination by promoting social inclusion and encompassing the principles and objectives of the EU Charter. The concept of sustainable development has never been that broadly covered as it is now embedded in the new programme period. The Regulation (EU) 2020/852 (Taxonomy Regulation) is an important piece of legislation for enabling and scaling up sustainable investment and thus implementing the European Green Deal, including an economy that works for people and ensures a just transition that creates employment and leaves nobody behind. The Do No Significant Harm (DNSH) Principle, promoted by the Taxonomy Regulation, requires from an economic activity to be in full consistency with the environmental objectives set out in Article 9 of the Taxonomy Regulation. The Environmental Assessment (EA) of the CBC programme covers all aspects of the principle and legitimize the programme compliance with it. The EA report confirms that there is no inclusion of activities or types of actions in the CBC programme that could do significant harm, as well as it includes description of the measures concerning monitoring foreseen in Articles 9(1)(c) and 10 (monitoring) of the SEA Directive. In the course of developing the EA report, the Environmental competent body in Bulgaria (the Ministry of Environment and Waters) has concluded that the programme does not need to go through a parallel compliance assessment of the Biological Diversity Act. Nevertheless, a certain programme contribution to EU climate and biodiversity targets is expected, despite that these targets do not compound the main objective of the CBC programme. Furthermore, to ensure maximum adherence to the principles and targets of the Green Deal, each project supported by the programme should have a green component that contribute to at least one of the environmental objectives set out

in Article 9 of the Taxonomy Regulation. The holistic dimension of the ERDF and IPA funds is projected in the New European Bauhaus (NEB) principle, which requires from all project promoters and partners to align their infrastructural measures with the surrounding environment in order to provide for harmonious co-existence with nature, social inclusion and accessibility. NEP materialize the new EU initiative whose aim is to lead a whole systemic change of preserving the unique elements of a surrounding environment in terms of aestheticism, sustainability and inclusiveness. Supported projects should ideally contribute to the regeneration of the environment and ecosystem functions and services, climate neutrality as well as the sustainable management and enhancement of cultural landscapes. All supported by the programme entities and undertakings should strive to ride the digital transformation wave and propose digital solutions under the concept of "one standard for all". The concept gave rise to the e-Cohesion principle which needs more recognition and broader application. However, resolutions to the issue with the different e-standards between Member States and IPA countries are not of MA competence. Nevertheless, the MA and the NA are equally interested and motivated to apply the e-Cohesion principle throughout any suitable aspect the CBC programme management. Strategic public procurement (SPP) is also a horizontal matter of concern that has become an indispensable tool for governments and policymakers. The public procurement (PP) rules have been recently extended to address not only economic objectives (value for money), but also social and environmental goals as well as innovation aspects. Any CBC programme-related PP practice that is going to be carried out on the territory of Bulgaria, regardless of the type of procuring entity, will be aligned with the SPP concept. This is so because the new EU Procurement Directives have been already transposed into the national PP legislation and thus the procuring organization will legally encouraged to achieve greater incorporation of innovative, green and social criteria in awarding public contracts. The Durability of results principle is embedded in the implementation of the programme through regular monitoring practices of supported projects to make sure the provided funding is strongly linked with the sustainability of the achieved results and bring in the desired territorial effect.

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

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

Table 1

| Selected policy objective or selected Interreg-specific objective | Selected specific objective | Priority | Justification for selection |
|--|--|----------------------------------|---|
| <p><i>Policy Objective 1</i> <i>“A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity”</i></p> | <p><i>Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments</i></p> | <p>Competitive border region</p> | <p>Rapid growth in productivity is essential for achieving the competitiveness goals and new cohesion targets of the EU. Bulgaria scores the lowest % of EU27 of labour productivity per person employed and hour worked in 2019 – 48.7%. Corresponding data for Serbia lacks, but the expert assessments show slightly better performance on this indicator. Therefore, the priority aims to support the enterprise sector in increasing productivity through direct productive investments with the aim also to assist SMEs in the double transition and to provide them a favourable environment for internalization and participation in regional and international value chains. Taking into account the significant unfavorable effect of Covid-19 crisis, the programme is considered suitable for supporting SMEs competitiveness. Moreover, economic activity is expected to further contract in 2021 as the Covid-19 outbreak constrains private consumption and investment. The pandemic negative impact on the economic activity may be further deepened if focused and targeted measures to combat it are not put into effect. In addition, CBC business activities take place mainly at local level and thus significant opportunities for development remain unexploited because of the limited market size and geographical scope of the economic activities, the economic disparities in border region will continue to worsen. Bulgarian and Serbian companies find it difficult to take full advantage of the opportunities offered by new digital technologies – only 6% of the turnover of Bulgarian SMEs and 5,39% of the turnover of the Serbian SMEs (EU average is 10,13%) comes from e-commerce. Thus, the solution of the productivity and digitalization problem will find valuable support in the programme approach towards SMEs.</p> |
| <p><i>Policy Objective 5</i></p> | <p><i>Fostering the integrated and inclusive</i></p> | <p>Integrated development</p> | <p>Differences in access to services of general interest risk driving service providers, enterprises and social</p> |

| | | | |
|---|--|---------------------------------------|---|
| <p>“A Europe closer to citizens by fostering the sustainable and integrated development of all types of territories and local initiatives”</p> | <p><i>social, economic and environmental development, culture, natural heritage, sustainable tourism, and security in areas other than urban areas</i></p> | <p>of border region</p> | <p>activities to relocate to areas with better access. This especially concerns remote areas that lack access to public services and economic and social opportunities. Missing links in the cross-border provision of business and tourism services are a main factor behind the negative demographic dynamics and the inert economy that the area exhibits. Prospects for transforming economically underdeveloped mountain settlements into sites of the ecotourism industry are still not converted into concrete projects. Thus, the inexhaustible tourist potential of the programme area has still not reached the phase of becoming sustainable economic activity. For example, little has been achieved in terms of developing infrastructure for responsible travel and visits to untouched areas of nature which would have direct impact on the local living standards and the preservation of natural heritage. The selection of the specific objective has been made with a view to tackle these challenges, accounting as well for compliance with the core priorities of the Territorial Agenda 2030. Thus, the programme will contribute to the ‘A just Europe’ priority of the Territorial Agenda 2030 by applying a place-based approach, in contrast to the dot-like one. This entails the involvement of all actors playing active roles in the border economy and thus allowing for multi-sectoral, accountable and multi-level governance partnerships that are going to be set up to support the prosperity of the border region.</p> |
| <p>Policy Objective 2: “A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable</p> | <p><i>Promoting climate change adaptation and disaster risk prevention, and resilience, taking into account eco-system based approaches</i></p> | <p>A more resilient border region</p> | <p>Locally occurred natural disasters may have a nationwide impact. As evident from the Territorial Analysis, since 1990s a series of disasters have been taking place and have been causing serious material damages and casualties in many regions in Bulgaria and Serbia, including the border region. In the last five years, an increasing share of the CBC fires has been observed. Having in mind the already established good cooperation between the responsible bodies in Bulgaria and Serbia and the recognized need for integrated and coordinated measures to reduce the risk of natural disasters, a strategic approach on risk prevention and rapid response management in case of different emergencies – wildfires, disasters, earthquakes etc. could be envisaged. The concept of disaster preparedness is embedded into a number of international commitments, including the UN’s Sendai Framework for Disaster Risk Reduction, Agenda 2030, the New Urban Agenda, and the Grand Bargain commitments. The European Commission’s Action Plan on the Sendai Framework for Disaster Risk Reduction 2015-2030 proposes new all-of-society and all-hazards risk approach across economic, social, and</p> |

| | | | |
|------------------------|--|--|---|
| <i>urban mobility”</i> | | | environmental policy areas. The above-mentioned, as well as the outcomes of the regional consultation process on the development of the next CBC programme paved the way to the evolvement of a cross-border strategic project in the field of disaster preparedness with the aim to make the emergency response as local as possible – a streamlined approach in the EC’s Action plan on Sendai Framework. This project is expected to have a greater impact on the targeted area and in national context as well, as it shall involve key authorities playing diverse roles on various levels in the entire system of disaster management – from public bodies through academia to NGOs. Moreover, the project envisages to enhance the interface between science and policy to build up a stronger knowledge base for decision-making. |
|------------------------|--|--|---|

