

CROSS BORDER ORIENTATION PAPER

for IPA CBC cooperation programme with participation of regions from Romania and Serbia



Executive Summary

This Orientation Paper is a document of the European Commission (EC) aimed at launching a discussion on the **2021-2027 IPA CBC operational programme with participation of Romanian and Serbian regions**. It is the result of collective work led by REGIO D.1 with the support of the other REGIO services as well as other line DGs (in particular DG NEAR), the EEAS and the EU delegations in the region. It does not represent the negotiating position of the EC, but is destined to provide ideas, options and orientations on the thematic focus of the future programme(s).

The guiding principles for drawing this Orientation Paper are the following:

- The **Functional Area** principle: The definition of a functional area is a key element for cooperation in larger regions. Cooperation should concentrate on areas defined by joint characteristics, challenges and development opportunities, and the need and potential to address them jointly with the aim of delivering tangible results. Structural interventions should therefore not be strictly limited to the administrative borders of the programme. Depending on the topic, the geography can vary. For some topics, the solution can be found if partners outside the programme area are involved, while for some other topics the solution can be very local. What matters is that the projects can benefit to the cross-border area. This new approach proposed in the post-2020 regulations has the benefit of enabling more efficient interventions based on the experiences of a wider range of partners.
- The **Thematic Concentration** principle: In view of the limited budgetary resources and the requirement to focus support in areas where European Union (EU) funds can achieve the highest benefit, the programme(s) should concentrate on thematic key areas where joint actions can have the biggest impact. In doing so, EU funds would focus on a limited set of objectives and policy areas, thus achieving the highest possible impact, in terms of efficiency of funding and result orientation (art. 15 of the Regulation COM(2018) 374, referred to as the Regulation)¹.
- Coherence with **Macro-Regional Strategies**: Macro-regional strategies have become an integral part of EU regional policy. The future IPA CBC cooperation programme with participation of Romanian and Serbian regions is destined to closely link to the European Strategy for the Danube Region (EUSDR) and the 'European Strategy for the Adriatic and Ionian Region' (EUSAIR). Macro-Regional Strategies, such as the EUSDR and the EUSAIR mean an integrated framework endorsed by the European Council, which may be supported by the Cohesion Policy funds among others, to address common challenges faced by a defined geographical area relating to Member States and third countries located in the same geographical area, which thereby benefit from strengthened cooperation contributing to achievement of

¹ Proposal for a Regulation of the European Parliament and of the Council on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments - COM(2018) 374

economic, social and territorial cohesion. The 2021-2027 Interreg programmes should be ready –where relevant- to support actions arising from the macro-regional strategies, provided that these actions also contribute to the specific objectives of the programme area. The coordination between programmes and macro-regional strategies can ensure bigger territorial impact and better visibility. This, however, requires a good and proactive coordination. Projects serving both the macro-regional strategies and the cross-border cooperation can be funded either as “group of projects”, complementing each other and creating synergies, as well as “single projects”. In order to promote macro-regional strategies the programme may consider one of these mechanisms: specific selection criteria (ex. bonus points if the project contributes to a macro-regional strategy); earmarking of a budget or specific calls.

This IPA Orientation Paper was also designed to support the new strategic orientations (in particular as regards the implementation of the six Flagship Initiatives) presented in the Communication of the February 2018 Western Balkan Strategy where the European Commission reaffirmed the firm, merit-based prospect of EU membership for the Western Balkans (*A credible enlargement perspective for and enhanced EU engagement with the Western Balkans- COM(2018) 65 final*).

Considering the external pressures on the EU budget and the EC’s desire to find ways to gain in effectiveness and efficiency, this Orientation Paper for new IPA-Interreg programme(s) will aim at:

- a) Consolidating genuine cooperation both on the levels of the programme governance (programme bodies) and the local cooperation;
- b) Re-enforcing the strategic dimension of the future programmes by linking them more strongly with existing strategic frameworks and political initiatives such as the macro-regional strategies and applying top-down approach for a part of their envelopes (though strategic/thematic/flagship projects);
- c) Fostering cooperation among ETC programmes in the Danube region and the Adriatic and Ionian basin to facilitate the achievement of the objectives of the EUSDR and the EUSAIR;
- d) Refocusing on functional areas avoiding duplication, fragmentation and overlapping with transnational programmes (Adriatic-Ionian programme and Danube programme) and IPA-IPA CBC programmes etc. - this is how we will increase programmes effectiveness.
- e) Supporting institutional cooperation through two new horizontal Interreg specific objectives ‘a better Interreg governance’ and ‘a safer and more secure European Union’ and encouraging more extensive and structured ways to develop a common vision for the cross border region, possibly using public participation tools and practices (citizens’ consultations, town hall meetings, competitions, etc.).
- f) Exploring the use of simple financial instruments with a grant component to make them sufficiently attractive and manageable while taking into account the local constraints and providing related procurement assistance.

- g) Exploring the possibility of establishing joint territorial instruments adapted to the characteristics of the border region, especially with a view to tackling specific situations such as a joint urban centre (through Integrated Territorial Investment (ITI)) or a rural region (LEADER/ Community-led Local Development (CLLD)) facing similar challenges on both sides of the border.
- h) Putting in place mechanisms to finance small projects or people-to-people projects that make a strong contribution to the social and civil cohesion of the cross border region.

These objectives comply with EU priorities.

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A. INTRODUCTION

1. This orientation paper² has been drawn up to support the programming process of the IPA CBC cooperation programme on the Romanian border with Serbia for the post 2020 period.
2. This document sets out key characteristics of the above-mentioned cross-border regions and outlines options and orientations for the programming of the 2021-2027 period. Based on an extensive document study, the paper provides a range of insights, facts and arguments, which can serve as a basis for discussion between partner states, programme authorities and the EC. It also can provide point of reference for the Task Force that is planning the forthcoming programme. The document examines the border area of Romania and Serbia, where regions could cooperate in the next programming period.
3. It does not represent the negotiating position of the EC, but is destined to provide ideas, options and orientations on the thematic focus of the future programme(s). The paper relies on the profound analysis of relevant studies and other documents, and takes into account lessons learned from the previous and current³ programming periods 2007-2013 and 2014-2020 where possible.
4. The paper is based on the SWOT analysis of the previous programmes, the lessons learned, evaluations of the previous periods as well recommendations from a dedicated study 'Border needs study' and other relevant documents/data/studies available (OECD, JRC, Eurostat, DG specific studies. It also draws on the recommendations where relevant from the 'Border needs Study' and the European Semester report for Romania including its Annex D and other available data (OECD, JRC, Eurostat and other specific DG studies). However, it should be emphasised that the amount of data available at NUTS 3 level is much more limited for Serbia than it is for EU Member States. In that context, the data provided by the socio-economic analysis and public consultations to be carried out by the national authorities will be extremely important to complete analysis of the border areas and their main challenges.
5. Account has also been taken of IPA mainstream, IPA-IPA cross border, national, regional and other Interreg programmes of the areas concerned.

² Orientations, geographic information, and thematic information are highlighted.

³ Cf. Annex I for further details.

6. The cooperation area of the Romania-Serbia programme falls partly within the 'EU Strategy for the Danube Region' (EUSDR) and partly within the relevant 'EU Strategy for the Adriatic and Ionian Region' (EUSAIR). Therefore, the objectives and priorities of Macro-Regional Strategies should be considered for this programme. In addition, cooperation with its governing bodies should be sought. The impact of the cooperation programme should be seen as well in the light of the contribution it might give to reaching the objectives of the Macro-Regional Strategies concerned by seeking coordination with other existing Interreg programmes and mainstream (ERDF and IPA) programmes in the region.

The EUSAIR focuses on the following policy areas (Pillars):

Blue Growth: Blue technologies; Fisheries and aquaculture; Maritime and marine governance and services

Connecting the region: Maritime transport; Intermodal connections to the hinterland; Energy networks

Environmental quality: The marine environment; Transnational terrestrial habitats and biodiversity

Sustainable tourism: Diversified tourism offer (products and services); sustainable and responsible tourism management (innovation)

The EUSDR focuses on the following policy areas (Pillars and Priority Areas):

Connecting the region: Waterways mobility; Rail-Road-Air mobility, Sustainable Energy, Culture & Tourism

Protecting the environment: Water quality, Environmental Risks, Biodiversity & Landscapes

Building prosperity: Develop the Knowledge Society, Support the competitiveness of enterprises, Invest in people and skills

