

**NCP Network Meeting
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Third countries participation in INTERREG programmes: demands and needs for integrating third countries into MT services?

Third countries and INTERREG: experience from the past

EU assistance to the NIS countries (former Soviet Union members) is delivered via TACIS programmes. INTERREGional cooperation has been the focus of TACIS CBC SPF, TACIS CBC MPF and IBPP (merge of TACIS LIEN and TACIS Twinning).

Common features of the programmes:

- competition of project proposals
- predefined max and min of EU financial assistance per project
- fixed min percentage of partners' co-financing
- project eligibility requirements regarding the number, origin and legal status of project partners
- unified terms and timing for application development, submission and implementation across all eligible NIS areas
- single budget for a programme for all NIS eligible areas
- unified implementation and reporting procedures for each programme and for all NIS regions involved
- decision making authority (selection and financing of applications) belongs to the European Commission
- all programme management bodies established within the EU (beneficiary countries have an advisory role)

Differences (besides the goals and objectives of the programmes):

- legal form of eligible core partners (local and regional authorities within the eligible areas – for TACIS CBC SPF and MPF; plus NGOs and other non-governmental institutions and/or professional associations – for IBPP)
- specific max and min EU funding allocations per project (10,000 Euro to 50,000 Euro for TACIS CBC MPF; 100,000 Euro to 300,000 Euro for TACIS CBC SPF (last submission); 100,000 Euro to 200,000 Euro – for IBPP)

Most common complaints received from beneficiaries:

- a unified approach does not allow for regarding specific country's needs and priorities
- a single budget for a programme does not allow for realistic identification of the local level of absorption capacity (for individual country) and hence the needs for its improvement

- programme management institutions and structures being located far away from the beneficiaries' territories, as well as language barriers hamper effective project implementation
- representatives of the beneficiary areas and countries not being involved in the decision making leads to one-sided understanding of the needs of project recipients
- "hard" component per project is too low (this is a specific complaint concerning TACIS CBC programmes which also reflects its territorial dimensions and specific goals)
- non-governmental organizations were not allowed to be leading partners or form a core partnership

Relationship between TACIS and INTERREG is stipulated in the "TACIS Regulations" developed and adopted by the European Commission in 1999. Russian-Finish border was the focus then.

PHARE-TACIS regulations were in force in the TACIS-PHARE area (Poland, Slovakia, Hungary, and Romania on the PHARE side; Russia, Ukraine and Belarus on the TACIS side).

Up until 1999, fund allocations to BSPF allowed for joint projects. In terms of application development and submission, they resemble the Neighbourhood Programmes under construction now.

Characteristics of a joint TACIS-PHARE project:

- a single project proposal
- a single budget, not divided into TACIS and PHARE components
- two contracts (100% signed on different dates)
- two reporting destinations (both in Brussels)
- hence – two Paying Authorities
- the same requirements on co-financing
- a single auditor (at mid term and at the end of project implementation)

Characteristics of project development and implementation in INTERREG (PHARE) and TACIS border area:

- until 2001 restricted territorial division for financial spending of a TACIS CBC SPF project
- privileges for TACIS projects claiming connection to a PHARE project on the other side of the border
- for the purpose above it was too difficult (if possible at all) to establish a mirror project because of very independent programme implementation procedures
- management and paying authorities with different levels of centralization

Up until 2004 TACIS recipient countries were not involved in the decision making process as regards project selection or evaluation.

Current situation: Neighbourhood Programmes in TACIS border area of 2004-2006

Almost all complaints from the previous period have been taken into account (to different degrees, however):

- TACIS countries are divided into several programmes which allows for more clarity as regards absorption capacity evaluation and reflection of local priorities, needs and demands
- programme management institutions and structures are approximated to project owners
- representatives of the beneficiary areas and countries are better involved in the decision making process within a programme (both at the national and regional level)
- non-governmental organizations are allowed to form a core partnership
- language barriers are overcome by allowing a project application in native language (with a summary in English)

Weaknesses (understandable for the “probation period”, that is for 2004-2006):

- two separate sources of financing
- project budgets split into TACIS and INTERREG parts
- two contracts for a single project (most likely divergences in dates of contract signing)
- TACIS rules regarding eligible areas of funds spending still in force
- monitoring and steering committees involving regional representatives that have little (if any) experience
- paying authority lies with different institutions (national ministry for an INTERREG partner and EC Delegation for a TACIS partner)
- impressive disproportion of funds allocation for INTERREG and TACIS parts including also allowance for “hard” component within a project (will that result in “safer” eastern borders?)