2. Priorities [300]

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

2.1. Priority 1: Competitive border region

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

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

1.1 Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments

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

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

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

In many countries, governments are seeking opportunities to enhance productivity growth, foster quality job creation, strengthen trade and investment, and reduce inequalities. MSMEs that grow have a considerable positive impact on employment creation, innovation, productivity growth and competitiveness. Digital technologies and global value chains offer new opportunities for SMEs to participate in the global economy, innovate and strengthen productivity. Taking into account, however, local MSME heterogeneity and their little ability to fulfil their growth potential, scale up, and take advantage of regional and global value chains due to small size, limited resources (such as skills and finance), or industry and market conditions, MSME from the CBC area are lagging behind in the digital transition and are disproportionately affected by market failures, trade barriers, policy inefficiencies and the quality of institutions. A new approach of programme support, such as **direct support** to MSME, partnering across the border, can enhance SMEs performance and scale-up, as well as their contributions to inclusive growth. In light of the negative impact of the Covid pandemic on micro and small enterprises typically having insufficient capital and poor development potentials, the direct support to MSMEs becomes more relevant than ever, building on the experience gained from the indirect support to business from the previous programming periods. Moreover, the targeted support to enterprises to maximize production and reach new markets fully complement the EU-Western Balkans efforts in building Common Regional Market as an instrument to increase the attractiveness and competitiveness of the entire region, to speed up the post-pandemic recovery and to attract investors looking for diversification of supply and shorter value chains.

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

- Joint development and implementation of technological solutions that address regional socio-economic challenges, leading to financial and/or non-financial results obtained through cooperation;
- Technological and/or organizational investments aimed at reducing the cost of production/service delivery and any other investment leading to increased enterprise competitiveness including but not limited to purchase of specialized equipment and technologies (incl. related upskilling), monitoring systems; purchase of IT equipment, training and know-how transfer, virtual business

centres, e-commerce solutions, possibilities for electronic payments, etc; Actions aimed at increasing productive capacity;

- Investments aimed at quality management for improving product/service quality, including but not limited to improvements in the design of product/service features, improvements in customer after-sales service, improvements in product guarantee, total quality management systems, and any other aspect that defines overall product/service quality level;
- Actions aimed at accessing new markets or market segments including but not limited to marketing studies, distance-spanning technologies, organisational cooperation and joint business schemes with other enterprises, company exhibition halls at company’s establishment, etc.
- Marketing and promotion actions, participation in international fairs, exhibitions and other promotional events, consultation and information services, including e-marketing, communication with clients, etc.

The areas of interventions will be closely coordinated with the national competitiveness strategies and applicable analyses. The support for MSMEs will be provided through a competitive approach – open calls for proposals, in full respect of the application of the de-minimis rules (Regulation (EU) 1407/2013). The corresponding legal provisions impose financial limitations (EUR 200 000 for each undertaking over a 3-year period) on SMEs projects that are eligible for programme funding.

In order to concentrate the use of limited resources in the most efficient way, the programme support will be limited to micro, small and medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC.

The types of actions have been assessed as compatible with the DNSH principle, since they are not expected to have any significant negative environmental impact due to their nature, and they have been assessed as compatible according to methodology of Republic of Bulgaria.

For INTERACT and ESPON programmes:

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

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

Not applicable

Text field [7000]

2.1.3. Indicators /to be finalized/

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

Table 2: Output indicators

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

| | | | | | | |
|----------------------------------|---|----------------|------------------------------------|------------------|----------|-----------|
| | | | | [255] | [200] | |
| Competitive border region | <i>Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments</i> | RCO 116 | Jointly developed solutions | Solutions | 0 | 15 |

Table 3: Result indicators

| Priority | Specific objective | ID | Indicator | Measurement unit | Baseline | Reference year | Final target (2029) | Source of data | Comments |
|----------------------------------|---|----------------|---|------------------|----------|----------------|---------------------|--------------------------------------|----------|
| Competitive border region | <i>Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments</i> | RCR 104 | Solutions taken up or up-scaled by organisations | Solutions | 0 | | 11 | MA monitoring system / Survey | |

2.1.4. The main target groups

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

The **main target** groups for the SO 1.1 *Enhancing sustainable growth and competitiveness of MSMEs and job creation in MSMEs, including by productive investments*, are the MSMEs

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

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

Not applicable
Text field [7000]

2.1.6. Planned use of financial instruments

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

Not applicable
Text field [7000]

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

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

Table 4: Dimension 1 – intervention field

| Priority no | Fund | Specific objective | Code | Amount (EUR) |
|-------------|------|--------------------|------|--------------|
|-------------|------|--------------------|------|--------------|

| | | | | |
|---|---------------|-----|---|-----------|
| 1 | ERDF+IPA fund | 1.1 | 021 SME business development and internationalisation, including productive investments | 5 183 830 |
| 1 | ERDF+IPA fund | 1.1 | 171 Enhancing cooperation with partners both within and outside the Member State | 1 295 958 |

Table 5: Dimension 2 – form of financing

| Priority no | Fund | Specific objective | Code | Amount (EUR) |
|-------------|---------------|--------------------|----------|--------------|
| 1 | ERDF+IPA fund | 1.1 | 01 Grant | 6 479 787,60 |

Table 6: Dimension 3 – territorial delivery mechanism and territorial focus

| Priority No | Fund | Specific objective | Code | Amount (EUR) |
|-------------|---------------|--------------------|------------------------------|--------------|
| 1 | ERDF+IPA fund | 1.1 | 18 Cities, towns and suburbs | 3 887 872,56 |
| 1 | ERDF+IPA fund | 1.1 | 20 Rural areas | 2 591 915,04 |

2.2. Priority 2: Integrated development of border region

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

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

Fostering the integrated and inclusive social, economic and environmental development, culture, natural heritage, sustainable tourism, and security in areas other than urban areas

Text field: [300]

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

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

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

Priority 2 ‘Integrated development of the border region’ will give the opportunity the multi-thematic challenges of the border area to be tackled through an Integrated territorial strategy (ITS) in compliance with art. 28 of the CPR Regulation. It is expected that the integrated investments for fostering the territorial development in local economy will bring higher added value and ensure the leverage effect of the ERDF and IPA funds.

The implemented so far programmes delivered wide number and range of outputs, but at the same time it was difficult to establish the effect of these and the particular value added of the cross-border cooperation. Therefore, there is a strong need to substitute the uncoordinated and dot-like investments with multilateral- and multi-sectoral- driven solutions in the key policy domains that define the degree of territorial cohesion.