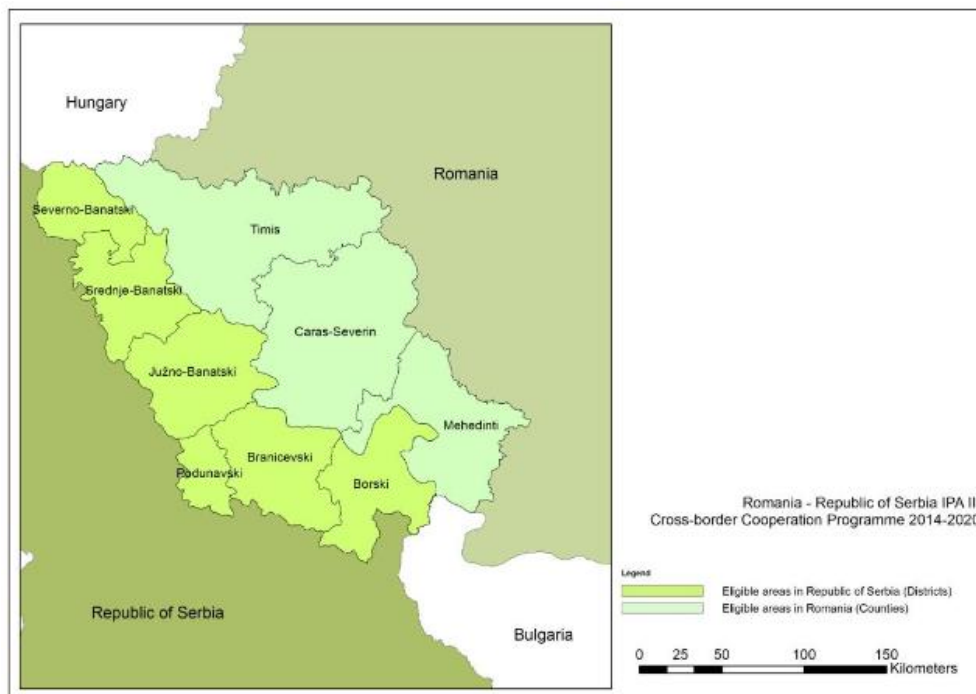
Strengthening the region: Step up institutional capacity and cooperation, Work together to promote security and tackle organised and serious crime

7. This paper also considers the strategic framework for EU relations with IPA countries. This concerns the conclusions of the Western Balkans Summit in Poznan (July 2019), the 2019 Communication on EU Enlargement Policy, the measures in support of a Digital Agenda for the Western Balkans and the Sofia declaration of May 2018. Therefore, the design of the new Interreg IPA CBC programme(s) should refer to these activities.
8. The increasing interdependence between countries and growing role of sub-national authorities, as well as of borderless, territorially relevant challenges such as climate change, ecological degradation and lagging development, give rise to cooperative frameworks whereby groups of neighbouring countries belonging to a certain geographical space can cooperate to address common challenges and opportunities.

9. The paper proposes orientations for all five Policy Objectives (POs) that will drive investment in the 2021-2027 programming period. Nevertheless, there is a need to find the right balance between the (potential) wide range of actions envisaged and the need for thematic concentration to increase the impact of available funds.
10. Cross-border cooperation is much broader than Interreg programmes alone. The instruments available are not only the EU funds (Interreg and other Cohesion Policy programmes or Instrument for Pre-Accession Assistance (IPA) which may invest in cooperation), but also European and national legal instruments (European Grouping for Territorial Cooperation – EGTC – ,regional agreements, bi-lateral agreements, etc) as well as several policies. The future Interreg IPA CBC programme(s) should therefore not only aim to fund projects, but should also seek to reduce cross-border obstacles. To do so, the EC legislative proposal on Interreg includes a specific objective dedicated to cross-border governance (including capacity building and contribution to the Macro-Regional/ Sea-basin Strategies). That is why this paper goes beyond the traditional activities of Interreg programmes (i.e funding projects) and covers governance issues (i.e reducing cross-border obstacles) as well.
11. And when it comes to cross border cooperation activities financed by the EU via the IPA-Interreg programmes, cooperation is also in its infancy compared to other parts of the EU. The level of interaction and population flows cannot be compared with that in more integrated border regions in Western Europe – a combination of limited physical access and historical isolation means that cooperation levels start from a relatively low base.

B. TERRITORIAL DIMENSION (AS PROPOSED IN THE PREVIOUS PERIOD)

ROMANIA-SERBIA



12. The proposed cross border area has been extended for the 2014-2020 programming period to the Serbian district Podunavski to a total border length of 548 km, out of which 235 km (42,8 %) are on the Danube River.
13. The total area is 40.596 km² (53,1 % in Romania and 46,9 % in Serbia). The eligible territory in Serbia represents 20.8 % of the country, a larger share than in Romania, where the three eligible counties represent just 9 % of the national territory.
14. Hence, nine (9) regions from the two countries (Timis, Caras-Severin, Mehedinti in Romania and North Banat, Central Banat, South Banat , Podunavski, Branicevo and Borski in the Republic of Serbia) are included in the proposed area. Podunavski in Serbia is the only region that does not directly border to Romania. The Serbian region of Borski takes also part in the IPA CBC Bulgaria-Serbia programme.
15. The eligible area is split into two NUTS2 regions in Romania, and two NUTS2 regions in Serbia. In Serbia, the three Banat districts belong to the Autonomous Province of Vojvodina, an administrative entity classified as NUTS2 statistical region according to the law 46/2010, which has revised the territorial statistical units in Serbia according to the EU criteria. The Braničevski, Borski and Podunavski districts belong to the NUTS2 statistical region of Southern and Eastern Serbia. In Romania, Mehedinti County belongs to the Development Region South West. The two counties of Caraș-Severin and Timiș belong to the Development Region West.
16. The geography is very complex and heterogeneous with the Banat plains in the North, the Southern Carpathian Mountains, the North-western foothills of the Balkan Mountains or the Danube flows through the Iron Gates gorges.
17. According to Eurostat's 2018 data on population in NUTS 3 regions,, a population of almost 2.3 million lives in the eligible area (around 1.221.682 in Romania and 1.065.403 in Serbia), that represents roughly 9% of the total combined national populations of Romania and Republic of Serbia in 2018.

⁴ According to Eurostat, Romania had a population of 19.530.631 million in 2018 and Serbia 7.001.444 million.

C. ANALYSIS OF THE BORDER AREAS AND MAIN CHALLENGES

Main challenges and obstacles:

18. The border regions between the two countries share in many case similar challenges and cooperation should be encouraged to overcome or tackle them:
- The only large urban pole inside the eligible area is Timisoara in Timis county, on the Romanian border. Two urban poles in Serbia are somewhat close to the edge of the eligible area (Novi Sad and Belgrade).
 - The territory on both sides of the borders is predominantly rural and the South East remote rural especially considering the limited access to large urban poles.
 - In the Romanian county Timiș, the GDP per capita is almost double than the national average whereas in Caraș Severin and Mehedinți GDP per capita is 30% lower. The growth impact of Timiș is beyond the borders capacity and creates potential for cross border interactions.
 - In the Vojvodina autonomous province of Serbia, the level of GDP is almost at the level of Serbia's average, while in Braničevski and Borski 40% lower. Among the Banat districts in Vojvodina, the North lags behind the others in terms of GDP per capita.
 - Along this common border, there are five constantly operating road border crossings and two constantly operating railroad crossings. Moreover, there are six fluvial ports in Serbia, and three on the Romanian shore.
 - The size of the population on both sides of the border is similar but unequally distributed with low density in rural and mountainous areas and a higher density in the North and West Banat plains.
 - The demographic trends in the region show a continuous decline over the years mostly due to ageing and net migration. Eurostat data on 'population change' (including natural population change and the crude rate of net migration) gives the following data at national level: Romania (- 6,6 %) and Serbia (- 5,4 %).
 - Especially, the younger population emigrates to urban poles. This development together with a natural decline leads to a serious ageing of the population in the eligible area.
 - The regions in both countries are characterized of high unemployment rates, except of Timisoara, in Romania.
 - The Roma minorities in Serbia equals 147.604 persons according to the latest census in 2011. The highest rate of which was located in parts within the Serbian cooperation area of the region Vojvodina (approx.. 42.000) and in the Eastern and Southern region (approx. 57.000)⁵.
 - According to the Council of Europe, 8 % of the Romanian population, around 1,85 million people, belong to the Roma ethnicity⁶.

⁵ <http://www.stat.gov.rs/en-us/oblasti/popis/>

⁶ https://ec.europa.eu/info/policies/justice-and-fundamental-rights/combating-discrimination/roma-and-eu/roma-integration-eu-country/roma-integration-romania_en

- There is an unequal number of higher education and research centres on both sides of the border. In Serbia, there are no large university poles, but many are located close at the edge of the eligible area in Belgrade or Novi Sad.
- In Romania, many university poles are located in the North of the eligible area, with national and international potential.
- Geography and Environment: the territorial dimension section, the areas combines a wide variety of geomorphological features: high mountains, rolling hills, valleys and small plains, rivers and lakes. The climate of the area ranges from a Mediterranean influences to continental climate. Due to the geographic location and the difficult geomorphological characteristics, the hinterland of the cross-border area is characterized by low quality and density of infrastructure. Waste management remains a serious cause of concern.

High relevance of the Policy Objectives for 2021-2027:

19. In the 2014-2020 period, the programme concentrated the EU support on a limited number of priority axes.
20. For the preparation of the post2020 IPA BOPs, interviews were carried out with the staff of the JSs. Their outcome evidenced a high interest for the PO1, PO2, PO3 and PO4. Concerning PO5, its apparent low relevance is explained by the difficulties of the implementing bodies to understand the rationale of PO5 and its potential:

<i>Classification grid⁷</i>	PO1 smarter Europe	PO2 greener low-carbon Europe	PO3 a more connected Europe	PO4 a more social Europe	PO5 a Europe closer to citizens
Romania-Serbia	++	+++	+++	+++	+

21. The interviews also demonstrated that the two Interreg specific objectives ‘a better Interreg governance’ and ‘a safer and more secure Europe’ were highly relevant::

	<i>‘a better Interreg governance’</i>	<i>‘a safer and more secure Europe’</i>	<i>‘building up mutual trust’</i>
Romania-Serbia	++	+++	++

⁷ Based on the expert’s report, these two programmes have been characterised against the five INTERREG policy objectives and the two INTERREG specific objectives. The classification was provided as follows; the “+” means generic relevance with limited support potential, “++” means strong relevance but limited support potential due to insufficient financial possibilities and missing relevant Priority Axis/Specific Objective in the 2014.

D. ORIENTATIONS LINKED TO CHALLENGES

22. Orientations are structured in view of the proposed objectives for Cohesion Policy (PO 1 to 5, cf. Art. 4 (1) CPR:

- a. *PO1: A smarter Europe by promoting innovative and smart economic transformation*
- b. *PO2: A greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management*
- c. *PO3: A more connected Europe by enhancing mobility and regional ICT connectivity*
- d. *PO4: A more social Europe implementing the European Pillar of Social rights*
- e. *PO5: A Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives*

23. In addition, there are two Interreg-specific objectives (ISO), cf. Art. 14 (4) and (5) ETCR:

- f. *ISO1: A better Interreg governance*
- g. *ISO2: A safer and more secure Europe*

D.1. PO1: A smarter Europe by promoting innovative and smart economic transformation

24. For sustainable and inclusive growth “size matters” along with quality standards, as non-inclusive growth undermines sustainable development.
25. Within this framework, territorial disparities are a stimulus for cooperation, as opposite trends can create development dynamics. Cross border cooperation partnerships can provide a powerful platform for networking, technology transfer and exchange, not only focus on new technologies, but in a wider pool of topics featuring local expertise.
26. Regional assets and comparative advantages represent a driving force for genuine cooperation partnerships that can foster competitiveness and lead to a better territorial balance.
27. Smart specialisation strategies developed by EU member states and regions are an expression of sound innovation policies and as such are of interest not only to EU member states, but also to non-EU countries willing to improve their innovation ecosystems. The support provided should enable local stakeholders to gain the competences needed for continuing strategy design and implementation in the future in view of cross-border projects in innovation.

28. Exchange of good practices among cross-border regions can provide additional insights for the development of innovation ecosystems inside and outside the EU enhancing collaboration in reaching global value chains.
29. To support participatory and evidence-based processes in the EU neighbourhood countries, pilot projects could be supported at the early preparatory phases of the development of research and innovation strategies for smart specialisation in the EU neighbouring countries.
30. Bearing also in mind that SMEs and micro-enterprises in particular hold an important role in the concerned countries, cooperation opportunities have to address on competitiveness' policy gaps and contribute to quality growth perspectives.
31. The economy in Romania and Serbia have similar sectorial strengths. This can be a formidable testing bed for cooperation, not just for sustainable growth but also for innovation.
32. The economic activity in Serbia is predominantly services-based (over 50 %). The industrial sector contributes to almost 20 % with a strong focus on mining. Agriculture, forestry and fishery accounts also for almost 20 % to the countries' GDP. Even though the latter decreased in relevance compared to 2018, it remains an important sector for employment of 20 % of the population. However, the industry is in strong need of innovative measures, technologies and exchange of know-how. The Serbian Government seeks to attract Foreign Investment to improve the industrial transformation.
33. The Romanian economy mainly revolves around the service (80.6%) and manufacturing (16%) sectors, while agriculture makes up an estimated 3.4 %. More and more efforts are directed toward IT innovation, mostly around large urban poles. However, the Romanian GDP per capita represents 63 % of the EU average. Besides urban cities like Bucharest, Timisoara or Cluj-Napoca, the majority of Romanian regions belongs to the poorest in the EU.
34. The economic development of the whole area, measured with the GDP per capita, is close to the national levels, but the average is the result of strong dualism, especially between North and South East, on both sides of the border. In Romania, in Timiș the GDP per capita is almost double than the national average, in Caraș Severin and Mehedinți the GDP per capita is 30% lower.
35. The Research, Development and Innovation (RDI) level in Romania is diversified. Contribution of R&D business investments is considerably low. The only area of significant contribution is directed to entrepreneurship while the business sector and innovation rank among the lowest scores in the EU. In terms of innovation

activities, Romania remains to be a modest innovator and RIS3 performance differ among regions. At NUTS2 level, Sud-Vest Oltenia (part of the cooperation area) rank among the lowest performing regions.

36. The EU follows an innovation agenda in the Western Balkans. In that context, Serbia supports public investments in RDI on a few carefully chosen priority domains with the greatest possible impact. Serbia has started to participate in activities related to smart specialisation and R&I policy governance is well established.
37. According to the Small Business Act for Europe (SBA)⁸ 2018, Romania shows a mixed picture. As in 2017, entrepreneurship is the only area where Romania scores above the EU average. By contrast, four areas are below the EU average: access to finance, environment, single market and skills & innovation. In fact, Romania is one of the weakest performers in the EU in single market and skills & innovation. he lowest scores in the EU for the single market, skills & innovation and environment principles. The Small and Medium Size enterprises (SMEs) environment is growing but persists mainly of micro-enterprises⁹ (88,4 % in 2018).
38. According to the SBA, Serbia's performance stands roughly in line with the EU average, although the scores in individual indicators show a mixed performance. Both in Serbia and in the EU it takes two years on average to close a business. However, doing business in Serbia is twice as expensive as in the EU. The cost of resolving insolvency in Serbia amounts to 20 % of the debtor's estate, while the EU's average figure stands at 10.25 %. At the same time, the Serbian insolvency framework is relatively strong. In view of internationalisation, conditions in Serbia are highly negative in contrast to very positive trade dynamics with the EU and other trading partners.
39. Tourism plays an important role for the economies of both countries accounting for nearly 4,6 % of the country's GDP in Romania (direct impact) and more than 16 % of the GDP in Serbia. Given the rich natural assets, the Serbian regions of the eligible area contribute the least to the countries turnover in that sector, measured by arrivals and overnight stays (June 2019)¹⁰.

ORIENTATIONS:

The current conditions for cross border innovation are challenging. However, there is potential to improve the framework conditions for innovation by promoting linkages between innovative businesses in the cross border area. These linkages need to be re-enforced through complementary projects financed under the respective

⁸ Cf. https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_de

⁹ Characteristics of a micro-enterprise: employs up to nine employees and achieves a turnover of up to €2 million.

¹⁰ Cf. <http://publikacije.stat.gov.rs/G2019/PdfE/G20191205.pdf>

national/regional programmes dedicated to innovation in both countries. Full complementarity between those programmes and the cross border cooperation programmes need to be ensured. Cooperation between research institutions within the cooperation area will be challenging due to the different preconditions on both sides of the border.

Invest further in:

- The **enhancement of links, networks and clusters** taking into account the EUSDR between area businesses active in various fields, contributing to economic competitiveness and integrating diverse populations into the local economy.*
- The provision of **support to local SMEs** to face challenges related to their size, limited resources (such as skills and finance) or industry and market conditions, including within supply chains and with larger enterprises. The Enterprise Europe Network can be supportive to increase cooperation among SMEs in that area. This could also take the form of voucher schemes to purchase cross-border business advice. The use of financial instruments may also be considered to facilitate the access of SMEs to finance, with generic support in the form of grants only used if justified and avoiding competition with the repayable forms of support / ensuring that it does not crowd out FI support.*
- The promotion of **entrepreneurship education** to build (network) competencies that can help support innovation development. The European Institute of Innovation and Technology should be considered to steer the process.*
- The establishment and exchange of **knowledge flows and links** is crucial among active scientists in the area with associations of local entrepreneurs through clustering and networking actions.*

PO2: A greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaption and risk prevention and management

40. The poor industrial standards contribute to air pollution in urban centres and to environmental risks in remote areas with poor civil protection mechanisms.
41. Waste management remains a serious cause of concern. The environmental impact from high agricultural, industrial and municipal discharges leads to river and water bodies with heavily modified and weak ecological potential. Low service of water supply services and sewage treatment in rural areas are still prominent and pose additional burdens to the river and water bodies.

42. In Serbia, only 12 % of the population is connected to urban wastewater treatment (status 2017). In Romania, almost half of the population is connected to collective wastewater systems with strong disparities between urban and rural areas¹¹.
43. In addition, the municipal waste management is still in a developing phase leading to uncontrolled waste dumps and to a dependency of landfills.
44. The cross border region is vulnerable to a wide variety of natural disasters, including floods, landslides, droughts, and earthquakes. Recent studies indicate that the country is particularly vulnerable to future changes in climate and precipitation, as weather-related events are expected to become more frequent and intense. This growing climate risk is already threatening the socio-economic progress given the importance of agricultural and mining in the regions. In 2014, Serbia faced severe floods from heavy rainfalls that caused streams down the mountains with severe socio-economic consequences. Especially the sectors of mining and industry, agricultural, infrastructure and manufacturing needed national and international support to cover the losses¹².
45. The same amounts for the biodiversity in the Pannonian region, with many endemic species. Despite covering just 3 % of the EU territory, it harbours 118 species of animals and 46 species of plants listed in the Habitats Directive, as well as around 70 birds strictly protected in the Birds Directive, many species of which are endangered in the rest of the EU and still breed significant numbers in this part of the Programme area. Over 67 invertebrates are listed in the Habitats Directive, including some of Europe's rarest and most colourful beetles. The region is also home to 24 species of fish included in the Habitats Directive and 10 listed species of bats found in its extensive underground caves and natural forests. However, the biodiversity and climate of the Pannonian region are heavily affected by its sheltered position and the influences of the nearby regions.
46. In addition, the development of renewable resources could be considered in the Centre and South East area of the Programme.

ORIENTATIONS:

The areas of investments proposed below take into account the joint statement on 'clean energy transition in the Western Balkans' and support the region's efforts to develop a Green Agenda for the Western Balkans. Previous programmes have put an important emphasis on environment. Any further assistance should build on previous results with the objective to valorise and multiply them (see Impact Evaluation Report for 2007-2013).

¹¹ Cf. http://www.insse.ro/old/sites/default/files/com_presa/com_pdf/sistem_canal_2017e.pdf

¹² Cf. http://www.sepa.gov.rs/download/SerbiaRNAreport_2014.pdf

Energy transition: Possible areas of investment may include:

Consider investing in **cross border small-scale energy production from renewable sources and energy efficiency actions**, provided investment and distribution conditions are favourable. This could for instance take the shape of simple FIs with a grant component to make them sufficiently attractive and manageable or in complementarity with other funding sources (national funding, ERDF regional or national OPs, IPA national programmes, or the Regional Efficiency Programme for the Western Balkans).

Climate change and risk prevention: Possible areas of investments may include:

Joint climate change adaptation and mitigation that affect natural ecosystems biodiversity (e.g. impacts on species and wildlife habitats), and local economy, with a strong focus on sustainable and eco-friendly measures (such as green infrastructure (e.g. flood plains and reforestation).

Further investments in enhanced **flood protection and prevention measures** taking into account both risks from the Danube River and mountainous streams should be considered. Awareness systems and disaster protection needs further improvement and need to consider connecting to networks such as the ICDPR or the EUSDR to enhance an integration of framework conditions. Synergies with the Danube Transnational Programme should also be explored to capitalize and, at the same time, avoid double funding.

Increase **risk information** for the local population to improve preparedness and understanding of hazard events.

Consolidate current cooperation through the development of joint policies, protocols, procedures and approaches on risk prevention and rapid response management to overcome natural disasters (such as wildfires, flooding, natural disasters, severe weather evacuations, health emergencies).

Circular economy:

Ensure that resources are used in a more sustainable and efficient way, possible areas of investments may include:

- Joint actions and campaigns to raise awareness and support sustainable consumption practices and behaviour (reuse and recycling of waste) in border regions
- Sharing of best practices to build the capacity of stakeholders involved in the transition to circular economy
- Joint measures to increase resource efficiency and to promote the circular economy in SMEs (provided that this is their primary objective, otherwise support

should be focused under PO 1) such as advisory services, training on business-to-business circular procurement or 'circular' hubs.**Bio-diversity and pollution:**

Joint actions to protect nature and biodiversity. Ensure that actions are strategic in their approach and that awareness of the local population and visitors is raised on some of the specific challenges of the cross border region when it comes to biodiversity, ecological connectivity, ecological quality of water bodies, invasive plants, ground and lake water pollution. Maximise the positive contributions that can be made to protecting and developing natural resources (large number of Natura 2000, green infrastructure and Natural Protected Areas). In this context, invest also in:

The protection of the wetlands (for example the Labudovo Okno) so that they also function as a natural filter; to remove pollution from the watershed, to reduce flooding and improve the habitat quality for birds and other wildlife.

Support measures to support circular economy and waste management, including:

Given the substantial river basin of the programme area, investments to overcome non-conform **wastewater management** need to be enhanced. New technologies should be considered in the field of recycling and an overall **improvement of the environmental infrastructure** is recommended with regard to connect the population in rural areas to wastewater services.

Develop joint support on soft measures for reuse and recycling of waste in rural areas (information meetings) in order to improve environment in border regions.

Joint support on hard measures / projects (small infrastructure) in border area in the upper states of the waste hierarchy, such as projects for reuse and recycling of waste in rural areas, to minimize landfilling and protect environment in border regions.

Support joint actions to **raise awareness** and **improve the behavioural** practices regarding waste management and recycling among the population.

Develop the capacity of environmental authorities and the non-governmental sector to exploit the **common natural heritage** of the region while respecting environmental standards and securing sustainability. Joint capacity-building measures for environmental authorities should be considered.

Air pollution:

- Measures to improve air quality such as green infrastructure, joint awareness campaigns as well as monitoring
- Decontamination and rehabilitation of industrial sites and contaminated land on both sides of the border (for example in the case of mining waste).

D.2. PO3: A more connected Europe by enhancing mobility and regional ICT connectivity

47. Missing data concerning cross border mobility makes it difficult to present a picture of precise investment needs in the region.
48. In general, it can be said that urban poles in Timis and areas in the plains are well linked to international networks and show a higher density and quality of local transport networks than in the peripheral and mountainous areas.
49. International connections are adequate for tourism travels to the area, but the quality of local transport infrastructure and services is poor, constraining the development of coordinated offers and cross border initiatives. According to the Serbian railway service, only two international railway routes connect Serbia with Romania: Belgrade-Timisoara and Vrsac-Timisoara, the latter of which is part of the programme area. This poses an additional burden to the connectivity and accessibility in rural and remote areas.
50. Bearing in mind that poor quality of the transport network contributes to serious loss of traffic, trade opportunities are also hampered because of a lack of suitable connectivity links. Overcoming accessibility challenges and markets' fragmentation could be a key issue to address by means other than improving infrastructure.
51. Digital connectivity is a crucial factor for private and professional life. Especially the digital economy is a driving force for Europe's society. However, digital connection is especially problematic in rural and remote areas on both sides of the borders. Eurostat indicates that in Romania 81 % of households had internet access (status 2018). In rural areas, only 68 % households possess a broadband connection. Looking at fixed broadband (51 %) or mobile broadband (39 %), the rate is even lower. However, Romania ranks second last in the Digital Economy and Society Index (DESI)¹³ 2019. According to DESI, Romania performs well in terms of fast and ultrafast fixed broadband networks (mainly in urban areas) but the economy is lagging behind to benefit from the connectivity. Furthermore, human digital skills are not sufficient and show basic knowledge. Promoting wi-fi free zones, would strongly boost the area's attractiveness, and facilitate visitors and tourism stakeholders' activities and stays.
52. In Serbia, 72.5 % of households have internet access. Again, in rural areas the percentage decreases.

¹³ Cf. <https://ec.europa.eu/digital-single-market/en/news/digital-economy-and-society-index-desi-2019>

ORIENTATIONS:

IPA CBC programmes can play an important role for coordinated actions aimed at improving cross-border mobility and connectivity, in line with the Connectivity Agenda for the Western Balkan countries and in complement to other funding (ERDF, national IPA, Western Balkans Investment Framework etc). Depending on the funding available and on the basis of a commonly agreed strategic framework, possible investments could include:

Mobility:

- *Targeted actions to improve cross border mobility and connectivity. A missing link study could be emphasized to analyse needs of border crossing points for railways, hiking and cycling paths etc.*

IPA-Interreg CBC programmes can play an important role for coordinated action aimed at improved cross border mobility, in particular at regional and local level.

The participating regions should agree on a strategic framework for joint action for improved cross-border mobility during the programming exercise and provide an (indicative) list of priority connections and planned operations in the programme.

Open calls for proposals can be used to select operations that would complement above pre-identified operations.

*Furthermore, Aa purely bottom-up approach in funding transport projects can prevent the implementation of a coherent strategy in certain cases. If the concerned countries want to work on transport in the framework of Interreg, they should consider strategic projects instead of open calls. A list of planned operations of strategic importance can be submitted already at the adoption phase of the new programmes. For a complex area such as transport, this might be a better way to attract projects than using open calls. A smaller allocation could be reserved for open calls, in particular for projects promoting **low-carbon transport** systems.*

While funding transport infrastructure has its limits in the cross border programmes accessibility can also be improved by other policy measures, such as speeding procedures at border crossing, etc.

Digital connectivity:

Develop the potential to improve connectivity and consequently competitiveness of regions in supporting the ICT infrastructure (WIFI spots on municipal buildings) mainly in rural areas (white spots / no interest of private providers), complementary to national programmes funding and EU initiatives (WIFI 4 EU). Consider coordinated actions with national and regional initiatives to address the urban-rural digital divide such as the Romanian Operational Programme for Competitiveness (ERDF) or LEADER.

Improve the conditions for the digital economy through education and trainings of human capital. Secondary schools should consider tackling this issue from an early stage.

