

***Sector Operational Programme for Transport***

***2014-2020***

***The former Yugoslav Republic of Macedonia***

June 2017



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## 1. SECTOR ANALYSIS

### 1.1 SECTOR GENERAL OVERVIEW

#### 1.1.1 NATIONAL SECTOR POLICY AND SOCIO-ECONOMIC CONTEXT

The former Yugoslav Republic of Macedonia is a country of 25.713 sq. km and population of about 2 million. It is a landlocked country, located in the midst of the Balkan Peninsula and bordering:

- In the South, an EU member state, with a border of 246 km long,
- In the East, an EU member state, with a border of 148 km long,
- In the North, with a border of 221km long,
- In the West with a border of 151 km long.

According to the NUTS classification there are eight NUTS III regions and 84 municipalities. The main cities and towns are widely distributed, with Skopje the national capital city, being located in the north east of the country. As a result, the country has a monocentric regional structure based on the dominance of the capital city Skopje that attracts about 40 % of the urban population.

The Skopje region dominates with approximately with 29% of the national population. There are only 13 towns and cities with a population above 50,000, of which 4 are in the Skopje region and no such large towns or cities in the Eastern region. The annual growth rate of 2.0% is typical in the recent years.

In 2002 the country had a population of 2.022 million and by 2012 it had increased to 2.061 million. The 2002 census showed that majority community constitutes 64% of the population and non-majority community constitutes 35%, out of which Turks, Roma and 3 other sub-groups constitute 10% of the population.

The efforts of the governmental policy are focused on the provision of: increased economic growth and employment, as a precondition for increased standard of living and improved quality of life, integration of the former Yugoslav Republic of Macedonia into EU and NATO, uncompromising fight against corruption and crime and efficient law implementation by undertaking deep reforms in the judiciary and public administration, maintenance of good inter-ethnic relations based on the principles of mutual tolerance and respect and investment in education, science and information technology as elements of a knowledge-based society.

The candidate country status for accession in the European Union and its membership in the World Trade Organization have created conditions for greater opening of national economy towards international global market, fostering of investments, strengthening of GDP and by all these – prosperity of the national economy.

Key objectives to be achieved with the realization of the economic program of the Government of the former Yugoslav Republic of Macedonia are: increased production, exports and investments; unemployment reduction and improvement of the citizens' standard of living, development of agriculture and improved farmers' standard, protection of the standard of living of the vulnerable categories of citizens and economic infrastructure development.

### 1.1.2 DESCRIPTION OF THE TRANSPORT SECTOR

The geographic location of the country is at the crossroad of South-Eastern Europe, making it an important transit route for land traffic between Central Europe, the Aegean Sea, the Black Sea and the Adriatic Sea. The favourable landlocked geographical location of the country has contributed to the development of international traffic on two Trans National Axes: North-South (Corridor X) and East-West (Corridor VIII) linked to the Trans European Transport Networks.

The basic infrastructure of the country is relatively well established and it can be considered as a good basis for further modernization. Several significant transport routes connect the country with the Central and Eastern Europe, with South and South-East Europe and beyond. Further development of the transport sector will contribute towards competitiveness of the national economy and balanced regional development.

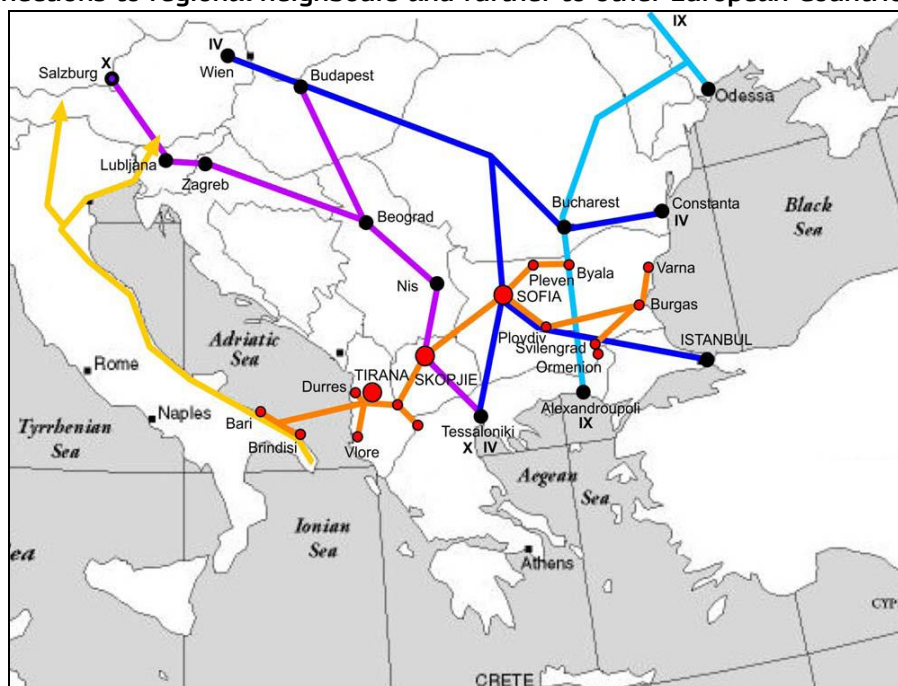
The transport of passengers and goods in the former Yugoslav Republic of Macedonia is utilizing the following modes of transport:

- Road transport
- Railway transport
- Air transport
- Inland waterway transport
- Urban transport

In general terms the physical infrastructure consists of about:

1. 14.159 km. public roads, of which 236, 5 km are motorways, 911 km are national roads, 3771, 5 km are regional, and 9240 km are local roads
2. 925 km railways, and
3. two (2) international airports.

The two Trans National Axes (Corridors VIII and X) that cross the country are important because they support the easy movement of people and goods within the country and also provide connections to regional neighbours and further to other European Countries.



*Illustration 1: Transport Corridors in SEE Europe, with focus on the ones crossing the former Yugoslav Republic of Macedonia*

The EU policy regarding the extension of the major Trans-European Transport Axes to the EU neighbouring countries is confirmed and the orientation is already given in the Memorandum of Understanding (MoU) on the Development of the South East Europe Core Regional Transport Network. The SEETO Comprehensive network is established by the technical secretariat of the South East Europe Transport Observatory (SEETO).

The development of the transport infrastructure has achieved good results in the recent period. However, it does not have all the features and characteristics of a fully functional, well-developed and modern transport infrastructure system.

Main challenges remain the financing of transport infrastructure development and relatively slow uptake of innovative ideas and technology, which lead to reduced opportunities for taking advantage of alternative sources of funding including Public- private partnership (PPP), road tolling and new modes of transport such as multi-modal and combined transport.

### 1.1.3 NATIONAL TRANSPORT PRIORITIES

The national priorities for the development of the transport sector are defined in the following national and regional strategic documents:

- National Transport Strategy 2007-2017<sup>1</sup>
- Economic reform programme 2017-2019
- Five year programme of the Public Enterprise for State Roads 2013-2017
- Multi-annual Plan of South East Europe Transport Observatory (SEETO)
- Programme of the Government 2017-2020

The Government recognises the importance of transport in the current phase of national development. The National Transport Strategy (NTS) was adopted by the Government in July 2007 determining the national transport development priorities for the period 2007-2017 and is updated every two years. The focus of the National Transport Strategy is on the following objectives:

1. Promotion of the economic growth by building, enhancing, managing and maintaining transport services, infrastructure and networks to maximize their efficiency
2. Improvement of the safety of journeys by reducing accidents and enhancing the safety of pedestrians, cyclists, drivers
3. Improvement of integration by making journey planning and ticketing easier and working to insure smooth connection between different modes of transport
4. Protection of the environment and improved health by building and investing in public transport and other types of efficient and sustainable transport which minimize emissions and consumption of resources and energy
5. Promotion of the social inclusion by connecting distant and disadvantaged communities and increasing the transport network accessibility

These objectives shall be achieved by:

1. Modernisation and extension of the infrastructures on Corridors X and VIII to enable transport service delivery to be improved both in qualitative and quantitative terms

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<sup>1</sup> The National Transport Strategy 2017-2030 is currently being prepared with IPA I financing.

2. Building modern transport infrastructure and facilities with enhanced safety features that, together with modern targeted safety awareness campaigns, contribute to safer and more secure transport
3. Initiation of a public transport operators' forum to address ways to promote better integration between modes and thereby increase public transport patronage by providing easy and convenient ways to use the various modes
4. More and better opportunities through improving the transport networks, to provide improved mobility for all and provide better access to goods and services, particularly for those in the rural areas leading to improved social cohesion
5. Better quality and more transport links that will enable improved access to health centres and facilities

Regarding the environmental aspects of the transport system, the following TSOPics related to the environmental sustainability are to be the outstanding areas where the national transport policy will focus its consideration:

1. Protection of water resources-The main objective is to reduce the transportation impact on the quantity and quality of the water environment. The considerations are also applied on the physical aspect of water bodies, including for example potential morphological alterations arising from disturbances to existing hydrological patterns by engineering works, dredging etc;

2. Protection of biodiversity- The main objective will be to preserve biodiversity at all levels and according to the protection of national environmental programs and strategies;

3. Improving the air quality- Transport is the major contributor to local air pollution, especially in terms of nitrogen dioxide (NO<sub>2</sub>) and particles. This includes effects on local air quality in terms of human health and biodiversity. The National Transport Strategy will be focused on improving the air quality through reducing emissions and pollution from the transport system. The Strategy promotes reduction of the overall traffic volumes which will positively assist in reducing the air pollution. In addition, measures are promoted for reducing the negative impact from the human activities associated with the construction of new transport infrastructure, including extraction of materials and energy use, which will be fully assessed at the design stage. The Strategy also encourages the introduction of demand management measures to reduce traffic flows, to prevent induced traffic from taking up the public transport road space, to promote use of alternatively fuelled vehicles and to include public transportation;

4. Improving the use of land- The Strategy promotes measures for reducing the negative impact from the human activities, especially the use of arable and agrarian land for the purpose of transport infrastructure. The measures will be in line with the particular institutional policy and the National Spatial Plan.

5. Reducing the negative climate impact-Reducing the energy consumption and CO<sub>2</sub> emissions and the associated impacts of climate change will be an important issue of the future sector development. The Strategy will support measures for reducing climate change effects through the inclusion of policies as to reduce the need for travelling and to promote sustainable travelling as well as measures on promoting use of alternatively fuelled vehicles.

6. Protecting the existing material assets- New developments in infrastructure require new resources and waste generation.. The use of material assets will be an integral part of environmental appraisal at the national and/or local level. Use of recycled or secondary made aggregates should be encouraged where possible.



7. Protecting the landscape-Both the physical and visual appearance of transport infrastructure can pose a major impact on the existing landscape. Transportation activities could have impact on the character and integrity of the landscape, in particular on areas designated at the national or local level on the grounds of their natural beauty. New infrastructure projects can have a significant impact on the quality of panoramas, specific views and the visual environment of sensitive areas. The strategy will promote protection on the character, diversity and unique qualities of the landscape. Environmental appraisal at the national and local level will determine how the infrastructure will fit with the landscape and will propose measures that will retain, improve and protect characteristic features and landscape patterns.

#### 1.1.4 INSTITUTIONAL ARRANGEMENTS

*The Ministry of Transport and Communications (MTC)* is in charge of creating and implementing transport policy including national strategies and action plans, inspection and enforcement. *The State Transport Inspectorate, the Railway Safety Directorate and the Captaincy-Ohrid, within the Ministry,* are responsible for supervising the implementation of relevant laws and rules.

##### Road administration and restructuring activities

The national road network is managed by the *Public enterprise for State Roads (PESR)*. *Public enterprise for State Roads* is responsible for designing and implementing the Annual Programme for planning, funding, construction, reconstruction, maintenance, and protection of the national and regional road network. In 1996 the Law on Public Roads was adopted, according to which the Fund for National and Regional Roads of the former Yugoslav Republic of Macedonia was functioning from 1996 to 2008. With the amendments of the Law on Public Roads as of 11<sup>th</sup> July 2008, the Agency for Public Roads was established as the legal successor of the Fund for National and Regional Roads of the former Yugoslav Republic of Macedonia. With the Law Amending the Law on Public Roads as of 27<sup>th</sup> December 2012, the Public Enterprise for State Roads was established and took over the rights, responsibilities, employees, property, assets and archives of the Agency for State Roads.

Maintenance of the national road network is under auspices of the *"Public Enterprise Makedonija pat"* which, in accordance with the Law on Public Roads, is competent and responsible for the protection and maintenance of the national and regional road network in the country including: designing smaller road facilities, paving smaller sections and patching holes, design, fabrication and installation of vertical and horizontal signalization, road protection, automatic and manual traffic counting, cadastre of roads and bridges, information service for the state of the roads, and more.

##### Rail administration and restructuring activities

Railway infrastructure and transportation are managed by two state-owned public enterprises, Public enterprise for railway infrastructure *"Macedonian Railways"* Skopje and Joint Stock Company for Transport *"Macedonian Railways Transport" JSC Skopje*, as a result of separation into two new entities of the "Public Enterprise Macedonian Railways" in 2006.

Public enterprise for railway infrastructure *"Macedonian Railways"* Skopje as priority activity has service related to land transportation, namely organization and regulation of railway service, managing with systems for regulation and safety, management of railway

infrastructure, construction of railway infrastructure, reconstruction of railway infrastructure, repair of railway infrastructure, maintenance of railway infrastructure, protection of railway infrastructure

Joint Stock Company for Transport "*Macedonian Railways Transport*" Skopje is in charge of transportation of passengers and goods for public or personal needs in domestic and international traffic.

Other bodies of importance for rail sector:

*Agency for regulation of the rail sector* - (regulatory body) provides a transparent and non-discriminatory operation of the infrastructure and rail carrier. Agency actively controls the quality of service provided by all market participants as rail services.

*Administration for safety in railroad system* - (safety authority) issues certificates and authorisations for all the rail stakeholders, proposes new legislation regarding the safety of the railway system and enable transparent access to primary and secondary legislation of all participants in the sector.

Committee for investigations of serious accidents as part of the General Secretariat of the Government is responsible for investigation of incidents and accidents in the rail sector.

Aviation administration and restructuring activities

Ministry of Transport and Communications through the Aviation Department has the following responsibilities in the field of aviation:

- Drafting the national strategy for developing aviation;
- Implements the policy of the Government in the field of aviation;
- Implements the policies of the Government in the provision of concessions in the field of aviation;
- Proposes laws in the field of aviation and prepares and adopts the bylaws;
- Supervises the work of CAA (Civil Aviation Agency);
- Implements a procedure for temporarily concession under forced administration;
- Appoints an independent slot coordinator for the allocation of slots for take-off and landing, and
- Establish a commission to investigate accidents and serious incidents.

*Transformation of the Civil Aviation Agency*

Pursuant to Article 7, paragraph 2 of the Aviation Act, the Civil Aviation Agency is an independent state body that functions as a legal entity. The transformation of the Civil Aviation Agency is an obligation arising from Article 193 of the Law on Aviation. As a result, the sector in the civil aviation agency responsible for air traffic control has become a separate joint stock company in state ownership, with activity "provision of air navigation services". The Agency for Civil Aviation will retain regulatory functions of air regulation in aviation. The new joint stock company in state ownership as service provider of air navigation M-NAV AD Skopje is registered in the Central Register on 04.06.2009.

*Air Navigation Service Provider (ANSP)*

The establishment of joint stock company in state ownership functioning as air navigation service provider M-NAV AD Skopje should enhance the efficiency and lead to improvements not only integrated in the organizational structure and technology of work, but also in terms of increasing traffic safety as the highest priority on raising the quality of ANS services and availability for end users. The new joint stock company shall be designated provider of air

navigation services in the air space of the country, if it has a certificate under the Law on Aviation, and this is maintained as a permanent validity.

#### *Joint Stock Company for Airport Services "Airports of Macedonia" - Skopje*

The new joint stock company for airport services "Airports of Macedonia" - in state ownership is registered in the Central Register on 22.08. 2008. In accordance with ICAO standards and regulations of the EU, the following commissions and committees exist:

- Commission to investigate serious accidents and incidents in aviation

This committee investigates accidents and serious incidents in aircraft or parachutes the airspace of the former Yugoslav Republic of Macedonia and is independent in its work. There is a permanent member appointed by the Government and temporary members that in case of accident or incident of serious aircraft or parachute are appointed by the Minister of Transport and Communications from the list of aviation specialists, depending on the type of aircraft in question

- National Committee for Aviation Safety

The work of the committee including representatives from the Ministry of Transport and Communications, Ministry of Defense, Ministry of Interior, Ministry of Finance (Customs), airport operators, airlines and air navigation service providers. The committee works as a permanent committee for coordination of all activities to ensure all actions for unlawful conduct in the aviation. The Committee is responsible for taking preventive measures, organized action and removal of consequences of actions directed against the security of civilian air traffic.

- National Committee to facilitate transport in air traffic

The committee consists of representatives from the Ministry of Transport and Communications, Ministry of Defense, Ministry of Interior, Civil Aviation Agency, air navigation service provider, Customs, Air ports operators, providers of airport services and airlines. The Committee is responsible for taking measures to facilitate the acceptance, accommodation and sending aircraft, passengers, baggage, cargo, mail and more.

- National Slot Coordinator (NSC)

Currently, each airport in the former Yugoslav Republic of Macedonia performs allocation of slots and thus has a direct impact on airlines and flight schedules. The Law on Aviation provides appointment of independent national coordinator to RM to allocate slots for takeoff and landing.

Independent national coordinator for the allocation of slots is appointed only if the flow of passengers at the airport, exceed one million per year and if there is continuous lack of facilities handling. In this case, the further allocation of slots is important at least half of all new or returned slots to allocate to new interested carriers, so as to stimulate competition.

#### Inland waterway administration

*The Captains Port office in Ohrid* scope of work is the regulating relations between participants in the internal (lake and river) sailing. In Captains Port office in Ohrid, the Department of Inland Waterways performs technical and professional duties in the field of safety of inland navigation; issuing licenses for the use of waterways, ports, port places, berths and bathing areas; performs registration and deletion of vessels in the register; keep a register of ships and boats , runs the registry and issue ships logs, boarding permits , authorizations for carrying out appropriate title for the boat and certificates of competence to drive a boat, authorizing the arrival of foreign yachts and boats , organized rescue human lives and property in inland waters ; authorises the removal of sunken vessels ; inspect the work and activities of the participants in inland navigation(lakes); performing inspection supervision in inland navigation transport ; taking administrative and other measures relating to the actions of participants in inland navigation.

### 1.1.5 SUSTAINABILITY AND MAINTENANCE

Works related to sustainability and maintenance of the public roads is under auspices of the "Public Enterprise Makedonija pat" (national and regional road network), the City of Skopje and the municipalities in the former Yugoslav Republic of Macedonia (local road network).

Each year the legal entities in charge, draft year programs aligned with budgetary allocations for protection and maintenance of road network, including designing smaller road facilities, paving smaller sections and patching holes, design, fabrication and installation of vertical and horizontal signalization. The year programs are in line with the five year program for development and maintenance of the public roads adopted by the Government of the former Yugoslav Republic of Macedonia upon proposal by the Public Enterprise for State Roads and include detail description of the actions to be undertaken, locations, scope of works, budgetary allocations and time frames for execution.

The management of the construction, reconstruction, overhaul, maintenance, protection of the railway infrastructure, organization and regulation of the railway traffic, management of the regulation and safety systems and assigning of the infrastructure capacities as activities of public interest are performed by the "Public Enterprise Macedonian Railway Infrastructure-Skopje" (PE MRI).

PE MRI, according to the three year National Program for Railway Infrastructure (adopted by the Parliament of the former Yugoslav Republic of Macedonia), is obligated to issue a annual business plan which include the investment and financial programs. The business plan is prepared in order to achieve optimal and efficient utilization and development of the railway infrastructure which will provide financial balance of the infrastructure manager as well as realize other technical, financial and service goals. PE MRI, in its business plan, is obligated to determine the methods for realization of the investment and financial programs.

Based on the three year National program, PEMRI prepare an Annual Program for Financing of the Railway Infrastructure where the funds are secured through the Ministry of Transport and Communications. For the realization of the Annual Program PE MRI, through the Ministry of Transport and Communications submit a report to the Government of the former Yugoslav Republic of Macedonia during the first quarter of the following year.

The airports are under concession for 20 years and the Concessionary is in charge for the operation, development and maintenance of the two national airports.

### 1.1.6 LEGAL FRAMEWORK

Since 2002, the country commenced the process of harmonization of its national transport legislation with the EU *acquis*. The approximation of the transport legislation is an important step towards implementation of projects that put in place EU requirements in the field of transport. Main document that prescribes the process of harmonization of the national legislation with the EU *Acquis* is the Governments' National Programme for Adoption of the *acquis communautaire* (NPAA), which under the Stabilization and association process together with the European Commission's annual progress reports is updating annually. NPAA can be found on the web page of the Secretariat for European Affairs ([www.sep.gov.mk/en/](http://www.sep.gov.mk/en/)). Under NPAA, the chapter 3.14 Transport policy covers the national transport policy developments and

the chapter 3.21 Trans-european networks covers the infrastructure development along the SEETO Comprehensive network.

## 1. Rail Transport Legal Framework

**Law on Railway system** This Law shall regulate the development of the railway traffic and the railway infrastructure, the organization of the railway system, the method and conditions for performance of the railway transport and the types of transport, the management, organization, protection of the railway infrastructure and the access to the railway infrastructure, the collection of the track access charge, assignment of the infrastructure capacities, the network statement, establishment of the independent and autonomous regulatory body, granting and types of concessions, financing of the railway infrastructure and the services of public interest in the railway passenger transport.

**Law on the Safety of the Railway System** This Law regulates the method and the conditions to be met to achieve the safety in the railway system which includes the safety requirements as a whole, including the safety management of the infrastructure and the traffic operations and collaboration between the railway undertakings and the infrastructure manager. **Law on Contracts for Carriage by Rail** determines the rights and responsibilities arising from contracts for carriage of passengers and goods in the domestic and international rail transport, unless otherwise laid down in an international agreement.

**Law on Carriage of Dangerous Goods in road and rail transport** regulates the carriage of dangerous goods both by road and railway. It regulates the terms and conditions according to which the transport of dangerous goods is carried out (including preparation of the goods, loading, transport, manipulation which can occur during the transport, unloading, security during transport and adequately equipping the vehicle as well as training of staff).