The policy domain that outlines the prospects of territorial economic development is the European Green Deal (EGD) with its three objectives: (1) No net emissions of greenhouse gases by 2050; (2) Economic growth decoupled from resource use, and (3) No person and no place left behind. A just

and inclusive transition is the leading EGD principle that needs urgent implementation across all sectors, but particularly those of high environmental footprint, such as enterprise operations and tourism. The combination of EGD and Territorial agenda 2030 further challenges small and underdeveloped areas to re-consider their territorial obstacles and potential in addressing local needs with globally agreed approaches (decarbonisation, industrial symbiosis, inclusiveness). This is the precise territorial agenda for integrated development of the programme area – to improve today's life with resilient, resource efficient and zero-carbon solutions.

It should be pointed out that for most of the CBC area there are high risk of poverty, social exclusion, continuous emigration of young people in active age and increase share of elderly population. Poor employment opportunities in the rural areas lead to concentration of business activities and employment opportunities mainly in the big towns. Economic disparities, mainly between urban and rural areas exists for all cross-border areas. The regions are relatively isolated from national economies. Among the negative consequences of world-wide pandemic is the vulnerability of micro and small enterprises, healthcare systems, as well as the downward trends in tourism sector. Outdated infrastructure related to risk prevention, low level of development of eco-friendly tourism and high degree of vulnerability to climate changes are common weaknesses of the areas. Problems with the road infrastructure still exist and the connections of small cities to main roads are weak. In overall, the strategy area has the lowest scores in all EU development indicators.

At the same time the cross-border area is rich with natural resources, cultural and historical heritage. In the programme area, there are two UNESCO World Heritage cultural sites or natural sites - Gamzigrad-Romuliana, Palace of Galerius in Serbia and Rila Monastery in Bulgaria. The UNESCO Tentative List of World Cultural Heritage includes 16 tangible immovable sites in Bulgaria and 12 in Serbia among which one cultural/historic landmark is located in the CBC area – Frontiers of the Roman Empire - The Danube Limes in Bulgaria and Frontiers of the Roman Empire (for Serbia).

The programme area enjoys abundance of natural attractions whose access is either underdeveloped or it needs more links with the local tourism value chain in a way to make nature preservation a policy priority as much as the raise of the income is as well. Such approach calls for integrated measures for development of the ecotourism industry combining the exuberant resource of Stara Plana with the attractive force of the mountaneous settlements in a distinct tourist product. The purpose of this product is to help promote sustainable development that will allow mountain regions to remain attractive places for tourists seeking relaxation and enjoyment, but above all to remain environments which are treasured and seen as places worth living in by their inhabitants. This can be achieved by, for example, enabling infrastructure for responsible travel and visits to relatively untouched areas and sites of natural and cultural heritage, and triggering socio-economic participation of local population in the tourism offering. A substantial scope of priority actions, corresponding to at least 40% of the priority budget, will be focused on tourism. Investments are expected to improve tourism-related infrastructure and services, branding and marketing as well as to strengthen inter-institutional coordination and policy development while fostering the preservation of and re-connecting with natural ecosystems in pursuit of a sustainable tourism cross-border community.

Also one of the European cycle routes EuroVelo 13 Iron Curtain Trail passes through the CBC area. All these constitute a key prerequisite for development of integrated tourist products, but despite the allocated so far vast Interreg support to individual tourism projects, sustainable integrated and cross-border tourism effect (e.g. year-round CBC tourism products that includes visits to various CBC sites) has not been achieved. Therefore, in spite of the enabling factors and preconditions, tourism in the region "recognizes" insurmountable weaknesses: underdeveloped tourism product as a whole,

underdeveloped network of tourism companies, insufficiently qualified staff in the field of tourism services, poor condition and limited access to natural and cultural-historical heritage sites.

A dedicated Integrated Territorial Strategy (ITS) underpins the implementation of the priority and the territorial particularities outlined above shape its strategic orientation and focus. When designing the strategy, a reasonable level of strategic framework aggregation has been pursued in line with the new programming approaches manifested in the 2021-2027 EU cohesion policy, as well as a means to precondition simplifying implementation. Therefore, the ITS pursues one strategic objective supported by two specific objectives, as follows:

Strategic objective: To enhance growth in all its aspects

Specific objective 1: To expand and improve service provision

Specific objective 2: To enhance regional competitiveness, incl. in the area of tourism (at least 40% of the priority's budget to be allocated to projects with a focus on sustainable tourism and culture)

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

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

- *Actions aimed at expanding accessibility and improving quality of services of general interest (SGI) in support of social and economic growth* – developing solutions that respond to changing needs by taking-up new technologies (better price/quality ratio, faster service delivery), societal challenges (e.g. population ageing, depopulation, silver economy, etc.) and financing constraints; developing solutions that diversify the ways in which SGI are organised, provided and financed;

- *Development and provision of framework support to local businesses to grow, expand and perform better in a greener and smarter competitive global market* - business support organisations from the region will cooperate in setting up a comprehensive joint business services and consultancy programme, designed to meet needs of local MSME to scale-up and become more competitive on the regional and international market. The programme will focus on training and development, which will provide exposure to a diverse range of themes (entrepreneurship, circularity, resource efficiency, digitalization, internalization), along with a robust support network of supervision and mentoring in place. This indirect support to local business will generate wider benefits for the programme area. Such benefits could include increased employment, entrepreneurship and competitiveness in the region, as well as improved environmental conditions, enhanced innovation and better business survival rates. The enterprise support under priority 2 will complement the direct support envisaged under priority 1 in the following way. The objective of priority 1 (direct support to SMEs) is to improve productiveness and increase market shares through: 1) jointly developed technological solutions to enhance sustainable growth, and 2) provision of productive investments (*acquisition of fixed capital and intangible assets*) to up-scale these solutions. The objective of priority 2, when it comes to SMEs, is to improve knowledge and skills of enterprises (*acquisition of knowledge capital*) in various policy domains (e.g. integration in regional and international value chains) to address diverse territorial socio-economic challenges through the provision of indirect support (consultancy, training, exchange of experience). Practically speaking, the individual support to enterprises under priority 2, which will be devised in the form of business support programmes based on thoroughly

studied growth needs and potentials, may pursue goals such as: enhancing innovation and entrepreneurial capacity, transitioning to a more digital and greener mode of operation, joining international value chains, business growth and etc.

- Actions aimed at streamlining the utilization of the CBC region's tourist resources, incl. ensuring faster, equitable and environmentally friendly access to and conditions for networking of cultural heritage and tourist sites in the CBC region – development of new integrated regional tourism products; restoration, preservation, exposition of cultural heritage sites; support for natural tourism sites; set-up of natural sites for economic use; investments in tourist support infrastructure and facilities; strengthening the links between natural and cultural sites, including through enhancing the cycling network, road infrastructure, border crossing points infrastructure; training of staff of tourism attractions; improving CBC tourism marketing and branding practices.

The types of actions have been assessed as compatible with the DNSH principle, in the same way as stated beforehand.

Due to the wide-range programme support to integrated territorial development, the solutions and outcomes of the implemented interventions could contribute to the achievement of the objectives of the economic development, tourism, environment and institutional capacity strands of EUSDR and EUAIRS.