All of them, hopefully, are to be improved in the second period – New Neighbourhood Instrument – starting in 2007.

Despite all weaknesses of the programmes, the low project absorption capacity (especially on the TACIS side) has always been a problem.

The history of addressing this problem by the EC is briefly described below:

- A limited amount of training and consultation during programme information campaign that started right after a new call for proposals announced (1998 – 2003).
- Implementation of a 200,000 Euro project of 18 months duration on regional capacity building carried out by an EU consultant company (2001). The results are hardly visible.
- Different activities carried out by other donors and not coordinated among these donors.
- An attempt to establish a long term (3-4 years) and comprehensive (involving all eligible NIS territories) project? with sufficient financial provision (3-4 million Euros) was made this year – Regional Capacity Building Initiative (RCBI).

It failed because not all necessary bilateral agreements with the governments of the recipient

countries were signed. A new attempt is being prepared now which will take into account the reasons above.

Speaking about steps taken towards improving regional capacity by the NIS governments I have to point out that they vary from country to country and are or have been part of national regional policy.

The common feature for all post-communist economies is defined by the common background meaning the political system, centralized economy and the role of local authorities. Hence we are facing a unique conflict today defined by attempts to build market-oriented economies and the perception of central power as being the final judge and ultimate help for local authorities in dealing with regional development issues which is still in place and is reflected in every sphere of life.

The EU assistance has a very important role to play in the difficult process of transition and transformation in our countries.

This should be done very carefully with full and clear understanding of what will work and what will not and how sound relations between the regions and the centre can be established based on the experience of Western democracies.

while it sounds quite pathetic it can be translated into practical programmes – TACIS programmes, Neighbourhood programmes, etc.

What is the current situation in the TACIS regions in respect of efficient use of the EU assistance?

Lack of sufficient interest in TACIS CBC projects on the part of regional and local authorities based on the previous period experience is due to:

- institutional reasons

these are:

limited possibility of regional and local executive authorities to implement projects in full accordance with regional strategic goals because of strong subordination to the centre and predefined administrative structure at regional level that misses a distinction functioning as project identification, development and implementation;

lack of nation-wide experience in establishing supporting structures such as regional and local development agencies acting as additional instrument of the authorities and as a bridge between them and different regional non-governmental actors;

administrative structure not reflecting incorporation of EU or other international donors' financial assistance is also in place in self-governmental institutions;

- lack of strategic planning applied in day-to-day decision making (hence the dialogue with the external financial actors is limited by the level of national executive bodies and cannot be incorporated into the development process at the regional level);
- regional and local budgeting systems that are complicated enough as well as discouraging in respect of taking advantage of international donors' assistance and integrating it in a form of projects;
- poor legislative provisions on international technical assistance;
- little influence (if any) on the project selection process and thus great deal of uncertainty in respect of probability of a project being selected and implemented in due time;
- all the above results in poor experience and lack of expertise in the field of project identification, development and implementation;
- all the previous experience in grant projects implementation made by other organizations and institutions at the national and the regional level has "spoiled" public opinion and the attitude

of authorities correspondingly, meaning a lack of comprehension that grants should only be part of the project budget, the financial commitment of the beneficiary being its another obligatory part;

- last but not least: too little EU technical assistance provided by the programmes make it difficult to persuade national, regional and local authorities to start seriously considering advantages, benefits and possibilities provided through foreign technical assistance.

What is to be expected from RCBI?

- This initiative will most likely be implemented by a consortium of European consultancy companies, which means it will spend a substantial amount of funds and time on the inception phase and establishing necessary structure in the TACIS countries required to coordinate project activities;
- The main focus will most likely be on extensive training and consultation;
- Less probably it will concentrate on the improvements of the programme designs;
- Its actual implementation will, most likely, start not sooner than the third quarter of 2005.

What can the role of INTERACT be in this process?

- 1/ It can suggest the structural approach and solutions to the RCBI.
- 2/ It can provide the expertise and experience gained by the EU member countries in all aspects of joint project identification and implementation.
- 3/ It can be a part of the RCBI structure.

In my opinion building upon the existing experience of INTERRACT is the way to exploit financial assistance to the TACIS regions more effectively and efficiently (opinion of the Ukrainian ministry of economy as well) from all points of view.

Compared to a bidding consortium INTERRACT has a "better" mandate that may last into the New Neighbourhood Instrument, since it represents the EU-wide approach of a sound platform for the relations with new EU neighbours.

The experience of NCPs may lead to extending it to neighbouring countries in the future thus providing for a clear network to support EU-NIS cooperation.