**Law on interoperability within the railway system** This law regulates the conditions which the railway system of the former Yugoslav Republic of Macedonia should fulfill due to safe and uninterrupted movement of the rail vehicles on the level of the trans-European conventional railway system, through compatibility of the certain sub-systems based on technical, operational and managing conditions which should be fulfilled in order to fulfill the essential requirements in accordance with the Law.

**Law on Transformation of the Public Enterprise "Macedonian Railways"** determines for the current Public Enterprise "Macedonian Railways" to be separated into two new entities, Public enterprise for railway infrastructure "Macedonian Railways" Skopje, and Joint Stock Company for Transport "Macedonian Railways Transport" JSC Skopje.

**Law cableways and ski lifts** - This Law regulates the conditions and manner of construction, equipping, maintenance, operation and management cableways, ski - lifts and the way of organizing and protecting the transportation of persons over cableways and ski – lifts.

## 2. Road Transport Legal Framework

The management of the regional and national roads is regulated by the following laws:

The Law on Road Transport regulates the conditions and the manner in which the transport of passengers and goods is carried out, both in the domestic and international road transport. It prescribes the terms for professional competency and financial stability, some of the conditions for access to the profession of transport operator, as well as the terms and procedures for acquiring a licence for carrying out transport of passengers and goods by road. Several bylaws arising from the Law on Road Transport have been adopted.

The Law on Public Roads regulates the conditions and the manner of construction, reconstruction, maintenance, protection, use, management, and funding of public roads, as well as the supervision of the enforcement of this Law. Among the most important issues, the Law regulates:

- Road categories; competencies; sources of funding and allocation of funds among the entities responsible for the road network;
- Adoption of medium-term and annual programmes for construction, reconstruction and maintenance of roads;
- Competencies for granting concessions,

The Law on Road Transport Safety determines the conditions which have to be met by the vehicles engaged in road transport, as well as the devices and equipment which have to be provided in the vehicles, dimensions, overall mass and axle weight of vehicles; the conditions for obtaining a driving permit and the form and application form for the driving permit, verification and technical control of the vehicles, registration of the vehicle and the application form for the traffic permit etc.

Law on working hours and mandatory rest times for mobile workers and the devices for international road transport regulates social aspects of the road transport and also the implementation of the digital tachographs rules.

## 1.2 RAILWAY TRANSPORTATION

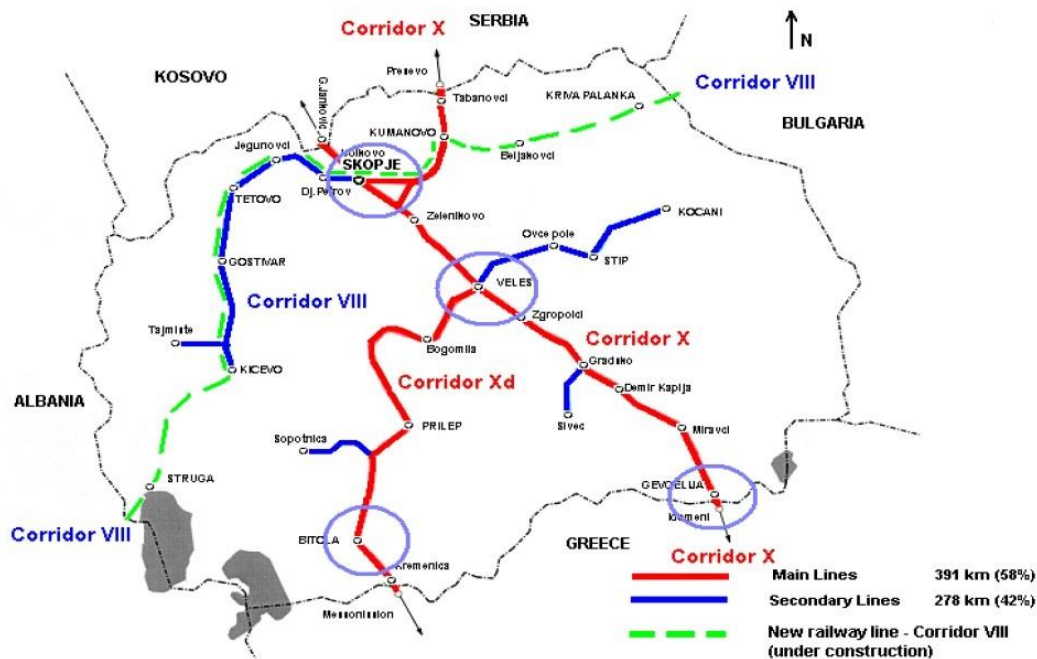
### 1.2.1 RAILWAY INFRASTRUCTURE

The railway infrastructure in the former Yugoslav Republic of Macedonia was established in 1873 with the first railway track from Skopje to Thessaloniki in Greece. Today the railway network is about 925 km in single track lines and normal gauge of 1435mm. Whilst there are no significant geographic constraints to complete the implementation of the planned rail network along the Corridors, the prime impediment to completion arises from lack of funds availability and in turn, the inability to attract funds from international financing institutions. The current level of funding remains insufficient for maintenance or for upgrading those sections identified for higher line speed.

Pursuant to the Law on Railways, the railway infrastructure covers the following areas:

1. Railway tracks with superstructure and substructure
2. Railway stations
3. Buildings, facilities, and track devices
4. Electrification systems
5. Signalling-safety systems
6. Telecommunications and information systems in the railway transport
7. Buildings, depots, and other facilities on the railway stations in function of organisation, regulation of the railway transport and infrastructure maintenance
8. The land that functionally belongs to and under the rail and the facilities within the railway belt
9. The air space above the rail in height of 12 m, i.e. 14 m above the upper border of the track next to the overhead transmission line with power of over 220 KW.

The actual condition of the railway network is shown in the illustration below:



*Illustration 2: Railway network in the former Yugoslav Republic of Macedonia*

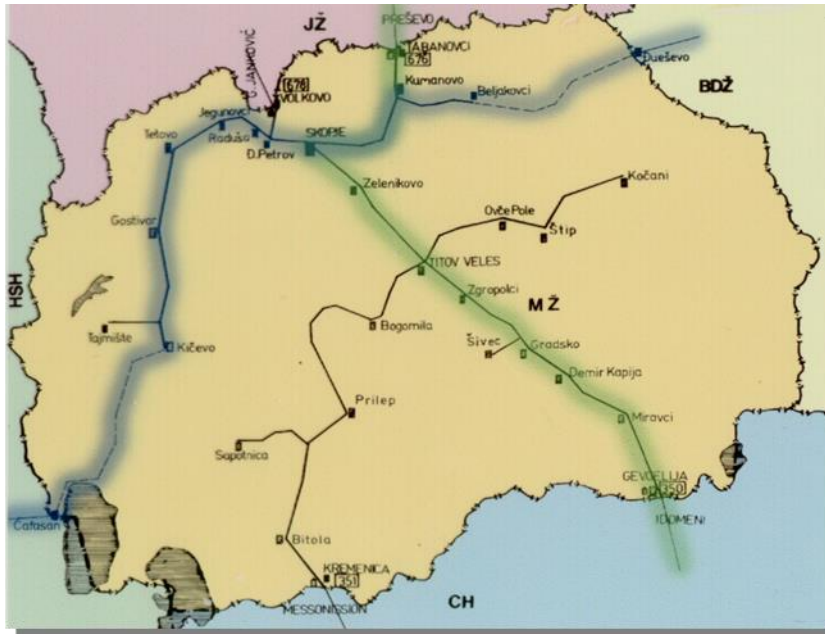
Just as the road network, the rail network in the country also follows the Trans-European networks. The railway network is composed of one track railroad with train traffic in both directions. The total length of the network is 925 km, of which:

- a. Open line 699 km
- b. Terminal tracks 226 km
- c. Industrial tracks 102 km

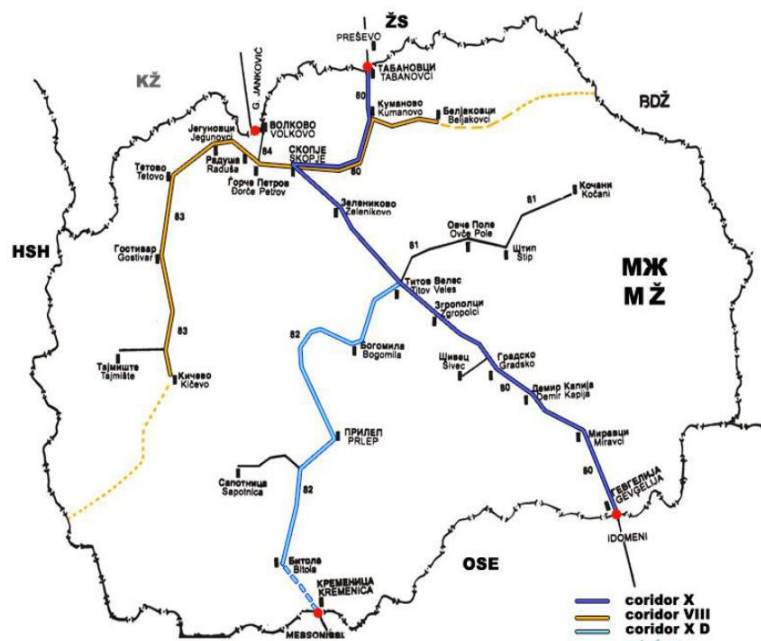
### 1.2.2 CONDITION OF THE RAIL INFRASTRUCTURE ALONG THE CORRIDORS VIII AND X

The railway line along the Corridor X and branch Xd, is 215 km long and starts from the border crossing Tabanovce in the North and ends in the South with the border crossing Gevgelija, including the branch Xd of the Corridor X that starts in Veles and ends at the border crossing Kremenica by Bitola. The railway connection along the Corridor X provides for speed of 100 km/h, and at some points the speed is drastically limited. Taking into consideration that large proportion of the transport is performed on the Corridor X, special priority is given to the increase of speed on certain sections to 130 km/h and to improve the level of infrastructure, with an aim to achieve technical conditions on a level of a Corridor.

The railway line along the Corridor VIII is in total length of 315km, whereas only 50% of the railway line has been constructed so far. At the moment, the former Yugoslav Republic of Macedonia does not have railway links with the two neighbouring countries, namely Republic of Albania and Republic of Bulgaria. The Eastern part of the Corridor VIII towards Republic of Bulgaria requires another 89 km to be built (29 % of the total), while in its Western section towards Republic of Albania another 70 km is needed (21 % of the total). Railway line along the Corridor VIII is in total 156 km existing link.



**Illustration 3: Rail infrastructure along the Corridors VIII and X**  
 - - - - - Missing rail links with neighbouring countries  
 \_\_\_\_\_ Existing rail links



**Illustration 4: Railway infrastructure. The gauge of the entire network is 1435 mm.**

The main line of Corridor X runs from Tabanovci to Gevgelija alongside Skopje and Veles and is electrified, 312 km of tracks with a single - phase system of 25 kV/50 Hz. Corridor X d runs from Veles to Bitola and beyond to West Greece) is served by diesel powered trains up to Bitola. The track from Bitola to Kremenica will be reconstructed as part of project with the IPA I-OPRD 2007-2013.

Corridor VIII was confirmed as an integral part of one of five new Trans-National European axes: the South- East axle. Also in the context of the Euro-Asiatic transport links Corridor VIII



was identified to connect Europe with Asia, the Middle and far East to the Balkans and Turkey with both railway and road infrastructure. Currently there is an ongoing the process for development of Rail Corridor VIII. The missing links towards Bulgaria are planned for construction and to be operational by 2022.

Other domestic rail links are supportive to the main international corridors. These include tracks from Skopje stations to Kosovo and from Veles (Eastbound) to Shtip and Kocani.

### 1.2.3 BORDER CROSSINGS

There are 3 rail border crossings: 2 with Serbia and 1 with Greece.

The border crossing issue is depending mainly on the successful implementation of the modernization of customs regulations, improvement and operability of the cross border buildings, enhancement of the battle against smuggling, corruption and illegal human trade. These border crossing issues are seriously hampering the operations of trucking and railways. At the borders, the railway companies have to change locomotives and staff.

The former Yugoslav Republic of Macedonia is making progress to make “one stop shop” on the rail network with the neighbouring countries. There are two active agreements with Serbia and Kosovo and activities for concluding similar agreement with Greece are ongoing.

Multi-modal transport is a logistics concept that places the legal liability for the movement of goods by several modes on a single operator.

An overall regulatory framework that permits the licensing of multi-modal transport operators will be a challenge for the near future.

### 1.2.4 TRACTION AND ROLLING STOCKS

Currently there are 56 locomotives, 124 passenger cars, and 1553 freight wagons. For improving the need of providing service for the carriage of passengers and goods in the rail transportation, there is a Project for renewal of transport fleet financed by EBRD. Supply of 150 wagons of different types of freight transport was completed. With realization of this project,; 4 DMU (diesel motor units) and and2 EMU ( electric motor units were purchased Procurement of 4 new electrical locomotives is on-going (including reconstruction of buildings where vehicles are maintained in terms of energy efficiency).

On the issue of the Rolling stock safety, Directive 2004/49/EC states that national safety authorities are responsible for the authorization of the new and existing rolling stock. Rolling stock may be put into service only if it is designed and constructed in such a way as to meet the essential requirements concerning the sub-system. The rolling stock safety is prescribed with RIV and RIC (international regulations) and the Law on safety in the railway system (the national legislative), which are mutually coordinated and regulate the way of the technical inspection of the rolling stock, their maintenance and use, the way of pulling the brakes of the vehicles, equipment of the vehicles with automatic and manual devices for pulling brakes. With by-laws which arise from the railway sector legislations, the number and schedule of the vehicles composing the trains, the inspection of the brakes, handling and maintenance of the vehicles separately and the vehicles included in the trains are elaborated in details.

### 1.2.5 RAIL SAFETY

The Railway Safety Directorate (within the Ministry of Transport and Communications) as competent authority for rail safety system ensures the development and improvement of the safety rail system, collects information on common security indicators through annual reports from the security authority, infrastructure manager and the carriers. The common security methods serve to estimate the level of safety and security of the goals achieved, and implementation of other security requirements. Common safety objectives define the level of safety needed to reach certain parts of the rail system and the system as a whole.

In accordance with the Law on railway System, both the Infrastructure Manager and the Railway Undertaking are certified for safety management system in order to ensure that the entire rail system can achieve common safety targets. The safety of railway infrastructure is laid down in Law on the Safety of Railway system, Law on Railway system and by-laws which sets conditions, measures, records on protection in the railway infrastructure which provided legal, technical and physical protection, protection and supervision of real estate.

The safety in the rail transport system as set in the National transport strategy remains a priority of the Government of the former Yugoslav Republic of Macedonia. Under the WBIF funds there are ongoing projects for preparation of the documentations for supply and Installation of Equipment for European Train Control System (ETCS level 1) and Global System for Mobile Communications-Railway (GSM-R) along the Corridor X. The role of the Global System for Mobile Communications-Railway (GSM-R) along the Corridor X (Tabanovce – Gevgelija) is to enable exchange of voice and information between the control room and train, including too signalization information to the train master and also to provide increased accuracy, capacity and speed of the trains along with the higher safety level. The European train control system (ETCS), as part of the European rail traffic management system (ERTMS) enables automatic speed control of the train according to the characteristics of the rail network and signalization and directly influence on the traffic safety excluding all the possible train driver errors and disrespect of the signalization. European system for speed control of the trains is a system that not only allows speed limits to be transmitted to the driver, but can also continuously monitor the driver's response to this information. An on-board computer effectively compares the speed of the train with the maximum permitted speed and automatically applies the train's brakes if it exceeds the limit. The implementation of these two systems will have direct impact on the improvement of the safety of the rail system.

However, continuous efforts are going to be made in the forthcoming period as well for increasing rail safety with improving signaling equipment on the collision spots, implementation of the security measures on the cross sections with the roads and improvement of the railroad level crossing.

### 1.2.6 INVESTMENT IN THE RAIL SECTOR

The construction, reconstruction, rehabilitation and modernization of rail infrastructure along the SEETO comprehensive network, with a special emphasis on the improvement of rail safety and railway electrification and making rail a competitive and attractive mode of goods and passengers transportation is a long and expensive process. Main risks can be summarized to lack of financial resources to implement the projects, lack of maintenance plans and financial resources allocated to this, lack of commitment by neighboring countries to implement the SEETO and TEN-T agenda.

There are currently projects for improvement of the rail infrastructure in the former Yugoslav Republic of Macedonia such as rehabilitation of railway stations, rehabilitation of rail sections, projects for increasing the speed, electrification and operational aspects of the rail but still there is room for improvement.

There were investments for renewal of 2 sections along the Corridor X (23 km Tabanovce – Kumanovo, Miravci – Smokvica,) in the period from 2010 – 2013. : The renewal of the section Nogaevci – Negotino (30 km) will be completed by the end of 2018. However, this is not sufficient to make rail competitive compared to other means of transportation. As the data in the show in the Table 1 and Table 2 below, the relative share of the railway transport both in terms of passengers carried as well as in terms of transport performance is about 9%. The average transport distance of international trips by rail is very low (87.2 km. This means that despite the positive trend as outlined in the tables below, the actual market share of the railway transport from all intercity trips is much lower.

The strategic goals of the Government in the field of rail transport are:

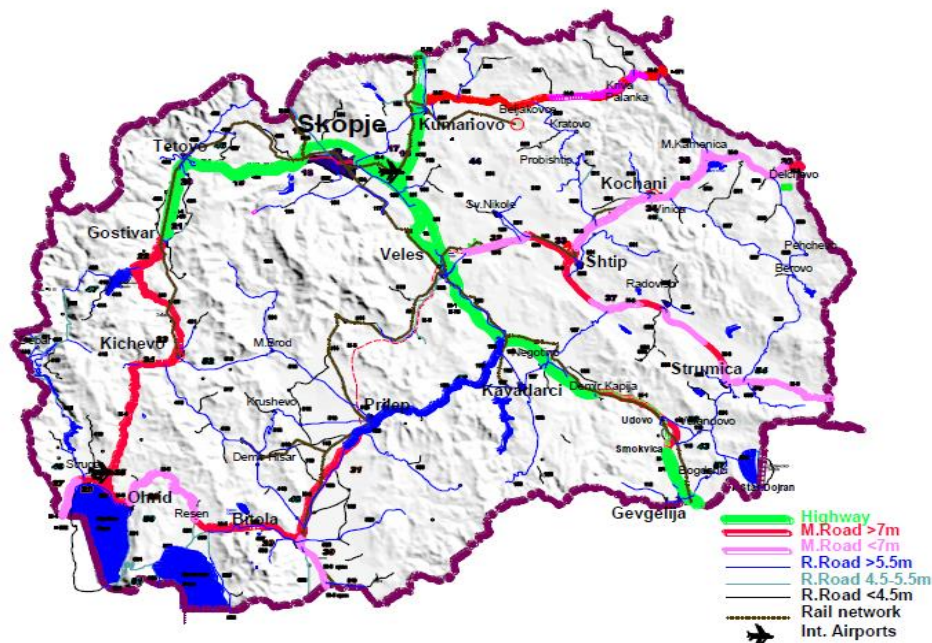
- Attractive passenger transport by rail by providing high quality commuting services, safe transport options and guaranty that passenger's' choice of transport takes into account the environmental aspects, including air quality and noise emissions.
- Support of heavy freight trains carrying a number of different products with an effective transshipment from rail to road transport and vice versa.
- Support of national industry in providing cost effective and efficient mode for mass transportation.

While assessing the potentials for development of railways in future, one should not overlook its advantages over road transportation. Railways represent a significantly less burden on environment. The land used for railway construction is significantly smaller than the land required for construction of highways. Railways transportation is also significantly less air polluting and needs less energy per unit of services performed. Second, safety on railways is much better than in road transportation sub-sector. These advantages, together with cost efficiency arguments, bode well for an intensified railways development in the country.

## 1.3 ROAD TRANSPORT

### 1.3.1 THE ROAD NETWORK

According to the Law on Public Roads, the road network administratively is divided in national, regional and local roads. National and regional roads are under state responsibility (generally referred to as the main road network), and the local roads are under municipal responsibility. The national road network is of the highest administrative classification and importance as it is in concordance with Trans National Axes (Corridors VIII and X) and other important international links. The regional road network is of less administrative importance as it interconnects with the national road network and is of crucial importance to the municipalities.



*Illustration 5: Road Network of the former Yugoslav Republic of Macedonia*

The national road network consists of six (6) roads (A-1 to A-6). Most national roads consist of two traffic lane carriageways. Two of the national roads are in concordance with Trans National Axes (Corridors VIII and X) as well as European road network, A-1 (E-75) and A-2 (E-872) are in concordance with Corridors X and VIII respectively. Other national roads form part of important international links, for example, A-3 (E-65), A-4 (E-65), A-5 and A-6.

Traffic counts take place either on road sections upon one of the motorways (national network counts - automatic or manual), or upon regional road segments (regional network counts - usually manual).