For INTERACT and ESPON programmes:

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

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

Not applicable

Text field [7000]

2.2.3. Indicators /to be finalized/

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

Table 2: Output indicators

| Priority | Specific objective | ID [5] | Indicator | Measurement unit [255] | Milestone (2024) [200] | Final target (2029) [200] |
|--|--|----------------|---|------------------------------|------------------------------|------------------------------|
| Integrated development of border region | <i>Fostering the integrated and inclusive social, economic and environmental development, culture, natural heritage, sustainable tourism, and security in areas other than urban areas</i> | RCO 116 | Jointly developed solutions | Solutions | 8 | 20 |
| Integrated development of border region | <i>Fostering the integrated and inclusive social, economic and environmental development, culture, natural heritage, sustainable tourism, and security in areas other than urban areas</i> | RCO87 | Organizations cooperating across borders | Organisations | 24 | 55 |

Table 3: Result indicators

| Priority | Specific objective | ID | Indicator | Measurement unit | Baseline | Reference year | Final target (2029) | Source of data | Comments |
|--|--|---------------|---|------------------|----------|----------------|---------------------|--------------------------------------|----------|
| Integrated development of border region | <i>Fostering the integrated and inclusive social, economic and environmental development, culture, natural heritage, sustainable tourism, and security in areas other than urban areas</i> | RCR104 | Solutions taken up or up-scaled by organisations | Solutions | 0 | | 38 | MA monitoring system / Survey | |

2.2.4. The main target groups

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

The **main target** groups of the *SO 2.1 Fostering the integrated social, economic and environmental development, cultural heritage and security in areas other than urban*, are:

- Civil society;
- Local/ regional bodies and authorities, regional structures of central public authorities;
- NGOs;
- R&D, academic and training institutions;
- Social institutions;
- SMEs and their professional organisations.

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

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

The implementation of Priority 2 ‘Integrated development of the cross-border region’ is planned to be carried out based on a dedicated Integrated territorial strategy (ITS) whose performance will be governed by a Joint Steering Committee/Strategy Board made up of representatives of wide range of stakeholders from both sides of the border. The selected bottom-up approach to implement the Priority 2 is in full compliance with the provisions of Chapter II Territorial Development of the CPR Regulation and Section II Territorial Development of the ETC Regulation.

The ITS is prepared by a Task Force Group (TFG) consisting of stakeholders from the region (representative sample) – municipalities, districts, NGOs, professional organizations, businesses etc. The TFG is supported by external contractor for the drafting of the strategy who takes on the practical writing of the strategy and bears corresponding responsibilities for ensuring compliance with Art. 29 (2) of the CPR and Art. 20 of the ETC. For the elaboration of the ITS’s strategic context, the following strategic documents of regional and local stakeholders were used as a basis:

- Integrated Territorial Development Strategy for the Northwest NUTS II Region (Republic of Bulgaria)
- Integrated Territorial Development Strategy for the Southwest NUTS II Region (Republic of Bulgaria)
- Regional spatial plan for Nišava, Toplica and Pirot districts (Republic of Serbia)
- Regional spatial plan for Zaječar and Bor districts (Republic of Serbia)
- Regional spatial plan for Jablanica and Pčinja districts (Republic of Serbia).

The rest of the work and the decision on the ultimate definition of the ITS thematic focus was placed in the hands of the general public from the area in the form of open consultations (spring 2021). In the period of December 2021-January 2022, a second round of consultations has undergone. Its aim was to collect project ideas from the lowest level of the ladder of citizen participation and community engagement. The collected project ideas will serve as basis for setting

up a list of operations. 4 webinars were organized for all interested from both sides of the border allowing participants to engage in discussions of ITS and project ideas matter.

The territorial targeting of the ITS goes to the entire programme area comprising the following types of territories: 1) cities, towns and suburbs, 2) rural areas and 3) mountainous areas. The selected territorial focus of the ITS came out as a recommendation of the Territorial analysis (TA) which revealed a number of territorial particularities (identical economic, social and territorial challenges and development potentials across different territories) that lead to and justify such conclusion. The 12 district centres in the CBC region are the development centres of the cross-border territory and “knots” of a polycentric settlements’ network. They serve the rest of the territory, realize complex interactions and interdependencies to smaller towns and other settlements. Except providing employment (mostly commutes to work), these development centres are parts of national and regional systems for providing healthcare, education, administrative and other services. Therefore, each of these 12 districts exhibit the common characteristics of a functional area, but due to their limited geographical coverage it is hard to tailor them with individual investment plans. While operating in these systems, the spatial scope of the ITS may go beyond the formal borders of the CBC region. This comes to illustrate that functional zones have conditional borders depending on the functional scope of the initiated activity/intervention/measure. Therefore, it can be stated that the ITS’s territory favours elaboration and implementation of an integrated response to revealed needs and development potentials, narrowed in scope to cover the feasibility criterion.

The integrated approach to addressing common needs and utilising the existing potentials will be implemented through a multi-sectoral package of measures (grouped in list of operations). The performance of the ITS will be taken on by a Joint Steering Committee/Strategy Board, who will also participate in the selection of operations and cooperate with national EU funding decision-making bodies, like the Regional Development Councils in Republic of Bulgaria. This approach is selected to ensure and testify an unambiguous ownership of the ITS by local stakeholders.

2.2.6. Planned use of financial instruments

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

Not applicable
Text field [7000]

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

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

Table 4: Dimension 1 – intervention field

| Priority no | Fund | Specific objective | Code | Amount (EUR) |
|-------------|---------------|--------------------|--|--------------|
| 2 | ERDF+IPA fund | 2.1 | 023 Skills development for smart specialisation, industrial transition, entrepreneurship and adaptability of enterprises to change | 4 185 181 |

| | | | | |
|---|---------------|-----|--|-----------|
| 2 | ERDF+IPA fund | 2.1 | 024 Advanced support services for SMEs and groups of SMEs (including management, marketing and design services); | 4 185 181 |
| 2 | ERDF+IPA fund | 2.1 | 169 Territorial development initiatives, including preparation of territorial strategies | 4 185 181 |
| 2 | ERDF+IPA fund | 2.1 | 165 Protection, development and promotion of public tourism assets and tourism services | 3 720 160 |
| 2 | ERDF+IPA fund | 2.1 | 166 Protection, development and promotion of cultural heritage and cultural services | 3 720 160 |
| 2 | ERDF+IPA fund | 2.1 | 167 Protection, development and promotion of natural heritage and eco-tourism other than Natura 2000 sites | 1 860 080 |
| 2 | ERDF+IPA fund | 2.1 | 171 Enhancing cooperation with partners both within and outside the Member State | 1 395 060 |

Table 5: Dimension 2 – form of financing

| Priority no | Fund | Specific objective | Code | Amount (EUR) |
|-------------|---------------|--------------------|----------|----------------|
| 2 | ERDF+IPA fund | 2.1 | 01 Grant | 23 251 002, 50 |

Table 6: Dimension 3 – territorial delivery mechanism and territorial focus

| Priority No | Fund | Specific objective | Code | Amount (EUR) |
|-------------|---------------|--------------------|------------------------------|--------------|
| 2 | ERDF+IPA fund | 2.1 | 18 Cities, towns and suburbs | 13 950 601,8 |
| 2 | ERDF+IPA fund | 2.1 | 20 Rural areas | 9 300 401,2 |