D.3. PO4: A more social Europe implementing the European Pillar of Social rights

53. The employment rate in both countries is below the EU whereas more severely in the case of Serbia. According to Eurostat, the employment rate of the Serbian population accounted to 61.5 % in 2017. Most people are employed in the service sector, followed by employment in industry (approx. 20 %), agriculture, forestry and fishing (18 %) and construction (approx. 5 %). Employment in Romania show the value of almost 70 % in 2018 and is close to the EU average of 73 %. However, youth employment (age 15-24) shows a larger disparity. In the EU an average of 35.4 % of young citizens is employed compared to 24.7 % in Romania. At NUTS 2 level, the Romanian regions of the cross border programme show the lowest GDP score per inhabitant¹⁴.
54. Both countries have in common higher employment activities around capital cities like Belgrade, Bucharest or urban poles like Timisoara compared to other regions. Especially the capital cities are the main contributor to the countries' GDP.
55. The area suffers from poverty and social exclusion of large shares of the population, concentrated in the rural and mountainous areas. The lack of capacity to access basic services due to remoteness poses an additional burden.
56. This results in a decline in population. County Timis in Romania is the exception with a stable population throughout the past years. The economic attractiveness of Timisoara accounts mostly to it.
57. Early leaving of education or training of secondary education (age 18-24 years) is more challenging for Romania than for Serbia. In 2018, Romania ranked above EU average (11 %) with 16 % within its population compared to 7 % in Serbia.
58. Higher education is unevenly distributed in the cooperation area. In Romania, several universities are located within the programme area while all Serbian universities are outside of the cooperation area. Universities are placed at the edge of the Serbian cooperation area in Novi Sad and Belgrade.
59. The availability of health care services is relatively homogenous, with one exception of Timisoara, where the concentration of health care service centres is almost double to the rest of the eligible area.

¹⁴ Eurostat: Employment statistics. https://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics

60. Medical university centres are located in Timisoara, inside the eligible area, and in Novi Sad and Belgrade at the edge of the eligible area in Serbia. In recent years there has been an intensive growth of private centres for health care services.
61. Both countries developed national strategies for better social inclusion and poverty reduction of Roma minorities throughout various sectors. An important focus has been directed towards education, which is still challenging for both countries. Data shows, less Roma are attending education or training, the higher the education level gets, e.g. in upper secondary or tertiary education. In case of Romania, the World Bank report of 2018 indicates that more than the majority of young people between 16 and 24 years of age are unemployed (54 %) while only 14 % in education or training¹⁵.

ORIENTATIONS:

*Mechanisms for **active inclusion** and improve **employability of minorities and area inhabitants socially excluded** in the countries. This could for instance take the shape of small project Funds or micro-project schemes across the border area, focused on **people-to-people** activities.*

*Support more extensive and structured **learning activities** as a vector for building an employment-boosting factor.*

*Consider investing in **joint education schemes** in areas where accessibility is not a hindrance or using digitised tools and methods. Supplement these by developing cross border partnerships in the field of **social protection and health** through jointly developed and/or implemented tools and services that enable better quality of health and/or social care services. Economies of scale through the pooling of resources or via an integrated specialisation system for health care centres could bring many advantages to both patients and social security systems.*

Promote training in vocational and educational skills tackling the regional qualified and skilled labour needs.

D.4. PO5: A Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives

62. The cross border areas include a high quality potential on both, natural and cultural assets that goes from lakes, reserves, natural parks, to cultural sites, religious and historical.

¹⁵ <http://documents.worldbank.org/curated/en/160691531142484229/pdf/128105-SCD-PUBLIC-P160439-RomaniaSCDBackgroundNoteRomaInclusion.pdf>

63. The NATURA 2000 sites and Natural Protected Areas offer great potential for eco-tourism in the region.
64. Romania has six (6) inscriptions of cultural sites and two (2) of natural sites in the World Heritage List. In the area of nature protection, the target to establish the Natura 2000 network represents a clear cross border cooperation learning opportunity from EU member states. Twelve (12) sites are included in the World Heritage Tentative List that is subject to further steps at national level. In addition, the cooperation area offers several natural parks, the Mehedinti Mountains or the Danube Iron Gate.
65. Serbia is a country of nature and cradle of culture representing a geographical connection between Central Europe, Mediterranean and Eastern Europe. The cultural and natural heritage is characterized by a wealth of lakes and mountains. There are five (5) cultural world heritage sites in Serbia. In addition, twelve (12) sites are included in the World Heritage Tentative List but there is still a need to set up a coherent and integrated system of protected areas at national level.
66. Based on these assets, the programme can provide a unique opportunity to strengthen and promote tourism based on a common cultural identity, natural and historical resources, and on business and cultural activities.
67. However, resources are sparse in the territory, producing a potential for integrated tourism networks, more than for spot tourism attractions.
68. The cooperation area demonstrated low accommodation possibilities in view of strengthened tourism in the cooperation area.
69. Furthermore, urban areas in the region are hubs for economic growth and hold major innovation potential and capacity (human, technological, financial and social capital) that should be further exploited to contribute to the overall competitiveness of Europe. At the same time, cities can generate wealth and provide services not only for their residents but also for wider territories. On the other hand, continuous densification of and labour migration to metropolitan areas creates challenges for quality of life (e.g. housing, congestion and pollution) which have to be tackled in an integrated way.

ORIENTATIONS:

Under PO5 interventions shall be based on an integrated, place-based strategy, i.e. strategies targeting a specific geographical area, identify common challenges and objectives based on the local needs, developed with appropriate citizen involvement, and endorsed by the relevant urban, local or other territorial authorities or bodies.

Possible areas of investments can also refer to policy objectives (1-4) and could concern:

- Further investment in **common historical, natural and cultural heritage products and services**, with a strong focus on creating employment for small companies and family businesses.

Shared resources can also create new opportunities linked to the exploitation of complementary assets across the borders with a positive impact on employment:

- Improvement of the attractiveness of the region as a destination for green tourism and cultural heritage. Sustainable tourism trails or the development of quality labels for excellence in services could contribute to increasing such perception.
- Investing in territorial strategies promoting destination marketing of the regions, linked with the offer of local products (for example both sides of border are well known for their wine production).

In order to increase synergies and the quality of marketing of cultural and natural sites, enhanced coordination with the Council of Europe's Roman Emperors and Danube Wine Route could be considered in coordination with the EUSDR to integrate a cross border tourism offer in addition to the preparation of ecotourism strategies and action plans for National Parks and Protected Areas as eco-tourism destinations.

The development of sustainable and nature-based tourism in the area through eco-tourism product development and services provision

The establishment of networks with local partners and tourism industry to prepare and certify the quality of travel products.

The accommodation infrastructure is underexploited, signalling the need for soft investments in coordinated actions for increasing attractiveness of national and international demand.

Explore the possibility of establishing **joint territorial instruments**¹⁶ adapted to the characteristics of the border region, especially with a view to tackling specific situations such as a rural region (CLLD) facing similar challenges on both sides of the border.

Consider **town twinnings, urban-rural linkages, and cooperation within cross-border functional urban areas** which could provide an opportunity for facilitating Romanian and Serbian local authorities' involvement in the EU acquis alignment

¹⁶ While the establishment of an ITI for an IPA-CBC programme could be challenging due to the complexity of the legal/administrative framework in the IPA countries, there is experience of Local Action Groups (LAG)-like partnerships in IPA countries. The IPA-CBC programme could use such experience during the possible application of Community Led Local Development in the 2021-2027 period.

process while learning from good practices in EU Member State. On the other hand, town twinnings can set a framework for creating people-to-people exchanges and thereby involve citizens, universities and civil society.

*Identify tourism projects of a strategic nature, which will enhance the implementation of the objectives of the **EUSDR Strategy**, in cooperation with all neighbouring CBC programmes and with national and regional programmes.*

D.5. ISO2: A safer and more secure Europe

70. According to Frontex¹⁷, the Western Balkans continue to be hit by irregular migration to reach Western Europe. Serbia as the central route of the Western Balkans is a main passage point in that respect. However, the border point between Serbia and Romania experienced a lesser influx of migrants in 2018 compared to the border section along the Bosnian and Herzegovinian–Croatian–Slovenian corridor.
71. Still, the programme should consider the selection of the ‘a safer and more secure Europe’ specific objective and to set up respective priorities and measures.
72. The proposed actions of the draft regulation: “...actions in the fields of border crossing management and mobility and migration management, including the protection of migrants...” could all be relevant for the programme.
73. However, it has to be highlighted that due to the limited tools of a CBC programme migration as a whole issue cannot be solved or even managed by IPA CBC programmes.

ORIENTATIONS:

Address capability gaps relating to EU external borders identified by the European Border and Coast Guard Agency and by EU customs.

- *ISO 2 to support EU policies on integrated border management so as to strengthen security of EU external borders and to protect supply chains. In close coordination with IPA special national envelopes, cooperation programmes can support the upscaling and replication of border crossing point’s infrastructures that can help the setting-up the Integrated Border Management (IBM) on EU’s external borders.*

Integrate people with a migrant background / foster cohesive and inclusive societies regardless of ethnicity, nationality, legal status, gender, sexual orientation, religion and disability.

¹⁷cf. <https://frontex.europa.eu/publications/risk-analysis-for-2019-RPPmXE>

- *ISO 2 to support small-scale reception, health, education and housing infrastructure in cross-border areas while long-term integration measures to be primarily financed by the cohesion mainstream programmes.*

Manage disaster risk better, by improving assessment, prevention, preparedness and response.

- *For the Cohesion policies, these needs are essentially covered by PO2 at the exception of pandemics and emerging infectious diseases. ISO2 to support EU policies on cross-border health threats.*

Improve protection of all public spaces from terrorist attacks and make cities secure and resilient.

- *For the Cohesion policies, these needs are essentially covered by mainstream programmes.*

Protect critical infrastructures, the Digital Single Market and the digital life of citizens against malicious cyber activities.

- *For the Cohesion policies, the needs are essentially covered by mainstream programmes at the exception of ensuring disaster-proofing of infrastructure to support resilience of basic societal functions located in cross-border areas..*

E. GOVERNANCE

E.1. Cross Border Governance in a wider context (and use of the new "Interreg Governance" specific objective)

74. Cross border cooperation is not limited to Interreg programmes. It also builds on policies (e.g. cross border mobility), on legal instruments (e.g. bi-lateral agreements, treaties, European Groupings of Territorial Cooperation) and on funding (including but not limited to Interreg).
75. Actions and orientations set out in this section may be supported by using the programme's budget for improving governance issues, as proposed in the ETC (Interreg) Regulation.

E.1.1. Working on border obstacles and potential

76. As illustrated in the Commission Communication "Boosting Growth and Cohesion in EU Border Regions", there are many different types of obstacles to cross border cooperation, which have different effects on border regions. There is also scope for greater sharing of services and resources in cross border regions. Among the obstacles, legal, administrative and institutional differences are a major source of bottlenecks. Other issues include: use of different languages or lack of public transport for instance. When it comes to unused potential, the shared use of health care or educational facilities could contribute greatly to improving the

quality of life in border regions. As the Interreg programmes are instrumental to effective cross border cooperation, they should seek to address these particular obstacles and tap the common potential to facilitate cooperation in this wider context.

ORIENTATIONS:

*Identify precisely key obstacles and unused potential and facilitate the process of finding ways to reduce these obstacles or exploit the potential (e.g. by **funding meetings, experts, pilot projects, etc.**).*

Enhance cooperation with civil societies and ensure participation or relevant entities at Monitoring Committee meeting.

E.1.2. The use of territorial instruments

77. Where the cross-border area features territorial specificities, such as mountains or scarcely populated areas, territorial instruments can be set-up within each cooperation programme, drawin on resources from several priority axes to allow for the implementation of integrated actions based on place based joint strategies. Its implementation could be delegated to a European grouping of territorial cooperation (EGTC) or a cross border legal body established under the laws of one of the participating countries, provided that the latter is set up by public authorities from at least two participating countries (See Orientations under PO5 of this paper).
78. The only INTERREG Programme which applied an ITI in the 2014-2020 period is the Italy-Slovenia Programme. More concretely the Task Force of the Italy-Slovenia Cooperation Programme decided to introduce in the Cooperation Programme the ITI - Integrated Territorial Investment for the implementation of two pilot actions presented by the GECT GO/EZTS GO: the projects "Building a cross-border healthcare network" and "Isonzo-Soča cross-border nature park", with a financial allocation of EUR 10.000.000.
79. Meanwhile many border regions between Member States have set up cross-border entities established under national law (e.g. private law associations or public law bodies), under EU law (e.g. European Groupings of Territorial Cooperation – EGTC) or international law (e.g. under bilateral agreements based on the Council of Europe’s “European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities”, also called the Madrid Convention). One example are the Euroregions under national law, which cover many internal EU borders. Many of these entities have a legitimacy (established by public authorities), experience (many exist for years) and expertise (through their past work and staff) that should be put to good use. Evidently, Euregio-type bodies on external borders have typically been set up more recently. Where border regions

consider setting up an Euregio-type body, but do not want to go for an EGTC yet, its recommended that they set up a single joint cross-border body. This will make it easier to manage a Small Project Fund in a genuinely cross-border way than by two unilateral bodies on each side of the border.

80. For border regions between Member States and IPA countries, the setting-up of EGTCs is quite challenging as the EGTC Regulation does not apply to third countries and there has not been an obligation to adopt national rules implementing the EGTC Regulation in third countries. EGTC approval authorities in Member States have two options to assess the membership of members from third countries to an EGTC: each third country has approved the prospective members' participation in accordance with either: (a) equivalent conditions and procedures to those laid down in this Regulation; or (b) an agreement concluded between at least one Member State under whose law a prospective member is established and that third country. Option (a) would require the adoption of national legislation to implement EGTC's [for IPA countries with negotiations opened, add: which the Commission has suggested under Chapter 22 negotiations anyway]. Option (a) would also be fulfilled should the third country have ratified the Madrid Convention and its additional protocols in a way that regional/local authorities are allowed to become member of a grouping established under the law of a neighbouring Member State, as this would also include the national rules implementing the EGTC Regulation in the Member State. As prerequisite this approach needs a closer coordination with the respective regional authorities in the programmes' areas.
81. On the other hand, aside the LEADER measure implemented through EAFRD in Romania, a set of donor supported projects fostered the developments of Local Action Group(LAG)-like partnerships in the two IPA countries. The experience gained through the implementation of the LAGs(-like) and the stakeholder engaged to the LAGs could be utilized by the IPA CBC Programmes during the possible application of Community Led Local Development in the 2021-2027 period.

ORIENTATIONS:

Under the specific objective 'Interreg Governance', programmes could consider setting-up territorial instruments such as EGTC and taking into account the specific challenges on the border with third countries.

E.1.3. The use of financial instruments (FIs)

82. ESIF (FIs) in the form of loans, guarantees and equity have gained a lot of importance over the last years. FIs have been used for delivering investments for structural funds since the 1994-1999 programming period. Their relative importance increased during the programming period 2007-2013 when they

represented around 5 % of total European Regional Development Fund (ERDF) resources. It continued to further increase in the 2014-2020 period.

83. Given the leverage effect of FIs, the impact of their support can be greater than grants to the same policy areas. FIs are suitable to all projects, which are financially viable.
84. FIs, especially those targeting SMEs, are most effective when professional financial institutions are employed as they have better competence in assessing viability of applications. To make the support attractive for them, critical mass is needed and conditions of support could not be too complex.
85. FIs consisting solely of loans or guarantees may be implemented directly by MAs themselves, but in practice this approach is rarely used.
86. The framework contains rules on combination of FIs with other forms of support, in particular with grants, as this further stimulates the design of well-tailored assistance schemes that meet the specific needs of Member States or regions.

ORIENTATIONS:

Explore the possibility of using FIs.

*Taking into account the limited budget of the concerned programmes and the local constraints, consider **simple FIs with a possible grant component** to make them sufficiently attractive and manageable, e.g. providing a “capital rebate” (forgiving a part of the loan) of X% (or more – e.g. linking the amount with income) of the project costs. Such a combination would be greatly simplified in post-2020 period.*

***Energy efficiency** appears to us to be the area with the highest potential for using FIs (either in public buildings, or multi-apartment buildings, or single dwelling houses): the eligible costs are easy to define, the instrument could be relatively simple and implementation could be fast. SME support is another potential field where FIs could be used, but such instruments to be really efficient need to be as generic as possible (i.e. to have relatively broad sectoral focus and limited geographical restrictions) as otherwise risk is not diversified enough to attract financial institutions. Which means that using FIs in this area would be much more challenging.*

E.1.4. Links with macro-regional strategies

87. The alignment of cross border programmes to the EUSDR is a ‘win-win’ approach. Clearly, macro-regional strategies will benefit from the experience, the partners and the funds of cross border OPs. But, cross border programmes will also benefit from such an alignment:

- a. their impact will be bigger, when they participate in a structured development policy as set by a macro-regional strategy framework across a wider territory which they are part of,
 - b. the project pipeline will be improved as project ideas will have political support,
 - c. they will increase visibility by political leaders, decision-makers and citizens, as well as the various Commission services and other EU institutions and of course
 - d. they will improve the social and economic development in the macro-region they are located in, and the actions of the relevant strategy will also have a positive impact on the cross border area. In particular, the contribution to macro-regional strategies does not mean a reduction of the budget available for the programme as it is clear that every project should also benefit to the cross border functional area.
88. The concerned cross border regions are linked to the EU Macro-regional strategy for the Danube Region (EUSDR). Efforts should focus on ownership of the strategy and on implementation. The Romanian programme should exploit opportunities for pooling resources in support of coordinated/joint actions addressing common challenges (e.g. environmental threats, connectivity to key nodes for passengers and freight, migration, etc.), and opportunities like positioning and branding the macro region on the internal and global market (e.g. smart specialisation at the macro-regional scale).
89. With a bottom-up and top-down approach the EUSDR can set the ground for cohesion policy alignment with neighbourhood policy (in particular the Western Balkan Strategy), environmental and connectivity, among others.

ORIENTATIONS:

Set out the actions expected to contribute - where relevant - under any policy objective that is meaningful for the concerned macro-regional strategy, provided they also contribute to the specific objectives of the cross-border region.

*This requires a good and pro-active **coordination with the macro-regional strategies and relevant stakeholders** (i.e. following the developments of the macro-regional strategies, being in contact with the National Contact Points, etc.).*

Different types of projects could be funded, for example (i) "coordinated projects", which are part of a set of coordinated action(s) and/or project(s) located in several countries participating in a macro-regional strategy (two or more countries), and are part of a joint macro-regional action creating a cumulative effect; several programmes can contribute to the funding of these projects; or (ii) single projects, where one programme is funding one project, the impact of which is relevant on the entire macro-region and therefore creates synergies.

Consider one of these mechanisms: specific selection criteria (e.g. bonus points if the project contributes to a macro-regional strategy); earmarking of a budget; specific calls; or labelling (e.g. ex-post identification of projects that could be replicated).

E.1.5. Links with other existing strategies

90. Cross border cooperation cannot be done in isolation. It has to be framed in existing strategies (e.g. Western Balkans, national, regional or sectoral). Ideally, there should be a dedicated cross border strategy based on reliable cross border data, politically supported and in line with stakeholders' views. It is a useful exchange forum and a necessary step for sustainable and structural cooperation (i.e. a Monitoring Committee is not sufficient as its focus is on funding and not on designing a development strategy with strong political support). Whilst some borders have such strategies, it is not always the case. And even when there are such strategies, they are often only partly implemented with the Interreg programmes.

ORIENTATIONS:

Support more extensive and structured ways to develop a common vision for the cross border region, possibly using public participation tools and practices (citizens' consultations, town hall meetings, competitions, etc).

When such cross border strategies exist, consider to better embed the Interreg programmes in these strategies with clear actions and results (e.g. through an appropriate intervention logic and indicators).

When such strategies do not exist yet, consider establishing them.

Finally, programmes should be better coordinated with existing macro-regional, national, regional or sectoral strategies (e.g. with an analysis on how to translate these in a cross border context). Therefore set out a coherent overview of all existing strategies (i.e. have a mapping of the strategies affecting the border area).

E.1.6. Role of existing cross border organisations

91. Many regions have cross border entities established under EU law (e.g. European Groupings of Territorial Cooperation – EGTC), national law (e.g. private law associations or public law bodies) or international law (e.g. under bilateral

agreements). One example of this are the Euro regions under national law, which cover many of the borders in the EU. Many of these entities have a legitimacy (established by public authorities), an experience (many exist for years) and expertise (through their past work and staff) that should be put to good use.

ORIENTATIONS:

Institutional and financial support for the development of cross border bodies can play a key role in deepening cooperation both through Interreg (e.g. by managing a Small Projects Fund) and beyond any funding mechanism.

Explore whether the programmes can provide financial and/or technical support to the Inter-Governmental Commissions and their respective working groups, if appropriate.

Where appropriate, build also on the legitimacy, experience, and expertise of International, Inter-regional and Transnational Initiatives as any other programme.

E.1.7. Links with other Cohesion and External Relations policy programmes

92. The proposed Common Provisions Regulation stipulates: “each programme shall set out, for each specific objective the interregional and transnational actions with beneficiaries located in at least one other Member State”. Whilst a similar provision was already present in the past, it is now compulsory for the mainstream programmes to describe the possibilities for cooperation for each specific objective. This new obligation may have many benefits for cross-border areas: more ambitious projects (e.g. joint infrastructures), involvement of new players (e.g. the national authorities such as Ministries) and overall more ambitious policies (e.g. spatial planning with associated funds).

93. Complete territorial overlaps with other programmes refer to:

Transnational Programme: The Danube Transnational Programme

94. Partial territorial overlaps with other programmes refer to:

Transnational Programme: ADRION Programme

ERDF CBC Programme: Romania-Bulgaria
Romania-Hungary

95. Taking into account the territorial overlaps and thematic similarities (especially concerning competitiveness, environment, natural and cultural heritage) there is a need for closer coordination and more intensified interaction with the above-mentioned programmes.

ORIENTATIONS:

Establish (or participate to) a strong coordination mechanism with the authorities managing mainstream programmes in the concerned countries, in particular the national and IPA programmes dealing with transport, environment, regional development, ICT and labour issues. Any future regional programme located along the borders should also be closely associated to the CBC programmes. This coordination implies exchange of information and cooperation and should happen at all stages: planning (e.g. designing complementarities), implementation (e.g. building on synergies) and communication (showing the benefits for the citizens and the region).

Synergies with the Danube Transnational programmes (for 2021-2027) should be sought to avoid financial and project overlaps to the maximum possible extent. The transnational programme covers a wider area and is therefore more strategic by nature.

The IPA CBC Programme on the contrary should entirely focus on urgent cross border needs.

E.1.8. Cross border data

96. Good public policies (e.g. spatial planning, transport, health care) should be based on evidence (i.e. data, studies, mapping). Whilst this is generally available at national level for Member States, it is not always the case for IPA countries, especially at regional/ local level and even less at cross border local level. Some of this evidence is particularly important: economic flows, transport flows and trends, labour mobility and mapping of skills, health of citizens, mapping of important infrastructures and services (such as energy, waste treatment, hospitals, emergency services, universities), mapping of risk areas (to floods, fires, etc.), mapping of natural areas (e.g. Natura 2000 sites under the Ramsar convention of wetlands, etc.) and mapping of the main inclusion difficulties (poverty, marginalised communities, etc).

ORIENTATIONS:

Identify the sectors where important cross border data is missing and support projects that would fill the gap at the latest by 2027 (e.g. in cooperation with national statistical offices, by supporting regional data portals etc.).

E.2. Governance of the Interreg programmes

E.2.1. Operational performance

97. The Interreg IPA CBC programmes in these border regions generally experienced long designation procedures and slow take off in project contracting and implementation during the programming period 2014-2020. This should be an incentive to better identify underlying bottlenecks and structural problems. The

responsible authorities would be therefore strongly encouraged to undertake a systematic analysis of the key factors having an impact on the slow take-off of the programme(s) and the targeted mitigating measures to accelerate the programme implementation for the new programming period. In coordination with Interact and CBIC+, technical assistance can be used for developing a roadmap for administrative capacity building with defined activities.

E.2.2. Partnership principle

98. The principle of partnership is a key feature of the whole programme cycle (including preparation, implementation and participation in monitoring committees), building on the multi-level governance approach and ensuring the involvement of public, economic, civil society and environmental partners. Examples of good practice include involving representatives of different interests in the programming process; involving them in programme evaluation or other strategic tasks for instance by setting up temporary working groups; consulting all members on key documents also between meetings. An active involvement of economic, social and environmental partners should be ensured by their participation in key steps. Technical Assistance can be made available to facilitate their full involvement in the process.

E.2.3. Role of the monitoring committee

99. The **monitoring committee (MC)** is the strategic decision-making body of the programme. In 2021-2027 the MC will be given a more prominent role in supervising programme performance. Therefore, MCs currently concentrating on project selection should be invited to widen their scope of action and take on a more strategic role. Good practices include having strategic discussions as a standing agenda point, inviting contact points of macro-regional strategies or institutions playing a key role in the border area, organising project visits. Some examples of strategic discussion themes: border obstacles, cross-border data needs, inclusion of SMEs, NGOs and other under-represented beneficiaries or target groups of the programme. Where relevant, the contribution of the programme to the development of a macro-regional strategy should also be a regular point of discussion.
100. The **composition of the MC** must be representative for the respective cross-border areas. It must also include partners relevant to programme objectives (i.e. priority axes), e.g. institutions or organisations representing environment, SMEs, civil society or education. When the programme is relevant for the development of a macro-regional strategy, macro-regional key stakeholders should also be regular members of the MC of the programme.

101. **Project selection** shall take place in the MC or in steering committee(s) established under the MC in full respect of the partnership principle. It is crucial that all are involved in the process. Selection criteria and their application must be non-discriminatory and transparent. They should also be clear and they must enable the assessment of whether projects correspond to the objectives and the strategy of the programme. They are to be consulted with the Commission and communicated to applicants in a clear and systematic way. The cross border dimension is compulsory in every selected project. The programme might consider the use of independent expert panels for preparation of project selection. Clear distinction between expert evaluators and MC roles in project selection needs to be defined and described in the rules of procedure.
102. **Large Infrastructure Projects (LIPs), flagship projects or Projects of strategic importance** (i.e. designed and implemented by public authorities without a call) may be pre-defined in the programme document or selected via a transparent and agreed procedure. It is up to each programme partnership to decide on the optimal balance between different types of projects to reach the overall programme objectives (flagship projects, regular projects, bottom-up or top-down project selection, small projects etc).
103. **Decision-making** must also be non-discriminatory and transparent. The procedure should also be inclusive. Each monitoring (or steering) committee member shall have a vote. Voting by delegation should not be encouraged unless it is transparent and puts weaker partners at equal footing with "institutional" partners.

E.2.4. Role of the managing authority (MA)

104. The **MA** shall ensure effective implementation of the programme(s) under their responsibility. The MA is also at the service of the programme and its MC. It acts as the programme authority representing all countries participating in an programme. Therefore, it is recommended that the Member State hosting the programme authorities is represented in the MC separately from the MA (i.e. a different person). The MA shall ensure the effectiveness and transparency of the project selection, reporting and monitoring systems. The use of Interact's Harmonised Implementation Tools and electronic monitoring system (eMs) is recommended where possible.

E.2.5. Role of the Joint Secretariat (JS)

105. The **JS** should ideally be the **cross-border executive body of the programme**, implementing the decisions made by the MA and the MC. It should consist of professional and independent staff from the participating countries, with linguistic competences and relevant border area knowledge. Its procedures should be efficient and transparent, avoiding unnecessary bureaucracy (such as excessive

documentation requirements). Communication with beneficiaries, potential applicants and the general public should be ensured in a speedy and transparent manner mainly by the JS. **Regional contact points/antennas** operating directly under the JS' responsibility may be useful in border areas characterised by large distances and/or difficult accessibility.

E.2.6. Functional areas

106. According to different sectors, an Interreg programme may cover several overlapping functional areas (e.g. for access to health facilities, it may be larger or smaller than for access to secondary education). For some topics, the solution can only be found if partners outside the programme area are involved (e.g. for reducing the risks of floodings, you may need to reintroduce wetlands or dams upstream of a river but outside the relevant programme area). For some other topics, the solution may be very local, in an area much smaller than the programme (e.g. to have a cross-border tram line in an urban area which is expands on both sides of a border, or to promote daily commuting for work).
107. The proposal to address the issues through a functional area offers some flexibility in planning and implementation and linkages with other projects can be easier established. The MC shall have the competence to decide on projects outside the eligible area, but with clear benefit for the cross-border region, and the macro-region, if relevant.

ORIENTATIONS:

Design the actions based on functional areas - which will depend on the issue at stake - rather than on the administrative scale defining the programme area. Authorities are encouraged to use the different available tools to support functional areas such as the European Grouping of Territorial Cooperation - EGTC -, Euro regions, Integrated Territorial Investments, Community Led Local Development, metropolitan areas, natural parks, and to cooperate with the relevant macro-regional key stakeholders, where appropriate.

E.2.7. Trust-building measures

108. Effective cross-border cooperation requires a good level of trust between partners. Trust needs to be built and maintained. This is a long-term investment which aims at fostering cooperation-minded future generations. The IPA-Interreg and IPA-IPA CBC programmes can make a substantial contribution by providing financial support for trust-building activities such as linking up schools, sports clubs, cultural organisations, etc. The beneficiaries of such activities are often not equipped to manage full-blown Interreg projects.

ORIENTATIONS:

*Put in place mechanisms to finance small projects or people-to-people projects that make a strong contribution to the social and civil cohesion of the cross border region. Programmes could focus on measures that will increase citizen's knowledge of each other and **build trust**. This can be done using the new tool proposed by the Commission (the Small Projects Fund) or via specific calls managed by the Managing Authority itself, focused on **people-to-people** activities.*

E.2.8. Conflict of interest

109. Conflict of interest between decision-making bodies and applicants and beneficiaries must be avoided at any moment in the programme cycle, including project generation, project preparation, project selection and project implementation. One way to avoid this is to ensure a proper segregation of duties between institutions and persons.

E.2.9. Communication and visibility

110. The programme makes use of the Interact-developed eMS. This is very positive as it also provides a direct interface with the KEEP database of projects, which is an invaluable resource for all actors of territorial cooperation. The programme should ensure it continues to contribute to the completeness and correctness of KEEP.

111. The programme runs a clear and well-structured website that contains good and up-to-date information including for instance on progress towards achieving the programme's targets. This level of transparency is much welcome and should continue.

ORIENTATIONS:

Make use of the opportunities offered by the Interreg Volunteers Youth Initiative (IVY) and host young volunteers in the programme management bodies or within individual projects.

Make use of communication tools to inform the wide public both at local, regional and national level.

Maintain transparent process by publicising progress of projects but also the minutes of discussion of MCs.

F. CONCLUSIONS

112. The main raison d'être of these programmes is threefold: 1) trust building, reconciliation, developing good neighbourly relations and lasting cross-border partnerships in a region with a very difficult recent history (wars in the 1990'); 2) capacity building of the programmes authorities and of the stakeholders' community, preparing the (potential) candidate countries for accession and management of EU funds; 3) supporting financially border regions, usually

underfunded and lagging behind, to enable them to jointly address local needs on both sides of the border.

113. The success of the programmes can be proved not only by the results already delivered by projects but also by a constant, very high interest among the stakeholders – for both programmes the amounts already applied for are seven times higher than the total budgets of the programmes.
114. The paper proposes orientations for all five Policy Objectives (POs) that will drive investment in the 2021-2027 programming period for the Interreg IPA cooperation programmes. Nevertheless, there is a need to find the right balance between the (potential) wide range of actions envisaged and the need for thematic concentration to increase the impact of available funds. Future programmes should reflect EU priorities such as the ambitious climate agenda of the new Commission and Europe's global challenges.
115. Supporting European integration of IPA beneficiaries by promoting good neighbourhood relations and building capacities of local, regional and national institutions to implement EU programmes under EU territorial cooperation goal is also particularly important.

Existing sources of information

- EUROSTAT, key figures on enlargement countries – 2019 Edition
<https://ec.europa.eu/eurostat/web/products-statistical-books/-/KS-GO-19-001?inheritRedirect=true>
- Competitiveness in South East Europe, a policy outlook 2018 (OECD):
https://read.oecd-ilibrary.org/development/competitiveness-in-south-east-europe_9789264298576-en#page1
- SME Policy Index – Western Balkans and Turkey 2019 – Assessing the implementation of the small business act for Europe (OECD, European Commission, ETF, EBRD): https://www.oecd-ilibrary.org/development/sme-policy-index-western-balkans-and-turkey-2019_g2g9fa9a-en
- Supporting an innovation agenda for the Western Balkans, tools and methodologies (Joint Research Centre, 2018):
http://publications.jrc.ec.europa.eu/repository/bitstream/JRC111430/2018-04-24_western-balkans-report_online.pdf
- Air quality in Europe – 2018 Report (European Environment Agency):
<https://www.eea.europa.eu/publications/air-quality-in-europe-2018>
- Commission Staff Working Document- Measures in support of a Digital Agenda for the Western Balkans- SWD (2018) 360 final:
https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/swd_measures_in_support_of_a_digital_agenda_for_the_western_balkans.pdf
- Policy handbook, Fostering Tourism Competitiveness in South East Europe, 2016 (OECD): <https://europa.ba/wp-content/uploads/2016/06/Fostering-Tourism-Competitiveness-in-South-East-Europe.pdf>
- Background analysis for the IPA CBC Programmes to support the Commission in drafting the post 2020 input paper for IPA CBC Programmes on EU borders with enlargement countries, Final Report, May 2019
- Border needs study (Commission, 2016) – [Collecting solid evidence to assess the needs to be addressed by Interreg cross-border cooperation programmes - Regional Policy - European Commission](#)
- Check out the 10 pilot projects selected under b-solutions – [b-solutions: the 10 successful cases announced | FUTURIUM | European Commission](#)
- Comprehensive analysis of the existing cross-border transport connections and missing links on the internal EU borders (Commission, 2017-2018) – https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/cb_rail_connections_en.pdf

- DG SANTE's study on cross-border health care [Building Cooperation in Cross-border Healthcare: new study published! | FUTURIUM | European Commission](#)
- Digital Economy and Society Index (DESI) 2019. <https://ec.europa.eu/digital-single-market/en/news/digital-economy-and-society-index-desi-2019>
- EC ex-post evaluation of ETC 2007-2013 http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#11
- European Territorial Cooperation - best practices and innovative measures, European Parliament, 2016 [REPORT on European Territorial Cooperation - best practices and innovative measures - A8-0202/2016](#)
- EUSDR information
- Easing legal and administrative obstacles (Commission, 2017) – [Easing legal and administrative obstacles in EU border regions - Regional Policy - European Commission](#)
- ESPON's Targeted Analysis on Cross-Border Public Services [CPS - Cross-border Public Services | ESPON](#)
- Eurostat 2019 - Population on 1 January by broad age group, sex and NUTS 3 region. https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_r_pjanaggr3&lang=en
- Policy papers from REGIO (on the 5 Policy Objectives as well as on cooperation and administrative capacity)
- Quantification of the effects of legal and administrative border obstacles in land border regions (Commission, 2016) – [quantification of the effects of legal and administrative obstacles in land border regions - Bing](#)
- Romanian National Statistics Institute. Population connected to wastewater collecting systems and wastewater treatment plants 2017. www.insse.ro/old/sites/default/files/com_presa/com_pdf/sistem_canal_2017e.pdf
- Serbia Floods 2014- Evaluation report. http://www.sepa.gov.rs/download/SerbiaRNAreport_2014.pdf
- Small Business Act – Performance Review 2018. https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_de
- Strategy of the 2014-2020 programme (ex-ante evaluation, SWOT, priorities, evaluations)