As in many other countries, the road transport in the former Yugoslav Republic of Macedonia has the largest share, both in freight and in passenger transportation segments. In the structure of the freight transport, domestic traffic dominates the international and transit ones. In a similar way, the relative share of the road passenger transport exceeds the share of rail transport. Data on number of passengers transported by intercity public transport modes for period from 2003 to 2011 are presented in the following table:

Table 1: Passengers carried in intercity and international traffic

'000 passengers carried	2003	2004	2005	2006	2007	2008	2009	2010	2011	Average 2003-2011 period	Average annual growth
Domestic	12 112	9 661	9 751	9 348	9 956	11 052	12 344	14 533	15 021	11 531	2.7%
Coach	11 244	8 784	8 889	8 386	8 900	9 628	11 194	13 044	13 613	10 409	2.4%
Railway	868	877	862	962	1 056	1 424	1 150	1 489	1 408	1 122	6.2%
International	1 152	1 070	1 161	1 109	1 223	1 231	1 020	1 209	1 452	1 181	2.9%
Coach	592	511	553	476	512	519	413	430	610	513	0.4%
Railway	34	40	41	49	48	24	23	23	14	33	-10.8%
Air	526	519	567	584	663	688	584	756	828	635	5.8%
<b>Total</b>	<b>13 264</b>	<b>10 731</b>	<b>10 912</b>	<b>10 457</b>	<b>11 179</b>	<b>12 283</b>	<b>13 364</b>	<b>15 742</b>	<b>16 473</b>	<b>12 712</b>	<b>2.7%</b>
Railway	902	917	903	1 011	1 104	1 448	1 173	1 512	1 421	1 155	5.8%
	6.8%	8.5%	8.3%	9.7%	9.9%	11.8%	8.8%	9.6%	8.6%	9.1%	
Coach	11 836	9 295	9 442	8 862	9 412	10 147	11 607	13 474	14 223	10 922	2.3%
	89.2%	86.6%	86.5%	84.7%	84.2%	82.6%	86.9%	85.6%	86.3%	85.9%	

Source: State Statistical office, own calculations

Table 2: Passenger intercity and international transport performance

Performance '000 000 pax-km	2003	2004	2005	2006	2007	2008	2009	2010	2011	Average 2003-2011 period	Average annual growth
Domestic	1 139	907	889	806	781	1 011	1 095	1 283	1 255	1 018	1.2%
Coach	1 050	817	799	709	676	865	943	1 130	1 110	900	0.7%
Railway	89	90	90	97	105	146	152	153	145	118	6.2%
International	297	297	291	311	355	376	272	313	386	322	3.3%
Coach	294	293	287	307	351	374	270	311	385	319	3.4%
Railway	3	4	4	4	4	2	2	2	1	3	-15.4%
<b>Total</b>	<b>1 436</b>	<b>1 204</b>	<b>1 180</b>	<b>1 117</b>	<b>1 136</b>	<b>1 387</b>	<b>1 367</b>	<b>1 596</b>	<b>1 640</b>	<b>1 340</b>	<b>1.7%</b>
Railway	92	94	94	101	109	148	154	155	145	121	5.9%
	6.4%	7.8%	8.0%	9.0%	9.6%	10.7%	11.3%	9.7%	8.9%	9.1%	
Coach	1 344	1 110	1 086	1 016	1 027	1 239	1 213	1 441	1 495	1 219	1.3%
	93.6%	92.2%	92.0%	91.0%	90.4%	89.3%	88.7%	90.3%	91.1%	90.9%	

Source: State Statistical office, own calculations

Intra-country transport dominates the road freight sector while the remaining is distributed between international transport and transit transport. From the data above it is evident that:

- Over 90% of the overall transport performance belongs to the coach (and air) transport.
- The average transport in international trips by coach compared to distance of international trips by rail which is very low
- It should be noted that the above data refer to the public transport only (excluding the lake transport), i.e. trips by car are not taken into account in the calculations.

### 1.3.2 CONDITION OF THE ROAD INFRASTRUCTURE ALONG THE CORRIDORS VIII AND X

Corridor X is the most important element of the core transport network, linking from Greece to Austria. Present average annual daily traffic of 15,000 is set to increase at 6% per annum to over 20,000 and to 40,000 by 2020. The E-75 is mostly four lane tolled motorway. A high

proportion (25%) of it is regional or international<sup>2</sup>. Within the national territory, the relevant part of the Corridor X is in concordance with National road A-1 (international mark E-75), which crosses the territory in direction North-South.

Concerning the construction of road infrastructure along Corridor X, of the 172 km long Corridor X passing in the North – South direction, 83% has been already constructed at modern highway standards with the remaining 17% are under construction. Until 2017 the Corridor X will be on motorway standards in the full length of the territory of the country.

Corridor VIII spans over the South Eastern European area where transport infrastructure is traditionally weak. It connects the Adriatic with the Black Sea. Corridor VIII is a multi-modal transport system along the East-West axis comprising sea and river ports, airports, multi-modal ports, roads and railways, with a total extension of 1270 kilometres of railways and 960 kilometres of roads. In view of future planning for the extension of the Trans-European Transport Axes it is of common interest of all the countries of the region to consider Corridor VIII the Motorway of the Sea connecting Varna/Burgas, Sofia, Skopje, Tirana, Durrës to Bari/Brindisi in Italy (the Black Sea with the Adriatic Sea). Corridor VIII is passing through the national territory from East to West with a total length of 304 km. concerning the road infrastructure along the Corridor only 37% are on motorway standards.

### 1.3.3 BORDER CROSSINGS

The government considers the border crossing points located on the Corridors VIII and X to be strategic border crossing points, whilst others are classified as regional and local border crossing points.

There are different stakeholders in charge for the border crossing controls on the road border crossing points, such as Custom service, Ministry of Interior and other related inspections. Up to now when considering the peak traffic flows in the summer period and around end of the year, there has been proven that the various institution have excellent coordination and cooperation among themselves in order to cope with the challenge and facilitate efficient border crossing.

Moreover, Custom services in the recent years have invested in modernizing border crossing services with providing x-rays scanners for more efficient freight control at the border crossing points, with greater frequency and electronic exchange of documentation.

### 1.3.4 ROAD SAFETY

Each accident – particularly where serious injuries or deaths result – is a personal tragedy and has a major impact on productivity and implication in the health sector. According to the former Yugoslav latest publication on transport and other services from the Statistical Office (data presented in the table below), in the former Yugoslav Republic of Macedonia an average of 3140 accidents happened annually. The average number of persons killed per year is 4869 and the average annual number of injured (seriously and slightly) is 4711 persons. The official estimated cost of accidents to the economy was about 1.5 million euro, not taking into account the cost for recovery, permanent invalidity or death.

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<sup>2</sup> SEETO Five Year Multi-annual Plan 2006-2010, May 2006.

Сообраќајни незгоди со настрадани лица <sup>1)</sup>							
Traffic accidents involving casualties <sup>1)</sup>							
	Сообраќајни незгоди Traffic accidents	Настрадани лица / Road accident casualties					Потешко и полесно повредени лица Seriously and slightly injured
		вкупно total	загинати лица / killed				
			сé all	возачи drivers	патници passengers	пешаци и други pedestrians and others	
1998	2 184	3 206	187	74	66	47	3 019
1999	2 172	3 200	216	92	59	65	2 984
2000	1 667	2 502	162	67	46	49	2 340
2001	1 300	1 937	107	43	35	29	1 830
2002	1 628	2 600	176	76	66	34	2 424
2003	1 926	2 868	118	59	31	28	2 750
2004	1 988	3 082	155	72	45	38	2 927
2005	2 821	4 319	143	62	47	34	4 176
2006	3 313	5 076	140	68	24	48	4 936
2007	4 037	6 306	173	83	55	35	6 133
2008	4 403	6 886	162	81	29	52	6 724
2009	4 353	6 891	160	78	34	48	6 731
2010	4 223	6 537	162	80	50	32	6 375
2011	4 462	7 025	172	79	54	39	6 853
2012	4 108	6 281	132	61	33	38	6 149
2013	4 230	6 682	198	90	63	45	6 484
2014	3 852	6 186	130	59	35	36	6 056
2015	3 854	6 061	148	66	33	49	5 913

<sup>1)</sup> Не се опфатени незгодите со материјална штета

<sup>1)</sup> Accidents with material damage are not covered

\*source: State Statistical Office, Transport and other services 2015– Statistical review: Transport, tourism and other services

The full range of road safety measures cover:

- Enforced Road worthiness of the vehicles and security equipment,
- Improve Driving skills & responsible behaviour,
- Stricter Law Enforcement
- Improve Road infrastructure safety and
- Implement Road Safety Management.

The Government is politically and financially committed to reduce the death toll on the roads by 50% within a period of 10 years. This is in line with the goals set in the EU White Paper on transport from 2011 which sets the goal for moving close to zero fatalities in road transport by 2050 and halving road casualties by 2020.

The State Security Council on Road Traffic developed the Second National Strategy to improve road safety in 2015 - 2020. In November 2009 the Government of the former Yugoslav Republic of Macedonia established a coordinating body for the safety of traffic on roads in the country, chaired by the Deputy Prime Minister of the former Yugoslav Republic of Macedonia. Coordinating authority is responsible for monitoring of the implementation of the National Strategy to improve road safety –2015-2020.

The Government will continue to work on improving the safety situation across all transport modes with safety standards orientated towards EU best practices. Safety and personal security concerns associated with transport will be addressed in order to improve quality of life. The Government will as well encourage participation by any road users and from those that are affected by transport in the design of new safety regulations and monitoring. Efforts are going to be made for a further alignment in the area of road safety with the Road safety directive.

Road vehicle safety measures in the national legislation are defined as follows:

- Every road vehicle needs to be registered and to meet the current legislation regarding technical conditions, equipment and accessories.
- In the case of special transport equipment, the vehicles also have to meet the requirements regarding dangerous good (ADR) and perishable goods (ATP).
- Motor Vehicles and trailers have to meet the countries' homologation regulations and / or being in line with the ratified international agreements.
- Enforce the compulsory use of active and passive vehicle security devices.
- Implementation of EU best practices guidelines on securing cargo and special transport.

Regarding the behaviour on the roads, every citizen is supposed to abide by the law, respect the speed limits and avoid driving under the influence of alcohol, drugs or medicines that affect people's driving ability. The aim is to reduce the death toll & severe injuries. The policy towards defensive driving includes special educational programs and tougher restrictive measures. To positively influence the attitudes and behaviour of road participants, the following initiatives are taken into consideration:

- Enforcing the existing traffic rules and criminalize road rage;
- Revise the current legislation on issuing Drivers Licenses;
- Cooperating, coordinating and co-funding with relevant partners specific Road Safety Campaigns
- Improve training and education of road participants
- Enforce and monitor efficiently driving and rest periods of professional drivers
- Reducing road rage and set speed limits in residential and school areas.

There are continuous public campaigns for road safety financed from the State Security Council on Road Traffic and the Ministry of Interior for arising public awareness and behaviour on the roads.

Secure road infrastructure is contributing substantially to reducing accidents. The "self-explaining road"-concept is to influence and guide the driver's behaviour. Road infrastructure has to provide safe and continuous traffic flow on all public roads in the country. This could be achieved with measures such as:

- Harmonization of signs and road markings in line with EU best practices.
- Improving the tunnel safety measures (exceeding 500 meters of length) aligned to the European proposed safety standard.
- Introduce binding Infrastructure Safety Management Measures for contractors and road authorities in all stages of planning and execution.
- Improving security standards on Road-Railways crossings
- Eliminate bottlenecks and black spots wherever possible
- Proper and efficient road maintenance
- Ensure visibility on the roads by eliminating physical and illegal obstacles

With the IPA I assistance under current period OPRD 2007-2013, a project for preparation of a study and action plan for improvement of road safety along SEETO Comprehensive Network was implemented. Through the SENSOR (South East Neighborhood Safe Routes financed from the ERDF), project where the Ministry of Transport and Communication and the *"Drivers Association of Macedonia"* are partners, a survey was conducted of the roads conditions using EURORAB methodology. Final recommendations from the SENSOR project and the study for improvement of road safety along SEETO Comprehensive Network are going to be taken into



consideration to implement measures for increasing road safety along the Corridors in the period 2014-2020.

In order to increase safety on road infrastructures, the Government of the former Yugoslav Republic of Macedonia makes efforts to introduce a Road Infrastructure Safety Management system in the forthcoming period focusing on:

- Road safety impact assessments
- Road safety audits
- Network safety management
- Road safety inspections by the competent authorities
- Traffic Information System
- Introduction of an integrated road management systems, which includes:
- Vehicle classification, surveillance and detection systems from tunnel management, vehicle classification systems and video surveillance to automatic incident detection, meteorology stations, road infrastructure protection, wide-area alert systems, disaster response and recovery systems, road winter maintenance system.

Concerning the implementation of the Road safety audit, the State Security Council on Road Traffic financed by World Bank loan agreement is strengthening the administrative capacity in this area.

Currently three projects are financed by the World Bank under loan agreement no. 8420-MK for the Rehabilitation Project for National and Regional Roads:

- iRAP  
The contract for iRAP survey of the road network was signed in April 2017. Within the Contract a survey of 3047 km of national and regional roads managed by PESR will be conducted. Based on the iRAP methodology, a star-rating map will be delivered defining the highest risk accident section. Prioritizing accident spots by potential accident reduction and cost-effectiveness and developing a nation-wide road safety program including the identification of black spots and improvement are the main outcomes of the project. Based on inputs from iRAP the survey and other relevant sources will identify the worst accident spots and prioritize accident spots by potential accident reduction and cost-effectiveness; and to develop a nation-wide road safety program including the identification of black spots and improvement
- RSA/RSI  
For the purpose of coordination, management, monitoring and evaluation of all aspects of project implementation for the RSA under the loan agreement no. 8420-MK for the Rehabilitation Project for National and Regional Roads the Public Enterprise for State Roads engaged consultant for RSA/RS who will perform:
  1. Advisory services to establish a Road Safety Unit (RSU) in PESR and provide the staff with on the job training.
  2. Preparation of road safety audits guidelines and manual.
  3. Advisory service to support PESR of both deliverables acceptable to the Client.
- Establishment of Road Asset Management System-RAMS
  1. Hardware for RAMS is procured.
  2. Provide consultancy services for assistance to PESR and carry out preparatory activities for RAMS
  3. Software-Second stage of tendering process is finished.  
Planned to start in June/July 2017, after the signing of the contract.  
Establishment of new RAMS unit is also foreseen in the new systematization act of the

working posts at PESR.

The Government, in the coming period envisages implementation of Intelligent Transport System on Corridor X, which will have an impact on the safe management of the road system and safer roads for the users.

The Ministry of transport and communications-MoTC prepared the tender documentation and conducted public procurement procedure for preparation of the project documentation on a level of detailed design (DD) for the Intelligent Transport System-ITS, financed from the State budget. It is expected that the DD will be prepared in the last quarter of 2017.

#### 1.4 AIR TRANSPORT

Two airports are in operation in the former Yugoslav Republic of Macedonia:

- a) Skopje international Airport and
- b) Ohrid International Airport

The Skopje airport is the main airport with connections to international destinations. It is connected by road via de A1 (Corridor X). The airport is given under concession for a period of 20 years to T.A.V. Airports, Turkish Corporation. Airport "Alexander the Great" - Skopje is near the crossroad of the Corridor "NorthSouth" (E-65 and E-75) Corridor and East-West "(E-850 and E-871) (fig.m 01). Thus, it has very good location to become an important logistics and transport junction, not only for the country but for the entire Balkan region as well. Ohrid airport is primarily a tourism oriented airport and is connected by road to the A3. Airport St. Paul the Apostle "- Ohrid near the south-western edge of Corridor East-West" (E-850 and E-871), near the border with Albania (fig.m 01): This airport would have good access to the Adriatic Sea through Albania to Montenegro and Croatia.



*Illustration 6: Map –Airport in Skopje and the connections between Skopje and Ohrid*

The table below shows the distance from the Airport in Skopje to the main logistical and industrial destinations in the region

Destination	Distance (km)
Belgrade	420
Sofia	250
Tirana	230
Thessalonici	230
Athens	700
Zagreb	815
Prishtina	90
Saraevo	450

Source: [http://www.airports.com.mk/cargo\\_CargoCentre.htm](http://www.airports.com.mk/cargo_CargoCentre.htm)

Development of air transport contributes to the economic growth of the former Yugoslav Republic of Macedonia. Moreover, a modern and reliable aviation system will help the country to reach its goal of European Union integration through both the utility of the system itself and positive growth effects that can be derived from increased transport. There are several projects that should be implemented in the short to medium term in order to meet the increased amount of traffic and the needs of passengers, these projects include:

- Increase in capacity,
- Full compliance with ICAO standards,
- Creation of accessible facilities and services,
- Adaptations for handling of passengers of restricted mobility,
- Upgrading Car Parking Facilities,
- The improvement of Access to and from Airports
- Providing additional land to deliver the future needs of airports and
- Upgraded road and urban transport in general, the connection of the main airports service areas.

Full membership of the former Yugoslav Republic of Macedonia in JAA - Joint Aviation Authorities

Aviation officials of the European countries of ECAC (European Civil Aviation Conference) in 1970 formed the association body of ECAC under the name JAA - Joint Aviation Authorities in order to develop high safety standards for aviation in Europe. Aviation Authority of the former Yugoslav Republic of Macedonia was established in 1993 as the Directorate for Civil Aviation. Directorate and became a candidate member of the JAA in 1999, while it applied for full membership in 2002. The former Yugoslav Republic of Macedonia has received an invitation to acquire full membership in JAA at meeting of the Board of Directors of the air authorities of the Member States of the JAA, held on 12.03.2008 in Paris, France, with which the Civil Aviation Agency officially became a full member of JAA. With this, the country fulfilled one of the most important obligations under Protocol V of the multilateral agreement for establishing the European Common Aviation Area with the European Union.

## 1.5 INLAND WATERWAYS

The access to the neighbouring ports is established through the roads and railway links. Passenger transport exists only on Ohrid Lake with smaller ships from 25 to 150 seats. At the moment there are no special stations for gas supply of the vessels.

There are two types of passenger transport on the Ohrid Lake: Line and out-of line transport by agreement between the gondolier and the users of transport. Line transport is carried out on a certain route and by previously set schedule of sailing, and non-line transport is often used for night cruises for transport by boat to a group of passengers who have the same final destination.

Lake traffic plays an important role and an important potential that can greatly contribute to the overall planned development of the Ohrid region. Water traffic on the Ohrid Lake has great potential and there are good preconditions for its development. Its development should also contribute to meeting the objectives of building a sustainable transport system in the region, if it succeeds to attract a greater number of trips. The next image shows the lines proposed in lake transportation lines, the current (black squares) and proposed new ports (purple circles) in the future should be built.



## 1.6 URBAN AND GREEN TRANSPORT

The transition economies combine rapidly increasing motorization with a rapidly declining fiscal capability to support public transport systems and improving transport infrastructure. This has generated differences between social and economic development of cities, particularly identified through a greater role in shaping land use.

The National transport strategy defines priorities for urban transport development which are aimed towards:

- Improving the movement of people rather than improving the movement of motorized vehicles.
- Ensure safe, affordable, quick, comfortable, reliable and sustainable access for the growing number of city residents to jobs, education, recreation and other needs in accordance with the National Transport Strategy.

- The focus will be placed on country main urban areas with a population more than 50.000 inhabitants.

In accordance with the Law on Local Self Government and Law on City of Skopje, municipalities at a local level have the competencies over urban transport development.

However, considering that the Capital Skopje is populated with around 40 % of the urban population, the Ministry of transport and communication undertook measures in order to support development and improve the urban transport systems using buses, in accordance with the European emissions legislation in the capital. In 2012, the project was completed for supply of 313 new buses, providing to the citizens, comfortable, modern and safe public transportation. The investment is in total of EUR 50 million financed from the national budget. Additionally, city of Skopje is implementing activities for improving conditions of city bus stops with replacing the old and ruined constructions with modern 226 new bus stops in a total value of EUR 1.07 million from the own budgetary resources.

There are measures implemented in relation to the parking organization nearby key points of the mass public transport as construction of new parking garages by private investors, providing new 1384 parking places and by the national funds, providing new 1686 parking places in the central area.

The municipalities with own budget resources are undertaking continuous activities for construction, reconstruction and rehabilitation of pedestrian lanes, alleys and sidewalks, bicycle lanes, including related activities such as installation of signs, markings as a part of the integrated urban transport system.

However, the Ministry of transport and communication, in the past period with own budgetary resources supported urban infrastructure development and constructed 78km of pedestrian lanes and 2km bicycle lane with total value of EUR 1.4 million in the Municipality of Dojran Veles and Krusevo.

In the period 2014-2020 we shall continue to pursue the goal for greener urban transport in the cities in the country.

## 2. SOCIO-ECONOMIC ANALYSIS (INCLUDING SWOT ANALYSIS)

One of the key factors to pursue economic growth is to establish and improve the transport and environment infrastructure, as prerequisites for sustainable development.

Underdeveloped infrastructure inhibits from the sustainable development of the economy, or the development is inadequate and at the prejudice of the environment deterioration and health of population. The key socio-demographic and economic factors that influence changes in transport demand (and that in turn influence the rate of transport developments) are population growth, gross domestic product, motorisation growth, tourism, agriculture and industry. High quality transport infrastructure is necessary to support the growth of the external trade activities and to increase mobility of individuals with neighbour countries and the EU.

The population growth rate is relatively low (0, 3%) and it influences economic activity levels that in turn influence the growth of consumer demand. The process of migration to a market-based economy is now established and irreversible. This gradual process should generate

higher economic growth in future years, which in turn should generate an increase in demand for transport services. The major export destinations for agricultural products are Serbia, Kosovo, Montenegro, Greece and Germany.

## 2.1 CONTINUATION OF THE NATIONAL INVESTMENT POLICY AND IPA I ASSISTANCE UNDER OPERATIONAL PROGRAM FOR REGIONAL DEVELOPMENT 2007 – 2013

Based on the principles of developing the Transport corridors – Axis in the previous programming period the Operational Programme Regional Development-OPRD, was prepared as a multi-annual program, firstly for three year period 2007-2009 and twice extended for periods 2010-2011 and 2012-2013, respectively. OPRD 2007-2013 streamlined the EU assistance into the general framework of the country's development and ensured that both the national and EU development priorities and policies are respected. The OPRD programme strategy embraced the period 2007 – 2013, with financial indications in the transport sector of EUR 109 million (18% of the total envelope). On rail infrastructure were allocated EUR 31 million and on road infrastructure were allocated EUR 78 million.

The Operational Programme for regional development 2007-2013 reflected the guideline principles of the Commission's Multi- annual Indicative Planning Document (MIPD) which was the strategic document for IPA. It also directly related to the priorities set out in Strategic Coherence Framework (SCF) which is the basic instrument for programming of pre-accession assistance from the EU through the IPA's component III (Regional Development). The programme strategy embodied in this Operational Programme is fully consistent with the strategic priorities and is compliant with the Community Strategic Guidelines for Cohesion 2007 – 2013 and with other documents governing EU principles of sustainable development and with regulating external assistance.

The strategic objective of the OPRD 2007-2013 was to support the conditions for sustainable development through the improvement of the transport infrastructure. In particular, the objective was focused on upgrading and modernisation of the road and railway infrastructure along the Pan-European Transport Network (Corridors VIII and X). The above objectives are achieved through the various defined priority axes and their measures. The OP has defined four priority axes:

1. Corridor X Motorway Completion
2. Upgrading and Modernization of the Transport Infrastructure
3. Improvement of Environmental Infrastructure
4. Technical Assistance

The measures are focused on upgrading and modernisation of roads and railways, whereby the implementation of one major road construction project along Corridor X. Important attention has also been given for the preparation of new projects that will form a pipeline of eligible projects in the transport infrastructure development. The created pipeline formed a sound basis for the implementation of the priorities in the forthcoming programming periods.

During the preparation of the OPRD 2007-2013 the main problem was a serious lack of project documentation for further implantation of the projects and one of the goals archived was the development of project documentation in order to be able to implement project and realise the goals.