2.3. Priority 3: A more resilient border area

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

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

Promoting climate change adaptation and disaster risk prevention, and resilience, taking into account eco-system based approaches

Text field: [300]

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

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

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

Few projects, combating natural risks and addressing specific needs in the field, have been implemented in the CBC area throughout previous and current programming periods. Up to now the 2007-2013 and 2014-2020 programmes show lack of large-scale flagship projects that ensure comprehensive response to challenges and needs in the area of risk prevention and have an impact on the whole cross-border area. A pre-defined strategic project for preparation of the population (*Serbian population will be educated and trained for actions in case of disasters with an emphasis on the wildfires, and the Bulgarian cross-border population will be instructed for actions in case of earthquakes and elderly people will be informed for the proper actions in case of earthquakes, fires and other disasters*) for actions in case of disasters and improvement of the capacity of the professional teams and volunteers for response in case of emergency situations will build on the past results with the aim to leverage, valorise and multiply them by outspreading the idea in two main directions:

1. Extend the CBC disaster response framework by adding on more types of natural and man-made disasters;
2. Enhance regional capacity for disaster response of those who are the most affected – the professionals, volunteers and the border population.

Reducing the risk of natural disasters requires timely and well-coordinated measures. In that respect together with the responsible institutions (as pre-defined partners), broad community engagement that is properly trained in combatting natural hazards will increase local response capacity and disaster resilience, and at the same time will decrease the degree to which a natural hazard may have damaging impacts on the economic development in the region.

Therefore, in order to enable professionals, volunteers, academia and stakeholders to contribute to the reduction of the risk of natural disasters the following non-exhaustive list of activities is suggested:

- *Optimizing the educational process in regards to the development and the implementation of a disaster response framework aiming to enhance the interface between science and policy for a stronger knowledge base for decision-making;*

- Actions aimed at strengthening the institutional cooperation in the cross-border region through development of guiding and strategic documentation; exchange of information, knowledge and skills; implementation of joint field trainings, etc.;
- Development and implementation of a comprehensive preparedness programme for border communities to adequately respond to natural disasters, including in-situ trainings, simulations, awareness campaigns, etc.;
- Small-scale investments in public training infrastructure and investments in specialised equipment;
- Joint development of protocols, procedures and approaches on risk prevention and rapid response management to many potential emergencies.

The types of actions have been assessed as compatible with the DNSH principle, in the same way as stated beforehand.

For INTERACT and ESPON programmes:

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

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

Not applicable

Text field [7000]

2.3.3. Indicators /to be finalized/

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

Table 2: Output indicators

| Priority | Specific objective | ID [5] | Indicator | Measurement unit [255] | Milestone (2024) [200] | Final target (2029) [200] |
|------------------------------|--|-----------|--|---------------------------|---------------------------|------------------------------|
| A more resilient border area | Promoting climate change adaptation and risk prevention, and resilience, taking into account eco-system based approaches | RCO85 | Participations in joint training schemes | participations | 78 | 310 |
| A more resilient border area | Promoting climate change adaptation and risk prevention, and resilience, taking into account eco-system based approaches | RCO81 | Participations in joint actions across borders | participations | 28 | 110 |
| A more resilient border area | Promoting climate change adaptation and risk prevention, and resilience, taking into | RCO83 | Strategies and action plans jointly developed | strategy/action plan | 0 | 3 |

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | <i>account eco-system based approaches</i> | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

Table 3: Result indicators

| Priority | Specific objective | ID | Indicator | Measurement unit | Baseline | Reference year | Final target (2029) | Source of data | Comments |
|------------------------------|---|--------------|--|-----------------------------------|----------|----------------|---------------------|--------------------------------------|----------|
| A more resilient border area | <i>Promoting climate change adaptation and risk prevention, and resilience, taking into account eco-system based approaches</i> | RCR81 | Completion of joint training schemes | <i>participants</i> | | | 310 | <i>MA monitoring system</i> | |
| A more resilient border area | <i>Promoting climate change adaptation and risk prevention, and resilience, taking into account eco-system based approaches</i> | RCR85 | Participations in joint actions across borders after project completion | <i>participations</i> | | | 25 | <i>MA monitoring system / Survey</i> | |
| A more resilient border area | <i>Promoting climate change adaptation and risk prevention, and resilience, taking into account eco-system based approaches</i> | RCR79 | Joint strategies and action plans taken up by organisations | <i>joint strategy/action plan</i> | | | 3 | <i>MA monitoring system / Survey</i> | |

2.3.4. The main target groups

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

The **main target** groups of the specific objective Promoting climate change adaptation, risk prevention and disaster resilience, are:

- National authorities for disaster management in Bulgaria and Serbia;
- Local protection and rescue units from Bulgaria and Serbia;
- Volunteers fire departments from Serbia and National Association of Volunteers in Republic of Bulgaria;
- Local authorities;
- Children, students, elder people at the age of 60 and more, business representatives;
- General population from the cross-border region.

The beneficiaries under the SO 3.1. are:

- Directorate General Fire Safety and Civil Protection –Ministry of the Interior (DGFSCP-MoI), Bulgaria;
- Sector for Emergency Management - Ministry of Interior (SEM MoI), Serbia;
- The Academy of the Ministry of Interior, Bulgaria;
- National Association of Volunteers in the Republic of Bulgaria (NAVRB);
- Other competent institutions in the field.

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

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

Not applicable

Text field [7000]

2.3.6. Planned use of financial instruments

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

Not applicable

Text field [7000]

2.3.7. Indicative breakdown of the EU programme resources by type of intervention

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

Table 4: Dimension 1 – intervention field

| Priority no | Fund | Specific objective | Code | Amount (EUR) |
|-------------|---------------|--------------------|--|--------------|
| 3 | ERDF+IPA Fund | 3.1 | 058 Adaptation to climate change measures and prevention and management of climate related risks: floods and landslides (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches); | 2 096 402 |
| 3 | ERDF+IPA Fund | 3.1 | 059 Adaptation to climate change measures and prevention and management of climate related risks: fires (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches); | 2 096 402 |
| 3 | ERDF+IPA Fund | 3.1 | 060 Adaptation to climate change measures and prevention and management of climate related risks: others, e.g. storms and drought | 2 096 402 |

| | | | | |
|---|----------------------|------------|---|------------------|
| | | | (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches); | |
| 3 | ERDF+IPA Fund | 3.1 | 061 Risk prevention and management of non-climate related natural risks (for example earthquakes) and risks linked to human activities (for example technological accidents), including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches | 2 096 402 |

Table 5: Dimension 2 – form of financing

| Priority no | Fund | Specific objective | Code | Amount (EUR) |
|--------------------|----------------------|---------------------------|-----------------|----------------------|
| 3 | ERDF+IPA Fund | 3.1 | 01 Grant | 8 385 607, 45 |

Table 6: Dimension 3 – territorial delivery mechanism and territorial focus

| Priority No | Fund | Specific objective | Code | Amount (EUR) |
|--------------------|----------------------|---------------------------|------------------------------|----------------------|
| 3 | ERDF+IPA Fund | 3.1 | 18 Cities, towns and suburbs | 8 385 607, 45 |

