



Bulgaria-fYROM IPA Cross-Border Cooperation Programme 2007 - 2013

Ongoing evaluation of IPA Cross-Border Programmes 2007 – 2013 managed by the Republic of Bulgaria

Lot 2: 2007CB16IPO007– TA – 2012 – 2

“Ongoing evaluation of Bulgaria-the Former Yugoslav Republic of Macedonia IPA Cross-Border Cooperation Programme 2007 - 2013”

FINAL EVALUATION REPORT- Revised Version

Contracting Authority: Ministry of Regional Development, Bulgaria

Sofia, 15 October 2013



This project is funded by

The European Union

A project implemented by

Consortium ECORYS – FED





The contents of this report are the sole responsibility of Ecorys and its Consortium partners and can in no way be taken to reflect the views of the European Union.

Project Identification

Programme Name	IPA
Project Name	Ongoing evaluation of Bulgaria – the Former Yugoslav Republic of Macedonia IPA Cross-border Programme
Service Contract	2007CB16IPO007-TA-2012-2
Contract Number	РД-02-29-307/ 13.11.2012
Project Duration	8 months
Project Commencement Date	13.11.2012
Project End Date	13.07.2013
Status	Final Report – Revised version
Contracting Authority	Ministry of Regional Development, Directorate General Territorial Cooperation Management
Stakeholders	NA, JTS in Kyustendil and JTS Antenna Office in Strumica, CA, AA, grant beneficiaries, population from the cross-border regions
Consortium	ECORYS – FED (ECORYS NEDERLAND BV – ECORYS SOUTH EAST EUROPE LTD., BULGARIA – FOUNDATION FOR ENTREPRENEURSHIP DEVELOPMENT) under the leadership of ECORYS SOUTH EAST EUROPE
Project Director	Mariana Stefanova, contact details: Tel.:(+3592) 81 55 684, fax: (+3592) 981 60 32, e-mail: Mariana.Stefanova@ecorys.com
KE Experts	Key expert 1: Team Leader – Pierre Egloff 1 Cherni Vrah, 1421 Sofia, Bulgaria Mobile:(+359) 885 050 062 E-mail: piegloff@yahoo.com Key experts 2: Senior evaluator – Dotchka Rousseva 18 Dukatska Planina Str., 1606 Sofia, Bulgaria Tel.: (+359 2) 952 57 58; Fax: (+359 2) 952 57 83 Mobile: (+359) 888 974 807 E-mail: rousseva@fed-bg.org



<p>Date of the report</p> <p>Reporting period :</p> <p>Report No:</p>	<p>Key experts 3: Senior evaluator – Mathias Hague 1 CherniVrah, 1421 Sofia, Bulgaria Mobile: (+359) 887 59 07 35 E-mail: mathague@hotmail.com</p> <p>Key expert 4: Senior analyst – Elena Krastenova 18 DukatskaPlanina Str., 1606 Sofia, Bulgaria Tel.: (+359 2) 952 57 58; Fax: (+359 2) 952 57 83 Mobile: (+359) 888 673 680 E-mail: krastenova@fed-bg.org</p> <p>Final Report – Revised version</p>
--	---



Table of contents

Executive Summary	6
I. Introduction.....	16
II. Context and objectives of the evaluation.....	20
III. Evaluation methods and tools	22
III.1 Sources of information	22
III. 2 Stages and Activities of the Evaluation.....	26
IV. Main findings and answers to the evaluation questions.....	27
IV.1 Answers to the evaluation questions related to the Programme interim results	27
IV.1.1 Relevance, consistency and complementarity of the Programme objectives	27
IV.1.2 Progress in contracting and payment of funds	33
IV.1.3 Effectiveness of the Programme implementation	52
IV.2 Answers to the evaluation questions related to quality and effectiveness of the Programme implementation system	91
IV.2.1 Quality and effectiveness of the project generation, selection and contracting process.....	91
IV.2.2 Quality and effectiveness of the implementation system.....	101
IV.2.3 Quality and effectiveness of the FLC system	114
IV.2.4 Quality of the Programme monitoring system.....	131
V. Conclusions and recommendations	136

Annexes - attached in a separate volume

- Annex 1 List of documents reviewed
- Annex 2 List of interviews
- Annex 3 Summary of main eligibility rules of the call for proposals
- Annex 4 Frequency tables of the online survey of beneficiaries and unsuccessful applicants
- Annex 5 Frequency tables of the online survey of controllers
- Annex 6 Comments on programme indicators
- Annex 7 Project review sheets
- Annex 8 Estimates of the cost of the alternative First Level Control systems in Bulgaria



List of Acronyms

AA	Audit Authority
AWG	Assessment Working Group
CA	Certifying Authority
CBC	Cross-Border Cooperation
COCOF	Committee of the Coordination of Funds
CVE	Certificate for Validation of Expenditures
DG TCM	Directorate General Territorial Cooperation Management
EC	European Commission
EU	European Union
FLAG	Fund for Local Authorities and Governments
FLC	First Level Control
FMC	Financial Management and Control Department
FYROM	former Yugoslav Republic of Macedonia
GfA	Guidelines for Applicants
IPA	Instrument for Pre-accession Assistance
IR	Invoice Report
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
LP	Lead Partner
MA	Managing Authority
MIS	Management Information System
MLSG	Ministry of Local Self Government (FYROM)
MoU	Memorandum of Understanding
MRD	Ministry of Regional Development (Bulgaria)
NA	National Authority
PIM	Project Implementation Manual
RMG	Risk Management Group
TA	Technical Assistance
ToR	Terms of Reference

Countries

BG	Bulgaria	MK	former Yugoslav Republic of Macedonia
HR	Croatia	RO	Romania
HU	Hungary	SL	Slovenia



Executive Summary

1. Introduction

This is the first ongoing evaluation of the Bulgaria-former Yugoslav Republic of Macedonia IPA Cross-Border Cooperation Programme. The evaluation was carried out by the Consortium of Ecorys and Foundation for Entrepreneurship Development in the period 13 November 2012–13 July 2013. The cut-off date of the evaluation is end of December 2012.

The Bulgaria– former Yugoslav Republic of Macedonia IPA Cross-Border Cooperation Programme 2007–2013 is implemented under the EU Instrument for Pre-accession Assistance (IPA). The global objective of the Programme is sustainable development of the border region of Bulgaria and the former Yugoslav Republic of Macedonia in support of the wider European cooperation and integration efforts. The Programme has three strategic objectives: 1) To foster sustainable economic growth in the cross-border region; 2) To promote social cohesion and cross-border cooperation; 3) To further develop the attractiveness and quality of life in the cross-border area.

The Programme is structured along two main Priority axes - *Economic development and social cohesion* (Priority axis 1) and *Improvement of the quality of life* (Priority axis 2), with a third Priority axis dedicated to the Programme's management (*Technical assistance*). The total budget of the Programme for the period 2007-2013 is EUR 20 490 793.00 million, with Community assistance, amounting to EUR 17 417 174 million.

The Programme is managed under the shared management mode. The Managing Authority (MA) for the Programme is the Bulgarian Ministry of Regional Development (MRD), having as counterpart the Macedonian Ministry of Local Self-government (MLSG), the National Authority (NA). Joint technical secretariat (JTS) is established with main office in Kyustendil and an antenna office in Strumica.

The Programme document drafted jointly by the two countries through a large partnership with national, regional and local stakeholders was approved by the European Commission with Decision C(2007) 6298 on 14 December 2007, amended with Decision C(2010) 3880 on 21 June 2010, Decision C (2012) 4936 on 17.07.2012 and Decision C (2012) 8373 on 14.11.2012. The Commission accepted the compliance assessment report on the Programme management and control system in December 2010.

2. Objectives and methodology of the ongoing evaluation

The *purpose* of the ongoing evaluation are to assess the interim results of the Programme implementation and the effectiveness of the Programme implementation system; and to elaborate recommendations for improvements, contributing to the successful implementation of the Programme and the preparation for the new programming period.

The main sources of information of the evaluation included desk research and primary data collection. The desk research included review of European and national strategic documents; Programme management documents; project documents; monitoring databases.

Primary data was collected through various qualitative and quantitative methods, including in-depth interviews, on-the-spot visits to projects, online survey of beneficiaries and unsuccessful applicants, online survey of first level controllers.



The *on-the-spot visits to projects* covered 12 projects, contracted under the First call or 38% of total visited at the place of project implementation. During the visits, interviews with project stakeholders were carried out. The *online survey of beneficiaries* and unsuccessful applicants aimed to collect opinion on the application and implementation process and procedures, as well as on the progress and achievements of the projects. The response rate of the beneficiaries was 83%, and of the lead partners 98%. The *online survey of the first level controllers* aimed at collecting quantitative and qualitative information on their opinion about the FLC system procedures and the needs for training and support by the MA (response rate of 58%).

The MA and the JTS Kyustendil–main office and JTS–branch office Strumitca provided significant assistance at all stages of the evaluation.

3. Findings of the evaluation related to Programme interim results

Relevance, consistency and complementarity of the Programme objectives

The changes in the contexts since the adoption of the Programme have no significant effect on the strength, weaknesses opportunities and threats of the border region. The Programme remains relevant to the needs of the target region. The recessionary environment increase the relevance of Programme objectives and priorities, focused on economic growth and labour market interventions, especially of the ones related to labour market integration of vulnerable groups.

Towards the end of 2012, there were no changes in the Programme that have had an influence on the Programme internal and external consistency. The Programme amendments were small and had not affected its strategy.

The external coherence of the Programme with EU and national strategic documents, existing at the time of the elaboration of the Programme, was confirmed as high by the ex-ante evaluation and remains strong. The programme is coherent and complimentary with the new strategic documents - Europe 2020 Strategy and the EU Strategy for the Danube Region.

Progress in contracting and payment of funds

At the end of 2012, the total contracted amount was EUR 13,279,095 (10,703,633.38 IPA funding) or 61.45% of the Programme budget for the period 2007-2013. The contracting rate is satisfactory and the Programme is expected to contract the allocated budget by the end of 2013.

At the end of 2012, the certified amount was EUR 2.76 million or 13.11% of the Programme budget for the period 2007-2013. The payment rate is low due to the late contracting of the First call projects, delays in the execution of some of the contracts and in the verification of expenditure because of the late setting of the FLC system in the former Yugoslav Republic of Macedonia. Due to the low payment rate, EUR 464,180 of IPA Funds were decommitted.

The projects under the thematic priorities of the Programme are selected by open calls for proposals, to which public bodies and non-profit organisations from the border region can apply. Towards the end of 2012, three calls for proposals were launched.

The First call for proposals was launched late (at the end of the third quarter of 2009) and the evaluation and contracting process was quite lengthy due to the delayed setting up of the management and control systems. Under the First call for proposals, 35 contracts were signed in mid 2011. The Second call was launched in 2011; 33 projects were approved for funding and 21 contracts were signed in 2012 and the remaining 12 contracts were pending signature of the EU-former Yugoslav Republic of Macedonia Financing Agreement for 2012. The Third



call for proposals was launched at the end of 2012 with a submission deadline after the cut-off date of that evaluation (March 2013).

The first two calls for proposals attracted sufficient number of good quality applications. The total number of applications amounted to 220, of which 160 meeting the minimum quality standards. The number of the applications in the Second call rose with 34%, indicating an increasing interest to the Programme. About 250 different organisations from the border region have cooperated in the preparation of proposals for the Programme First and Second call for proposals, of which 140 Bulgarian and 110 Macedonian.

By the end of 2012, 56 contracts were signed. Currently, 3 were terminated, 25 completed and 28 ongoing.

The 53 contracts under implementation are almost equally distributed between the two main Priority axes. The investment projects supported under both calls for proposals comprise about half of all financed projects, and to these projects was allocated about 80% of the Programme funding. This reflects the demand for support and the priority given to investment projects by JMC.

The distribution of the support by partner country is quite equitable. Out of the total value of the contracted projects by the end of 2012, EUR 5.86 million is allocated to Bulgarian partners and EUR 5.78 million to Macedonian. In total, 82 organisations are partners (lead partners or partners) in the contracts under the first two calls for proposals, 44 Bulgarian organisations and 38 Macedonian organisations.

The supported projects have quite wide regional scope. Out of 50 eligible municipalities, projects are implemented on the territory of 39. The total population of the municipalities, which benefit from the Programme, is 90% of the target region population. The distribution of funding by eligible target region is to a large extent proportionate to the regional population and territory.

Interim results of Priority axis 1

Under the First call for proposals, 17 contracts were implemented under Axis 1, of which 9 were under the Sphere of intervention 1.1 *Economic development*; 7 under Sphere of intervention 1.2 *Social cohesion* and 1 under the Sphere of intervention 1.3 *Project preparation*. The value of the contracts amounts to EUR 2, 83 million.

The majority of the supported projects under the First call are coherent with the objectives and priorities of Axis 1. The demarcation between Priority axes is not sufficiently clear, which resulted in supporting of three projects under Axis 1, which better fit the objectives of Axis 2.

In the majority of cases, the projects are based on balanced and adequate partnerships and with clear link between activities and results. The type of activities that can be financed under Priority axis 1 is quite broad, resulting in scattering of projects to various types of small actions.

Irrespective of their delayed start, which led to changes of staff or budgets, the majority of First call projects were smoothly implemented and the planned outputs were delivered. Envisaged activities were realised with the involvement of the target groups. The potential of projects for developing of cooperation between civil society and policy makers or for improving the coordination between local and regional authorities was not sufficiently used.

The objective for the development of business *co-operation, clustering and networking* was addressed by six projects, which main contribution is in the form of economic surveys, joint



strategies and technical and business infrastructure rehabilitated. The Programme targets on outputs related to this objective are overachieved by the First call projects only.

Few projects under the First call targeted the objective for boosting *innovation and knowledge economy* in the border region, and the Programme targets on indicators related to innovation are greatly underachieved. The MA/JMC reacted adequately and in the Third call only activities targeting knowledge economy are eligible for support. Overall, the supported First call projects created joint information services and business and educational linkages, having some contribution to innovation and knowledge economy.

The objectives for *human resource development* were addressed by four projects, which improved employability skill and rehabilitated educational infrastructure. The Programme targets on indicators related to human resource development are overachieved by the First call project only, though indicators are numerous

The objectives for *integration of vulnerable groups* were addressed by four projects. The Programme has one indicator related to this objective (training of vulnerable groups), which is achieved at 50%. There is no substantial risk of non-achievement of this target until the closure of the Programme.

Recommendations for the next programming period:

- Clear demarcation between spheres of interventions and between Priority axes to be ensured.

Interim results of Priority axis 2

Under the First call for proposals, the contracts under implementation in Axis 2 are 15, of which 3 under the Sphere of intervention 2.1 *Utilisation of eco-resources* and 12 under the Sphere of intervention 2.2 *Utilisation of cultural resources*. The value of the contracts amounts to EUR 3,43 million.

The supported under Axis 2 First call projects have sufficiently high relevance to axis and priority areas objectives. The majority of the interventions have a clear link between activities and results. They address mainly the investment needs of the target region.

Most of the projects have not had serious implementation problems, threatening project results. Changes referring to extension of project duration and modification in the timetable of activities were not problematic on project level, but on Programme level lead to later absorption of funds. Projects delivered or are expected to deliver all planned outputs.

The supported under the First call projects, targeting *improved protection and environmental management* were only two due to the small number of submitted good quality projects. The achievement of Programme output targets related to this objective is small. MA and JMC adequately and timely reacted and in the Second call gave a strong priority to this objective

The Axis 2 objective for *eco, rural and cultural tourism development* was addressed by seven projects. These were mainly investment projects, which contributed to improvement of tourism attractiveness of the region by reconstruction of museums, construction of centres for interpretation of cultural heritage, improvement of surrounding of the cultural sites and their accessibility. Projects contributed as well to the development of six tourism services in nineteen tourist destinations and twenty six joint cultural and popularising events. By the end of 2012, all projects, but one, were completed. All Programme output indicators related to tourism development are overachieved by First call projects.

The Axis 2 objective for *cultural cooperation strengthening* was targeted by six projects, five of which investment projects, referring to cultural infrastructure improvements. Apart from



the investment components, under the supported projects were conducted twenty four joint cultural events and ten events, popularising cultural heritage and traditions (concerts, planners, festivals, music and theatre performances, exhibition, etc.). By the end of 2012, three out of the six projects were completed. All projects are expected to deliver planned outputs. The projects have clear contribution to improving the access of people in the border region to cultural services. According to the verified by the evaluators' all outputs indicators related to this objective have not only achieved, but over achieved their targeted values for the Programming period.

Recommendations for the next programming period:

- All tourism related actions to be programmed under one sphere of intervention only;
- A border-regions tourism strategy to be elaborated, which to outline destinations and services with highest potential for tourism development, to identify priorities and to integrate tourism projects that will be supported in the future.

Integration and respect horizontal priorities

The *environmental horizontal* priority is integrated in Axis 1 projects through actions for raising awareness on environmental issues and training on EU environmental policies, and in Axis 2 in sustainable tourism development actions. None of the Axis 1 projects has additional merits for *integration of cultural issues*, but projects contribute through facilitating contacts between people in the region. The projects comply with the *gender equality and non-discrimination principles*, but do not collect gender disaggregated data on output indicators. Under the First call, projects directly targeting gender equality are not supported.

The MA procedures for ensuring compliance and integration of the horizontal priorities are in line with the best practices. In the selection, priority is given to projects contributing to horizontal objectives and in implementation, compliance and integration is reported by beneficiaries and verified by the controllers and JTS.

Recommendations for the next programming period:

- The Programme indicators to be broken down by gender, where possible.

Value added of co-operation, sustainability and impact

Cooperation was very important for the achievement of project results for community integration and development/introduction of new working methods, skills, practices, procedures and structures. The benefit of cooperation was not always strong in infrastructure type of projects, especially in projects for improving cultural infrastructure.

First call projects contributed to the development and strengthening of cooperation in the form of networking structures, forums and joint plans. The main benefits that add value to cooperation are capacity building, awareness raising, confidence/trust building, better image of the region and commitment to new actions.

The *investment projects* are expected to have sustainable results, because of their broad scope of users and the public ownership on the improved sites. There are good chances for the infrastructure created/improved to be maintained and used. The sustainability risk is low regarding the municipal infrastructure projects.

The sustainability of *soft projects* depends on the capacity of the partner organisations to fund developed services after the project end, and is negatively influenced by their dependence on external financing. Sustainability is higher in cases of organisations, which provide services to



their members (chambers of commerce, branch associations) or which deliver social services financed by public budgets. Support by local and regional authorities and broad involvement of local stakeholders are also important factors for sustainability.

The supported projects have some positive impact on the improved competitiveness and diversification of border region economy. The long-term effects on investments and business creation are diminished by the lack of projects with strong multiplier effects. The impact of the projects on creation of new jobs is unlikely to be tangible, but projects may contribute to protection of the existing jobs.

The projects have positive impact on improvement of quality of life in the border region. They improved access and quality educational, social and cultural infrastructure in 20 border region municipalities, with total population of 412,000 people, of which 210,000 in Bulgaria and 202,000 in the former Yugoslav Republic of Macedonia.

The implemented projects have tangible impact on the community integration and development of cultural co-operation in the border regions.

Projects support EU integration of the former Yugoslav Republic of Macedonia, primarily by increasing the knowledge and experience in EU funds management, and to some degree by better understanding of the EU approaches and introduction of policy instruments. Projects complement other national, regional and local strategies/programmes, as well as sector relevant strategies and plans for development.

Recommendations for the next programming period:

- The MA to consider the creation of thematic working groups for identification of information needs, discussion of project ideas and priority projects, and collection of good practices from other countries;
- The MA to consider giving priority to projects, proposing strengthening or extending of existing networks and building on successful projects;
- The support to projects that over-rely on external expertise and fail to provide for building sufficient capacity of the partner organisations to be limited;
- The requirement for mandatory inclusion of soft actions under the investment projects to be reconsidered, as it leads to support of soft actions with low level of sustainability.

4. Findings of the evaluation related to Programme implementation system

Quality and effectiveness of the project generation, selection and contracting process

The MA/JTS uses effective methods for support of potential applicants by organising information sessions, partnership forums and keeping list of frequently asked questions. The quality of the Guidelines for Applicants and the Application forms are in line with the best practices. Only supporting documents needed to prove eligibility of applicants and action are requested with the applications. The opportunities for support were effectively promoted and potential applicants were in a position to find sufficient information on the eligibility rules and application process.

The procedure for selection is in line with the principles of transparency; the evaluation procedure and evaluation grids are published and used without changes in the evaluation; the unsuccessful applicants are duly notified; the list of supported projects is published.

Recommendations for the next programming period:



- MA to consider the establishment of a system similar to PADOR (organisation registered or once submitted supporting documents to the Programme should not be asked to attach these to the Application form, which will save time, resources and will be more environmentally friendly);
- CVs of administrative staff (technical assistants, accountants) not to be requested with the Application forms (puts significant burden for reviewing and approval of replacements of experts);
- MA to consider the introduction of restricted calls for proposals (Applicants first submit short concept notes and only the pre-selected candidates are invited to submit a full proposal, thus reducing the costs for applying to the Programme and for the assessment of applications).

Quality and effectiveness of the project implementation rules and systems

The Programme requires submission of Quarterly Progress Reports, which under the Second call are not always related to payment. Quarterly reports may be replaced by short project progress briefs, submitted by e-mail, which will save resources of beneficiaries for the preparation of reports and of JTS for their checking.

The contract modification procedures allow flexibility for amendments without prior authorisation of the MA. The procedures for notification of small modifications of activities and time-schedule and replacement of administrative staff may be simplified to save resources of beneficiaries and JTS.

The rules of eligibility of expenditures comply with the IPA regulation requirements. The budget structure, combining project staff with administrative costs in one budget heading, putting 25% limit on both, thus favoured employment of external expertise for the implementation of project activities. The reimbursement of overheads on the actual cost basis rather than on flat rate basis increases cost for the control.

The procurement is conducted by beneficiaries using PRAG templates in English language, which creates problems both for beneficiaries and for suppliers. The Programme requires single tenders (below EUR 10,000) to be conducted under PRAG simplified procedure, which is not required by the basic act for the implementation of the Programme and is contrary to the principle of proportionality. Under the First call contracts, about 300 single procedures were conducted using that PRAG simplified procedure, leading to waste of resources of beneficiaries, suppliers and FLC and delays in project implementation.

The MA has established a very good system for support of beneficiaries, contributing to the largest possible extent for smooth implementation of the projects and prevention of unintentional irregularities. The Project Implementation Manual for beneficiaries is a well-designed document, sufficiently detailed and clear, though English language of the Manual creates problems for some beneficiaries.

The JTS conducts trainings and individual consultations on implementation rules, though longer training is required for the less experienced beneficiaries. The JTS provides on-going advice and support to projects, which is highly appreciated by the beneficiaries.

The MA procedures for risk assessment on projects level is a best practice example. It includes assessment of institutional and operational risks of each project and formulation of an appropriate risk prevention strategy, including consultations to beneficiaries and ad-hoc monitoring visits.



The beneficiaries' knowledge on the implementation rules is satisfactory. The main problematic areas are in the understanding of procurement, contracting and payment of project staff, overheads and budget reallocation rules.

The main problem in the implementation, for the majority of beneficiaries, is the pre-financing of project operations. The rate of advance payment of the subsidy is considered insufficient by most of the beneficiaries, taking into account the incidence of late payment of subsidy. The second in importance is the problem with conducting procurement under PRAG procedure in English language, which delays implementation and increases administrative burden. The third major problem of beneficiaries, especially Macedonian beneficiaries, is the delay in the execution of the FLC and/or different requirements of the controllers. All, but two beneficiaries considered that problems with FLC were small.

The beneficiaries had no significant problems with Programme management, except for late payment of subsidy. The delays of payment are explained by the late setting of the Macedonian FLC system and the delay in the transfer of the national co-financing by the NA.

Recommendations for the current programming period:

- To consider replacement of Quarterly reports not related to payments by short project progress briefs, submitted by e-mail;
- MA to consider lifting of the requirement for separate notification of the minor changes in the time-schedule of activities and to require they to be described in the progress reports;
- The MA to consider simplifying the procedure for single tenders, allowing use of local language and simple tender documents;
- The MA to consider the translation of the Project Implementation Manual into the languages of the participating countries;
- The MA to consider longer training on procurement for less-experienced beneficiaries;
- The MA to consider the publishing of a Document on most frequently made mistakes in project implementation (similar to other Operational Programmes in Bulgaria) that will to some extent prevent similar errors by the Second and Third call beneficiaries. Guidelines for Macedonian beneficiaries on contracting and payment to project team to be prepared;
- The NA to ensure regular payment of national contribution.

Recommendations for the next programming period:

- The MA to consider the preparation of bilingual tender dossiers for competitive negotiated and local open tender procedures;
- The Administrative costs to be separated from Staff costs, and Staff costs (Beneficiary staff) to be clearly separated from external services and experts;
- The MA to use simplified budget options in the next Programming period: flat rates, lump sums (payments against delivery), unit costs (rates per unit) to the extent, allowed by the basic act;
- In the new Programming period to be followed the methodology for reporting of project achievement, developed by INTERACT.



FLC System

The system for FLC is in line with the Requirements of the IPA implementing regulation and responds to the main criteria for effectiveness of controls. The effectiveness of the procedure has been regularly reviewed and amended to correct identified weaknesses.

The procedures for the recruitment of the FL controllers are transparent and contribute to the selection of controllers with adequate knowledge and experience record. The procedure for control of the quality of the performance of the controllers strengthens the effectiveness of the FLC system, though a better procedure for follow-up of the performance of controllers with identified omissions is needed.

The Guidelines for FLC provide a comprehensive presentation of the scope and process of controls, which are overall sufficient to ensure correct check of regularity and legality of expenditures declared.

- The IPA Programmes Manual and the Guidelines for FLC to include a clear division of tasks between controllers and JTS for the verification of the costs for delivery of services, goods and executed works and compliance of procurements rules;
- The responsibilities and tasks for the training need assessment; planning and delivery of training to controllers to be clearly set in the Programme manual;
- The NA to ensure training of controllers and the staff responsible for execution of the administrative controls of the reports of the controllers; The NA to ensure recruitment of additional number of controllers, regular payment for the services of the controllers and development of guidelines on specific national rules and legislation;
- The MA/NA to establish a system for regular communication with controllers on interpretation of important rules and cases, and to set responsibilities and deadlines for answering the questions of the controllers;
- In case of established omissions of controllers, related to verification of ineligible costs, the reason for mistakes to be identified and the performance of the controller to be followed-up;
- Financial corrections to be decided by the MA/NA, instead by the controllers;
- In the Guidelines for the FLC, the documents that have to be validated by the stamp of the controller to be clearly specified;
- With the next revision of the Guidelines for the FLC, the CVE and the accompanying documents to be transferred in Excel format;
- Separate checklists for control of single tender procedures to be developed;
- The PIM to include a checklist for self-control of beneficiaries on the documentation that has to be presented to the controller.

Quality of the Programme monitoring system

Programme has a very big number of output indicators (35) due to the broad scope of interventions and setting of more than one indicator on some outputs. There are missing indicators on infrastructure-related outputs, to which is dedicated the largest share of the budget. The result indicators have a number of deficiencies that make them hardly usable for measuring the Programme results.



The data on monitoring indicators is collected on project level, but prior the start of the projects they are not checked for consistency with the approved definitions of indicators. The documentary review of indicators of the First call projects revealed use of different measurement units, reporting on irrelevant to the project indicators and double counting.

The MA conducted regular analysis of the level of achievement of Programme targets and made highly relevant recommendations for modifications of the eligibility criteria that ensured allocation of funds to Programme priorities.

The JMC is well balanced with prevailing representation of local and regional stakeholders. The share of social partners and NGOs with voting rights from the border region is adequate. The support provided to JMC by MA and JTS is of good quality. In the course of the Programme implementation, JMC conducted regular meetings and carried out a number of written procedures, covering a wide range of issues within its responsibility. JMC members are well aware of Programme priorities, and make concrete and useful comments and recommendations.

Recommendations for the current programming period:

- MA to review and correct, where necessary, the indicators of the Second call projects, and to establish a system for verification of project level indicators prior contracting or in the beginning of project implementation for Third call projects.

Recommendations for the next programming period:

- MA to consider using of *qualitative* results indicators, where possible.

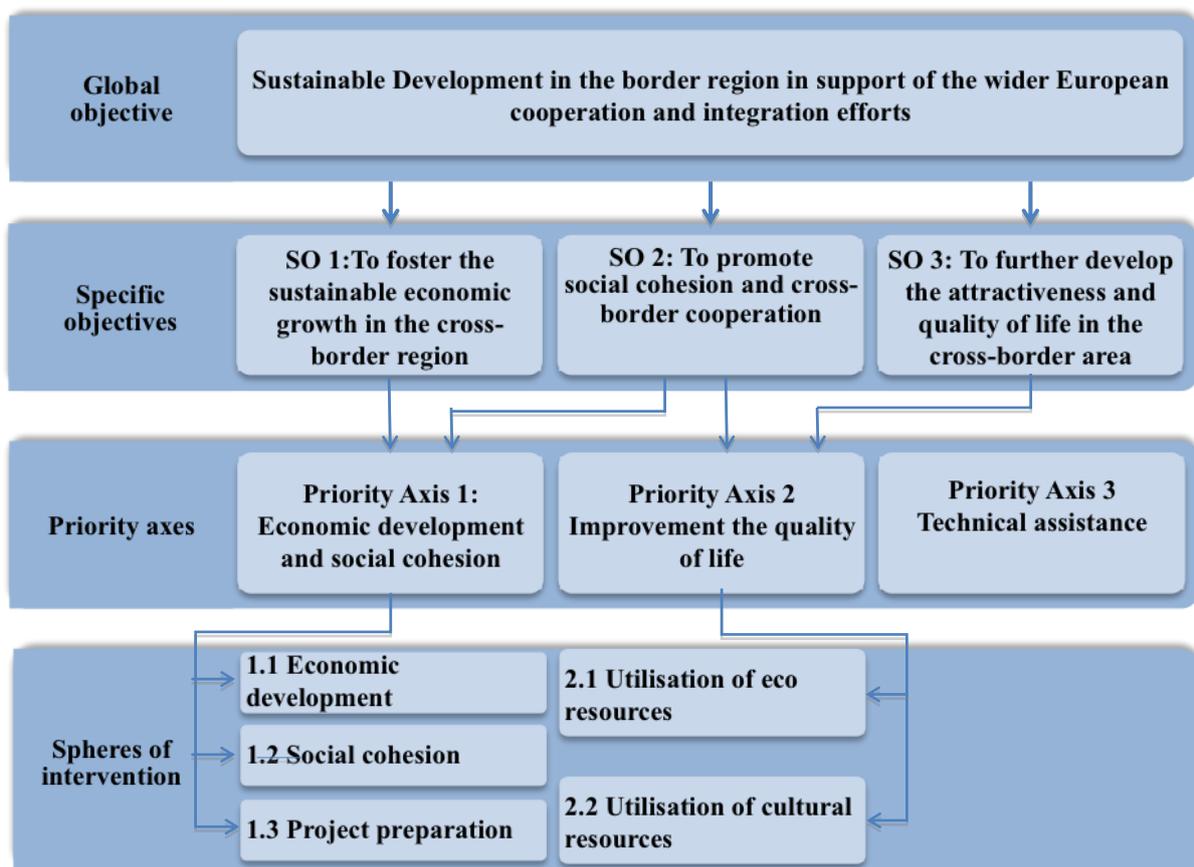


I. Introduction

Bulgaria–former Yugoslav Republic of Macedonia IPA Cross-Border Cooperation Programme 2007–2013 is implemented under the European Union Instrument for Pre-accession Assistance (IPA), which is established by the Council Regulation (EC) No 1085/2006 and implemented according to Commission Regulation (EC) No 718/2007. IPA aims to assist candidate countries (among them the former Yugoslav Republic of Macedonia) and potential candidate countries in their progressive alignment with the standards and policies of the European Union. The cross-border cooperation (CBC) component of IPA has the objective of promoting good neighbourly relations, fostering stability, security and prosperity in the mutual interest of all countries concerned, and of encouraging their harmonic, balanced and sustainable development.

The global objective of the Programme is sustainable development of the border region of Bulgaria and the former Yugoslav Republic of Macedonia (fYROM) in support of the wider European cooperation and integration efforts (Figure 1).

Figure 1 Programme objectives, priority axes and areas of intervention



The Programme has three strategic objectives:

1. *To foster sustainable economic growth* in the cross-border region through diversification of economic activities, the development of new chains, clustering and business-support services, support to new technologies and innovations and stimulus for research and development.



2. *To promote social cohesion and cross-border cooperation* through support for the human-resource development and the labour market initiatives raising the adaptability of the labour force to the market demands, people to people actions and cultural exchanges cross-border networks.

3. *To further develop the attractiveness and quality of life in the cross-border area* by protecting and jointly managing valuable natural and cultural resources, preserving biodiversity, supporting sustainable tourism by harnessing the region's natural and cultural environment.

In order to achieve its global and specific objectives, the Programme works on two main thematic priorities, with a third priority dedicated to the programme's management ('technical assistance' priority). The Bulgaria- former Yugoslav Republic of Macedonia IPA CBC Programme 2007-13 is subdivided into the following priority axes:

Priority axis 1: *Economic development and social cohesion focuses* has the objective of improving the competitiveness and economic growth in the border region and thus, to improve conditions for employment and social integration. The Priority axis 1 has three spheres of intervention, i.e. 1.1 'Economic development', 1.2 'Social cohesion' and 1.3 'Project preparation'.

Priority axis 2: *'Improvement of the quality of life'* aims at protecting and managing the natural and cultural resources through interventions in the field of environmental protection and biodiversity preservation, cultural cooperation and development of cultural and nature based tourism. The Priority axis 2 has two spheres of intervention, i.e. 2.1 'Utilisation of eco resources' and 2.2 'Utilisation of cultural resources'.

Priority axis 3: *Technical assistance* aims at efficient administration and implementation of the Programme, covering overall administration, evaluation and publicity, and communication activities.

The Programme is implemented in two NUTS 3 regions of the South-Western part of Bulgaria (Kyustendil and Blagoevgrad districts) and three NUTS 3 regions of the Eastern part of the former Yugoslav Republic of Macedonia (North-East, East and South-East Regions). The total area of the border region is 18,087 sq. km, of which 9,501 in the Bulgarian part and 8,586 in the former Yugoslav Republic of Macedonia part. In 2011, the population of the border region was 942,000 (in the Bulgarian part 414,000¹ and in the former Yugoslav Republic of Macedonia part - 528,000²).

¹ NSI, 2011 Census data.

² State Statistical Office, Regions of the Republic of Macedonia, 2012."



Figure 2 Map of the Border region



The total budget of the Programme for the period 2007-2013 is EUR 20 490 793.00 million, with Community assistance, amounting to EUR 17 417 174 million.

The Programme is managed under the shared management mode. The Managing Authority (MA) for the Programme is the Bulgarian Ministry of Regional Development having as counterpart the Ministry of Local Self Government (MLSG) of the former Yugoslav Republic of Macedonia, the National Authority (NA).

The Joint Monitoring Committee (JMC) monitors the Programme implementation and is responsible for approving the project selection and calls for proposals documents, and the project selection.

Joint technical secretariat (JTS) assists MA, NA and JMC in the implementation of their responsibilities. The main office of the JTS is in Kyustendil and it has an antenna office in Strumica. JTS carries the tasks of planning and conducting of information and publicity events, supports potential applicants with information, prepares call for proposals, assists all stages of evaluation of applications and monitors project implementation. JTS acts as a secretariat of the JMC.

The Certifying Authority (CA) is the National Fund Directorate at the Ministry of Finance of the Republic of Bulgaria and it is responsible for the regular administrative and on-the-spot check of expenditures before certification. The Audit Authority (AA) is the Audit of the European Union Funds Implementing Agency of the Republic of Bulgaria and it is supported by a Group of Auditors.

The Programme was approved by the Commission in December 2007. The Financing Agreement between the Government of the former Yugoslav Republic of Macedonia and the Commission of the European Communities concerning the Bulgaria–former Yugoslav Republic of Macedonia IPA Cross-border Programme 2007 – 2013 was signed in October, 2008.



Table 1 Programme milestones

Date	Milestone
December 2007	Commission Decision C(2007)6298 on the approval of the Programme
March 2008	First Joint Monitoring Committee meeting
October 2008	Financing Agreement between the Government of the former Yugoslav Republic of Macedonia and the Commission of the European Communities concerning Bulgaria – former Yugoslav Republic of Macedonia IPA Cross-Border Cooperation Programme 2007 – 2013 signed
October 2008	Joint Technical Secretariat in Kyustendil and antenna office in Strumica started operations
September 2009	First call for proposals launched
July 2010	Programme Implementation Manual describing rules and procedures for implementation of the Programme adopted
August 2010	Memorandum of Understanding between MRDPW and MLSG describing roles, responsibilities and functions of the respective parties signed
October 2010	Project Implementation Manual describing procedures for implementation of the grant projects funded under the first for proposals approved
December 2010	Commission issued a positive opinion on the submitted documents on compliance assessment of the management and control system
June 2011	Second call for proposals launched
May-June 2011	Contracts under the First call for proposals signed
July 2012	Contracts under the Second call for proposals signed
December 2012	Third call for proposals launched

The development of the Programme management and control system started in 2009 and the first version of the Programme Procedure Manual, describing the systems and procedures, was adopted in July 2010. The Memorandum of Understanding (MoU) between the MRDPW and MLSG describing the roles, responsibilities and division of tasks of the MA and NA was signed in August 2010 and entered into force in April 2011.

In November 2010, the MA has submitted to the Commission the Report describing management and control systems for the Bulgaria–former Yugoslav Republic of Macedonia IPA Cross-border Programme 2007–2013 and the opinion of the Audit Authority on their compliance with Article 101 to 105 of the Commission Regulation (EC) No 718/2007. Commission accepted Compliance assessment report in December 2010.

Towards the end of 2012, three calls for proposals were launched. The first two calls for proposals were evaluated and contracted. The deadline for applications under the Third call is March 2013, after the cut-off date of the evaluation.



II. Context and objectives of the evaluation

This is the first ongoing evaluation of the Bulgaria-former Yugoslav Republic of Macedonia IPA CBC Programme 2007–2013. It is implemented in line with the provisions of Article 109 of the Commission Regulation (EC) No 718/2007, requiring during the programming period to conduct independent evaluations linked to the monitoring of the cross-border programmes.

The *overall objective* of the evaluation is to assess progress in the implementation and performance of the Bulgaria–former Yugoslav Republic of Macedonia IPA CBC Programme 2007-2013 and to elaborate recommendations for improvements, contributing to the successful implementation of the Programme and the preparation for the new programming period.

The ongoing evaluation covers the following 3 main topics:

- evaluation of the performance of the Programme, including quality, efficiency, effectiveness, consistency;
- evaluation of the adopted first level control (FLC) system;
- identification of potential for improvements and elaboration of recommendations to the Programme, including key issues and findings, which could potentially contribute for the new programming period after 2014.

The ToR defines *three main purposes* of the evaluation:

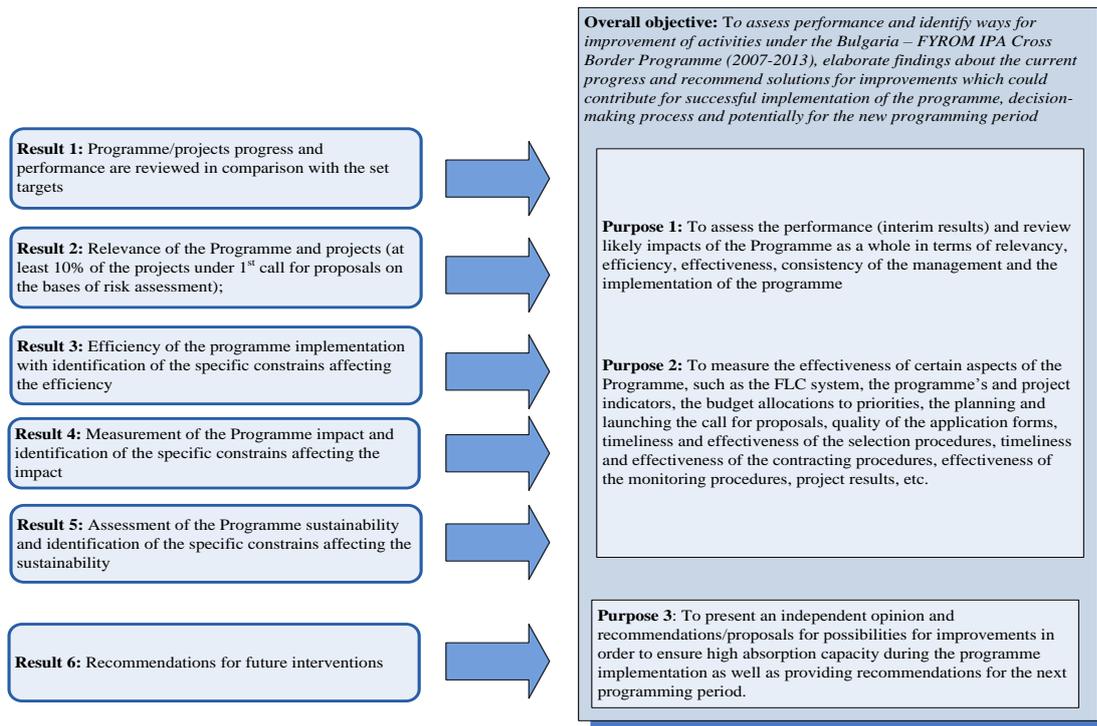
1. To assess the performance (interim results) and review likely impacts of the Programme, as a whole, in terms of relevance, efficiency, effectiveness, consistency of the management and the implementation of the Programme.
2. To measure the effectiveness of certain aspects of the Programme, such as the FLC system, the Programme's and project indicators, the budget allocations to priorities, the planning and launching of the calls for proposals, quality of the application forms, timeliness and effectiveness of the selection procedures, timeliness and effectiveness of the contracting procedures, effectiveness of the monitoring procedures, project results, etc.
3. To present an independent opinion and recommendations/proposals for possibilities for improvements, in order to ensure high absorption capacity during the Programme implementation, as well as providing recommendations for the next programming period.

The ToR defines the following *expected results* of the evaluation:

1. Programme/projects progress and performance are reviewed in comparison with the targets set;
2. Evaluation of the relevance of the Programme and the projects (according to at least 10% of the projects under the First call for proposals on the basis of risk assessment);
3. Evaluation of the efficiency of the Programme implementation with identification of specific constrains affecting the efficiency;
4. Measurement of the Programme impact and identification of specific constrains affecting the impact;
5. Assessment of the Programme sustainability and identification of specific constrains affecting the sustainability;
6. Recommendations for future interventions.



Figure 3 Objectives and results of the evaluation



Based on the Terms of reference and the preliminary analysis of the Programme intervention logic and progress, fourteen evaluation questions have been defined, which are structured in the following three groups:

1. Relevance and coherence of the Programme;
2. Effectiveness, efficiency, potential impact and sustainability of the First call projects;
3. Quality and effectiveness of the Programme implementation system.

The ToR requested to be assessed Programme progress by the mid 2012. Taking into account that the main part of the First call contracts expired at the end of 2012, it was decided the cut-off date of the evaluation to be modified to 31 December 2012.



III. Evaluation methods and tools

III.1 Sources of information

The main sources of information of the evaluation by group of evaluation questions are summarised in Table 2 below.

Table 2 Sources of information by evaluation criteria

Evaluation criteria	Source and method of data collection
Relevance and coherence of the Programme	Collection and analysis of documents: - strategic and programme documents; - legal framework; - strategies, surveys and analyses. Interviews with MA, JMC and regional stakeholders; Block of questions in the questionnaire for the beneficiaries' survey.
Effectiveness, efficiency, potential impact and sustainability of the First call projects	Indicators by axis and sphere of interventions; Monitoring data on the financial progress; Documentary review of all supported First call contracts and their progress reports; Online survey of beneficiaries and unsuccessful applicants; On-the-spot visits to supported First call projects.
Quality and effectiveness of the Programme implementation system	In-depth face-to-face interviews with MA, NA, JTS, JMC, AA, CA members, beneficiaries and controllers. Online survey of beneficiaries and unsuccessful applicants; Online survey of controllers.

Secondary data sources

Strategic documents

The evaluation team has also reviewed European and national strategic documents, analysis and reports, related to the cross-border cooperation and territorial cooperation activities, which supported the evaluation of the continuous relevance of the Programme.

Programme management documents

The following main groups of Programme management documents were reviewed by the evaluation team:

- Programme document and monitoring and evaluation documents (ex-ante evaluation, annual implementation reports, etc.);
- Documents related to the calls for proposals and the implementation of contracts (guidelines for applicants, application forms, project implementation manuals, contracts' progress reports, etc.);
- Documents related to the Programme management and control system (Programme manual, Guidelines for FLC, audit reports, etc.);



The list of all reviewed documents is attached as *Annex 1* to the report.

Project documents

The evaluation team reviewed the contracts and implementation records of all projects supported under the First call for proposals to establish the progress, reliability of the monitoring data and implementation problems. The MA gave access to the Programme MIS to key experts, which simplified the review of the contracts and contracts addenda, the project progress reports, the procurement plans and the monitoring reports.

For the needs of the evaluation of the implementation rules, the evaluation team collected information and compiled database of:

- Contract amendments (number and type) of by the end of 2012;
- Procurement procedures (number and type) planned in the Project procurement plans;
- Contracts budgets by budget headings and partners.

Monitoring databases

The MA maintains excel-based database on common indicators by project. The monitoring data on all First call projects was reviewed by the evaluators and where necessary corrected. All revisions were documented in the Project review sheets, which are given in Annex 7. In addition, data from the last available in the MIS project progress reports was reviewed to establish actual or expected, in case of on-going projects, achievement of the stated targets. Based on this review, an evaluation database was compiled and used for the analysis of the effectiveness of actions.

Primary data sources

Primary data was collected through various qualitative and quantitative methods, which are presented below.

In-depth interviews

The interviews were focused on collecting qualitative information for the whole process of the Programme implementation, starting from the elaboration, coordination and approval of Guidelines for applicants; assessment procedure and approval of projects to be financed; pre-contracting arrangements and contracting; monitoring and management of the subsidy contracts signed, including on-the-spot checks; reporting; control of sub-tendering procedures, followed by reviewing the FLC system and the work of the controllers to verification of expenditures; approval of requests for payments and execution of payments.

In-depth interviews were conducted with 25 representatives of MA, NA and JTS (Annex 1). In addition, interviews were carried out with the Audit Authority and the Certifying body. The purpose of the interviews was to collect opinion on the overall progress in implementation of the Programme, problems encountered and solutions found.

In-depth interviews were carried out also with members of the JMC, representing social and economic partners in the border region. In addition to the above stated issues, the interviews with the members of JMC focused also on the relevance of the Programme and Programme steering towards objectives, level of partnership and quality of management.



In depth interviews were carried out with Bulgarian and Macedonian controllers too.

On-the-spot visits to projects

In total 12 projects, contracted under the First call or 38% of total were visited at the place of implementation (the list is given in Annex 2). The distribution of the visited projects by axis and area of intervention is given on Table 3. By the time of the visits, 9 projects were completed and 3 were on-going.

Table 3 Sample for on-the-spot visits by axis and area of intervention

Action	First call contracts		Sample			
	Contracts	Total cost	Contracts		Total cost	
	number	EUR	number	% of first call	EUR	% of first call
Axis 1	17	2 828 206	6	35%	925 621	33%
1.1	9	1 662 368	3	33%	526 787	32%
1.2	7	1 120 699	2	29%	353 695	32%
1.3	1	45 139	1	100%	45 139	100%
Axis 2	15	3 449 532	6	40%	1 440 471	42%
2.1	3	624 140	2	67%	549 477	88%
2.2	12	2 825 392	4	33%	890 994	32%
Total	32	6 277 739	12	38%	2 366 092	38%

During the on-the-spot visits, interviews were conducted with project stakeholders (project managers, mayors or other decision makers in the respective organisations). The main findings on the relevance, efficiency, effectiveness, impact and sustainability of the supported projects are given in Annex 7 and discussed in Section IV.1.3.1-2 of the Report.

Online survey of beneficiaries and unsuccessful applicants

The online survey aimed to collect opinion of project beneficiaries and unsuccessful applicants on the application and implementation process and procedures, as well as on the progress and achievements of the projects. The survey questionnaire, which is a semi-structured, was in English but was translated and distributed in Macedonian and Bulgarian language too.

Questionnaires were sent to 82 organisations, acting as lead partners or partners in the contracts signed till the end of 2012. Of these organisations, 22 implemented more than one contract and were requested to fill-in only one questionnaire for the project contracted under the First call for proposals.

All 47, but one organisations, which acted as lead partners in contracts under the first two calls for proposals responded to the survey. In addition, 21 organisations, which were partners in the implemented projects, responded to the survey. Overall, the response rate of beneficiaries is 83%, and 98% of the lead partners (Table 4). Other characteristics of the respondents of the online survey are given in Annex 4.



Table 4 Response rate of online survey beneficiaries and unsuccessful applicants

Country	Total population		Respondents			
	Organisations	of which lead partners	Organisations		of which lead partners	
	number	number	number	% all	number	%
Project beneficiaries						
Total	82	47	68	83%	46	98%
Bulgaria	44	25	34	77%	25	100%
FYROM	38	22	34	89%	21	96%
Unsuccessful applicants						
Total	171		9	5%		
Bulgaria	101		3	3%		
FYROM	70		6	9%		
Grant Total	252		77	31%		

Some of the questions in the survey are project specific. Information on the progress and (expected) achievements of 51 contracts, out of 53 contracts signed by the end of 2012, was received. Information on 2 contracts under the Second call was not obtained due to the fact that implementing partners had several projects and provided information on one contract only.

Questionnaires were also sent to 171 unsuccessful applicants (with not even one project approved). Despite several reminders, sent to this sub-group, the response rate was quite low – only 9 questionnaires were received or 5% response rate. Therefore, the answers of this sub-group are not analysed and discussed separately.

In total, 77 responses to the survey were received, of which 27 completed online and 50 sent to evaluators by e-mail.

Online survey of first level controllers

The online survey of the first level controllers (controllers) aimed at collecting quantitative and qualitative information on their opinion about the FLC system procedures and the needs for training and support by the MA.

All 60 Bulgarian and 4 Macedonian controllers were invited to complete the online questionnaire. In total, 37 controllers responded to the survey (33 online and 4 by e-mail), which makes a response rate of 58% (Table 5). Two questionnaires from Bulgarian controllers were received late and were not processed; only their answers to the open-ended questions were incorporated in the survey report.

Table 5 Contracts and response to the online questionnaire of controllers

Country	Number of controllers working on IPA CBC Projects approached	Respondents number	Response rate
Bulgaria	60	34	57%
FYROM	4	3	75%
Total	64	37	58%



The results of the survey are presented in Annex 5 and discussed in Section IV.2.2 of the report.

III. 2 Stages and Activities of the Evaluation

The evaluation was carried out in the period November 2012-June 2013. The evaluation stages are presented on the table below.

Table 6 Stages and activities of the evaluation

Structuring	Data collection	Analysis and judgment and reporting
<ul style="list-style-type: none"> • Kick-off meetings and interviews with MA representatives; • Preliminary document review; • Intervention logic analysis; • - Elaboration of detailed methodology and drafting of - Inception Report. 	<ul style="list-style-type: none"> • Documentary review; • In-depth face-to-face interviews with MA, NA, JTS, JMC, AA, CA members, controllers. • On-the spot visits to supported projects; • Semi-structured questionnaires (online or by e-mail) to beneficiaries and unsuccessful applicants; • Semi-structured questionnaires to controllers (online or by e-mail). 	<ul style="list-style-type: none"> • Data analysis and answering to the evaluation questions; • Preparation of Draft Final report; • Revision of the Draft Final report and preparation of Final report.
<p>November – December 2012</p>	<ul style="list-style-type: none"> • December-April 2012 	<p>April-June 2013</p>

The MA and in particular, the Monitoring, Evaluation and Programming Department of the DG Territorial Cooperation Management, MRDPW, and the JTS in Kyustendil and Strumitca provided significant support to the evaluation team. The experts of the MA and JTS assisted the evaluation team in the organisation of the meetings with the experts and beneficiaries, provided access to all relevant to the evaluation documentation, including access to MIS.

In general, the evaluators’ team did not have any problems with the organisation and carrying out of the meetings, and with receiving the information needed.



IV. Main findings and answers to the evaluation questions

IV.1 Answers to the evaluation questions related to the Programme interim results

IV.1.1 Relevance, consistency and complementarity of the Programme objectives

EQ1. Are the Programme objectives still relevant, consistent and complementary in the policy context?

Conclusions:

The changes in the contexts since the adoption of the Programme have no significant effect on the strength, weaknesses opportunities and threats of the border region. The Programme remains relevant to the needs of the target region. The recessionary environment increase the relevance of Programme objectives and priorities, focused on economic growth and labour market interventions, especially of the ones related to labour market integration of vulnerable groups.

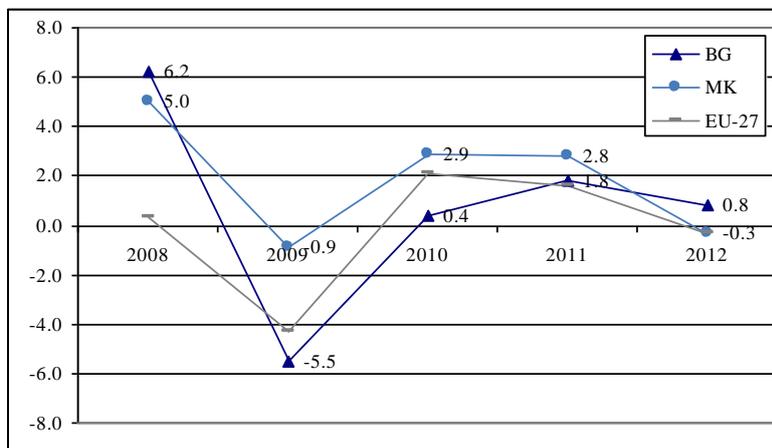
Towards the end of 2012, there were no changes in the Programme that have had an influence on the Programme internal and external consistency. The Programme amendments were small and had not affected its strategy.

The external coherence of the Programme with EU and national strategic documents, existing at the time of the elaboration of the Programme, was confirmed as high by the ex-ante evaluation and remains strong. The programme is coherent and complimentary with the new strategic documents – the Europe 2020 Strategy and EU Strategy for the Danube Region.

Changes in the context

The economic situation in both countries was affected by the world economic downturn. In 2009, the Gross Domestic Product (GDP) declined by 5.5% in Bulgaria and by 0.9% in the former Yugoslav Republic of Macedonia (Figure 4). In 2010 and 2011, there was mild recovery in both countries but in 2012, the growth started to decline in Bulgaria and the former Yugoslav Republic of Macedonia economy entered into a new recession.

Figure 4 Annual percentage change of GDP at constant prices





Source: Eurostat.

In Bulgaria, the labour market situation deteriorated and the unemployment rate doubled from 5.6 in 2008 to 12.3 in 2012. The unemployment in the Blagoevgrad district increased significantly but remained below the average for Bulgaria (Table 7). In the Kyustendil district, the unemployment rate increased from 8.6% to 14.5%.

The unemployment in former Yugoslav Republic of Macedonia remains high, with very small decrease from 33.8% to 31.0% in 2012. In the East and South-East border regions, the unemployment went down and in 2011 was significantly below the country average. In the North-East Region, which has an extremely high level of unemployment, the unemployment rate continued to increase and reached 59.6% in 2011. There was a significant increase of youth unemployment in both countries.

Table 7 Unemployment rate in border NUTS 3 regions (%)

	2008	2011
Bulgaria	5.6	11.3
Blagoevgrad District	1.8	8.2
Kyustendil District	8.6	14.5
FYROM	33.8	31.4
North-East Region	58.0	59.6
East Region	20.0	16.4
South-East Region	11.7	9.3

Source: National Statistical Institute (BG), State Statistical Office (MK)

In both countries, the recession affected the public finance. In the former Yugoslav Republic of Macedonia, the government deficit increased from -0.9% of GDP in 2008 to -3.3% in 2012. In Bulgaria, the government budget turned from surplus of 1.7% of GDP in 2008 to deficit of 0.8% in 2012. The deteriorating budget situation resulted in tightening of the fiscal policy, reduction of public investments and introducing budget restrictions at local level.

The changes in the context increase the relevance of Programme objectives and priorities, focused on economic growth and labour market interventions, especially of the ones related to labour market integration of vulnerable groups.

Revision of the Programme

After the approval the Programme by the Commission, several amendments of the Programme have been approved by the JMC.

The first Programme amendment was approved by JMC in October 2009. It included amendment of the territory and the list of eligible municipalities in the former Yugoslav Republic of Macedonia part of the border region. The amendment reflected the changes in the administrative division of the former Yugoslav Republic of Macedonia, which entered into force on 28 December 2007, and excluded from the eligible East Region two municipalities (Lozovo and Sveti Nikole). The first amendment covered also:

- distribution of financial allocation for years 2010 and 2011;
- specification of the responsibilities and procedure/s for selection of the controllers, responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation.



Another amendment was made in 2011, related to the new financial allocations for the period 2012-2013 and the update of the financial tables (approved by the JMC meeting on 12 October 2011).

In 2012, two written procedures were made in May and October, referring to proposed Programme financial revision and approval of modification of the budget under Priority Axis 3 “Technical assistance” for 2012.

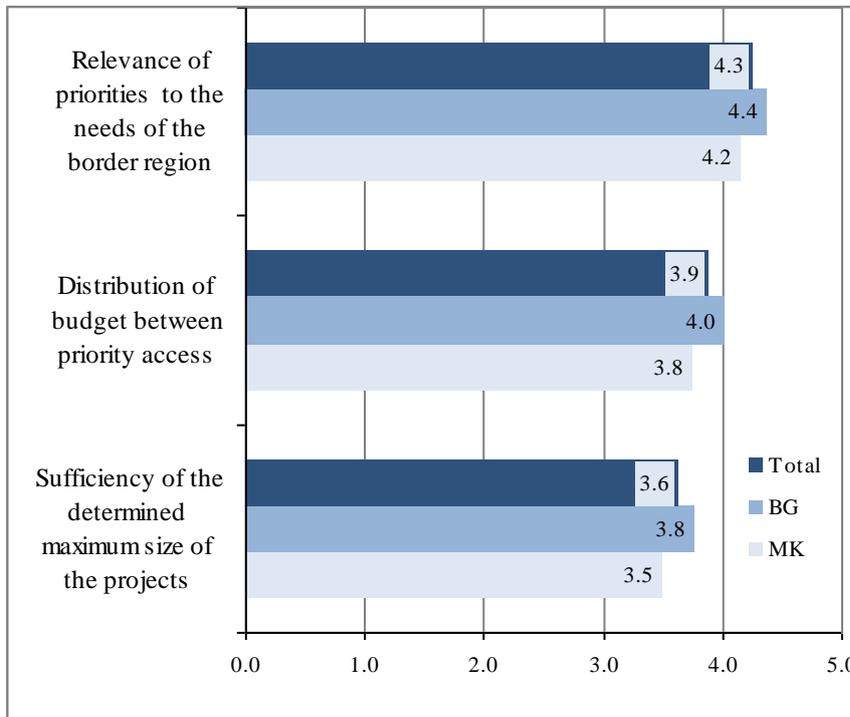
Overall, the Programme amendments were small and did not affect the internal consistency of the Programme.

Relevance to the needs of the border region

By the end of 2012 there were no significant changes in the context. Thus, the SWOT analysis is still relevant to the current socio-economic and environmental conditions in the cross-border area, covered by the Programme. As stated by the ex-ante evaluation, the Programme succeeds in capturing the essential strengths, weaknesses, opportunities and threats within the cross-border region and provides a useful basis for outlining the needs analysis and subsequently the suggestions for the priorities and the measures to be implemented. It provides a clear link between the situational analysis and the proposed priorities and measures for the Programme.

The surveyed beneficiaries and applicants have highly assessed the relevance of the Programme to the needs of the area in view of its priorities for support (about 90% assessed relevance as very strong and ‘strong’). The comparison between Bulgarian and Macedonian beneficiaries/applicants reveals that Macedonians are more sceptical in their opinion than the Bulgarians (17% difference for ‘strong’ relevance share) (see Figure 5).

Figure 5 Opinion of the online survey respondents on the relevance of the Programme



Source: Online survey of beneficiaries and unsuccessful applicants (valid answers – 77).



Internal coherence

The internal coherence of the Programme is confirmed as high by the ex-ante evaluation. Its conclusions are that all priorities are coherent to a satisfactory degree, with the majority of the planned activities; and good degree of internal coherence and integration within each priority were found. The Programme modifications since its adoption have no influence on its internal coherence. The ex-ante conclusions are that the small size of the Programme compared to the ambitions and the needs to be covered, risks at losing focus in terms of concentration of efforts (results).

External Coherence

The ex-ante evaluation verified external strategic coherence, complementarities and relationships between the Programme and the related planning documents, mainly the Community Objectives and the Community Strategic Guidelines, the National Development Plan and other relevant Operational Programme for Bulgaria and the former Yugoslav Republic of Macedonia, at programme and priorities/axes level.

The ex-ante verified that the Programme is coherent with the Community Strategic Guidelines and priorities IPA Component II. The Guidelines for Cohesion Policy and Enlargement Policy are strongly reflected in the priorities selected in the Programme.

The ex-ante conclusions are that given the small size of the Programme, its financial impact on some national programmes for both Bulgaria and the former Yugoslav Republic of Macedonia is not significant, though its overall concept fits very well with the Community objectives, aimed at regional and cross-border economic and environmental integration. However, it does have a strong supportive role to sector programmes, especially to the Rural Development Programme, OP Competitiveness of the Bulgarian Economy and OP Human Resource Development, reflecting the selection of priorities for the programmes (approved by the ex-ante).

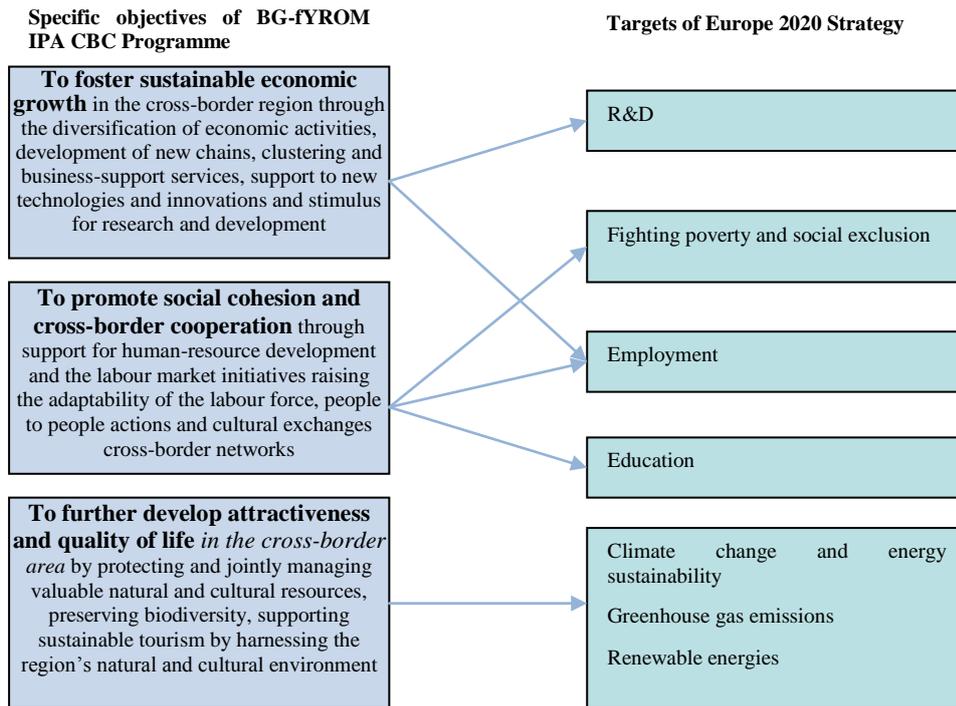
Generally, despite the limited and more people-focused nature of the Bulgaria-former Yugoslav Republic of Macedonia IPA CBC Programme, it is designed to enhance and expand cross-border cooperation; it impacts positively along the full range of plans and programmes for both countries.

The Programme has good coherence with main EU strategic documents and macro-region programmes, adopted in the period 2008-2012.

The *Europe 2020 strategy* is the overarching strategy of the European Union for the 2010-2020 period. The strategy has broad goals, in which the actions of the Commission in all fields should fit in. As seen from Figure 6 below, the specific objective of the IPA CBC Programme on social cohesion has the most direct link with the targets of the Europe 2020 strategy; the specific objective for sustainable growth is certainly linked to R&D and employment and the objective on attractiveness and quality of life has links to climate change and renewable energies.



Figure 6 Coherence of the Programme objectives with the Europe 2020 strategy



The *EU Strategy for the Danube Region* is a macro-regional strategy, adopted by the European Commission in December 2010 and endorsed by the European Council in 2011, aiming at addressing the common challenges of the region by creating synergies and coordination between existing policies and initiatives, taking place across the Danube Region.

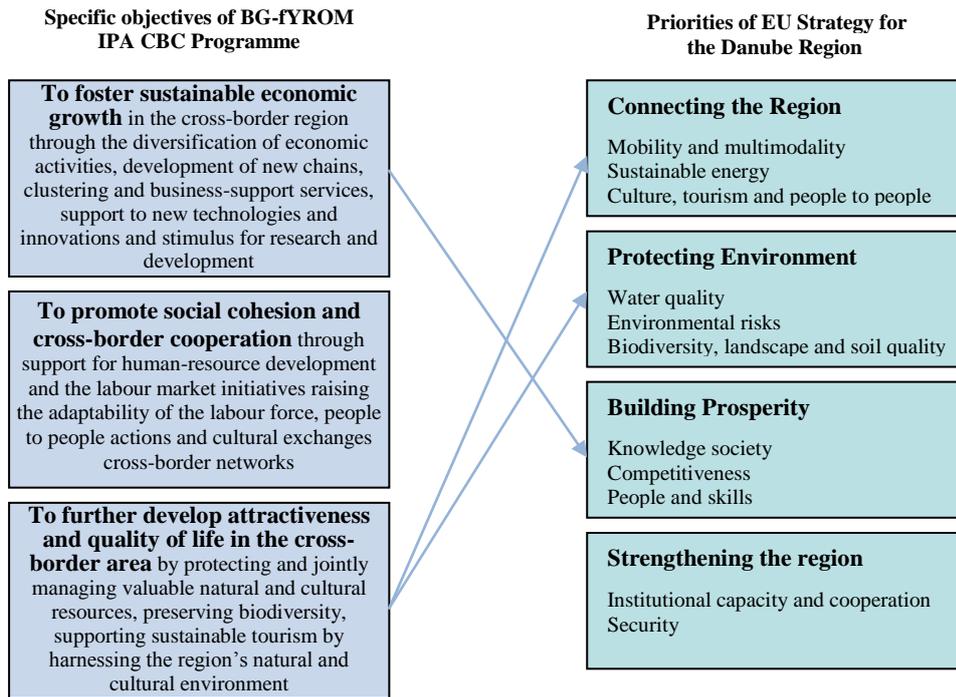
Geographically, the Bulgarian part of the border region is within the target areas of the EU Strategy for the Danube Region, while the former Yugoslav Republic of Macedonia part is outside. The projects supported under the Programme target cross-border regional development effects. Thus, the Programme contribution to the EU Strategy for the Danube Region is mainly through establishment of good practices and synergy with the interventions under the Strategy in concern.

The Bulgaria- former Yugoslav Republic of Macedonia IPA CBC Programme is coherent and complementary to the objectives of three of the pillars and seven of the priority areas of the EU Strategy for the Danube Region (Figure 7).

The Programme specific objective on sustainable economic growth links to all the three priorities of the Pillar C ‘Building Prosperity’ of the Danube Strategy for development of knowledge society, competitiveness of enterprises and investments in people and skills.



Figure 7 Coherence of the Programme objectives with the EU Strategy for the Danube Region



The Programme specific objective on development of attractiveness and quality of life links with two of the priorities of Pillar A ‘Connecting the Danube Region’ (PA 2 ‘To encourage more sustainable energy’ and PA 3 ‘To promote culture and tourism, people to people’) and with two of the priorities of Pillar B ‘Protecting the environment’ (PA 5 contributing to the management of environmental risks and PA 6 on preserving biodiversity and landscapes).



IV.1.2 Progress in contracting and payment of funds

EQ2. What is the Programme's state of progress by the end of 2012?

Conclusions:

The projects under the thematic priorities of the Programme are selected by open calls for proposals, to which public bodies and non-profit organisations from the border region can apply. Towards the end of 2012, three calls for proposals were launched.

The First call for proposals was launched late (at the end of the third quarter of 2009) and the evaluation and contracting process was quite lengthy due to the delayed setting up of the management and control systems. Under the First call for proposals, 35 contracts were signed in mid 2011. The Second call was launched in 2011; 33 projects were approved for funding and 21 contracts were signed in 2012 and the remaining 12 contracts were pending signature of the EU-fYROM Financing Agreement for 2012. The Third call for proposals was launched at the end of 2012 with a submission deadline after the cut-off date of that evaluation (March 2013).

The first two calls for proposals attracted sufficient number of good quality applications. The total number of applications amounted to 220, of which 160 meeting the minimum quality standards. The number of the applications in the Second call rose with 34%, indicating an increasing interest to the Programme. About 250 different organisations from the border region have cooperated in the preparation of proposals for the Programme First and Second call for proposals, of which 140 Bulgarian and 110 Macedonian.

By the end of 2012 56 contracts were signed. By that time, 3 were terminated, 25 completed and 28 ongoing.

The implemented 53 contracts are almost equally distributed between two priority axes. The investment projects supported under both calls for proposals comprise about half of all financed projects, and to these projects was allocated about 80% of the Programme funding. This reflects the demand for support and the priority given to investment projects by JMC.

The distribution of the support by partner country is quite equitable. Out of the total value of the contracted projects by the end of 2012, EUR 5.86 million is allocated to Bulgarian partners and EUR 5.78 million to Macedonian. The supported projects have quite wide regional scope. Out of 50 eligible municipalities, projects are implemented on the territory of 39. The total population of the municipalities, which benefit from the Programme, is 90% of the target region population. The distribution of funding by eligible target region is to a large extent proportionate to the regional population and territory.

Conducted calls for proposals

The *First call* for proposals was launched in September 2009, nearly two years after the approval of the Programme. In total, it took 18 months to evaluate the submitted proposals and to sign contracts with the successful applicants (Table 8). The effective start of the proposals evaluation was nine months after the deadline for submission of applications. The delayed launch of the call for proposals and the late start of the evaluation of the submitted proposals are explained by the delay in the development of the management and control systems by the MA/NA and the lack of approved Procedures manual.



The launch of the First call for proposals was in 2009, as in all other IPA CBC bilateral programmes in shared management, with the exception of Slovenia-Croatia IPA CBC-Programme, which was launched in mid 2008. The evaluation of the proposals of other IPA CBC programmes (except Bulgaria-Turkey IPA CBC-Programme) was faster and the First call contracts started implementation in 2009-2010, while the contracts implementation under that Programme started in mid 2011.

Table 8 Time schedule of conducted calls for proposals

	First call for proposals	Second call for proposals	Third call for proposals
Launch of the call for proposals	14/09/2009	14/06/2011.	03/12/2012
Deadline for applications	14/12/2009	14/09/2011	04/03/2013
Designation of the Assessment Working Group	19/01/2011	28/09/2011	-
Proposals opening session	07/07/2010	03/11/2011	-
Assessment of administrative compliance and eligibility	01/10/2010	03/11/2011 08/12/2011	-
Technical and Quality Assessment	24/01/2011 08/02/2011	21/12/2011 17/02/2012	-
Approval of the projects by the Joint Monitoring Committee	11/03/2011	30/03/2012	-
Pre-contracting site visits	31/03/2011 08/04/2011	23-27/04/2012	-
Negotiation procedures	06/2011	02-04/05/2012	-
End of contracting (03/06/2011	23/07/2012	-

The *Second call* for proposals of the Programme was launched in June 2011 with a deadline for applications' submission in September 2011. The proposals were evaluated and the contracts were signed in May-June 2012 or about 10 months after the deadline for applications.

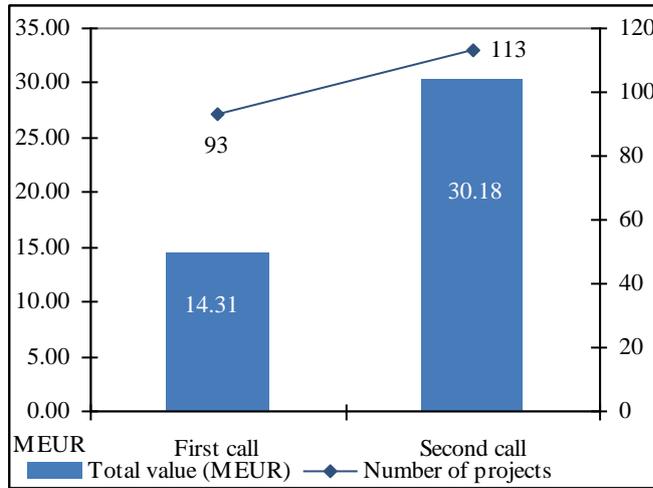
The *Third call* for proposals was launched in December 2012 with a deadline for applications in March 2013, which was after the cut-off date of the evaluation.

In total, 315 proposals were registered under the three calls for proposals, of which 94 in the First call for proposals and 126 in the Second call for proposals (Figure 8). The number of proposals in the Second call was 34% higher than in the First call for proposals, indicating an increasing interest to the Programme. The number of the submitted project proposals under the Third call was 95 or lower than under the previous one, but it should be taken into account that it had smaller budget and restricted scope of activities.



Review of the submitted proposals

Figure 8 Number of proposals and requested grant by call for proposals



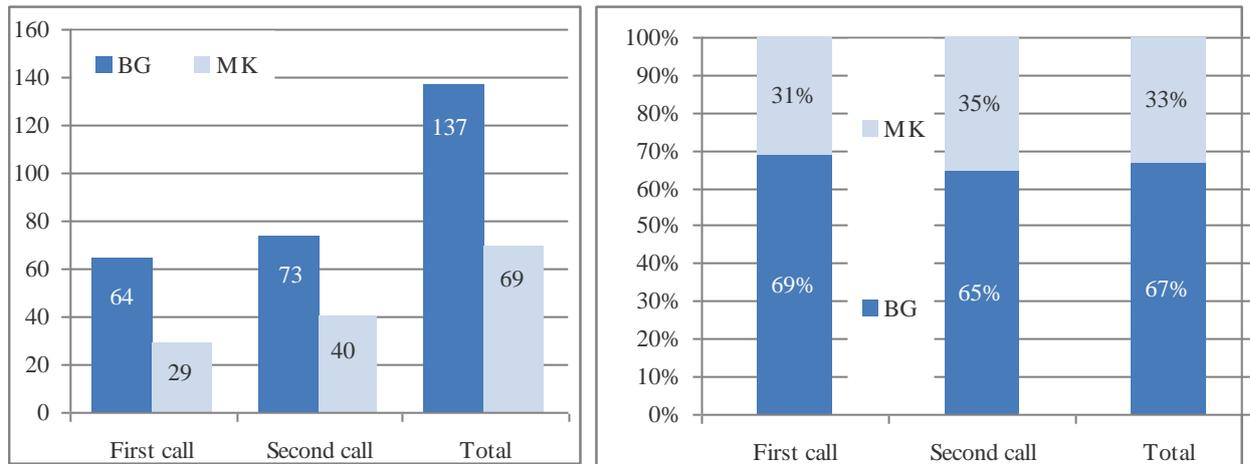
The requested grant under the submitted proposals was significantly higher than the allocated budget for both calls. The value of the grant, requested in the proposal of the First call, was EUR 14.31 million, or 3.5 times higher than the allocated original budget of the call for proposals. The value of the grant, requested under the Second call, was EUR 30.18 million, or 5.14 times higher than the budget of the call for proposals. The significant increase of the requested grant in the Second call is explained by the increase of the proposals for investment projects, which is discussed below.

The distribution of submitted proposals³ by country of lead partner reveals that under both calls, the number of the projects proposed by Bulgarian lead partner organisations was significantly higher than the number of the ones with the former Yugoslav Republic of Macedonia lead partners (Figure 9). The share of the proposals led by Bulgarian partners is 67%. This is explained with the higher experience of the Bulgarian organisations from the target regions in preparation of applications for the EU funded Programmes and in contracts implementation procedures.

³Unless stated differently, the term “submitted proposal” herewith denotes proposals that were assessed for administrative compliance, eligibility and technical quality. Their total number is 206 applications. Fourteen proposals, which were received after the deadline or failed to comply with the formal requirements are excluded.



Figure 9 Proposals by the lead partner country

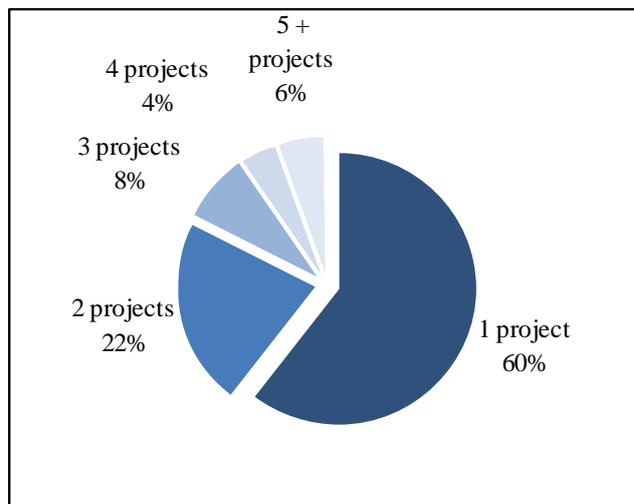


Note: Data is on 206 applications that were evaluated for administrative compliance, eligibility and technical quality; 14 proposals not meeting formal requirements are excluded.

It should be noted that in the Second call, there was a significant increase in the number of proposals submitted by the former Yugoslav Republic of Macedonia lead partners, indicating an increasing awareness on Programme opportunities and partly accumulated experience. Thus, in the Second call, the number of the proposals led by the former Yugoslav Republic of Macedonia partners increased by 37% compared to 14% increase of proposals led by Bulgarian partners.

About 250 different organisations from the border region have cooperated in the preparation of proposals for the Programme First and Second call for proposals. The number of the Bulgarian organisations was 140 and of the Macedonian 110. The Guidelines for Applicants (GfA) for the First and Second call allowed one organisation to be a lead applicant in one application only, but no limit was set to the number of applications, in which it may participate as a partner. About 40% of the organisations participated as partners in more than one application (Figure 10). Some 15 of the organisations participated in more than 5 applications (maximum 11).

Figure 10 Applicant organisations by number of submitted applications

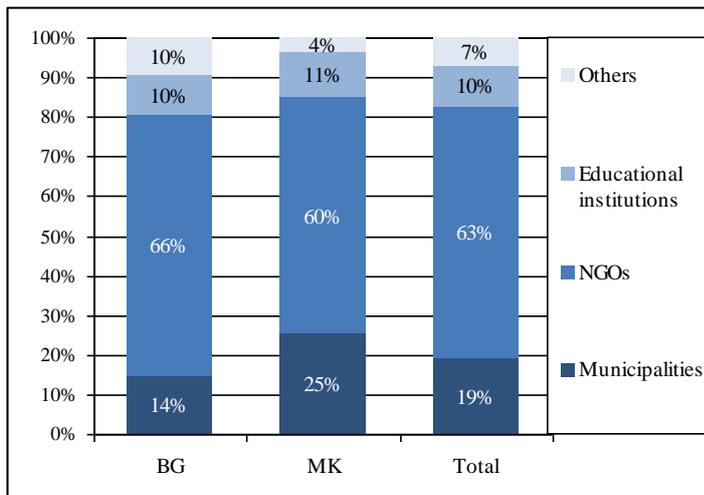




In view of the limited budget and excessive number of applications submitted by some organisations in the Third call for proposals, the JMC decided to allow one organisation to participate as a lead partner or a partner in one application only.

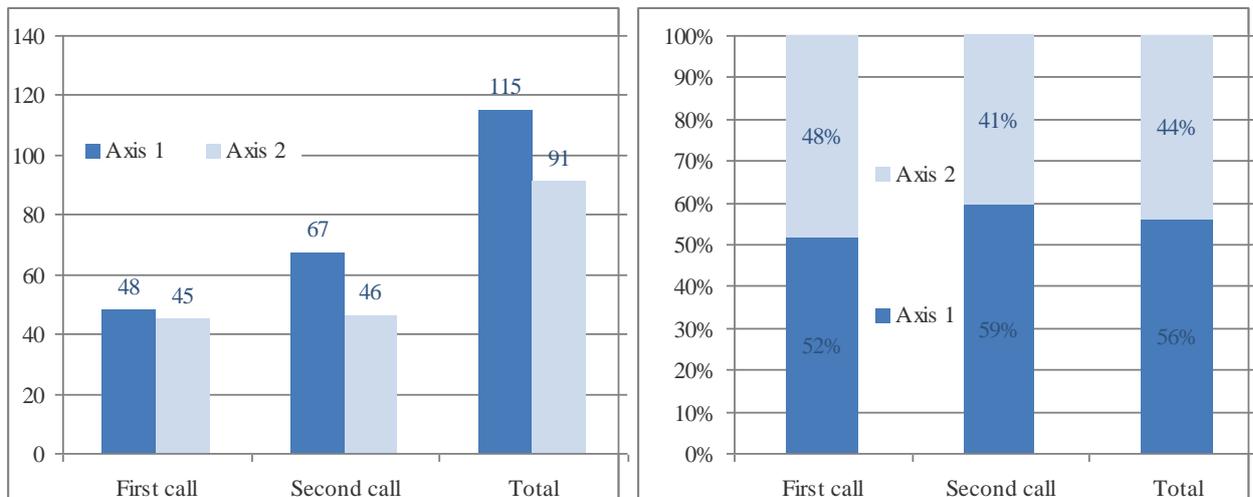
Nearly two-thirds of the partners were non-governmental organisations. In this group are included chambers and other business support organisations; development agencies; environmental, social and other NGOs (Figure 11). About 20% of the partners in the projects were municipalities with big variations by country (14% of the Bulgarian and 25% of the Macedonians applicant organisations). If lead partners are considered, the variations by country are even bigger. Thus, municipalities were lead partners in 22% of the Bulgarian applications and in 49% of the Macedonian applications.

Figure 11 Partners by country and type of organisation



The analysis of the submitted project proposals shows that the interest to Priority axis 1 was higher both in the First and the Second calls for proposals, even showing a slight increase in the Second call. Totally, the ratio of the shares of Priority axis 1 to Priority axis 2 submitted proposals is 56% to 44%, as seen from the figure below.

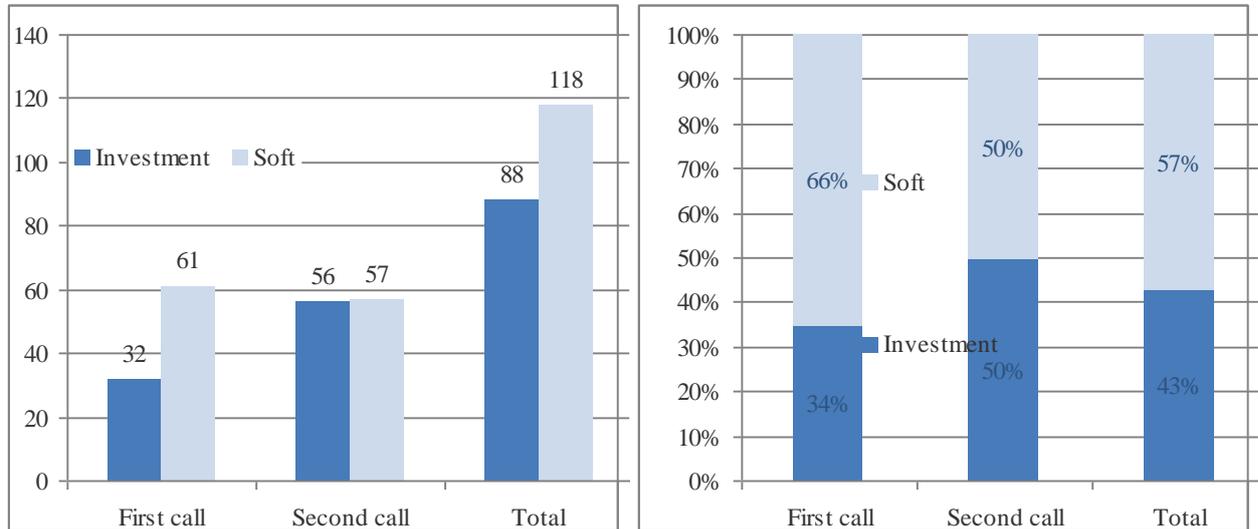
Figure 12 Proposals by Priority axis





Under the First call, there were 61 proposals for soft projects, accounting for 66% of the submitted proposals. In the Second call, the number of the soft project proposals decreased to 57 and their share went down to 50% (Figure 13).

Figure 13 Proposals by type of intervention



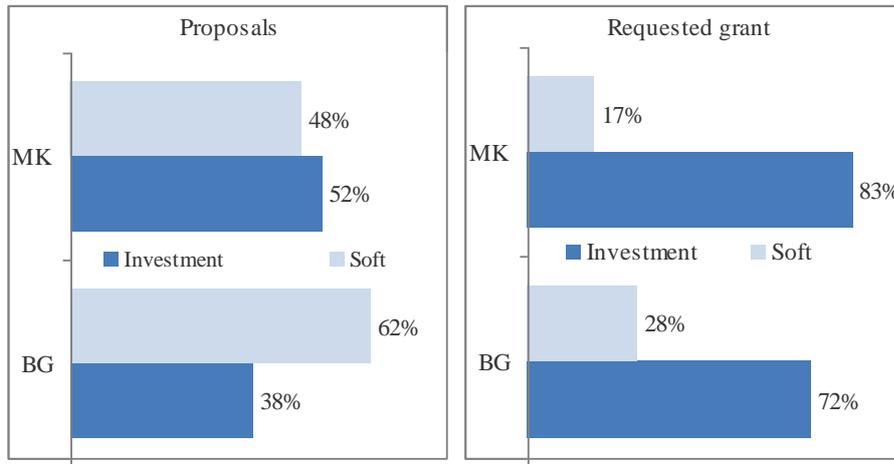
The number of investment projects proposals increased from 32 in the First call to 56 in the Second call or by nearly 75%. The smaller number of investment project proposals in the First call is partly explained by the longer time needed to develop an investment project. The reduction in the number of soft project proposals and the increase in the investment ones may be also attributed to the modification of the eligibility rules. In the Second call for proposals, 80% of the budget was reserved for investment projects, which seemed to encourage the preparation of investment projects.

Overall, under both calls for proposals, 43% of the proposals and 76% of the requested grant was for investment type of interventions.

The project proposals led by Macedonian partners are more investment oriented, than the ones led by Bulgarian partners. Thus, 52% of the proposals and 83% of the requested grant of applications, led by Macedonian partners were for investment interventions (Figure 14). This is explained by the limited number of investment grant schemes, implemented in the former Yugoslav Republic of Macedonia, and the significant investment needs in the targeted border regions.



Figure 14 Proposals by country of the lead partner and type of intervention

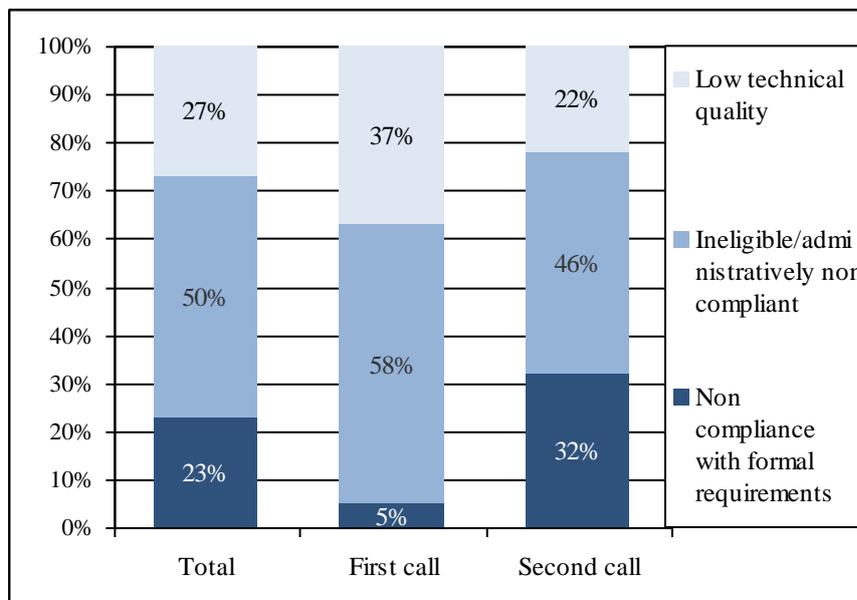


Assessment of the proposals and contracting

The assessment of the project proposals undergoes several stages. *First*, the applications are checked for compliance with formal requirements, *second* administrative compliance and eligibility is assessed and at the *third stage*, technical quality of the applications is evaluated.

Under both calls for proposals, 60 proposals were rejected (19 under the First call and 41 under the Second call). Figure 15 presents the distribution of rejected proposals by reasons for rejection.

Figure 15 Distribution of rejected applications by reason for rejection



Under both call for proposals, 14 applications were rejected after the proposals' opening session for not meeting formal requirements.



Another 30 proposals were rejected due to non-compliance with the administrative requirements or eligibility rules. Out of these, 19 proposals were for investment actions and 11 for soft actions. Among the investment projects, the major reason for rejection was the non-compliance with the Programme requirement the investments to be carried out on public municipal or state property; lack of construction permits or other documents related to the investment. The soft projects were rejected mainly due to the lack of some of the required supporting documents, ineligible activities or partners.

About 70% of the non-eligible or administratively non-complaint proposals were led by Bulgarian partners and 30% by partners from the former Yugoslav Republic of Macedonia. Taken into account that the number of submitted projects led by Bulgarian partners was higher, there were no significant differences in the share of administratively non-compliant and ineligible projects by country of the lead partner. Thus, 15% of the submitted projects led by Bulgarian partners were rejected due to administrative non-compliance and eligibility compared to 13% of the projects led by partners from the former Yugoslav Republic of Macedonia.

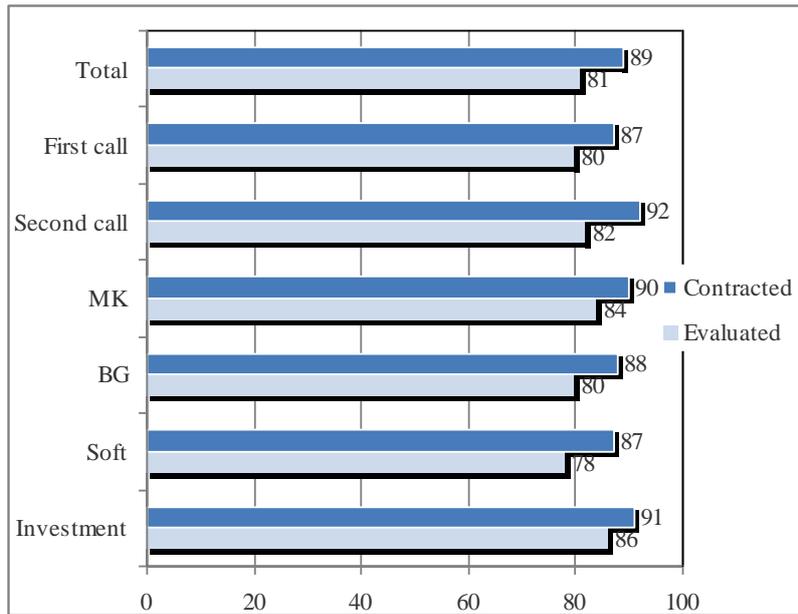
All administratively compliant and eligible applications are assessed for technical quality. The evaluation grid includes criteria for the management capacity of the applicants (20% weight), consistency with the Programme objectives and coherence with other policies (30% weight), methodology (35% weight) and budget (15%). The proposals recommended for approval should have at least 65 points out of 100 maximum on overall quality of proposals, as well as at least 10 points out of 20 on management capacity and 20 points out of 30 on consistency with objectives.

Under both calls for proposals, only 16 applications were rejected due to low technical quality of the proposal. About 75% of the rejected proposals in that group were for investment actions. Half of them were led by Bulgarian partners.

The overall quality of the proposals was assessed quite high. The average quality score of the proposals was 81 points out of the maximum 100 (Figure 15). The quality of the submitted proposals led by Macedonian partners was slightly higher than that of the Bulgarian partner led projects (84 vs. 80). The quality of the investment project proposals was scored higher than the soft projects (86 vs. 78). There were no significant differences in the quality of the applications by call for proposals or priority axis.

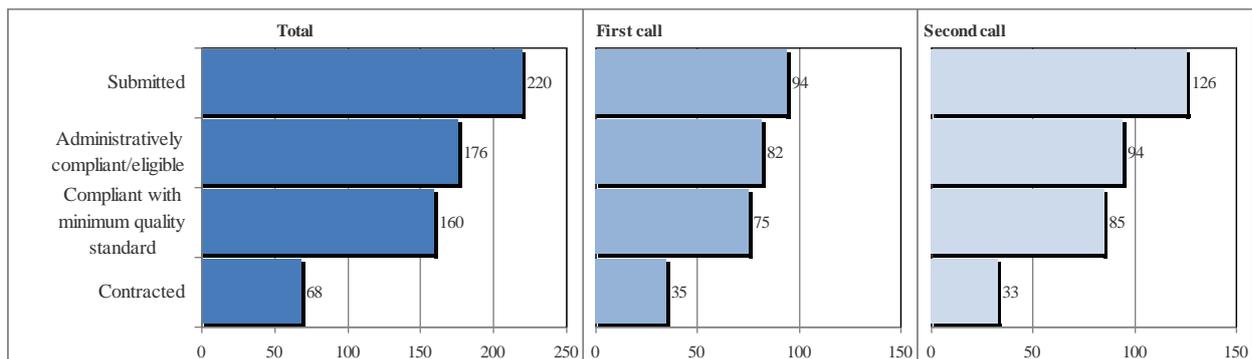


Figure 16 Quality score of evaluated and contracted projects



Overall, out of a total of 220 registered proposals, 176 were administratively compliant and eligible. The technical evaluation of the quality of the proposals established that 160 applications comply with the minimum standards on overall quality of the proposal, capacity of the applicants and respect the Programme priorities (Figure 17). The share of the proposals, which complied with quality and eligibility requirements, was 73% of the registered. In the First call it was 80% and went down to 67% in the Second call, mainly due to the larger number of proposals, which failed to meet formal requirements (deadline and binding of applications).

Figure 17 Registered, compliant and contracted proposals by calls for proposals



Note: Contracts under the second call include 21 signed in 2012 and 12 expected in 2013.

The value of the grant requested by First call applications, meeting minimum quality standards, was EUR 11.49 million, or 278% higher of the original budget and 165% of the increased budget of the call for proposals. Due to the lack of funds, 40 applications were rejected. In total, 35 contracts were signed, of which 3 were terminated later due to withdrawal of partners. The total value of the 32 First call contracts, under implementation, is EUR 6.28 million, of which EUR 5.27 million Community contribution.



The value of the grant requested by Second call applications, meeting minimum quality standards, was EUR 22.36 million or 380% higher of the original budget of the call for proposals. The original budget of the Second call for proposals was sufficient to fund only 21 out of 85 proposals, meeting the minimum quality standards. The total value of the Second call contracts, signed by the end of 2012, was EUR 5.18 million, of which EUR 4.40 million Community contribution. The JMC took a decision to increase the budget of the Second call, which would allow funding of another 12 projects, amounting to EUR 2.85 million. The contracts of these 12 projects are to be signed in 2013.

Contracts by axis and type of project

In total 56 contracts were signed by the end of 2012 under both calls for proposals, of which 3 were terminated. The value of the 53 contracts under implementation amounts to EUR 11.44 million, of which EUR 9.72 million Community contribution.

The average size of the contract is EUR 219,000. In the First call it is EUR 196,000, increasing by 30% in the Second call to EUR 255,000. The average size of the contracts is similar to the one of the Bulgaria–Turkey IPA CBC Programme (EUR 200,000), but lower than in the Slovenia–Croatia (EUR 674,000) and the Hungary–Croatia Programmes (EUR 293,000).

By the end of 2012, the contracts under implementation are almost equally distributed between the two thematic priorities. Under Axis 1, the contracts are 27 and under Axis 2, they are 26. The distribution of the committed budget between the priority axes respects the allocation of the funds according to the Guidelines for Applicants and the Programme budget⁴. Overall, 45% of the funds are allocated to interventions under Axis 1 and 55% to Axis 2 (Table 9).

Table 9 Contracted projects by Priority axis and call for proposals (by 31.12.2012)

Axis	Projects		Total value of the projects	
	Number	%	EUR	%
First call				
1. Economic Development and Social Cohesion	17	53%	2 824 291	45%
2. Improvement of quality of life	15	47%	3 432 132	55%
Sub-total First call	32	100%	6 256 423	100%
Second call				
1. Economic Development and Social Cohesion	10	48%	2 226 709	45%
2. Improvement of quality of life	11	52%	2 960 206	55%
Sub-total Second call	21	100%	5 186 915	100%
Total				
1. Economic Development and Social Cohesion	27	51%	5 051 000	45%
2. Improvement of quality of life	26	49%	6 392 338	55%
Total	53	100%	11 443 338	100%

Note: Terminated contracts are excluded.

⁴ The analysis on this section covers only projects in implementation, excluding terminated contracts.



In total, 28 investment projects are supported under both calls for proposals; of which 18 under the First call and 10 under the Second call (Table 10). Thus, the investment projects comprise 53% of all supported projects (56% in the First call and 48% in the Second call). About 80% of the Programme funding is allocated to investment projects. This reflects the demand for support and the priority given to investment projects by JMC.

Table 10 Contracts by type of projects and call for proposals (by 31.12.2012)

Type of action	Projects		Total value of the projects	
	Number	%	EUR	%
First call				
Investment	18	56%	5,166,337	82%
Soft	14	44%	1,111,401	18%
Sub-total First call	32	100%	6,277,739	100%
Second call				
Investment	10	48%	4,306,548	80%
Soft	11	52%	1,047,769	20%
Sub-total Second call	21	100%	5,354,317	100%
Total				
Investment	28	53%	9,472,886	81%
Soft	25	47%	2,159,170	19%
Total	53	100%	11,632,056	100%

All contracted investment projects have some soft actions, as required by the Guidelines for applicants. In the First call contracts, the investment expenditure⁵ amounts to EUR 3,768,993 or 73% of the total value of the investment projects. The remaining budget is allocated to soft actions and project administration.

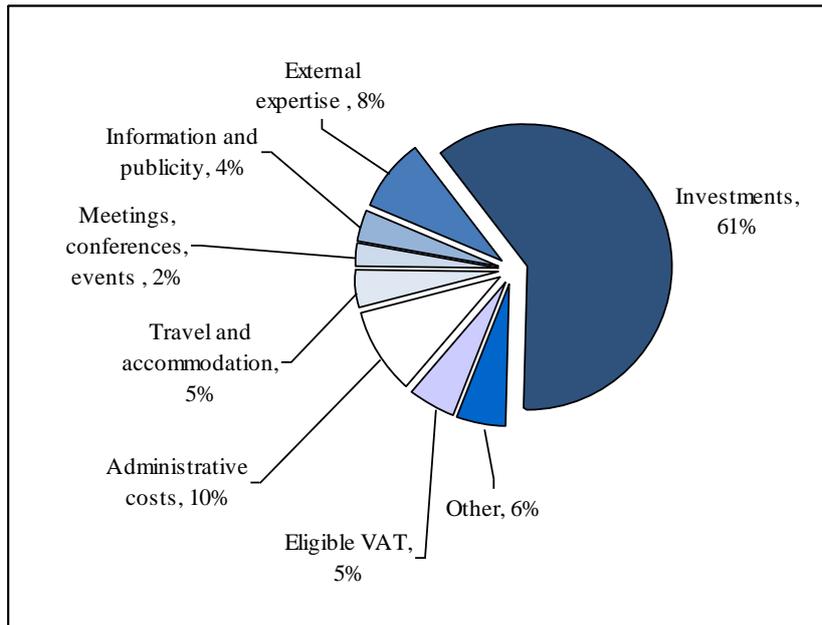
For the soft projects, the Guidelines for applicants allowed up to 20% of the project costs to be allocated to investments/equipment. In the First call contracts, the investments/equipments account for 3% of the soft projects cost.

Overall, in the First call contracts (both investment and soft projects), 61% of the project costs are allocated to investments and the value of the budgeted investments amounts to EUR 3,803,433. The administrative costs account for 10% of the project costs and the external expertise to 8%. The remaining budget groups have between 2% and 6% of the project costs (Figure 18).

⁵ Cost budgeted in Budget heading 5 ‘Investments’.



Figure 18 Structure of costs of the First call projects



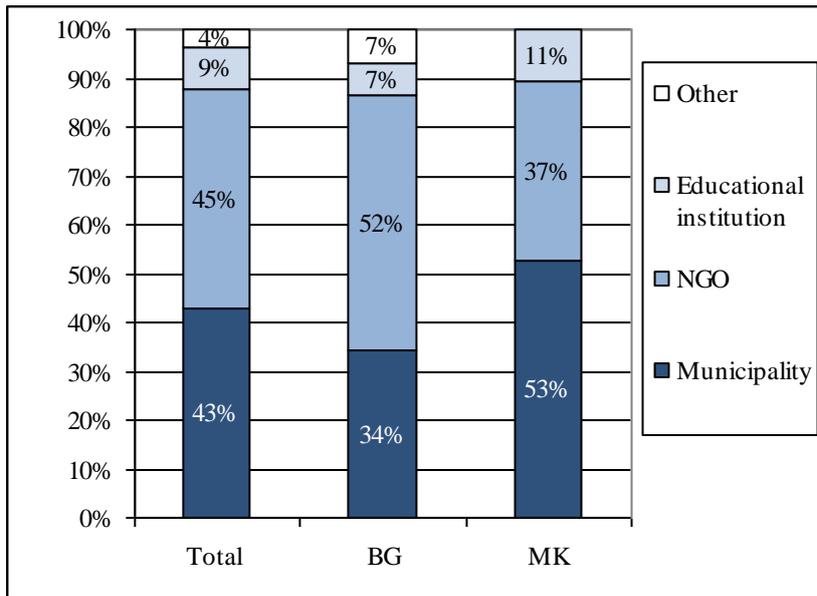
Partnerships

In total, 82 organisations are partners (lead partners or partners) in the contracts under the first two calls for proposals. Of these, 44 are Bulgarian organisations (54%) and 38 (46%) Macedonian organisations. In total, 22 organisations are partners in more than one project, of which 13 participate in two projects, 6 in three projects, 2 in four projects and 1 in five projects.

The partners under the contracted projects are 35 municipalities, 37 non-governmental organisations, 7 educational institutions and 3 cultural institutions and other bodies from the border region. The municipalities account for 43% of the total number of beneficiary organisations (Figure 19). This share is significantly higher among Macedonian organisations (53%). Overall, the municipalities have been very active and 70% of all eligible municipal administrations in the border region are partners in the projects under implementation. The non-governmental organisations account for 52% of the Bulgarian beneficiary organisations and 37% of the Macedonian organisations.



Figure 19 Beneficiary organisations by type



Various types of non-governmental organisations are project partners. Social, environmental and community development NGOs account for about 60% of the non-governmental organisations, which are beneficiaries under the projects. The other major group consists of chambers of commerce, business centres, branch associations or other business support organisations (30% of the non-governmental organisations). The remaining 10% are regional associations of municipalities or regional development agencies.

Under both calls for proposals, 47 organisations are lead partners, of which 25 Bulgarian and 22 Macedonian. Six organisations act as lead partners under the two calls for proposals, five Bulgarian organisations and one Macedonian.

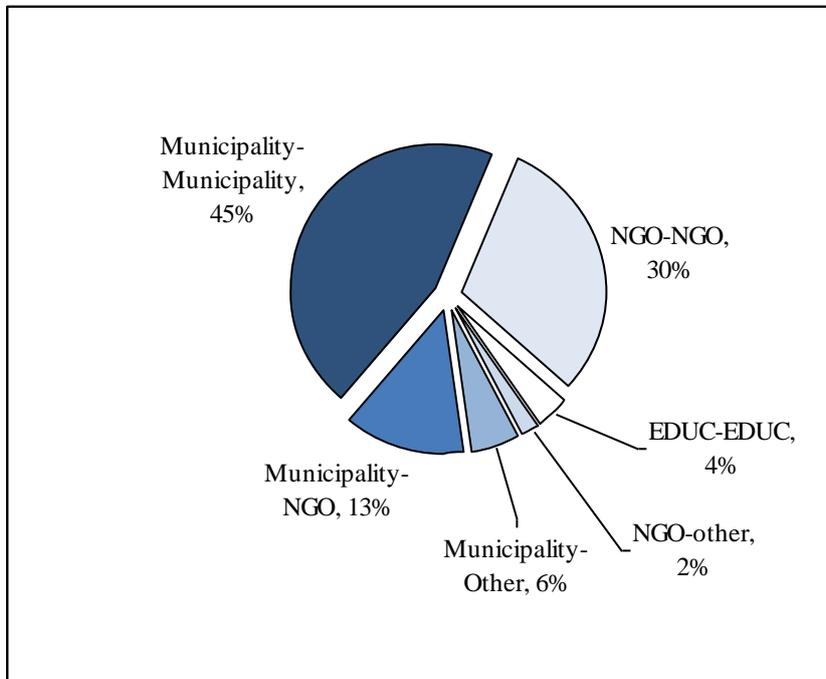
The municipalities in the border region are lead partners in 27 projects, or 51% of the total number of projects, to which is allocated 73% of the contracted budget. The municipalities are mainly leaders in investment projects – 25 of the projects, led by municipalities are investment projects and only 2 projects are soft.

The non-governmental organisations are lead partners of 21 projects, or 40% of the projects, to which is allocated 20% of the budget. The educational and cultural institutions lead 5 of the projects.



In nearly 80% of the projects, the partnership is between similar organisations (Figure 20). The partnership between two or more municipalities is observed in 45% of the projects, between two or more NGOs in 30% and the partnership between educational institutions - in 4% of the projects. Municipalities are partners with NGOs in 13% of the projects.

Figure 20 Type of partnerships under the projects



The majority of the projects under implementation in both calls for proposals (83%) have two partners (1 from each border country). In the First call projects, their share is 91%, while in the Second call projects it is 71%.

The number of the First call projects with three project partners is 3, while in the Second call these projects are 4 in number (totally, 7 projects with 3 partners under both calls for proposals). Only in the Second call for proposals, there are 2 projects with 4 partners.

The average number of partners is 2.2, in the First call 2.1 and in the Second 2.4. This is similar to Bulgaria-Turkey IPA CBC Programme, but lower than in other IPA CBC Programmes (SL-HR – 6, HU-HR-3.3). It should be noted, that in the later two Programmes, the size of the contracts is significantly higher.

The partnerships have been created through various channels. According to the online survey, about 60% the partnerships existed prior to the application to the Programme (70% in case of municipalities and 50% in case of NGOs). In some 25% of the projects, one of the partners was active in forming the partnership. In about 10% of cases, the consultants, preparing the proposals were supporting also the selection and the creation of the partnership.

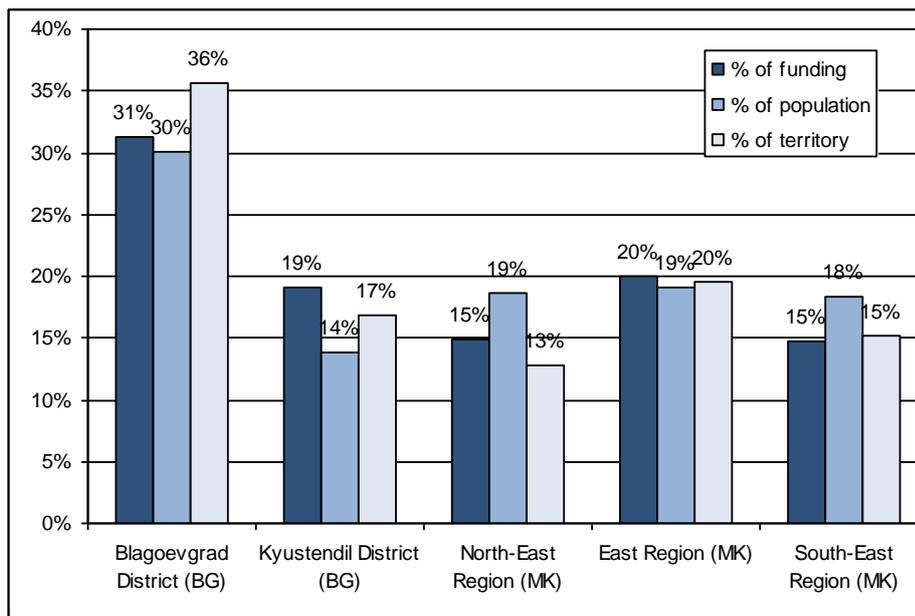
Regional coverage

The distribution of support by partner country is quite equitable. Out of the total value of the contracted projects by the end of 2012, EUR 5.86 million is allocated to Bulgarian partners, and EUR 5.78 million to Macedonian.



The distribution of the funding by eligible target region is to a large extent proportionate to the regional population and territory (Figure 21). The highest share of funding (31%) is allocated to the Blagoevgrad district, which is the biggest region accounting for 30% of the population and 36% of the territory of the border region. The Kyustendil district in Bulgaria and the East Region of the former Yugoslav Republic of Macedonia has 19 to 20% of the funding each. The South-East and the North-East regions of the former Yugoslav Republic of Macedonia have a share of 15% in the total funding.

Figure 21 Eligible border regions by share of funding, population and territory



Source: Data on contracts from contracts database; data on population from NSI (BG) and State Statistical Office (MK).

The supported projects have quite wide regional scope. Out of 50 eligible municipalities, projects are implemented on the territory of 39. The total population of the municipalities, which benefit from the Programme, is 844,300 people or 90% of the target region population.

Projects are implemented in 17 out of 23 eligible Bulgarian municipalities (Table 11). The highest number of projects is implemented in the municipality of Blagoevgrad (8). In terms of value of projects, the highest is the total value of projects in the Kyustendil municipality (EUR 1,208 million) and per capita in the Rila municipality (EUR 166 per capita).



Table 11 Projects by country, region and municipality of implementation (by 31/12/2012)

Country Region Municipality	Projects	Partner budget (EUR)	Partner budget per capita (EUR)	Municipality	Projects	Partner budget (EUR)	Partner budget per capita (EUR)
Bulgaria	53	5,854,353	15				
<i>Blagoevgrad district</i>	32	3,636,583	14				
Blagoevgrad	8	379,549	5	Yakoruda	1	127,976	15
Sandanski	6	808,330	22	Garmen	1	167,700	15
Gotse Delchev	5	518,336	18	Petrich	1	212,624	4
Belitsa	4	546,489	74	Razlog	1	39,547	2
Simitli	2	316,611	28	Bansko	1	178,213	15
Strumyani	2	341,208	74				
<i>Kyustendil District</i>	21	2,217,770	19				
Kyustendil	13	1,208,307	21	Boboshevo	1	124,480	44
Rila	3	455,401	166	Nevestino	1	158,506	57
Dupnitsa	2	221,403	5	Sapareva Banya	1	49,673	7
FYROM	53	5,778,738	12				
<i>North-East Region</i>	15	1,732,381	10				
Kriva Palanka	6	701,020	34	Lipkovo	1	250,007	9
Kumanovo	4	156,309	1	Rankovtse	1	186,079	45
Kratovo	2	152,362	15	Staro Nagorichane	1	286,603	59
<i>East Region</i>	24	2,330,526	14				
Shtip	9	609,064	13	Karbintsi	1	20,621	5
Makedonska Kamenica	4	420,070	52	Pehchevo	1	47,589	9
Berovo	2	519,376	37	Vinitsa	1	125,196	6
Delchevo	2	290,071	17				
Kochani	2	228,667	6				
Probishtip	2	69,871	4				
<i>South-East Region</i>	14	1,715,831	14				
Strumitsa	4	343,052	6	Bosilovo	1	136,710	10
Gevgelija	3	127,294	6	Konce	1	169,958	48
Dojran	2	333,332	97	Vasilevo	1	247,618	20
Novo Selo	2	357,868	31				
Total	106	11,632,056	14				

Source: Data on contracts from evaluators' contracts database; data on population from National Statistical Institute (BG) and State Statistical Office (MK).

The number of the Macedonian municipalities, in which projects are implemented, is 22 out of 27 eligible. The highest number of projects is implemented in Shtip (9). The value of the implemented projects is highest in Kriva Palanka (EUR 701,000) and per capita in Dojran (EUR 97 per capita).



EQ3. How well are the Programme’ resources managed and how the implementation of the Programme and absorption capacity could be improved?

Conclusions

At the end of 2012 the total contracted amount was EUR 13.28 million or 63.04% of the Programme budget for the period 2007-2013. The contracting rate is satisfactory and the Programme is expected to contract allocated budget by the end of 2013.

At the end of 2012, the certified amount was EUR 2.76 million or 13.11% of the Programme budget for the period 2007-2013. The payment rate is low due to late contracting of the First call projects, delay in execution of some of the contracts and in verification of expenditure due to late setting of the FLC system in the former Yugoslav Republic of Macedonia.

Due to low payment rate, EUR 464,180 of IPA Funds were decommitted.

Progress in contracting and payment

At the end of 2012, the committed public funds to the Programme amounted to EUR 20,490,793, of which EU co-financing EUR 17,417,174 (Table 12). The contracted amount was EUR 13,279,095. The contracting rate was 64.81% of the committed by the end of 2012 budget and 63.04% of the Programme budget for the period 2007-2013. The achieved contracting rate is satisfactory, taking into account that 12 Second call contracts are expected to be signed in 2013.

Table 12 Committed, contracted, verified and certified amounts by the end of 2012 (EUR)

Axis	Committed		Contracted	Verified	Certified	
	Total public co-financing	EU IPA ¹			Total	Total
Axis 1	8 196 318	6 966 870	5 218 402	1 499 262	1 287 045	1 093 052
Axis 2	10 245 396	8 708 587	6 392 338	1 543 496	1 356 373	1 152 917
Axis 3	2 049 079	1 741 717	1 668 355	117 245	117 245	99 659
Total	20 490 793	17 417 174	13 279 095	3 160 003	2 760 664	2 345 627

Note: The amount of EU IPA after EUR 486,508 decommitment in 2011.

By the end of 2012, the certified amount was EUR 2,760,664, of which EU co-financing - EUR 2,345,627. The certified payments at the end of 2011 were small – only EUR 119,290 due to the fact that the majority of contracted grant projects were at an early stage of implementation. The certified payments in 2012 increased substantially to EUR 2,226,337.

The payment rate was 13.47% of the committed by the end of 2012 budget and 13.11% of the Programme budget for the period 2007-2013. The low payment rate is explained by the late contracting of the First call projects, the delay in execution of some of the contracts and the delay in the verification of expenditure due to late setting of the FLC system in the former Yugoslav Republic of Macedonia.



By the end of 2012 decommitted IPA Funds is EUR 486,508 in 2011 and additional EUR 464,180 are expected to be decommitted in 2012. In total this amounts to 5.31% of the total IPA allocation for the period 2007-2013. To avoid additional decommitment in 2013, at least EUR 2,744,330 must be certified by the end of 2013.

At this stage, the absorption of the Programme' funds and the avoidance of additional decommitment depends on the smooth implementation of contracted projects. In this respect, the proper assessment of project risks and timely interventions with respect to risk level are instrumental for the proper management of contracted projects (Section IV.2.2 elaborates on main implementation problems that may affect absorption).

The absorption capacity of the Programme depends on several key indicators, presented in the table below.

Systems	Structures	Human Resources	Systems and Tools	Lessons learned /Recommendations
Programme Management	Designation of MA /NA	Staffing of MA/NA adequate Well defined tasks and responsibilities with clear segregation of duties	IPA Programmes Manual	Timely setting of the management and control system is essential for the avoidance of delays in the contracting and absorption
Planning and launching of the calls for proposals and selection of projects	MA/NA/JTS/JMC Independent assessors Potential beneficiaries Clear responsibilities established	Adequate staffing and experience of the staff in the MA/NA/JTS main office	Adequate procedure for publicity information provision to potential beneficiaries Procedure for selection of projects is in line with best practices and transparent	The First call for proposals has to be launched no later than 6 months after the Programme approval
	Contracting and management of the grant contracts		MA/JTS Well defined tasks and responsibilities for contract management	
First level control system	MA/NA/ independent controllers	Sufficient number of Bulgarian controllers/ the pool of Macedonian controllers has to be increased	FLC procedure is well documented and strengthened in the course of implementation	The FLC has to be linked with the project cash flow



Systems	Structures	Human Resources	Systems and Tools	Lessons learned /Recommendations
Capacity of the beneficiaries to manage the contracts	Beneficiaries	Lack of experience of Macedonian beneficiaries in procurement/implementation	Training, on-going advice, risk assessment is adequate for the Bulgarian beneficiaries but additional training/couching of Macedonian beneficiaries is needed	Simplification of the rules for procurement is essential to avoid ineligible costs and delays in implementation Simplification of the procedure for reporting of small contract modifications
Financial Management	MA	HR capacities in financial control adequate	Manual financial control adequate	The check of the draft requests for payment facilitates control and speeds-up payment
Monitoring and evaluation	MA/NA/JTS/JMC	HR capacities in monitoring adequate	Existence of functional MIS	-

As commented above, till the end of 2012 the main reason for the low absorption has been the delay in the setting up of the management and control system, related to the late launch and selection of First call projects. Additional factor has been the significant delay in the FLC of the Macedonian partners due to late establishment of the FLC system in FYROM.

The main problems that puts at risk the absorption for the remaining part of the programming period is the capacity of beneficiaries to implement projects in time and in compliance with the established procedures as well as timely execution of FLC and payment of interim payments to avoid cash-flow problems of beneficiaries. The MA/NA has to ensure:

- Increase of the number of the Macedonian controllers and to strengthen the capacity of the NA;
- NA to ensure regular payment of national contribution;
- Simplification of the rules for single tenders;



IV.1.3 Effectiveness of the Programme implementation

IV.1.3.1 Effectiveness of actions under Axis 1

EQ5⁶. What are the results achieved by Axis 1?

Conclusions:

The majority of the supported seventeen projects under the First call are coherent with the objectives and priorities of Axis 1. The demarcation between Priority axes is not sufficiently clear, which resulted in supporting of three projects under Axis 1, which better fit the objectives of Axis 2.

In the majority of cases, the projects are based on balanced and adequate partnerships and with clear link between activities and results. The type of activities that can be financed under Priority axis 1 is quite broad, resulting in scattering of projects to various types of small actions.

Irrespective of their delayed start, which led to changes of staff or budgets, the majority of First call projects were smoothly implemented and the planned outputs were delivered. Envisaged activities were realised with the involvement of the target groups. The potential of projects for developing of cooperation between civil society and policy makers or for improving the coordination between local and regional authorities was not sufficiently used.

The objective for the *development of business co-operation, clustering and networking* was addressed by six projects, which main contribution is in the form of economic surveys, joint strategies and technical and business infrastructure rehabilitated. The Programme targets on outputs related to this objective are overachieved by the First call projects only.

Few projects under the First call targeted the objective for *boosting innovation and knowledge economy* in the border region, and the Programme targets on indicators related to innovation are greatly underachieved. The MA/JMC reacted adequately and in the Third call only activities targeting knowledge economy are eligible for support. Overall, the supported First call projects created joint information services and business and educational linkages, having some contribution to innovation and knowledge economy.

The objectives for *human resource development* were addressed by four projects, which improved employability skill and rehabilitated educational infrastructure. The Programme targets on indicators related to human resource development are overachieved by the First call project only.

The objectives for *integration of vulnerable groups and development of services to vulnerable groups* were addressed by four projects. The Programme has one indicator related to this objective (training of vulnerable groups), which is achieved at 50%. There is no substantial risk of non-achievement of this target until the closure of the Programme.

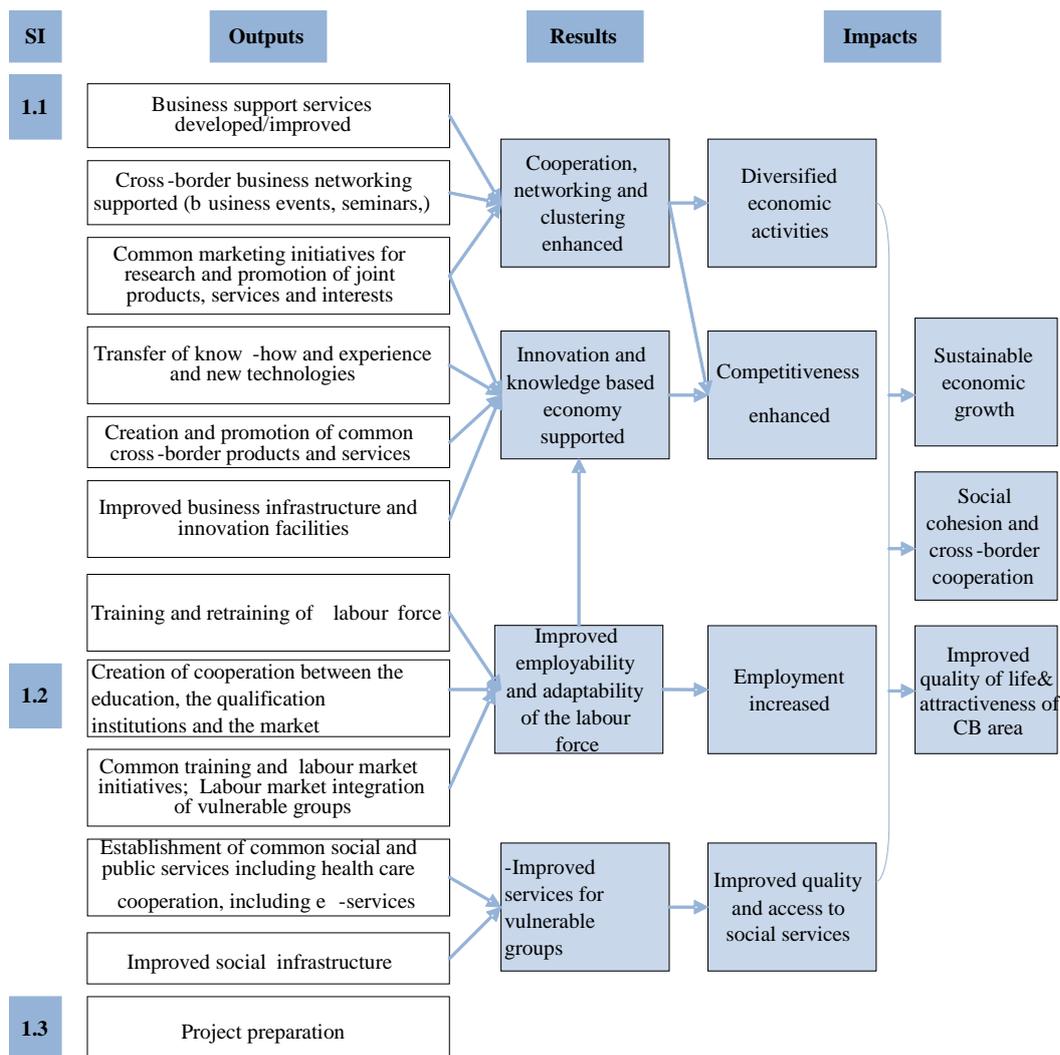
⁶ The numbering of the EQs does not go consecutively; it corresponds to the one, given in the Inception Report.



Intervention Logic of Axis 1

The objectives of *Priority axis 1 ‘Economic Development and Social Cohesion’* are to improve the competitiveness and economic growth in the border region and improve conditions for employment, economic and social integration through encouragement of: innovation and cooperation across the border, knowledge based economy, networking and clustering, entrepreneurship, employment generation, human resource development and social entrepreneurship. The intervention logic of Axis 1 is given on Figure 22.

Figure 22 Intervention Logic of Priority Axis 1



The objectives of the Axis 1 are addressed with interventions in three key areas, which are presented below.

The objective of the *sphere of intervention 1.1 ‘Economic development’* is ‘to use and mobilise all opportunities in the field of economy, to enlarge the field of actions, to increase market possibilities and to create new steady partnerships’. It supports a variety of actions which for the needs of the analysis are grouped as follows:

- Support to co-operation, networking and clustering;



- Promotion of innovation and knowledge based economy;

The objective of the *sphere of intervention 1.2 ‘Social Cohesions’* is ‘to the increase of social cooperation through strengthening of connections and cooperation between different actors serving as a backbone to various cross-border initiatives’. It provides for two main groups of actions:

- Co-operation for improvement of employability and adaptability of the labour force;
- Improvement of services for vulnerable groups.

The objective of the *sphere of intervention 1.3 ‘Project preparation’* is to prepare mature project to apply under other EU and national financial source through support of preparation of pre-feasibility and feasibility studies, engineering and technical design, environmental impact assessments, etc

Supported projects under Axis 1

At the end of 2012 under Priority axis 1, the number of the signed contracts is 27, of which 17 under the First call and 10 under the Second call (Table 13). The major part of the First call projects are completed (14 in number or 82%) by the end of 2012.

The distribution of contracts by sphere of intervention is given on Table 13. In total, 13 projects are contracted under the *Economic development* sphere of intervention (1.1). Of them, 9 are under the First call and 4 under the Second call. To this sphere of intervention is allocated 47% of the Axis budget contracted till the end of 2012 (59% under the First call and 33% under the Second).

Under the *Social cohesion* sphere of intervention (1.2) in total 13 projects were contracted (7 under the First call and 6 under the Second one). Their share in the total value of projects is 52%, as the share of those contracted under the Second call is much higher than contracts, concluded under the First call (67% against 40%).

The only project financed under the *Project preparation* sphere of intervention (1.3) was implemented under the First call and the allocated budget is 2% of the Axis 1 budget.



Table 13 Contracted projects under Priority axis 1 by sphere of intervention and call for proposals (by 31.12.2012)

Sphere of intervention	Projects		Total value of projects	
	Number	%	EUR	%
First call				
1.1. Economic development	9	53%	1,662,368	59%
1.2. Social cohesion	7	41%	1,120,699	40%
1.3. Project preparation	1	6%	45,139	2%
Sub-total First call	17	100%	2,828,206	100%
Second call				
1.1. Economic development	4	40%	785,990	33%
1.2. Social cohesion	6	60%	1,608,121	67%
Sub-total Second call	10	100%	2,394,111	100%
Total				
1.1. Economic development	13	48%	2,448,358	47%
1.2. Social cohesion	13	48%	2,728,820	52%
1.3. Project preparation	1	4%	45,139	1%
Total	27	100%	5,222,317	100%

By the cut-off date of the evaluation, 12 investment projects were supported, accounting to 76% of the total value of the projects under Axis 1 (Table 14).

Under the First call, 7 investment projects were contracted, accounting for 41% of the contracts and 72% of the value of First call contracts. Under the Second call, the number of the investment projects went down to 5, but due to the increase of the average value of the projects, the contracted amount to investment projects in the Second call is only 6% lower than under the First call.

Table 14 Axis 1 contracts by type of projects and call for proposals (by 31.12.2012)

Type of action	Projects		Total value of projects	
	Number	%	EUR	%
First call				
Investment	7	41%	2,047,676	72%
Soft	10	59%	780,530	28%
Sub-total First call	17	100%	2,828,206	100%
Second call				
Investment	5	50%	1,928,106	81%
Soft	5	50%	466,005	19%
Sub-total Second call	10	100%	2,394,111	100%
Total				
Investment	12	44%	3,975,783	76%
Soft	15	56%	1,246,535	24%
Total	27	100%	5,222,317	100%



Quality and relevance of the supported Axis 1 projects under the First call

The major part of the supported projects (six) contribute to the Axis 1 objective for *support of co-operation, networking and clustering* through the development of business support services that facilitate networking between companies in the region and development of business infrastructure. The projects are predominantly of regional scope with target groups businesses and their organisations. They clearly comply with the identified needs in fostering cross-border cooperation and improving competitiveness of the local business.

Three of the projects have some relevance to the Axis 1 objective for support of *innovation and knowledge based economy*. They contribute through promotion of new technologies in the business services and building networks. Target groups are mainly citizens, public sector employees, and educational institutions. These projects offer innovative products or approaches, but show sometimes insufficient justification of the need of the project outputs; envisaged activities are not always consistent to the stated objectives or inadequate attention is paid to sustainability of results. It could be expected that the share of the knowledge based projects will increase under the Third call due to the changes in the eligibility of activities with a focus on ICT.

Four projects are relevant to the objective for *human resource development* and target broad social groups: public administration, youth (students and children), and citizens. Two of them have clear contribution to the improvement of professional skills (municipal experts) and employability skills (students), another project (an investment one), contributes indirectly through investment in schools infrastructure, while the intervention logic of the fourth project (e-learning in tourism sector) is not strong enough.

Four of the supported projects have strong relevance to the Axis 1 objectives for the *integration of vulnerable groups* through the development of social services and infrastructure. Their main target groups are people with disabilities (including children) and social care sector employees. The projects satisfy needs in improvement of social infrastructure, development of capacity for delivery of social services and all of them pay attention to raising public awareness on issues of social inclusion.

Three of the supported projects better address the objectives of Axis 2. This relates to the description of eligible activities under the Sphere of intervention 1.1 in the Guidelines for applicants. One of the eligible activities, among others, states tourist services⁷. This led to support of two projects under Axis 1 that have clear relevance to the objectives of Axis 2 (2.2):

- Project for development of rural and mountain hiking/bicycle tourism in Blagoevgrad district and East region through support of research of market opportunities and inventory of services, training of SMEs and creation of travel guide (2007CB16IPO007-2009-13);
- Project for creation of favourable conditions for tourism in the cross-border region through elaboration of data bases of tourist sites and tourist services providers and making it available to citizens and tourist through 8 tourist info terminals(2007CB16IPO007-2009-24).

⁷ Support for the setting up of the joint ventures, co-operatives or consortia for joint manufacturing or provision of *tourist services* - preparation of business and marketing plans, market studies, market and PR campaigns, direct export sales and marketing, etc.' p.20.



One of the projects supported under Axis 1 focused renewable energies (RES), which better fits the objectives of Axis 2 (2.1) too.

- Project aims at facilitating exchange of knowledge, experience and cooperation in the field of renewable energy sources (RES) in the cross-border region through the establishment of a formal Partnership Network in the field of RES and improved mutual awareness of the companies in the cross-border region of alternative sources of energy and creation of better conditions for investments in the field of RES(2007CB16IPO007-2009-14).

It has to be noted that demarcation between spheres of intervention is not sufficiently clear for some of the actions. In the Guidelines for Applicants, there is a certain overlap between the activities in the Sphere of intervention 1.1 and 1.2, especially in education and training projects. Thus, eligible under measure 1.1 initiatives ‘development of a common labour market and more close collaboration between labour’ and similar activities are eligible under measure 1.2, as well. The possibility of overlap is evident also in the introduction of identical indicator in both measures (‘Business to education linkages’ OI 1&15).

Six projects from that Axis were subject to on the spot visits and detailed evaluation of project strategy. All of them are in line with the Programme specific objectives and meet the needs of their target group. In most of the cases, activities are clear and comprehensive, leading to the planned results. Concerning the Bulgarian partners, no overlapping with national programmes is observed. Some projects are complementary to the national operational programmes, where funds for specific target groups are limited (for example for institutional capacity of business associations/NGO).

Although the projects were coherent, there were certain weaknesses in the design of some of them. One of the weaknesses relates to partnership, as for example a project focused at the development of business support services but partners had no proven experience in the area. However, no sufficient external expertise was planned neither the project intended to develop such capacity.

Another project supporting regional planning has as a weakness, related to the low level of cooperation with local stakeholders in respect to consultation of a strategic document and insufficient justification of the sustainability of the results planned. This makes unclear the future “ownership” of the project achievements.

Overall, all Axis 1 projects are relevant. In the majority of cases they are based on balanced and adequate partnership and with clear link between activities and results. Envisaged activities were implemented with the involvement of the target groups. Project benefits are adequate to the needs of the target groups.

Efficiency of Axis 1 First call projects

First call projects, contributing to the economic development and social cohesion, were implemented in good partnership and sufficient involvement of their target groups. Irrespective of their delayed start, which led to changes of staff or budgets, the majority of projects were smoothly implemented and the planned outputs were delivered.

Thus, changes subject to addenda were ten; of which six concern extension of the implementation period and four are driven by budget changes. Other modifications were minor (thirty eight in number), the prevailing part of which include replacement of experts



and small changes in time schedule or budget, which did not affect the overall projects performance.

The visited projects from the sample have had fourteen small modifications and three addenda (for investment projects only, mainly due to low management capacity). One of these projects is indicative how the discrepancies of the design influence the implementation stage and respectively, the achievements of the stated results. Apart from the low quality of the preparation phase (inadequate Bill of Quantity), the project includes no activities related to the development of the services of the newly created structures (business centres), except for the study of the needs of the local entrepreneurs.

Although declared in some application forms, the use of a “participatory” approach was not always adequately applied. The opportunities for consultation of public administration with civic society or for coordination between public bodies, offered by projects, were not sufficiently used. For example, there is a project, which envisaged the elaboration of a joint cross-border economic strategy. This document was presented to business community at investments forums, but involvement of local stakeholders in its drafting was not adequate (if there was any consultation, it might be by the contractor’ initiative and not as an element of the project). Similar was the approach of another two projects, which did not involve adequately labour offices in the project activities, although their targets were promotion of entrepreneurship and development of employability skills.

As other examples of elements of low efficiency, taken from the visited projects, could be mentioned the different methodology used for a survey carried out on both sides of the border (apart from the lack of basis for comparison of results, the elaboration of methodology was paid twice) or the considerable delay in setting out of web portal, which was important for other project activities as a forum for networking and communication.

All interviewed beneficiaries and local stakeholder expressed gratitude for the support provided by the JTS, stressing on the fact that its assistance goes beyond its formal duties.

Overall, the review of the supported projects revealed that the chosen strategy was cost efficient. The activities were necessary for the achievement of the project results. In all projects, the main part of the soft outputs were delivered by sub-contractors (because of threshold for administrative costs), but due to the variety of outputs it was difficult to estimate the influence of sub-contracting on project costs. In the contracting stage, the correspondence of costs to market rates was checked, and where necessary corrections were made. That implies that cost would not have been significantly different, if activities were not outsourced.

Outputs and results of Axis 1 First call projects

The majority of the projects under Axis 1 sphere of intervention 1.1 “*Economic Development*” contributes to the enhancement of cooperation, networking and clustering. These are six projects, four of which are “soft” and the other two are investment projects with some “soft” activities. The projects are clearly addressed to businesses and in the majority of cases have a regional scope. Their major results include new ways of working and development of new products or services.

Under the projects, six partnership forums were organised with more than 300 participants (SMEs and NGOs mainly). Five training seminars were carried out with 160 participants. Overall, 630 SMEs and 40 institutions benefited the project activities. Five joint information services were established; awareness campaigns and trainings were conducted too. Three surveys were carried out and two joint strategies were developed. Promotional tools produced



by the projects are the traditional ones: 2,000 copies of catalogues, 3,200 brochures, 4 joint web sites). Two business incubators were established and investments in rehabilitation of 8,000 sq. m. physical infrastructure and 4 ha technical infrastructure were made. Examples of project achievements are given in Box 1 below.

Box 1 Support to cooperation, networking and clustering

⇒ Capacity building for firms and business support organisations through training and business promotional events; a web based marketing platform established. The project upgraded and improved the services provided by the project partners.

⇒ Established conditions for cooperation between two textile association and their members in the cross-border region and improvement of firms' competitiveness through training, strategy for increase of quality and labour productiveness, and exchange of good practices. Apparel companies from the cross-border region benefited a market research and a business catalogue.

Overall, the projects contributed to the promotion of cross-border cooperation through creation of business networks and infrastructure, and improvement of entrepreneurial skills.

The main results of the three supported projects in the *innovation and knowledge based economy* sphere (one “soft” and two investment projects) refer to investments in ICT tools, which facilitate the regional and cross-border tourism and general economic activities. The investment projects are initiated by local authorities and their target include a broad scope of addressees – businesses, NGO, local/regional administrations, citizens.

The projects brought benefits to 270 SMEs and over 70 institutions (mainly NGOs). In contrast to the projects in the area of cooperation and networking, here only one investment forum was organised (100 participants), but the training events held were much more (12). Another distinction is the fact that the three projects produced 10 joint information services. In the frame of the projects, two business and educational linkages were created, five awareness campaigns of the benefits of ICT and seven ICT trainings. E-services were developed, as well (see examples of project achievements in Box 2).

Box2 Support to innovation and knowledge based economy

⇒ A formal Partnership Network in the field of renewable energy (RES) was established for facilitating the exchange of knowledge, experience and cooperation in RES sector in the cross-border region. The focus was put on investment promotion in the field of RES and respective encouragement of creation of alternative employment in the cross-border economies.

⇒ Improved opportunities for SMEs and NGOs for involvement in project management and development through creation of a municipal web portal with a connection to the Internet-based information system on strategic and planning documents; studies on economic and social development and presentation of good practices.

The projects contributed to the development of innovation and knowledge based economy through promotion of the benefits of ICT, creation of joint information services and establishment of business and educational linkages.

Four of the seven projects under the area of intervention 1.2 *Social cohesion* contribute to *improvement of employability and adaptability of the labour force*. Three of them are “soft” projects and one is investment project. All projects are focused on development of skills and knowledge. They are targeted to broad social groups: citizens, youth, students and public administration. Overall, the implementation of the projects resulted in improved environment



for development of relationships across the border. The main soft projects' results concern new ways of working, acquainting new knowledge and creation of products/services. The investment project contributes to improvement of educational infrastructure and has a community integration effect. Two of the projects are of local scope, one has a regional outreach and one affects the border region level (the network of municipal experts).

Overall, the outputs produced by the four projects include: 12 job-related training courses (10 of which for vulnerable groups) with a participation of over 400 trainees. Over 200 persons enhanced their skills. Four networking structures were established. Two training rooms were created and the infrastructure of two educational institutions was improved. Scientific exchange and transfer of know how was carried out in the frame of one project. Examples of project achievements are given in Box 3.

Box 3 Actions for employability and adaptability of the labour force

⇒ Administrative capacity building of public administration and development of human resources through establishment of a network of municipal experts from the cross-border region, and an internet platform for exchange of information about projects on municipal level. These facilitate dissemination of experience and good practices between municipal experts. Their professional skills of using ICT improved due to the training provided under the project.

⇒ Improved employability skills of university students by establishment of a university-business network in the border region; creation of two business hubs in Blagoevgrad and Stip and development and piloting of online webinars; university carrier centres were strengthened with training on employability skills and an interactive tool for self-assessment of students.

The improvement of human resources employability and adaptability was supported by the projects through establishment of networking structures, exchange of know how, enhancement of skills through training and rehabilitated educational premises.

Two investment and two soft measures projects targeted the *improvement of quality and access to social services*. Three of them were submitted under 1.2 'Social Cohesion' and the fourth is the only project, financed under the sphere of intervention 1.3 'Project preparation'. All projects have a clear cross-border effect in terms of exchange of good practices, mainly from Bulgarian to Macedonian partners, which will positively influence the preparation of Macedonian partners for EU accession. Typical for the three social cohesion projects is the achievement of new way of working. Their target audience are people with disabilities (including children) and social care sector employees. These projects contribute to creation of improved or new social services. All projects raised public awareness on social inclusion issues.

Among the main outputs of the projects, contributing to the improvement of the quality and access to social services, are the creation of two cooperation networks, two studies and a common strategy related to opportunities for social inclusion. Under the projects social services in five schools, two municipal buildings and three cultural places were improved or newly established. Nine training courses were carried out with a focus on social inclusion of vulnerable groups. Almost 300 participants benefited the training (see Box 4 with examples of project achievements).



Box 4 Improvement of quality and access to social services

⇒ Investment in reconstruction of buildings, supply of equipment and training of human resources, which resulted in provision of social patronage services (new for the two partnering municipalities).

⇒ Five schools were upgraded with infrastructure for people with disabilities. These investments together with the improved capacity of teachers to work with such children and to collaborate across the border established new opportunities for social inclusion of disabled children.

The projects contributed to better access to social services by rehabilitating social infrastructure, creating cooperation networks and investing in development of new social services or improvement of the existing ones.

Progress in the achievement of Axis 1 targets

The Programme has 8 output and 2 results indicators for the sphere of intervention 1.1 “*Economic Development*”, with quantitative targets set for the whole programming period. The Programme has no detailed description of the indicators or units of measurement, which led to significant inconsistencies in the setting of the indicators on project level under this sphere of intervention⁸.

Table 15 presents the data on indicators from the monitoring system and the data verified by the evaluators after the documentary review of the First call projects. As it could be seen, due to various reasons, discussed bellow, on seven indicators there are differences between the monitoring data and evaluators’ verified data.

⁸ For detailed discussion see Section IV.2.4.



Table 15 Target and achievement of output indicators of First call projects under Sphere of intervention 1.1 ‘Economic development’

Indicators	Programme target 2016	Monitoring system (expected)	Data verified by the evaluators					
			All contracts			Completed contracts		
			Project Target	Expected achievement	% of Programme target	Achievement end of 2012	% of Programme target	
OI 1 Business and educational linkages created (number of co-operation agreements)	15	140	2	2	13%	2	13%	
OI 2 Communities and institutions participating in knowledge economy (number entities)	7	9	6	6	86%	6	86%	
OI 3 Awareness campaigns of the benefits of ICT and new media (number of campaigns)	20	9	9	9	45%	9	45%	
OI 4 ICT trainings (number trainings)	10	10	10	11	110%	11	110%	
OI 5 Access to and usage of new technology (number of projects)	10	32	6	6	60%	6	60%	
OI 6 SMEs involved /addressed in CBC projects (number of companies)	7	5,981	920	1,061	-	1,051	-	
(number of projects)		-		9	129%	8	114%	
OI 7 Institutions / bodies benefiting of programme activities (number)	50	106	106	112	224%	108	216%	
OI 8 New jobs created (number)	50	62	12	3	6%	2	4%	
RI 1 Joint information services established	2	9	8	8	400%	7	350%	
RI 2 Increased cross-border movement of people and exchange of goods and services in the region ¹	1.5%	8	8	8	-	7	-	

Note: 1) Programme target is given in percent to baseline; the project targets and achievement measured in number of projects. 2) In the monitoring data different units of measurement are used on project level – number of beneficiaries and number of projects. The evaluators’ data is on number of projects.

Five indicators are focussed on *outputs* related to the measure objectives for the development of innovation and knowledge based economy.

For indicator OI 1 ‘Business and educational linkages created’ different units of measurement are used by the reviewed project. Some beneficiaries report on number of co-operation agreements (e.g.1), while others on number of partners (e.g.100). In addition, some beneficiaries interpreted the indicator very broadly and reported every contact between business and educational institutions (e.g. training) as linkage. The verification of data showed that there are only 2 projects that have established linkages between business and institutions, compared to Programme target of 15. The achievement of Programme target is small due to the small number of contracted projects.

Indicator OI 2 ‘Communities and institutions participating in knowledge economy’ combines two categories that are not comparable, i.e. communities and institutions. The level of achievement of the indicator is 86%.

The indicator OI 3 ‘Awareness campaigns of the benefits of ICT and new media’ is not very well related to the expected outputs of the measure and the target seems high, relevant to the



needs. The level of achievement is 45%. On indicator on ICT trainings (OI 4) the level of achievement is 110%.

On indicator OI 5 ‘Access to and usage of new technology’ some of the beneficiaries reported on the number of people who gained access to new technologies, as required by the MA guidelines on indicator, but the majority reported on number of projects. It was not possible to collect data on number of people for all projects and therefore, all data is given on number of projects. Taken into account the low value of the target, it seems that in the Programme, the unit of measurement is also number of projects. The level of achievement of target is 60%.

Two indicators are focused at the measure objective for increasing co-operation, networking and clustering in the border region and both are overachieved by the end of 2012. The verification of data on indicator O I6 ‘SMEs involved/addressed in CBC projects’ revealed that two projects report on future users of developed information services, rather than on actual users by the end of the project. Therefore, the verified value on indicator is 5.6 times lower than the recorded in the monitoring system, but still very high (1,061 companies). It should be noted that double counting on that indicator was not possible to eliminate. Some beneficiaries report on number of participants in events, instead of number of companies benefiting the project activities. This distorts information, if a given company participated in more than one event.

The value of the Programme target is quite low (only 7) and seems to relate to number of projects that aim to ‘involve’ SMEs. If number of projects is taken as unit of measurement, the target is overachieved by the end of 2012.

The Programme target is to create 50 new jobs (OI 8), which is overambitious taking into account the eligible actions under this area of intervention. The experience from previous projects shows that business development and networking actions can contribute to jobs creation in the long run but rarely have an immediate effect on the creation of new jobs. The monitoring data reports 62 expected new jobs under 3 contracted projects, while evaluators estimate is on 12 jobs under 2 projects⁹. The achievement rate is expected to be 3 new jobs or 6% of the target.

The *results indicators* are weak. The indicator RI 1 Joint information services established, is an output indicator. Most of the projects have a provision for creation of some informational services and therefore, the achievement exceeds 4 times the target. The second indicator combines incompatible variables (e.g. people with goods and services). The Programme target is expressed in percentage to baseline. The MA collected data on number of projects, contributing to increased movement of people and goods data shows that 8 projects clearly contribute to the target.

The sphere of intervention 1.2 “*Social cohesion*” has 10 output and 2 result indicators, the progress towards targets of which is given on Table 16.

⁹ One of the supported projects targeted creation of 50 jobs created, which was not realistic taking into account the project activities (studying of the regional potential, training of service providers, etc.).



Table 16 Target and achievement of output indicators of First call projects under Sphere of intervention 1.2 ‘Social cohesion’

Indicators		Program me target 2016	Monitoring system (expected)	Data verified by the evaluators				
				All contracts			Completed contracts	
				Projects Targets	Expected achievement	% of Programme target	Achievement end of 2012	% of Programme target
OI 9	Joint cooperation projects on development of skills and knowledge (number of projects)	10	3	6	6	60%	5	50%
OI 10	Training places created (number of projects)	3	3	2	2	67%	2	67%
OI 11	Management and job-related training courses	5	18	21	21	420%	19	380%
OI 12	People participating in training (number)	350	563	695	724	207%	652	186%
	of which distance learning		0	55	100		100	
OI 13	People with enhanced skills	200	302	337	337	169%	265	133%
OI 14	Business to education linkages (number of co-operation agreements)	10	13	1	1	10%	1	10%
OI 15	People from vulnerable groups trained	20	40	30	10	50%	10	50%
OI 16	Scientific exchange and transfer of know-how	10	3	1	1	10%	1	10%
OI 17	Networking structures created/developed	3	17	6	6	200%	5	167%
OI 18	Joint plans for cooperation in sphere of human resources management	3	3	2	2	67%	2	67%
additional	New/improved facilities for education or social services (number)			8	8		2	
RI 3	New social economic enterprises created	2	3	2	2	100%	2	100%
RI 4	Improved environment for development of relationships across the border ¹	3%	7	7	7		5	

Note: 1) Programme target in given in percent to baseline; the project targets and achievement measured in number of projects.

In this sphere of intervention several indicators measure co-operation for human resource development, partly overlapping (OI 9, OI 17 and OI 18). The review of projects revealed that the number of co-operation projects for development of skills and knowledge (OI 9) is higher than reported by the monitoring system. As a result of the implementation of the First call projects, 60% of the target for the programming period is expected to be achieved. Similar is situation on indicator OI 18. The target on indicator OI 17 is significantly overachieved (200%). Overall, the targets on the last two indicators seem underestimated.

The indicators on trainings and people trained (OI 10, OI 11, OI 12, OI 13 and OI15) are over exceeded, with the exception of indicator on training of vulnerable groups (OI 15), which is achieved at 50%.



The lowest is the level of achievement of targets on indicators related to scientific exchange and transfer of know-how (OI 16) and establishment of links between business and education (OI 14), e.g. 10% each.

Despite the big number of indicators under this sphere of intervention, there are no indicators for outputs related to the objectives for development of services for vulnerable groups. The evaluators propose adding an indicator on new or improved facilities for education or social services. Under the First call for proposals, 8 buildings related to education or social services are expected to be established or improved.

There are *two indicators for result*. One of the indicators is for new social economic enterprises created (RI 3), and the target for the programming period is achieved by the contracted under the First call projects. It has to be noted, that in line with the MA definitions, under this indicator are reported all newly developed social services. The second indicator is quite vague and not measurable “Improved environment for development of relationships across the border” (RI 3), with a target of 3% increase. MA collects data on number of projects that contribute to this indicator objective and as it could be expected, all supported projects contribute to it.

There are 3 output and 1 result indicator for the sphere of intervention 1.3 ‘*Project Preparation*’. Only one project was supported and all reported values relate to this project. The achievement rate presented in the Table 17 below, shows that the targets for the programming period were achieved. This clearly indicates that it was seriously underestimated, unless indicator was intended to be measured by number of projects.

Table 17 Target and achievement of output indicators of First call projects under Sphere of intervention 1.3 ‘Project Preparation’

Indicators	Program me target 2016	Monitoring system (expected)	Data verified by the evaluators				
			All contracts			Completed contracts	
			Project Target	Expected achievement	% of Programme target	Achievement end of 2012	% of Programme target
OI 19 Feasibility studies	5	5	5	5	100%	5	100%
OI 20 Preliminary and detailed design works	7	8	8	8	114%	8	114%
OI 21 Project environmental assessments	2	2	2	2	100%	2	100%
R 5 Projects actually applied	3%						



IV.1.3.2 Effectiveness of actions under Axis 2

EQ6. What are the results achieved by Axis 2?

Conclusions:

The supported under Axis 2 fifteen First call projects have sufficiently high relevance to axis and priority areas objectives. The majority of the interventions have a clear link between activities and results. They address mainly the investment needs of the target region.

Most of the projects have not had serious implementation problems, threatening project results. Changes referring to extension of project duration and modification in the timetable of activities were not problematic on project level, but on Programme level lead to later absorption of funds. Projects delivered or are expected to deliver all planned outputs.

The supported under the First call projects, targeting *improved protection and environmental management* were only two due to the small number of submitted good quality projects. The achievement of Programme output targets related to this objective is small. MA and JMC adequately and timely reacted and in the Second call gave a strong priority to this objective

The Axis 2 objective for *eco, rural and cultural tourism development* was addressed by seven projects. These were mainly investment projects, which contributed to improvement of tourism attractiveness of the region by reconstruction of museums, construction of centres for interpretation of cultural heritage, improvement of surrounding of the cultural sites and their accessibility. Projects contributed as well to the development of six tourism services in nineteen tourist destinations and twenty six joint cultural and popularising events. By the end of 2012, all projects, but one, were completed. All Programme output indicators related to tourism development are overachieved by First call projects.

The Axis 2 objective for *cultural cooperation strengthening* was targeted by six projects, five of which investment projects, referring to cultural infrastructure improvements. Apart from the investment components, under the supported projects were conducted twenty four joint cultural events and ten events, popularising cultural heritage and traditions (concerts, planners, festivals, music and theatre performances, exhibition, etc.). By the end of 2012, three out of the six projects were completed. All projects are expected to deliver planned outputs. The projects have clear contribution to improving the access of people in the border region to cultural services. According to the verified by the evaluators' all outputs indicators related to this objective have not only achieved, but over achieved their targeted values for the Programming period.



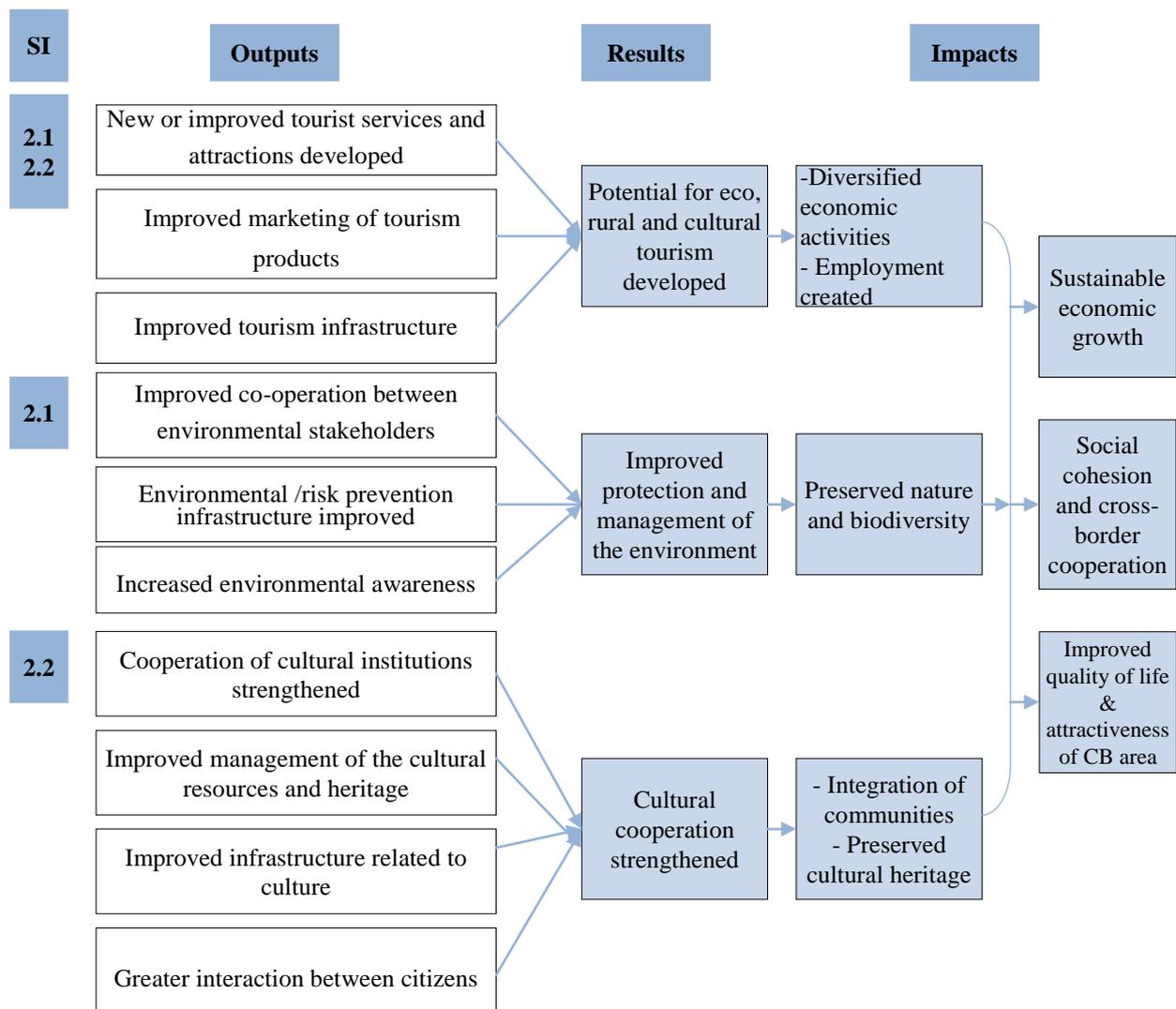
Intervention Logic of Axis 2

The objective of the Priority axis 2 ‘*Improvement the quality of life*’ is to enable a simultaneous protection and utilisation of natural resources and cultural landscape values through:

- Development of tourism based on natural and cultural resources;
- Protection of biodiversity;
- Cultural cooperation across the border.

The intervention logic of Priority axis 2 is given on Figure 23 below.

Figure 23 Intervention Logic of Priority Axis 2





There are *two spheres of intervention* within Priority axis 2:

The sphere of intervention 2.1 ‘*Utilisation of eco resources*’ has as an objective to contribute to the preservation of natural resources biodiversity by applying environmental friendly approaches in all fields and increasing awareness to secure the sustainable use of resources and developing of sustainable tourism. The Programme provides for 11 types of actions, which for the needs of the analysis are combined in the following groups:

- Improved environmental management;
- Natural risk prevention and climate change mitigation;
- Development of tourism based on natural resources.

The sphere of intervention 2.2 ‘*Utilisation of cultural resources*’ aims at fostering the cross-border cooperation in the field of culture and development of cultural tourism potential. There are 9 indicative types of actions included in the Programme, which are grouped as follows:

- Cultural co-operation in the border region;
- Preservation of cultural heritage;
- Development of tourism based on cultural resources.

Supported projects under Axis 2

By the end of 2012 under Priority axis 2 were signed 26 contracts, of which 15 under the First call and 11 under the Second call. The distribution of the contracts by sphere of intervention is given on Table 18. By the end of 2012, most of the First call projects were completed (11 projects or 73%).

Table 18 Contracted projects under Priority axis 2 by sphere of intervention and call for proposals (by 31.12.2012)

Sphere of intervention	Projects		Total value of the projects	
	Number	%	EUR	%
First call				
2.1. Utilisation of eco-resources	3	20%	624,140	18%
2.2. Utilisation of cultural resources	12	80%	2,825,392	82%
Sub-total First call	15	100%	3,449,532	100%
Second call				
2.1. Utilisation of eco-resources	9	82%	2,765 180	93%
2.2. Utilisation of cultural resources	2	18%	195,026	7%
Sub-total Second call	11	100%	2 960 206	100%
Total				
2.1. Utilisation of eco-resources	12	46%	3,389,321	53%
2.2. Utilisation of cultural resources	14	54%	3,020,418	47%
Total	26	100%	6,409,739	100%

In total, 12 projects were supported by the end of 2012 under the sphere of intervention 2.1 ‘*Utilisation of eco-resources*’. Under the First call for proposals, only 3 projects were contracted under that sphere of intervention. To ensure that the objectives of the measure are adequately addressed, the JMC took a decision under the Second call for proposals at least 80% of the Priority axis budget to be allocated to this sphere of intervention. As a result,



under the Second call for proposals, 9 projects were supported, accounting for 93% of the Axis budget.

In total, by the end of 2012 were signed 14 contracts under the sphere of intervention 2.2 'Utilisation of cultural resources', of which 12 under the First call and 2 under the Second call for proposals. Thus, by the end of 2012, 47% of the contracted Axis 2 budget was allocated to that measure.

Under the First call for proposals, the number of the investment projects is 11 or 73% of all contracts signed, amounting to 90% of the total value of the projects. Under the Second call for proposals, the number of supported investment projects is reduced to 5 and their share in the contracted budget to 80% (Table 19).

Table 19 Axis 2 contracts by type of projects and call for proposals (by 31.12.2012)

Type of action	Projects		Total value of the projects	
	Number	%	EUR	%
First call				
Investment	11	73%	3,118,661	90%
Soft	4	27%	330,871	10%
Sub-total First call	15	100%	3,449,532	100%
Second call				
Investment	5	45%	2,378,442	80%
Soft	6	55%	581,764	20%
Sub-total Second call	11	100%	2,960,206	100%
Total				
Investment	16	62%	5,497,103	86%
Soft	10	38%	912,635	14%
Total	26	100%	6,409,739	100%

Quality and relevance of the supported Axis 2 projects under the First call

Only two of the projects supported under the First call target Axis 2 objective for *improved protection and management of environment*. To redress this situation under the Second call for proposals MA/JMC took a decision to reserve 80% of the Axis 2 budget to Sphere of intervention 2.1, and in the Third call further targeted actions to this objective.

Seven of the supported projects under the First call aimed at *development of the potential for eco, rural and cultural tourism*, of which only one for eco-tourism development under M.2.1 Utilisation of eco-resources and six under M.2.2 Utilisation of cultural resources. In principle, the division of tourist development projects into two groups, e.g. eco and cultural is a weakness of the Programme since alternative tourism in most cases is integrated, including services and attractions based on local resources (nature and culture). For the next programming period, it would be recommendable such division to be avoided.

The projects are designed at local (municipal) level with little focus on integration or development of regional products. This situation is explained by lack of a strategy for tourism development in the region.

Six of the supported projects contribute to *cultural cooperation strengthening* through investments in renovation and construction of cultural infrastructure (just one 'soft' project). Some of these investment projects complement tourist development too, by increasing the tourist attractiveness of the targeted municipalities.



The six projects visited on-the spot are in line with the Programme specific objectives and the eligibility rules for the First call for proposals, and meet the needs of their target group. Activities are clear and comprehensive, leading to the planned results

Most of the projects under Axis 2 sphere of intervention are investment projects, which are generated through several models.

One of the models is based on established cooperation between the partners. In this model, after the launch of the call for proposal, partners organise meetings to discuss possible project ideas and afterwards meet regularly to develop the project.

Another model is one of the partners to generate a project idea based on the local needs, and to search for project partners with similar need. For example, one of the partners on the basis of local priorities decides to renovate cultural centre, and looks for a partner who also have similar need. That makes the projects highly relevant to the needs of each partnering region, but in some cases the cross-border impact is impaired. Under this model external consultants are usually employed to prepare a fundable project proposal.

The third model is based on project ideas generated by consultants on analysis of the potential of the region. In this case, the consultants support building of partnerships. One of the projects with best potential for cross-border impact was generated using this model, but as could be expected the partnership was not mature.

Projects generated are with similar partners, visible in the investment projects, municipality partner with municipality (ten projects). Due to this type of partnerships, in some cases the organisations lack expertise; such are projects for tourist services developed by municipalities. That problem is especially valid for the investment projects, which the GfA oblige to be accompanied with ‘soft’ measures, for which the municipalities lack expertise since it is not per se within their domain of activities and is to be outsourced when the project is finished.

Overall, Axis 2 projects have sufficiently high relevance to axis and priority areas objectives. The majority of the interventions have a clear link between activities and results. They properly address the needs of the target groups and the cross-border area for investments primarily.

Efficiency of Axis 2 First call projects

The review of project reports and the interviews with beneficiaries have shown that the majority of the projects have not had serious implementation problems, threatening project results. According the beneficiaries surveyed, 40% of the projects were strictly implemented as planned and the remaining ones have had some small delays that have no influence on project achievements. The management data shows that delays in implementation, requiring extension of the contracts had 5 projects out of 15 contracted (33%). The main problems that delayed activities referred to lack of funds to pre-finance all investments due to financial constraints and in some cases to delayed interim payments. Thus, some of the project partners did not have the sufficient financial resources to cover the implementation costs on time.

The JTS monitoring reports show that there were also problems with frequent replacements of project staff. Other problems were connected with the elaboration of the tender documentations for subcontracting. The English language was also a problem for some of the beneficiaries.



Management data shows that there were forty minor modifications of the contracts, mainly for replacement of experts and small changes in the time schedule of activities (42% and 40% respectively).

Changes referring to extension of project duration and modification in the timetable of activities were not problematic on project level, but on Programme level lead to later absorption of funds.

According to the beneficiaries interviewed, the good cooperation between project partners was very important for the efficient implementation of project activities and the achievement of outputs and results. In the on-line survey three-quarters of the beneficiaries stated that they had no partnership problems during the implementation of the project. The remaining had some small problems mainly related to the delays of project activities by the partner.

Overall, the review of the supported Axis 2 First call projects revealed that the chosen strategy was cost efficient.

Outputs and results of Axis 2 First call projects

Two of projects supported under 2.1 ‘Utilisation of eco resources’ target *improved protection and management of environment*. They have quite different objectives. One is focused on risk prevention (an investment project) and the second on sustainable use of local herbs (soft project).

The risk prevention project, apart from its investment component (complete reconstruction of the fire house facility in Rankovche), established partnership between fire brigades and authorities responsible for fire protection, and contributed significantly to prevention of natural disasters and nature protection (forests especially).

The other project contribute to effective common use of existing natural resources in the region with a strong capacity building effect, in terms of common knowledge, skills and methods in herbs collection and processing to prevent unnecessary destroying of herbs and the surrounding flora in the area; network of stakeholders in the area created too.

The findings of the on-the-spot visit and the progress reports of beneficiaries revealed that projects delivered all planned outputs and have clear contribution to Axis 2 objective for the improved protection and management of environment.

The projects targeting the objective for *promotion of eco, rural and cultural tourism development* are seven. Only one project (under M2.1) targeted preserving and increasing the potential for *eco tourism* of valuable natural heritage spots and development of eco-itineraries and tourist services. The project applied good practices of environmental management of territories through supply of equipment for nature protection.

The *cultural tourism development* projects supported under the sphere of intervention 2.2 ‘Utilisation of cultural resources’ were six, included investments and soft measures for increasing the tourism attractiveness of the border region or/and development of tourism services based on cultural heritage. Infrastructure interventions prevail (four of the six projects are investment projects).

The investments related outputs of this group of projects include reconstruction of museums, construction of centres for interpretation of cultural heritage, improvement of surrounding of the cultural sites and their accessibility.



The projects contributed to the development of six tourism services in nineteen tourist destinations. For popularisation of cultural tourism, under the supported projects were conducted thirteen joint cultural events and thirteen events, popularising cultural heritage and traditions (concerts, planners, festivals, music and theatre performances, exhibition, etc.). In addition, promotional campaigns were conducted and a great number of materials (brochures/leaflets, postcards, CDs, etc.) were published (see Annex 7: Projects evaluation sheets). Summary of achievements of the tourist development projects, supported under the First call is given in Box 5 below.

Box 5 Tourism development projects' achievements

- ⇒ Five World War 1 historic sites rehabilitated and museum created, thus supporting preservation and interpretation of common history and development of the history trail tourism product.
- ⇒ Cultural heritage trail based on common religious heritage developed and promoted by creation of website, publication of tourist guide to religious sites in the border region and their wealth of art and organisation of exhibitions and seminars.
- ⇒ Promotion of the region as attractive tourist destination through establishment of an active art centre for annual conducting of planers, exhibitions and training of young talents.
- ⇒ Increased tourist attractiveness of the region by preservation of cultural heritage through mainly investment activities for the creation of house of cultural and historical heritage, and ethno house and organisation of joint exhibitions.
- ⇒ Construction of a local road to a tourist attraction, aiming at promoting sacral heritage supported by the elaboration of a common database (uploaded on e-platform -GIS) for easing-up the access of tourists to information.
- ⇒ Recreational area reconstructed and joint programme for tourism development elaborated and specialised training for starting-up tourism business of 30 people conducted; a tourist association created. .

By the end of 2012, all but one projects aiming at tourism development were completed and all planned outputs were delivered. All projects will have some contribution to tourism development in the border region. However, the projects make small improvements in different locations and their overall effect on the tourism sector is impaired by the lack of common strategy for the development of tourism in the border region.

Two projects with a very good design, aiming at development of regional tourism products, based on heritage trails were implemented. The issue in these projects is that heritage trail products need longer time to develop and experience shows that one year is insufficient. In this respect, the decision of the JMC to increase in the Second call maximum duration of 'soft' projects from 12 to 18 months was highly relevant.

Six projects under sphere of intervention 2.2 'Utilisation of cultural resources' supported *cultural cooperation strengthening*, of which five were investment projects and one soft, contributing to community integration, based on common cultural values.

Having in mind that the great majority of the projects are investment type, the outputs of the projects under implementation refer mainly to cultural infrastructure improvements, amounting to sixteen renovated/improved cultural places, centres, museums (eight in each partner country) and thirty five improved surroundings, including roads to cultural spots. Under the completed projects by the end of 2012, the number of the renovated and improved cultural places (museums, centres, etc.) was eight and the number of the improved surroundings of cultural spot was thirty three, of which twenty four small improvements.



However, it should be noted that projects, which refer to improvements of cultural infrastructure (cultural cooperation strengthening) contribute as well to increased tourist attractiveness (tourism development).

Box 6 Cultural cooperation projects' achievements

- ⇒ Two houses of culture renovated and revitalised, thus improving the access to cultural activities (concerts, festivals and exhibitions) and helping community integration.
- ⇒ Construction of cultural centre and open air stage, thus creating space for different cultural activities and improved access to cultural services of local population; development of joint traditional festivals, exhibitions and cultural events.
- ⇒ Cultural infrastructure improvement through establishment of open space for innovative cultural happenings and centre for cultural/historical heritage. Soft activities include organisation of joint exhibition and students' workshop for revival of handicrafts, used as tools for initiation of future exchange of cultural happenings and stimulation of cultural tourism in the region.
- ⇒ Increased attractiveness of two cultural sites through small scale infrastructure investments for improving the access to them, including construction of bicycle-alleys, place for recreation, trail marks and lightning, supported by a soft element for development of joint plan for the management of the cultural sites.
- ⇒ Promotion of common cultural values by bringing together young people from the border region to collaborate on the production of a puppet theatre performance based on the shared fairy tale hero.
- ⇒ Reconstruction and refurbishment of two cultural/community centres for bringing together people at cultural events. Development of a model for introduction of economically sustainable cultural products and services, offered by artisans and craftsmen, thus fostering local entrepreneurship.

Apart from the investment component, under the supported projects were conducted twenty four joint cultural events and ten events, popularising cultural heritage and traditions (concerts, planners, festivals, music and theatre performances, exhibition, etc.). For the popularisation of cultural heritage and traditions, promotional campaigns were conducted and a great number of materials (brochures/leaflets, postcards, CDs, etc.) were published (see Annex 7: Projects evaluation sheets). Summary of achievements of the cultural cooperation projects, supported under the First call is given in Box 6.

By the end of 2012, three out of the six projects aiming at cultural cooperation strengthening were completed. All projects are expected to deliver planned outputs. The projects have clear contribution to improving the access of people in the border region to cultural services. They also contribute to the integration of people in the border region, as they created opportunities for contacts between communities, learning and of common heritage.

Progress in the achievement of Axis 2 targets

The area of intervention 2.1 'Utilisation of eco resources' has 7 output and 2 result indicators. The definition of indicators and units of measurement are clear and the review of the contracts revealed that beneficiaries correctly set the targets and report on achievement on common indicators. The output and result indicators achievement of the targets by the First call projects under this sphere of intervention is given on Table 20 below.



Table 20 Target and achievement of output and result indicators of First call projects under the Sphere of intervention 2.1 ‘Utilisation of eco resources’

Indicators	Programme target 2016	Monitoring system (expected)	Data verified by the evaluators				
			All contracts			Completed contracts	
			Project Targets	Expected achievement	% of Programme target	Achievement end of 2012	% of Programme target
OI 22 Number of joint environmental friendly projects	20	3	3	3	15%	2	10%
OI 23 Joint eco-itineraries created/developed	10	2	2	2	20%	2	20%
OI 24 Joint tourist services created/developed	10	1	1	1	10%	0	0%
OI 25 Partnerships for cases of natural disasters established	2	1	1	1	50%	1	50%
OI 26 Joint environmental management plans	2	2	2	2	100%	2	100%
OI 27 Permanent networks for environmental protection and reasonable utilisation of resources	5	2	2	2	40%	2	40%
OI 28 Environmental awareness campaigns	15	2	2	2	13%	1	7%
RI 6 Decreased pollution in the region ¹	2%	1	1	1	-	0	-
RI 7 Awareness-raising on environmental protection ¹	2.5%	3	3	3	-	2	-

Note: 1) Programme target in given in percent to baseline; the project targets and achievement are measured in number of projects.

Two of the seven indicators measure *outputs*, related to objective for development of eco-tourism (OI 23 and OI 24). The remaining ones measure outputs related to results on improved protection and management of the environment, three of which (OI 25, OI 26, OI 27) are for the output for improved cooperation between environmental stakeholders. However, there are no indicators for the improvement of the environmental/risk protection infrastructure and for the improved tourist infrastructure outputs which are within the intervention logic of Axis 2.

The expected achievement of the OI 22 ‘Number of joint environmental friendly projects’ by the First call projects is far from reaching the target (15%) due to the fact that the contracted projects in that area of intervention were only 3 in number. As commented above, under the Second call for proposals, the JMC gave a priority to that area of intervention and the number of the contracted projects increased to 12 by the end of 2012. The monitoring data reveals that if projects under the Second call are added, the achievement rate increases to 50%.

The achievement rate on indicators OI 23 ‘Joint eco-itineraries created/developed’ and OI 24 ‘Joint tourist services created/developed’ is also low, but adding data on projects approved under the Second call the target is overachieved. By a decision of JMC the projects on eco-tourism projects are not supported under the Third call.

The Programme targets for the next three output indicators, referring to number of partnerships, joint plans, permanent networks and awareness campaigns (OI 25, OI 26, OI 27 and OI 28) seem to be underestimated since they are (almost) achieved by the First call projects, and together with the Second call projects, they would be over fulfilled. However,



that conclusion is based only on the Monitoring system data and has not been verified by the evaluators.

There are two *result indicators* for this area of intervention. Both indicators does not relate to results but to other levels of effects in the Axis 2 intervention logic. The indicator RI7 ‘Decreased pollution in the region’ relate to long-term impacts and is not specific enough to be measured. The indicators RI 7 ‘Awareness–raising on environmental protection’ relate to outputs. It can be measured by a survey, but since such was not implemented in the beginning of the Programme, the achievement of the target can not be measured. It should be mentioned, that RI 7 partly overlaps with OI 28 ‘Environmental awareness campaigns’.

Due to the small number of contracted projects under the First call, small progress is made to the output targets of the 2.1 sphere of intervention. In the Second call, sufficient number of projects was contracted and good progress to targets was made, as a result of the strong priority given to that intervention. Both result indicators are not relevant to the results of the intervention.

The area of intervention 2.2 ‘*Utilisation of cultural resources*’ has also 7 output and 2 result indicators. Three indicators measure outputs related to the cultural tourism development (OI 29, OI 30 and OI 31) and four - to strengthening of cultural cooperation. Here again, as in area of intervention 2.1, the indicators do not cover some key outputs of the intervention logic (e.g. improved infrastructure, greater interaction between citizens (see Figure 23).

The achievement of the targets on output and result indicators by the First call projects under this sphere of intervention is given in Table 21. For all indicators, there are differences between the data in the monitoring system and data verified by the evaluators.



Table 21 Target and achievement of output indicators of First call projects under the Sphere of intervention 2.2 ‘Utilisation of cultural resources’

Indicators	Programme target 2016	Monitoring system (expected)	Data verified by the evaluators					
			All contracts			Completed contracts		
			Project Target	Expected achievement	% of Programme target	Achievement end of 2012	% of Programme target	
OI 29 Number of projects concerning common cultural heritage	20	9	10	10	50%	7	35%	
OI 30 Tourist destinations created/developed (number)	10	43	19	19	190%	19	190%	
OI 31 Tourist services created/developed (number)	10	24	6	6	60%	6	60%	
OI 32 Surrounding area of cultural spots improved (number)	7	42	35	35	500%	33	471%	
of which small improvements	-	-	24	24	-	24	-	
Additonal Number of new/renovated/equipped facilities related to culture (centres of culture, museums, etc.)	-	-	16	16	-	8	-	
OI 33 Joint cultural events carried out (number)	15	47	37	37	247%	24	160%	
OI 34 Events popularising intangible cultural heritage and traditions (number)	15	37	23	23	153%	16	107%	
OI 35 Awareness campaigns (number)	15	36	13	13	87%	11	73%	
RI 8 Increased attractiveness of the region based on preservation of natural resources and cultural heritage ¹	2%	11	12	12	-	9	-	
RI 9 Increased common cultural capital ¹	2%	10	11	11	-	8	-	

Note: 1) Programme target in given in percent to baseline; the project targets and achievement measured in number of projects.

The *output indicator* on number of projects concerning common cultural heritage (OI 29) is achieved at 50%, when taking into account only the actions supported under the First call. Together with the Second call project the achievement raises to 65%.

There is a significant difference between the data in the monitoring system and the verified by the evaluators data on indicators OI 30 ‘Tourist destinations created/developed’ and OI 31 ‘Tourist services created/developed’ due to the four projects that wrongly set indicators. Thus, for example one of the projects was not related to tourism but reported development of 12 tourist destinations and 7 tourist services. The target on OI 30 is significantly overachieved (190%). The achievement of target on OI 31 by First call projects is 60%.

The target on indicator OI 32 ‘Surrounding area of cultural spots improved’ is also overachieved by the First call projects. Partly the reason is that one of the projects targeted small improvements around a great number of cultural spots (24). The difference between monitoring data and the evaluators’ data on this indicator relate to the fact that some of the projects reported renovation/construction of buildings and facilities as improvement of the surroundings of the cultural spots. Having in mind that the great majority of the projects supported under 2.2 of the First call for proposals are investment projects, the results achieved



by the implemented projects are not reported properly as such, which underestimates the achievements of the Programme. Thus, an additional indicator is added on ‘New/improved culture related facilities (cultural centres, museums, etc.). It is proposed, the indicator to be added to the list of Programme indicators for monitoring purposes.

The targets of the last three output indicators (OI 33, OI 34 and OI 35) for joint cultural events; events popularising cultural heritage and traditions and awareness campaigns are most probably set for number of projects rather than for number of events and campaigns or underestimated. In addition, OI 35 is not precisely defined since term ‘Awareness campaigns’ is quite general, while it should refer specifically to the objectives of that concrete sphere of intervention. What is more, beneficiaries report as awareness campaigns all single promotional events carried out, thus significantly increasing the numbers.

In addition, it would be more appropriate the targets for OI 33, OI 34 and OI 35 to be given in number of people participating/reached rather than in number of events/campaigns, since the targeted result is increased interaction between people.

For the Sphere of intervention 2.2, there are two result indicators, which are defined as objectives. Both indicators relate to results for cultural co-operation and there is no result indicator for tourism related interventions. The targets are set in percentage to baseline, but since variable is not clear the achievement of target can not be reported. The monitoring system collects data on number of projects that have effect on ‘increased attractiveness of the region based on preservation of natural resources and cultural heritage’ and ‘increased common cultural capital’. The data shows that the majority of supported projects contribute to both.

According to the verified by the evaluators’ data, four of the M2.2 sphere of intervention outputs indicators have not only achieved, but over achieved their values just by the First call projects, while the other three would be most probably achieved. Both result indicators are not measurable, but all supported projects have contribution to them.

Overall, the supported under Axis 2 First call projects have a good concentration for the achievement of two of the three axis specific results, e.g. development of potential for rural and cultural tourism. For the area of intervention on utilisation of eco resources, small progress is made to the targets set due to the small number of contracted projects, which was corrected by the Second call with the strong priority given to that intervention.



IV.1.3.3 Expected impact and sustainability

EQ7. Are the horizontal objectives respected?

Conclusions:

The *environmental horizontal priority* is integrated in Axis 1 projects through actions for raising awareness on environmental issues and training on EU environmental policies, and in Axis 2 in sustainable tourism development actions. The environmental horizontal priority is addressed directly by Axis 2.1 measure for utilisation of eco resources.

None of the Axis 1 projects has additional merits for integration of *cultural* issues, but projects contribute through facilitating contacts between people in the region. The common cultural values and heritage is supported widely by the Axis 2 projects, where it is a thematic priority, directly addressed by M2.2 for utilisation of cultural resources.

The projects comply with the *gender equality and non-discrimination principles*, but do not collect gender disaggregated data on output indicators. Under the First call, projects directly targeting gender equality are not supported.

The MA procedures for ensuring compliance and integration of the horizontal priorities are in line with the best practices. In the selection, priority is given to projects contributing to horizontal objectives and in implementation, compliance and integration is reported by beneficiaries and verified by the controllers and JTS.

Compliance and integration of horizontal themes

The Programme has three horizontal priorities ‘environmental issues, cultural issues and gender equality and non-discrimination’. Two of the horizontal priorities are also specific objectives of Axis 2 spheres of intervention and their achievement and contribution to the Programme horizontal priorities has been already discussed. The focus in this section is on the level of integration of the horizontal objectives in the projects supported under other measures and compliance with the principles of gender equality and non-discrimination.

The Programme Manual has a separate Chapter on horizontal themes, which provides for a clear and relevant procedure. All applicants are requested to prove the project compliance and contribution to the horizontal themes in the Application form. During the technical assessment of applications, the compliance is verified. Projects integrating environmental or gender equality issues are given priority (5% of the total score). During the projects implementation, lead partners have to include information in the progress/final reports about compliance with the horizontal issues. Instructions on reporting on horizontal issues are provided in the Project Implementation Manual. JTS and controllers validate the data provided by the lead partners on horizontal themes.

The Programme environmental horizontal priority requires integration of preservation of the environment. Projects under Axis 1 integrate this priority through actions for awareness raising on environmental issues and training on EU environmental policies. One of the visited projects for cooperation between universities, included as topics seminars on environmentally responsible practices of the business and environmental corporate responsibility. Another



project supported under 1.2 included training of young people on EU environmental policy and the principles of sustainable development.

Under Axis 2 there is a thematic priority related to sustainable tourism development and the majority of the supported tourism projects included activities that contribute to the awareness rising on environmentally friendly business practices, as well as on environmental consciousness.

All investment projects are required to prove compliance with national environmental legislation and to conduct environmental impacts assessment, if required by legislation.

The integration of *culture* is not specifically targeted by any of the Axis 1 First call projects. The projects supported indirectly creation of common cultural values and the preservation of cultural heritage by facilitating contracts between people. As commented under the effectiveness section, large number of events were organised in all projects, which also contribute to increasing understanding of similarities between cultures and appreciation of common cultural heritage.

All projects were required to comply with principles of equality and non-discrimination and the compliance was strictly checked. None of the supported projects targeted specifically gender equality. The contribution of the supported projects to gender equality is not possible to measure since project do not collect gender disaggregated data. Overall, the interviews conducted with beneficiaries, confirmed that women are actively involved in all project activities and participation is on equal terms





EQ9. What is the added value and benefit of cooperation and how the Programme complemented and enhanced the effect of other related policies or strategies? What are the main benefits of the Programme for the non-member state in terms of accession to the European Union?

Conclusions:

Cooperation was very important for the achievement of project results for community integration and development/introduction of common rules, new working methods, skills, practices, procedures and structures. The benefit of cooperation was not always strong in infrastructure type of projects, especially in projects for improving cultural infrastructure.

First call projects contributed to the development and strengthening of cooperation in the form of networking structures, forums and joint plans. The main benefits that add value to cooperation are capacity building, awareness raising, confidence/trust building, better image of the region and commitment to new actions.

Projects support EU integration of the former Yugoslav Republic of Macedonia through cross-border cooperation, primarily by increasing the knowledge and experience in EU funds management, and to a lesser degree by better understanding of the EU approaches and introduction of policy instruments.

Projects complement other national, regional and local strategies/programmes, as well as sector relevant strategies and plans for development.

Added value of cooperation

Partnership is the key characteristic of the cross-border cooperation programmes and the most important factor distinguishing these programmes from national/regional programmes. The findings of the evaluation show that in all projects, the cooperation was important for the delivery of project results, though the value added of cooperation and the intensity of cooperation varied by project objectives and type of results.

The cooperation is a very important factor in case of results, related to the development and introduction of new working methods, skills, practices, procedures and structures. These results prevailed under Axis 1.

The benefit of cooperation is not always strong in infrastructure type of projects, especially projects aiming at improving of cultural infrastructure. Cooperation is strong in results, related to community integration.

As established in previous evaluations, whether a partnership works on a joint challenge or a common challenge makes a difference to the intensity of cooperation and the expected benefits. Joint versus common challenges division is used in the INTERACT study on thematic aspects of cross-border cooperation¹⁰. The supported under the First call projects are more of the type working on common challenges rather than working on joint challenges. However, there are good examples of joint challenges projects in the area of intervention on utilisation of eco resources and SME development. Such projects have higher added value to

¹⁰ *Joint challenge*, e.g. all partners together approach fresh water pollution in a single water basin of relevance to them all or *common challenge*, e.g. each partner approaches fresh water pollution in a separate water body. INTERACT study on thematic aspects of cross-border cooperation in Central and South-Eastern Europe: Understanding the added value, 07/2010.



cooperation, but it should be noted that their development is more difficult and requires the support and coordination of different regional stakeholders. There are no structures in the Programme, supporting the formulation and discussion of such projects, like thematic working groups. In addition, there is lack of baseline information and in-depth surveys on the challenges in the cross-border region, which to be used by applicants for the development of joint projects.

Supported projects resulted in the development and strengthening of cooperation in the form of networking structures, forums and joint plans. One third of the First call projects created networking/cooperation structures, but no one upgrades or extends existing such, which shows that beneficiaries have not succeeded to maintain structured relationships. The majority of structures are not formalised (with the exceptions of several memorandums of cooperation). Under the First call projects, 17 partnership forums were organised and 7 joint plans for cooperation were developed too.

Intangible added values are per se more difficult to characterise than other measures, such as infrastructure investments. Thus, for the purposes of the analysis of the value added of cooperation, a question was included in the online survey of beneficiaries, where they were asked to identify the main benefits of their projects to the cross-border cooperation from a list of eleven possible benefits.

The analysis of the survey data showed that *capacity building* was ranked first among the types of benefits, identified by more than half of the respondents (56%). Capacity building is much more typical for Axis 1 projects (human resources development and support to SMEs) than for the Axis 2 projects (natural/cultural heritage utilisation) of the Programme.

Awareness raising was ranked as the second largest single benefit by project partners surveyed (50%). It is particularly strong in the field of utilisation eco resources since projects working on risk management or protection of natural resources put particular emphasis on awareness raising. However, projects in the field of SMEs and entrepreneurship also rank awareness raising high as a benefit of cooperation.

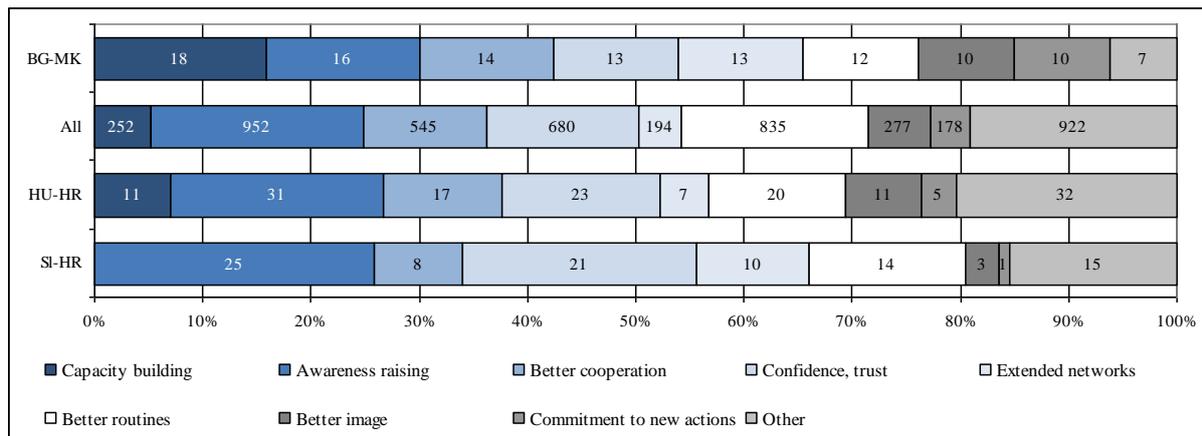
Two cooperation-oriented benefits were ranked third-fourth, i.e. *better cooperation* and *extended networks* (44% and 41% respectively), followed by *confidence, trust building* and *better routines* with almost equal shares.

Next come *better image of the region* and *commitment to new actions* (31% each), the latter being emphasised by projects implemented in the fields of knowledge and technology transfer, and also research and development.

Figure 24 below shows the comparison between the First call projects of Bulgaria- former Yugoslav Republic of Macedonia IPA CBC Programme with a total of 12 cross-border cooperation programmes (IPA and ETC programmes) in Central and South-Eastern Europe and with two particular ones of the same type, i.e. IPA CBC Programmes Hungary-Croatia and Slovenia-Croatia (INTERACT study) in the ranking of the benefits to cross-border cooperation.



Figure 24 Added value of co-operation (% of responses)



Sources: INTERACT study and online survey of First call beneficiaries

As seen from the graph, there are several differences in the ranking of benefits by programme beneficiaries. For the Bulgaria- former Yugoslav Republic of Macedonia IPA CBC beneficiaries, *capacity building* is the largest single benefit, which is not the case in average and for the other two programmes. That could be explained on one side with the specifics of the targeted border regions and on the other – with the different priorities objectives of the programmes compared.

The data for *awareness raising* is quite comparable, although a little higher for the other programmes (first place by share of project partners surveyed).

As per *better cooperation* and especially *extended network*, the comparison is in favour of the Bulgaria- former Yugoslav Republic of Macedonia IPA CBC, showing that they were valued particularly high as added value to cooperation by the beneficiaries.

Confidence, trust building and *better routines* have similar shares with almost no difference in the different programmes compared.

Better image of the region and especially *commitment to new actions* are much higher ranked by BG-MK respondents, compared to the other two programmes, which is natural in view of the differences in the level of development of the targeted by the programmes areas.

Contribution to other national or local policies

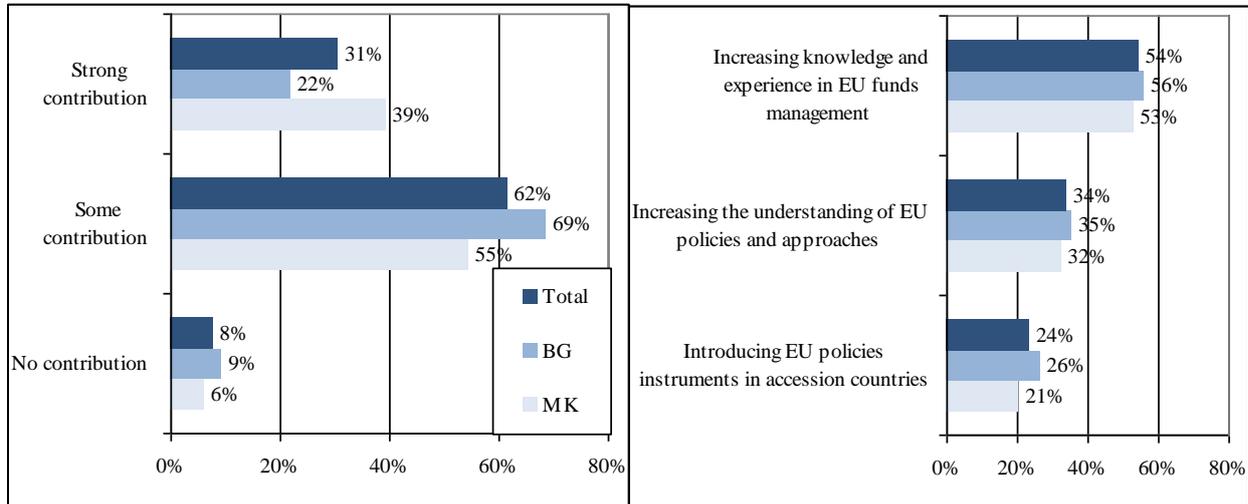
The First call visited projects contribute to the achievement of the objectives of the National and the Regional development strategies/programmes of the targeted areas in the former Yugoslav Republic of Macedonia and Bulgaria, the local Municipal plans for development and other Sector relevant strategies, like the Strategy for the development of the Macedonian textile industry and Action plan for its revitalization, development and action plans for tourism, environment, human resource development, etc.

Projects are also in line with the National Strategy for European Integration of the former Yugoslav Republic of Macedonia, which represents an overall umbrella for the integration of the country into the EU, and the National Programme for the Adoption of the Acquis (NPAA), which is the national key document reflecting the main priorities of the EU integration process.



The contribution of the cross-border cooperation to the European integration, and in the case of the Programme under evaluation, to the *preparation process for EU membership of the former Yugoslav Republic of Macedonia* is given at Figure 25 below.

Figure 25 Specific benefits/contribution of the First call projects to the preparation process for EU membership of FYROM



According to the majority of the project partners surveyed, the Bulgaria-former Yugoslav Republic of Macedonia cross-border projects have contribution to the preparation process for EU membership of the former Yugoslav Republic of Macedonia (88%), of which almost one third assess it as ‘strong’ contribution, mainly for increasing the knowledge and experience in EU funds management (54%). Under the First call projects, more than 100 people were trained and achieved practical experience in the management of the EU projects. Another benefit was the fact that the funding allowed attracting and retaining of young qualified experts in the rural regions.

The projects also contributed to better understanding of EU policies and approaches (34%) and to introducing EU policies instruments (24%). This is the opinion of the evaluators too, based on the visits to supported projects.



EQ10. What are the prospects for financial and organisational sustainability of the funded measures?

Conclusions:

The *investment projects* are expected to have sustainable results, because of their broad scope of users and the public ownership on the improved sites. There are good chances for the infrastructure created/improved to be maintained and used. The sustainability risk is low regarding the municipal infrastructure projects.

The sustainability of *soft projects* depends on the capacity of the partner organisations to fund developed services after the project end, and is negatively influenced by their dependence on external financing. Sustainability is higher in cases of organisations, which provide services to their members (chambers of commerce, branch associations) or which deliver social services financed by public budgets. Support by local and regional authorities and broad involvement of local stakeholders are also important factors for sustainability.

Sustainability of project results

The requirement for sustainability of projects is set as a criterion in the technical evaluation of proposals in the Guidelines for Applicants. There is a separate section in the Application form, where applicants have to prove the sustainability of the expected project results, though GfA lack a sufficiently detailed explanation of the issues that has to be addressed.

The review of the Application forms of the sample projects showed that all applicants make statements on continuation of all activities after the end of the projects, but many fail to analyse the risks. Along with the correct reference to, for example, low maintenance cost of the rehabilitated site there are vague explanations like “the created web portal will be maintained and hosted after the projects by the two representatives and also by the other project partners and stakeholders, who will participate in the forum of the web portal”. However, interviews with beneficiaries revealed that usually sustainability is taken into consideration during the project implementation.

The sustainability of the project results is a contractual obligation. There is a provision in the subsidy contract that ‘Lead Partner and project partners have an obligation to ensure the sustainability of the project results in conditions and ownership for not less than five years after completion of the implementation period in terms for investment support projects and not less than 2 years after completion of the implementation period in terms for soft measures projects’. Partners may not impose encumbrances or sell the goods, purchased with Programme co-financing within 5 years after the completion of the project. The MA has the right to partially or fully recover subsidy, if beneficiaries fail to comply with the above described obligations.

The majority of *investment projects* were implemented by municipalities. This is understandable, as far as local authorities are responsible to ensure public services at the municipal territory and they dispose with own budgets. Because of their public character and own budgets (although insufficient), local and regional bodies most probably will maintain



the rehabilitated/established infrastructure. With few exceptions, the achievements will be operational as they have been planned.

Among the sample of the visited on-the-spot seven investment projects, there are some sustainability risks in two projects due to weaknesses in their design or planning:

- Under a project for tourism development, four tourist info-terminals were established in one of the partnering municipalities. After the end of the project, two of them were closed because of the improper place of installation chosen, and at the time of the visit, the beneficiary was in a process of selecting new locations.
- A project, promoting entrepreneurship, rehabilitated municipal buildings in order to establish a business incubator with an extended office across the border. The project was focused almost entirely on works activities, losing perspective of developing institutional capacity to deliver business services.

As the *soft projects* were implemented predominantly by civil society organisations, sustainability of their results will depend to a large extent to funding opportunities and the institutional capacity of the respective NGOs. In general, NGOs in both countries are rather vulnerable and dependant to external funding. However, there are organisations, which provide services to their members (chambers of commerce, branch associations) or which deliver social services financed by public budgets and such organisation are relatively stable.

Small share of projects provide for active involvements of public sector bodies. Overall in less than 5% of the projects public sector is the main user group of the results. This compared to other territorial co-operation programmes in Central and South Europe is low. The INTERACT study shows that public sector is the main user group of results of 30% of the studied projects in Hungary-Croatia IPA CBC Programme and 54% Slovenia-Croatia IPA CBC Programme. Average for the studied by INTERACT 12 cross-border programmes is 30%.

The projects under '*Economic development*' Sphere of intervention created a variety of outputs targeting different result (information networks, data bases, joint strategies, training sets, etc). Projects that were focused on the development of new ways of working provided for involvement of local stakeholders and have better chances to be sustained. Development of projects by beneficiaries themselves, based on real local needs is another positive factor of sustainability.

Some projects supported under '*Economic development*' area of intervention provide for small or insufficient actions to ensure sustainable changes in business practices or to lead sustainable contacts between businesses in the region. Projects target and achieve mainly awareness rising effects (e.g. benefits on business cooperation, on EU policies, etc.) and there is no certainty that they will be sustained. Such results are observed in infrastructure type of projects that by Programme eligibility rules are required to include soft actions as well. In three of the supported investment projects, the soft actions included one or two business events and/or a short-term training on rather broad topics, which influence negatively sustainability.

Irrespective of the above remarks, there are soft projects (and these are mainly projects with more innovative approaches or use of ICT) that have good chances to be sustained.

Overall, the projects under the area of intervention '*Social cohesion*' and the soft projects under *Axis 2*, as a whole, are well targeted and created specific results in terms of new or improved public services or environmental management practices. Therefore, better



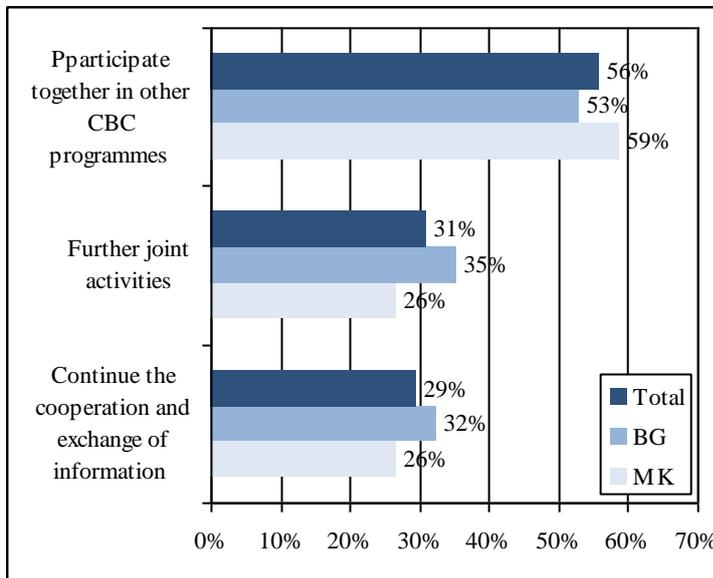
sustainability could be expected under these projects. The support of local authorities is also decisive for sustainability of results of projects, targeted to citizens and vulnerable groups.

The community integration results under Axis 2 are likely to be sustained. Beneficiaries consider that if a genuine interest in cross-border communication exists, there are means to maintain such. For example, exchange of dance and singer groups, visits of sport teams, organisation of planners are activities that with the support of local authorities and sponsors and even co-financing by participants themselves are willing to continue. Therefore, projects, which activated local initiatives and involved formal or informal civil groups, may be expected to have long lasting effect. However, not all projects relied on activation of public participation. In some of the visited projects, the organisation of events and networking activities was sub-contracted. This limits the development of local capacity and influences negatively sustainability.

Sustainability of cooperation/partnership

The results of the online survey of beneficiaries showed that all but one beneficiary organisations plan to continue cooperation after the project end. Over half of the interviewed beneficiaries have plans to participate together with their project partner/s in other CBC programmes (see Figure 26 below), slightly higher for Macedonian partners. That was the preferred form for continuation of partnership (most probably due to the forthcoming Third call for proposals under the same programme). Almost equal shares see the continuation of partnership in further joint activities and exchange of information (almost one third each), forms more preferred by the Bulgarian partners.

Figure 26 Plans to continue partnership after the project end



The majority of the interviewed beneficiaries from the sample for on-the-spot visits explained that their approach was to upgrade their CBC projects through any successive call for proposals, as many of them have long-term partnerships. They have realised that long-lasting partnership is a condition for the sustainability of the project achievements. Two municipalities have signed Memorandum of Twinning since they are working together for years and plan to continue with a new type of project (in the area of education).



Few beneficiaries stated that they would enter into new partnership. That was justified with the local needs, influencing the project specificities. In cases, where each of the partners seeks different funding sources available in its own country in order to continue project activities/sustain results, there is a risk of diminishing the cross-border effect depending on the different priorities of the funding programmes/budgets.



EQ8. What is the expected short-term and long-term impact of the Programme?

The supported projects have some positive impact on the improved competitiveness and diversification of border region economy. The long-term effects on investments and business creation are diminished by the lack of projects with strong multiplier effects. The impact of the projects on creation of new jobs is unlikely to be significant, but projects contribute to retention of the existing jobs.

The projects for the development of services of vulnerable groups create immediate positive impact on the situation of the target groups through improved infrastructure. These projects have well selected target groups and the results have changes to multiply in the long run.

The First call projects have tangible impact on community integration and increased cultural co-operation in the border region.

The projects have positive impact on improvement of quality of life in the border region. They improved access and quality educational, social and cultural infrastructure in 20 border region municipalities, with total population of 412,000 people, of which 210,000 in Bulgarian part of the border region and 202,000 in the Macedonian part.

Strengthening of the community co-operation and contacts between people bring positive changes in attitudes towards neighbours across the border and increase cross-border interaction and mobility. In the long-term cooperation, if consistently supported, have chance to mature and deliver more strategic result on socio-economic development of the region.

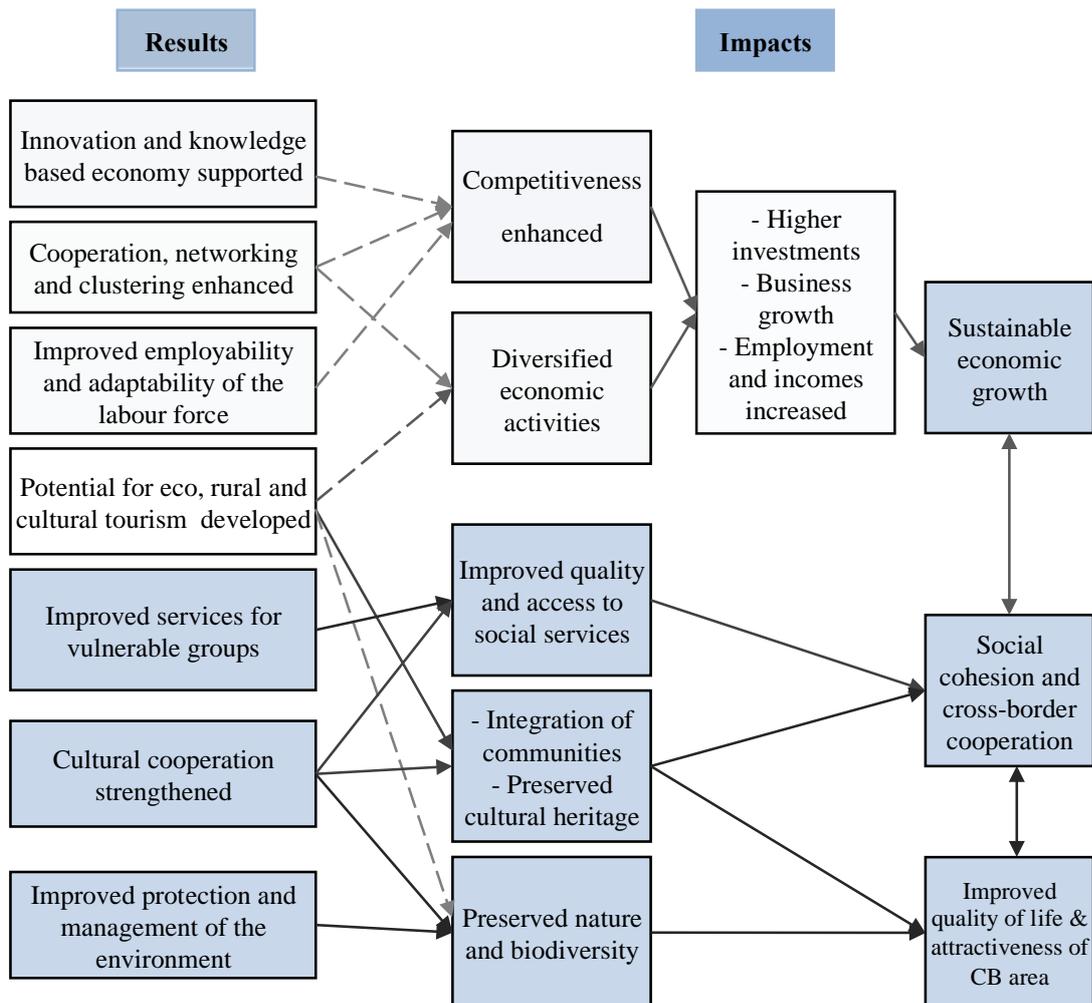
The Programme targets social (decreased unemployment and increased standard of living) and economic impacts (increased investments in priority economic sectors and social infrastructure), as stated in Section 4.3 ‘Objectives and Priority Axes’ of the Programme.

The interventions under Axis 1 are expected to contribute to the targeted socio-economic impacts through chain of effects, influencing competitiveness and diversification of local economies, and ultimately business growth and employment creation (Figure 27).

The competitiveness may be positively influenced through interventions targeting business cooperation, networking and clustering. As described under effectiveness, there are a number of project results that lead to improved access to business services, better marketing of local products and better business planning. Their diversified achievements will bring certain benefits in respect to competitiveness of local businesses/economy. However, there are no interventions that have capacity to bring a catalyst effect on business growth, such as projects targeting in the long-run development of business clusters, new products or services.

The achieved results under the First call projects are unlikely to have significant impact on increasing competitiveness through boosting innovation since few projects have had such objectives.

Figure 27 Chain of outcomes



The projects under Axis 2 focused on the development of the potential for eco and cultural tourism are unlikely to translate in the short run in increased investments in tourism industry for two main reasons. As explained in previous sections these projects are focused at improvement of tourism infrastructure with no sufficient focus on the development of tourism services. In addition, projects target local level effects and are not integrated in the regional products, which additionally limits the potential for effects on business investment and employment. The projects, however, support competitiveness of the existing tourism businesses, and thus contribute to maintenance of business activities and employment.

Similarly, the interventions in human resource development under Axis 1 may have some effect on competitiveness through improved access to training of various target groups but they lacked sufficient concentration to have a tangible impact. There is a good project for support of cooperation between universities, developing new methods for support of employability of young people, which in the long run may have a good employment effects.

The projects for improvement of services of vulnerable groups supported under Axis 1 Sphere of intervention 1.2 ‘Social Cohesion’ created immediate benefits to vulnerable groups by improved infrastructure. The projects also contribute to improved quality of services through exchange of good practices. The projects for social services may have some multiplier effects



since in addition of infrastructure development result in changing of practices of the administration.

Project have positive impact on community integration and cultural co-operation in the border region through action carried out in 35 out of 50 eligible border municipalities.

Overall, projects are likely to have a strong impact on the improvement of quality of life in the border regions. Due to their investment orientation projects bring immediate benefit to the citizens in the border region. The implemented projects improve access to educational, social and cultural infrastructure in 20 border region municipalities, with total population of 412,000 people, of which 210,000 in Bulgarian part of the border region and 202,000 in the Macedonian part.



IV.2 Answers to the evaluation questions related to quality and effectiveness of the Programme implementation system

IV.2.1 Quality and effectiveness of the project generation, selection and contracting process

EQ.11.1 How efficient and effective is the project generation, selection and contracting process? Are the procedures of evaluation and selection of projects ensuring a sufficient transparency and feedback to potential beneficiaries in relation to EU standards?

Conclusions:

The Guidelines for Applicants and the Application forms are in line with the best practices. Only supporting documents needed to prove eligibility of applicants and action are requested with the applications.

The MA/JTS uses effective methods for support of potential applicants by organising information sessions, partnership forums and keeping list of frequently asked questions. The potential applicants were in a position to find sufficient information on the eligibility rules and application process. Main problem in the preparation of applications was the collection of supporting documents and to a lesser extent, the financing of the project preparation and the filling-in of the application and the budget forms.

The procedure for selection is line with the principles of transparency; the evaluation procedure and evaluation grids are published and used without changes in the evaluation; the unsuccessful applicants are duly notified; the list of supported projects is published.

IV.2.1.1 Project generation and application process

Quality of the application documents

The review of the *Guidelines for Applicants*, carried out by the evaluation team, revealed that all eligibility rules are clearly stated. There is an exhaustive list of eligible municipalities (LAU1) in the border region, clearly stated requirements to the eligibility of applicants, actions and costs. The list of eligible activities is detailed. Under the first two calls for proposals, the list of eligible activities was tentative, and in the Third call it was replaced by an exhaustive list, to achieve concentration of resources to priorities, which were not sufficiently well addressed by the projects, funded under the first two calls for proposals. Overall, as described in the previous section, a relatively small share of proposals was rejected due to ineligibility of applicants or actions, indicating a good description and communication of the Programme eligibility rules.

The only weaknesses, identified in the Guidelines, are the missing information on the pre-contracting on-the-spot visits and negotiation procedure that are part of the selection process and the tentative schedule for assessment and contracting of applications.

The *Application form* is in-line with the best practices. It is well structured and covers all important issues needed for the evaluation of proposals. In general, it will be useful for the future programming period to elaborate a Guide on project development and application preparation, giving detailed instructions on the preparation of different sections of the Application form. According to the opinion of nearly half of the surveyed beneficiaries, this will facilitate the preparation of good quality proposals.



The Budget template is user friendly. It has automatic calculation of sub-totals and summary tables, and alerts for mistakes.

The review of the required *supporting documents* showed that only documents needed to prove the eligibility of applicants and actions were requested. Apart from the documents proving eligibility of applicants, in case of investment projects, detailed technical drawings and construction permits were requested with the applications. This seems justified since it lowers the risk of supporting immature projects.

The evaluation shows that a lot of organisations apply with several applications and in more than one call for proposals. Taking into account that the number of eligible applicants from the border region is not high, it seems feasible to consider for the next programming period to establish a system similar to PADOR¹¹ and organisation registered or once submitted supporting documents to the Programme should not be ask to attach these to the Application form, which will save time, resources and will be more environmentally friendly.

CVs are requested for all project staff, including technical assistants and accountants. In implementation this leads to significant burden for review and approval of replacements of experts, which due to the lag between application and contracting are frequent. CVs of experts are requested in 3 CBC Programmes (RO-BG, RO-RS, HU-HR) out of 14 covered by the INTERACT comparative study of CBC Programmes in Central and Eastern Europe.

The projects are selected in *open calls for proposals*. Similar approach is used in the majority of the cross-border cooperation programmes, managed by the authorities in the new member-states¹². Only Bulgaria-Romania OP practices restricted calls, i.e. two stage application processes, in which applicants first submit short concept notes and only the pre-selected candidates are invited to submit a full proposal. Since 2012, the restricted calls for proposals are mandatory under PRAG rules for award of grants. On-going submission of proposals is the standard practice in old member states.

The restricted calls for proposals reduce the costs for applying to the Programme and may be considered for the next programming period. The benefits of the restricted calls are more obvious, taking into account that in both completed calls for proposals a high number of good quality applications were rejected due to the lack of funds (40 in the First call for proposals and 52 in the Second call for proposals). The use of restricted calls instead may improve the process of applying and decrease the costs for beneficiaries (time and money for payment external consultancy) and for MA (assessment of applications).

MA/JTS activities for provision of information and support to potential applicants

After the publication of the calls for proposals, the JTS carried out information sessions and partnership events. The purpose of the organised partnership events was to support the eligible institutions from the partnering countries in terms of exchange of information and establishment of suitable partnerships. The surveyed beneficiaries/applicants are quite satisfied with the organisation of the information days and the quality of the provided

¹¹ The "Potential Applicant Data Online Registration – PADOR" is database managed by EuropeAid and contains information about organisations applying for grants of the European Commission in the field of external assistance.

¹² INTERACT Study towards Cross-Programme Evaluation. Operational aspects of Cross-Border Programme Cooperation in Central and South-Eastern Europe (2010).



information and explanations, related to the preparation of the project proposals and the Application form.

For the First call for proposals, training on project preparation was carried by JTS. The number of information events carried out since the start of the Programme is given on Table 22.

Table 22 Training, information and networking events for potential applicants

	2009	2011	2012	Total
Training on project proposals preparation and application form completion				
Number of events	2	-	-	2
Number of participants	230	-	-	230
Information days				
Number of events	2	2		4
Number of participants	227	199		426
Partnership forums				
Number of events	1	1		2
Number of participants	76	82		158

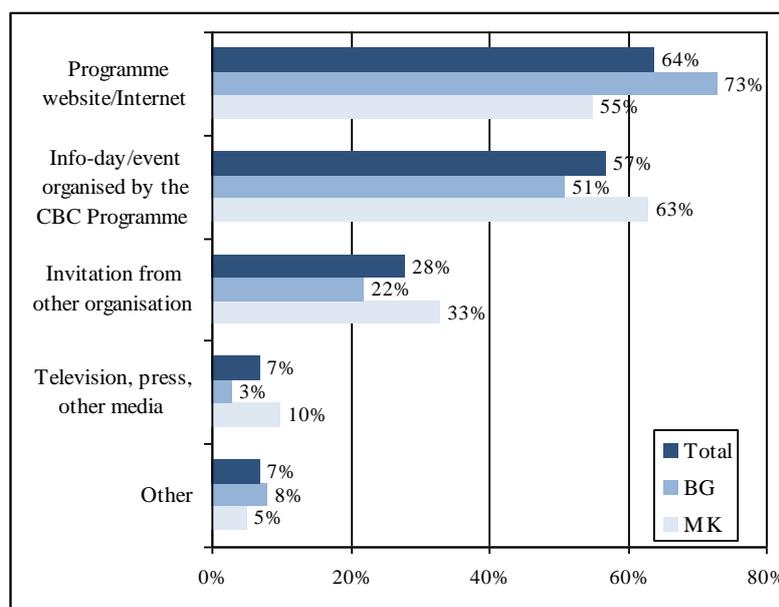
Source: MA data.

The major sources of information on the Programme opportunities for support, according to the respondents of the online survey, are the Programme website or Internet publications. The Internet site of the Programme is well-organised and contains all relevant information. The Guidelines for applicants and the Application package are accessible on the Programme website.

As it could be seen on Figure 28, the information events are also among the main sources of information on opportunities for support under the Programme (used by nearly 60% of applicants).

All presentations from the information sessions and the List of frequently asked questions were made available on the website.

Figure 28 Main source of information of applicants for the Programme



Source: Online survey of beneficiaries and unsuccessful applicant (all respondents, N= 77).

The majority of the survey respondents (82%) considered that they were in a position to find sufficient information on Programme eligibility rules and application process.

Generation of project ideas

The established models for project generation are described in Section 1.3.2 of the Report. They are based on established partnerships, knowledge of the needs of the region and the target groups.

The respondents to the online survey considered that the most important for the building of good quality project proposal is the knowledge of problems and needs of the region and the target groups, and the experience in project management (Table 23).

Table 23 Factors having positive and negative influence on project development (% of respondents)

	BG	MK	Total
Positive			
Knowledge of the problems/needs of the region	61%	58%	59%
Experience in project management	67%	40%	53%
Previous experience with EU projects	50%	33%	41%
Knowledge on the target groups needs	44%	33%	38%
Established contacts with partner/s	14%	23%	18%
Negative			
Insufficient resources for project development	19%	20%	19%
Lack of previous experience in project implementation	3%	23%	13%

Source: Online survey of beneficiaries and unsuccessful applicant (all respondents, N= 77).

The development of a significant share of projects was supported by external consultants. The answers of the lead partners in the online survey showed that in two-thirds of the projects consultants were employed for the preparation of the proposals. The use of external consultants was lower in Bulgarian partner led projects (50%) and higher in Macedonian



(75%). In the majority of the in-depth reviewed projects, the role of the consultant was to turn a project idea generated by project partners into a fundable project. In some cases, the consultants were drivers of the projects.

According to the respondents of the online survey, training of potential applicants is the most important support tool for the development of good quality proposals (63%), followed by the development of detailed guidelines on project preparation (47%) and technical assistance for the preparation of project pipelines (41%). Trainings of potential applicants is considered as much more important by the Macedonian stakeholders (70%), than by the Bulgarian ones (56%).

According to the “Communication patterns for strategic projects generation in selected INTERREG IIIA Programmes”, The INTERACT Point MTEC, October 2006 strategic projects have the following characteristics which have to be carefully considered by the future CBC programme authorities and stakeholders:

- are very complex: they involve many different regional stakeholders and/or address more than one sector of the economy;
- require a long period of time to prepare a sound application;
- need much greater support and coordination than ordinary projects;
- cannot easily be found under a call system, because they require a long consultation process involving many relevant actors;
- have a strong top-down component, either as a central government decision or based on a needs assessment by administration or Regional Authorities;
- are implemented by regional authorities in the event that no other regional actor is available to act as project owner.

The opinion of the interviewed on the support of strategic projects was quite diverse. The majority of the stakeholders on local and regional level consider that given the small size of the Programme, the inclusion of strategic projects is not feasible.

The strategic projects are likely to contribute to better utilization and integration of the results of the previous projects, better synergies with other national programmers and policies, thus increasing the effectiveness of the actions. However, the strategic projects are more appropriate for Programmes with larger budgetary allocation. Given the relatively small number of strategic projects that may be supported, it is not feasible to launch separate calls for proposals for strategic projects. Within the Programme, increase of strategic orientation of the projects may be achieved by some of the following methods:

- Increase of the maximum budget of the projects/duration for projects with proven contribution to cross-border needs;
- Provision for follow-up grant/reserved budget for the next call for proposals in case of successful implementation of the projects;
- Procurement contracts – services or works, for projects identified by the MA/NA/JMC.

The thematic areas that are most appropriate for strategic projects are as follows:

- Sustainable management of natural resources and joint forces for risks prevention;



- Research, innovation and ICT;
- Business support services;
- Cross-border tourism development;
- Infrastructure for cross-border accessibility.

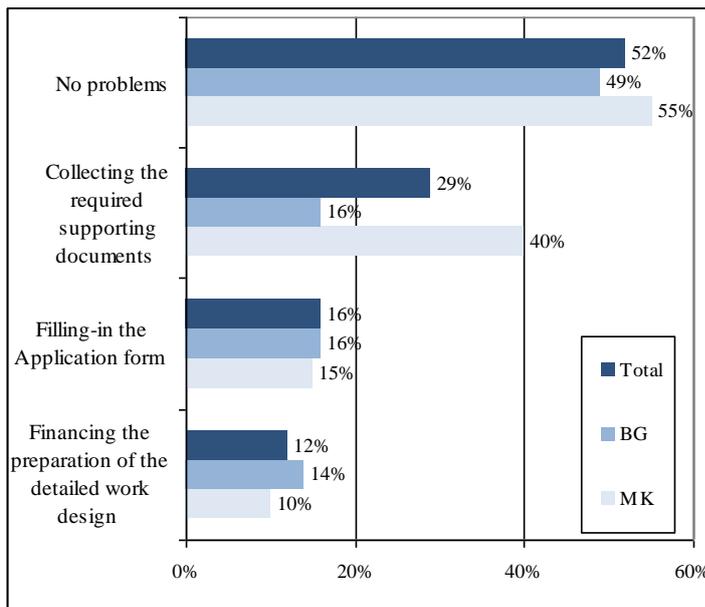
If strategic project are introduced, rapid needs assessment surveys has to be executed in each of the pre-selected areas in order to support the project identification. These surveys have to specify:

- the needs that have to be addressed;
- the expected outcomes and results that the projects have to achieve;
- the expected budget.

Problems in preparation of applications

Overall, more than half of the respondents to the online survey of beneficiaries and unsuccessful applicants stated that they have had no problems in the preparation of the applications to the Programme (Figure 29).

Figure 29 Problems in preparation of applications



Source: Online survey of beneficiaries and unsuccessful applicant (all respondents, N=77).

A significant share of the Macedonian respondents (40%) to the survey stated that they have had problems with the collection of the requested supporting documents. The share of the Bulgarian respondents with such problems is more than twice lower (16%).

The cost for the preparation of the projects and the technical drawings is eligible for support for successful applicants only. The costs have to be pre-financed by the applicants and 14% of the Bulgarian and 10% of the Macedonian applicants have had problems with funding the preparation of applications.

Relatively small share (16%) of the applicants have had problems with the Application form, which seems to be related to the fact that it is a MS excel-based, which is a problem for the



less experienced with this product. However, as commented above, excel-based application prevents a lot of mistakes in the preparation of the budget.

IV.2.1.2 Project selection process

For the assessment of the applications, MA appoints an Assessment Working Group (AWG) within 15 days after the expiry of the deadline for submission of applications. The AWG is supported by external assessors, appointed from the pool of external experts. The assessment process is organised and logistically supported by JTS, which acts as a Secretariat of the AWG.

The procedures for project selection includes five steps, described shortly bellow.

Under *Step 1* ‘Opening session’ is checked, whether the deadline has been respected and the application form, together with the Annexes and supporting documents, is presented in a separate binders in a sealed envelope. JTS performs this check.

Under *Step 2* ‘Administrative compliance and eligibility’ is verified, whether the project proposal satisfies all administrative and eligibility rules of the call for proposals. JTS performs this check using the published in the GfA assessment grids.

Under *Step 3* ‘Technical and quality assessment’, project proposals, which have passed the administrative and eligibility check are evaluated for technical quality.

The technical quality of the proposals is evaluated by external assessors. The selection and contracting of assessors is a responsibility of each partnering country. The assessors are rotated to avoid risk of collusion with applicants. Prior to the start of the technical evaluation, the assessors are trained to ensure equal interpretation of the evaluation criteria. The Programme implementation reports and the conducted interviews show no problems with the performance and the integrity of the assessors.

Each project is evaluated by two assessors - one from each partnering country. The evaluation is done according to the evaluation criteria, approved by JMC and published in the GfA.

There are four groups of evaluation criteria:

1. Management capacity with 4 sub-criteria (maximum 20 points);
2. Consistency with the Programme and other documents and strategies with 6 sub-criteria (maximum 30 points);
3. Methodology with 6 sub-criteria (maximum 35 points);
4. Budget with 3 sub-criteria (maximum 15 points).

All three calls for proposals have one and the same Evaluation criteria grids, as per number of evaluation criteria (4) and evaluation questions, weightings and maximum scores per criteria. For the Third call for proposals, the definitions of 9 out of 19 evaluation questions and the scoring system was somewhat improved in response to a recommendation of the Audit Authority Report issued in 2011.

The evaluation criteria cover all important questions related to the relevance, efficiency, effectiveness and sustainability of the proposals, and the capacity of the applicants to implement the project. According to the evaluators’ opinion, an omission is that under Management capacity criteria there is no separate question to evaluate competence and capacity of the partners in the selected thematic field. That partly explains the described in the



previous sections cases of projects implemented by partners without proven expertise in the selected area.

The *minimum* technical quality requirements for a Project proposal are *65 points in total; 10 points for Management capacity* and *20 points for Consistency* with the Programme and other documents and strategies. The projects not meeting these thresholds are rejected.

Based on the performed assessment, a list of projects per priority axis, including all proposals that are ranked over the defined threshold, is prepared by the AWG. The proposals are ranked in descending order up to the limits of the funds available. A reserve list is also established, following the same approach. The results from the assessment of the project proposals are presented to the JMC for a decision about the project proposals to be financed.

Under Step 4 all provisionally selected investment projects are visited on the spot. The purpose of the visit is to verify the capacity of the applicant.

Under Step 5 Negotiation procedure on the budget is carried out by a Negotiation committee, appointed by the MA by authorisation of the JMC. The Committee includes representatives of MA, JTS and NA. The purpose of the negotiation procedure is to optimise the projects budgets on the basis of the recommendations of the external assessors and in line with the principals of sound financial management.

The negotiation and verification process is finalised with a Negotiation Report, where signature of the subsidy contract is recommended or rejected. The latter is possible in the following cases: lack of common agreement on the proposed budget modification, non-submission of requested documents, substantial discrepancies between the physical condition of the infrastructure site, specified in the proposal and its current status or in case of double financing.

Overall, the first three steps of the procedure are typical for all grant award procedures.

The on-the-spot visits prior contracting are rare since they delay the contract signature. It has been applied in EU pre-accession investment rural development grant schemes. The procedure seems justified by a higher risk due to the Programme provision for payment of advance payment without a financial guarantee. During the First call of proposals, this procedure prevented funding of two investment projects, in which investments were already completed.

The Manual of procedures does not elaborate provisions for the maximum duration of each step of the evaluation process. The deadlines are decided after the deadlines of the call for proposals, depending on the submitted number of applications, which is not in line with the best practices and does not allow proper planning of project activities by applicants. It also bears the risk of extending the evaluation process due to lack of time limits pressure. The good practice is the tentative schedule of the call for proposals, including assessment and contracting deadlines to be published in the GfA and respected through mobilisation of sufficient resources.

As described in previous sections, the time between the deadline for submission of applications and the of contracting under the First call was about 18 months, but the big delay was due to the lack of the approved Procedures Manual, without which it was not possible to start the evaluation. The First call was evaluated and contracted for 8 months after the actual start of the procedure for administrative and eligibility assessment. The Second call was contracted 10 months, after the deadline for applications, and 8 months after the start of the administrative and eligibility assessment (same as in the first call).



The need to coordinate authorities and assessors from two different countries extends the period of evaluation. The comparison with other IPA CBC Programme in shared management shows that in other countries the evaluation takes between 7 months and 18 months (Table 24).

Table 24 Call for proposals under IPA CBC Programmes under shared management

Programme	Bulgaria- FYROM	Bulgaria- Serbia	Bulgaria- Turkey	Hungary- Croatia	Hungary- Serbia	Romania- Serbia	Slovenia- Croatia
Budget EU 2011 (EUR million)	12.14	21.26	18.49	35.54	33.97	36.01	28.95
First call (months)	18		18	7	10	17	13
Launch	14/09/2009	01/09/09	28/09/2009	26/03/2009	29/09/2009	30/04/2009	20/06/2008
Deadline	14/12/2009	30/11/2009	28/12/2009	24/06/2009	31/12/2009	29/07/2009	20/10/2008
Applications	94		111	67	170	166	
Contracting	03/06/2011		1/07/2011	19/01/2010	20/10/2010	31/12/2010	20/11/2009
№ Contracts	32	53	48	42	71	46	21
Second call (months)	10	11	17	9	8	18	8
Launch	14/06/2011.	22/11/2011	08/09/2011	10/06/2010	15/11/2010	25/03/2011	16/04/2010
Deadline	14/09/2011	20/02/2012	16/01/2012	15/09/2010	14/02/2011	27/06/2011	30/06/2010
Applications	126	262	143	94			183
Contracting	23/07/2012	23/01/2013	06/2013	06/2011	24/10/2011	28.12.2012	03/2011
№ Contracts	21		24	60	69		24
Third call							
Launch	03/12/2012	not planned	11.02.2013	22/11/2011	01/03/2012		03/02/2012
Deadline	04/03/2013		29.04.2013	12/03/2012	30/05/2012		16/04/2012

Note: Under IPA CBC Component ten programmes have been approved by the Commission, of which nine are bilateral and one is multilateral. Seven of the bilateral programmes are managed in shared management and two in transitional arrangements.

Source: Programme websites.

Transparency of the project selection process

The established project selection procedure complies with the transparency principles. The evaluation criteria are published in the GfA and respected in the selection process. The Evaluation forms of the assessors were based on the published evaluation criteria.

All unsuccessful applicants are dully notified. The notification letter is sent to the lead applicant and contains information on the results of the evaluation process. The lead partner has the obligation to inform the partners. The MA retains copies of all notification letters.

List of beneficiaries and summaries of supported projects are published on the website.

The transparency of the evaluation process was positively assessed by the surveyed beneficiaries and unsuccessful applicants (95% considered it as sufficiently transparent, of which 30% fully transparent). More critical were the Macedonian applicants/beneficiaries (11% considered the selection process as less or not transparent at all). The reason for the critical attitude of some of the applicants is attributed to the disappointment, created by the



facts that a lot of applications, scored high in the evaluation, were rejected due to insufficient funds.



IV.2.2 Quality and effectiveness of the implementation system

EQ. 11.3 How efficient and attainable are the rules related to project implementation?

Conclusions:

The Programme requires submission of Quarterly Progress Reports, which under the Second call are not always related to payment. Quarterly reports may be replaced by short project progress briefs, submitted by e-mail, which will save resources of beneficiaries for the preparation of reports and of JTS for their checking.

The contract modification procedures allow flexibility for amendments without prior authorisation of the MA. The procedures for notification of small modifications of activities and time-schedule and replacement of administrative staff may be simplified to save resources of beneficiaries and JTS.

The rules of eligibility of expenditures comply with the IPA regulation requirements. The budget structure, combining project staff with administrative costs in one budget heading, putting 25% limit on both, thus favoured employment of external expertise for the implementation of project activities. The reimbursement of overheads on the actual cost basis rather than on flat rate basis increases cost for the control.

The procurement is conducted by beneficiaries using PRAG templates in English language, which creates problems both for beneficiaries and for suppliers. The Programme requires single tenders (below EUR 10,000) to be conducted under PRAG simplified procedure, which is not required by the basic act for the implementation of the Programme and is contrary to the principle of proportionality. Under the First call contracts, about 300 single procedures were conducted using that PRAG simplified procedure, leading to waste of resources of beneficiaries, suppliers and FLC and delays in project implementation.

Reporting requirements

The beneficiaries are required to submit Quarterly Progress Reports. The template of the Narrative report is simple and does not put additional burden on beneficiary for preparation. With the final Report, the beneficiaries have to submit a summary of the project results. The summary is comprehensive but does not allow the aggregation of results. For the future programme, it may be useful to request beneficiaries to follow the methodology for reporting of project achievement developed by INTERACT¹³.

For contracts under the Second call and Thirds call projects payments are made semi-annually. The feasibility of requesting quarterly activity reports that are not related to payments may be reconsidered, since check of these reports creates additional burden for the JTS.

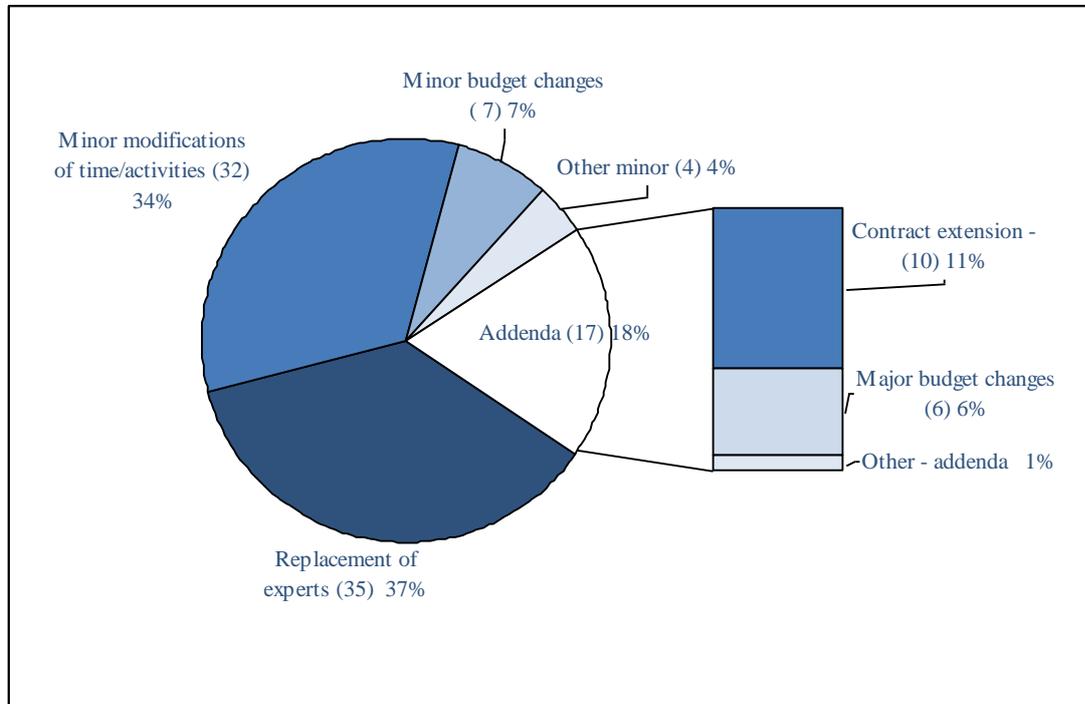
Contract modifications rules

The rules for modification of the contract are clearly described in the contract and PIM. The small amendments require only notification of MA, while big amendments require prior signature of an Addendum.

¹³ INTERACT, The Typology System in European Territorial Cooperation Programmes, 2012.

Most of the contacts underwent some modifications after contracting. In total, 95 notifications on First call contract modifications were registered in the MIS by the end of 2012. About 80% of them related to minor contract changes and the remaining were major ones, requiring contract addenda (Figure 30).

Figure 30 Contract modifications by type



Among minor changes, there are 35 cases for replacement of experts. Replacement of experts took place in 75% of the contracted projects. As commented in previous sections, this is to a large extent explained by the significant time gap between the submission of applications and the contracting. The change of project team is treated as a minor change, as no Addendum to the contract is signed, but prior approval of the MA is required for changes of all experts, including administrative staff and accountants. The rationale for MA approval of the replacing of this type of experts is not very strong. The MA justifies this procedure by the fact that CVs of the experts were included in the Application form and assessed by in the proposal evaluation.

The second biggest group of contract changes refers to small modifications in activities and time-schedule (32 cases). Such were notified by two-third of the projects. Small changes in activities and time-schedule could be expected in any project. Therefore, the rationale for requesting formal notifications of small changes in activities is not clear, taking into account that beneficiaries are required to submit quarterly reports, in which this type of modifications are explained.

It is worth considering notifications of some the minor changes to be made via e-mail or by fax. Currently, beneficiaries send hard copy of the notifications and the JTS has the practice of preparing and sending approval letters, although not required by the procedure.

In total, 17 contract addenda were requested and signed by the end of 2012 for the First call contracts. Ten of these addenda relate to contract extensions, six to changes in the budget and one for replacement of experts. All contract addenda of the projects, visited by the evaluators, were well justified and needed for the successful implementation of the projects.



Programme rules on eligibility of expenditure

Eligible for support are only expenditures incurred and paid during the period of implementation of the operation. The requirement expenditures to be paid during the period of implementation already caused problem to a project, which executed investments but failed to paid suppliers during the implementation period since interim payments were delayed. It is in line with the principals of sound financial management to request expenditures to be paid prior submission of final request for validation of expenditure.

A significant weakness in the budget structure is that the Budget heading ‘Administrating costs’ combines costs for partners staff with costs for administration, i.e. rent of office, overheads and consumables. The Guidelines for Applicants requires all project staff (administrative and technical) to be budgeted under the Administrative cost budget heading. The threshold for administrative cost (all partners’ staff and administration) is 25% of the total project costs. This budget structure leaves space for external expertise only, limiting the employment of internal resources to administrative functions only. This pushes beneficiaries to employ external staff for the implementation of activities, for which internal recourses and know-how exists.

The programme has no limit on expenditures related to payments for management staff. Such exists in some of the IPA, example up to 10% of the direct costs in case of Hungary-Croatia IPA CBC Programme.

The Programme rules for eligibility of expenditure stipulate that all expenditures are reimbursed based on actual cost. The Programme has not used the opportunity given in Article 89 of the IPA Implementing Regulation to use flat-rates¹⁴ for overheads (cost that can not be directly attributed to the project activities). Other IPA CBC Programmes apply overheads flat rate reimbursement of 7% flat rate reimbursement of the overheads. Reimbursement of the overheads on the basis of the actual costs incurred by the beneficiaries implies time consuming paperwork both for the beneficiary, who must itemise all expenditures in the report, and to the control bodies which have to check the eligibility of all the costs claimed.

The new Financial Regulation¹⁵ allows using lump sums, flat rates and unit costs, calculated on the basis of the beneficiaries' own certified or auditable historical data or usual accounting practices. Art 123 of the Financial Regulation stipulates the various forms of grants “Grants may take any of the following forms:(a) reimbursement of a specified proportion of the eligible costs, referred to in Article 126, actually incurred; (b) reimbursement on the basis of unit costs; (c) lump sums; (d) flat-rate financing;(e) a combination of the forms referred to in points (a) to (d). When determining the appropriate form of a grant, the potential beneficiaries' interests and accounting methods shall be taken into account to the greatest possible extent.” The new PRAG in force from January 2013 provides for such options in grant award procedures and includes a well elaborated Guidelines and Checklist for Assessing Budget and Simplified Cost Options.¹⁶ If the Implementing rules of the new IPA regulation allow the

¹⁴ Flat rates is percentage covers specific categories of eligible costs which are clearly identified in advance by applying a percentage fixed ex-ante. It could not be applied to direct costs.

¹⁵ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002.

¹⁶ PRAG version January 2013, Grants Annex e3a2_checklistsimplifiedcostoptions.doc



simplified forms of costs, they have to be preferred, which will reduce administrative burden for beneficiaries and Programme management.

Procurement requirements

Programme rules require conducting procurement tenders for all services, supplies and works, with the exception of consumables, budgeted under ‘Administrative costs’ budget heading. In October 2011, the MA issued a guidance that procurement tenders were not required for contracts valued below EUR 500.

In awarding service, supply and work contracts the beneficiaries are required to follow the procedures of *Practical Guide to EU Contract Procedures for EU External Actions (PRAG)* and thresholds of *Commission Decision C(2007)2034*. The tenders are conducted in English language using PRAG procurement templates. The English language of procurement creates problems for beneficiaries, who have limited number of staff with English language proficiency. It also discourages some potential suppliers and thus, completion. In this area, the best practice is observed in Hungary-Croatia IPA CBC Programme, which has prepared and made available to beneficiaries bilingual tender dossiers.

The review of the approved Procurement plans of the 32 contracts under the First Call for proposals revealed that nearly 400 tenders were planned, and it could be estimated that about 350 were implemented after cancelling the requirement to conduct tenders for contracts valued below EUR 500. Of the executed, 300 tenders were for contracts of value below EUR 10,000, of which 90 were of value between EUR 500 and 1,000.(Table 25).

Table 25 Tenders of First call contracts by type of procedure and number of tenders

	Services	Supplies	Works	Total
Single tender procedures	305	38		343 (293)
of which				
Single tender procedures \geq €500 ¹	50			
Single tender procedures \leq €500 but \geq €1000	90			
Single tender procedures \leq €1000 but \geq €10 000				
Competitive negotiated procedures	15	15	26	56
Overall total	320	53	26	399(349)

Note: 1) No tender procedure was required for awarding contracts below EUR 500 since October 2011.

Source: Procurement plans of contracts under First Call for proposals.

The PIM requires in case of single tenders¹⁷ to follow PRAG simplified procedure. The INTERACT public procurement manual for IPA CBC Programmes in shared management also recommends this procedure in case of single tenders¹⁸. The PRAG simplified tender dossier requires using of the following documents: Invitation to tender, Technical specification, Instructions to tenderers, Contract, Administrative compliance grid, Evaluation grid, and Offer. It should be noted that Tender submission form requires from the supplier to provide detailed information on economic and financial capacity, staff resources, fields of specialisation, experience (with documentary proofs), statements of exclusivity and availability, declarations, etc.

¹⁷ Until end of 2012 Single tenders were applied to contracts of value up to EUR 10,000, and after that to tenders up to EUR 20,000.

¹⁸ INTERACT, Public procurement in IPA Cross-Border Cooperation Programmes with EU Member States in Shared Management, version 2012.



The use simplified PRAG procedure under the single tenders is not necessitated by the basic act for implementation of the Programme¹⁹. PRAG also stipulates that simplified tender dossier might be used in case of negotiated procedure and by no means recommends its use under single tender.

It is easily estimated that for some of the low value contracts, the costs of beneficiaries to prepare tender documents under PRAG simplified procedure and to conduct evaluation, of suppliers to prepare tender documentation and of FLC to verify the procurement contracts is most probably close to the value of the contract. In terms of value for money, these tenders may contribute little since they include mainly cost for travel, conferences, trainings and IT equipment, the unit prices of which are well known and verified under the negotiation procedure prior contracting.

¹⁹ IPA Implementing Regulation (Article 121 Procurement) requires that for *the award of service, supply and work contracts*, the procurement procedures shall follow the provisions of Chapter 3 of Part 2, Title IV of the Financial Regulation and Chapter 3 of Part 2, Title III of Implementing Regulation, as well as *Commission Decision C(2007) 2034*, which states that tender documents must be drafted in accordance with *best international practice* and only if Grant beneficiaries do not have *their own documents*, Beneficiaries may use the models published on the European Commission's web site relating to external actions, i.e. PRAG.



EQ4_1. Is the beneficiaries' awareness with the implementation rules satisfactory and is there any potential for optimisation and facilitation?

Conclusions:

The MA has established a very good system for support of beneficiaries, contributing to the largest possible extent for smooth implementation of the projects and prevention of unintentional irregularities. The Project Implementation Manual for beneficiaries is a well-designed document, sufficiently detailed and clear, though English language of the Manual creates problems for some beneficiaries.

The JTS conducts trainings and individual consultations on implementation rules, though longer training is required for the less experienced beneficiaries. The JTS provides on-going advice and support to projects, which is highly appreciated by the beneficiaries.

The MA procedures for risk assessment on projects level is a best practice example. It includes assessment of institutional and operational risks of each project and formulation of an appropriate risk prevention strategy, including consultations to beneficiaries and ad-hock monitoring visits.

The beneficiaries' knowledge on the implementation rules is satisfactory. The main problematic areas are in the understanding of procurement, contracting and payment of project staff, overheads and budget reallocation rules.

Guidance, training and advice to beneficiaries

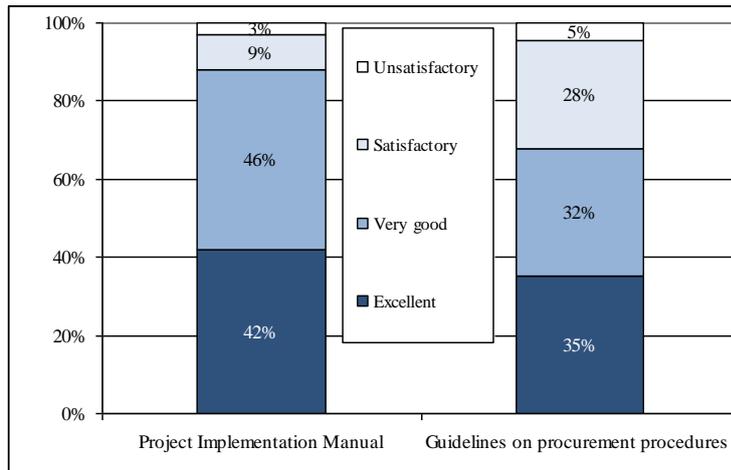
The MA prepared and published Project Implementation Manual (PIM), which describes in details the main rules of the contracts implementation and their modifications, the supporting documents required and the reporting obligations of the beneficiaries. The Manual is developed in line with the best practices; it is user friendly and well-structured document.

The majority of the surveyed beneficiaries also assess the quality of the PIM as excellent/very good, i.e. 88% (Figure 31). The section with instructions on procurement procedures are less positively assessed by the beneficiaries (68%). It should be noted that the evaluators reviewed the instructions on procurement in the last version of PIM, which were based on INTERACT guide on procurement²⁰, and considered that they were clear and sufficiently detailed. In addition, examples of completed tender dossiers are prepared and can be downloaded from the Programme website. The assessment of beneficiaries may be attributed to the limited knowledge of some of them on EU procurement rules and the English language of the Manual.

²⁰ INTERACT, Public procurement in IPA Cross-Border Cooperation Programmes with EU Member States in Shared Management, version 2012.



Figure 31 Rating of the quality of the Manual and the Guidelines



Source: Online survey of beneficiaries (valid responses - 67 cases).

On the Programme website, JTS publishes answers to frequently asked questions on implementation. The PIM also has a section on frequently asked questions.

After the signature of the contracts, the JTS conducts training on project implementation and organises the so-called Open days for beneficiaries, on which JTS staff provide individual consultation on project implementation rules. The data on the events for the training of beneficiaries is given on Table 26.

Table 26 Training, information and networking events for beneficiaries

	2011	2012	Total
Training of beneficiaries			
Number of events	2	2	4
Number of participants	51	137	188
Open days at JTS			
Number of events	1	1	2
Number of participants	60	X	60+X

Source: MA data.

The training topics cover rules for project implementation, including reporting, contract modifications, sub-contracting procedures, financial implementation and communication. The duration of the training is one day and it was considered sufficient by 53% of the Bulgarian beneficiaries and only 36% of the Macedonian ones. Taking into account that nearly two-quarters of the Macedonian participants considered the training as insufficient, the JTS may need to consider additional training for the Macedonian partners in the future.

Open days at JTS premises are 3-4 days long. The individual consultations are on preparation of tender documentation and conducting of tenders, as well as meetings with representatives of projects that are considered for resolving the detected problems.

The MA established a procedure for risk assessment on projects level, which could be considered as best practice example. The procedure provides for establishing a Risk Management Group (RMG), consisting of representatives of MA and JTS. The RMG performs risk assessment of each contracted project, identifies operational and institutional

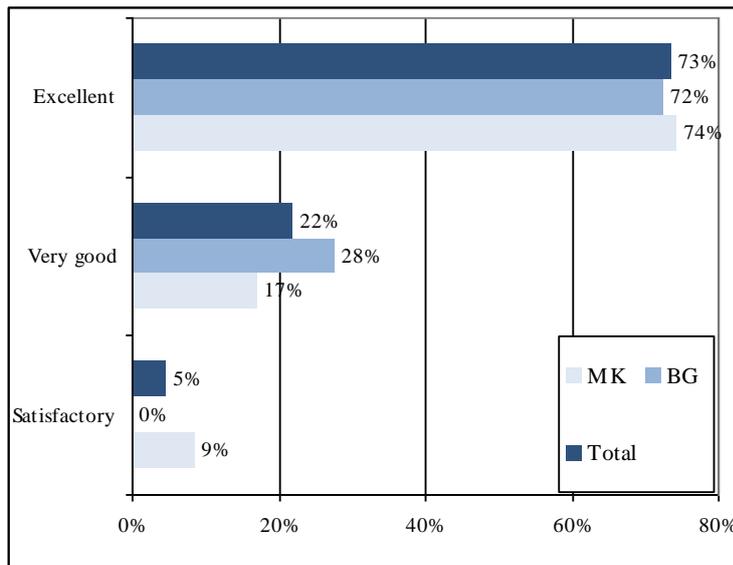


project risks, and makes project specific recommendations for risk prevention. These include additional consultations and ad-hock monitoring visits.

The JTS provides also on-going support to beneficiaries, answering their questions by telephone, e-mail, at the JTS offices or on-the-spot during the monitoring visits.

The interviewed beneficiaries highly appreciate the support of the JTS (Figure 32). The score given to the support is 4.7 out of the maximum of 5 (95% - excellent/very good). The observations of the evaluation team are that the JTS project managers follow closely the project implementation and have regular contacts with the beneficiaries.

Figure 32 Opinion on the quality of the support provided by JTS



Source: Online survey of beneficiaries (68 cases).

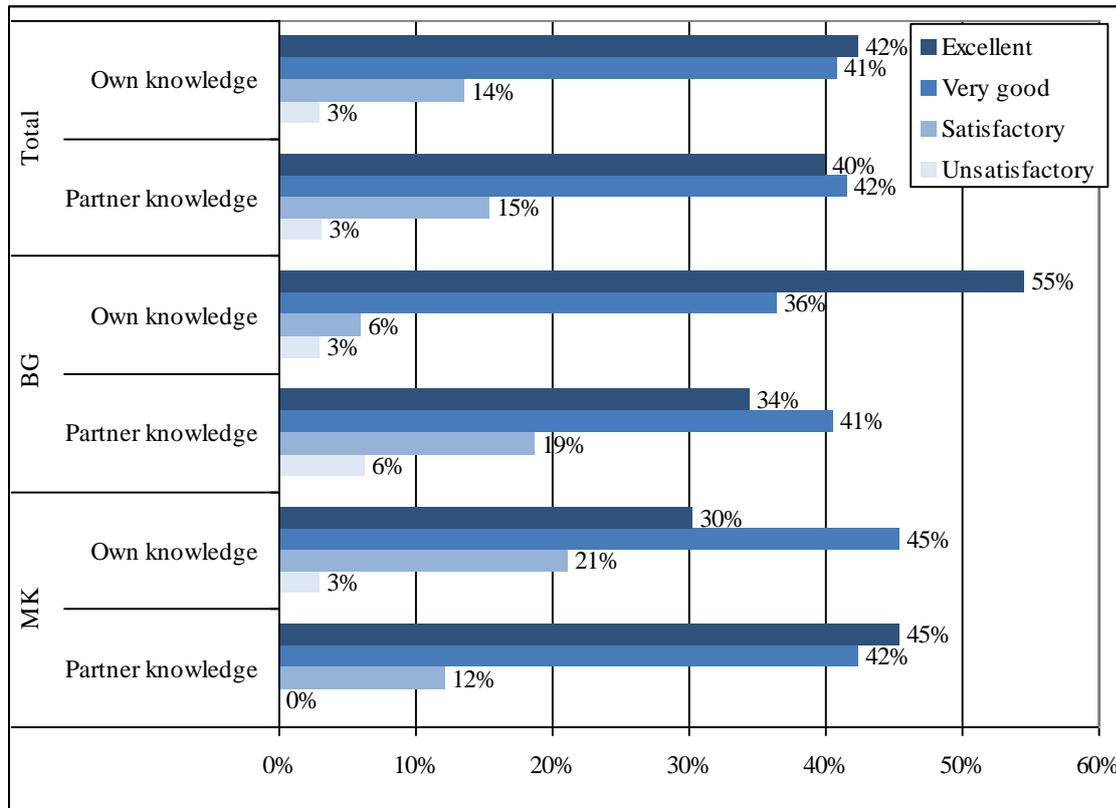
Beneficiaries knowledge and understanding of the Project implementation rules

The majority of the beneficiaries manage the projects with their own resources, despite the fact that most of them used external assistance for project preparation. Thus, on average 65% of the beneficiaries do not use external consultancy on project management. The share of those who have used external assistance is much higher among Macedonian respondents compared to Bulgarian ones (45% and 24% respectively), which could be an indication of the higher experience of Bulgarian beneficiaries in EU project management.

The beneficiaries’ self-assessment of their level of knowledge on the project implementation rules is quite high. More than 80% of the beneficiaries consider that they have excellent or very good knowledge of the implementation rules, 91% of the Bulgarian beneficiaries and 75% of the Macedonians (Figure 33). Similarly, 75% of the Bulgarian beneficiaries consider that their Macedonian partners have excellent or very good knowledge of the project implementation rules, while 87% of the Macedonian partners give such assessment to their Bulgarian partners.



Figure 33 Beneficiaries assessment of own and their partners’ level of knowledge of the Project implementation rules



Source: Online survey of beneficiaries (valid answers N - 66).

However, the findings from the on-the-spot visits of projects show that in 2 out of 12 visited projects, there were major violations of the implementation rules by Macedonian partners.²¹ In both cases, the partners were aware about the rules but they underestimated their importance.

The main problematic areas in the knowledge and understanding of beneficiaries on the implementation rules, according to the opinion of the controllers, are related to the rules for contracting and payment of the project staff, overheads, procurement and budget reallocation rules. In response to the identified errors in contracting and payment of project staff, MA published detailed guidelines for Bulgarian beneficiaries. A similar guideline is needed for the Macedonian beneficiaries.

EQ4_2 What are the major difficulties faced by beneficiaries?

Conclusions:

The main problem for the majority of the beneficiaries is the pre-financing of project operations. This relates to increased budgetary restrictions due to deteriorating public finance and underdeveloped financial services for NGOs. The rate of advance payment of the subsidy

²¹ In one of the cases the partner procured under national procurement rules not applying PRAG; in the other case the partner failed to execute payments to contractors prior the expiry date of the contract, which is required by the Programme financial management rules.



is considered insufficient by most of the beneficiaries, taking into account the incidence of late payment of subsidy.

The second in importance is the problem with conducting procurement under PRAG procedure in English language, which delays implementation and increases administrative burden.

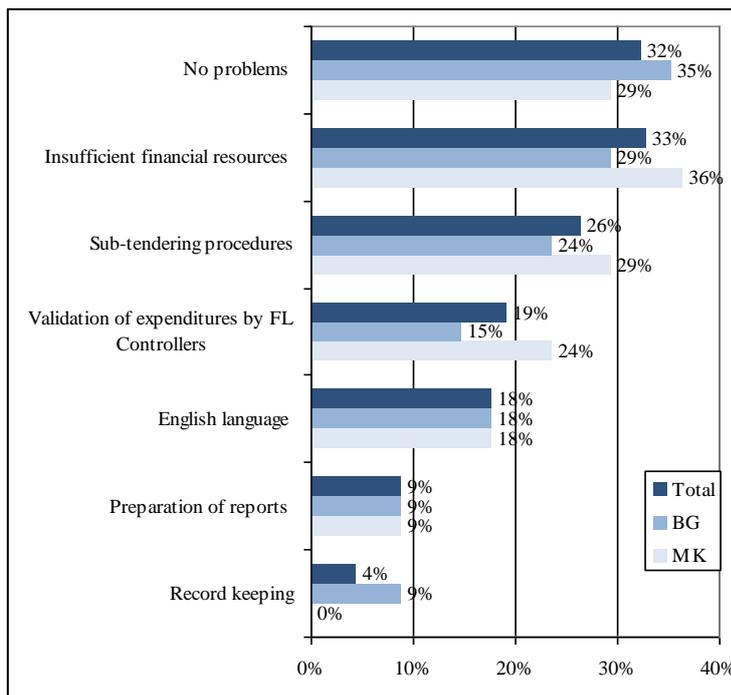
The third major problem of beneficiaries, especially Macedonian beneficiaries, is the delay in the execution of the FLC and/or different requirements of the controllers. All, but two, beneficiaries consider that problems with FLC were small.

The beneficiaries had no significant problems with Programme management, except for the late payment of subsidy. The delays of payment are explained by the late setting of the Macedonian FLC system and the delay in the transfer of the national co-financing by the NA.

Major implementation problems of Beneficiaries

According to the survey of beneficiaries, the three main problems in project implementation are insufficient financial resources to pre-finance project expenditures, procurement under PRAG rules and first level control (Figure 34). Similar are the findings of the monitoring and risk assessment reports, prepared by the MA/JTS.

Figure 34 Major problems of beneficiaries



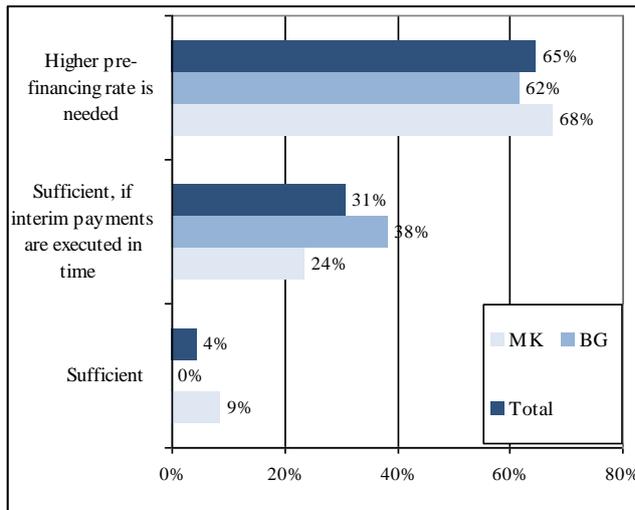
Source: Online survey of beneficiaries (valid answers - 68).

The financing of the project operations created significant problems to one third of the beneficiaries. In addition, another 40% of beneficiaries have had some financial problems during the project implementation. The share of the Macedonian beneficiaries with financial problems is higher, 80% of them have had financial problems compared to 65% of the Bulgarian beneficiaries. The survey results show no difference by type of beneficiary (municipality or NGO).



The Programme has no requirement for compulsory partner’s contribution to the project funding and all projects are contracted with 100% public subsidy²². Therefore, the financing problems relate to pre-financing of the project costs before payment of the subsidy. The rules of the Programme allow 20% advance payment after the signature of the contract. Thus, pre-financing rate is considered as sufficient by a small share of beneficiaries - 4% (Figure 35). However, about one third of the beneficiaries consider that pre-financing will be sufficient, if interim payments are executed in time. As already commented, there are instances of delayed payment of subsidy, which explains the relatively high share of beneficiaries with financial problems.

Figure 35 Opinion of beneficiaries on the adequacy of the advance payment



Source: Online survey of beneficiaries (valid answers - 68).

In case of municipalities, the reasons for the difficulties in the pre-financing of the project operations relate to the budgetary constrains, which tightened with the economic recession.

Another issue is that the largest share of the border region is rural and a significant part of the municipalities in the region are small, with very limited municipal budgets. More than two-thirds of the municipalities, supported under the Programme, have population below 20,000. In addition, some of the municipalities have been beneficiaries under several projects implying that they had to mobilise significant resources to pre-finance project activities. In one of the visited Macedonian municipalities, the municipal budget was smaller than the awarded subsidy under the project. The Bulgarian municipalities have fewer problems in pre-financing the operations since they have access to specific financing of municipal projects under the Fund for Local Authorities and Governments (FLAG). FLAG has provided credits for implementation of six IPA Bulgaria– former Yugoslav Republic of Macedonia projects, four of which are for tourism and cultural heritage. The representatives of the NA also consider possibilities for establishment in the former Yugoslav Republic of Macedonia of a similar fund for pre-financing of EU projects.

The financial problems of NGOs relate to their limited resources and dependence on project funding. Lack of mandatory co-financing of the projects makes the Programme attractive for NGOs and a significant number of them applied to the Programme. NGOs execute mainly

²² In 3 contracts, the partners’ financial contribution was added with an Addendum to cover increased project cost.



smaller soft projects, and therefore, they have no bigger financial problems than municipalities.

The financial problems result mainly in delayed payment to suppliers or delays in procurements and execution of activities. Out of the 12 visited projects, 1 had significant problems due to lack of financial resources and failed to execute in time all planned project activities²³.

The *second* major problem of beneficiaries is procurement under PRAG rules, which is stated by about a quarter of the beneficiaries. As commented in previous sections, the application of PRAG rules creates problems both for the beneficiaries and the suppliers. The beneficiaries have to allocate significant resources to plan and execute procurement tenders in English language. In addition, due to the insufficient knowledge on PRAG rules, there were delays in the preparation of the tender documents and need for several corrections of the prepared documents.

It is interesting to note that a significant share of beneficiaries (40%), both Bulgarian and Macedonian, stated that they would not prefer to execute procurement under the national rules. In the case of Bulgarian beneficiaries, it is explained by the cumbersome national appeal procedure that leads to significant delays in procurement, in case of Macedonian of lower thresholds for open tenders under the national law.

The *third major problem* of the beneficiaries is the execution of the FLC. About one quarter of the Macedonian beneficiaries and one fifth of the Bulgarian beneficiaries had some problems with the FLC. It should be noted that the beneficiaries clearly state that these were small problems, and only 2 Macedonian respondents to the online survey considered that they had significant problems with FLC. The problems mentioned were delays in execution of checks and different requirements of the controllers. The interviewed beneficiaries in general are satisfied with the established FLC system. For them the advantages of the system are as follows:

- Controls are made on-the-spot, which saves time and costs for the printing of the reports;
- Small omissions in formal requirements may be corrected on the spot, without a need to resubmit reports;
- Personal contracts with the Controller.

Overall, about half of the Bulgarian beneficiaries consider that the level of bureaucracy is smaller than in the other EU funded programmes.

About one fifth of the beneficiaries state that *English language* is a problem for them. During the meetings, some beneficiaries commented that they incurred significant costs for the translation of PRAG templates, Project implementation manual and some Macedonian beneficiaries commented that they had to translate the contract since the authorised representatives of the organisations refused to sign a contract that they did not understand.

As a whole, half of the surveyed beneficiaries stated that they have had no significant problems, related to Programme management. For the rest, the main problem stated by almost 40% of the beneficiaries was the one with the late payment of the subsidy. That problem referred more to Macedonian beneficiaries (47% versus 30% for Bulgarian beneficiaries). The

²³ The suppliers refused prior payment to install the ordered equipment/banners, which were delivered in time, but kept in the warehouses.



MA data shows that out of 175 requests for payment 94 were executed after the deadline. This is explained mainly with the late start of the Macedonian FLC system (delay in the verification process and thus, in the payments to beneficiaries) and the delay in the provision of the respective national co-financing from the partnering country.



IV.2.3 Quality and effectiveness of the FLC system

EQ. 11.2 How efficient and effective is the FLC system?

Conclusions:

The system for FLC is in line with the Requirements of the IPA implementing regulation and responds to the main criteria for effectiveness of controls. The effectiveness of the procedure has been regularly reviewed and amended to correct identified weaknesses.

The procedures for the recruitment of the FL controllers are transparent and contribute to the selection of controllers with adequate knowledge and experience record. The procedure for control of the quality of the performance of the controllers strengthens the effectiveness of the FLC system, though a better procedure for follow-up of the performance of controllers with identified omissions is needed. Effective communication and sufficient training of controllers is not ensured, which creates risks for the effectiveness of the controls.

The Guidelines for FLC provide a comprehensive presentation of the scope and process of controls, which are overall sufficient to ensure correct check of regularity and legality of expenditures declared.

IV.2.3.1 Characteristics of the Programme FLC System

The FLC system is described in Chapter 10 ‘First Level Control’ and in Chapter 11 ‘Monitoring, Risk Assessment and Evaluation’ of the IPA Programmes Manual. The Programme procedure for the FLC was assessed positively for compliance with article 108 of IPA implementing regulation by the Audit Authority and by the Commission under Article 116 review.

The setting-up, operation and ensuring quality of the FLC system is the responsibility of each partnering country. Both countries have established decentralised system for the FLC. The first level controllers in both countries are freelance consultants, selected by an open procedure, and execute controls on a contractual basis. Each country is responsible for the recruitment and contracting of controllers. The payment of the services of the controllers is covered by the TA budget. The fee rates of the controllers are established by a decision of the JMC.

The FL controllers are responsible for verifying the legality and regularity of all expenditures declared by beneficiaries. The scope of controls covers administrative, financial, technical and physical aspects of the operations. All verifications are conducted on-the-spot, checking all and each expenditure item. The MA/NA conducts administrative control of all reports, submitted by the FL controllers, and sample-based check of the quality of their performance.

The JTS is responsible for the technical monitoring of the projects. It also conducts ex-ante control of the procurement plants of the beneficiaries, and ex-post control of compliance with major rules on procurement. JTS verifies delivery of services, products and executed works after the end of the projects.

The MA carries out administrative control of all requests for payment prior authorisation of payments (Table 27).



Table 27 Coverage and responsibilities for the FLC

Scope of controls	First level controllers	JTS	MA/NA
Delivery of products and services	100% on-the-spot control of all services and goods delivered and executed works with each request for verification of expenditures	100% administrative check of the technical progress reports (IPA Programmes Manual, Chapter 11, pp.14-19); 100% on-the-spot checks (IPA Programmes Manual, Chapter 11, pp.11-14) of the delivered services and products, and executed works after project end	100% administrative control of completeness and compliance with formal requirements of the first level controllers verification certificates and reports; 10% sample based on-the-spot control of the quality of the conducted controls; 100% administrative control of the Requests for payments.
Soundness of the expenditures declared	100% on-the-spot control of all expenditures	-	
Compliance of expenditure and operations with the Community or Programme rules	100% on-the-spot control of all expenditures with each request for verification of expenditures	100% ex-ante control of the procurement plans; risk based participation in the tender opening sessions; ex-post on-the-spot check of procurement documentation; check of quality of documentation.	

Second level control is performed by the Audit Authority (Group of Auditors) or by external auditors on behalf of the Audit Authority. The main objective of the second level control is to ensure the quality of the verifications performed by the first level controllers. Second level control is performed on a sample basis in line with the approved audit strategy.

IV.2.3.2 Recruitment, training, communications and appraisal of the controllers

Recruitment

There are written procedures for the selection of the Bulgarian controllers, which underwent several modifications. The procedure provides for publication of calls for selection of controllers. The selection procedure includes administrative control of the submitted CVs, English language test and exam on Programme rules, and interview. The controllers should have at least Bachelors' degree in economics, law, social and technical sciences. The submitted applications are assessed by an evaluation committee.

Experts, who are members of MA/NA/AA/CA, are not eligible to apply for controllers. The latest procedures exclude also participation of experts or members of the management bodies of the organisations, beneficiaries under the territorial cooperation programmes and assessors under these programmes to avoid risk of conflict of interest. The controllers, who were in any of the above situations, were excluded from the List of controllers after the enforcement of the new procedure.

In Bulgaria, the first call for the selection of controllers was carried out in 2008, when 22 controllers were selected. After that several calls took place. At the end of 2012, the number of the controllers included in the List of the Bulgarian controllers was 68. According to the MA, 60 of them made checks under the IPA CBC Programmes, managed by MRD.



Till the end of 2012, the controllers were responsible for the verification of all European territorial cooperation programmes. The controllers used to work on nine different programmes. This created problems, as the programmes have had many different rules on eligibility and requirements on documentation. To reduce the risk of errors, at the begging of 2013 the Bulgarian controllers were divided into two groups, specialising in external borders and internal borders territorial cooperation programmes. This division reflected a recommendation of the Bulgarian Court of Auditors.

The procedure for the selection of the Macedonian controllers follows similar rules but was significantly delayed. The controllers started controls in May 2012.

By the end of 2012, the former Yugoslav Republic of Macedonia list of controllers included six experts, however only four of them were available to undertake assignments. The NA launched a call for selection of new controllers but by the cut-off date of the evaluation it was not completed.

The controllers are contracted by MA/NA in line with the provisions of the national legislation of the two countries. In Bulgaria, controllers are contracted as physical persons under Framework Agreement. For each verification, the MA signs a specific service contract with the respective controller.

Controllers are paid after the approval of the quality of their reports. The National Authority (FYROM) heavily delays the payments to the FL controllers, which puts at risk the whole system. During 2012, no payments were made to them (the first payments were made in February-March 2013 but they were partial payments and there is no clarity when the whole amount due would be paid. The meetings with the National Authority (FYROM) representatives showed that they acknowledged the seriousness of the problem.

Bulgarian controllers also had late payments but to a lower degree. Controllers' online survey results show that 53% of them have had more than two cases of late payment of fees. In view of the fact that payments are made after the approval of the reports, the late payment could be due to delay in the approval of the report.

Training

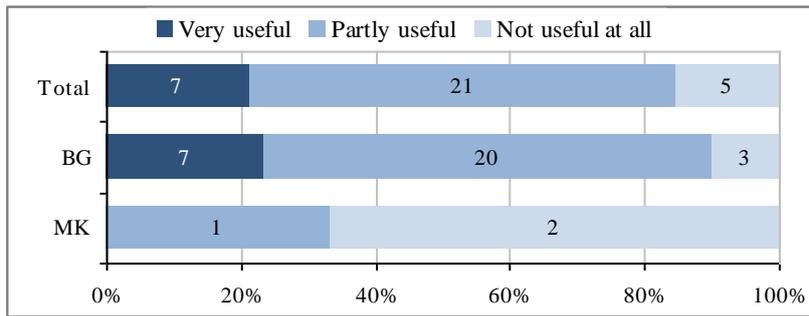
Each country has the responsibility for training of controllers. The first training for Bulgarian controllers with 1 week duration was organised in 2009. The next trainings were shorter, usually with 1 day duration, and are organised once a year.

The Macedonian controllers attended only one training which was organised by the support of INTERACT in Sofia and was intended for the controllers from different countries. Since the training was not specific to the Programme the Macedonian controllers considered that it was not sufficient or useful for their special work

The controllers are not completely satisfied with the conducted trainings (Figure 36). The reason is that they expected more practice-oriented training, focusing on specific cases emerging in control checks.



Figure 36 Opinion of the controllers on the usefulness of the conducted trainings



Source: Online survey of controllers.

The trainings that are considered most needed by the controllers are on following topics:

- Detection of irregularities;
- Accounting issues;
- Financial corrections;
- Procurement.

The training needs of controllers are different due to their different educational background and experience record. Controllers with legal expertise require additional training on accounting issues, while experts with economic education tend to need additional training on procurement.

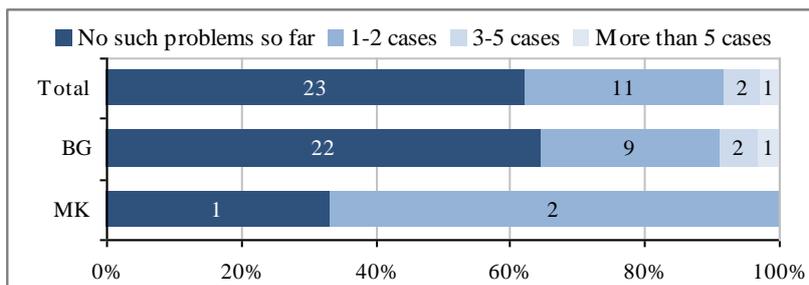
Given the big number of Bulgarian controllers, working on territorial cooperation Programmes, it is feasible to consider organisation of trainings for controllers in cooperation with the Institute for Public Administration. The funding of the training may be ensured by participation fees.

Communications

The procedure for handling the questions of controllers is not described in the Programme Manual and in the Guidelines for controllers. The names of the responsible experts are not published; the deadlines for answering to the queries of the controllers are not set.

The interviews with the Bulgarian controllers showed that they addressed their questions to the responsible experts in the Programme, i.e. the CBC External borders department, the Financial management and control department or the Legal department depending on the issue. Some of the controllers pose their questions by telephone; others submit them by e-mail or in hard copies. Overall, almost two-thirds of the Bulgarian controllers were in a position to receive from MA answers to the questions in due time (Figure 37). The Macedonian controllers mainly turn for advice to JTS in Kyustendil.

Figure 37 Controllers problems with lack of timely response to questions

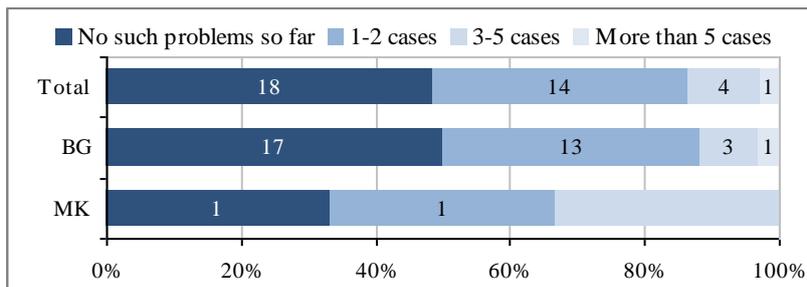




Source: Online survey of controllers (valid cases – 37).

Almost half of the controllers, who responded to the online survey, considered that in some cases, the MA/NA failed to provide them with clear and unambiguous answer to their questions (Figure 38). During the face-to-face interviews, the controllers failed to give an example of a specific case of an unambiguous answer. It was understood that these answers were given by telephone, and as such were unofficial answers. The MA requests the questions to be submitted by the controllers in a written form, which is feasible since usually they relate to a specific case and an answer requires a review of the contract and the reports.

Figure 38 Controllers problems with lack of clear and unambiguous answer to the questions



Source: Online survey of controllers (valid cases – 37).

All interviewed controllers commented that whenever they need an advice on a specific case, they first contact other controllers. This practice speeds up the verifications but creates a significant risk of circulating incorrect interpretations of eligibility or other Programme rules.

The MA/NA has no practice of communicating to the controllers any changes in the procedures (guidelines), instructions on treatment of specific cases, and other information important for the correct implementation of the tasks. A number of controllers complained that when Guidelines were amended, correspondence tables were not published, so they had to review the whole document to identify the changes.

Some best practices in communication between the MA and controllers are given in Box 7. As it could be seen, similar suggestions are given by the controllers interviewed.

Box 7. Communications between MA/NA and controllers

Examples from other Programmes:

- Co-ordination meetings for first level controllers;
- Circulars by e-mails to all controllers of important news, interpretation of cases, etc,
- Individual or group consultations;
- Organisation of training sessions for controllers on specific problematic issues – procurement, irregularities, etc.

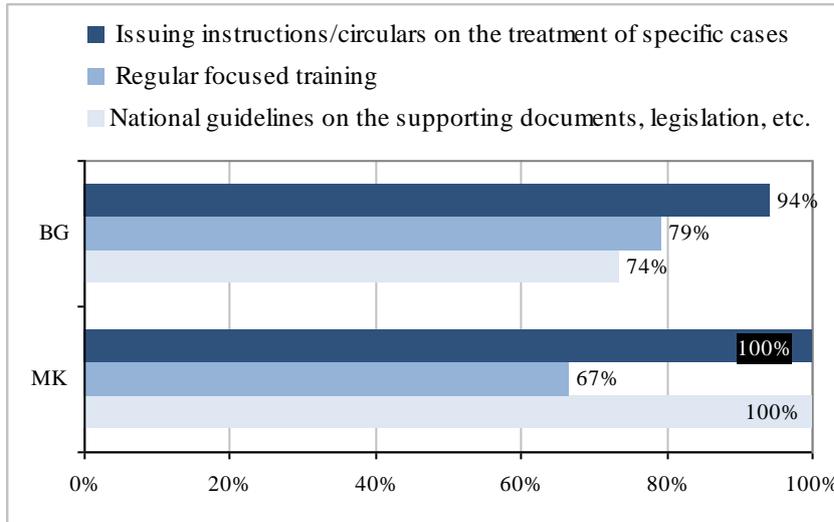
Proposals of the Bulgarian controllers

- ‘Establishment of a help desk’;
- ‘Instructions to be issued on specific problematic cases, encountered by the controllers’;
- ‘Establishment of on-line system for registration of questions of controllers, their distribution to relevant experts of the MA, and publication of answers.

The collected information clearly reveals a need for the establishment of single contract point within the MA/NA for handling questions of controllers and regular communication on interpretation of specific cases/rules, changes in the Guidelines and templates, as well as targeted training. The respondents to the survey considered that the most needed for them is the issuing of instructions and circulars on specific cases and focused trainings (Figure 39).



Figure 39 Training and communication needs of controllers (% of respondents that rated the issue as ‘most’ or ‘very much’ needed)



Source: Online survey of controllers (valid numbers – 37 cases).

Appraisal of the performance

The CBC External Borders Department within MA keeps a database of Bulgarian controllers, which among others includes information on the conducted controls and the omissions found in the work of the controllers.

The appraisal of the work of the controllers is done on the basis of the findings of the administrative and on-the-spot control of their performance, described in the next sections. If the control system finds omissions, errors or negligence, the controllers are subject to penalties. The penalties include fines, suspension or termination of the contract²⁴.

The appraisal system includes also a provision for conducting annual examination of the controllers to establish their level of knowledge and understanding of the Programme rules and control procedures. The controllers, who fail to take the exam, are excluded from the List.

²⁴ In case of major omissions the MRDPW methodology provides for termination of the contract only. It seems necessary for these cases to provide for a fine as well. MRD, Internal rules for selection, designation and control of first level controllers of Bulgarian partners in territorial co-operation projects, in which Bulgaria participates, 29.09.2012 (in Bulgarian).



IV.2.3.3 Process of FLC

The process of FLC, as described in the Guidelines for FLC and the PIM, is given in Table 28.

Table 28 Process of FLC and payment authorisation

Operation	Time limit
1. The Lead Partner, after consultation with all project partners, prepares and submits to the Managing Authority a ‘Request for First Level Control’	5 days after the end of the reporting period
2. MA sends information on Macedonian LP/PPs to the NA	5 days
3. MA/NA assigns a controller (‘Designation Certificate’ and ‘Assignment contract’)	20 days
4. Controller conducts verification procedure of respective partner and issues ‘Certificate for Validation of Expenditures’ (CVE), ‘FLC Report and Checklist’, gives one copy to the respective partner and sends a copy to MA/NA.	30 days
5. MA/NA perform 100% cross-check of the FLC	10 days
6. Controller corrects the report and sends it to the MA/NA and the beneficiary	5 days
7. Each project partner submits ‘Verification package’ to the Lead partner: verified by the controller ‘Invoice Report’ (IR), CVE and ‘Designation Certificate’ for the controller	not specified
8. The Lead partner prepares aggregated ‘Verification package’ (i.e. comprising the documents for all partners) and ‘Request for payment’ and sends them by e-mail to JTS for ex-ante control (for Second call contracts only).	
9. The Lead partner sends request for payment to the MA. Appeals on non-verified by the FLC costs are sent with the Request for payment	5 days
10. MA performs a check, whether the amount of expenditures, specified in the Request for Payment, corresponds to the expenditures verified by the first level controllers. MA and NA perform together justification of any Appeals submitted.	5 days

Note: All days are working days.

The procedure starts with the Lead partner submitting a request for first level control to the MA. The First call projects send request for FLC on quarterly basis (every 3 months), and for the Second call on six 6 months or 3 months (in case of 15% expenditure made of the total amount of the operation, according to Article 7 of the Subsidy contract). Additional deadlines may be put if there is a risk of decommitment.

Since the majority of the contracts are signed in one day/month, the requests for FLC are not evenly distributed and tend to accumulate around one and the same date/months. In Bulgaria, there is sufficient number of controllers but in the former Yugoslav Republic of Macedonia, the increasing of the number of controls requires keeping of a bigger number of controllers than it would have been necessary if the requests have been more evenly distributed. There is an example of good practice under the Hungary-Croatia IPA Cross-border Co-operation Programme 2007-2013, where the grant contract includes a forecast schedule of submission of payment claims for each reporting period. It specifies the expected date of report, deadline for submission of the report and the amount that is expected to be verified/paid.

After receiving a request for verification, the MA has to inform NA authority within 5 days and MA/NA has 20 days to designate a controller to the project.

The Bulgarian controllers are designated prior each assignment. After receiving a request for verification of expenditures, the MA selects randomly a controller from the List of approved controllers. Thus, expenditures of the Bulgarian beneficiaries are checked by different controllers.

This procedure requires additional resources in the MA for coordination and management of the process of designation of controllers. It influences also the time for validation of



expenditures. The time limit for selecting and contracting a controller is 20 working days. However, it gives flexibility, as the timely execution of the check does not depend on the availability of a specific controller.

The procedure reduces the efficiency of the use of FLC resources. Every controller has to review the project contract and reports, and to double check the documents that have already been verified by the previous controller (e.g. contracts and job descriptions of the project staff, tender dossiers in cases, where payments are done in more than one reporting period).

The interviewed representatives of the MA and the Audit Authority consider that the benefit of the procedure is in preventing risk in collusion between the controller and the beneficiary.

Another benefit, according to the Programme managers and interviewed controllers, is that it reduces the risk of omissions or errors in verification of expenditures since documents are checked by more than one controller. This, however, transfers the risk of mistakes in the FLC to the beneficiary. For example, if at the beginning of the project one controller verifies that the rules for contracting of project staff are respected, the beneficiary have no reason to make any changes or to search for additional confirmation of the compliance with the rules. If at the end of the project another controller correctly finds violation of the same rule, the error is due to the control system, rather to the beneficiary, unless some intentional irregularities are found.

It should be noted that the Programme manual does not have a description of the procedures, which should be followed in cases of discrepancies in the opinions of controllers on the eligibility of one and the same expenditure. The Irregularity manual does not specify that in cases, when a controller finds a mistake of the previous controller, he/she should submit an irregularity report.

The Macedonian controllers are designated to projects/partners and one controller verifies all requests for verification of costs issued by the project partner.

The designated controller has 30 days to execute the verification and to prepare report. The interviews with the representatives of the Audit Authority show that they have not found any delays in the designation of controllers or the execution of controls by the controllers.

The controller submits a Certificate for Validation of Expenditures (CVE) and report to the respective partner and to the MA/NA. The MA/NA performs formal check of the documents submitted by the controllers and requests corrections, where necessary. In case of corrections, the controllers have to resubmit reports both to MA/NA and the beneficiary. It seems that the procedure will be improved, if the CVE is submitted to the beneficiary after the completion of the administrative controls.

After receiving the CVE, partners prepare and submit to the Lead partner the so called verification package, containing CVEs and accompanying documents. The Lead partner verifies that the expenditure claimed by the partners is correct, prepares Request for payment and accompanying documents and submits them to the JTS for ex-ante control. The ex-ante check of the Requests for payment is introduced for the Second call contracts and is very helpful for eliminating errors and omissions. After receiving the approval of the JTS, the Lead partner sends Request for payment to MA.



IV.2.3.4 Control of the quality of performance of the controllers

There are two types of controls within MA and NA.

The first control includes administrative check of all submitted CVEs and the accompanying documents. The control is carried out with standard checklist by MA (CBC External Borders Department) and NA. The issues that are checked are as follows:

- compliance with the deadlines;
- completeness of the documentation;
- consistency between statements in the different sections of the report.

The MA/NA has to finalise formal check of the documents submitted by controllers within 10 days and where needed, the controller has 5 days to correct omissions in the report. The procedure for correction of the controllers' report is not well described in the Guidelines for FLC.

The interviews with the experts from the CBC External Border Departments, within MA, revealed that a number of small omissions were established during the administrative checks of the Bulgarian controllers' reports. In case of omissions, the respective expert has to prepare a report to the Head of the MA, with a proposal to impose sanctions on first level controller in accordance with the approved mechanism for penalties. The Programme manual does not contain a template of this report. It is the opinion of the evaluators that a simple template should be introduced, specifying the number and types of errors or omissions, or lack of such, which to be submitted to the Legislation and Irregularities Department; the latter to register all omissions or good performances of the controllers in the common database.

The second type of control is sample-based check of the executed by the controllers' verifications. One part of the sample is randomly drawn from the List of controllers, who have executed checks in the last three months and the other covers controllers with filed cases on appeals and signals on miss-performance (10% sample in total). The MA/NA experts or delegated by them experts re-perform all of the First Level Control checks visiting on-the-spot the project partner. The omissions have to be reported as irregularities, where applicable. The penalties are imposed in cases of omissions.

In the Bulgarian system, the controller is subject of a penalty, if a mistake is found, but the procedure does not provide for an in-depth review of the level of knowledge of the controller and follow-up of the performance of the same controller.

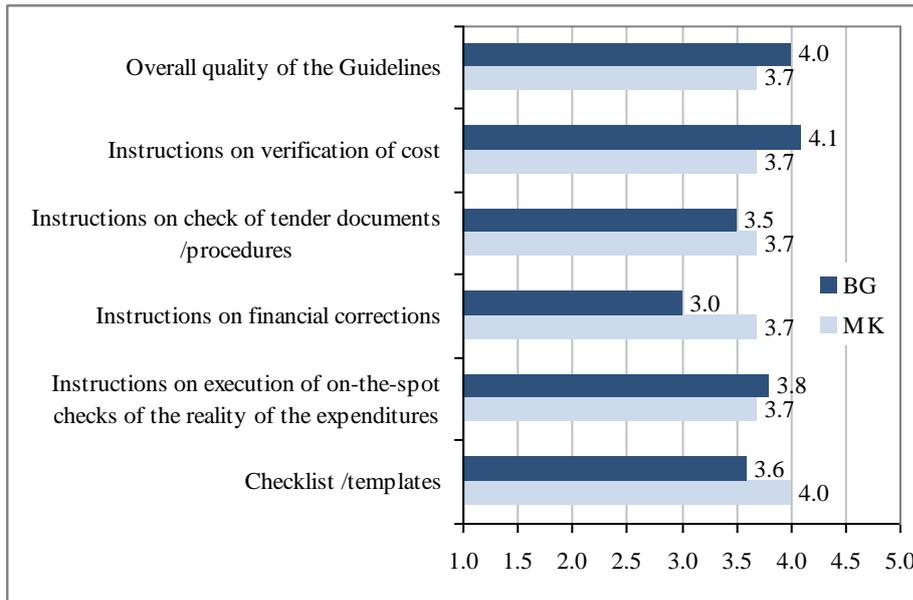
IV.2.3.5 Quality of the Guidelines for FLC

The procedures are described in the Guidelines for First Level Control on CBC Programmes, co-financed by IPA Bulgaria–Serbia, Bulgaria– former Yugoslav Republic of Macedonia, Bulgaria–Turkey and its annexes. The document was first published in 2011 and since then underwent 2 revisions. The interviewed controllers considered that the clarity and the scope of the Guidelines had improved significantly.

The overall quality of the Guidelines is positively assessed by the Bulgarian controllers, respondents of the online survey, and slightly lower rated by the Macedonian controllers (Figure 40).



Figure 40 Opinion of the controllers on the quality of the Guidelines
(Average score, 5=excellent, 1=poor)



Source: Online survey of controllers (valid numbers – 37 cases).

The review of the Manual reveals that it has a comprehensive description of the scope and process of control. There is a very clear and detailed description of the rules for the eligibility of costs and of the documents that have to be checked by the controller.

For each budget heading, the Guidelines clearly specify the documents proving commitment, purchase, payment and delivery of the goods and services. Overall, the section of the Guidelines, describing the *eligibility of expenditure and documentation proving expenditure* is the most highly assessed by the controllers. Some of the controllers think that the Guidelines have to include practical examples or presentation of specific cases that need special attention or are subject to interpretation, which indeed may improve the quality of the Guidelines.

The controllers are more critical on the instructions for *verification of compliance with the procurement rules*. The main requirements on procurement are outlined in the Guidelines and described in more details in the PIM, which is also used as reference document by the controllers.

The Guidelines include procurement checklists that have to be filled-in for every tender checked by the controller. The checklists for services, works and grants, include a very detailed list of items that have to be checked by the controllers (7-9 pages long), verifying all stages of the procurement process (tender dossier, evaluation of tenders and contracting). Some of the controllers consider that the level of detail of the checklist is adequate since it draws attention to all important issues in procurement. Others consider that the checklist had to focus only on most important procurement principles and rules.

The opinion of the evaluators is that the checklist contains many parts that are not relevant to the single tenders, which are 85% of all tenders. Therefore, a separate checklist has to be prepared for control of single tenders. The level of minor/formal issues checked has to be decreased and the checklist has to be focused on major principles. Overlapping sections have to be identified and eliminated. For example, checklists provide for check of the content of the draft contract and similar items are checked in the contract signed. The following problems are noticed in the checklists:



- The Checklists do not have a section on contract modifications, which are covered by the procurement rules and irregularities are found relating to contract modifications (e.g. supplementary/complementary works awarded directly without being re-tendered; amendment of essential conditions of the contract award at performance stage);
- The Checklists do not ask controller to check on risk for irregularities indicators (e.g. unusual similarities in tenders by candidates participating in the same tender).
- Some questions in the checklists have to be formulated more precisely. Thus, question in the Checklist for supplies (Annex 3.2) on selection and award criteria is misleading. It asks controllers to verify that ‘Selection and award criteria are relevant and fair’. The PRAG does not give the beneficiary the right to select the award criteria in case of supplies and works, and the sole award criteria is the lowest price, which has to be checked by the controller. The selection criteria have to be checked for non-discrimination. Another issue is that the check of the selection criteria is included in the section for procurement notice, which is not relevant for the vast majority of tenders, and there is a risk, the selection criteria not to be checked at all. The checklists do not provide for verification that 3 suppliers were consulted in case of competitive negotiated procedures.

Related to the control of compliance with the procurement rules, the major need for support mentioned by the controllers are more clear and detailed guidelines on issues that require judgment by the controller (e.g. discriminatory selection criteria)²⁵.

Some of the controls of the procurement rules executed by the first level controllers are also executed by the JTS. The interviews showed that in 2012 the instructions to the checklist for the JTS monitoring visits, the scope of the controls have been clearly defined and duplications reduced. However, that is not reflected in the questions of the checklists and the text of Chapter 11 of the Manual.

As it could be seen on Figure 5, the controllers are most critical on the clarity of the instructions given in the Guidelines on *flat rate financial corrections* in case of omissions in the procurement rules. The controllers are required to use the COCOF Guidelines for financial corrections in case of irregularities found in the Structural funds and the Cohesion fund²⁶.

This requirement does not seem to be well grounded for several reasons. On many of the irregularities, the COCOF Guidelines give ranges of possible financial correction rates. In addition, the COCOF Guidelines clearly state that it does not cover all cases but only those situations that are frequently found. For cases not covered by the COCOF Guidelines, the instruction is to apply the same principle. It seems highly unrealistic to expect that all FL controllers will have a deep understanding and knowledge on EU procurement principles, and the case law to be in a position to propose a correct rate of financial corrections.

In all cases of flat rate corrections, the Legislation and Irregularities Department has to initiate irregularity procedure, which finalises with a decision on the correct/incorrect application of the flat rate correction made by the controller. Thus, the Legislation and Irregularities

²⁵ PRAG Section 2.4.11.1.1 gives good description of the principles of non-discrimination, which may be referred to in the Manual.

²⁶ COCOF 07/0037/03-EN, Guidelines for Determining Financial Corrections to be Made to Expenditure Co-financed by the Structural Funds or the Cohesion Fund for Non-Compliance with the Rules on Public Procurement.



Department has to review the case and has the final decision on the correction to be applied. Therefore, it is much more feasible to require the controllers to submit an irregularity report, explaining in detail the omissions found and the value of the procurement contract, to which they apply. It should be noted, that the established procedure requiring the controller to correct her/his report in line with the findings of the Legislation and Irregularities Department may need to be reconsidered since it violates the independency of the decision of the controller. This applies also to other cases of omissions of the controllers found during the 10% performance check related to incorrectly verified expenditures. In such cases, rather than asking the controller to correct the report, the Legislation and Irregularities Department Legislation and Irregularities Department has to issue a statement of correction of the expenditures verified by the controller.

The online survey and the interviews with the controllers found that some of them are not satisfied with the level of detail of procedures for *verification of compliance of the value for money principle*. Indeed, the Guidelines include only a short statement on this principle, without giving a detailed definition and focuses on problems with verifying value for money ‘There may be cases when it would be difficult for the Controller to decide on the matter but in any case must not neglect to check the compliance with this principle. If in doubt, s/he should note that in the FLC Report and should make financial corrections’. This definition gives too much discretion to the controllers to decide, when and how to check the value for money. The interviews showed that part of the controllers request offers, other check for catalogues prices, and third consider that the value for money is checked prior contracting and the controller has to check only that the quality corresponds to the one specified in the annexes of the subsidy contract.

Similarly, the guidelines for *on-the-spot check of the delivered services and goods* are not sufficiently detailed, according to part of the interviewed controllers, and the evaluators share the same opinion. The minimum requirements related to these checks are not clearly stated in the Guidelines.

Documentation of verifications

The documents to be prepared by the controllers on the checks performed are listed below:

- Certificate for validation of expenditures with two annexes;
- FLC report & Overall checklists;
- Checklists for each procurement tenders by type of contracts.

The content of these templates cover all important issues related to the executed checks, validated and non-validated expenditures. The administrative checks reveal a lot of formal omissions, such as unfilled fields, incorrectly entered name or number of the contract, small arithmetical mistakes in rounding or made during the transfer of data from the invoice report. It seems that some of the mistakes relate to the fact that an MS World template is used instead of an Excel one, which allows automatic transfer of data, calculations and creation of summary tables. It seems feasible to link the checklist to the invoice report. A good example of such checklist, mentioned by several controllers, is the template used by the South East Europe Programme.

The controllers also propose the one and the same template to be used for all IPA CBC programmes, which is feasible since it would eliminate mistakes due to using of incorrect template. There is also a proposal for the development of instructions for the filling-in of the template, which is a good practice under other territorial cooperation programmes.



The Guidelines establishes that “All originals of primary accounting documents (invoices, pay slips, travel bills, bank statements, payment orders, etc.) must be certified by the Controller with her/his individual stamp”. This requirement is not specified and in reality the controllers stamp each page of the documents related to project expenditure, and some even put stamps on all documents reviewed (outputs, training presentations, etc.). On each page the controller must put date, signature and the controller number. As commented by one of the controllers, in cases of tender dossiers “stamping takes more time than the check of documents”.

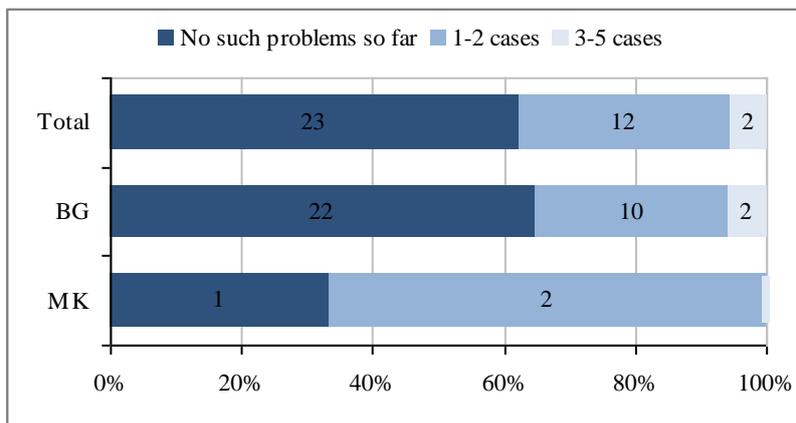
The validation of the financial documents by a stamp of the controllers is practiced in order to prevent reporting of expenditures to different Programmes, i.e. double-funding, and thus is it well-justified. However, the validation of each page of all documents is hardly justifiable. Some of the controllers considered that it was necessary, in order to prove that the documents were checked. The cost-benefit of this mode of recording of work done by the controller is quite low. The other reason given was to prevent replacement of documents in cases of detected errors or irregularities. The appropriate procedure in this case is copies of the documents to be retained and attached to the controller report.

Therefore, corrections in the Guidelines have to be introduced for better clearness and specification of the concrete type of documents that need stamping and whether it refers to the whole document or only some parts of it. It should be clearly stipulated whether the next controller should do that again in case of already existing stamping, done by the previous controller (double even triple stamping of documents).

Problems with beneficiaries

One third of the controllers had cases with beneficiaries trying to influence their decision or not willing to cooperate (Figure 41).

Figure 41 Problems of controllers with beneficiaries (unwillingness to cooperate, lobbying, etc.)



Source: Online survey of controllers (valid numbers – 37 cases).

The interviews identified two main problems of controllers with beneficiaries. The first problem relate to cases, where beneficiaries present to the controller documents that are not filed and ordered, and expect the controller to do this. In this respect, the contract or PIM does not puts an obligation to the beneficiary that all documents presented to the controller have to be filed and easily accessible to facilitate their examination.



The second problem refers to cases, where beneficiaries try to lobby and influence the decision of the controllers. It should be noted that the Contract has no special provision that any attempt to influence a decision of the controller would be treated as irregularity.



IV.2.3.6 Assessment of the effectiveness and efficiency of the FLC system

Effectiveness of the FLC system

FLC system responds to the main criteria for effectiveness of controls stated in the Article 32 (3) of the Financial regulation²⁷ (Box 8). There are written procedures for first level control; all expenditures are subject to administrative and on-the-spot verifications; the controls are documented. Both MA/NA have procedures for administrative check of all certificates for

Box 8 Article 32 (3) of the Financial regulation

Effective internal control shall be based on best inter-national practices and include, in particular, the following:

- (a) segregation of tasks;
- (b) an appropriate risk management and control strategy including control at recipient level;
- (c) avoidance of conflicts of interests;
- (d) adequate audit trails and data integrity in data systems;
- (e) procedures for monitoring of performance and for follow-up of identified internal control weaknesses and exceptions;
- (f) periodic assessment of the sound functioning of the internal control system.

validation of expenditures issued by the controllers and for sample-based check of the quality of performance of the controllers. The system provides for segregation of tasks and avoidance of conflict of interest; it has appropriate risk management and control strategy. Adequate audit trail is ensured.

The assessment of the functioning of the first level control system is carried by the MA, AA and CA. The MA have implemented all recommendations given by the second level control

bodies (e.g. specialisation of the controllers by type of Programme, exclusion of controllers who participate in the management of beneficiaries’ organisations under the IPA CBC Programmes or were assessors under the same programmes, etc.).

The review of the procedure reveals that the system lacks well-designed strategy for the training of the controllers and for effective communication between MA/NA and controllers. This creates risk for the effectiveness of the controls.

There are well-described procedures for monitoring of the performance of the FL controllers and these are implemented. However, some of the findings of controls are not always systematically recorded (e.g. the findings of the administrative controls). When weaknesses are identified in the performance of a controller, the corrective measures are penalties or termination, or suspension of the contract with the controller. However, the system does not provide for the analysis of level of knowledge of the controller and follow-up of his/her performance.

There are some weaknesses in the description of the controls in the Guidelines for first level controllers that also create risks for the effectiveness of controls. The minimum standards are not specified in case of controls for compliance with the value for money principles and on-the-spot control of reality of the delivered services, goods and executed works. The Guidelines contain no sufficient information on the recommended methods and techniques of controls.

The evaluators had not received an access to the Audit reports related to performance of the FLC system. According to the conducted interviews, the Audit Authority executed audit of operations in 2013 in line with Article 107 of IPA implementing regulation. The audit found small discrepancies between validated expenditure by the controllers and auditors sample test

²⁷ Regulation (EU, Euratom) No 966/2012 of the European parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002.



of expenditures of Bulgarian beneficiaries. The audit of operations in the former Yugoslav Republic of Macedonia found problems in the capacity of NA to coordinate and ensure quality of the FLC. The interviews revealed that in the former Yugoslav Republic of Macedonia there is a turnover of staff in the NA. The NA has not ensured the training of the staff responsible for co-ordination of FLC.

Efficiency of the FLC system

There are a number of weaknesses in the efficiency of the FLC system, if it is checked against the criteria for efficient internal control, stated in the Article 32 of the Financial regulation²⁸ (Box 9). The Programme has a very good system for identification of project level risk,

Box 9. Article 32 (4) of the Financial regulation

Efficient internal control shall be based on the following elements:

- (a) implementation of an appropriate risk management and control strategy coordinated among appropriate actors involved in the control chain;
- (b) accessibility for all appropriate actors in the control chain of the results of controls carried out;
- (c) reliance, where appropriate, on management declarations of implementation partners and independent audit opinions, provided that the quality of the underlying work is adequate and acceptable and that it was performed in accordance with agreed standards;
- (d) timely application of corrective measures, including, where appropriate, dissuasive penalties;
- (e) clear and unambiguous legislation underlying the policies;
- (f) elimination of multiple controls;
- (g) improving the cost-benefit ratio of controls.

formulating and implementing actions for risk prevention. However, the identified project level risks are not communicated to the FL controllers.

As commented in the previous sections, some of the controls executed by the first level controllers are also executed by the JTS (on-the-spot control of the delivery of goods, services and execution of works).

The efficiency is decreased by the fact that the Reports of the FL controllers are not entered into the MIS. The procedure does not envisage the FL controllers, executing checks, to read the report of the previous controller and the reports of the JTS monitoring visits.

The JTS has not clearly formulated responsibilities for identifying weaknesses in the FL controllers' reports during the ad-hoc and final monitoring visits. The recommended by the COCOF procedures are to ensure that when different persons execute controls, they to receive relevant and timely information on the results of the verifications carried out²⁹. The COCOF best practices recommendations are 'details of the work done by each of the controllers to be made available to the controller of the lead beneficiary, the lead beneficiary and to the Managing Authority'.

The rotating of the controllers, under the Bulgarian system, leads to inefficiencies due to the duplicating of controls of one and the same documents (staff contracts and job descriptions, procurement documents, etc.).

²⁸ Regulation (EU, Euratom) No 966/2012 of the European parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002.

²⁹ COCOF 08/0020/04-EN, Guidance Document on Management Verifications to be Carried out by Member States on Operations Co-financed by the Structural Funds and the Cohesion Fund for the 2007 – 2013 Programming Period.



Overall, as discussed in Annex 8, the costs for the FL control may be significantly reduced if single tender procedures are simplified, simplified costs options are fully utilised and the number of the on-the-spot visits is reduced.

The efficiency may be improved; if some of the omissions identified in the Reports of the controllers/Request for payment are corrected by the MA/NA when executing the checks, without requiring the resubmission of the documents. A significant improvement in the quality of the reports and the efficiency of controls may be achieved, if templates are put into Excel format with automatic calculation of subtotals and totals and protected, as it is done in the budget template of the Application form. The requirement to stamp all pages of documents reviewed by controllers leads to waste of resources.

For the next programming period, the Bulgarian authorities may consider introduction of centralised FLC system in Bulgaria. The centralised system would reduce costs for the FLC, if planning of the Calls for proposals; contracting and reporting requirements allow even flow of requests for payments (see Annex 8). However, the centralised system is vulnerable to the risks of delays in contracting and submission of requests for payments, which will require maintaining of a higher number of staff and/or may lead to delay in payments to beneficiaries, thus increasing the overall costs of the system. Therefore, the evaluators would recommend not changing the current system unless risks for delays in controls is minimised.



IV.2.4 Quality of the Programme monitoring system

EQ.11.4 How effective is the programme monitoring system in terms of quality and relevance of programme indicators, targets, and system for collection, analysis and reporting of data on indicators?

Conclusions:

Programme has a very big number of output indicators (35) due to the broad scope of interventions and setting of more than one indicator on some outputs. There are missing indicators on infrastructure-related outputs, to which is dedicated the largest share of the budget. The result indicators have a number of deficiencies that make them hardly usable for measuring the Programme results.

Programme lacks clear definitions of indicators and measurement units. That makes difficult interpretation of the targets' achievement since it is not certain, which measurement unit was used in programming. The MA issued guidance on definitions and measurement units of indicators, but First call projects were not required to adjust indicators to approved definitions.

The data on monitoring indicators is collected on project level, but prior the start of the projects they are not checked for consistency with the approved definitions of indicators. The documentary review of indicators of the First call projects revealed use of different measurement units, reporting on irrelevant to the project indicators and double counting. The verified by the evaluators' data on First call projects differ significantly from the monitoring system information on 11 indicators, and have small differences on 15 indicators, out of a total of 44 output and result indicators.

The MA conducted regular analysis of the level of achievement of Programme targets and made highly relevant recommendations for modifications of the eligibility criteria that ensured allocation of funds to Programme priorities.

The JMC structure is well balanced with prevailing representation of local and regional stakeholders. The share of social partners and NGOs with voting rights from the border region is adequate. The support provided to JMC by MA and JTS is of good quality.

In the course of the Program implementation, JMC conducted regular meetings and carried out a number of written procedures, covering a wide range of issues within its responsibility. JMC members are well aware of Programme priorities, and make concrete and useful comments and recommendations.

IV.2.4.1 Programme indicators system

The Programme has 35 output and 9 result indicators, which are intervention area specific (Annex 6). Each indicator has a quantified target for the whole programming period.

The definitions of indicators and the units of measurement are not specified in the Programme. The lack of explicit definitions of the indicators, created problems under the First call for proposals since beneficiaries tended to interpret indicators differently. Prior to the launch of the Second call, MA issued and published on the Programme website Guidelines on the



indicators³⁰, containing detailed definitions of indicators and unit of measurement, which according to the MA improved reliability of the monitoring data of the projects, contracted under the Second call.

Despite improvements of the clarity of indicators, some definitions of indicators need further improvement to allow aggregation of data reported by projects and to achieve comparable results. The definitions of indicators that need improvement are commented in Annex 6 to the Report, and suggestions for improvement are given, where necessary.

The lack of definitions on indicators in the Programme text makes interpretation of achievements difficult, since on number of indicators it is not certain, which unit of measurement was used in programming for the setting of targets. These specific cases are discussed in section IV.1.3.1&2.

Output indicators

The number of output indicators is quite big, which to some extent reflects the broad scope of the Programme objectives and activities. However, in some cases, there are several indicators that measure one output (e.g. OI 25, OI 26, OI 27) and in other cases, the indicators are overlapping.

The review of the Programme intervention logic and the supported projects revealed that some important output indicators are missing. Only 1 out of 35 output indicators measures the outputs of the investment interventions, although about 50% of the projects and 80% of the funds are allocated to the investment projects.

In order to respond to the gaps in indicators, the evaluators defined some additional common output indicators and collected information by documentary review of the projects under the First call for proposals and on-the-spot visits. Two indicators are proposed to be included in the list of common Programme indicators: ‘Number of new/improved facilities, related to education and social services’ and ‘Number of new/renovated/equipped facilities, related to culture (centres of culture, museums, etc.)’. For the needs of the monitoring of the Programme achievements, it will be useful to collect data on these additional indicators for the projects supported under the Second and the Third call for Proposals.

It should be noted that the baseline of all output indicators is zero. The data that is reported as baseline in the Monitoring reports and Annual Implementation Reports is in reality a historic data on results of previous projects implemented under the cross-border cooperation pre-accession grant schemes. However, the collected data is quite useful and may be used for the setting of targets on indicators in the next programming period.

The targets on some of the output indicators are significantly underestimated, while on others they are overestimated. These cases are discussed in Section IV.1.3.1&2 of the evaluation report.

Result indicators

The Programme result indicators have a number of deficiencies. Main weakness is that the defined indicators are quite vague (e.g. increase of cultural capital) or combine incompatible variables (e.g. people and goods; communities and institutions). Some of the defined result indicators relate to the Programme outputs and others to impacts. Another weakness is the

³⁰ MA, Methodology of Programme Output and Result Indicators Assessment.



overambitious targets on some indicators, given the size of the Programme and the type of supported interventions (e.g. 2% reduction of pollution in the border region).

The MA correctly decided to collect data on number of projects that contribute to the stated result indicators, instead of trying to measure them.

It has to be noted, that the measurement of almost half of the result indicators (RI 4, RI 7, RI 8, RI 9) requires conducting surveys for estimating of baseline and achievements. Due to the high cost for collecting data, this kind of indicators has to be included in the next programming period, only if indispensable for measuring important programme results. Given the small size of the Programme and the variety of interventions, it is feasible to consider in the next programming period to use *qualitative* results indicators.

Despite problems with the quality of the output and result indicators, it is not recommended to initiate amendment of the Programme for the update of the indicators or the targets. At the current advanced stage of the Programme implementation, it will not bring any benefits for the targeting of interventions.

IV.2.4.2 Quality of monitoring data

The list of common monitoring indicators is included in the application form and applicants are required to give quantified targets to all relevant to their project output and result indicators. In addition, applicants define project specific indicators for outputs and results that are important for the project, but not covered by the common indicators. The MA/JTS does not conduct verification of the relevance and correct setting of project level indicators.

For the needs of this evaluation, a documentary review of all projects supported under the First call for proposal was carried out in order to verify the reliability of the reported indicators. The results of the carried out documentary review by project are given in Annex 7. The aggregated results by sphere of intervention are presented and discussed in Section IV.1.3.1&2.

The documentary review of the projects and on-the site visits revealed different types of problems for project level indicators:

- 1) Wrongly selected indicators of some projects, i.e. reporting on indicators that are not relevant to the project activities and objectives;
- 2) Different measurement units used by projects (OI 1, OI 15, OI 35);
- 3) Double counting (OI 6, OI 12).

The verified by the evaluators' data on the First call projects differ significantly from the monitoring system information on 11 indicators, and have small differences on 15 indicators (Table 29). The data was adjusted upwards on 7 indicators and downwards on 19 indicators. The verified, by the evaluators, data on the values of indicators by the end of 2012 is given in Tables 15-17,20-21 of this Report. The double counting on indicators is not eliminated since project progress reports contain insufficient information.



Table 29 Discrepancies between monitoring system and verified by the evaluators data on monitoring indicators of First call projects

Sphere of intervention	Number of indicators	Difference between the values on indicators in the monitoring system and verified by the evaluators (number of indicators)		
		Total	Small differences	Significant discrepancies
1.1 'Economic development'	10	6	2	4
1.2 'Social cohesion'	12	11	8	3
1.3 'Project Preparation'	4	0	0	0
2.1 'Utilisation of eco resources'	9	0	0	0
2.2 'Utilisation of cultural resources'	9	9	5	4
Total	44	27	15	11

Note: Small difference: up to 20% of the value of indicator and in case of indicators with small value units up to 2 units; significant difference Above these limits.

Due to the above stated deficiencies, the aggregation of project level monitoring data, without prior verification, fails to give a reliable picture of the Programme progress and achievements. Taking into account the relatively small number of contracts, it is recommended the indicators under the Second call contracts to be reviewed and corrected, where necessary, by the Project managers at the JTS. For the Third call, the assessors have to be required to identify indicators that use incorrect measurement units or are not relevant to the project, or have other deficiencies. During the negotiation procedures prior contracting, the indicators have to be corrected.

The beneficiaries are requested to report on achievement of the output and result indicators in each progress reports. This seems unnecessary, as for most of the defined indicators results may be expected at the project end. MA may consider collecting data on achieved values of indicators at the end of the project implementation only. This will facilitate collecting and reporting of data in the Annual reports, as it will require aggregation of data on completed projects only.

In 2011, the MA prepared a special report on quality and level of achievement of Programme indicators³¹. The report identified weakness on project level indicators and recommended the on-going evaluation to include verification of project level indicators.

The MA reviews the level of achievement of indicators after each call for proposals. The MA identified correctly the weaknesses of the available monitoring data and based its analysis on the core indicators, which allowed identifying risks for achievement of the Programme objectives. Based on this analysis, the MA made recommendations on the modification of the eligibility rules in the next calls for proposals. All reviewed recommendations commented in the previous Sections of the report were highly relevant and supported allocation of funds to Programme priorities.

³¹ Analysis of the Output and Results Indicators Based on the Projects Proposed for Financed under the First and Second Call for Proposals (2012).



IV.2.4.3 Quality of Programme monitoring activities

The Joint Monitoring Committee (JMC), together with the MA, is responsible for the monitoring the Programme implementation in accordance with the principle of sound financial management. JMC is responsible for the monitoring of the Programme implementation and ensures the achievement of the Programme objectives, rational use of the allocated resources through periodical review of the progress made towards achieving the specific targets of the Programme and on the basis of documents submitted by the MA; examination of the results of implementation, particularly achievement of the targets set for each Priority axis. Its tasks include also the approval of the criteria for selecting the operations financed by the Programme and revisions (if any) of those criteria in accordance with programming needs; selecting of the operations to be supported; approval of the addendums to the contracts, related to major budget changes or duration of the projects.

JMC consists of representative, appointed by the two participating countries, according to the partnership principle. The JMC meets regularly³² at the initiative of the participating countries or of the Commission and it is co-chaired by the MA/NA representative/s. The JMC is composed of voting and non-voting members (51 members in total, of which 25 with voting rights). The composition of JMC voting members include representatives of MA/NA, other line ministries, regional and local authorities, social partners and NGOs. EC, CA and AA participate also in the work of the JMC in an advisory capacity.

The JMC structure is well balanced. Representatives of the central administration constitute less than half of the voting members. The share of social partners and NGOs from the border region is more than one third of the members with voting rights. Some of the JMC members representing social partners and NGOs met during the interviews recommended an increase of the share of representatives from border regions since they are more aware of the local needs and problems.

The JMC is supported by the JTS, which acts as a Secretariat and facilitates the Programme monitoring activities. Its support is well appreciated by the members of JMC. Very important support provided to JMC decision making by the MA is the high quality and timely analysis of the results from the call for proposals. As commented, based on this analysis relevant modifications on eligibility criteria for the following calls for proposals were made.

During the 2008-2012 period, JMC conducted regular meetings and carried out a number of written procedures (five meetings of the JMC and twenty one written procedures). The JMC meetings covered wide range of issues within its responsibility. The review of the meetings' protocols/minutes and the interviews conducted with JMC members revealed that the members were well aware of Programme priorities, and made concrete and useful comments and recommendations.

³² The first JMC meeting was in March 2008. It approved the JMC Rules of Procedures, the Communication strategy, the job profiles for the JTS staff and the eligibility of the TA expenditures.



V. Conclusions and recommendations

V.1 Conclusions

Evaluation of the Programme interim results

The late launch and evaluation of the First call for proposal due to delayed setting up of the management and control systems resulted in very low *absorption of funds* in the period 2008-2012. At the end of 2012 the delay in contracting was compensated, but payments were insufficient to avoid decommitment of part of IPA funds.

Towards the end of 2012, three calls for proposals were launched and attracted sufficient number of good quality applications. By the end of 2012 56 contracts were signed, of which 3 were terminated, 25 completed and 28 ongoing.

The executed contracts are almost equally distributed between two priority axes. The investment projects comprise about half of all financed projects, and to these projects was allocated about 80% of the Programme funding. This reflects the demand for support and the priority given to investment projects by JMC. The distribution of the support by partner country is quite equitable. The supported projects have quite wide regional scope. Out of 50 eligible municipalities, projects are implemented on the territory of 39. The total population of the municipalities, which benefit from the Programme, is 90% of the target region population. The distribution of funding by eligible target region is to a large extent proportionate to the regional population and territory.

The supported projects under the First call for proposals are generally *coherent with the objectives and priorities of the Programme*. In the majority of cases, the projects are based on balanced and adequate partnerships and with clear link between activities and results. A weakness in some projects is broad scope of activities, resulting in scattering of projects to various types of small actions.

Irrespective of their delayed start, which led to changes of staff or budgets, the majority of First call projects were *efficiently* implemented. The beneficiaries faced problems in pre-financing of project operations, conducting procurement under PRAG procedures, and timely implementation of first level control, especially Macedonian beneficiaries, which delayed implementation.

Projects are expected to deliver *all planned outputs*. The Programme targets on output indicators are expected to be achieved or overachieved by the First call projects only, with the exception of targets on indicators related to the objectives for promotion of knowledge economy and innovation.

Cooperation was very important for the achievement of project results for community integration and development/introduction of common rules, new working methods, skills, practices, procedures and structures. The benefit of cooperation was not always strong in infrastructure type of projects, especially in projects for improving cultural infrastructure.

First call projects contributed to the development and strengthening of cooperation in the form of networking structures, forums and joint plans. The main benefits of cooperation are capacity building, awareness raising, confidence/trust building, better image of the region and commitment to new actions.

The investment projects are expected to have *sustainable results*, because of their broad scope of users and the public ownership on the improved sites. There are good chances for the



infrastructure created/improved to be maintained and used. The sustainability of soft projects depends on the capacity of the partner organisations to fund developed services after the project end, and is negatively influenced by their dependence on external financing. Sustainability is higher in cases of organisations, which provide services to their members (chambers of commerce, branch associations) or which deliver social services financed by public budgets. Support by local and regional authorities and broad involvement of local stakeholders are also important factors for sustainability.

The supported projects have some positive *impact* on the improved competitiveness and diversification of border region economy. The long-term effects on investments and business creation are diminished by the lack of projects with strong multiplier effects. The impact of the projects on creation of new jobs is unlikely to be significant, but projects contribute to retention of the existing jobs.

The projects for the development of services of vulnerable groups create immediate positive impact on the situation of the target groups through improved infrastructure. These projects have well selected target groups and the results have changes to multiply in the long run.

The projects have positive impact on improvement of quality of life in the border region. They improved access and quality educational, social and cultural infrastructure in 20 border region municipalities, with total population of 412,000 people, of which 210,000 in Bulgarian part of the border region and 202,000 in the Macedonian part.

The First call projects have tangible impact on community integration and increased cultural co-operation in the border region, which in turn brings positive changes in attitudes towards neighbours across the border and increase cross-border interaction and mobility. In the long-term cooperation, if consistently supported, have chances to mature and deliver more strategic effects on socio-economic development of the region.

Efficiency and effectiveness of the Programme implementation system and FLC

The *procedure for selection of projects* is in line with the principles of transparency and equal treatment of applicants; the evaluation procedure and evaluation grids are published and used without changes in the evaluation; the unsuccessful applicants are duly notified; the list of supported projects is published.

The quality of the Guidelines for Applicants and the Application forms are in line with the best practices. Only supporting documents needed to prove eligibility of applicants and action are requested with the applications. The MA/JTS effectively supports potential applicants by organising information sessions, partnership forums and keeping list of frequently asked questions.

The *rules for implementation of contracts* comply with the IPA regulation requirements and are in line with the principles of sound financial management. Some of the established national rules on eligibility of costs and reporting increase cost for the control and create risk of errors, without bringing clear benefits.

The MA/JTS has established a very good *system for support of beneficiaries*, contributing to the largest possible extent for smooth implementation of the projects and prevention of unintentional irregularities. The MA procedures for risk assessment on projects level is a best practice example. The beneficiaries had no significant problems with Programme management, except for the late payment of subsidy, due to the late setting of the Macedonian FLC system and the delay in the transfer of the national co-financing by the NA.



The *system for FLC* is in line with the Requirements of the IPA implementing regulation and responds to the main criteria for effectiveness of controls. The effectiveness of the procedure has been regularly reviewed and amended to correct identified weaknesses.

The procedures for the recruitment of the FL controllers are transparent and contribute to the selection of controllers with adequate knowledge and experience record. The procedure for control of the quality of the performance of the controllers strengthens the effectiveness of the FLC system, though a better procedure for follow-up of the performance of controllers with identified omissions is needed.

The *MA conducted regular analysis* of the level of achievement of Programme targets and made highly relevant recommendations for modifications of the eligibility criteria that ensured allocation of funds to Programme priorities. The JMC structure is well balanced with prevailing representation of local and regional stakeholders. The share of social partners and NGOs with voting rights from the border region is adequate. The support provided to JMC by MA and JTS is of good quality. In the course of the Program implementation, JMC conducted regular meetings and carried out a number of written procedures, covering a wide range of issues within its responsibility. JMC members are well aware of Programme priorities, and make concrete and useful comments and recommendations.



V.2 Recommendations

Reference to the text of the report	Conclusions	Recommendation	Urgency of the recommendation
IV.1.3.1 Effectiveness of actions under Axis 1	The demarcation between Priority axes is not sufficiently clear, which resulted in supporting of three projects under Axis 1, which better fit the objectives of Axis 2.	In the programming of future interventions, clear demarcation between spheres of interventions and between Priority axes to be ensured.	Future interventions
IV.1.3.2 Effectiveness of actions under Axis 2	In principle, the division of tourist development projects into two groups, e.g. eco and cultural is a weakness of the Programme since alternative tourism in most cases is integrated, including services and attractions based on local resources (nature and culture).	All tourism related actions to be programmed under one sphere of intervention only	Next programming period
	The projects for the development of potential for eco, rural and cultural tourism are designed at local (municipal) level with little focus on integration or development of regional products. This situation is explained by lack of a strategy for tourism development in the region.	To elaborate border regions tourism strategy, which to outline destinations and services with highest potential for tourism development, to identify priorities and to integrate tourism projects that will be supported in the future.	Next programming period
IV.1.3.3 Expected impact and sustainability <i>EQ7. Are the horizontal objectives respected?</i>	The projects comply with the gender equality and non-discrimination principles, but do not collect gender disaggregated data on output indicators. Under the First call, projects directly targeting gender equality are not supported.	In the next programming period, the Programme indicators to be broken down by gender, where possible.	Next programming period
IV.1.3.3 Expected impact and sustainability	There are no structures in the Programme, supporting the formulation and discussion of such complex and integrated projects. There is lack of baseline information and in-depth surveys on the challenges in the cross-border region, which to be used by applicants for the development of joint projects.	The MA to consider the creation of thematic working groups for identification of information needs, discussion of project ideas and priority projects, and collection of good practices from other countries.	Next programming period



Reference to the text of the report	Conclusions	Recommendation	Urgency of the recommendation
IV.1.3.3 Expected impact and sustainability	One third of the First call projects created networking/cooperation structures, but no one upgrades or extends existing such, which shows that beneficiaries have not succeeded to maintain structured relationships. The majority of structures are not formalised.	MA to consider giving priority to projects, proposing strengthening or extending of existing networks and building on successful projects.	Next programming period
	The sustainability of <i>soft projects</i> depends on the capacity of the partner organisations to fund developed services after the project end, and is negatively influenced by their dependence on external financing. Sustainability is higher in cases of organisations, which provide services to their members (chambers of commerce, branch associations) or which deliver social services financed by public budgets. Support by local and regional authorities and broad involvement of local stakeholders are also important factors for sustainability.	In the future programming period, to limit support to projects that over-rely on external expertise and fail to provide for building sufficient capacity of the partner organisations. To reconsider the requirement for mandatory inclusion of soft actions under the investment projects, as it leads to support of soft actions with low level of sustainability.	Next programming period
IV.2.1 Quality and effectiveness of the project generation, selection and contracting process	Taking into account that the number of eligible applicants from the border region is not high, it seems feasible to consider for the next programming period to establish a system similar to PADOR and organisation registered or once submitted supporting documents to the Programme should not be asked to attach these to the Application form, which will save time, resources and will be more environmentally friendly.	MA to consider for the next programming period to establish a system similar to PADOR	Next programming period
IV.2.1 Quality and effectiveness of the project generation, selection and contracting process	CVs are requested for all project staff, including technical assistants and accountants, which leads to significant burden for review and approval of replacements of experts	CVs of administrative staff (technical assistants, accountants) not to be requested with the application forms.	Next programming period
	The restricted calls for	To consider introducing restricted calls for	Next



Reference to the text of the report	Conclusions	Recommendation	Urgency of the recommendation
	proposals, in which applicants first submit short concept notes, and only the pre-selected candidates are invited to submit a full proposal, reduce the costs for applying to the Programme and for assessment of applications, and may be considered for the next programming period.	proposals in the next programming period	programming period
IV.2.2 Quality and effectiveness of the implementation system	The Programme requires submission of Quarterly Progress Reports, which under the Second call are not always related to payment, and have uncertain benefits.	To consider replacement of Quarterly reports not related to payments by short project progress briefs to be submitted by e-mail.	Current programming period (2nd and 3rd call projects)
	The requirement to notify small modifications of activities and the established procedure for MA authorisation of administrative staff replacements reduce efficiency without bringing clear benefits.	MA to consider lifting of the requirement for separate notification of the minor changes in the time-schedule of the activities and to require they to be described in the progress reports. The MA to consider simplifying the procedure for replacement of administrative staff and accountants.	Current programming period (2nd and 3rd call projects)
IV.2.2 Quality and effectiveness of the implementation system	The Programme requires single tenders (below EUR 10,000) to be conducted under PRAG simplified procedure, which is not required by the basic act for the implementation of the Programme and is contrary to the principle of proportionality. Under the First call contracts about 300 single procedures were conducted using that complicated procedures, leading to waste of resources of beneficiaries, suppliers and FLC.	MA to simplify procedure for single tenders allowing use of local language and simple tender documents	Current programming period (2nd and 3rd call projects)
IV.2.2 Quality and effectiveness of the implementation system	The procurement is conducted by beneficiaries using PRAG templates in English language, which creates problems for both beneficiaries and for suppliers.	In the next programming period MA to consider preparation of bilingual tender dossiers for competitive negotiated and local open tender procedures.	Next programming period
	The budget structure, combining project staff with administrative costs in one budget heading, putting 25% limit on both, thus favoured employment of external expertise for the implementation of project activities.	In the new programming period, the Administrative costs to be separated from Staff costs and Staff costs (Beneficiary staff) to be clearly separated from external services and experts.	Next programming period



Reference to the text of the report	Conclusions	Recommendation	Urgency of the recommendation
	The reimbursement of overheads on actual cost basis rather than on flat rate basis increases cost for the control and creates risk of errors.	MA to use simplified budget options in the next Programming period: flat rates, lump sums (payments against delivery), unit costs (rates per unit) to the extent, allowed by the basic act.	Next programming period
	With the final Report, the beneficiaries have to submit a summary of the project results. The summary is comprehensive but does not allow the aggregation of results.	In the new Programming period to be followed the methodology for reporting of project achievement, developed by INTERACT.	Next programming period
	The Project Implementation Manual for beneficiaries is a well-designed document, sufficiently detailed and clear, though English language of the Manual creates problems for some beneficiaries.	MA to consider translation of the Project Implementation Manual into the languages of the participating countries	Current programming period
IV.2.2 Quality and effectiveness of the implementation system	The JTS conducts trainings and individual consultations on implementation rules, though longer training is required for the less experienced beneficiaries.	MA to consider longer training on procurement for less-experienced beneficiaries.	Current programming period
	The beneficiaries' knowledge on the implementation rules is satisfactory. The main problematic areas are in the understanding of procurement, contracting and payment of project staff, overheads and budget reallocation rules.	MA to consider publishing of a Document on most frequently made mistakes in project implementation (similar to other Operational Programmes in Bulgaria) that will to some extent prevent similar errors by the Second and Third call beneficiaries. Guidelines for Macedonian beneficiaries on contracting and payment to project team to be prepared	Current programming period
IV.2.2 Quality and effectiveness of the implementation system	The beneficiaries had no significant problems with Programme management, except for the late payment of subsidy. The delays of payment are explained by the late setting of the Macedonian FLC system and the delay in the transfer of the national co-financing by the NA.	NA to ensure regular payment of national contribution.	Current programming period
IV.2.2 Quality and effectiveness of the FLC system	The FL controllers and the JTS carried out controls on the delivered services, goods and executed works and compliance with procurements rules of the conducted tender procedures, which leads to inefficient use of the available resources.	In order to minimise the controls and increase the efficiency of the FLC system, the IPA Programmes Manual and the Guidelines for FLC to provide clearer description of the tasks and responsibilities of the controllers and JTS related to check up of the delivered services, goods and executed works and compliance with procurements rules during the on-the-site visits.	Current/Next programming period
	Effective communication and sufficient training of controllers is not ensured,	- The responsibilities and tasks for the training need assessment; planning and delivery of training to controllers to be	Current programming period



Reference to the text of the report	Conclusions	Recommendation	Urgency of the recommendation
	which creates risks for the effectiveness of the controls	clearly set in the Programme manual. - MA to consider organisation of trainings for Bulgarian controllers in cooperation with the Institute for Public Administration. - NA to ensure training of controllers and the staff responsible for execution of the administrative controls of the reports of the controllers - The MA/NA to establish a system for regular communication with controllers on interpretation of important rules and cases, and to set responsibilities and deadlines for answering the questions of the controllers.	
	The number of Macedonian controllers is small and NA executes payment of the controllers with a significant delay putting at risk the FLC	The NA to ensure recruitment of additional number of controllers, regular payment for the services of the controllers and development of guidelines on specific national rules and legislation.	Current programming period
	The procedure for control of the quality of the performance of the controllers strengthens the effectiveness of the FLC system, though a better procedure for follow-up of the performance of controllers with identified omissions is needed	- In case of established omissions of controllers, related to verification of ineligible costs, the reason for mistakes to be identified and the performance of the controller to be followed-up. - The IPA Programmes Manual to include a template of the report of errors and omissions in the Certificate for validation of expenditure (CVE) and reports of the FL controllers, and recording of all omissions to be ensured.	Current programming period
IV.2.2 Quality and effectiveness of the FLC system	The Guidelines for FLC provide a comprehensive presentation of the scope and process of controls, which are overall sufficient to ensure correct check of regularity and legality of expenditures declared. However, the minimum requirements for the methods for verification of compliance with the principle of economy and plausibility of expenditure are not specified and detailed, which creates risks for effectiveness.	The Guidelines for the FLC to contain information on the recommended methods and techniques of controls, with reference to manuals or audit standards, and minimum requirements to be set.	Current programming period
	The instructions on flat rate financial corrections are not detailed	Financial corrections to be decided by the MA/NA, instead of the controllers.	Current programming period
	The established procedure requiring the controller to correct her/his report in line with the findings of the Legislation and Irregularities Department may reduce the independency of the decision of the controller.	The incorrectly verified costs or wrong flat rate financial corrections of the controllers to be corrected with a statement of the MA/NA, instead of requesting controllers to correct their reports.	Current programming period



Reference to the text of the report	Conclusions	Recommendation	Urgency of the recommendation
	The Programme manual does not have a description of the procedures, which should be followed in cases of discrepancies in the opinions of controllers on the eligibility of one and the same expenditure.	Programme Manual to clearly define procedures, which to be followed in cases of discrepancies in the opinions of controllers on the eligibility of one and the same expenditure	Current programming period
	The cost-benefit of controls is low in a number of established procedures.	In the Guidelines for the FLC, the documents that have to be validated by the stamp of the controller to be clearly specified.	Current programming period
		With the next revision of the Guidelines for the FLC, the CVE and the accompanying documents to be transferred in Excel format.	Current programming period
		Separate checklists for control of single tender procedures to be developed.	Current programming period
	Subsidy contract or PIM does not put an obligation to the beneficiary that all documents presented to the controller have to be filed to facilitate their examination.	The PIM to include a checklist for self-control of beneficiaries on the documentation that has to be presented to the controller.	Current programming period
IV.2.2 Quality and effectiveness of the FLC system	The Subsidy contract has no special provision that any attempt to influence a decision of the controller would be treated as irregularity.	MA to make a provision in the Subsidy contract that any attempt to influence a decision of the controller will be treated as irregularity.	Current programming period
IV.2.4 Quality of the Programme monitoring system	The data on monitoring indicators is collected on project level, but there is no procedure for the verification of relevance and correct setting of values of indicators	MA to review and correct, where necessary, the indicators of the Second call projects, and to establish a system for verification of project level indicators prior contracting or in the beginning of project implementation for Third call projects.	Current programming period
	The small size of the Programme, variety of interventions and lack of reliable baseline data makes quantification of indicators difficult	MA to consider using of <i>qualitative</i> results indicators, where possible	Next programming period