In this context *the project Support in identification, assessment and selection of eligible projects for IPA Regional Development Component – part Transport* has been implemented

back in 2011 under the fourth priority axis of the OPRD 2007-2013 which gave a clear picture in the road and rail transport infrastructure, creating an indicative list of projects and action plans for investments and thus formed a sound basis for the implementation of the transport infrastructure priorities in the forthcoming programming period. The study was prepared on basis of the Multi-Criteria Analysis (MCA) and analyzed 15 projects for the rail sector and 22 projects for the road sector with time frame of 10 years. The national transport strategies and priorities were thoroughly presented in this operational programme.

The defined priorities in the Sector Operational programme on Transport for implementation of IPA II assistance are fully compliant with the priorities determined in the national strategic documents and particularly with the National Transport Strategy and the national Public Investment Programme. Regarding the regional approach it is noteworthy to mention that the priorities of the Sector Operational programme on Transport contribute to the development of the Core Network in the South East Europe as determined in the *Five-Year Multi-annual Plan of SEETO*.

Taking into account the projects implemented under the OPRD 2007-2013 and the investments (projects) financed by IFI's, the state budget and other institutions, the state of play of project on the SEETO Comprehensive road and rail network is as following:

#### TOTAL investments ROADS on SEETO Network

- Completed investments in the period 1990 -2014 are EUR 340 million.
- Planned and ongoing investments for 2014-2019 is EUR 780 million.

#### Total investment on RAIL on SEETO Network

- Completed investments in the period 1990 -2014 is EUR 7 million.
- Planned and ongoing investments for 2014-2022 is EUR 550 million.

#### Total Transport investment on SEETO Network

- Completed investments in the period 1990 -2014 are EUR 347 million.
- Planned and ongoing investments for 2014-2020 EUR 1.3 billion.

## 2.2 SWOT ANALYSIS

The location of the former Yugoslav Republic of Macedonia is favourable and places the country at the crossroads of East and West and is a transit route for traffic between Central Europe, the Aegean Sea, the Black Sea and the Adriatic Sea. This can be categories as strength or an opportunity.

Due to historic and political relations in the past, the transport connection from north south was the main axis which was pursued and developed. This is natural and logical knowing that Albania was until the 1990's a closed country and Bulgaria was part of the Warsaw pact. The Socialist Federal Republic of Yugoslavia was developing the north-south connection. This is the main reason why the favourable geographic location of the former Yugoslav Republic of Macedonia was not materialised in the previous period. This can be characterised as a weakness.

After the independence in 1990 and the difficult transition from planned to market economy the investments in transport sector were decreasing (in some cases not even funds for this were available). With the relative improvement of the economic station (when growth rates

are positive) the investments in transport are more increasing and what is known as the 3 - I for growth “Investments, Infrastructure and Innovation” are rolling on.

In 2007 the first National transport planning document was adopted which was the National Transport Strategy (NTS) for the period of 2007-2017. Operational Program for Regional Development (OPRD) was also adopted in 2007 covering the period 2007 -2013. The OPRD and NTS are complementary and strive to achieve the same goals. The goal is to have better connectivity with the EU members, better connections with the neighbouring countries.

The implementation of this goal will lead to a better integration and cohesion of the whole region to the EU and will contribute to the goal of achieving a single European market. The investments on the developing the main transport axis north – south and east west are the main focus. The logic and the rationale is that due the above mentioned there is a serious need for investments in developing these axis. These are the main arteries in the former Yugoslav Republic of Macedonia which have the highest traffic volumes.

The sector approach which aims as the transport system as whole is fully supported, but should also be tailor made for each county and serve the real needs deriving from the transport sector. The former Yugoslav Republic of Macedonia is a country “in the middle” and will peruse development of the transport system as a whole, but with a specific priority towards streamlining the investments where they are needed.

In setting out the medium-term needs and objectives of the Sector Operational programme on Transport, the socio-economic analyses have been supported by the SWOT analyses to analyse the transport sector in details, to better justify and address the objectives of the operational program and to set out the strategy, how to achieve the objectives.



Table 1 – SWOT analysis of the Transport Sector

<b>Strengths</b>	<b>Weaknesses</b>
<p>Excellent geographic location along main Balkan international routes</p> <p>Dense and extensive road network connecting the main populated areas</p> <p>Acceptable condition of main road network, with already existing high speed segments</p> <p>Developed education system related to transport and civil engineering qualifications</p> <p>Developing road transport services</p> <p>Modern legal framework in course of implementation for all modes of transport, progressive integration of the EU <i>acquis</i> in the transport sector</p> <p>Pipeline of transport sector projects prepared for implementation</p> <p>Active participation in regional cooperation activities (including the South East Europe Transport Observatory-SEETO) to support project development and a more regional approach for transport infrastructure development</p>	<p>Limited network's connection of rail and road with neighbouring countries</p> <p>Insufficient number of transport connections in the main transport corridors (TEN-T)</p> <p>Poor condition of the railway infrastructure negatively influencing the speed and travelling comfort as well as attractiveness of goods transport</p> <p>Limited capacity to support national PSO in the rail sector.</p> <p>Backlog in maintenance of rail infrastructure</p> <p>Cross border delays</p> <p>Limited quality and array of services in road operations</p> <p>Unsatisfactory level of financing of road maintenance</p> <p>Insufficient funds for innovative technologies and research activities</p> <p>Low level of road safety</p> <p>Low quality of railway services and difficulties with railway financing</p> <p>Lack of connection between different transport services and between different transport infrastructures (intermodality, multimodality), absence of logistic centres</p>
<b>Opportunities</b>	<b>Threats</b>
<p>Programmed access to EU pre-accession instrument for the development of infrastructure</p> <p>Coordinated regional IFI policy for transport project alignment favourable to projects in the former Yugoslav Republic of Macedonia</p> <p>Development of transport service for international passenger mobility</p> <p>Development of logistics activity supporting the growing interior market</p> <p>Development of transport demand for intercity connection, potentiality of development of some public transport service network</p>	<p>International financial support is not at the expected level</p> <p>External trade is hampered by transport bottlenecks</p> <p>The EU legal framework is formally adopted but not fully implemented in the field</p> <p>Alternative transit routes are preferred by shippers</p> <p>Interior economic demand weakness</p> <p>Strict rules and procedures for implementation of EU funded programmes</p>

<p>Support of the transport services for the development of trade relations with the EU, especially in long distance rail transport mobility</p> <p>EU recognises that the importance of Trans-European Corridors VIII and X including branch X-d as trans-national axes and multimodal directions are part of TEN – T</p>	
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### 3. SCOPE FOR A SECTOR APPROACH

The Sector Operational programme on Transport is implemented through a sector approach. The below text provides a short overview and a more detailed description of the various constitutive elements of the sector approach.

Various important elements such as the sector policy framework, the sector policy dialogue and the consultation and monitoring mechanisms need further development. For this purpose the Government and the Commission will work together and agree on a roadmap that will define the main challenges, the activities to be undertaken, the responsibilities and the timelines in order to gradually fulfil the requirements of the sector approach.

The Government and the Commission will also work together and agree on a policy table that will set out the key reforms in the Transport sector over the coming years (including approximation with the EU *acquis*) and will serve as the basis or the common policy dialogue.

The gradual improvement of the sector framework and the implementation of key sector reforms will be supported by the Commission through this SOP, notably via Activity 3 and the support might take the form of TAIEX, Twinning, service contracts, etc.

#### 3.1 NATIONAL SECTOR POLICIES AND STRATEGIES

The Government recognises the importance of transport in the current phase of national development. The main document is the National Transport Strategy 2007-2017<sup>3</sup> which was adopted by the Government in 2007 and the preparation was financed through CARDS program, determining the national transport development priorities for the period 2007-2017. The National Transport Strategy (NTS 2007-2017) foresees the implementation of necessary reforms in the sector in accordance with defined national priorities and obligations arising from the National Programme for the Adoption of the *acquis*. The Strategy defines the main investment priorities in the sector, taking into consideration the TEN-T network, focusing on construction, reconstruction, rehabilitation and modernisation of the road and railway infrastructure along the SEETO Comprehensive Network with a view to fully connecting the country to the Trans-European Transport axes

Other strategic documents of importance for transport development are:

- Operational Program for Regional Development for period 2007-2013
- Annual Programs for construction, reconstruction, rehabilitation and maintenance of state roads, adopted by the Board of Directors of the Public Enterprise for State Roads;
- Five-years Program for construction, reconstruction, rehabilitation and maintenance of state roads, adopted by the Government of the Republic of Macedonia for the period 2013-2017;
- The National Program for railway infrastructure 2011-2013 and 2014-2016
- Annual Program for rail infrastructure of the "*Public Enterprise Macedonian Railways Infrastructure*"

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<sup>3</sup> There is an ongoing project for preparation of new National Transport strategy 2017-2030

- National Strategy for Air Transport 2014-2018
- Program of the Government of the former Yugoslav Republic of Macedonia for the period 2017-2020

### 3.2 INSTITUTIONAL SETTINGS, LEADERSHIP AND CAPACITY

The Ministry of Transport and Communications is in charge of creating and implementing transport policy including national strategies and action plans, inspection and enforcement. The State Transport Inspectorate, the Railway Safety Directorate and the Captaincy-Ohrid, within the Ministry, are responsible for supervising the implementation of relevant laws and rules. Railway infrastructure and transportation are managed by two state-owned enterprises Public enterprise for railway infrastructure "*Macedonian Railways*" Skopje and Joint Stock Company for Transport "*Macedonian Railways Transport*" the national road network is managed by the Public Enterprise for State Roads (former Agency for State Roads) and "*Public Enterprise Makedonija pat*", which in accordance with the Law on Public Roads, is competent and responsible for the protection and maintenance of the national and regional road network in the country. The two airports in Ohrid and Skopje are under concession from the Turkish company TAV Airports for 20 years.

Decentralized Implementation System-D.I.S for management of EU funds is in place since June 2009. Until June 2017 80% of the EU funds available have been executed i.e. paid.

In the previous period besides the project for strengthening the capacities of the State Transport Inspectorate Contract No.09-42802/1 contracted in 2013, Technical assistance project through CARDS 2006 for preparation of the National Transport Strategy Contract No. 06/MAC/09/102 and also Technical Assistance to the Ministry of Transport on Restructuring of the Road Sector in 2007/2008 Contract No. 06MAC/01/09/104 was engaged.

In the current programming period of IPA I, OPRD 2007-2013 in the JASPERS assistance there is as well horizontal measure envisaged for implementing capacity building measures. As an outcome Road Safety training is going to be organized for all related stakeholders. Additionally, in the course of the project implementation, in order to widen the knowledge and expertise of the administration on the issues of the transport sector development project, related trainings and workshops are organizing. As for example in the frames of the Project for development of a study for Multimodal nodes in the former Yugoslav Republic of Macedonia, MoTC together with the Faculty of civil engineering organized transport modelling training for better understanding of the benefits of the multimodal transport development and use of IT tools in transport planning process.

Furthermore, in the frames of particular loans related with the project implementation, a technical assistance component is usually foreseen.. For instance, in the latest loan from EBRD for the rail section Beljakovce - Kriva Planka, consultants have been hired to assist the Public Enterprise for Railway Infrastructure in drafting and signing a Joint Network Statement with the Serbia and Kosovo rail infrastructure managers. In the project for construction of the motorway section, Demir Kapija-Smokvica, in the frames of the EIB loan, a technical assistance in amount of 1, 4 mil was engaged.

Policy and institutional strengthening is considered as continues process. Following the recommendation from the European commission's Progress report, various instruments on disposal will be explored further such as Twinning and TAIEX instruments, JASPERS assistance,

technical assistance provided via loans for further capacity building measures and policy and institutional strengthening.

### 3.3 SECTOR AND DONOR COORDINATION

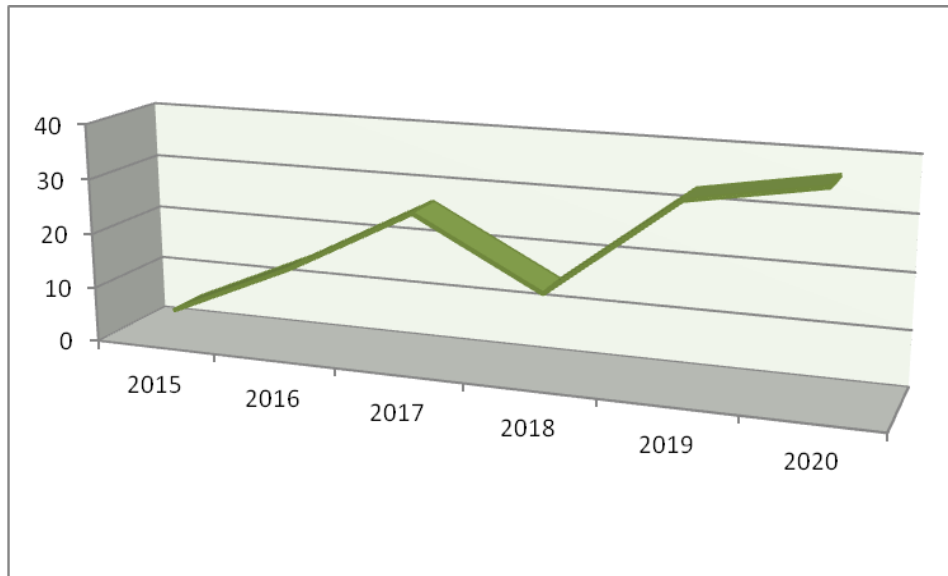
Coordination is mostly done through inter service consultation between Governmental institutions, meaning that every information adopted by the Government, has to have a positive opinion from the relevant authorities concerned. Public consultations according to relevant national legislation take place for every project during the preparatory phase and all concerned stakeholders, NGO's are informed for the projects. After the consultations are held the opinions and remarks (if relevant) are taken on board and incorporated in the project documentation.

Donor assistance to the country has decreased over the last years. The EU remains by far the largest donor, with other main EU donors including Germany, the Netherlands, and the United Kingdom. Other principal bilateral donors include Switzerland and the United States. Multilateral donors include the Council of Europe, the Organisation for Security and Co-operation in Europe (OSCE) and the United Nations. The main lenders are the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the International Monetary Fund (IMF), the World Bank (WB), EXIM Bank and Western Balkans Investment Framework-WBIF.

Government donor coordination is led by the Secretariat for European Affairs, which oversees a general and sector donor coordination mechanism, on the basis of the country's Sector Based Approach. The EU Delegation organises regular donor coordination meetings in the context of the annual IPA II programming exercise, as well as ad hoc donor coordination meetings involving EU Member States, international organisations, other donor organisations, civil society and other relevant stakeholders.

### 3.4 MID-TERM BUDGETARY PERSPECTIVES

According to the plan for the implementation of the Sector Operational programme on Transport 2014 – 2020 there is a steady growth in the period 2014-2016, then in 2017 there is small decrease and then increase again in the period 2018-2022. In the period 2014-2017 investments are focused on road transport and in the period 2018-2022 investments are focused on rail transport.



### 3.4.1 PERFORMANCE ASSESSMENT FRAMEWORK

The quantitative and qualitative progress made in implementing the programme as well as its efficiency and effectiveness in relation to its objectives will be measured by the use of evaluation and monitoring indicators related to the results and outputs of the individual measures. The Head of the IPA Unit within the Ministry of Transport and Communications will be responsible for programme monitoring. In this context, this Unit will collect performance data (outputs, results and expenditure) from operations and projects. They will establish, maintain and update the reporting and information system by taking this project-level data and aggregate it to measure, priority axis and whole operational program levels. Data on individuals, who are the ultimate beneficiaries must be collected for each project and used for aggregation at measure and priority level. On this basis the IPA Unit within the Ministry of Transport and Communications will assess the progress of the Operational Program at each level against objectives and targets, prepare reports to the Sector Monitoring Committee, draft the sectoral annual and final reports on implementation and to launch interim evaluations if required. In the context of monitoring and for the purpose of using indicators, the role of the IPA Unit within the Ministry of Transport and Communications will also be to ensure that:

- a. monitoring requirements are built into the calls for tender and proposals documents (application forms and guidelines for applicants);
- b. project applications (when appraised and selected) include proposed outputs and results, as well as data on individuals, that are consistent with the OP indicators for the appropriate measure;
- c. provision of data is built into the contract with beneficiaries as an obligation, and that performance data is provided systematically and in a timely manner by beneficiaries alongside the project reimbursement claim.

The sectoral annual and final reports on implementation will provide information on the use of expenditure according to the above categories.

### 3.5 PUBLIC FINANCE MANAGEMENT

The country weathered well the double deep recession supported by expansionary fiscal policy. The expansionary fiscal policy revealed some PFM weaknesses such as missing of fiscal targets for four years in a row and underperforming of capital expenditures. Public debt is expected to rise further having in mind the planned investment projects. A slow-down of the EU and the global economy growth and increased uncertainty imposes the need for strengthening the public finance management, creating enough fiscal space for dealing with future unforeseen challenges and improve public investment efficiency by supporting projects that contribute for increasing the country competitiveness and economic growth.

Regarding regional development, although progress has been made, national and regional partner institutions are not yet in position to fully implement the new regional development policy according to EU requirements. The biggest challenge that still exists is distribution of budget funds for equal regional development (ERD). The horizontal and vertical coordination in the area of ERD is still not efficient, and there is lack of inter-institutional coordination during the preparation and execution of national programmes supporting ERD. There is a lack of appropriate mechanism for identifying expenditures of supported project and distribution of finances for planned projects in different planning regions 34 (there are 8 planning regions in the country). In same direction goes the EC statement in the 2015 Progress Report where it is noted that "distribution of capital funds to municipalities needs to be carried out in a more transparent and coordinated manner".

### 3.6 MACRO-ECONOMIC FRAMEWORK

Macroeconomic Policy 2017 - 2019 provides conditions for intensified economic activity through sustainable fiscal policy, which, in coordination with the monetary policy, will contribute to achieving sustainability of the external position of the country and ensuring inflation level to underpin the economic activity. According to the Fiscal Strategy 2017-2019, fiscal consolidation in accordance with the Maastricht criteria remains the main priority in the coming medium-term period. In the period 2017-2019, gradual reduction of the deficit level is envisaged: 3% of GDP in 2017, 2.6% of GDP in 2018 and 2.2% of GDP in 2019. Moderate and contained increase of government debt up to 44.0% of GDP is expected at the end of 2019, while public debt is expected to account for 56.0% of GDP during the same period.

On the basis of the above-mentioned assumptions, real GDP growth is expected to be 3% in 2017, 3.5% in 2018 and 4% in 2019. Export of goods and services is envisaged to be the main driving force of economic growth, and resolving the political crisis in the country will have positive effects on the expectations and the confidence of the economic entities on the medium run, reflecting on increased investments, which is also a positive signal for the potential foreign investors. Analyzed by activity, growth will be driven by construction, followed by services, industry and agriculture. Projected growth of economic activity in the period 2017 - 2019 is expected to be accompanied by increased demand on the labor market, by job creation in the free economic zones and as a result of realization of publicly funded infrastructure projects, and, together with the active employment measures and programmes, will result in further decline of the unemployment rate to around 21% in 2019.

In the next three year period monetary policy will remain oriented at maintaining price stability by keeping a stable exchange rate of the Denar against the euro.

Global factors of inflation point to a moderate acceleration of domestic inflation in the medium run, after its low level in 2016, in line with the general downward trend of global prices of primary commodities. In 2017, the inflation is expected to be 1.3%, while in 2018 and 2019 it is expected to slowly come closer to the historical average of about 2%.

The latest estimates of the external sector for the next three years suggest moderate current account deficit of around 2% of GDP.

### 3.7 OVERALL ASSESSMENT

Overall assessment is that investments in transport sector are more than needed and should be streamlined for development of the rail and road SEETO Comprehensive Network as part of the TEN-T Network as presented in the illustrations below.

Particularly, the road transport investments should be aimed at further development and modernization of the SEETO Network since these are the roads that have the highest traffic volumes as described in the part 1.3. These investments will complement the investments for improvement of local and regional roads, which is given through loans from the World Bank and European Bank for Reconstruction and Development in amount of EUR 120 million. From the period 2011-2015, 402 local roads in length of 746,6 km have been reconstructed in an amount of EUR 63.4 million. Regional roads were reconstructed in the period 2011-2014 in an amount of EUR 28 million in length of 170 km.

Concerning the rail transport, investments are needed to further to develop the functionality and operation of the rail network in the former Yugoslav Republic of Macedonia considering the missing rail links with the neighboring countries Albania and Bulgaria, since the network is almost 90% on the on the SEETO Network.



*Illustration 7: SEETO Comprehensive road network as part of the TEN-T Network*





*Illustration 8: SEETO Comprehensive rail network as part of the TEN-T*

#### 4. OBJECTIVES OF THE IPA II SECTOR APPROACH

The strategic objective of the Sector Operational programme on Transport for the programming period 2014 – 2020 is to support the conditions for sustainable development through the improvement of the transport infrastructure and pursuit of strategic reforms in the sector. Moreover, the objective is focused on improvement of the SEETO Comprehensive road and rail network in the former Yugoslav Republic of Macedonia as part of the TEN-T Network (Corridors VIII, X and branch X d). In particular, the objective is focused on improved access and safety of connections with neighbouring countries by upgrading and modernisation of the transport infrastructure along the SEETO Comprehensive Network as part of the TEN-T Network (Corridors VIII, X and branch X d). These actions will be in compliance with European Union standards and are essential in improving the quality of individuals' lives and for achieving sustainable economic development of the country.

The specific objectives of the Sector Operational programme on Transport 2014-2020 are as follows:

- To upgrade and modernise the transport infrastructure along the SEETO Comprehensive network by connecting national economic centres with Europe and the neighbouring countries
- To promote international and transit movements of people and goods with the EU and its regional neighbours by modernisation and development of the SEETO Comprehensive Network
- To promote sustainable development especially through minimizing the adverse effects of transport on the environment and through transport safety improvement.
- To support the preparation and implementation of key short and medium term reform measures in the sector.

Furthermore, the aim of the Sector Operational programme on Transport 2014-2020 is to implement actions, based on lessons learned from IPA I implementation and following recommendation from the Final interim evaluation report on OPRD 2007-2013 (part transport), emphasizing that IPA II uses process of sector approach management closer to Cohesion Fund and Structural Funds management and different than previous EU pre-accession funds. Finally, the aim is to improve the management capacity of the institutions implementing the Sector Operational programme on Transport 2014-2020.

Implementing the Sector Operational programme on Transport 2014-2020 actions will produce direct development benefits such as a reduction in the travel time for passengers and freight, increasing the safety and competitiveness between different transport modes.