4. Financing plan

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

3.1 Financial appropriations by year

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

Table 7

| <i>Fund</i> | <i>2021</i> | <i>2022</i> | <i>2023</i> | <i>2024</i> | <i>2025</i> | <i>2026</i> | <i>2027</i> | <i>Total</i> |
|--|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| <i>ERDF</i> <i>(territorial cooperation goal)</i> | 0 | 2 686 899,17 | 2 730 267,14 | 2 774 502,25 | 2 871 472,30 | 2 347 138,14 | 2 394 081,00 | 15 804 360,00 |
| | 0 | 2 821 244,13 | 2 866 780,50 | 2 913 227,36 | 3 015 045,91 | 2 464 495,05 | 2 513 785,05 | 16 594 578,00 |
| <i>IPA III CBC¹³</i> | | | | | | | | |
| <i>Neighbourhood CBC¹⁴</i> | | | | | | | | |
| <i>IPA III¹⁵</i> | | | | | | | | |
| <i>NDICI¹⁶</i> | | | | | | | | |
| | | | | | | | | |
| <i>OCTP¹⁷</i> | | | | | | | | |
| <i>Interreg funds¹⁸</i> | | | | | | | | |
| <i>Total</i> | 0 | 5 508 143,30 | 5 597 047,64 | 5 687 729,60 | 5 886 518,21 | 4 811 633,19 | 4 907 866,06 | 32 398 938,00 |

¹³ Interreg A, external cross-border cooperation.

¹⁴ Interreg A, external cross-border cooperation.

¹⁵ Interreg B and C.

¹⁶ Interreg B and C.

¹⁷ Interreg B, C and D.

¹⁸ ERDF, IPA III, NDICI or OCTP, where as single amount under Interreg B and C.

3.2 Total financial appropriations by fund and national co-financing

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

Table 8

| Policy objective No or TA | Priority | Fund (as applicable) | Basis for calculation EU support (total eligible cost or public contribution) | EU contribution (a)=(a1)+(a2) | Indicative breakdown of the EU contribution | | National contribution (b)=(c)+(d) | Indicative breakdown of the national counterpart | | Total (e)=(a)+(b) | Co-financing rate (f)=(a)/(e) | Contributions from the third countries (for information) | |
|---------------------------|-------------------|---------------------------------|---|-------------------------------|---|---|-----------------------------------|--|----------------------|-------------------|-------------------------------|--|--|
| | | | | | without TA pursuant to Article 30(5) CPR (a1) | for TA pursuant to Article 30(5) CPR (a2) | | National public (c) | National private (d) | | | | |
| | Priority 1 | ERDF | Total eligible cost | 2 686 741,20 | 2 442 492,00 | 244 249,20 | 474 130,80 | 237 065,40 | 237 065,40 | 3 160 872,00 | 0,85 | | |
| | | IPA III CBC ¹⁹ | Total eligible cost | 2 821 078,26 | 2 564 616,60 | 256 461,66 | 497 837,34 | 248 918,67 | 248 918,67 | 3 318 915,60 | 0,85 | | |
| | | Neighbourhood CBC ²⁰ | | | | | | | | | | | |
| | | IPA III ²¹ | | | | | | | | | | | |
| | | NDIC ²² | | | | | | | | | | | |
| | | OCTP ²³ | | | | | | | | | | | |
| | | Interreg funds ²⁴ | | | | | | | | | | | |
| | Priority 2 | ERDF | Total eligible cost | 9 640 659,60 | 8 764 236,00 | 876 423,60 | 1 701 292,80 | 850 646,40 | 850 646,40 | 11 341 952,40 | 0,85 | | |
| | | IPA III CBC | Total eligible cost | 10 122 692,58 | 9 202 447,80 | 920 244,78 | 1 786 357,52 | 893 178,76 | 893 178,76 | 11 909 050,10 | 0,85 | | |
| | | Neighbourhood CBC | | | | | | | | | | | |
| | | IPA III | | | | | | | | | | | |
| | | NDICI | | | | | | | | | | | |
| | | OCTP | | | | | | | | | | | |
| | | Interreg funds | | | | | | | | | | | |
| | Priority 3 | ERDF | Total eligible cost | 3 476 959,20 | 3 160 872,00 | 316 087,20 | 613 581,00 | 306 790,50 | 306 790,50 | 4 090 540,20 | 0,85 | | |
| | | IPA III CBC | Total eligible cost | 3 650 807,16 | 3 318 915,60 | 331 891,56 | 644 260,09 | 322 130,04 | 322 130,05 | 4 295 067,25 | 0,85 | | |
| | | Neighbourhood CBC | | | | | | | | | | | |

¹⁹ Interreg A, external cross-border cooperation.

²⁰ Interreg A, external cross-border cooperation.

²¹ Interreg B and C.

²² Interreg B and C.

²³ Interreg B, C and D.

²⁴ ERDF, IPA III, NDICI or OCTP, where as single amount under Interreg B and C.

| | | | | | | | | | | | | |
|--|--------------|--------------------------|----------------------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|------|--|
| | | <i>IPA III</i> | | | | | | | | | | |
| | | <i>NDICI</i> | | | | | | | | | | |
| | | <i>OCTP</i> | | | | | | | | | | |
| | | <i>Interreg funds</i> | | | | | | | | | | |
| | <i>Total</i> | <i>All funds</i> | <i>Total eligible cost</i> | 32 398 938,00 | 29 453 580,00 | 2 945 358,00 | 5 717 459,55 | 2 858 729,77 | 2 858 729,78 | 38 116 397,55 | 0,85 | |
| | | <i>ERDF</i> | <i>Total eligible cost</i> | 15 804 360,00 | 14 367 600,00 | 1 436 760,00 | 2 789 004,60 | 1 394 502,30 | 1 394 502,30 | 18 593 364,60 | 0,85 | |
| | | <i>IPA III CBC</i> | <i>Total eligible cost</i> | 16 594 578,00 | 15 085 980,00 | 1 508 598,00 | 2 928 454,95 | 1 464 227,47 | 1 464 227,48 | 19 523 032,95 | 0,85 | |
| | | <i>Neighbourhood CBC</i> | | | | | | | | | | |
| | | <i>IPA III</i> | | | | | | | | | | |
| | | <i>NDICI</i> | | | | | | | | | | |
| | | <i>OCTP</i> | | | | | | | | | | |
| | | <i>Interreg funds</i> | | | | | | | | | | |
| | <i>Total</i> | <i>All funds</i> | <i>Total eligible cost</i> | 32 398 938,00 | 29 453 580,00 | 2 945 358,00 | 5 717 459,55 | 2 858 729,77 | 2 858 729,78 | 38 116 397,55 | 0,85 | |

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

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

1. Regional consultations

The preparation process of the Interreg-IPA CBC Bulgaria-Serbia Programme started with regional consultations where the managing bodies presented the new elements for the programming period 2021-2027.

The Regional consultations held in autumn 2019 in Montana and Botevgrad (Republic of Bulgaria) and Bor and Nis (Republic of Serbia) was large and active from all regions and districts of the eligible area. More of the participants to the consultations were representatives of NGO, educational and university institutions, local administrations, MSMEs. Multiple instruments were used during regional consultations: collection of project ideas from the potential beneficiaries and filling of the Questionnaires with comments and proposals. The qualitative feedback was considered by the MA programming team for the preparation of the Programme document 2021-2027. The conducted regional consultations on both sides of the border identified also the local needs, weaknesses and issues, following the bottom-up approach. The stakeholders raised the issue negative demographic development and depopulation in rural areas; migration of skilled labour force, including high unemployment rate; insufficient capital and low level of development of the MSMEs, compare to the total countries territory; less developed of tourism sector and low level of development of eco-friendly tourism; joint challenges related to risk prevention and lack of sustainable solutions in terms of disaster risk prevention; underdeveloped road, touristic and ecological infrastructure; lack of activities which could contribute to integrated development of the CB area; low level of popularisation of the rich cultural and natural heritage; existing obstacle for joint measures concerning preservation of natural and cultural heritage.