The above objectives will be achieved through the various defined priority actions. The Sector Operational programme on Transport 2014-2020 has defined three priority actions:

1. RAIL TRANSPORT INFRASTRUCTURE
2. ROAD TRANSPORT INFRASTRUCTURE
3. REFORMS AND HORIZONTAL SECTOR ASSISTANCE

Definition of the strategic priorities creates a framework for the Sector Operational programme on Transport 2014-2020 to ensure achievement of the specific objectives using the assigned Instrument for Pre-accession Assistance-IPA II financial resources for the given period. The priorities are derived from the analyses and the set of objectives, contributing to achieve the

objectives and priorities of the other strategic documents as National Transport Strategy-NTS 2007-2017<sup>4</sup>, Country Strategy Paper-CSP, Five Year Multi-annual Rolling Plan of SEETO, Programme of the Government of the former Yugoslav Republic of Macedonia for the period 2017-2020 and Economic Reform Programme 2017-2019 (ERP 2017-2019).

The Instrument for Pre-accession Assistance -IPA II is the main financial instrument to provide EU support to the beneficiary countries in implementing reforms with a view to Union Membership. Financial assistance under IPA II pursues the following four specific objectives: (a) support for political reforms, (b) support for economic, social and territorial development, (c) strengthening the ability of the beneficiary country to fulfil the (future) obligations stemming from membership in the EU by supporting progressive alignment with the Union *acquis*, (d) strengthening regional integration and territorial cooperation.

*Sector Operational programme on Transport 2014-2020* is one of the instruments for implementation of the national policy for development of the country and particularly of the national transport policy. Objectives and priorities of the national policy shall be supplemented also by other means, other financial resources, respectively, in accordance with the national sectoral and regional programs and plans.

*National Transport Strategy-NTS 2007-2017* presents a comprehensive plan or action oriented document for implementation of the necessary reforms in the transport sector in accordance with the obligations of the National program for Adoption of the *acquis communautaire*. Currently there is an ongoing project for preparation of NTS for the period 2018-2030.

*Country Strategy Paper-CSP* sets out the priorities for EU financial assistance for the period 2014-2020 to support the former Yugoslav Republic of Macedonia on its path to accession. It translates the political priorities as defined in the Enlargement Strategy, and the most recent Annual Progress Reports into key areas where financial assistance is most useful to meet the accession criteria. Also, the Country Strategy Paper sets meaningful and realistic objectives, identifies the key actions and actors, describes the expected results, indicates how progress will be measured and monitored, and sets out indicative financial allocations. The priorities defined for financial assistance will serve as a basis for the (multi-) annual programming of IPA II funds in 2014 to 2020.

*The five-year Multi-annual Rolling Plan of SEETO* is adopted as a regional strategy for development of the core regional transport network in South East Europe. This plan identifies significant number of regional important reforms and measures for management in the transport sector. The list of priorities covers the whole territory of the participating countries and includes all transport modes.

*Programme of the Government of the former Yugoslav Republic of Macedonia for the period 2017-2020* sets the set of priorities of the Government for the 4 year period. Since good infrastructure is the foundation for accelerated economic development, better competitiveness of the economy, faster flow of people, goods and passengers, investments in the infrastructure will meet the strategic objectives of the Programme of the Government of the former Yugoslav Republic of Macedonia for the period 2017-2020 which is increased economic growth and employment, as a precondition for increased citizens' standard of living and improved quality of

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<sup>4</sup> The National Transport Strategy 2017-2030 is currently being prepared with IPA I financing.

life. Given the fact that the former Yugoslav Republic of Macedonia is located on the main corridors east–west (Corridor VIII) and north–south (Corridor X, including branch X d), the Government will continue with the realization of the capital infrastructural projects which will contribute to improvement of the competitiveness of the national economy, increased economic growth and will make the regional development steadier. This will intensify the integration towards EU standards and reduce the infrastructural gap.

*Economic Reform Programme 2017-2019* presents the priorities and economic policies for next year, medium term macroeconomic and fiscal framework, as well as the agenda of structural reforms. Its goal is to present the activities of the Government of the former Yugoslav Republic of Macedonia aimed at realizing the priorities arising from the Accession Partnership of the former Yugoslav Republic of Macedonia with the EU, accelerating the economic growth of the country and improving the living standard of citizens.

## 5. OPERATIONAL FEATURES OF THE PROGRAMME

### 5.1 GEOGRAPHIC AND THEMATIC CONCENTRATION

The geographic location places the country at the crossroads of South-Eastern Europe, making it an important transit route for land traffic between Central Europe, the Aegean Sea, the Black Sea and the Adriatic Sea.

The efforts of the governmental policy are focused on the provision of stability of economic trends, revitalization of economic activities and strengthening of the EU integration processes.

GDP in the first three quarters of 2016 grew by 2.7% in real terms, amid intensified political instability in the country. Construction sector, experiencing 15.0% growth, had a significant contribution to economic growth in this period, as well as in the past years. Agriculture in this period experienced 6.1% growth, while growth in the services sector amounted to 2.6%, as a result of the growth in several activities (information and communications, financial activities, trade, transport and food and accommodation, etc.).

Real GDP growth is expected to be 3% in 2017, 3.5% in 2018 and 4% in 2019..

### 5.2 INTERACTION OF THE PROGRAMME WITH IPA II PROGRAMMES IN OTHER SECTORS

Based on the principles of developing the Transport corridors in the previous programming period with the Operational Programme Regional Development-OPRD, 2007 – 2013, Sector Operational Programme on Transport 2014-2020 is streamlining the EU assistance into the general framework of the country's development and ensured that both the national and EU development priorities and policies are respected.

The strategic objective of the Sector Operational Programme on Transport is to support the conditions for sustainable development through the improvement of the transport infrastructure. In particular, the objective was focused on upgrading and modernisation of the road and railway infrastructure along the Pan-European Transport Network (Corridors VIII, X and branch X-d).

Sector Operational Programme on Transport in correlation with the Sector Operational Programme on Environment meaning that the measures, which are implemented in the Transport

portfolio have impact on the environmental issues aimed less CO2 emissions and reduction of the adverse impacts generated from transport activities

### 5.3 COMPLEMENTARITY OF IPA II ASSISTANCE IN THE SECTOR WITH OTHER DONORS

Apart of the IPA programme, there are a number of other donor activities aiming to support development of the transport

IFI and bilateral financial assistance to the country is substantial. All major IFIs are present in the field, such as the World Bank, the IMF, the EIB, the EBRD, EXIM bank WBIF, etc. Clearly, IFIs and other donors' assistance has not only decisively contributed to stabilize and improve the political, economic and social situation in the country but has also complemented the EU association agenda, which is recognized by all members of the donor community. In addition, EU member states as well as other bilateral and multilateral donors also provide significant financial and technical support. One of the projects which clearly shows the complementarity of IPA I assistance in the sector with other donors (in this case EIB and EBRD) is the Major project within the OPRD 2007-2013 in the field of road infrastructure: Construction of New Motorway Section Demir Kapija - Smokvica As A Part Of Pan - European Corridor X.

With IFI and other donor assistance being channeled into many areas the challenges to the programming of EU financial assistance was and is to avoid overlaps and to ensure that different but related activities are aligned. The coordination has improved with initiatives taken by the beneficiary and the large stakeholders.

### 5.4 EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

The challenge of cultural differences and providing fair work opportunities for all sections of society is recognized. The equal opportunities must include enhanced integration of women in all areas of the workplace including in the selection, training and development initiatives.

Equality in the freedom and rights of citizens regardless of sex, race, color of skin, national and social origin, political and religious beliefs, property and social status are provided for in the Constitution of the country. Equality between men and women constitutes a basic principle of the international and regional human rights instruments that the country has signed and ratified. There are several positive developments in this field such as adoption of the National Action Plan on Gender Equality, establishment of Unit for Gender Equality within the Ministry of Labor and Social Policy and Gender Equality Commissions at local level. In January 2012, the country adopted the Law on Equal Opportunities of Women and Men with the purpose to promote the principle for establishing equal opportunities between women and men in the political, economic, social, educational field as well as in other fields of social life.

The existence of both legislative and non-legislative measures to fight against discrimination and promote equal treatment and opportunities are prerequisites for EU accession. During implementation of the program measures will be taken to eliminate barriers that could prevent any of these discriminations. Mainstreaming equal opportunities is a horizontal principle of Structural Funds interventions and the implementation of this principle will be considered in the process of implementation and evaluation of the programme.

The principle of equal opportunities is integrated in Transport Operational programme and it encompasses all measures and activities during the period of planning, implementation, monitoring and evaluation that directly influence or contribute to the promotion of equality between women and men, social inclusion and diminishing any form of discrimination. Transport Operational programme supports the establishment of the equality of opportunities for the access to the transport infrastructure as one of the important factor influencing the living conditions and living standard of inhabitants.

## 5.5 CLIMATE ACTION AND SUSTAINABLE DEVELOPMENT

In the Transport sector, sustainable development will be reflected through the incremental reduction of the adverse impacts generated from transport activities that will occur with the implementation of the Measures proposed. The rail or road activities will be improved for all users through having smoother transport flows and thereby less harmful impacts on the Corridors, their immediate hinterlands and the transport providers and users. The foreseen investments in rail connections will lead to development of the rail as more environmentally friendly mode of transport and will lead to less CO2 emissions by reducing the volume of cargo and passengers transported by road transport.

The opportunity to address sustainable initiatives into the design and implementation of Measures and in the project outcomes will be developed. This will include reference to issues such as:

- Optimal production processes and operational features of the project
- Types and quantities of raw materials, energy and other resources consumed;
- Treatment of residues and emissions by type, quantity, composition and strength including discharges to water and emissions to air;
- Noise
- Vibration;
- Light;
- Heat;
- Radiation;
- Deposits/residues to land and soil;
- Physical Severance

The specific actions will incorporate relevant best practice observance into the design processes and then to incorporate them into the implementation of measures and also in the post-implementation procedures. The implementation of the proposed Programme actions is designed to provide a permanent improvement in the quality and protection of the environment. The actions will positively improve the various qualities both for users and for those living along the Corridors.

## 5.6 PROGRAMME STRATEGY – ACTIONS AND ACTIVITIES

The Sector Operational programme on Transport 2014-2020 has defined three priority actions:

1. Priority Action 1 - RAIL TRANSPORT INFRASTRUCTURE
2. Priority Action 2 - ROAD TRANSPORT INFRASTRUCTURE
3. Priority Action 3 – REFORMS AND HORIZONTAL SECTOR ASSISTANCE

### 5.6.1 PRIORITY ACTION 1 – RAIL TRANSPORT INFRASTRUCTURE

**Aim:** The purpose of the priority action is to improve the rail transport infrastructure for better cohesion with the EU member states and regional neighbours, supported by varied investments in the rail transport infrastructure network of the country. For the programming period 2014-2020 the priority will be given to the railway infrastructure along the along the SEETO comprehensive network (Corridors VIII, X and Branch Xd)

**EU legislation:** REGULATION (EU) No 1315/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU

**Specific objectives:**

- To facilitate international and transit movements of people and goods with the EU and its regional neighbours by the modernisation and development of the Corridors and the regional core network
- To facilitate the effective movement of people and goods that supports improved living standards and socio-economic environment in the regions through development of the national components of the Corridors
- To promote sustainable, low-emissions and climate-resilient development especially through minimizing the adverse effects of transport on the environment and through improving transport safety
- To develop design studies, Environment Impact Assessments (EIA), project preparation studies as feasibility studies, cost-benefit analyses, design documentation and tender documentation of the projects where pre-feasibility studies already exist.

**Rationale:** The national territory is a crossing point of the two Trans National Axes (Corridors VIII and X) which is an opportunity for development of the transport network in order to make the most of the geo-strategic advantage and thus to contribute to the functioning of the Common European Market by providing effective transport links and facilitating the transport of people and goods and access to the other countries and markets.

The priority action will contribute to strengthen links with neighbouring countries by improving the flow of international trade and improved infrastructure along the Corridors VIII, X and branch X d would enhance the possibilities of increased traffic by linking central Europe with the port of Thessaloniki and Adriatic/Ionian Seas with the Black Sea linking Europe with Asia.

This priority action will contribute to better cohesion with the EU member states, by providing rail links with the neighbouring countries, reducing travel times, supporting improved safety and quality of transport delivery both within the Country, to neighbouring countries and onward to other countries in the EU and the region. It will be achieved through activities aimed at development of railway infrastructure. In this manner, improvements will also accrue in the quality, efficiency and speed of transport services, increases in freight and passenger traffic.

These regional priorities are matching also the needs identified in the economic and SWOT analysis of the transport sector.

Following the analysis the national and regional transport delivery suffered because of various weaknesses:

- Limited connections (rail) with neighbouring states

- The constraints accruing from a very limited railway infrastructure network
- Backlog in maintenance for rail infrastructure
- Cross border delays
- Inadequate funding available to fulfil all transport infrastructure project requirements

**Description:** The action comprises activities that will contribute to construction, reconstruction, rehabilitation and modernization of the existing rail links (along the SEETO comprehensive network) with a special emphasis on the improvement of rail safety and railway electrification and on making rail a competitive and attractive mode of transportation and construction of missing links, so that these two important transport links will then be operational across the country along the strategic East-West and North-South Corridors.

**Delivery:** Delivery principles include support of investments in Transport infrastructure projects which are capital intensive. This approach will enable effective and efficient utilisation of the IPA assistance and continuation of the principle for investments set out in the period 2007-2013 of investment on SEETO Comprehensive Networks as part of the TEN\_T network.

**Targets and indicators:** The priority is targeted on Rail transport sector. The target commercial beneficiaries will include the importers and exporters of goods and products as well as those involved in internal trade movements and also those engaged in goods transit across South Eastern Europe.

#### 5.6.1.1 Upgrading and modernization of the Rail Transport Infrastructure along the SEETO comprehensive network (Corridors VIII, X and Branch X d)

**Specific objectives:**

- To construct the remaining railway links according to the EU technical standards,
- To reconstruct, rehabilitate, upgrade and modernize the rail links along the international Corridors VIII, X and Branch X d according to the EU technical standards
- To improve the safety and security
- To reduce travel time for passengers and freight railway transport
- To increase the capacity of the connections with neighbouring countries along the Corridors
- To promote sustainable development especially through minimizing the adverse effects of transport on the environment and through improving transport safety
- To develop design studies, Environment Impact Assessments (EIA), project preparation studies as feasibility studies, cost-benefit analyses, design documentation and tender documentation of the projects where pre-feasibility studies already.

**Rationale:** The overall condition of the rail network is obsolete as compared to the European standards. Besides the low level conditions of the infrastructure, there are also missing links towards Republic of Bulgaria and Republic of Albania.

The completion of the remaining rail links on the Corridors VIII and X, Xd will contribute towards improving rail-based activities in several ways:

- By attracting greater domestic passenger and freight movements currently either undertaken by road or not undertaken
- By increasing international passenger traffics
- By increasing use of rail for trade imports
- By increasing use of rail for trade exports



- By increasing use by rail of international transit traffics

These priority rail links with neighbouring countries are designed to strengthen traditional mobility and trade patterns and to optimise opportunities for increased social and economic benefits both at national level and to neighbouring countries.

There are number of projects at a stage of preparation of comprehensive project documentation in order to be able to apply for financing for the physical works from IPA II or other IFIs. Therefore the support of the activity is focused on specific project, where preparatory activities are ongoing and will be completed before the application for financing for the physical works is submitted.

This activity will also include preparation of feasibility studies, cost benefit analyses, environmental impact assessments, design documentation etc for other projects within the field of the rail infrastructure.

Description: The network is entirely single-tracked and all at 1.435 mm standard international gauge and is open to both passenger and freight traffics. There are passing loops. The core railway network follows the north-south and east-west Corridors, corresponding generally to the EU Corridors VIII, X and branch X d. Note that infrastructure development has been virtually non-existent since 1990, with only 3 kms (or 0.4%) of new track opened.

Corridor VIII rail infrastructure runs East – West and is 315 km in length within the Country but is incomplete, with only 154 km (less than 50%) having been constructed. As a result, there are no railway links with neighbouring Albania and Bulgaria. The Eastern part of the Corridor VIII towards the Republic of Bulgaria requires another 89 km to be built (29 % of the total) while in its Western section towards the Republic of Albania another 66 km is needed (21 % of the total).

In addition to the gaps in the basic infrastructure of the network, there are several factors behind the relatively small share of the railways in the total surface transport traffic. The geographical characteristics generate relatively short distances between major destinations. In addition, because the network comprises of only two lines, the influence on passenger and freight traffic is limited to destinations along these lines of route or the then immediate surrounding hinterland areas. This relative lack of accessibility to stations hampers the wider scale marketing of rail services to a larger proportion of the population.

Corridor X rail infrastructure runs North – South Corridor X is 215 long and is fully operational. Within the country, it starts from the border crossing at Tabanovce in the north and ends in the south with the border crossing at Gevegeliya, including the branch X-d from Corridor X that starts in Veles and ends at the border crossing at Kremenica by Bitola.

Corridor X line is designed for speeds of 100 km/h, although at some points the speed is drastically reduced. Along the Corridor, there are 19 stations; the standard gauge railway track has 25 KV voltage electrification 50 Hz and with a relay signal system that provides for good communications. Corridor X carries around 85% of the total transport so priority is being given to an increase of speed on some sections to 130 km/h. In turn, this requires upgrading of the infrastructure standards in order to achieve the specified technical conditions eight traffic on Corridors VIII, X and branch X d, the procedures and documentation requirements at the various border crossings need to be simplified and harmonized. Currently, funding is sourced from a mixture of state budget allocations and loans provided by IFI's and co-funding arrangements.

Currently, on the *rail Corridor VIII as part of the SEETO Comprehensive rail network*, eastern section (Kumanovo – Beljakovce - Kriva Palanka - Deve Bair (border with Bulgaria) there are several ongoing and planned investments of EUR 500 million to be realized until 2022.

For the first section Kumanovo-Beljakovce L=30.8 km, loan Agreement was signed on 21st of August 2012 with EBRD on the amount of EUR 46.4 million for reconstruction activities. Contractor “Wiebe GmbH”-Germany started works on 17.03.2014 and was expected to be completed within 30 months i.e. until September 2016. Until June 2017, 20% of the financial progress can be reported. PE MRI is in process of extension of the time for completion. With the grant funds in amount of EUR 4.2 million secured through WBIF, the detailed designs and tender documents were completed in September 2013, and in December 2013 an Engineer was appointed.

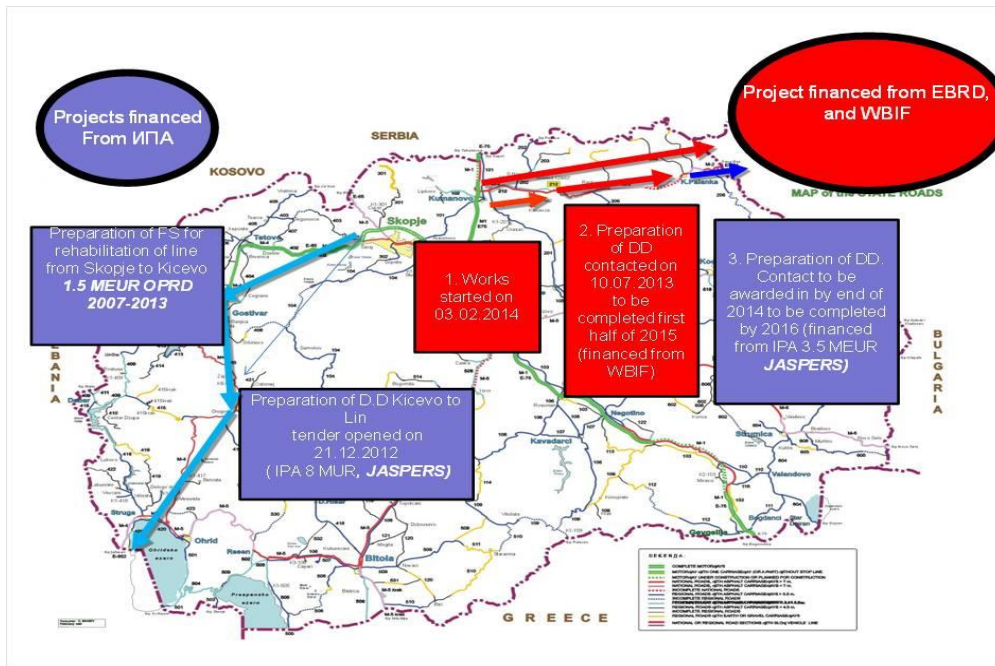
On the second section from *Beljakovce to Kriva Palanka* L=34 km, during the period 1994 - 2004, with funds provided from the National Budget, construction activities started for construction of a new railway track from Beljakovce to Kriva Palanka (second section) with supporting structures (bridges, tunnels, overpasses etc). In 2004 construction works were stopped. WBIF approved a grant of EUR 2.7 million for the preparation of the detailed design, tender documents and support in the tender process for selecting a contractor. The assignment of the selected Consultant started in August 2013 with duration of the assignment of 24 months. Up till June 2017 the 70% of the assignment were completed.

In December 2015 the Loan Agreement was signed between the Ministry of Finance and EBRD, but the Loan is still not effective due to the fact that 2 conditions have to be fulfilled. In the middle of 2014 3,0 mil euro were secured through WBIF for selection of the Consultant who will be appointed as an “Engineer”. Still, the tendering process has not started. In May 2016 the prequalification of the contractor has started and is ongoing.

For the last section Kriva Palanka, Deve Bair, border with Republic of Bulgaria L= 23.4km: only detailed design of railway track is available. Funds for preparation of the detailed design in amount of EUR 3.5 million are allocated in IPA I, OPRD 2007-2013. The consultant started the assignment in January 2016 and is expected to finish in November 2017. The project documentation will serve as a basis for further implementation of the project.

Concerning the western section of the rail Corridor VIII, Skopje- Kicevo- Border with Albania (section Skopje –Kicevo L=62.6km), in 2015 an application was submitted to the WBIF. The application was approved and in March 2017 the IPF consultant started the preparation of the terms of reference. WBIF approved 300.000 euro for this project.

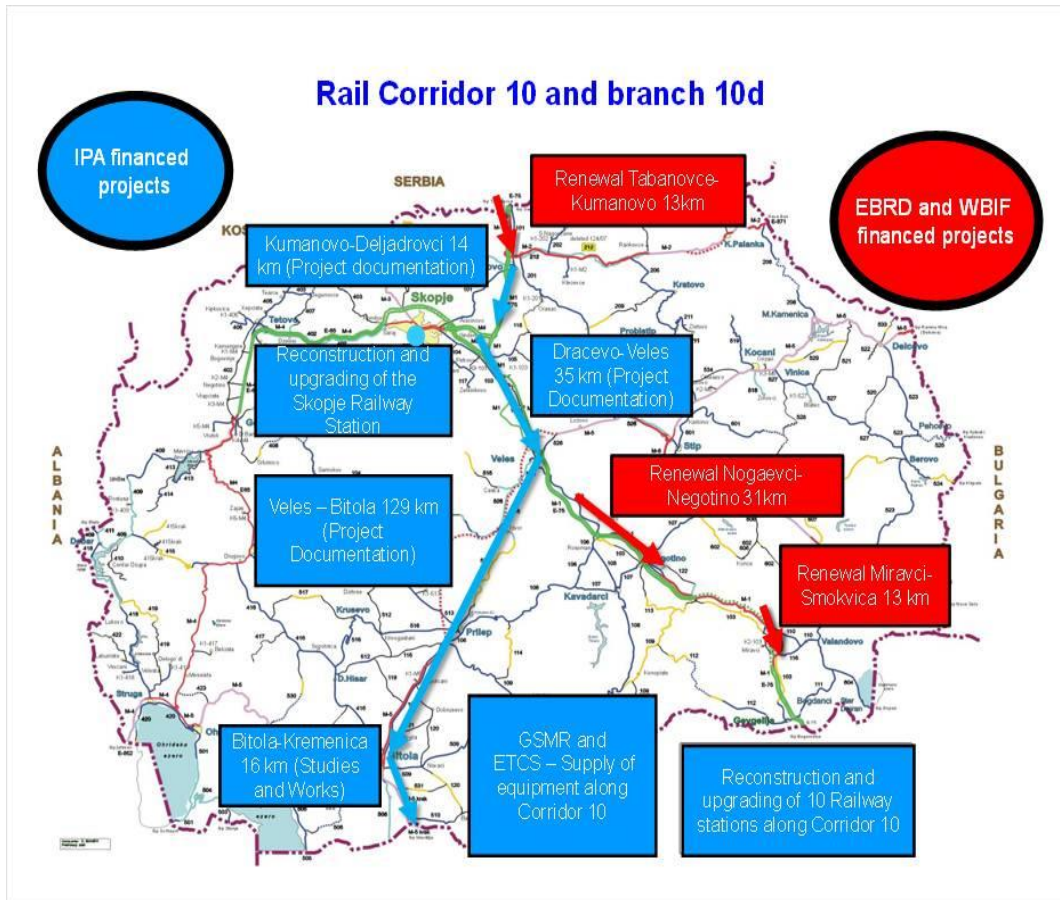
For the second section, Kicevo - Lin, Border with Republic of Albania L= 63km, from 2009 to 2011 a Feasibility Study with preliminary design and EIA Study were completed. The consultancy contract was signed in September 2014. The contract is expected to be completed in the third quarter of 2017. The project documentation will serve as a basis for further implementation of the project.



*Illustration 8: Overview of investments on Rail Corridor VIII*

On the Rail Corridor X as part of the SEETO Comprehensive rail network, there are several projects which are under implementation such as:

1. Reconstruction of the railway section between Bitola and Kremenica (16km). Works will start in second half of 2014 and finish in 2016. The project is financed from IPA I, OPRD 2007-2013 in amount of EUR 21 million. The previously signed contract was terminated in October 2017. The tender was re-launched in May 2017.
2. Preparation of project documentation and reconstruction, rehabilitation and upgrading of 10 Railway stations along the Corridor X and branch X-d. The project is financed from IPA I, OPRD 2007-2013 in the amount of EUR 2 million and the works are in final stage.
3. Preparation of project documentation and procurement of equipment for GSMR and ETCS system installation on the Rail Corridor X. The project is financed through WBIF (the total approved amount is 800.000 euro).
4. Project for Rehabilitation and upgrading of the Railway Station – Skopje and supply of equipment. The project is financed from IPA I, OPRD 2007-2013 in amount of EUR 2.6 million. The works activities are completed and the activities for the supply of the equipment are in final stage.
5. EBRD provided EUR 17.6 million loan for rehabilitation of Rail Corridor X for track renewal along the railway line:
  - For section Tabanovce-Kumanovo (13km) contract was concluded in April 2012. Works on the Section Tabanovce-Kumanovo was completed in October 2013.
  - Works were completed on the section Miravci-Smokvica in June 2013.
  - For the section Nogaevci-Gradsko (28km) contract was concluded in July 2013 with duration of 365 days on amount of EUR 9,399,755. Works are ongoing.
6. Preparation of project documentation for reconstruction and rehabilitation of the Railway Section Veles-Bitola as part of branch X-d of Corridor X. An application was submitted to the WBIF but it was rejected for financing.
7. Preparation of project and design documentation for the section Veles – Dracevo, Kumanovo- Deljadrovce and Bitola-Kremenica was completed in 2013. The project is financed from IPA I, OPRD 2007-2013



*Illustration 9: Overview of investments on Rail Corridor X and Branch X d*

#### 5.6.1.2 Eligible Interventions under IPA II

- Construction of remaining railway links according to the EU technical standards
- Reconstruction, rehabilitation, upgrading and modernization of the existing railway sections with EU technical standards
- Improvement of rail safety
- Project preparation studies, as feasibility studies, cost-benefit analyses, EIA, design documentation and assistance with tendering and contracts (tender specification, evaluation, preparation of contracts, etc).
- Post-completion restoration activities, related to the measure

Selection Criteria: Operations to be financed under this activity will comply with the following selection criteria:

- Consistence with the national and regional policies
- Readiness of the project for implementation
- Adequate management capacity of the final beneficiary
- Sufficient financial condition of the beneficiary and available co-financing
- Professional competence of the management team

Beneficiaries: Ministry of Transport and Communications and "Public Enterprise Macedonian Railways-Infrastructure".

Result Monitoring indicators:

Indicator	Targets for period 2014-2020	Source of verification
Length (km) of rail infrastructure reconstructed/rehabilitated/constructed along SEETO Comprehensive Network with IPA II funds (baseline 0)	23 km by 2020	Eurostat/National Statistics Office/SEETO MAP/P.E. "Macedonian Railways Infrastructure "
Goods transported (thousands of tons) on annual basis by 2022 on C-VIII (baseline 0)	500.000 tons of freight by 2020	Eurostat, JSC "Macedonian Railways Transport"
Secured level crossings according to international standards and best practices (baseline – 81 level crossing)	15 Level crossings secured by 2020	Eurostat, PE "Macedonian Railways Infrastructure "

5.6.2 PRIORITY ACTION 2 – ROAD TRANSPORT INFRASTRUCTURE

**Aim:** The purpose of the priority action is to improve road transport infrastructure for a better cohesion with the EU member states and regional neighbours, supported by varied investments in the transport infrastructure network of the country. For the programming period 2014-2020 the priority will be given to the road infrastructure along the SEETO comprehensive network (Corridors VIII, X and Branch X d)

**EU legislation:** REGULATION (EU) No 1315/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU

**Specific objectives:**

- To facilitate international and transit movements of people and goods with the EU and its regional neighbours by the modernisation and development of the Corridors and the regional core network
- To facilitate the effective movement of persons and goods that supports improved living standards and socio-economic environment in the regions through development of the national components of the Corridors
- To promote sustainable development especially through minimizing the adverse effects of transport on the environment, including reduction of GHG emissions, and through improving transport safety
- To develop design studies, Environment Impact Assessments (EIA), project preparation studies as feasibility studies, cost-benefit analyses, design documentation and tender documentation of the projects where pre-feasibility studies already exist and are of the priority.

**Rationale:** The national territory is a crossing point of the two Trans National Axes (Corridors VIII and X) which is an opportunity for development of the national transport network in order to make the most of the geo-strategic advantage and thus to contribute to the functioning of the Common European Market by providing effective transport links and facilitating the transport of people and goods and access to the other countries and markets.

The regional core transport network is considered to be one of the most important policies for bringing long term peace, stability and economic prosperity to South-East Europe. Transport priority action will focus on the continuation of the Development of the South East Europe Core Regional Transport Network. This is in line with the political priorities set out in the European Partnership and the MoU signed in June 2004 between the representatives of the countries and administrative entities of the South East Europe and the Commission.

This priority action will contribute to better cohesion with the EU member states, by reducing travel times, supporting improved safety and quality of transport delivery both within the Country, to neighbouring countries and onward to other countries in the EU and the region. It will be achieved through activities aimed at development of motorways and road infrastructure. In this manner, improvements will also accrue in the quality, efficiency and speed of transport services, door-to-door leading to increases in freight and passenger traffic.

These regional priorities are matching also the needs identified in the economic and SWOT analysis of the transport sector.

Following the analysis the national and regional transport delivery suffered because of various weaknesses:

- Limited connections (road) with neighbouring states
- Unsatisfactory road condition in national network
- Unsatisfactory level of financing of road maintenance
- Cross border delays
- Inadequate funding available to fulfil all transport infrastructure project requirements

**Description:** The action comprises activities that will contribute to construction, reconstruction, rehabilitation and modernization of the road infrastructure (along the SEETO comprehensive network), with a special emphasis on the improvement of road safety. This also includes project preparation studies, feasibility studies, cost-benefit analyses, EIA, design documentation, tender documentation of the projects where pre-feasibility studies already exist.

**Delivery:** Delivery principles include support of investments in Transport infrastructure projects which are capital intensive. This approach will enable effective and efficient utilisation of the IPA assistance and continuation of the principle for investments set out in the period 2007-2013 of investment on SEETO Comprehensive Networks as part of the TEN\_T network.

**Targets and indicators** The priority is targeted on the Road transport sector. The target commercial beneficiaries will include the importers and exporters of goods and products, including agricultural products, as well as those involved in internal trade movements and also those engaged in goods transit across South Eastern Europe. In addition, modern highways have high safety design standards that create benefits for all road users and contribute towards improvements in the safety standards and reductions of accidents, injuries and fatalities.

### 5.6.2.1 Upgrading and modernization of the Road Infrastructure along the SEETO comprehensive network (Corridors VIII, X and Branch X d)

Specific objectives:

- To construct, reconstruct, rehabilitate, upgrade and modernize the motorway sections on the Corridor VIII, X and Branch X d that are currently below standard
- To eliminate dangers and delays that currently occurs in this sub-standard stretch.
- To improve road safety, reduce accidents and ensure safer travelling environment
- To limit the harmful impact of road traffic on the environmental to an optimal level
- To increase the capacity of the connections with neighbouring countries along the Corridor VIII
- To develop design studies, Environment Impact Assessments (EIA), project preparation studies as feasibility studies, cost-benefit analyses, design documentation and tender documentation of the projects where pre-feasibility studies already exist.

Rationale: A well-developed and maintained road infrastructure provides the foundations for the country's economic growth and sets the preconditions for development of the road transport.

The Corridor VIII spans over the South Eastern European area where transport infrastructure is traditionally weak. It is the energy and infrastructure axis connecting the Adriatic with the Black Sea. From an economic point of view, with the trans-European networks the European Commission aims at realising an enhanced access to EU countries, and thus develops an increased mobility of people and goods following the single market objectives and the principles of sustainable mobility. Corridor VIII develops a system of transportation that clearly would foster improved trade within the region. It would bring economic development benefits to the sub-regions and municipalities along its route and better connect inland localities to ports on both the Adriatic and Black Seas, allowing better access to raw materials and markets. In view of future planning for the extension of the TEN-T network it is of common interest of all the countries of the region to consider Corridor VIII the Motorway of the Sea connecting Varna/Burgas, Sofia, Skopje, Tirana, Durres to Bari/Brindizi in Italy (the Black Sea with the Adriatic Sea).

Corridor X is the most important element of the core transport network, linking from Greece to Austria. Present average annual daily traffic of 15,000 is set to increase at 6% per annum to over 20,000 and to 40,000 by 2020. The E-75 is mostly four lane tolled motorway. A high proportion (25%) of it is regional or international. Within the national territory, the relevant part of the Corridor X is in concordance with National road M-1 (international mark E-75), which crosses the territory in direction North-South. Within the country, the traffic volume on the Corridor X averages around 5.000 vehicles per day. For the period 2008-2012 was foreseen an increase in traffic volume of 5% per annum, reaching approximately 6.300 vehicles per day for year 2012 and up to 10.000 vehicles per day by 2020-2025.

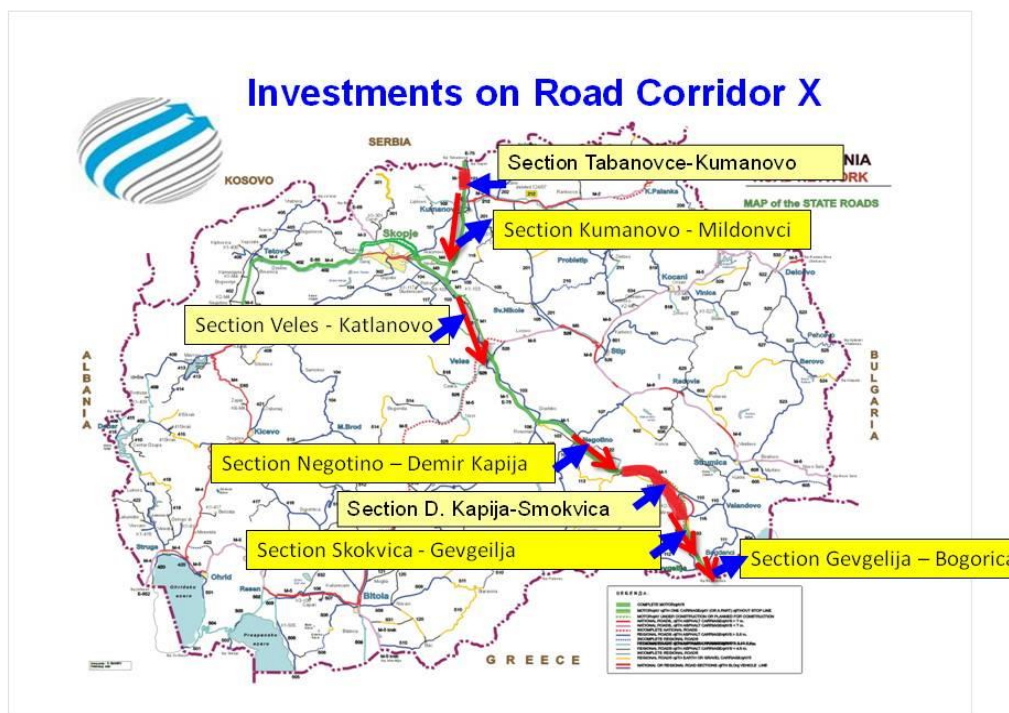
There are number of projects at a stage of preparation of comprehensive project documentation in order to be able to apply for financing for the physical works from IPA II or other IFIs. Therefore the support of the activity is focused on specific projects, where preparatory activities are ongoing and will be completed before the application for financing for the physical works is submitted.

This activity will also include preparation of feasibility studies, cost benefit analyses, environmental impact assessments, design documentation etc for other projects within the field of the rail infrastructure.

Description: Concerning road infrastructure along Corridor X, as part of the SEETO Comprehensive road network,, at present there are completed investments for period 1990 - 2013 in amount of EUR 96 million. For the coming period with the planned and ongoing investments to be completed by 2019 the amount is going to increase to EUR 337 million. Road Corridor X is 83% to level of motorway standards and 17 % in the phase of construction (section Demir Kapija – Smokvica). The scope of investments on the Corridor X and Xd so far included project such as:

1. Section Negotino – Demir Kapija was constructed in three phases. The construction started in September 2000 and finished in October 2005, with total length of 15.74 km and budget of EUR 24.7 million. The first two phases were financed through PHARE – Programme and the third phase was financed through CARDS – Program.
2. Section Smokvica – Gevgelija was financed through EBRD and it was completed in January 2006 with length of 11.22 km.
3. Section Gevgelija – Bogorodica (Border with Greece) was finished in 2000. It was financed by European Commission and PHARE – Programme with length of 4.6 km and a budget of EUR 6.2 million.
4. Section Tabanovce – Kumanovo financed from the World Bank was completed in 2011.
5. First two phases of rehabilitation of bridges on Road Corridor X financed from NATO in an amount of EUR 26 million were completed in the period 2006-2008. Three phases of were completed in a total amount of 35 million financed form NATO (first two phases in an amount of EUR 26 million were completed in the period 2006-2008, and the third phase in an amount of 9 million was completed in May 2016);
6. Competed rehabilitation of section from Katlanovo to Veles in 2013 in amount of EUR 7 million financed from the state budget; works for rehabilitation of section from Veles to Katlanovo financed from IPA I started in mid-2014 and are completed.
7. Road section from Demir Kapija to Smokvica is under construction with a cost of EUR 217 million, financed from IPA I, EBRD and EIB. The project is in final stage of completion.
8. Works for reconstruction and rehabilitation of section from Smokvica to Gevgelija financed from IPA I in an amount of EUR 7 started November 2015 and are in final stage of completion.
9. Works for Rehabilitation of section from Kumanovo to Miladinovce (right carriageway) financed from IPA I started in February 2016 and are in final stage of completion.
10. Works for Rehabilitation of section from Miladinovce to Kumanovo (left carriageway) financed from IPA I started in March 2017 and should be completed by the end of 2017.

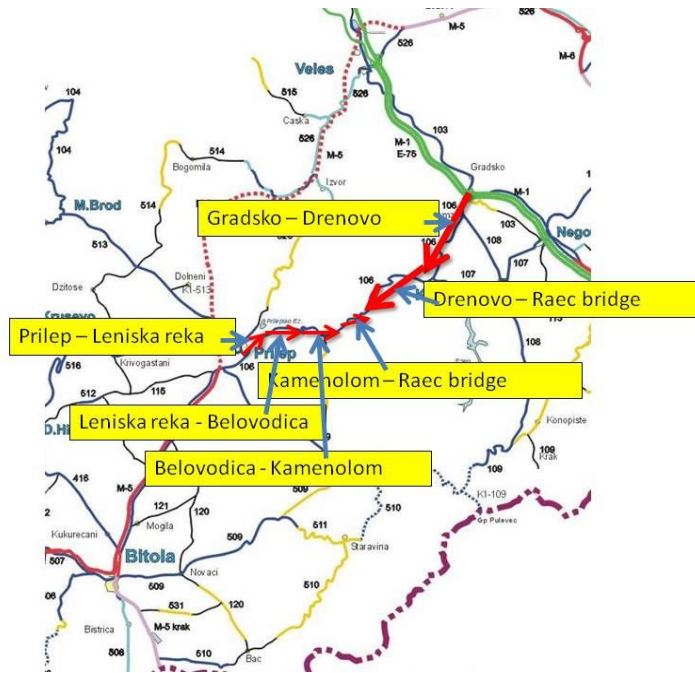




*Illustration 10: Overview of investments on the Road Corridor X*

Road Corridor X-d as part of the SEETO Comprehensive road network, is comprised of the following sections:

1. Section from Gradsko to Drenovo is planned to be financed under IPA II, 2014-2020 in an amount of EUR 40 million.
2. For section from Drenovo to Raec brigde is ongoing and implemented from loan form EBRD. Time frame for 2015 to 2017 in an amount of EUR 40 million.
3. Section from Raec Bridge to Kamenolom adding a third lane was implemented in 2006 financed from the state budget
4. Section from Belovodica to Leniska reka, extending the road with a third lane was implemented in 2006 financed from the state budget
5. Section from Kamenolom to Belovodica for extending the road with a third lane, is to be financed from the Sector Operational Programme Transport 2014-2020,
6. Upgrade of the road section from Leniska reka to Prilep , is to be financed from the Sector Operational Programme Transport 2014-2020



7. *Illustration 11: Overview of investments on the Road Corridor X, Branch X-d*

On the Road Corridor VIII as part of the SEETO Comprehensive road network, there are completed investments in the period of 2000-2013 in an amount of EUR 242 million. In the forthcoming period there are ongoing and planned investments for 2014-2019 in an amount of EUR 440 million

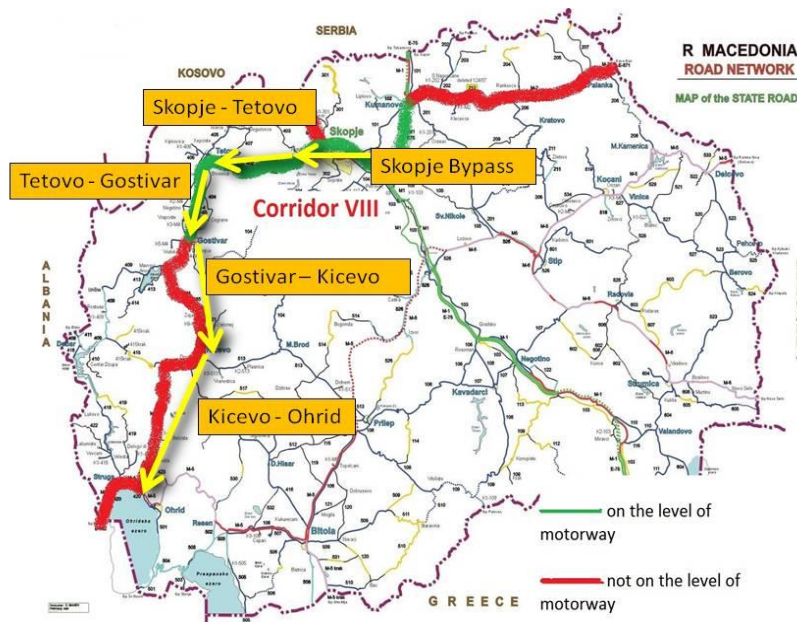
In the former Yugoslav Republic of Macedonia, road Corridor VIII extends from the East to the West part of the national territory and in total length of around 304 km. From the aspect of the road infrastructure along the Corridor, approximately 37% of the total length is on a level of standard modern motorway, among which are the following sections: Skopje-Tetovo-Gostivar, Skopje by-pass and Tetovo as well as Kumanovo-Skopje.

In November 2009, the Government of the former Yugoslav Republic of Macedonia published the Public Announcement for submission of requests for participation in the procedure for awarding concession for activities for construction, reconstruction, maintenance, pay-toll and usage of part of the state roads in in the country for Package 1 and Package 2 for Corridor VIII, which was not successful due to the fact that there were no bids from the 5 prequalified consortia and the procedure was stopped in October 2011.

Road Corridor VIII passes through Struga, Gostivar, Tetovo, Skopje and Kriva Palanka and it can be divided in following main sections:

1. Ohrid – Kicevo with length of 57 km will be constructed to motorway standards until 2018. The construction works began in March 2014 and the funds in an amount of EUR 374 million are secured from the China EXIM Bank.
2. For Kicevo – Gostivar section in length of 42 km, designing and construction works are foreseen to be performed in three stages, i.e. the section Kicevo - Gostivar shall be divided in three sub-sections: Kicevo - Bukojcani, Bukojcani - Gorna Gjonovica and Gorna Gjonovica - Gostivar. Preparation of the Detailed Design for the first subsection is in progress.

3. Section Gostivar - Tetovo was completed to motorway standards in 1995 and construction works for section Tetovo – Skopje was completed to motorway standards in 2002 with construction works in an amount of EUR 57 million
4. Skopje by-pass (26.7 km) was completed to motorway standards in 2009. The construction works were in an amount of EUR 150 million
5. Section Skopje – Kumanovo (33 km) is completed to motorway standards.
6. Section Kumanovo – border with R. Bulgaria from point Rankovce to Kriva Palanka in length of 26 km are planned to be upgraded to the expressway standards until 2020 with funds from the World Bank in an amount of EUR 78million.



*Illustration 12: Overview of investments on the Road Corridor VIII*

#### 5.6.2.2 Eligible Interventions under IPA II

- Construction, reconstruction, rehabilitation, upgrading, modernization and Supervision of works of the motorway sections on the Corridors VIII, X and Branch X d according to the EU technical standards The intervention include motorway construction and associated support structures, related procurement contracts, assistance with tendering and contracts (tender specifications, evaluation, preparation of contracts, etc.)
- Improvement of road safety
- Project preparation studies, as feasibility studies, cost-benefit analyses, environment impact assessments, design documentation, and assistance with tendering and contracts (tender specification, evaluation, preparation of contracts, etc) with the view to reconstruction, rehabilitation, upgrading and modernization of the existing motorways with EU technical standards
- Post-completion restoration activities, related to the measure

Selection Criteria: Operations to be financed under this activity will comply with the following selection criteria:

- Consistence with the national and regional policies

- Readiness of the project for implementation
- Greater positive impact on population and least impact on nature
- Adequate management capacity of final beneficiary
- Sufficient financial condition of the beneficiary and available co-financing

Final Beneficiaries: Ministry of Transport of Transport and Communications and Public Enterprise for State Roads-PESR will be the final beneficiaries.

Result Monitoring Indicators:

Indicator	Targets for period 2014-2020	Source of verification
Length (km) of roads reconstructed/rehabilitated/constructed along SEETO Comprehensive Network (baseline 16 km)	98 km by 2020	Eurostat/National Statistic Office/PE State Roads and SEETO MAP
Increased road safety measures/ decreased number of black spots along the SEETO comprehensive network	Reduction by 20% of the road safety fatalities, 3 to 6 eliminated black spots, by 2020	National Statistic Office/Ministry of Interior

### 5.6.3 PRIORITY ACTION 3 – REFORMS AND HORIZONTAL SECTOR ASSISTANCE

Aim: To provide horizontal assistance in the Transport sector to i.a. support the implementation of sector governance, sector wide reforms, specific transport activities not covered by Priority Actions 1 and 2 and to support the effective management and implementation of the Transport Sector Operational Programme 2014-2020.

Specific Objectives:

- Support the Government structures in the improvement of sector governance and the implementation of transport sector reforms and strengthen and enhance the administrative capacity of the administrative structures.
- Support horizontal activities contributing to the achievement of the objectives of IPA II assistance implementation within the SOPT 2014-2020.
- Promote and ensure visibility of IPA II assistance implementation within the SOPT 2014-2020.

#### 5.6.3.1 Support to the preparation and implementation of short and medium term reform measures in the sector.

Specific Objectives:

- Improve road and rail safety
- Strengthen the assets management, maintenance and financing in the transport sector
- Promote development of multimodality and modal shift

- Harmonization of road and rail design standards with EN standards and national legislation in the area transport in line with the EU acquis
- To support the preparation and implementation of activities in the area of green urban transport and to improve the transport planning
- Implementation of the relevant transport connectivity reform measures

#### Rationale

The management and implementation of sector reforms requires particular horizontal sector assistance measures in order to support sector governance, the capacity building of sector stakeholders and the administrative and legal structures for the implementation of sector reforms. Actions 1 and 2 cover only a limited number of activities as defined in the Transport sector strategic documents. Part of Priority Action 3 will therefore be able to cover a number of horizontal transport issues not addressed by those first two Priority Actions. In addition it will address sector shortcomings and provide support to improve sector governance, strengthen the capacities of key sector stakeholders and support the approximation of the legal framework and the appropriate administrative capacities with the EU *acquis*.

#### Description

The action comprises activities that will contribute to transport sector reforms and proper implementation of the SOPT 2014-2020, including activities in green and urban transport and activities in support to the development of a multi-modal node:

- Improve road and rail safety, prepare and implement road and rail maintenance programmes; introduce financing systems for maintenance and revise the current institutional framework in line with the applicable transport connectivity reform measures
- Prepare studies and analysis for the multi-modal shift of the transport and support for preparation of project documentation for multi modal transport nodes
- Use of external expertise necessary for the development of high quality design standards and national legislation in line with EN standards and EU *acquis*
- Support in the area of green and urban transport and in preparation of transport Master Plan

#### Delivery:

The support to the preparation and implementation of short and medium terms reform measures in the sector shall be implemented through service, grants and Twinning contracts. The implementation of the activity requires, among others:

- Evaluations, expert reports, statistics, plans, studies etc for road and rail safety, maintenance programmes and multi-modal transport;
- Measures to disseminate information, networking, raise awareness, promote cooperation and exchange experiences.

#### Result Monitoring indicators:

Indicator	Targets for programming period 2017-2020	Source of verification
Implemented and improved road and rail safety measures	Reduction of number of accidents	State Statics office
Asset management programme in place	2 asset management systems in place	Programme monitoring

Prepared project for multimodal transport and modal shift	1 Project documentation prepared	Programme monitoring
Harmonized design standards and legislation	Design standards and legislation in place	Law enforcement
Implemented relevant transport connectivity measures	Implementation of relevant transport connectivity measures	SEETO reports
Total number of implemented project in the area of urban transport and strategic planning	projects in the area of urban transport and strategic planning implemented	Programme monitoring

### 5.6.3.2 Additional horizontal Sector Assistance

#### Specific Objectives:

- To achieve the administration of IPA II assistance implementation within the SOPT 2014-2020 being carried out in due course
- To support the preparation of strategic and operational documents (i.e. future transport operational programmes, technical project documentation, etc.).
- To make the public well informed and aware of the support from IPA and in particular of SOPT.

#### Rationale

Additional horizontal assistance is required in order to ensure a successful implementation of IPA II SOPT 2014-2020 by providing capacity building for the relevant actors, supporting in the preparation of technical documentation, supporting the development of future EU support measures, etc.

#### Description:

The action comprises activities that will contribute to proper implementation of the SOPT 2014-2020:

- Strengthen the capacities of the national stakeholders for establishing and further developing a proper sector approach framework
- To finance preparatory, management, monitoring, evaluation information and control activities in order to reinforce the administrative capacity for implementing the Sector transport reforms
- Information evaluation, audit and control activities
- Conducting visibility and communication activities linked e.g. to the IPA assistance but also to wider transport areas, such as road safety, etc.;
- Identification of potential future projects eligible for financing and their preliminary assessment give the basis to compile the project pipeline including only the selected projects meeting the objectives of the programme
- Use of external expertise necessary for the development of high quality strategic transport and programme documents/plans/manuals; technical studies and databases; conducting

independent analyses and assessments and other relevant activities in relation to the preparation, monitoring, management, control, evaluation and audit of the SOPT;

**Delivery:**

The horizontal sector assistance shall be implemented through service, grants and Twinning contracts.. The implementation of the activity requires, among others:

- Training of staff on project management and IPA II implementation rules,
- Evaluations, expert reports, statistics, studies, design standards and legislation
- Measures to disseminate information, networking, raise awareness, promote cooperation and exchange experiences;
- Improvements in evaluation methods and the exchange of information on practices in this field.
- Ensuring the implementation of motivational scheme for employees of the beneficiaries of the programme for regular and overtime work on management, ensuring financial resources for remuneration, overtime work and social contributions for employees - in accordance with the established national rules;

**Targets and indicators:**

The horizontal assistance under Action 3 is targeted for key sector stakeholders and for the SOPT 2014-2020 management bodies responsible for identification, design, implementation and monitoring in accordance with approved procedures.

Wider public is targeted also through the measures that focus on increase of public awareness about EU support and relevant sector reforms.

**Result Monitoring indicators:**

Indicator	Targets for period 2018-2025	Source of verification
Total number of technical audits made for Major Projects	2 (two) technical audits completed	Programme monitoring
Production of relevant sector statistics and establishment of a comprehensive data collection system	Program monitoring	SSO, MoTC
Number of communication campaigns carried out for improved visibility in transport sector	Managing authority Program monitoring	Managing authority Programme monitoring

**5.6.3.3 Eligible interventions under IPA II**

- Technical assistance to improve sector governance.
- Capacity building of key sector stakeholders.
- Measures to support the implementation of green, urban and transport planning activities.
- Organization of yearly sector review studies and meetings.
- Technical assistance for the approximation of the legal framework with the EU *acquis* and EN standards
- Project preparation studies, as feasibility studies, cost-benefit analyses, environment impact assessments, design documentation, tender documentation and assistance with tendering and

contracts in transport sector.

- Drawing up programme documents for the next programming period and revision of ongoing programme.
- Preparation, organization and carrying out trainings of OS staff (focus to be put on workshops, seminars, exchange of good practices and experience with other EU member States, including financing for participation in relevant international events).
- Support for SOPT implementation, providing appropriate technical, logistical means and IT equipment for efficient project preparation and monitoring of projects within the SOPT 2014-2020 .
- Actions related to the Sector monitoring committee as referred in the Implementation.
- Implementation of communication activities, organisation of campaigns to make the public well informed and aware of the support from IPA and relevant transport reforms and policies.
- Support evaluation, audit and control activities of the SOPT, including technical audit assistance for major projects.
- Providing support and guidance through the JASPERS instrument (Joint Assistance to Support Projects in European Regions).
- Implementation of activities and projects for improvement of road and rail safety
- Development of project documentation for multi modal transport nodes and support of activities for modal shift.
- Provision of technical assistance, including surveys, analyses and evaluations (ex-ante, ongoing and ex-post), as well as advice from national and international experts on various aspects of the management and implementation of activities under the Structural and Cohesion Funds, including preparation of tender specifications.
- Drawing up sector studies, strategies, master plans, investment studies and other documents at national and regional level necessary for planning interventions.
- Provision of technical assistance related to transfer of practical experience in the area of identification, assessment and selection of eligible projects and projects preparation and implementation (coaching /on the job support).
- Project preparation studies, as feasibility studies, cost-benefit analyses, environment impact assessments, design documentation, tender documentation and assistance with tendering and contracts for urban and green transport.
- Support in implementation of the relevant transport connectivity reform measures
- Support of activities for assets management, maintenance and financing in the transport sector

Final Beneficiaries:

- Operating structure, MoTC, Specific bodies and end recipients

## 5.7 METHODOLOGY FOR SELECTION OF PROJECTS

### Multi Criteria Analyses-MCA

The selection of the projects for each priority action would be based on Multi Criteria Analyses which takes into account three basic sets of criteria, as previously agreed with the Commission:

- level of compliance (shortly indicated as “compliance” below) with EU and national policies and maturity,
- impact of the project and
- maturity of the project (shortly indicated as “impact” and “maturity” below).



Criteria and parameters to be considered in the analysis are listed below. For each of the 3 basic criteria (compliance, impact and maturity), different indicators are defined according to the overall objective of the project, as shown in the scheme below.

<p><b>CRITERIA:</b> Compliance, Impact, Maturity</p>
<p><b>INDICATORS:</b> The following indicators would be considered:</p> <ul style="list-style-type: none"> <li>• <b>Compliance indicators:</b> <ul style="list-style-type: none"> <li>○ Compliance with EU policies, legislation and directives</li> <li>○ Compliance with international conventions</li> <li>○ Compliance with national strategies and legislation</li> <li>○ Compliance with regional and geographical balance</li> </ul> </li> <li>• <b>Impact indicators:</b> <ul style="list-style-type: none"> <li>○ Estimated social impact</li> <li>○ Estimated environmental impact</li> </ul> </li> <li>• <b>Maturity indicators:</b> <ul style="list-style-type: none"> <li>○ Technical constraints</li> <li>○ Overall maturity of the project</li> <li>○ Estimated time needed for maturity</li> <li>○ Estimated cost for each project</li> <li>○ Estimated duration of each project</li> </ul> </li> </ul>
<p><b>PARAMETERS:</b> The above-mentioned indicators require quantifiable terms, or, at least, a qualitative assessment based on an expertise. The following quantitative or qualitative parameters are to be taken into consideration:</p> <ul style="list-style-type: none"> <li>• <b>Compliance indicators:</b> for any indicator, a qualitative assessment (not in compliance, partially in compliance, fully in compliance)</li> <li>• <b>Impact indicators:</b> <ul style="list-style-type: none"> <li>○ Estimated social impact: draft assessment based on a qualitative scale (low impact, medium impact, high impact, etc.)</li> <li>○ Estimated environmental impact: draft assessment based on a qualitative scale (low impact, medium impact, high impact, etc.)</li> </ul> </li> <li>• <b>Maturity indicators:</b> <ul style="list-style-type: none"> <li>○ Technical constraints: draft assessment based on a qualitative scale (low impact, medium impact, high impact, etc.)</li> <li>○ Maturity of the project: draft qualitative assessment, as above (low, medium, high maturity)</li> <li>○ Estimated time needed for maturity: draft quantitative assessment, in terms of remaining months</li> <li>○ Estimated cost for each project: estimated cost (from available feasibility studies when available)</li> <li>○ Estimated duration of each project: draft quantitative assessment of project lifetime.</li> </ul> </li> </ul>
<p><b>RANGE of VALUES:</b> Each PARAMETER is characterized by the amplitude of value ranges. But values are actually expressed in different units and most of them may also be simply qualitative, as above specified.</p> <p>This is the reason why the parameters are represented by “utility values” that are given to</p>

each value unit of the range (or considering the maximum – minimum extent of each value). Consequently every criteria parameter  $i$  may be expressed, for a given project  $k$  with an “utility value”  $U_{i,k}$  that is conventionally between 0 and 1 :

$$0 < U_{i,k} < 1$$

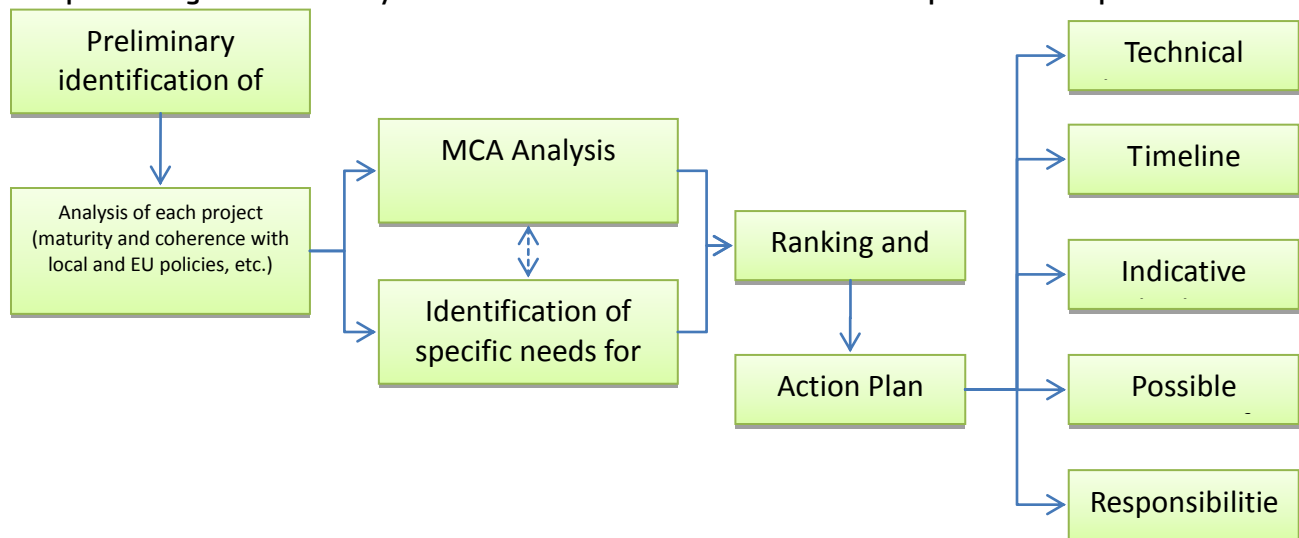
**WEIGHTS:** Weights represent the importance that national and local communities give to the particular indicator, and are expressed by weight factors  $A_i$  which represents the importance that the decision maker assign to the criteria in the overall assessment.

**SCORE:** The individual score is the result of the product between points and weights attributed to the indicator and the total scores represent the final judgment for each alternative. At the end, to any  $k$  project an utility function value  $U_k$  may be associated, being:

$$\sum_{i=1}^n U_{ik} \times A_i$$

The  $U_k$  value was adopted in order to set-up a ranking among the projects.

The MCA produces a sort of “classification” among projects, thus identifying priorities and critical situations. A list of required actions for each project is produced in parallel with the results of MCA in order to identify tangible initiatives to be carried out in order to bring each project at an acceptable degree of maturity. Such list is the base for the final “Action plans” development.



The following points explain with some more details the above activities

#### Preliminary identification of projects

The preliminary identification of projects consists of a quick screening of projects carried out in cooperation between MoTC and other stakeholders aimed to identify project that can be actually included in the list of the possible IPA-supported projects. This activity consists of an identification of those initiatives which are yet included into the IPA strategic documents or that can be further introduced being in coherence with IPA’s requirements. Proposals not in coherence with these requirements are not considered at all in the further steps of the project identification.

## 6. INDICATIVE LIST OF MAJOR PROJECTS

Based on the MCA the following projects are foreseen as Major projects within the TSOP 2014-2020:

1. Construction of railway line from Kriva Palanka to border with Republic of Bulgaria.
  2. Construction of road section from Gradsko to Drenovo as part of the road Corridor X-d
- Indicative list of major projects is annexed to the document.

## 7. IPA II FINANCIAL ALLOCATIONS PER YEAR

Financial tables 2014-2020 are based on 85% IPA contribution and 15% National co-financing. They reflect the major projects identified in the TSOP.

<b>Year 2014</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co-Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>85%</b>
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	<b>4,705,882.35</b>	<b>4,000,000.00</b>	<b>705,882.35</b>	<b>85%</b>
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>85%</b>
<b>Total Year 2014</b>	<b>4,705,882.35</b>	<b>4,000,000.00</b>	<b>705,882.35</b>	<b>85%</b>

<b>Year 2015</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co-Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>85%</b>
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	<b>16,556,000.00</b>	<b>14,072,600.00</b>	<b>2,483,400.00</b>	<b>85%</b>
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	<b>716,992.80</b>	<b>609,443.88</b>	<b>107,548.92</b>	<b>85%</b>

<b>Total Year 2015</b>	<b>17,272,992.80</b>	<b>14,682,043.88</b>	<b>2,590,948.92</b>	<b>85%</b>
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<b>Year 2016</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co-Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>85%</b>
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	<b>20,385,176.47</b>	<b>17,327,400.00</b>	<b>3,057,776.47</b>	<b>85%</b>
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	<b>1,055,489.20</b>	<b>897,165.82</b>	<b>158,323.38</b>	<b>85%</b>
<b>Total Year 2016</b>	<b>21,440,665.67</b>	<b>18,224,565.82</b>	<b>3,216,099.85</b>	<b>85%</b>

<b>Year 2017</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co-Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	<b>4,458,352.9</b>	<b>3,789,599.97</b>	<b>668,752.94</b>	<b>85%</b>
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	<b>7,074,705.65</b>	<b>6,013,499.8</b>	<b>1,061,205.85</b>	<b>85.00%</b>
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	<b>1,670,000</b>	<b>1,419,500</b>	<b>250,500</b>	<b>85%</b>
<b>Total Year 2017</b>	<b>13,203,058.55</b>	<b>11,222,599.77</b>	<b>1,980,458.78</b>	<b>85%</b>

<b>Year 2018</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co-Financing Rate (%) (4)=(2)/(1)</b>
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<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	29,441,647.1	25,025,400.04	4,416,247.07	85%
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	0	0	0	85%
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	1,091,800	928,030	163,770	85%
<b>Total Year 2018</b>	<b>30,533,447.1</b>	<b>25,953,430.04</b>	<b>4,580,017.07</b>	<b>85%</b>

<b>Year 2019</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co-Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	37,588,236	31,950,000.6	5,638,235.4	85%
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	0	0	0	85%
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	2,460,941	2,091,799.85	369.141.15	85%
<b>Total Year 2019</b>	<b>40,049,177</b>	<b>34,041,800.45</b>	<b>6,007,376.55</b>	<b>85%</b>

<b>Year 2020</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co-Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	0	0	0	0%
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	0	0	0	85%
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	929,612	790,170.2	139,442.8	85%
<b>Total Year 2020</b>	<b>929,612</b>	<b>790,170.2</b>	<b>139,442.8</b>	<b>85%</b>

<b>TOTAL Years 2014- 2016</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co- Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>85%</b>
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	<b>41,647,058.82</b>	<b>35,400,000.00</b>	<b>6,247,058.82</b>	<b>85%</b>
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	<b>1,772,482.00</b>	<b>1,506,609.70</b>	<b>265,872.30</b>	<b>85%</b>
<b>Total 2014-2016</b>	<b>43,419,540.82</b>	<b>36,906,609.70</b>	<b>6,512,931.12</b>	<b>85%</b>

<b>TOTAL Years 2017-2020</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public contribution (€) (3)*</b>	<b>IPA co- Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	<b>71,488,236.00</b>	<b>60,765,000.60</b>	<b>10,723,235.40</b>	<b>85.00%</b>
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	<b>7,074,705,65</b>	<b>6,013,499.80</b>	<b>1,061,205.85</b>	<b>85.00%</b>
<b>Priority Action 3</b> <i>Reforms and horizontal sector assistance</i>	<b>6,152,353</b>	<b>5,229,500.05</b>	<b>922,852.95</b>	<b>85.00%</b>
<b>Total 2017-2020</b>	<b>84,715,294.65</b>	<b>72,008,000.45</b>	<b>12,707,294.20</b>	<b>85.00%</b>

<b>TOTAL Years 2014-2020</b>	<b>Total Public Expenditure (€) (1)=(2)+(3)</b>	<b>EU Contribution (IPA) (€) (2)</b>	<b>National Public Contribution (€) (3)*</b>	<b>IPA co- Financing Rate (%) (4)=(2)/(1)</b>
<b>Priority Action 1</b> <i>Rail transport infrastructure</i>	<b>71,488,236.00</b>	<b>60,765,000.60</b>	<b>10,723,235.40</b>	<b>85.00%</b>
<b>Priority Action 2</b> <i>Road transport infrastructure</i>	<b>48,721,764.47</b>	<b>41,413,499.80</b>	<b>7,308,264.67</b>	<b>85.00%</b>
<b>Priority Action 3</b> <i>Reforms and horizontal sector</i>	<b>7,924,834.00</b>	<b>6,736,109.75</b>	<b>1,188,725.25</b>	<b>85.00%</b>

<i>assistance</i>				
<b>Total 2014-2020</b>	<b>128,134,835.47</b>	<b>108,914,610.15</b>	<b>19,220,225.32</b>	<b>85.00%</b>

## 8. OVERVIEW OF THE CONSULTATION PROCESS

The consultation processes ensure that the preparation of the Sectoral Operational Program on Transport at different stages of programming process is discussed and consulted with stakeholders relevant to the sector, beneficiaries, public authorities and other economic and social partners.

The first draft of the SOPT was prepared by the Ministry of Transport and communications with inter-service consultation. After this process the draft SOPT was sent to intra-service consultations within the relevant Ministries and other public authorities and was sent to the Government. After having all positive opinions the information note was adopted by the Government on 30.04.2014. After this the SOPT was sent to the Delegation of the EU on 05.05.2014.

Comments from the DEU were provided on 15.05.2014 and afterwards a meeting with the representatives of the EC, DEU and national authorities was held on 22.05.2014.

The SOPT was revised and sent to the DEU on 02.06.2014 and meeting for consultation was held on 03.06.2014 in the premises of the DEU where representatives from the SEA and Ministry of transport participated. The revised version of the OP was sent to DEU and EC in June 2014 and comments were provided from the EC on 01.08.2014. Technical meeting was held on 27.08.2014 in the premises of the DEU. The revised version was sent to the DEU and EC by the NIPAC on 01.09.2014.

On a programme level consultations with governmental institution, basic stakeholders, NGOs, Municipalities and all relevant institutions took place while drafting the OPT 2014-2020.

On action level public consultations according to relevant national legislation takes place for every major project during the preparatory phase and all concerned stakeholders, municipalities and NGO's were consulted on the Operational Programme and were duly informed for the major projects. After the consultations are held the opinions and remarks are taken on board and incorporated in the project preparation phase.

For instance, such consultations were done for the previous major project for construction of the new motorway section on Corridor X Demir Kapija – Smokvica as well as for the major project for renewal with reconstruction of the railway section Bitola-Kremenica as part of the branch Xd of the Corridor X.

JASPERS (Joint Assistance to Support Projects in European Regions) provides guidance and advice during project preparation, to help improve the quality of the major projects to be submitted for grant financing under IPA Assistance. JASPERS instrument is an important quality management tool for infrastructure projects implementation since it provides technical expertise for any stage of the project cycle from the early stages of project conception through to the final application for EU funding. In the former Yugoslav Republic of Macedonia, JASPERS supported implementation of several projects related to road transport infrastructure (Motorway section Veles - Katlanovo rehabilitation, Reconstruction and upgrading of the motorway section Smokvica-Gevgelija, as part of Corridor X) and railway transport infrastructure (new Rail Section Kriva Palanka - Bulgarian Border, New Rail Section Kicevo - Albanian Border and Rehabilitation of the rail section Bitola - Kremenica). Based on the valuable input from JASPERS in the project



preparation in 2013 and 2014 it is expected to extend the cooperation in the period 2014-2020, on the issues such as but not only limited to project review and recommendations, horizontal tasks, strategic support, capacity building and implementation support.

## **9. IMPLEMENTATION, MONITORING AND EVALUATION ARRANGEMENTS**

### **9.1 DESCRIPTION OF RELEVANT STRUCTURES AND AUTHORITIES FOR THE MANAGEMENT AND CONTROL OF THE PROGRAMME**

The following structures and authorities shall be established by the IPA II beneficiary in the event of indirect management:

- (a) the National IPA Co-ordinator (NIPAC);
- (b) the National Authorising Officer (NAO);
- (c) the operating structures.

The NAO shall establish a management structure composed of a National Fund and a support office for the NAO.

The IPA II beneficiary shall provide for an audit authority.

The IPA II beneficiary shall ensure adequate segregation of duties between and within the structures and authorities referred above. Duties are segregated when different tasks related to a transaction are allocated to different staff, thereby helping to ensure that each separate task has been properly undertaken.

**The National IPA Coordinator (NIPAC)**

The NIPAC shall be established by the IPA II beneficiary. The NIPAC shall be a high-ranking representative of the government or the state administration of the IPA II beneficiary with the appropriate authority. In addition to the functions and responsibilities under Articles 6(2), 16(2), 59 and 75 of the Framework Agreement, where budget implementation tasks are entrusted to the IPA II beneficiary, the NIPAC shall:

(a) take measures to ensure that the objectives set out in the actions or programmes for which budget implementation tasks have been entrusted are appropriately addressed during the implementation of IPA II assistance.

(b) In accordance with Article 57 of the Framework Agreement, coordinate the drawing up of an evaluation plan in consultation with the Commission presenting the evaluation activities to be carried out in the different phases of the implementation as per provisions of Article 55 of the Framework Agreement.

**The National Authorising Officer (NAO)**

(1) The NAO shall be established by the IPA II beneficiary. The NAO shall be a high-ranking representative of the government or the national administration of the IPA II beneficiary with the appropriate authority.

(2) The NAO shall bear the overall responsibility for the financial management of IPA II assistance in the former Yugoslav Republic of Macedonia and for ensuring the legality and regularity of expenditure. The NAO shall in particular be responsible for:

- (a) the management of IPA II accounts and financial operations;

(b) the effective functioning of the internal control systems for the implementation of IPA II assistance in accordance with Annex B to the Framework Agreement.

While carrying out these functions the NAO may carry out on the spot verifications.

(3) For the purpose of paragraph 2(a), the NAO, supported by the National Fund, shall in particular fulfil the following tasks:

(a) draw up and submit to the Commission statements of expenditure detailing:

(i) incurred and paid costs;

(ii) and where applicable, include information on pre-financing in the payment requests, and certify that these result from reliable accrual based accounting systems as established in compliance with point (b), are accurate and based on verifiable supporting documents, and have been subject to verifications by the operating structures and by the management structure. At the closure of a programme, the NAO shall provide a final statement of expenditure;

(b) ensure that there is an accrual based accounting system which records and stores, in computerised form, accounting records for each action/activity/operation and which supports all the data required for drawing up payment requests and annual financial reports or statements. Such system shall provide accurate, complete and reliable information in a timely manner and shall also include records of amounts recoverable, amounts recovered and amounts withdrawn following cancellation of all or part of the IPA II assistance for a programme or action;

(c) ensure the transfer of funds to the operating structures or recipients;

(d) verify, where applicable, the existence and correctness of the co-financing elements and ensure the existence of sufficient resources in the National Fund to cope with possible shortages due to late transfer of funds from the Commission or recovery orders issued by it;

(e) make financial adjustments required in connection with irregularities according to Article 51, in accordance with Article 17 of the IPA II Implementing Regulation and Article 42 of the Framework Agreement and recover the Union contribution paid to the recipient in accordance with national recovery procedures in case of situations referred to in Article 51(5) and, as provided for in Article 41 of the Framework Agreement;

(f) take account, when drawing up and submitting financial reports or statements and payment requests as referred to above under point (a) of paragraph (3), of the results of all audits carried out by or under the responsibility of the audit authority;

(g) be the contact point for the flow of financial information between the Commission and the IPA II beneficiary and for any questions in connection with the financial provisions of the Framework Agreement.

(4) For the purpose of paragraph 2(b), the NAO, supported by the NAO support office, shall in particular fulfil the following tasks:

(a) provide assurance about the legality and regularity of underlying transactions;

(b) put into place effective and proportionate anti-fraud measures taking into account the risks identified and ensure reporting in accordance with Article 51(2) while keeping the Anti-fraud coordination service referred to in Article 50(2) informed of such reporting;

(c) be responsible for monitoring the continuous fulfilment by the management structure and the operating structures of the applicable requirements set out in points (a), (b) and (d) of Article 12(3) and Annex B to the Framework Agreement and in case of failure to satisfy these

requirements for informing the Commission without delay and taking any appropriate safeguard measures regarding payments made or contracts signed;

(d) ensure the existence as well as effective functioning of the internal control systems for the implementation of IPA II assistance;

(e) ensure reporting on the management and control systems and review the programming and implementation capacities of staff within operating structures involved in the programming and implementation of the actions;

(f) ensure that a reporting and information system is put in place and functioning;

(g) follow-up the findings of audit reports from the audit authority, drawn up in accordance with Clause 5(2) of Annex A of the Framework Agreement. While doing so the NAO shall:

(i) decide whether any improvements to the management and internal control systems are required, record the decisions in that respect and ensure the timely implementation of those improvements;

(ii) make adjustments to the payment requests to the Commission, if necessary;

(h) take account, when drawing up the management declaration as referred to in point (b) of Article 59(2), of the results of all audits carried out by or under the responsibility of the audit authority;

(i) immediately notify the Commission of any substantial change concerning the management and control systems for examination and approval in advance of their implementation;

(j) coordinate, whenever relevant, the preparation of consolidated action plans addressing any outstanding weaknesses detected in the management and control systems.

(5) The NAO shall draw up and submit to the Commission, by 15 February of the following financial year the documents provided for in Article 59(2) of the Framework Agreement.

#### The management structure

(1) The management structure shall be composed of a National Fund and a support office for the NAO. The tasks and responsibilities of the National Fund and the support office shall be adequately segregated.

(2) The National Fund shall be accountable to the NAO and shall be located in a national level ministry of the IPA II beneficiary with central budgetary competence and shall act as central treasury entity. It shall support the NAO in fulfilling his/her tasks, in particular those of management of IPA II accounts and financial operations referred to under Clause 2(3) of Annex A of the Framework Agreement and shall be in charge of tasks of financial management of IPA II assistance, under the responsibility of the NAO.

(3) The National Fund shall in particular be in charge of:

(a) holding and organising the central IPA bank accounts;

(b) requesting funds and receiving all payments from the Union budget;

(c) authorising the transfer of such payments to the operating structures or to the recipients;

(d) returning funds to the Union budget following recovery orders issued by the Commission;

(e) support NAO in preparing financial reporting to the Commission;

- (f) operating computer based accrual accounting system that provides accurate, complete and reliable information in a timely manner.
- (4) Where appropriate, exchange of information with the Commission concerning financial transactions shall be made by electronic means, using procedures agreed upon between the Commission and the IPA II beneficiary.
- (5) The NAO support office shall be accountable to the NAO and shall assist the NAO in fulfilling the tasks referred to under Clause 2(4) and (5) of Annex A of the Framework Agreement.

The operating structure(s)

(1) Operating structure(s) shall be established, within the administration of the IPA II beneficiary to prepare, implement and manage the IPA II assistance.

(2) The operating structure shall be responsible for preparation, implementation, information and visibility referred to in Articles 23 and 24 of the Framework Agreement, monitoring and reporting of programmes, and evaluation thereof whenever relevant, in accordance with the principle of sound financial management. It shall be responsible for ensuring the legality and regularity of the expenditure incurred in the implementation of the programmes under its responsibility.

(3) The operating structure shall fulfil the following functions and assume the following responsibilities:

(a) As regards the management of a programme, the operating structure shall:

(i) monitor the implementation of the programme, propose amendments, as needed, and provide to the sectoral monitoring committee information on the progress of the programme in achieving its objectives, in particular being based on set milestones and related indicators (targets), as well as financial data;

(ii) deliver all the necessary information for the purposes of the reports drawn up by the NIPAC and the NAO and submitted to the Commission as provided for in Article 59 of the Framework Agreement. It may be required to draw up a comprehensive annual report covering the full financial year, to be submitted by the NIPAC to the Commission, after examination by the responsible sectoral monitoring committee;

(iii) share within the operating structure any information that is relevant to the execution of the tasks allocated and to the implementation of actions;

(iv) be responsible for drawing up an evaluation plan and conducting, as appropriate, *ex-ante*, interim and *ex-post* evaluations of the programmes it manages, following the provisions of Article 55 of the Framework Agreement.

(b) As regards the selection and control of actions and financial management, the operating structure shall in accordance with the relevant Articles of the Framework Agreement:

(i) ensure that actions are selected for funding and approved in accordance with the procedures and criteria applicable to the policy area or programme;

(ii) arrange for procurement and grant award procedures and contracting;

(iii) set up procedures to ensure retention of all documents regarding procurement, grant award, contracting, financial management, controls and audits required to ensure an adequate audit trail;

(iv) make payments to, and recovery from, the recipients of IPA II assistance;

(v) ensure that all bodies within the operating structure involved in the implementation of actions maintain either a separate accounting system or an adequate accounting codification for all transactions relating to an action;

(vi) ensure that the NAO receives all necessary information on the procedures and management verifications carried out in relation to expenditure;

(vii) set up an accrual based accounting system which records and stores, in computerised form, accounting records for each action/ activity and which supports all the data required for drawing up payment request and annual financial report or statement and making commitments and payments and monitoring the implementation of the action;

(viii) set up a system for timely reporting of irregularities and for effective and proportionate anti-fraud measures, taking into account the risks identified;

(ix) set up a system for the recognition of all amounts due and for the recording in a debtors' ledger of all such debts, including irregularities, prior to their receipt.

(x) verify that the expenditure incurred, paid and declared to the NAO complies with applicable Union and national law, the programme, the conditions for support of the action and the conditions of the contract, the goods or services have been delivered, and the payment requests by the recipient are correct.

These management verifications shall cover administrative, financial, technical and physical aspects of each action and shall include:

– full administrative verification of the supporting documents in respect of each commitment and payment;

– physical on-the-spot verifications, the frequency and scope of which shall take into account, *inter alia*, the type of action, the amount of public expenditure involved and the level of risk identified;

(xi) ensure internal audit of the bodies within the operating structure;

(xii) ensure compliance with information, publicity, transparency, visibility and communication requirements as provided for in Articles 23 and 24 of the Framework Agreement;

(c) The bodies within the operating structure shall record arrangements between them formally in writing. The heads of these bodies shall be clearly designated and shall be responsible for the assigned tasks. The IPA II beneficiary shall enable them to exercise their duties and responsibilities. They shall be accountable to the head of the operating structure, where applicable.

#### **Operating Structure for the Sector Operational Programme on Transport 2014-2020**

The Operating structure is consisted of:

- Central Financing and Contracting Department in the Ministry of Finance, and
- IPA structure in the beneficiary institutions of IPA II.

Under the indirect management, the Central Financing and Contracting Department as part of the Operating Structure for the Transport Operational Programme 2014-2020 in charge of tendering, contracting and payments will perform the role of a Contracting Authority, being responsible for the financial and administrative side of the procurement of services, supplies, works, grants and twinning of all programmes/projects and timely implementation and execution of EU funded

projects/programmes. In this process the European Commission (EC) will exercise systematic ex-ante control over the processes in the Operating Structure.

The heads of the bodies constituting the operating structure shall be clearly designated and shall be responsible for the tasks assigned to their respective bodies.

#### The Audit Authority

(1) The IPA II beneficiary shall provide for an audit authority which shall be independent from the NIPAC, the NAO, the management structure and the operating structure(s) and be ensured the necessary financial autonomy. It shall comply with internationally accepted auditing standards. A head of the audit authority shall be appointed by the IPA II beneficiary. S/he shall possess adequate competence, knowledge and experience in the field of audit to carry out the required tasks.

(2) The audit authority shall carry out audits on the management and control system(s), on actions, transactions and on the annual accounts in line with internationally accepted auditing standards and in accordance with an audit strategy. Further guidance and definitions from the Commission may complement those standards.

(3) Under the responsibility of its head, the audit authority shall in particular fulfil the following functions and assume the following responsibilities:

(a) prepare an audit strategy on a tri-annual basis, following the model in Annex G to the Framework Agreement, which will be up-dated annually. The audit strategy shall set out the audit methodology, the sampling methods for audits of actions and transactions and the planning of audits. The audits shall aim at verifying:

(i) the completeness, accuracy and veracity of the annual financial reports or statements and the underlying annual accounts;

(ii) the efficient and effective functioning of the management, control and supervision systems;

(iii) the legality and regularity of the underlying transactions.

The audit authority shall submit the audit strategy for the following three years by end of November each year to the Commission with a copy to the NAO. Where a common management and control system applies to more than one programme, a single audit strategy may be prepared for the programmes or actions concerned.

(b) draw up and submit to the Commission and the Government of the former Yugoslav Republic of Macedonia, with a copy to the NIPAC and the NAO reports and opinions as follows:

(i) by 15 March each year, an annual audit opinion in accordance with the second subparagraph of Article 60(5) of the Financial Regulation and following the model set out in Annex E to the Framework Agreement, on the annual financial reports or statements and the underlying annual accounts for the preceding financial year, covering their completeness, accuracy and veracity and on the functioning of the management, control and supervision system and the legality and regularity of the underlying transactions;

(ii) by 15 March each year, together with the annual audit opinion, an annual audit activity report following the model in Annex D to the Framework Agreement and setting out the findings from the audits carried out in accordance with the audit strategy during the period concerned and supporting the annual audit opinion. The annual audit activity report shall set out, inter alia, any deficiencies found in the management, control and supervision systems and any corrective measures taken or planned by the NAO, National Fund and/or the operating structures concerned;

(iii) an opinion on any final statement of expenditure that the NAO has submitted to the Commission for the closure of any programme or of any part thereof. Such opinion shall address

the validity of the final payment application and the accuracy of the financial information. Where appropriate, a final audit activity report shall support the opinion. The opinion on any final statement of expenditure shall follow the model provided in Annex F to the Framework Agreement. The audit authority shall send the opinion within three months of the submission of the relevant final statement of expenditure by the NAO.

(c) Further specific requirements for the audit strategy and/or the reports and opinions mentioned under point b) may be set out in the Sectoral or Financing Agreements.

The above-referenced bodies are listed for the sake of completeness; their functions need generally not be addressed in the programme, since this would be redundant to relevant provisions of the Framework agreement.

## 9.2 MONITORING ARRANGEMENTS

### Sectoral Monitoring Committee

The Head of the Operating Structure for the purpose of the Transport Operational Programme 2014-2020 will establish a Sectoral Monitoring Committee no later than six months after the entry into force of the first financing agreement related to the programme.

The Sectoral Monitoring Committee will be co-chaired by Head of Central Financing and Contracting Department as Head of the Operating Structure for Transport Operational Programme 2014-2020 and a representative of the Commission. Its member will include:

- The National IPA Coordinator or his/her representative;
- A representative of the Commission;
- Representatives of each body of the operating structure for the programme
- Representatives from the civil society and socio-economic partners, regional or national organizations with an interest in and contribution to make to the effective implementation of the programme.
- The National Authorising Officer;
- A representative of the National Fund.

The composition of the Sectoral Monitoring Committee can be reviewed and extended by the Head of the Operating Structure in agreement with the Commission in order to guarantee sufficient representation and membership.

The Sectoral monitoring committee will be assisted by a permanent secretariat provided by the Operating Structure for the preparation of papers for discussion by the committee or for clearance by written procedure.

The Sectoral Monitoring Committee will meet at least twice a year and upon request by the Commission. Intermediate meetings may also be convened as required.

## 9.3 EVALUATION ARRANGEMENTS

The Head of the Operating Structure is responsible for ensuring that adequate evaluations of the operational programme are carried out. The evaluations will be carried out by experts or bodies, internal or external, functionally independent from the management and control system.

### Interim Evaluation

During the implementation of the programme, interim evaluations complementing the monitoring of the Transport Operational Programme 2014-2020 will be carried out, in particular where this monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of the programme. At any rate, evaluations should be planned to provide data on indicators agreed upon in the Multi-annual Programme for the Sector Environment that cannot be obtained through the monitoring system. In addition, strategic evaluations or thematic evaluations can be carried out under the responsibility of the IPA Units within the Ministry of transport and communications, as specific bodies within the operating structure. The results will be sent to the ad-hoc committee on evaluations, to the Sectoral Monitoring Committee and to the Commission.

### Evaluation Function

The Head of the IPA Unit within the Ministry of transport and communications are responsible for ensuring that adequate evaluations of the Transport Operational Programme 2014-2020 are carried out. The evaluations will be carried out by experts or bodies, internal or external, functionally independent from the management and control system.

Since the operating structure is in the process of building its capacity, for the beginning, at least for the first three years, the evaluation will be performed by outsourced experts. Having in mind the importance of developing "in house" evaluation capacity, the operating structure will work on building its capacities throughout trainings and TA, in order to ensure a proper managing of IPA II assistance.

Regarding the evaluation system, at the moment one cannot be foreseen, since this activity will be outsourced. The system will be developed by the evaluators engaged; having in mind that the methodology of performing evaluation or the evaluation system proposed will be a main criterion when selecting the evaluators to be engaged.

### Evaluation Committee

The Sector Monitoring Committee should designate an ad-hoc committee to assist the operating structure in its evaluation activities. The committee members should be experts in evaluation for the TSOP 2014-2020 in the transport sector.

The assistance should take place at all stages of the evaluation (guidance, planning, implementation, communication of results etc). Relevant stakeholders should be able to contribute as well.

In undertaking the evaluation tasks, the Sectoral Monitoring Committee, when necessary, will establish an Evaluation Committee. Since the committee members should be experts in evaluation for the TSOP 2014-2020, they will be engaged in two ways:

- by establishing framework contract for carrying out interim evaluations of an TSOP 2014-2020 by independent evaluators, covering the entire programming period or its major part, or
- by stipulating single contracts for specific evaluations to be carried out.

### Evaluation activities and timing

According to the IPA Implementing Regulation there are two specific cases in which evaluation will be carried out:



- where the monitoring of the TSOP 2014-2020 reveals a significant departure from the goals initially set;
- when revision of the TSOP 2014-2020 is proposed in the following cases: following significant socioeconomic changes; in order to take greater or different account of Community or national priorities; following the annual revision of the CSP and following implementation difficulties.