Based on the statistical data gathered at the programme level as well results of the regional consultations, the territorial analysis of the programme area was drafted.

2. Joint working group on programming (JWG)

The JWG shall steer the programming phase and ensure the quality and effectiveness of the preparation of the programme. The overall responsibilities for the group are:

- Preparation of the programme.
- Organization of dialogues with relevant stakeholders, feeding in the results of national consultations, etc.

In October 2019 a JWG has been set up for elaboration of the Programme with chairperson the Deputy Minister of Regional Development and Public Works of the Republic of Bulgaria and co-chairperson the Cross-border Cooperation Coordinator at the Ministry of European

Integration in Republic of Serbia. Members and observers of the JWG were designated representatives of Republic of Bulgaria as Member State and Republic of Serbia as a Non-member state includes institutions and organizations in accordance with the eligible regions, who were represented with voting rights and in advisory capacity. The following documents have been adopted by the JWG:

- On the basis of the rules of procedure of the JWG, approved on the first technical meeting in November 2019, the JWG steers the programming phase and ensures the quality and effectiveness of the preparation of the Programme and has the overall responsibility for organization of dialogues with relevant stakeholders, feeding in the results of national consultations.
- In September 2020 via written procedure the Territorial Analysis for Republic of Bulgaria - Republic of Serbia Cross-border Area including the SWOT analysis and conclusions was approved and a mandate has been given to the Managing Authority and National Authority to elaborate and present proposal for the Intervention logic.
- At the Second meeting in December 2020 the Intervention Logic was approved and a mandate has been given to the Managing Authority and National Authority to elaborate and present proposal for Programme document.

3. Task force (TF) on the elaboration of the Integrated territorial strategy for the CBC region

In connection with the elaboration of a territorial strategy for integrated measures and selected programme priority within the scope of Policy Objective 5 "Europe closer to the citizens" under the cross-border cooperation Programme between the Republic of Bulgaria and the Republic of Serbia for the period 2021-2027, a TF has been set up.

The TF has supporting functions in the elaboration of multiannual (covering the period 2021-2027) Strategy for Integrated Territorial Development, with the aim to meet the needs of the INTERREG - IPA CBC Programme between Republic of Bulgaria and Republic of Serbia 2021 – 2027 to contribute to a sustainable economic development of the region. The overall responsibility of the TF is as follows:

- Collaboration with selected contractor during the elaboration of the Territorial strategy for integrated measures under PO5 “Europe closer to citizens” under INTERREG-IPA Cross-border Cooperation Programme between Republic of Bulgaria and Republic of Serbia 2021-2027
- Feed in results of dialogues with relevant stakeholders, databases, expert positions etc.

The TF involves wide-range of representation from the CBC region with a view to ensure transparent and participatory approach during the elaboration of the strategy and to ensure the ownership of the local stakeholders. Thus the TF consists of representatives of the regional administration, municipalities, socio-economic partners, non-governmental organisations and the business from the CBC region. The TF will further serve as the basis to set up the governing

body of the Strategy and will ensure continuity in the implementation of the territorial approach for the CBC region.

4. Implementation, monitoring and evaluation

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

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

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

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

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

Text field [4 500]

The significance of effective communication has become widely recognized by all the actors managing EU funded programmes. In the 2021-2027 period the Republic of Bulgaria-Republic of Serbia CBC Programme will keep the good communication practices from the past and will apply a flexible approach in respond to the new challenges in public relations. The communication activities of the Republic of Bulgaria-Republic of Serbia CBC Programme 2021-2027 are designed to facilitate the programme implementation in two aspects: assisting candidates and beneficiaries and raising the awareness of the positive impact of the EU funding. All these are translated into the following communication objectives:

- to make the programme known, attractive and easily approachable to potential applicants of all priorities and in all regions of the programme area;

- to support beneficiaries in project implementation;
- to ensure wide acknowledgement of the programme delivering EU support to develop the programme area.

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

The target groups of the communication activities are:

- Beneficiaries and potential beneficiaries: public authorities, SMEs, NGOs, universities, research, education and training institutions, euro regions and other joint cross border structures, local citizens and visitors.
- Other stakeholders - Governmental/ non-governmental actors: national, regional and local authorities and administrations, municipalities, county councils, district administrations, NGOs active at border level, trade associations of the border regions, women and youth organizations, cross-border associations, cultural, research and scientific organizations, organizations representing economic and social interests, stakeholders of mainstream programmes;
- National/ regional/local media from both countries;
- General public (citizens)

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

Communication Channels:

1. Digital

- Website;
- Social media (Facebook and YouTube);
- E-events (meetings, workshops, conferences, seminars, trainings);
- PR activities (newsletters, E-brochures, Visual Identity Manual)

2. Traditional

- PR activities (press releases, publications, interviews, shows, short videos)
- Signalling (plates with the Programme logo at the building entrance and of the MA, NA, JS, flying the EU flag);

3. Events/trainings

- Meetings, workshops, conferences, seminars, trainings – for beneficiaries, potential beneficiaries and media
- Local Events for celebration of European Cooperation Day

Website

Like a main source of information, the new website will retain the basic main structure as the one from the previous programming period.

Social media

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

eLearning webinars

A significant part of the online strategy is targeted on online education. MA will ensure the accessibility of the information to the interested parties who can't be present physically at the events. If necessary, all possible below-the-line (BTL) events will be transferred online.

PR activities

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

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

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

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

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

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

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

Events & meetings

Human interaction is essential for building trust and allowing cooperation. As a tool to reach beneficiaries and influencers, the events will address the participants to take action by accessing the web tools or interacting with the e-learning section on the website.

Special attention will be paid to new type of beneficiaries under the Interreg programme such as MSMEs in terms of wide information campaigns on the funding opportunities provided, partner matching events at the stage of application etc.

Another important element of the communication strategy will be dedicated to the PO 5 strategy being the Priority with the highest budget share. Communication activities will start during the elaboration of the strategy though a wide participatory approach involving all types of territorial stakeholders – citizens, bodies, non-governmental organizations, business. The elaboration of

the list of operations will be carried out in a transparent manner based on the consultation with potential project promoters.

Trainings

Trainings are provided for project beneficiaries (on procurement rules, reporting, financial management, verification of expenditure, irregularities, communication rules and other issues related to implementation of the projects).

BUDGET

- the planned budget is equal to or greater than 0,3% of the total budget of the programme.
- the description presents an indicative financial plan by activity / channel and year.

MONITORING AND EVALUATION

MA will inform the JMC once a year on the progress and the analysis in the implementation of the communication and visibility actions. At the request of the EC, the MA will inform in writing during the review phase on the progress in the implementation of the communication and visibility actions.

To evaluate the result of the communication activities MA will conduct consumer insights assessments.

| Type of activities | Output indicator | <i>Target 2027</i> | Result indicator | <i>Target 2027</i> |
|---------------------------|--|--------------------|--|--------------------|
| Events | <i>Number of events for potential applicants / beneficiaries / stakeholders / general public</i> | 28 | <i>Overall usefulness of the event for attendees (survey)</i> | 75% CSAT score |
| | <i>Number of participants in the events</i> | 1300 | | |
| Publications | <i>Number of publications (including Social media)</i> | 350 | <i>Overall usefulness of the publications for readers (survey)</i> | 75% CSAT score |
| Programme website | <i>Number of visits</i> | 70000 | <i>Overall usefulness of the site/page for readers (survey)</i> | 75% CSAT score |
| Social media | <i>Number of followers/ subscribers</i> | 700 | <i>No. of shares, likes, views, comments and hashtag mentions</i> | 1000 |

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

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

The programme allows for projects of limited financial volume to be implemented in compliance with Art.24 of the ETC Regulation.

The programme will provide direct support to regional SMEs to meet new competitiveness challenges arising from the new EU policy courses of development (e.g. green and digital transition), EU enlargement prospective, as well as from the need to overcome certain economic deficiencies (limited CBC market) and events with unfavourable impact on SMEs performance (e.g. the outbreak of Covid-19). The programme will devise the support to enterprises in full respect of the legally defined support framework which requires a strict application of the de-minimis rules (Regulation (EU) 1407/2013). The corresponding legal provisions impose financial limitations (EUR 200 000 for each undertaking over a 3-year period) on SMEs projects that are eligible for programme funding. Therefore, the support for enterprises under Priority 1 'Competitive border region' (15% of the programme budget) will go under the form of small-scale projects for up to EUR 200 000 per undertaking (that includes beneficiaries and partners).

The support to SMEs through a small project fund (as defined in Article 25 of the Regulation (EU) 2021/1059 on ETC) is considered an option whose feasibility will be examined and applied if applicable.

7. Implementing provisions

7.1. Programme authorities

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

Table 10

| Programme authorities | Name of the institution [255] | Contact name [200] | E-mail [200] |
|---|--|--|----------------------------------|
| Managing authority | Ministry of Regional Development and Public Works Territorial Cooperation Management Directorate | Desislava Georgieva, Director of Territorial Cooperation Directorate | D.G.Georgieva@mrrb.government.bg |
| National authority (for programmes with participating third or partner countries, if appropriate) | Ministry of European Integration; Department for cross-border and transnational cooperation programmes and cooperation with local and regional authorities and organizations for more efficient use of funds | Mihajilo Dašić Assistant Minister | office@mei.gov.rs |
| Audit authority | Executive agency Audit of European Union Funds, Ministry of finance | Lyudmila Rangelova, CGAP Executive Director | aeuf@minfin.bg |
| Group of auditors representatives | Governmental Audit Office of EU Funds, Government of Republic of Serbia | Ljubinko Stanojevic Head of Governmental Audit Office of EU Funds | ljubinko.stanojevic@aa.gov.rs |
| Body to which the payments are to be made by the Commission | National Fund Directorate, Ministry of finance | Manuela Milosheva, Director of the Directorate | natfund@minfin.bg |

7.2. Procedure for setting up the joint secretariat

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

Text field [3 500]

In accordance with Article 46 (2) of Regulation (EU) No 2021/1059, the Managing Authority (MA) in cooperation with National Authority (NA) should set up the Joint Secretariat (JS) with staff, taking into account the programme partnership.

The Joint Secretariat will support the MA and the Joint Monitoring Committee (JMC) in carrying out their respective functions. The JS will also provide information to potential beneficiaries about funding opportunities and assists beneficiaries and partners in the implementation of operations. Where appropriate, it will assist the audit authority.

Based on the positive experience gained in the previous two programming periods, the programme will keep the existing location of the JS in Bulgaria, with a branch office in Serbia.

The staff selection procedure will be carried out by MA and/or NA in accordance with the relevant national decrees and/or regulations, and will consist of four phases:(1) administrative compliance of submitted application and eligibility of the applicant, (2) assessment of submitted documentation, (3) written exam and (4) interview. Staff recruitment should take into account the programme partnership and the recruitment procedures will follow the principles of transparency, non-discrimination and equal opportunities. The staff number and the job descriptions of the JS will be subject for approval by the JMC.

The JS's costs will be covered by the budget of the Technical Assistance. s

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

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

According to art. 69 (2) of Regulation (EU) 2021/1060 - CPR, Partnering Countries shall ensure the legality and regularity of expenditure included in the accounts submitted to the Commission and shall take all required actions to prevent, detect and correct and report on irregularities including fraud. Each Partnering country shall be responsible for investigating irregularities committed by the beneficiaries located on its territory. Financial correction shall consist of cancelling all or part of the support from the Funds to an operation or programme where expenditure declared to the Commission is found to be irregular. Financial corrections shall be recorded in the annual accounts by the managing authority for the accounting year in which the cancellation is decided.

The managing authority shall ensure that any amount paid as a result of an irregularity is recovered from the lead or sole partner. Partners shall repay to the lead partner any amounts unduly paid. Special provisions regarding the repayment of amounts subject to an irregularity shall be included both in the contract to be signed between managing authority and the lead partner and in the partnership agreement to be signed between the beneficiaries.

If the lead partner does not succeed in securing repayment from other partners or if the managing authority does not succeed in securing repayment from the lead partner, the partnering country on whose territory the beneficiary concerned is located shall reimburse the managing authority the amount unduly paid to that partner. Where the partnering country has not reimbursed the managing authority any amounts unduly paid to a partner, those amounts shall be subject to a recovery order issued by the Commission which shall be executed, where possible, by offsetting to the respective partnering country.

The managing authority shall be responsible for reimbursing the amounts concerned to the general budget of the Union, in accordance with the apportionment of liabilities among the participating countries as laid down in this programme and as detailed in the bilateral Memorandum of Understanding/ the Memorandum of Implementation.

In accordance with article 104 of Regulation (EU) 2021/1060 – CPR, the Commission has the right of making financial corrections by reducing support from the Funds to a programme and effecting recovery from the partner States in order to exclude from Union financing expenditure which is in breach of applicable Union and national law, including in relation to deficiencies in the effective functioning of the management and control systems.

In case of any financial corrections by the Commission, the two partnering countries commit to recover the amount proportionally with the approved project budgets and performed activities by respectively Bulgarian and Serbian beneficiaries affected by the financial correction. In case of financial corrections by the Commission, due to random or anomalous

irregularities, the two partner States commit to investigate on a case by case basis. The financial correction by the Commission shall not prejudice the partner countries' obligation to pursue recoveries under the provisions of the applicable European Regulations.

The bilateral Memorandum of Understanding/ Memorandum of Implementation between the partnering countries shall provide for detailed provisions with regard to the apportionment of liabilities and debts recovery.

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

Reference: Articles 94 and 95 of Regulation 2021/1060 (CPR)

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

| Intended use of Articles 88 and 89 | YES | NO |
|--|--------------------------|-------------------------------------|
| From the adoption the programme will make use of reimbursement of the Union contribution based on based on unit costs, lump sums and flat rates under priority according to Article 94 CPR (if yes, fill in Appendix 1) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| From the adoption the programme will make use of reimbursement of the Union contribution based on financing not linked to costs according to Article 95 CPR (if yes, fill in Appendix 2) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |