

**European Territorial Cooperation**

**2007 – 2013**



## **South East Europe (SEE)**

*Transnational Cooperation Programme for a moving European area in transition on the way to territorial, social and economic integration comprising the Danubian, Adriatic, Western Balcanic, Carpathian and North Aegean area*

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<b>Version 1.1:</b>	<b>Integration of comments of Romania, Bulgaria, Italy, Hungary, Slovakia, Austria, 28 November 2006</b>
<b>Version 2.0:</b>	<b>Creation of a suitable ground for consultations after the Task Force meeting in Thessaloniki 6./7.12.2006</b>
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## List of Abbreviations

SEE South East Europe (designation according to the Commission Decision 2006/769/EC)

PPP .....

EC

IPA

ENPI



# 1. Introduction

## 1.1 Legal basis

- 1 COUNCIL REGULATION (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (in the following referred to as “General Provisions”),
- 2 REGULATION (EC) No 1080/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999 (in the following referred to as “ERDF Regulation”)
- 3 COMMISSION REGULATION (EC) No 1828/2006 setting out rules for the implementation of Council Regulation (EC) N° 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) N° 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (in the following referred to as “Implementation Regulation”)
- 4 COUNCIL REGULATION (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA) (in the following referred to as “IPA Regulation”)

## 1.2 Territorial cooperation

The Transnational Cooperation Programme South East Europe (SEE) is part of the new Objective **European Territorial Cooperation** legally based on Article 7 of the General Regulation (Reg. (EC) No 1083/2006, 11 July 2006). The Objective becomes now a target of its own on an equal footing with the other Objectives “Convergence” and “Regional Competitiveness and Employment” and will substitute the Community Initiative INTERREG 2000-2006.

The programme is not only part of the cohesion policy affecting the Member States but also a component in the framework of Pre-Accession Assistance and the European Neighbourhood Policy strengthening ties with partners on both sides of the EU borders.

Regions in Europe are becoming increasingly interdependent as a consequence of globalisation, liberalisation and new emerging forms of governance. The effects of the technological revolution, the need to position the EU as an economically competitive counterbalance to the USA and Asia, EU enlargement and progress towards completion of the Single European Market present considerable challenges for territorial cohesion in an integrated Europe. Transnational co-operation is therefore a key topic in the European Union, with the aim to promote **economic and territorial integration** in different areas of co-operation and to contribute to balanced and harmonious development across the European Union.

In response to the recognition that the diverse potentials of European regions have not been sufficiently taken into account in the Lisbon Strategy, the Ministers for Spatial Planning of the EU member states have in 2004 started a process towards the ‘Territorial Agenda of the EU’ policy document, to be adopted in 2007. The view that integrated territorial development approaches can enable regions to exploit their endogenous potential more effectively is promoted in this process.

Challenges and opportunities that stretch beyond national boundaries require a joint and concerted response. The importance of territorial cooperation can be summarised in three main points:

- o firstly it has clear value added benefits from the exploitation of the comparative advantages of the different regions;
- o secondly it is also an instrument for spreading best practice in the use of EU funds;
- o thirdly it is a simple fact that with the EU enlargement we have many more borders across which to cooperate.

After the accession of the new members all the 27 member states participate in the Objective 3 programmes for territorial co-operation in 2007-2013. Other programme partner regions belong to Non Member States which are either Candidate Countries or Third Countries. To improve co-operation with non-member states the EC initiated a new Neighbourhood Policy with respective Neighbourhood Instruments and the Instrument for Pre-Accession Assistance. These instruments guiding the implementation of the transnational co-operation programmes allow an improved implementation of the strategies and activities foreseen. This also contributes to the situation of reducing barriers and restrictions and should further motivate and activate institutions and partners in the programme region to intensify the transnational activities as well as to ensure transparent implementation process.

This Operational Programme (OP) on transnational co-operation in South-East Europe (SEE) promotes an integrated approach to territorial development, both horizontally (among different policy sectors), vertically (among different levels of government) and geographically (across administrative boundaries). The programme promotes transnational co-operation through the financing of action projects conducive to integrated territorial development. In line with the Regulation on the European Regional Development Fund (ERDF)<sup>1</sup> the main focus is on priorities concerned with innovation, the environment, accessibility and sustainable urban development in the SEE transnational co-operation area in pursuit of the objectives of the Lisbon-Gothenburg Strategy. The programme seeks to complement other Community policies and EU funded programmes, as set out under each of the identified programme priorities. The OP for South-East Europe in the Cohesion Policy period 2007-2013 will build on the achievements of the transnational co-operation programme INTERREG IIIB CADSES on spatial planning, which was implemented over the period 2000-2006.

### **1.3 The Programme Area**

The eligible area is legally based on the Commissions decision of 31 October 2006 drawing up the list of regions and areas eligible for funding from the European Regional Development Fund under the cross-border and transnational strands of the European territorial cooperation objective for the period 2007 to 2013 (notified under document number C(2006) 5144), (2006/769/EC).

The programme area covered by this Operational Programme, South-East Europe (SEE) is a large geographical area of 2.7 million square km including 17 countries with a total population of 269 million It includes all three types of aforementioned regions: regions of member states (among

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<sup>1</sup> Regulation (EC) No. 1080/2006 (with special emphasis on article 7.) of the European Parliament and the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) 1783/1999.



them a founding state, countries which joined at different stages of the development of the Union as well as new member states), regions of candidate countries as well as of third countries:

Map 1: Programming area South East Europe



Countries participating in the SEE programme:

Country	Eligible area	Relations with EU	Prospects
Albania	Whole territory	Stabilization and Association Agreement (SAA)	Potential Candidate
Austria	Whole territory	EU-member state	
Bosnia-Herzegovina	Whole territory	No contractual relations with EU, autonomous trade preferences by the EU, negotiations on SAA since 25/11/2005	Potential Candidate
Bulgaria	Whole territory	new EU member state	
Romania	Whole territory	new EU member state	
Croatia	Whole territory	SAA (signed 2001, implementation since Feb. 2005), accession negotiations started on 3-10-2005	Candidate status
Republic of Macedonia	Whole territory	SAA (signed in 2001, implementation since 2004), since 17.12.2005 FYROM is a Candidate State, but still no Negotiations	Candidate status (no negotiations)
Greece	Whole territory	EU-member state	
Hungary	Whole territory	EU-member state	
Italy	Regions: Lombardia, Prov Autonoma Bolzano/Bozen, Prov. Autonoma Trento, Veneto, Friuli-Venezia-Giulia, Emilia Romagna, Umbria, Marche, Abruzzo, Molise, Puglia Basilicata	EU-member state	
Serbia	Whole territory	Autonomous Trade Preferences since 2000, negotiations on SAA since 10/2005	Potential Candidate
Montenegro	Whole territory	Autonomous Trade Preferences since 2000, negotiations on SAA since 10/2005	Potential Candidate
Slovakia	Whole territory	EU-member state	
Slovenia	Whole territory	EU-member state	
Turkey	Regions: Bati Marmara, Istanbul	Tariff union since 1996, accession Negotiations since 2005	Candidate
Moldova	Whole territory	Partnership and cooperation agreement (PCA) since July 1998	
Ukraine	Cjermovestka Oblast, Ivano-Frankiviska Oblast, Zakarpatska Oblast, Odessa Oblast	Partnership and cooperation agreement (PCA) since July 1998	

## 1.4 Preparation and contents of the programme

The present programme is the result of an intensive and detailed working process, which has required a high amount and quality of transnational co-operation, discussion and communication. A Task Force and two Drafting Teams were set up. After the first technical meeting in Brussels on the 31<sup>st</sup> of January 2006, there have been meetings almost every month in cities across the region (16/02/2006, 12-13/04/2006, 16/05/2006, 12/06/2006, 05-06/07/2006, 11-12/09/2006, 12-13/10/2006, 6-7/12/2006 and 6-7/02/2007). Civil servants, public officials and external experts met and discussed the possibilities and best ways to stimulate and promote cooperation in the region. Between the meetings the Operational Programme was gradually developed based on the

outcomes of the discussions, using further consultations among the members of the Task Force and the Drafting Teams and extensive research. The civil society and the public in the concerned counties was also widely consulted and their comments, observations and suggestions taken into consideration. The Operational Programme went through an extensive ex-ante evaluation and a strategic environment assessment (SEA) was also prepared. The process of preparing the Operational Programme for the South-East Europe co-operation area culminated in the submission to the European Commission on xx/xx/2007.

This programme will set the basis for intensive co-operation in this transnational region and will provide a new chance for closer co-operation. The Operational Programme for transnational territorial co-operation in SEE responds to the requirements set out in the Structural Funds and ERDF Regulations, the Community Strategic Guidelines on Cohesion and the National Strategic Reference Frameworks. The Operational Programme provides all relevant information for project promoters in order to facilitate the development of high-quality transnational co-operation projects. The structure of the Operational Programme is as follows:

In chapter 2, the analysis of spatial development trends of relevance to the transnational co-operation area is presented. The strengths, weaknesses, opportunities and threats to the territorial cohesion of SEE are shown in a summarizing SWOT-analysis table in Chapter 3. Based on the SWOT analysis, chapter 4 sets out the transnational territorial co-operation strategy for the area. This chapter includes the overall programme aim, and introduces the priorities chosen in response to the challenges identified through the SWOT analysis. Furthermore, the relation between the Operational Programme and the Community Strategic Guidelines on Cohesion and the National Strategic Reference Frameworks, as well as the results of the ex-ante evaluation and the Strategic Environmental Assessment, are discussed. In chapter 5, the programme priorities for transnational territorial co-operation in SEE, and the characteristics of future co-operation projects are defined and explained in details. In chapter 6, the indicative financial breakdown by priorities is shown. The overall financial plan for the co-operation programme is presented in chapter 7. Finally, chapter 8 deals extensively with the implementation and management provisions of the programme, including project development and selection, involvement of non-EU member SEE countries, information and publicity, monitoring and audit.

## 2. Analysis

### 2.1 General introduction

The SEE region is one of the most diverse and complex transnational cooperation area in Europe. This is the only transnational Programme area with such a large number of participating non EU countries (candidates, potential candidates and third countries) and such a variety of stages of institutional relations, embeddedness or proximity to the EU.

It is also the most heterogeneous area of Europe considering the specific cultural, political, ethnical, social and historical characteristics of the participating regions, such as diversity, fragmentation, numerous and impenetrable borders, migration issues, etc. transnational cooperation and especially its promotion are therefore critical for this region.

Historically the political, cultural (several languages, eastern, western, south and mideuropean impacts) social, ethnical (several nations and ethnical groups) and religious diversity of Europe and the Orient meets in the SEE. This great diversity is foundation of both cross border and transnational cohesion and identity but also for potential conflicts. Over centuries this space was affected by a changeful history leading in collapse of empires and political systems and spheres of influences, in wars, in the constitution of new states and changing demarcations. Such a dynamic development of systems and political frameworks leads not only to new structures and new relations but needs also new approaches and new cooperation and communication structures.

This area of wide diversities, different cultures, languages and different religions faces most of all the challenge of social, economic and political integration with regard to three different facets: the deepening of EU-27 integration, the pre-integration process of the accession countries and the process of deepening relations with the EU-Neighbouring countries. This should not only refer to integration per se, but also to the spatial effects of it. Integration affects internal disparities, the relation between strong and weak regions and also the structure of urban hierarchy.

Elaborating an analysis for a transnational cooperation program of such a diverse space in almost every sense is a great challenge in different ways.

#### *- Programme area*

Apart from the different status and relation to the EU of the program partner the SEE is characterized by highly distinct economic, social, infrastructural, technological and administrative and institutional disparities and diversities.

#### *- Data availability*

As far as possible the following analysis is based on harmonized and comparable data (Eurostat, World Bank..) In most of the cases this data is only available for the whole country, therefore regional interpretations are not possible in all chapters. Because of the high disparities of quantities, qualities and structures in this cooperation space the use of average figures could be misleading, from our point of view the focusing on the range of the differences gives a much more clear picture of the specific challenges.

- *The role of the analysis – a background report*

Regional cooperation remains essential to long-term stability, economic development and reconciliation in the South East Europe space. Following the strategic and political guidelines of the EU the establishment and development of transnational cooperation should focus on innovation, environment, accessibility and sustainable urban development. Because of the different status of relationship to the EU of the program participants and the different administrative and competence structures and level of development regarding economic basis, infrastructure, technology and innovation potential, the civil society, the four above mentioned topic cover only a small range of the specific needs of this European space. For a better understanding of the background and challenges of transnational cooperation also some other issues are mentioned in the analyses which do not have a direct connection to the priorities of the program.

## 2.2 Spatial structure

The South East European Space is characterised by small countries, as 13 countries have a population less than 11 million people and there are regions of large countries like Italy and the bordering regions of the Third countries like Turkey and Ukraine participating in this program.

The topography varies through the programming area. The main geographic features of SEE are mountainous areas and the sea. The Alps, going from France into Switzerland, northern Italy and Austria and further extending in the Dinaric Alps along the Adriatic coast, the Appennines as the backbone of Italy, the Carpathian Mountains in the eastern part of SEE and the Balkan Mountains. These mountains are also the source of the main rivers, e.g. Danube and Po (Alps), Dniester, Tisza and Vistula (Carpathian Mountains). The Great Hungarian Plain, large patches of grassland at a level of about 100m over the sea, is located in between those mountain ranges.

Except Austria, Hungary, Slovakia and Serbia all program partners have access to the sea, the Mediterranean or the Black Sea. For some of the partner regions the coastal and maritime space is of crucial economic, cultural and ecological importance.

### The urban system<sup>2</sup>

The population density is giving a clear picture of the actual settlement pattern in the SEE. At the national level, the most densely populated area is found in Italy (2005: national 191 inh./km<sup>2</sup>, within eastern Italy 193 inh./km<sup>2</sup>) followed by Slovakia, Hungary and Albania (109-110 inh./km<sup>2</sup>).

At the sub-national level, clearly the capital areas concentrate population, additionally only few other regions can compete with this trend.

SEE is characterized by a significant **urban structure**. In terms of population the urban areas of Athens, Budapest, Vienna, Milan and Istanbul Bucharest, Belgrade, Sofia and Thessaloniki are the largest. A population lower than 1 million have the capitals like Zagreb, Bratislava, Sarajevo, Ljubljana, Podgoriza, Skopje, Tirana, and also important cities like Bologna and Bari in Italy ), in Bulgaria Plovdiv, Iasi, Timisoara and Constanta in Romania and Odessa in Ukraine.

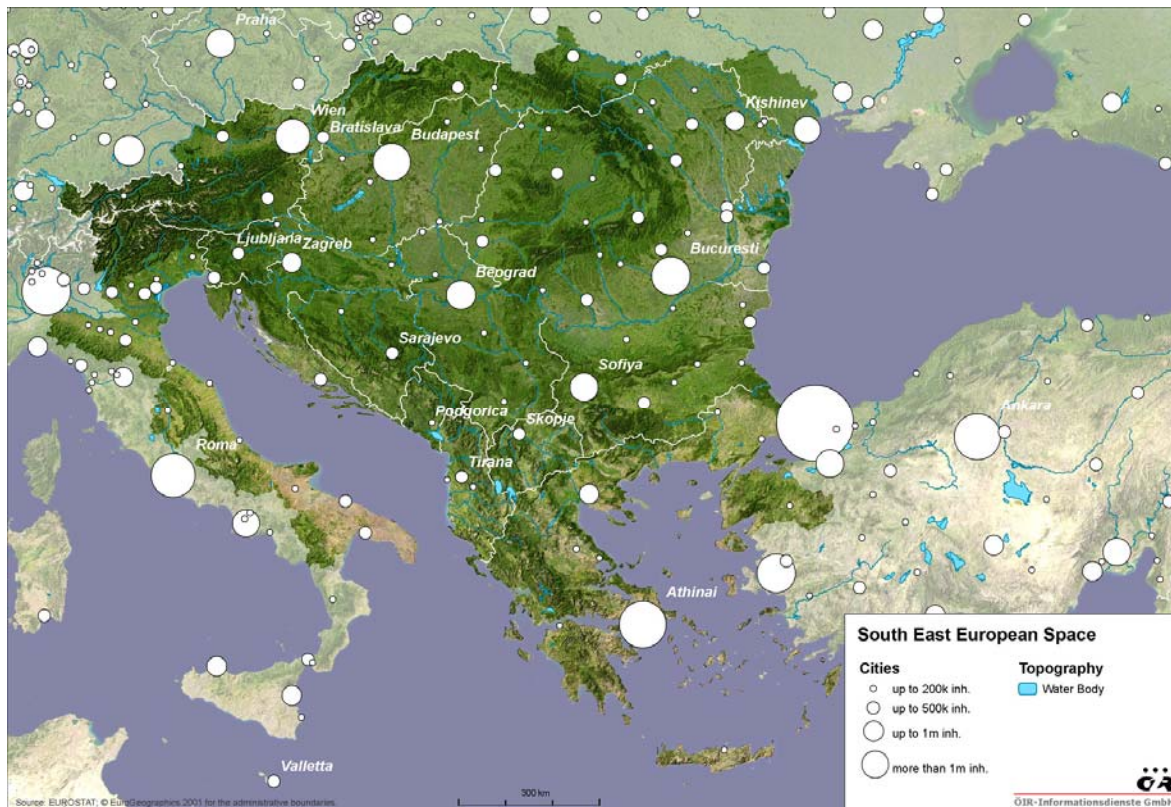
Based on the results of the ESPON project and the adopted approach within the PlanNET CenSE pilot project Functional Urban Areas (FUAs) and Metropolitan European Growth Areas (MEGAs)

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<sup>2</sup> This chapter is based on the results of the PlanNET CenSE projects.

have been identified, depending on different functions and importance in terms of size, equipment, economic structure and relations to urban centres. Most of the cities are of regional/local significance, ...are of transnational/national importance and ... of European-wide importance. The later are classified as MEGAs and take over a leading role in the urban hierarchy. The strongest urban centres in terms of demographic mass, competitiveness, connectivity and knowledge function of the SEES are Milano and Vienna. Second order centres are Bolgna, Budapest, Bratislava and Athinai. The South East part locates generally lower-order MEGAs with lower performance in terms of competitiveness, but also a great population mass potential.

Map: Cities in SEE



The programme area of the SEE present a very large variety of towns. able to play the leading role in the territorial polycentric development. The territory is characterised by a polycentric territorial organisation. Both metropolitan regions and large, medium-sized or small cities are distributed evenly over the territory. In pure functional terms both polycentric and monocentric structures are to be found in the SEE. Countries like Slovenia and the Slovak Republic are fostering polycentricity as traditional policy option, supporting by different instruments. The also more polycentric countries like Austria and Italy, have their rural parts strongly connected with urban centres, which are therefore more prosperous. Countries like Serbia, Montenegro and Albania have a polycentric network without policy support by administrative and political decentralisation so far and are thus strongly centralised in functional terms. Hungary and Macedonia are still more or less centralised in functional and accessibility terms with tendencies to decentralisation but also with concentration of economic activities and power in major urban centres. The result of these three options is evident in rural areas where small villages with no power or instruments are rapidly disappearing and suffering of social, economic and ecological challenges. Here, polycentrism is running great risk

because of the current territorial development pattern in Europe. Only a limited number of large cities in the new EU member and candidate countries i.e. especially the capital cities, have until now been the beneficiaries of the integration process. (see PlanNET CenSE, final report)

The meaning of the polycentric policies and their implementation is therefore treated as of great importance for the European integration. Any kind of promotion and application of polycentricity depends on the governance power of the acting institutions to be considered. In order to apply or to further develop the concept of polycentric development at the transnational level, it is crucial to take into account the very different ways of implementation at the national and regional levels which reflect very different administrative systems and political cultures in the SEE countries. There is no explicit urban policy at the national level in the SEE countries. In most of the countries there is only weak or even no power at all with respect to spatial development at the national level. The analysis of the actual distribution of power concerning polycentric development shows that the endowment of national, regional and local level with means to influence spatial development in the areas of spatial planning, public investments, public incentives for private investments and spatial research as an arena for transferring development ideas varies greatly from country to country. This great heterogeneity makes clear that polycentric development requires tailor-made, country-wise differentiation especially addressed to regional and local actors with competences and interests in fostering urban networking activities.

Increasingly diverse functional interdependencies between cities and their countryside require cooperation between local authorities in the field of local transport, waste management, energy production and use, environment protection. To support sustainable urban (and rural) development, complementarities between cities and countryside, towns and regions or among similar close small towns should not be focused only on economic and infrastructure issues but on all the urban functions, such as culture, education, knowledge and social infrastructures.

### **Rural and periphery regions**

Generally the SEE shows a relatively high share of non urban population (36%) compared to the EU-25 average (24%). Within the group of the EU-member countries a noticeable high level of rural areas has to be stated for Slovakia, Slovenia, Romania and Greece (differences between the inner and coastal regions) and for the countries of the West Balkan Albania, Bosnia-Herzegovina, FYROM, Serbia, Montenegro and Croatia. High shares of rural regions can also be found in some (mountainous or coastal) parts of Austria and Italy, where a large segment of the population lives in rural and semi-urban areas.

Low levels of urbanization in the region indicate that the economies still depend on agriculture to a large extent and do not fully exploit the possibility to benefit from the (re)development of manufacturing and the expansion of services. It also indicates that a large share of population may not have immediate access to a number of services that are available in the cities. Due to the structural situation, rural areas often are confronted with the following trends and problems:

- Depopulation and the aging of the rural society due to the process of structural changes, the decrease in agricultural production or the loss of jobs in dominant branches
- Strong dependence on special industries (agriculture, forestry, mining..)
- Adverse conditions for diversification regarding financial and human resources
- Peripheral position and lacking transportation network

- High level of unemployment and unfavourable unemployment structure
- Brain drain
- Problems in stabilizing the technical and social infrastructure
- Poor links to the central regions

In the SEE there are rural regions, which have developed a relatively good competitive position in agriculture or tourism (e.g. coastal areas (Mediterranean and Black Sea), mountainous areas (eg. Alps, Carpathes). However, a number of rural areas have not yet managed to achieve structural change and have considerable economic problems, often due to their peripheral location.

Rural areas which are subject to new pressures, for example through economic growth and the expansion of the neighbouring settlements of the urban areas and have to face great challenges in terms of increasing traffic volumes, pressure on land use and so on.

The rural regions are not homogenous areas development opportunities and prospects for development differ greatly from each other. The diversity of rural development in the SEE makes it clear that spatial development strategies must begin by taking into consideration local and regional conditions, characteristics and requirements. New impetus can be expected from an intensification of the relationship between city and countryside. (urban-rural relationship) In a polycentric urban system the small and medium-sized towns and their inter-dependencies form important hubs and links, especially for rural regions. The towns in the countryside, therefore, require particular attention in the preparation of integrated rural development strategies.

### **Border regions**

The SEE has undergone in the past 25 years a number of changes (end of the communist regimes, 3 EU accession rounds 1995, 2004, 2007, the war in Yugoslavia) that radically altered its political physiognomy. The establishment of new countries and with it the establishment of new frontiers has upset the pre-existing patterns of political, economic, social and cultural relationship. The border regions seem to be more heterogeneous than in EU-25. Whereas some countries show the known EU-25 pattern of peripheral, demographically and economically less prosperous border regions, in other countries those trends are less clear, several border regions are favoured by a capital which is located near the border. (e.g. Vienna-Bratislava) Old, well-established connections have been severed and need to be rebuilt on a new basis. Sometimes when the separation has been less than peaceful, hostility, mistrust and hatred form part of the heritage with which these countries have to cope and have to perceive the relationship with their "new" neighbours. Nowadays within the SEE there are very different situations of border relations: EU internal borders with and without Schengen status, EU-external borders, bilateral borders.

### **2.3 Demographic trends**

Demographic trends are very heterogeneous between and within the countries of SEE, depending on economic, social and cultural and spatial factors. Spatial concentration of positive or negative demographic development like migration, depopulation and ageing population are challenges that need to be met. Regarding **population growth** at the national level, most of the EU members have experienced a modest increase in population in the period of 1991-2005 mostly caused by immigration. Hungary shows traditionally a decline of population as well as Bulgaria and Romania. Contrary developments have to be stated also among non-EU-members. Turkey experiences an explosive increase of its population, due to their economic power the participating regions gain



from migration flows. On the other hand countries like Serbia, Montenegro, Bosnia-Herzegovina, Albania Croatia, FYROM and the neighbouring regions of Ukraine and Moldavia have lost, due to migration, a significant part of their population in a relatively short period. Depopulation trends with the greatest population decline in the SEE area has been experienced in peripheral rural regions of the last mentioned countries.

For some (candidate and third) countries migration is the main factor influencing the negative population development. A weak economic performance and lacking perspectives are the main motivation factors stimulating **external migration**. Notable are the emigrant outflows coming from the Ukraine, Bulgaria, Romania, Serbia, Montenegro, Bosnia-Herzegovina and FYROM. This emigration is directed mainly towards Western Europe and North America.

Migration is a very complex phenomenon with positive and/or negative impacts in the countries/regions of origin as well as in countries/regions of destination. Especially in economic weak rural or old industrialised areas which are confronted with structural changes or problems migration (mostly of young people) leads to depopulation and aging and to a deprivation of (qualified) human resources (brain drain) for starting or continuing development processes. On the other hand in the immigration countries/regions the pressure on labour market, social systems and housing may increase, often followed by social tension and conflicts between different cultures.

Most immigrants settle in urban areas, thereby reinforcing existing urbanisation patterns. The changing composition of the population, their preferences for where they live and the characteristics of housing affects spatial planning.

The part of the countries in the SEE already set up measures to address the problems connected with immigration; others are confronted with this issue for the first time. Immigrant integration is a complex theme which generates continuous debate across EU: the overrepresentation of immigrants in deprived urban neighbourhoods and the tendency to spatial segregation as consequence of low income and unemployment, creates many of the conditions on which illegal immigration and traffic can feed.

Within the countries migration flows confirm the strong attraction of the central locations, but also indicate the structural weaknesses in the peripheral agricultural regions and the old industrial centres confronted with structural changes. The population shift from peripheral regions to the central places makes it hard to maintain the current infrastructure (social, health, education, etc.) in the peripheral regions and leads to fastening sub-urbanisation process, the loss of younger population and the phenomenon of brain drain. The impact of sub-urbanisation is also felt to a certain extent as a consequence of the enlargement and improvements of the transportation infrastructure network. The radius covered by people commuting daily to work in the cities and economic centres has widened substantially. This development is yet less advanced in the non EU-member countries, but expected to increase in the future.

## **2.4 Socio-cultural aspects and cultural heritage**

The region is extremely diverse in terms of **ethnicity, culture and religion**, even though the whole territory has deep roots in the ancient Greek time and the Roman Empire. While larger homogenous areas are found on the perimeters, the central part of the SEE shows an extremely varied picture, homogenous areas are difficult to distinguish. In terms of ethnic and religious affiliation, numerous peoples live in the region, often concentrated in border regions with neighbouring kin-states.

In general, **ethnic diversity** decreases; the size of homogenous areas and the level of homogeneity increase. The long-term reasons thereof are found in urbanization and assimilation. In the past decade, however, violent forms of homogenisation created homogenous areas even in once multi-ethnic lands. The returning of those persecuted by war and conflict is doubtful and raises several issues. Relocations, however, cause new types of ethnic conflicts in other regions.

In some of the SEE countries the Roma population remains the most vulnerable of the national minorities. Full and effective equality has not been secured for the Roma, who continue to be particularly exposed to discrimination and face difficulties in housing, health care, employment and education. Their illiteracy rate is high.

Some of the SEE countries may face a number of demographic challenges in the future. In general the demographic development follows the European trend of an **ageing population**. In the EU-27 member countries within SEE the general trend shows a slightly negative balance between death and birth rates, which puts constraints to long-term population growth. Therefore the main problem in those countries is the ageing of the population with all the connected strong impact in the social and health services and in the labour market.

The candidate and third countries follow two different routes. On the one hand countries like Serbia, Montenegro, Croatia, Albania and Turkey seem to have a strong positive balance between birth and death rates offsetting emigration and keeping population on a growth path. On the other hand, countries like Ukraine, have rather serious negative balances between birth and death rates, which, in combination with emigration is expected to lead to further declines in population.

**Cultural heritage** is defined as the totality of material and immaterial cultural assets like libraries, archives and museums, buildings (Churches, castles, monasteries), as well as the expression of folk culture, the scientific perception and so on. The immaterial cultural assets are passed down from one generation to the other. They are formulated by communities and groups in dependence of the particular milieus, their interactions with the nature and their history and are part of their identity and continuity.

Cultural heritage contributes not only to cultural diversity and creativity and is part of a regional identity but is also a great resource for economic activities esp. for tourism and urban development. The variety of cultural heritage and activities in the SEE offers specific links for activities and measures to protect cultural traditions covering legislative framework (e.g. UNESCO convention, national regulation for the protection of historical monuments and buildings, culture policy...) up to customs and traditional handicraft techniques. The preservation, conservation and development of cultural heritage are also very important for the tourism. In the program area there are comprehensive activities to protect the cultural heritage (historical urban areas, monuments and historical ensembles, cultural landscapes). As examples for this wide variety of cultural heritage the properties included in the World Heritage list of the UNESCO<sup>3</sup> are to be mentioned here.

The SEE territory is characterised by a big variety of valuable cultural areas that need a wise management for their preservation, enhancement and sustainable exploitation. Many sites, besides

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<sup>3</sup> The United Nations Educational, Scientific and Cultural Organization (UNESCO) seek to encourage the identification, protection and preservation of cultural and natural heritage around the world considered to be of outstanding value to humanity. This is embodied in an international treaty called the **Convention concerning the Protection of the World Cultural and Natural Heritage**, adopted by UNESCO in 1972.

the well known ones, are lacking any kind of care, others are still not “discovered” and exposed to all possible risks.

Architectural mementos primarily include religious-type monuments (monasteries, churches, mosques) and architectural parts of some historical towns. In areas stricken by ethnic conflicts, their existence is often threatened. Their preservation may strengthen regional integration since their location is typical at the borders of countries and in regions crossing ethnic borders (e.g. sea and Danube port towns, monasteries and shrines linked to a certain religion, stations of the Via Egnatia, stone bridges of late empires, national places of worship, etc.). The protection of such heritage indispensably calls for cooperation between the various ethnic areas and countries.

In general the richness of the cultural heritage in the programme region is endangered since the investment perspective is lacking for large parts of the heritage. Efforts for the restoration and revitalisation of cultural sights concentrate on those areas, where the economic perspective including the positive impact on the employment (especially for women) is clearly visible. Compared to the programme region as a whole the number and size of these zones are limited. In general there is an urgent need for intensified awareness with regard to risk-control, the prevention of further degradation and the recovery of impaired heritage, through safeguard and innovation and through the involvement of private actors.

In all the territory the development and preservation of the cultural heritage through wise management represents a fundamental point both for the preservation and deepening of the big variety of local identities and the maintenance of the present cultural diversity. Special attention has to be paid to the many present areas with monuments and historical sites endangered by pollution, floods, drought, erosion, fires, earthquakes and landslides.

## **2.3 Competitiveness**

The competitiveness of an economy depends on the socio-economic performance, measured by the level of national/regional output (GDP) and productivity (GDP/capita), the structure of the economy, the human resources and the qualification level, and the innovation capacity of the national economy represented by the enterprises, the education and research system and the awareness for innovation and the appropriate (public and private) budgeting. In addition to these factors affecting the level of competitiveness of an economy include the institutional framework regulating economic activities and the level and quality of infrastructure.

Within the PlaNet CenSE project a common understanding on the issue of ‘competitiveness’ has been formulated. Competitiveness is understood as the capability of a region to cope with the European wide place competition for market shares by identifying its function and strengths within the division of labour between regions and countries. Among the sources of competitiveness, it is important to distinguish between macroeconomic, microeconomic and territorial sources.

### **2.3.1 Socio-economic performance**

#### *Economic activity level and growth performance*

The SEE is characterised by strong disparities in economic power between the countries but also within each state. The analyses of the regional GDP per capita performance revealed that the SEE

far from being cohesive. The SEE includes both Europeans richest and poorest regions, with differences between those regions more than tenfold. Most part of the disparities in GDP per capita emerged in the 20<sup>th</sup> century, and a significant part even in the last one and a half decade. There is a clear distinction between old and new EU member and non-member states. All NUTS 2 regions which are below 50 % of the average EU 25 GDP level are all located in the new EU member, candidate or neighbouring countries.

The average figure concerning national GDP per capita in euros (exchange rate parity) for the SEE is € 9,761, which is less than half the EU-25 figure (€ 23,749). The GDP per capita indicates a prevailing dual pattern of competitiveness in the region. In general, the performance of western or central European countries is better than the one of southern and eastern European countries. Austria (€ 30,057) and Italy (€ 24,605) have GDP per capita levels that are above the EU-25 average, Greek figures (€ 16,924) exceed 75% and Slovenian figures (€ 13,870) exceed 50% of the EU-25 level. All other countries in SEE have significantly lower levels of development (e.g. Balkan countries around € 3,300). Ukraine and Moldova are the countries with the lowest level among the countries of SEE

Concerning the economic activity level and the growth performance two patterns of economic strengths are visible in the SEE. Firstly, a clear West-East divide becomes apparent with the strongest regions located in the West and the least developed in the East (capital city regions and Greece being an exception). Secondly, economic strengths is obviously influenced by the status of EU integration: old EU member countries (EU15) are usually economically performing better than new EU member states, which in turn perform better than EU candidate and neighbouring countries.

In terms of economic dynamics (growth rates of per capita GDP) between 1995 and 2002 these patterns are partly turned upside down with Greece, the new EU member, candidate and neighbouring countries (especially Albania) usually performing better than the old EU15 member states. Although the first years after the fall of the "Iron Curtain" were characterised by a severe economic crisis caused by huge challenges of internally (political and economic) and externally (i.e. globalisation, European integration process) adjusted transformation processes, the last decade brought high economic growth leading especially in capital regions to a remarkable catching-up process with Western Europe. Growth performance of regions especially in new EU member states, is better than in most of the Western European countries. Countries with the highest GDP growth rates are Hungary, Slovakia, and Slovenia.

As an important prerequisite for the economic development all countries in the SEE have done significant steps towards **economic freedom** of which the cornerstones are personal choice, voluntary exchange, freedom to compete, and security of privately owned property. As a result they are very close to the EU average. Turkey and the neighbouring countries Ukraine and Moldova are the countries that yet need to cover some ground in order to reach the EU figures.

Additionally, significant **regional differences** within SEE can be found. Regions among the richest of Europe (e.g. Vienna, Lombardia) may be found as well as the poorest countries and regions of the continent (Moldova and Albania). Intra-national inequalities in the new member states and the non EU countries tend to be on average higher than in the old EU members (EU 15) and for a number of reasons related to the process of integration and structural change in these countries they also tend to increase over time.

The capital city regions are usually the strongest regions in a country because urban functions are concentrated here. They are "hot spots" of knowledge (universities, high education), cultural

endowments, decision-making functions in the public and private sector, transport and telecommunication services etc. They take over gateway functions, decision-making and control functions as well as the leading role in terms of innovation and competitiveness. Within a national context, they are the strongest regions in terms of GDP growth performance and productivity. Most of the foreign direct investments is directed towards them. In regard of competitiveness the capital city regions are in a favourable position. The second highest level of per capita GDP can be found in most of the regions of the EU15 member states and in the western border regions of the new EU-member and candidate countries. The Hungarian Nyugat- Dunántúl (West Transdanubia) for example can be found among the leading regions. In Slovakia, the regions with the highest per capita GDP are the Bratislavsky and the west Slovak region. In Romania western regions generally have a higher GDP per capita level than the eastern ones. This rule, however, does not apply to the Ukraine, the regions Zakarpacie and Chernivtsi, bordering the EU are the least developed regions. With the exception of Albania and Kosovo, Europe's poorest regions are nowadays not on the Balkans but along the eastern and southern external borders of the EU: in Moldova and in the western Ukraine.

#### *Trade relations*

The degree of openness of an economy to international markets and its ability to export its goods and services to other countries also is an indicator of competitiveness. The political and economic change in the 1990<sup>th</sup> and the beginning of the 21st century in Europe leads to extensive changes also of the trade relations within Europe. The collapse of the Eastern block, the ongoing European Integration process, times of isolation and severe sanctions during and after the war in former Yugoslavia during the 1990s destroyed and changes traditional economic relationships between the countries of the SEES. Nowadays the trade in the SEES seems to be highly and increasingly integrated. With the exception of Italy (the Italian regions) all other countries of the area have a substantial share of trade within the programming area, so that the SEES can be regarded as a highly integrated area where geographical proximity, accessibility but also historical ties determine the trade relations.

In 2003 the highest share of total exports within the SEES can be experienced for the candidate countries and the new member states (EU27) e.g. Albania (92 %), Romania (75%), Bosnia and Herzegovina (74%), Croatia (61%), Bulgaria (47%), the EU15 member states reach shares from 13% (Italy) to 33% (Greece).

Trade relations within SEES mostly mean close trade relations to one of the leading economic powers of Europe e.g. Germany, Italy,... About one third of foreign trade of Hungary or Slovenia is directed to Germany, also for Austria Germany is the most important trade partner in Europa. For Albania, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and Romania, the most important partner is Italy and in particular Italian SEES regions for their imports and Italian non-SEES regions for their exports.

In addition to polarised structures, foreign trade networks in SEES have another layer. Countries, which have only recently become disaggregated, have partly retained their traditional internal economic linkages and trade flows. There is still an intensive trade among the former Yugoslav republics. For Slovakia, the second main trade partner is still the Czech Republic. Even older traditional links have survived. For Hungary the second largest trade partner is Austria. The main trade partner of the former Soviet republics, Moldova and the Ukraine, is still Russia.

#### *Foreign direct investment*

Foreign Direct Investment (FDI) is a major source of growth and competitiveness in all transition countries in Europe. For a number of non-EU countries within the South-East-Europe, the most important investors are Austria (for Croatia and Romania), Greece (for FYROM) and Italy (for

Albania), investment from within the region plays an important role in supporting work positions and raising GDP and mobilizing domestic capital. However, it seems that the allocation of FDI in South-East-Europe tends to favour the more advanced countries and increase disparities, despite the positive impact of investment by neighbours in the less advanced countries. From the total FDI stock in the region in 2004, the largest share (49%) goes to Italy, followed by Austria (13.9%) and Hungary (13.0%), whereas the non-EU countries in the region receive very small sums (as e.g. Albania 0.3%, Bosnia 0.4%, FYROM 0.3%, Serbia and Montenegro 0.9%).

An analysis of UNCTAD (United Nations Conference on Trade and Development) data shows that the foreign direct investment in most of the SEE countries has grown in absolute and relative terms during the last decade. Especially the new EU member countries Hungary, Slovakia and Slovenia have considerably benefited from growing FDI inflows. Since 2000, FDI is also increasingly directed towards non-EU member countries from South-East Europe with the candidate countries benefiting the most. The growing FDI inflows have resulted in an increasing contribution of foreign firms to national economies. The presence of big transnational enterprises is a decisive factor of regional competitiveness in less developed areas in two ways: The investment of foreign enterprises, first of all, implies that some important factors ensuring profitability and competitiveness – like cheap and skilled labour force, basic infrastructure facilities, enterprise-friendly economic policies – are present in the region. Secondly, after settling down, the operations of foreign enterprises largely contribute to the competitiveness of the region, especially if supplies and production factors will be provided within the region.

The current competitiveness of most of the SEE countries apparently depends on the presence of foreign capital in the country. What is true for the national level is even more true for the regional level. Growth and competitiveness of regions is a function of FDI in the respective regions. And since the location of FDI is rather selective and rather indifferent to cohesion considerations, the result is a dramatic increase of economic and income disparities among and within the countries of SEE. The capital and other economic strong areas are benefiting much more of the foreign direct investment activities.

### **2.3.2 Labour Market – Employment and unemployment**

The substantial changes of economic structures, development processes and relations between the countries since 1989, caused quantitative and qualitative changes in the labour market in most SEE countries, whereas there are great differences between the old EU-15 member states and the new member states and candidate countries. While the labour market in the old EU-member states was influenced by the actual business cycles, the transformation process, structural changes of the national economies and the consequences of the war affects the labour market in the new member states and the candidate countries. The main characteristics in the last mentioned were considerable and continuous decline and a significant change in labour force demand (causing additional pressure and mismatches in the labour market because of new requirements concerning labour force quality). On the other hand the EU-15 member states of the SEE were confronted with labour market problems in the secondary sector, increasing shares of (part time) jobs in the services sector and pressure on the low qualified jobs by increasing number of foreign workers.

Regarding the **labour force** in general, the figures of labour force participation rate for 2004 (proportion of the population ages 15–64 that is economically active, source: World Bank) indicate the following patterns: Male participation rates range between 70% and 80%, whereas the female

participation rate lies on average about 10 to 15 percentage points lower. In contrast to the experiences of EU-15 countries, women's participation rate in transition countries used to be higher, but dropped dramatically during the early years of transition.

Nevertheless there are significant differences between the countries. Austria, Slovakia, Slovenia but also Bosnia-Herzegovina and Moldova show generally relatively high labour force participation rates (both genders), whereas Greece, Albania, Serbia, Montenegro and Turkey show high male, but lower female participation. Lower figures have to be stated in Italy, Hungary, Bulgaria, Romania, Croatia and FYROM.

**Unemployment** statistics for 2005 indicate that South-East-Europe is divided in terms of the available work opportunities. Although the average figure for the region of South-East-Europe seems modest (9%), this is influenced primarily by the low figures of some EU-25 members (e.g. Austria, Slovenia, Hungary). –Generally most of the SEE countries were confronted by a loss of jobs during the transition process as a result of the privatisation of public sector enterprises and through the levelling off in hidden unemployment in government institutions. The demand of employees by the private sector, which is yet at the development stage, has decreased. The situation is critical in countries like Bosnia FYROM , Serbia and Montenegro. The unemployment rate is more than 30% and unemployment is the most serious social and economic problem, threatening to destabilize the social structure, the institutions and the legal system, undermining the living conditions and the morality of significant segments of population. Most disadvantaged groups in the labour market are: women, young people, older unemployed people, poorly-educated and low-skilled people, long-term unemployed, people with disabilities, demobilised soldiers, refugees and ethnic minority groups (e.g. Roma).

### **2.3.3 Innovation capacity (R&D, education and qualification)**

A high level of education and innovation activities are major assets of regional development and basic factors for the regional economic performance and competitiveness.

The **research and development system** includes universities, other public and private R&D facilities, science and technology parks, innovation and transfer centres. While universities and science centres concentrate in major urban areas and/or the regional economic centres, some have been established in other regions to stimulate innovation and development processes.

The universities of the EU Members of SEE are of high quality in teaching and research and present a good level of internationalisation, so they can guarantee a fruitful cooperation in order to help the others to reach the standard level and contribute to the achievement of the Bologna process and new Lisbon strategy<sup>4</sup>. Although some progress can be stated concerning the adaption of the educational and research system in the candidate countries the progress reports stated out, that especially some of the small candidate countries did not fulfil the requirements set out in the Bologna Process and the implementation of the existing legislation is weak. The level of educational and research infrastructure available in the SEE differs from country to country but generally the

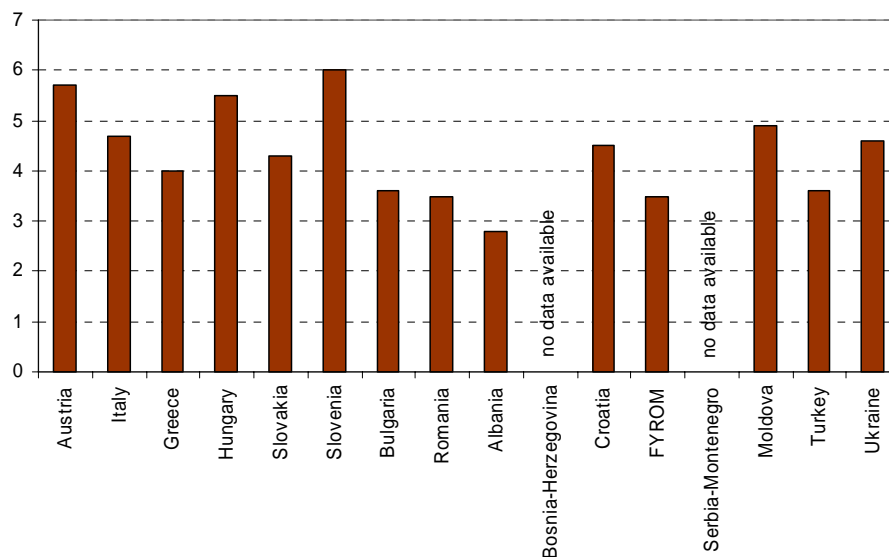
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<sup>4</sup> According to these the major focus of training and research will be on growth and employment supporting knowledge and innovation, removing the obstacles to physical, labour and academic mobility and developing a knowledge-based economy with more and better jobs. This will contribute to the creation of the EHEA (European Higher Education Area) and the ERA (European Research Area) and their strict integration as required by Lisbon plans.

**level of qualification**<sup>5</sup> – differing between the single regions – does not reach the European average. Adult literacy rates in SEE in 2002 are close to the levels of highly-developed countries, though several countries show male rates lower than 98%, female rates decline to 81% (Turkey). Nevertheless regarding at the gross enrolment ratios 2004 (ratio of total enrolment, regardless of age, to the population of the age group that officially corresponds to the level of education shown) lower figures have to be stated concerning primary enrolment and to an higher extent regarding secondary enrolment ratios for the Balkan countries.

Another indicator of future opportunities regarding the active development of qualification is the amount of **public expenditure on education**<sup>6</sup>, which is clearly lower than in EU-25. Measured in public expenditures in % of GDP 2004 the figures range between 6% in Slovenia and 2,8% in Albania, even some EU-15 member states show quite low public expenditure percentages, as e.g. Greece (4%) and Italy (4,7%).

Figure 1: **Public expenditure on education in % of GDP, 2004**



Source: World Bank, 2006

Regarding **R&D expenditure (GERD)** within the SEE, the figure is very low - less than half of the EU-25 figure. Only Austria has R&D figures higher than the EU-25, while Slovenia and Italy are ranked second and third with figures higher than the SEE average. Most of the candidate countries seem to have the lowest expenditure in R&D. Also at low levels is the performance of the SEE region in terms of R&D in the business sector (BERD) and the share of employed in R&D. In general, the region seems to have on one hand a low performance with respect to R&D indicators and on the other, a dual spatial pattern where a few countries have figures comparable to EU standards and the majority of them have low levels of innovative activity and as a result, low levels of competitiveness.

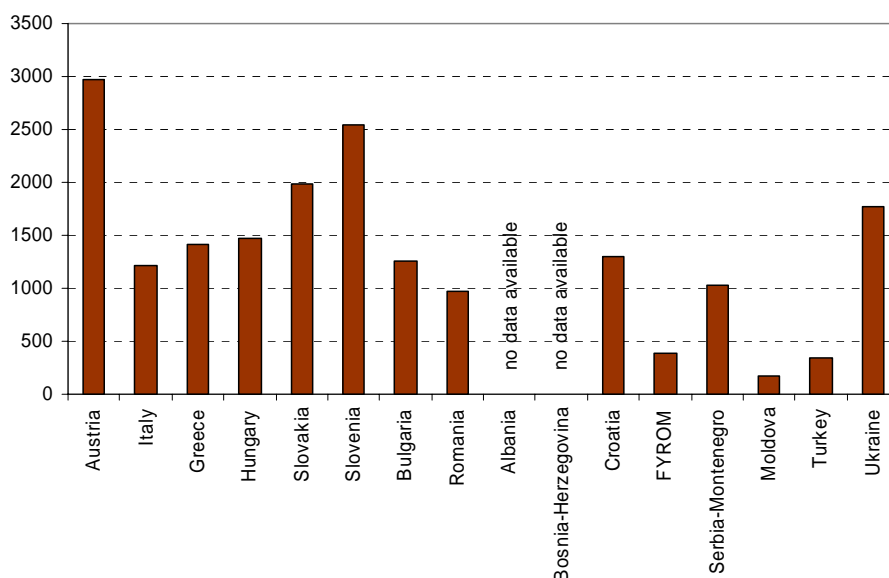
<sup>5</sup> Source of data: World Bank, 2006

<sup>6</sup> No data available for Bosnia-Herzegovina and Serbia-Montenegro.



In terms of employment in the **research sector** South-East-Europe has a figure, which is less than half the EU-25 average. This poor performance is due to the weak research base in the candidate and third countries. but additionally also Italy and Greece as well as the new member country Hungary show relatively low figures.

Figure 2: **Researchers in R&D per million people 2004**



Source: World Bank, 2006, *Note: data 2004 or most recent available.*

## 2.4 Accessibility – Transport and IC-Network

### 2.4.1 Transport

The quality of the supra-regional and regional transport infrastructure as well as the accessibility varies widely from country to country, from region to region and by means of transport. In general the transport systems are designed to meet the internal needs and reflect the circumstances of the countries and their strategic focus. Considering the European context, new perspectives and requirements arise and new priorities influence the national and regional decisions.

#### *Transnational accessibility and transport network*

Transport networks have developed for centuries according to trade and travel requirements but also to political constraints, both factors have significantly changed recently. The **Trans-European Transport Network (TEN-T)** serves as the relatively well developed transport backbone within EU, the TINA-network respectively the **Pan European Transport Corridors** fulfil a complementary function outside of the EU-territory. They are forming a priority transport network, which has been

defined at the Pan-European Transport Conferences, in particular those in Crete (1994) and in Helsinki (1997), comprising the transport modes: road, rail, inland waterway, sea transport<sup>7</sup>. Even though those links already provide basic accessibility to the region, many of them (mainly outside EU-territory) are sub-standard and provide a poor level of service (largely as a result of accumulated under-investment and a lack of adequate maintenance).

A dual pattern prevails also in the context of **accessibility**. While the countries of EU-25 show relatively high levels of accessibility (even though already lower than central EU-25 respectively the accessibility of the “Pentagon”), the situation is worse in the countries which became EU-members in 2007 but (apart from northern Croatia) even inferior in candidate countries and potential candidate countries in the Balkan region as repercussions of the difficult situation in the past decades causing lack of investment and maintenance.

In the future, the policy of the Pan European Transport Corridors (TINA networks) will improve significantly the present situation and increase the accessibility of the region (mainly in the yet less accessible South and East) in addition to the further upgrading of the Trans-European Transport Network (TEN-T) mainly along its high-priority axes. Within the SEE area those high-priority axes<sup>8</sup> envisage mainly an upgrading of railway links, an additional upgrading of roads is planned in the axis of Igoumenitsa/Patras–Athens–Sofia–Budapest.

Additionally the EU Commission (High Level Group, 2005) identified five major transnational axes as an extension of the major trans-European transport axes to the neighbouring countries and regions, of which three are of importance within SEE:

- Motorways of the Seas: linking the Baltic, Barents, Atlantic, Mediterranean, Black and the Caspian Sea areas as well as the littoral countries within the sea areas and with an extension through the Suez Canal towards the Red Sea.
- Central axis: to link the centre of the EU to Ukraine and the Black Sea and through an inland waterway connection to the Caspian Sea. Connections towards Central Asia and the Caucasus are also foreseen, as well as a direct connection to the Trans-Siberian railway and a link from the Don/Volga inland waterway to the Baltic Sea.
- South Eastern axis: to link the EU through the Balkans and Turkey to the Caucasus and the Caspian Sea as well as to Egypt and the Red Sea. Access links to the Balkan countries as well as connections towards Russia, Iran and Iraq and the Persian Gulf are also foreseen.

Additionally “soft” measures have been defined with the aim of removing physical and administrative bottlenecks along the main transport axes identified and to facilitate cooperation and communication between authorities in the different countries (harmonisation of documents and procedures, joint border control stations, etc). These measures include maritime safety and environmental protection, rail interoperability, extension of the European satellite radio navigation

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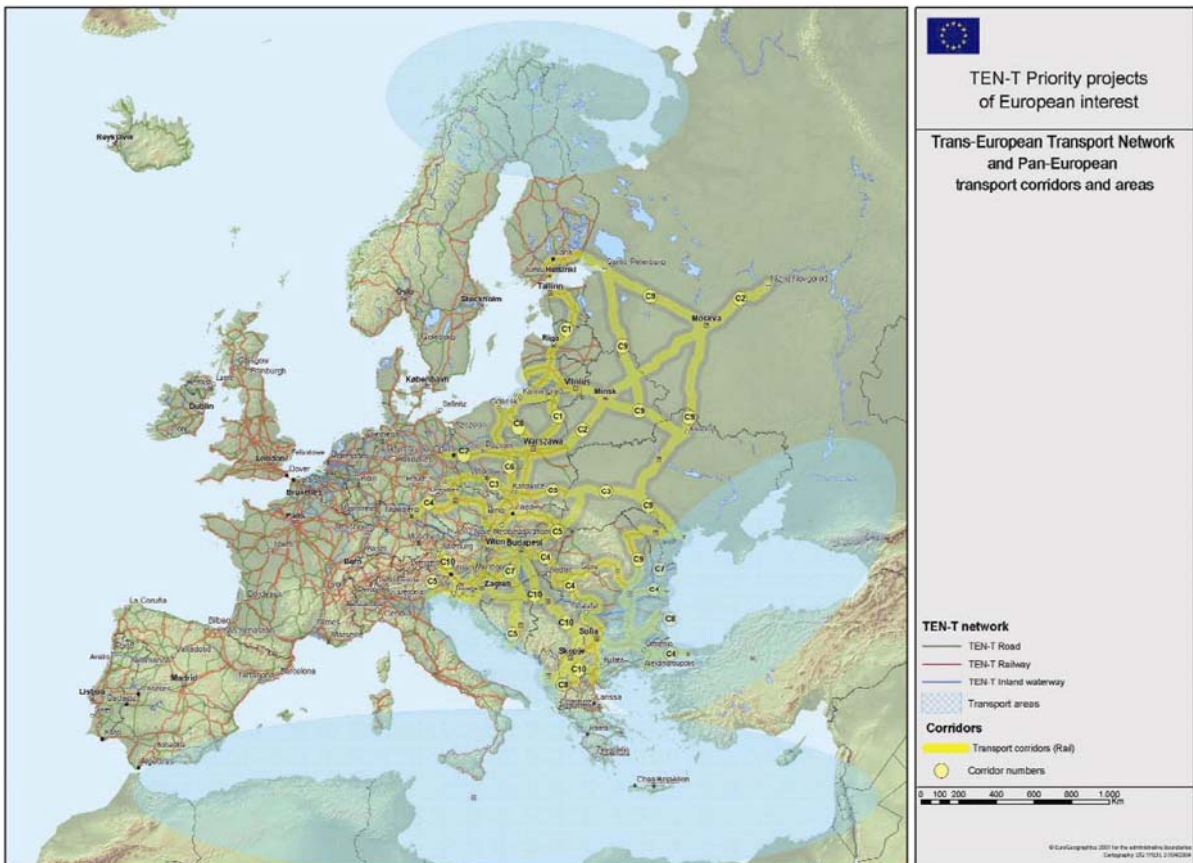
<sup>7</sup> For the majority of Corridors a Memorandum of Understanding has been signed between the Ministers of Transport of the respective governments and the European Commission. A number of corridors leading through the SEES are listed, some of them have become part of the TEN-T by enlargement of the EU in 2004.

<sup>8</sup> 1. Railway axis Berlin–Verona/Milan–Bologna–Naples–Messina–Palermo, 6. Railway axis Lyons–Trieste–Divaca/Koper–Divaca–Ljubljana–Budapest–Ukrainian border, 7. Motorway axis Igoumenitsa/Patras–Athens–Sofia–Budapest, 18. Rhine/Meuse–Main–Danube inland waterway axis, 22. Railway axis Athens–Sofia–Budapest–Vienna–Prague–Nuremberg/Dresden, 29. Railway axis of the Ionian/Adriatic intermodal corridor

system (GALILEO) as well as the extension of the Single European Sky initiative to the neighbouring countries<sup>9</sup>.

A major traffic corridor in South East Europe is Number IV today, which connects Germany with the Carpathian Basin, the new EU-member countries (2007) and Turkey. This corridor will be part of the new trans-Eurasian Silk Path starting from China (which is also supported by the EU's Traseca programme). The main transport axis and thus the direction of the main traffic flow of the region is NW-SE – which is strengthened by inland navigation corridor VII represented by land and Danube inland navigation routes marked X and Xa starting from Austria and Budapest, respectively and leading to the Balkan towards Belgrade. Despite of the general importance of N-S corridors in SEES, the degree of construction in those corridors (IX, V/c) generally is low. The construction of corridor VIII to Bulgaria and Romania (Burgas/Várna–Durrës) is slow, while the parallel Egnatia-Odos motorway in Greece will be completed by 2008.

Map 2: Trans-European Transport Network and Pan-European transport corridors and areas



Regarding **inland waterways**, the Danube River is of outmost importance within SEE. Inland navigation was almost completely interrupted by the destruction of bridges in Yugoslavia, nevertheless, the Danube has a considerable potential for the transportation of goods. Danube accommodates the trade of the Balkan countries with Russia and the Ukraine and also some

<sup>9</sup> Source: Report from the High Level Group chaired by Loyola de Palacio, NETWORKS FOR PEACE AND DEVELOPMENT, November 2005

transit between Western Europe and countries on the Black Sea, providing direct access to the sea for some landlocked countries.

Additionally **sea navigation** is of high importance, the SEES region comprises major strategic transit routes and important seaports within three European Transport Areas: the Black Sea Transport Area, the Adriatic-Ionian Transport Area and the Mediterranean Transport Area. The ports of Constanta (Romania), Burgas and Varna (Bulgaria) and Odessa (Ukraine) are of major importance within the Black Sea Transport Area, having diversified activities and receiving large sea vessels. Piraeus, Thessaloniki and Alexandroupolis (Greece) and Istanbul (Turkey) are of major importance within the Mediterranean Transport Area, while within the Adriatic-Ionian Transport Area, there are Italian and Slovenian ports (Venice, Trieste, Ancona, Bari and Koper) and the ports of candidate and potential candidate countries (Rijeka, Split, Ploce, Durres and Vlore) of which Rijeka is the most important. The envisaged development of TEN and Pan-European Corridors is also meant to strengthen the links between the countries with accession to the sea and landlocked countries.

**Logistics** plays a key role to ensure (sustainable) mobility and to increase modal the share of environmental friendly transport modes. Its importance is still growing because of the increase in globalisation of production together with corresponding supply chains. There are a number of trends – some contradictory – currently taking place, as e.g. centralisation of logistics organisation in European and regional distribution centres, decentralisation in the light of saturation on the European roads, outsourcing logistics activities (shippers buy multifunctional logistic services from external service providers). The “motorways of the sea” initiative by the EU Commission in 2004 aims to foster integrated inter-modal options, based on short sea shipping, providing frequent, high-quality alternatives to road transport. The guidelines set three main objectives: concentrating freight flow on sea-based routes, increasing cohesion, and reducing road congestion through modal shift.

Concerning inter-modal transport a recently elaborated study on transport infrastructure<sup>10</sup> stated, that today it is still limited in the countries of South-Eastern Europe. But, according to this study, specific inter-modal transfer facilities (when existing) are largely under-utilised. Most inter-modal transfer operations are accommodated in seaports or river-ports, or in railway stations. The development of inter-modal transfer capabilities is generally included in individual development plans for ports and railways. Still, inter-modal transport is insufficiently developed in the SEES area and needs further strategic planning and action.

Regarding **air transport**, there are wide differences in traffic volumes concerning both passenger traffic and freight and mail transport. In 2005, Italy reported the highest volumes of passengers (88,000) and freight (754 tons), followed by Austria (20,000 passengers, 182 tons) and Greece (31,000 passengers, 106 tons). Within EU-25, the countries which accessed in 2004 and in 2007 clearly show higher year to year growth of passengers in 2005. (EU-25: 8.5%, SEE-countries e.g.: Slovakia +46%, Hungary +25%, Slovenia +16%, Bulgaria +16%, Romania +9%). Freight transport in EU-25 grew in total by 3.5%. Whereas the number of passengers increased in all SEE countries of EU-27, freight transport in all SEE countries except Austria decreased.

In contrast to EU-25, air transport in the candidate and potential candidate countries supports less traffic than ten years ago (with exception of Turkey), but it is currently confronted with a steady increase in air traffic and with forecasts predicting high traffic demand. Some parts of the SEE

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<sup>10</sup> ECMT, Transport Infrastructure Regional Study (TIRS) in the Balkans, Final Report prepared by Lois Berger SA, March 2002.

region are already facing a need to increase capacity while evidence indicates that this need will extend to the whole of the region on mid-term. This increase will put challenging requirements on the countries to ensure that capacity is available and an optimal airspace structure and route network is provided.

Within SEES flows of air transport<sup>11</sup> are oriented northwest/southeast serving the holiday destinations of SEE and the eastern Mediterranean and linking the Middle-East and Africa to en-route traffic arriving/departing the European Region. Thus SEES plays a significant role in the European transportation network acting as a bridge between North, South, East and West Europe. Due to existing restraints, such as the fragmentation of airspace in non-EU countries and the closure of Kosovo airspace, the airspace of SEES is more complex, than it is in the European Union where the framework for the creation of the Single European Sky (SES) has been laid down in 2004. The SES Regulations promote more efficient and safer use of the European airspace regardless of national boundaries. In 2004 the European Commission also started negotiations with eight South-East European partners (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Republic of Macedonia, Romania, Serbia and Montenegro and the U.N. Mission in Kosovo) on a "European Common Aviation Area" (ECAA) agreement, which has been signed in 2005 with the aim to develop the ECAA by 2010.

Summarising the situation of the **existing transport infrastructure network**, there have to be stated the following **major weaknesses** in serving the region, which require immediate attention by national and EU policy makers:

- First, as a legacy of the previous system, transport networks are either obsolete – requiring reconstruction and maintenance – or not existing in several cases in Central and East European countries. European standards highways are very few and cannot serve the rapidly increasing demand for transport. Despite efforts, the transport network in the SEE area and especially in the candidate and potential candidate countries is still inadequate and requires significant funds for its expansion.
- Second, even in countries with more advanced transport networks, like Italy, the continuous increase in traffic has reduced the efficiency of the highways.
- Third, the railway network in the area of SEES is not sufficiently developed. Some countries have efficient systems which cover a part of the territory, while other countries have inefficient systems of rail transport. Discontinuities across the borders are very often the reason of the limited efficiency of railway at the trans-national level.
- Fourth, the traditional transport route of the Danube River (Corridor VII) is under utilised nowadays, but has a lot of potential for development. A greater utilization of the Danube as an international transport waterway would significantly benefit the whole area by providing a viable alternative to road transport with positive impacts on the environment (reduction of gas emissions, reduced pressure on roads etc) and on the economy of the river port cities.

In general, the SEES region needs a radical restructuring and a new planning of the transport services in order to ensure parity of access to high quality infrastructure. The polycentric development model requires an improvement of the integration and communication within and

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<sup>11</sup> Source: DG TREN - The South East Europe Functional Airspace Block Approach Working Group (SEE FABAs WG), Report on The Opportunities for the Application of The Functional Airspace Block Approach in South East Europe, February 2006

between each territorial network and an improvement of connections with the main EU nodes. In order to reduce traffic burdens, innovative solutions as integrated transport modes involving more efficient use of the existing infrastructures and shift to environmental friendly systems become very important. The presence of rivers as Danube and Tisza and the connected rivers system as well as the Adriatic, Ionian, Aegean and Black Sea suggest the existence of opportunities for the exploitation of combined ground/water corridors.

#### *National and regional accessibility*

**Rapid traffic changes** took place in the last fifteen years, road traffic progressed extremely in all countries; however, the road network did not close the gap originating from the rapid growth in vehicles pressure; moreover, neither the technical condition nor the quality of side-road network attains the levels of 1990. Inland navigation grew insignificant partly due to war damages and bridge wrecks and partly due to economic restructuring.

In South East Europe, excluding Greece, the degree of development of transport shows a W-E and a NW-SE decline based on the infrastructure and service quality, capacity.

South-East-Europe is well behind the EU-25 figures in a number of critical indicators as e.g. for **road infrastructure**. Among South East European Countries, Hungary and Croatia have connecting European motorway networks, while Serbia and Macedonia have direct and continuous connections (through Hungary and Croatia), whereas Bulgaria, Romania, Montenegro, Bosnia-Herzegovina and Albania have none. The share of paved roads in the region is only 76%, compared to 93% of the EU-15. This lower figure is explained by the lower quality of the transportation system in the new EU-members (2007), the candidate and potential candidate countries.

The **motorway network** (based on density) is most developed in Hungary and Croatia, followed by Serbia-Montenegro and Macedonia. On the other hand, corridor motorways in Bulgaria and Romania only have short, non-connecting sections; the rather limited 2-by-2-lane main roads in Bosnia-Herzegovina and Albania do not have a motorway status. The density of automobile penetration is more or less the same as above.

Also the quality of the **railway system** is rather poor within SEE, its rail density ( $33 \text{ km/km}^2$ ) is at about 2/3 of EU-25 ( $48 \text{ km/km}^2$ ). Density is highest in Hungary, Slovakia and Austria and lowest in Albania and Greece. Among the new EU-members (2007) and the candidate and potential candidate countries, Romania and Croatia show figures, which reach EU-25 average. **Freight forwarding** by railway regressed the most in Bosnia-Herzegovina, while passenger transport by rail regressed the most in Croatia and Albania. In spite of the traffic of numerous railroad branches decreasing below critical levels, only few lines have been eliminated. **High-speed railroads** are non-existent (implementation of long-term plans for construction of tracks between capitals with a minimum speed of 200 km/h call for at least 20 to 25 years), while tracks allowing for a maximum speed of 160 km/h (which are under construction in several parts of the international lines of Trans-European/Pan-European corridors) make up only 2 to 4% of national railroad networks.

#### *Urban transport system*

Due to their administrative, economic and cultural functions, the transport system of cities is of high importance. A sustainable urban transport system is essential to be able to take into consideration

both, the increasing mobility requirements of the population and the quality of living and working spaces.

Studies from the Urban Transport Initiative<sup>12</sup> demonstrate, that cities in transition countries generally show urban road networks, which are less densely developed than those in the cities located in EU-15 states and car ownership is still lower in those countries. Further those studies indicate, that the share of public transport in some of the new member state cities is still considerably higher than in EU-15 cities. It is considered possible, that the limited road space in the cities could act as an inherent form of demand management measure, which – combined with the lower levels of car ownership – serves to stimulate a higher public transport modal share until today (although bus-fleet renewal is still less regular in those cities than in EU-15 cities). Nonetheless - because of further economic development - it can be presumed that , if not hindered by policy measures, this favourable modal share will approximate to the less favourable trend in EU-15 cities.

## 2.4.2 Information and telecommunication system

Additionally to the improvement of transport infrastructures and services the development of **telecommunications, training and education** must integrate the infrastructure buildings. Access to knowledge is of as high importance as structural facilities regarding the competitiveness of the EU territory. The globalized labour market requires innovation, technology transfer and a strong cooperation of the territorial stakeholders with training Institutions, research centres and universities.

In terms of **telecommunication services and infrastructure**, the figures also indicate a serious gap between the EU-25 and the South-East-European Space. This gap is primarily due to the low level of telecommunications infrastructure in the candidate and potential candidate countries and in Romania. In some countries, like Romania or Moldova, the available telephone lines per 1000 people are less than half the ones available in the EU (while the number of mobile phones per capita is one of the highest in Europe in Romania).

Regarding the share of **internet users**, the situation is even more polarized. The South-East-European Space has on average 154 internet users per 1000 people, while the EU-25 figure is more than double (322). This huge gap is explained by the low or extremely low levels of internet use in the candidate and potential candidate countries. Notice, however, that among the EU members only Austria, Italy and Slovenia have high figures of internet use. The other EU-25 countries have internet use figures that are closer to the average of the South-East-European Space, rather than the EU-25 average.

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<sup>12</sup> Source: Urban Transport Initiative, Year Two, 2005

## 2.5 Environment (in coordination with SEA)

Natural resources are extremely diversified in SEE and include large areas of forest and agricultural land, mountain areas, important water courses, coast with specific landscapes, urbanised areas, industrialized and mining areas.

Due to the various landscapes there are substantial differences in SEE regarding the present situation of the environment, the nature and the scale of problems they are confronted with. Depending on the landscape features, the economic structure and performance, the settlement structure and population density the main environmental issues and challenges are for example land use, water, protected areas, urban environment, brown fields, etc..

### Natural resources, biodiversity

The diversity of the natural heritage is one of the biggest assets of the region with a view to sustainable development. Biodiversity and natural heritage, in general, are subject to a variety of adverse impacts from industrialisation, intensive agriculture, traffic and urbanisation and intensive tourism. Protection strategies have to be adopted. The existing protected areas however are fragmented; they consist usually of isolated smaller spots, and rarely form ecological corridors. Furthermore most valuable natural ecosystems are to be found in border areas where a co-ordinated form of regulation and maintenance is needed.

In all the territory there are areas with **valuable ecosystems**, that are particularly sensitive and need special attention. Some are already protected but many are exposed to several risks due to an unwise use and to the climate change .

The SEES contains the main **European rivers** after Volga, which are the base of the local economies and identities, as Danube and Tisza on the East and Po on the west, and a huge **coastal area** along the Adriatic Sea Black Sea and Aegean Sea, which are the cradle of the European history and civilization. A wild development in terms of land use change, increased energy consumption, increasing surface of metropolitan areas would worsen all the water-related problems. Great attention must be paid in planning natural heritage preservation policies taking clearly in mind that the environment damages have negative effects and consequences on the local social and economic balance. On the other side protection alone is not sufficient for conserving the sensitive areas. A right balance between exploitation and preservation of the ecological functions especially of mountain and coast areas as well as wetlands has to be envisaged to prevent the loss of ecological balance with impact on the tourism/leisure industries, which represent a significant part of the economic resource base of the region.

### Environmental features

The environmental situation in SEE has improved substantially over the last 15 years. Emission of most pollutants decreased due to a decline in production but also due to restructuring and environmental measures. Currently the most severe environmental threats derive from increasing flows of motorised traffic and increasing number of bottlenecks in urban areas. Huge future financial burdens due to the revitalisation of derelict, contaminated areas; gaps in energy efficiency; risks of natural and man made disasters; threatened water reserves; deforestation and soil erosion and insufficient supply and disposal infrastructure with regard to water and waste can be foreseen.



As far as the environmental risks related to economic activities are concerned, the SEE region has an average **environmental quality** which is similar to that of the EU-25. The per capita daily emissions of organic pollutants are 9,211 kg in the region and 9,361 in the EU-25. However, this average figure conceals relatively high emissions in countries like Hungary, Slovenia, Bulgaria, Romania and Serbia and very low emission in countries like Albania, Bosnia, Greece and Turkey. In general, it seems that countries that had significant industrial bases in the pre-1989 period still operate plants with technologies that may not be as environmentally friendly, as in countries like Austria or Italy.

The European Union's approach to **waste management** is based on three principles: waste prevention, recycling and reuse and improving final disposal and monitoring. Due to a linkage of the amount of waste and GDP, the amount of waste arising in EU25 is yet higher than it is in SEE. Nevertheless waste amounts also increase fast in non EU25 countries within SEE. Many parts mainly in the candidate and potential candidate countries, particularly rural areas, are not served by municipal waste collection systems.

Land filling remains the dominant method of waste treatment used in Europe with lower rates in EU15 and substantially higher rates in the accession countries of 2004 and 2007 and the candidate and potential candidate countries. Figures for recycling are rather discouraging. The rate of recycling in many countries is minimal. In relatively few countries, recycling of some waste streams has increased considerably during the past decade. In EU15, recycling (including composting) of municipal waste was 21 % in 1995 and 29 % in 2000 (Eurostat, 2002). By comparison, in the eight EU accession countries where data exist, an average municipal waste recycling rate of 8.6 % was reported during the period 1998-2001.

### **Natural risks and risk management**

A recent study of the EC evaluates the environmental risk of the CADSES area on the basis of the results of the ESPON project 1.3.1<sup>13</sup>. According to this study: {... the risk and danger of natural hazards is rather differentiated in Europe. There are areas where a cumulative effect of multiple hazards can be considerable. Such areas are the North-western corner of the Iberian Peninsula, the French Mediterranean Coast, the Romanian Carpathians and their foreground, South Germany and parts of East Anglia and Greece. Generally – and with some exceptions – the number of hazards is higher in the Southern half of the European continent than in the Northern part}.

In general, and as far as the SEES area is concerned, environmental risks seem to be also differentiated. Regions in the southern part of the area face greater risks from droughts, earthquakes and fires, while regions in the northern part of the area face greater risks from flood.

### **Renewable energy and energy efficiency**

Concerning production of energy the average share of **renewable energy** in SEES is far below the EU-25 average (12% in 2003, source DG TREN). The highest share of energy production by renewable sources can be shown in Austria (68%), followed by Italy (37%) and Slovenia (22%).

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<sup>13</sup> “The spatial effects and management of natural and technological hazards in Europe” There are 11 types of natural hazards that are examined: 1. Avalanches, 2. Droughts, 3. Earthquakes, 4. Extreme temperatures, 5. Floods, 6. Forest fires, 7. Landslides, 8. Storm surges, 9. Tsunamis, 10. Volcanic eruptions and 11. Winter and tropical storms.

Within the renewable energy production bio-masse and wastes along with hydropower are by far the most abundant sources of renewable energy.

Over the period of 1995-2003 the industrial sector of EU25 achieved significant **efficiency** increases. Although heavy industry such as non metallic minerals and iron, steel and non-ferrous metals remained the most energy-intensive segments, they reduced their specific energy<sup>14</sup> by 0.5-2.5% per year.

In contrast to EU 25, renewable energy production and energy efficiency in Bulgaria, Romania and in the candidate and potential candidate countries is at an early stage of implementation and realisation. Limited progress is especially shown in most of the candidate and potential candidate countries, of which several yet have to implement legislation on those issues, administrative capacities require further strengthening. In those countries renewable energy production and energy efficiency are marginal or on a very low level.

In general the South-East-European Space is still well behind the EU-25 in terms of production of renewable energy and energy efficiency. The envisaged balance of the SEES in economic and social development will require a more and more increasing demand in energy provision, which should be provided also by ecologically friendly production of energy.

## 2.6 Lessons learned from the period 2000 – 2006<sup>15</sup>, cooperation in South East Europe

The Programme for South East Europe will built upon the experiences gained during the predecessor programmes for the CADSES area. Cooperation in this area started in the mid-nineties, when **Interreg IIC programme** (1997 – 1999) played a considerable part in establishing and enhancing cooperation networks and contributed to a better understanding of common challenges and solutions. Projects under the successor **Interreg IIIB CADSES programme** (2000 – 2006) could build upon this basis.

According to a JTS study by October 2006, an ERDF budget surpassing EUR 143 million (and EUR 100 million of national co-financing) were allocated during the 2000-2006 programming period to support the elaboration of **134 CADSES projects** in which more than 1,600 project partners have been involved in CADSES. The **number of partners** in the present funding period (2000-2006) is almost eight times higher than in the first funding period, thus the aim to generate and foster transnational co-operation during the two CADSES funding periods was successful.

**Project partners** can be found in **all 18 countries** participating in the CADSES programme. Most partners are based in the Old Member States (Italy leading, followed by DE, AT, and GR). Among the five new EU Member States, Hungary and Poland boast the highest numbers of participants. Bulgaria and Romania show both 64 partners and Croatia 48 partners.

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<sup>14</sup> Measured by final energy demand per unit of gross value added (GVA), in 1995 prices, source: DG TREN.

<sup>15</sup> Source: Study of the mid term evaluations of INTERREG programmes for the programming period 2000-06; MTE of the INTERREG IIIB CADSES Programme, December 2003; Draft Report-Update MTE of the INTERREG IIIB CADSES Programme, September 2005; Workshop Experience of East West Cooperation in the CADSES Area, Leipzig October 2006; INTERREG III B CADSES Project Book, October 2006; INTERREG- An assessment of needs by INTERACT, February 2004

However, participants from different countries experience **diverging starting conditions** for transnational cooperation (incl. institutional capacities/experiences, political barriers, etc.). While the Enlargement process and the Accession perspective for many of the countries provide a more equal basis, still provisions have to be made to facilitate the engagement of transnational partners.

Experience in CADSES showed a high motivation that was hampered by **significant administrative obstacles**. The IPA and ENPI frameworks will definitely facilitate the inclusion of non-EU partners. However the mobilisation of multilevel partners in the EU countries is also crucial. **Suggestions from CADSES** projects and studies underline the importance of projects with multi level approach (i.e. with a visible local/regional result and impact additional to the transnational one), the support of exchanges within projects with similar topics or structures, the participation of actors in small and medium cities, the fostering of cooperation among different Transnational Zones (i.e. MedSpace, Black Sea and especially Central) and the development of bottom-up development and integration zone even if they concern only a limited geographical area.

The largest number of projects (38%) is concentrated in the field of **spatial development**, whereas the remaining projects are distributed relatively equally over the issues **transport systems** (19%), **natural and cultural heritage** (19%) and **environmental protection** (24%).

Studies and reports conducted in the framework of strategic projects<sup>16</sup> in the CADSES area recommend the intensification of transnational cooperation within **3 broad thematic groups**:

- **Metropolitan areas and polycentricity:** This group is considered as a highly complex issue addressing the role of metropolitan areas as dense areas dominating economic growth, innovation and knowledge, social and demographical trends, rural-urban relations and integration in to transnational and global economic zones. The issue could be approached as a terrain of combating negative developments (economic and employment “mono-cultivation” , over concentration of capital and know-how, urban sprawl and segregation, decline of economic sectors) or as an opportunity for the development of differentiated and complementary urban networks, exploitation of research and development facilities and potential, establishments as gateways to the larger transnational area. Last but not least parallel to the economic and urban development dimensions, the role of urban areas in the preservation of cultural heritage as crossroad of numerous cultural routes must be emphasized.
- **Accessibility** through transport and telecommunication networks: This group focuses on the requirements and needs of existing infrastructure, the projections for new infrastructure investments and the capacities of public and private sector to design, implement, maintain and operate them. Accessibility should also be addressed not only in operational terms but also in geographical. Hence the development of North-East and West-East connections, along with the upgrade of regional and secondary networks and the utilisation of the ports areas and their connection to the landlocked parts must be underlined.
- **Environment and natural resources protection:** The CADSES area is characterised by a large variety of natural environments. However sources of problems tend to be present through the entire are. Thus Water management and waste water treatment, agricultural use of water resources, energy efficiency and Renewable Energy Sources, brownfields and pollution monitoring, suburbanisation, road transport, erosion and flooding fragmentation of landscaped

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<sup>16</sup> Vision Planet, PlaNet CenSE, ESTIA-SPOSE

and protected areas and finally the need for transnational coordination of protection acts and administrative provisions along with were all mentioned.

In the period 2000-2006 the overwhelming acceptance of CADSES was **not entirely problem-free** however. Some of the problems encountered were generic to Transnational Cooperation, other were area-specific. CADSES thematic orientation was obviously supported. Strategy was in some cases **too broad**, lacking focus on the Enlargement process and the European Neighbourhood Policy. While this lack of sharpness raised questions it did not however affect the appeal of transnational cooperation. This fact is evident by the large numbers of project applications (559 for the 4 calls) and approved projects. **Programme implementation** revealed however **weak points**, which should be taken in consideration. The programme evaluations, workshops and conferences, project books and stakeholders' feedback offer valuable sources for the extraction of lessons learned.

One of the main issues of implementation was the request for **clarity of structures**. Thus the role and tasks of the MA, JTS, JMC/JSC and especially of the CCP and TCCP were not always clear to the beneficiaries. In some cases this **roles-confusion** was accompanied with **delays** to Programme process (e.g. delays in the finalisation of Subsidy Contracts), which affected the creditability of Transnational Cooperation. Directly related to the roles of the involved bodies, is the need for **transparency** in Programme publicity and communication, project generation and project selection. Easy access to relevant documents and information to Programme requirements and administrative proceedings could help significantly. The CADSES Website played a positive role in that direction, albeit to a **late point**. The importance of a **"Programme Complement"** should be underlined in light of the new Programming Period, especially regarding the need for clear objectives and eligibility guidelines in order to move towards tangible implementation.

Project partners and stakeholders also expressed the needs **"Common Tools"** such as assistance manuals for project generation and implementation. The provision of "Assessment Manuals" and Project Books was welcomed. The development of Project Management Handbooks was also greeted. The **Partners Feedback mechanisms** should be further elaborated, definitely beyond the obligatory Reporting Procedure (and purpose), which should be better explained to the beneficiaries. **Programme monitoring** should be in the position to provide as early as possible meaningful and useful information.

Concerning Community Added Value some interesting points were identified. The request for **visible and concrete outputs** was a point of concern, especially when seeking high-ranking political backing, which was not always available. The **"bottom-up" approach** originally envisaged for CADSES might **not necessarily be the best practice** for the area. The potential of CADSES in raising the awareness on the Structural Funds in New Member States and Non-Member States, promoting Institutional Development and Capacity Building and transferring Know-How was somehow limited by the **occasional obscurity** of outputs and results.

In comparison with other Transnational Programmes, CADSES fared reasonably well. In most cases similarities in objectives, procedures and management structures are obvious. However CADSES had an initial **ratio of Member States-Non Member States of 4:14** and **diverse institutional pre-conditions**. Hence, imbalances in Country Participation and experience of Lead Partners (LPs) must be also seen in the light of Programme Effectiveness. Comparison to the Baltic Sea Region might be the most meaningful one, taking in account the large number of Non Member States present in both Programmes and the Programme Budget size. Apart from the

diverging historical and political context, the **role definition and cooperation** between MA, JTS and JSC and JMC in the Baltic Sea Region could offer practical hints.

### **Cooperation in South East Europe**

A study<sup>17</sup> financed by the Council of Europe covers the **cross-border relations between Romania and Bulgaria, Hungary, Moldova and Serbia & Montenegro**. It is stated, that the cross-border co-operation dynamic (CBC) is **relatively slow**, probably related to serious deficiencies especially in communication between the parties, political influence and willingness, relative poverty in the border areas etc. Many opportunities have been ignored or treated with superficiality. The past tendency of isolation and autonomous development (inside a national framework) has not been overcome, while there is no tradition of cross-border co-operation between the countries of the Balkan-Danube area (in fact a general tendency in the SE European area). The **highest level** of CBC in the Balkan-Danube area is between **Romania and Hungary**. This does not mean that the level of integration of the cooperation area is high (if compared with the one achieved in the European Union). Nevertheless good experience of the Hungarian-Romanian cross-border programme implementation (subsequent to Phare CBC Programmes) could be an example for the border policies of the entire area.

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<sup>17</sup> Cross-Border Co-operation in the Balkan-Danube Area (2002-2005), Institute of International Sociology of Gorizia, September 2005

### 3. Strengths, weaknesses, opportunities and threats

The results of the socio-economic analysis are summarized in the following SWOT analysis and form a **bridge** to the programs strategy (global and specific objectives, identification of priority axes).

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#### Strengths

- Diversified economic structure and dynamic development
- Location advantages - important crossroad between Northern and Western Europe and the Far and Middle East
- Strong and thriving capital regions as carriers of economic growth
- Large number of medium sized cities in the function of regional economic poles
- existence of a lot of border regions with high potential for cooperation
- High potential of labour force
- Presence of universities and research institutes with high level of internationalisation
- Good level of education and broad supply of education facilities
- R&D Infrastructure well developed in the central regions
- Existing strategy by definition of TEN and Pan-European Corridors
- Access to the sea, important high-capacity ports
- Rivers suitable for freight transportation, the Danube, as an important international inland waterway
- Broad biodiversity
- Abundance of natural resources of high environmental value
- Presence of a great variety of valuable cultural heritage

#### Weaknesses

- High economic, social, infrastructural, administrative and institutional disparities
  - Existence of a imbalances within the SEES space ("E-W divide") - distinct economic disparities as separating elements (e.g. economic disparities along the EU external borders, between old and new member states and candidate countries, within countries, urban – rural, centre – periphery)
  - Functions of metropolitan areas in European context still weakly developed
  - Decreasing economic potential in peripheral areas with loss of rural and urban diversity
  - High economic and social disparities between urban agglomerations and rural areas and or within urban areas/cities
  - Depopulation and migration as consequence of structural changes and missing job perspectives,
  - Broad biodiversity
  - Abundance of natural resources of high environmental value
  - Presence of a great variety of valuable cultural heritage
  - Broad biodiversity
  - Abundance of natural resources of high environmental value
  - Presence of a great variety of valuable cultural heritage
  - Lack of efficiency of important productive systems and sectors (such as agriculture) in some countries and regions
  - Low R&D expenditure in the private and public sector
  - Missing R&D concepts and/or implementation (esp. in some candidate countries)
  - Partly weak accessibility (transport, information, telecommunication) generally in the candidate countries, but also in rural/peripheral regions
  - Lags in quality and quantity of high developed infrastructure (rail, road, water ways, air transport, telecommunication)
  - Insufficient maintenance of existing transport infrastructure in some parts of the SEES
  - Inter-modal transport is insufficiently developed
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- Low level of telecommunications infrastructure in the candidate and third countries
  - Quality of natural assets (e.g. water, soil, air, biodiversity) has been weakened in the period of dynamic industrialisation
  - Increasing emissions and delay in Kyoto protocol fulfilment
  - Low level of exploitation of renewable energy and of energy efficiency
  - Inadequate management and lack of preservation enhancement of natural and cultural assets
  - Insufficient coordination in the protection against and the prevention of natural disasters
  - Institution building process is lacking behind (candidate and third countries)
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## Opportunities

## Threats

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- Strengthen the polycentric system and the role of the small and medium sized cities and further development of urban – rural relations
  - Better access to (urban) services and information
  - City clusters and functional city networks (transport, waste management, culture, etc.)
  - Increasing mobility of the labour force
  - Dynamic FDI activities
  - Intensifying trade relations among neighbouring countries and regions
  - Exploitation of sustainable tourism
  - Development of R&D infrastructure and (transnational, regional) know-how transfer
  - Increasing internationalisation process of the economy, the education and research system
  - Qualified human resources as basis for promoting entrepreneurial skills
  - Construction and upgrading of Pan European Corridors (in accordance with TEN networks)
  - Support and development of inter-modal transport and logistics together with the strategically important position of the SEE from the logistic point of view,
  - Implementation of environmentally friendly transport systems
  - Considerable development potential of inland waterways (e.g. Danube) for sustainable international transport
  - Improvement of the linkages of land and sea transport
  - Increasing energy efficiency
  - Exploiting renewable energy sources and applying environmental friendly technologies
  - Improvement of living conditions (e.g. housing, environment...)

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- Further depopulation of peripheral areas and loss of economic base and worsening social disparities
  - Existence of a lot of border regions with historical burdens
  - further decline and aging of population with pressure on labour markets, social and health services
  - Increase of national disparities between capital regions and other regions
  - Increasing sub-urbanisation process cause increasing commuting activities with negative environmental impacts
  - Social segregation due to economic problems, migration, missing or low integration of ethnic minorities..
  - delayed integration in the common market
  - Strong dependencies on special branches (mining, iron, shipping, agriculture, some branches of industry)
  - Low adaptability of the labour force to the new requirements of prospective employers
  - Discrepancies in income level and distribution – strong increase of economic and income differences among the regions, population
  - Brain drain - migration of skilled labour force / well educated persons
  - delayed integration in the common market
  - Strong dependencies on special branches (mining, iron, shipping, agriculture, some branches of industry)
  - Low adaptability of the labour force to the new requirements of prospective employers
  - Discrepancies in income level and distribution – strong increase of economic and income differences among the regions, population
  - Brain drain - migration of skilled labour force / well
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<ul style="list-style-type: none"> <li>- Joint environmental actions and strategies</li> <li>- Coordination of international/national/regional interests</li> <li>- Strengthening of institutions</li> </ul>	<p>educated persons</p> <ul style="list-style-type: none"> <li>- delayed integration in the common market</li> <li>- Strong dependencies on special branches (mining, iron, shipping, agriculture, some branches of industry)</li> <li>- Low adaptability of the labour force to the new requirements of prospective employers</li> <li>- Discrepancies in income level and distribution – strong increase of economic and income differences among the regions, population</li> <li>- Brain drain - migration of skilled labour force / well educated persons</li> <li>- High density and increasing traffic flows (urban areas, transnational routes...)</li> <li>- High environmental burdens caused by increasing traffic</li> <li>- Very slow construction and upgrading of Pan European Corridors due to lacking financial means</li> <li>- Lack of cooperation between decision makers</li> <li>- Worsening of isolation of peripheral areas</li> <li>- Diverging and conflicting international/national and regional interests</li> <li>- Technological risks and risks of natural hazards</li> <li>- Lack of preservation and restoration actions</li> <li>- Abandon of ancient settlements and loss of local identities</li> </ul>
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## 4. Programme strategy

### 4.1 Objectives of the cooperation programme

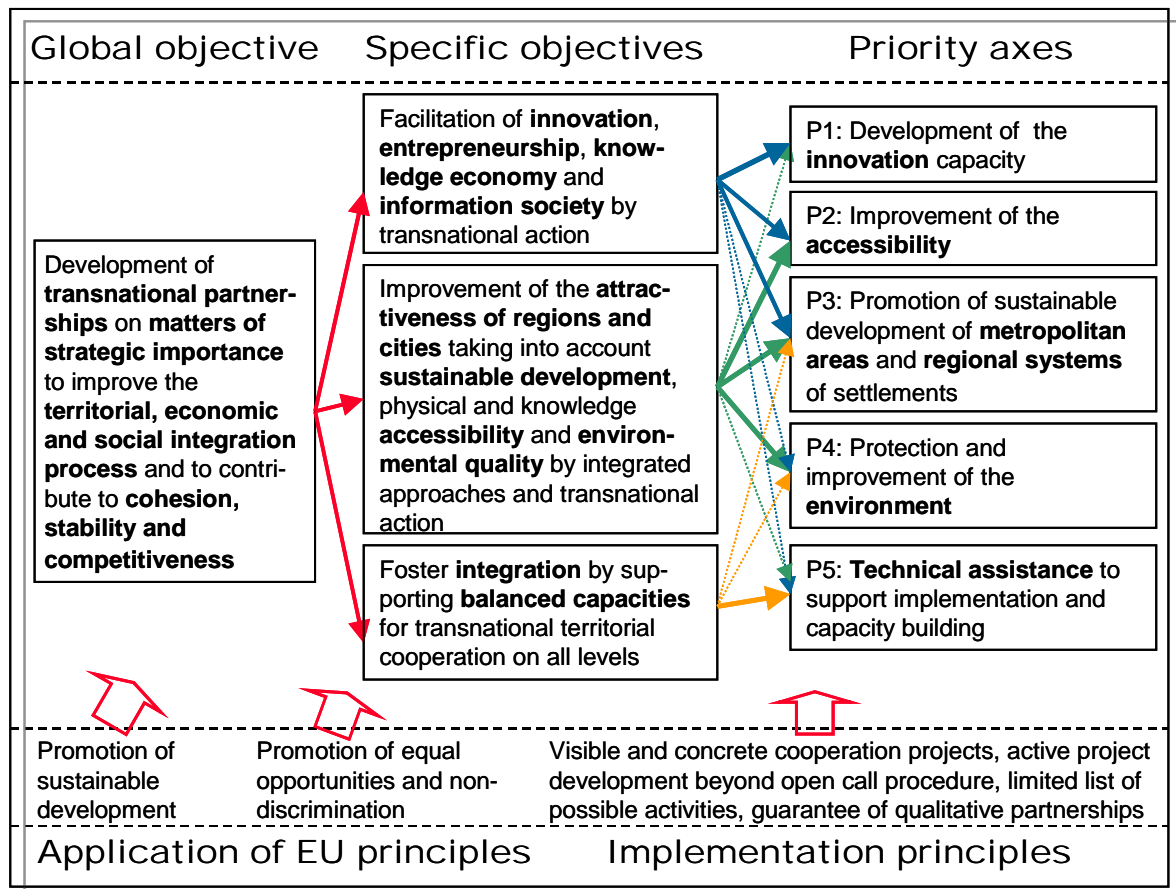
The Programme strategy is the result of the interaction of the following elements:

- EU strategic decisions as laid down in the Community Strategic Guidelines on Cohesion (2006/702/EC),
- The specific needs of the South East European Space as presented in the analysis and SWOT of the present document,
- The scope and limitations of an Objective 3 Transnational Cooperation Programme as outlined in the relevant regulations (e.g. Regulation No 1080/2006).

These elements design the outline of the strategy and define the placement of the **Global and Specific Objectives and corresponding Priority Axes of the SEE Operational Programme**.

The programmes strategy is structured along **one global objective, three specific objectives and implementation principles**, which will be achieved by implementing five priority axes.

Figure 1: Logic chart of the objectives and priority axes (modified figure)



### Global Objective:

The SEE cooperation programme shall develop **transnational partnerships on matters of strategic importance** to improve the **territorial, economic and social integration process** and to contribute to **cohesion, stability and competitiveness**.

The Global Objective is in line with the Community Strategic Guidelines on the strategic focus of a transnational cooperation programme, addresses the need for **stability** of the South East Europe cooperation area as a large and very heterogeneous part of Europe and connects to the lessons learned in the 2000-2006 period.

Figure 2: Definition of policy goals in the SEE context

#### Common understandings on competitiveness, integration and cohesion

PlaNet CenSE has conducted a common learning process to tackle the lack of common understanding and of information on the actual performance of CenSE regarding competitiveness, integration and cohesion. The partners agreed on the following characteristics as being of special importance for CenSE:

##### Competitiveness is about ...

- utilising and developing economic strengths and dynamics
- the ability to utilise territorial capital
- developing growth poles

##### Integration is about ...

- removing barriers of free movement
- building up dense transport and communication networks
- mutual interaction and cooperation

##### Cohesion is about ...

- reducing regional disparities
- coordinating coherent sector policies
- "the whole that is more than the sum of its parts"

Source: Mobilising the Potentials of Central and South East Europe, CADSES Project PlaNet CenSE

The above mentioned **matters of strategic importance** to be tackled, epitomised in the **Specific Objectives**:

### Specific Objective 1:

The SEE cooperation programme shall facilitate **innovation, entrepreneurship, knowledge economy and information society** by trans-national action.

This objective underlies a purely "acceleration strategy", which combines and strengthens the SEE strengths and opportunities as defined in the SWOT. The objective is in line with Community Strategic Guidelines priority 2.

**Arguments** for the Specific Objective 1 can be:

- The requirements of the Lisbon Agenda (EU context) to be implemented in all European programmes
- The comparative advantage of many SEE countries is "low wages". This advantage will vanish in a few years. It is necessary to invest in Innovation
- Basic research institutions do exist and they educate satisfactory. However if no adequate employment opportunities exist, those highly qualified people will leave the region
- Growth poles exist in urban centres. They should be fostered. The region has the highest growth rates in the area; investment in Innovation will help maintain this
- The weak connections to the information society are a chance for development

- Research, technology and innovation investments are heavily polarised in the Western Edge of the SEE, diffusion mechanisms should be promoted through Transnational Action
- The SEE area is characterised by many small states. Innovation needs some critical mass (capital, HR, knowledge, networks). This can be hardly achieved in single states, thus Transnational Action is recommended.

#### **Specific Objective 2:**

The SEE cooperation programme shall improve the **attractiveness of regions and cities** taking into account **sustainable development**, physical and knowledge **accessibility** and **environmental quality** by integrated approaches and trans-national action.

This objective offers a balanced mix of development and preservation through structuring, stabilising and preventing elements directly addressing weaknesses and threats identified in the SWOT. The objective is in line with Community Strategic Guidelines priority 1.

**Arguments** for the Specific Objective 2 can be:

- European trends show that regions and cities are attractive when job opportunities and quality of live are assured at the long term. In SEE attractive regions are located mainly in the periphery of the area while in the core hot spots with a high concentration of economic, social, environmental problems exist. Current growth poles are congested, potential growth areas have to redefine their role and smaller centres are declining. These problems cannot be challenged only on national level. Transnational action is a booster for national or regional strategies
- A balanced distribution of competitive growth areas over an area in combination with strong internal and external functional relations is seen as a necessary precondition to tackle regional disparities. Fostering a polycentric development thus requires both well-distributed, strong nodes and dynamic flows and interactions in between. These should not be narrowed to the economic field only. Nodes develop and grow at cultural crossroads, thus cultural exchange and promotion should be a vivid element
- Development and growth are dependent on an efficient connection to European and global markets. For instance, maritime areas surround the SEE space; however the connections between ports and land locked areas are weak. The utilization of the coastal areas and ports is crucial for the integration into the global market
- In the environmental sector major changes were observed. Overall pollution reduced due to industrial decline however pollution sources and hot spots become more numerous and uncontrolled. Envisaged economic growth and related consumption rates require action. This action is of limited effectiveness if applied only at national level since pollution does not stop at borders
- The area is characterized by a large number of smaller states with fragmented infrastructure interrupted networks and natural resources extending over several states. Under those circumstances transnational action is a necessity, which can provide the framework for coordination.

### Specific Objective 3:

The SEE cooperation programme shall foster **integration** by supporting **balanced capacities for transnational territorial cooperation on all levels**.

This objective addresses the basic needs for developing strategic activities in a geographic area, which is characterised by differing framework conditions for transnational, multi-level and cross-sectoral and implementation-oriented forms of cooperation. The aim is more enhanced and balanced framework conditions in all participating SEE regions for transnational cooperation. Framework conditions include awareness raising activities, building a common identity; develop methodologies and tools for identifying potentials of the space. The objective is in line with Community Strategic Guidelines (chapter 2.5 transnational cooperation).

**Arguments** for the Specific Objective 3 can be:

- In contrast to other programmes the cooperation area is characterized by **extreme disparities** deepened by the distinction between Member States and third states. The development of capacities for transnational cooperation becomes an **objective per se** requiring special attention to accompanying activities
- **Major challenges** exist in SEE such as: administrative fragmentation, imprecise role of potential stakeholders, limited significance of transnational cooperation so far and complicated implementation due to multitude of regulative frameworks.

### Priority axes

The global and specific objectives of the SEE programme will be pursued through **five priority axes** (in accordance with Article 6, Reg. (EC) No 1080/2006):

**Priority axis 1 “Development of the innovation capacity”** shall contribute specifically to the future development of SEE as a place of innovation. Priority axes **objective** is to facilitate innovation, entrepreneurship, knowledge economy and to enhance integration and economic relations in the cooperation area by technology & innovation networks, promote an enabling environment for innovative entrepreneurship and develop public awareness for innovation.

**Priority axis 2 “Improvement of the accessibility”** shall contribute specifically to the improvement of the accessibility of local and regional actors to the European Networks. They include physical infrastructure as well as access to the Information Society. Priority axis **objective** is to promote coordinated preparation for the development of accessibility networks and the support of multi-modality.

**Priority axis 3 “Promotion of sustainable development of metropolitan areas and regional systems of settlements”** shall contribute to the balanced and polycentric patterns of the area. Priority axis **objective** is to develop and apply integrated strategies tackling on one hand the high concentration of economic, environmental, social and governmental problems affecting metropolitan areas and regional systems of settlements and on the other hand taking up the chances which the optimisation of the given polycentric structure and the utilization of cultural values can offer.

Priority axis 3 shows a specific cross-sectoral character strongly interlinking economic, environmental, social and governmental issues.

**Priority axis 4 “Protection and improvement of the environment”** shall contribute to the improvement of the environmental conditions and the preservation of protected areas. Priority axis **objective** is to override the constraints imposed by national barriers and the foresight of future environmental threats and opportunities through the promotion of resources efficiency, management of natural resources, prevention of environmental risks and integrated water and waste management.

**Priority axis 5 “Technical Assistance”** shall support the implementation of the programme and increase capacity of institutions and beneficiaries in the SEE area.

### **Links between objectives and priority axes**

The overall Objectives design forms a **balanced strategy**, which has to be followed in the specific context of the South East programmes interventions.

The Programme Specific Objectives establish clear thematic links to the **priority axes**.

- **Specific Objective 1** is strongly - but not exclusively- linked to Priority Axes 1, 2 and 3.
- **Specific Objective 2** is strongly - but not exclusively- linked to Priority Axes 2, 3 and 4.
- **Specific Objective 3** is strongly - but not exclusively- linked to Priority Axis 5

## **4.2 Implementation principles**

The programme shall support the SEE economic and social integration process by stimulating **concrete and visible territorial cooperation projects** and **high quality partnerships** across all priority axes.

For this purpose the programme formulates **specific requirements** related to the generation of visible and concrete cooperation projects, the contingency for top down projects in addition to bottom up development, the outlining of possible activities and the guarantee of qualitative partnerships.

This chapter aims at the provision of:

- Assistance for **project applicants**, and
- Assistance for the bodies responsible for **project selection**.

### **4.2.1 Visible and concrete cooperation projects**

In contrast to the EU mainstream programmes and objectives Territorial Cooperation often suffers from the **intangibility and vagueness** of outputs and results. Looking at the **outputs of successful CADSES projects**, it becomes clear that the SEE area requires the implementation of

**joint concrete actions** with a **result-oriented approach** and not exclusively focusing on the exchange of experiences and networking. The **Community Cohesion Policy** epitomised through the Structural Funds and the Cohesion Funds, the **Instrument of Pre-accession Assistance** and the **European Neighbourhood Policy** offer a comprehensive framework.

While the value of exchange of experiences and networking remains valid, the **thematic cooperation in specific fields** should be further encouraged. A „**Peer-review Process**“ could assist this aspect, especially during **project idea generation** and **project proposal development**. Such a process could guarantee qualitative “**bottom-up**” projects with clear transnational focus on the SEE area.

Projects will produce **useful, applicable and transferable outputs**, preparing investment and delivering concrete examples of small-scale infrastructure investment as tangible proof of the efficiency of the methodologies and strategies decided at transnational level and of their reproducible character.

However, **visibility is not only project-related**. It requires the active engagement of the OP **Monitoring system**, which must be able to produce meaningful and comprehensive results.

Furthermore, an **ongoing evaluation process** on the level of the MC is envisaged from the very beginning for ensuring an appropriate steering of the programme implementation by the MC.

#### **4.2.2 Active project development beyond “open call” procedure procedures**

The **mainstream way** of programme implementation is the publication of **open calls**. In these calls transnational partnerships of potential beneficiaries can submit their proposals in line with the priority axes of the OP and further detailed information of the specific call. The bottom up development of project ideas shall be encouraged and supported by the programme.

**Additional** and in response to the need to strengthen the programme’s strategic character and its visibility and to concentrate efforts, the SEE Programme adds a **strategic top-down component** to the mainstream bottom-up involvement of actors. Specifically, the Programme encourages and actively guides the development of a number of transnational projects, which are of particular strategic value to the programme partners. In addition to the general requirements outlined above, these ‘top-down projects’ are expected to:

- Make an outstanding contribution to the achievement of the Programme Strategic Goal, and Programme and Priority Objectives in accordance with horizontal Programme Strategic Criteria;
- Deal with thematic issues of major importance for the co-operation area,
- Contribute to an integration of the space (e.g. co-operation of metropolitan areas)
- Are of high importance for the political agenda of the South East European Space area,
- Involve a strategic partnership bringing together key actors with the capacity to deliver as well as to make use of project results.
- Link the Programme to other Programme Areas, primarily to the Central European Space and Mediterranean Space (e.g. through an inter area research network).

## **To be discussed:**

IT: It may be useful to underline the difference between bottom up and top down projects in two different paragraphs. It could be important to give more evidence to the top down / strategic projects giving some example of this kind of projects (see North West Europe OP page. 86); a **brief explanation of the process** behind those projects approval to be detailed within the programme's accompanying documents (e.g. programme manual).

## **Example NWE**

*The Programme will 'top-down projects' through a **three-step process**.*

*Step 1. The Programme will invite experts from EU, national and regional levels to a joint working seminar to further refine the identified issues for strategic initiative issues and to identify the relevant actors.*

*Step 2. The Programme will invite the relevant actors to a further working seminar. This will identify and specify the kind of actions and projects which have the potential to deliver a significant strategic impact.*

*Step 3. The Programme will launch targeted calls to enable relevant integrated cross sector and geographical partnerships to submit projects based on the outputs of the second seminar.*

*Strategic initiatives will therefore create focused clusters of a limited number of strategically relevant projects which have a close working relationship at the strategic level as well as at operational levels, and are coordinated to maximise strategic impact.*

*Other projects submitted outside these targeted calls, but thought to be of strategic relevance, could be invited by the programme to join a strategic initiative.*

*The resulting project bids would be submitted under any of the Priorities 1-4, as a combination that reflects the joint transnational strategic framework for that particular strategic initiative. The strategic initiative as a whole will be expected to demonstrate a beneficial impact across more than one priority to reflect its cross-cutting nature.*

*Projects submitted under this process will be working in partnership with the programme. The programme will therefore set up and directly support project cluster coordination arrangements from its budget. These arrangements will guide and maximise each project's contribution to the strategic impact of their parent strategic initiative.*

*The programme will provide a guideline detailing the procedures for implementing the strategic initiatives concept.*

*Because of this pro-active steering and project development, and their cross-cutting nature, strategic projects and initiatives are thus distinct from 'regular' transnational co-operation projects arising from other calls in the programme. Projects outside of the strategic initiatives will be able to apply to the Programme in response to these calls.*

*The focus of strategic initiatives will be either of a thematic nature of high strategic relevance, or geographically based on contiguous parts of the NWE territory with relevance to the wider area.*

*A **geographical orientation** will be the second focus for strategic initiatives under the NWE programme. These can be envisaged along potential transnational development corridors or zones*

*in NWE in order to align the economic potential along for example existing and planned multi-modal transport axes through more effective co-operation on inter-regional development programmes. Besides land-based development corridors or zones, this geographic focus equally applies to sea-based connections (such as strategic gaps in the 'Motorways of the Sea' priority lines) that might negatively affect the connectivity and territorial cohesion of the NWE territory overall, as well as along large river basins. Accordingly, a strategic initiative, focusing on developing and creating a momentum for transnational logistics supply chains, will be promoted to draw on the success of previous NWE modal shift projects, and improve the territorial impact of other related EU programmes.*

*Strategic initiatives along development corridors and zones are particularly (but not exclusively) promoted where there is considerable scope for co-ordinating the regional strategic actions of the areas that have potential for economic growth and provision of services. Several potential corridors and zones could be considered, of which the following are examples:*

- a braided corridor linking Ireland and northern UK to continental Europe and central and eastern Europe;*
- from the Randstad via the Rhine Ruhr area to eastern Europe;*
- the ArcManche Regions;*
- from the Channel to the North Sea and Baltic Sea;*
- from the Netherlands and Belgium to the Île de France and beyond;*
- from Ireland and the UK across to France;*
- from South Holland to Switzerland;*
- connecting and developing cross-border metropolitan regions.*

*Effective transnational co-operation within these areas would help to achieve a more balanced development of the territory. In order to make the best use of available funds towards achieving transnational territorial benefits in pursuit of the Lisbon-Gothenburg Strategy, project promoters are encouraged to consider applications for related infrastructure investments to relevant Regional Competitiveness and Employment programmes and other relevant EU and national programmes alongside their application to the NWE Programme.*

*Transnational actions as part of geographically oriented strategic initiatives could result in:*

- the provision of incentives for testing the complementarity of regional development and spatial strategic actions and seeking opportunities for mutually beneficial co-operation;*
- selective investments in critical hard and soft infrastructure to reward co-operation and to help achieve the objectives of the strategic initiative;*
- the creation of added value from other EU Cohesion Policy and national and regional policy;*
- a response to the specific challenges of the NWE territory where appropriate and beneficial through the new cross-programme flexibilities and bilateral maritime co-operation opportunities.*

*All of the examples given above are non-exclusive. All NWE regions are eligible to participate. Strategic initiatives of different thematic and geographical nature will be encouraged throughout the course of the programme*



### 4.2.3 Possible activities

The SEE Transnational Cooperation Programme offers a wide array of cooperation opportunities. However, the possible activities are limited by the Objective 3 scope and available funds. Projects could include the following **types of activities**:

1. Exchange of Information and networking (in connection to other activities and not as a stand alone)
2. Studies
3. Training, capacity building (in addition and directly linked to ERDF-project, not stand alone)
4. Promotion and information
5. Set up of services
6. Small scale investments proposed by transnational strategic concepts

The SEE Transnational Cooperation Programme and the generated projects should be objective driven. Thus this activities list is only indicative.

### 4.2.4 Quality of partnerships

Partnerships should be:

- Transnationally balanced with corresponding structures
- Objective-driven
- Implementation-oriented
- Relevant, guaranteeing the required “critical mass”
- Capable of managing the partnership while also competent to achieve the targeted thematic results
- Inclined to joint learning & interaction, promoting information flows and willing to deal with conflicts.

Experience showed that there is not a universal definition of a good partnership. The nature of each project and the objectives set the requirements of the partners. Process oriented projects will benefit from cross-sectoral participation. Strategic projects require multi-level approaches including the main decision makers in order to deal with the relevant issues and apply the proposed successful solutions on the ground. All projects benefit from balanced national representation (e.g. imbalances of partnerships involving municipalities from one state and a Ministry from another state should be avoided). Finally partnerships should be as large as required to reach the projects objectives but as small as possible in order to remain manageable and flexible. Partnerships should not be artificially “inflated”, clearly stating the difference between Partners, Network members and target groups.

## **4.3 Application of EU principles**

This chapter addresses the EU principles according Article 16 and 17 of the General Regulation and describes of how the programme will pursue these horizontal objectives.

### **4.3.1 Principle: Promotion of sustainable development**

Development in this region is taking place in highly sensible areas. As a horizontal principle sustainability must be part of all the priorities. A special consideration point is whether activities are confronted with different user demands. Sustainable concepts are especially requested and implemented in regional and environmental development, the further development of national and nature parks, but also in sector activities, e.g. tourism, leisure economy, technical infrastructure (energy). The principle of sustainability aims at providing relevant development conditions to the living generation, without decreasing the development possibilities for future generations. To reach this point, there have to be taken into consideration the three dimensions of sustainability, the environmental, the economic and the social one.

- Environmental sustainability means the environmental friendly use of natural resources, the improvement of the quality of the environment, the protection of biodiversity and risk prevention for humans and the environment.
- Economic sustainability means to create a future oriented economic system and to increase economic capability and competence for innovation.
- Social sustainability means social balance, the right for human life and the participation of the population in policy and society.

In the SEE context that would mean that all envisaged actions respect the three dimensions of sustainability. The overall Objectives Structure and the resulting Priority Axes show direct links to these dimensions, addressing environmental protection and improvement, promoting a future oriented economic system based on knowledge and innovation and underlining social equality and public participation.

#### **Sustainability implies: More balanced development of regions**

This objective implies that regions which are less favoured e.g. in terms of accessibility and economic structure shall be included in the modernisation process, which overall shall contribute to reducing regional disparities in a long term perspective. A balanced development provide for a polycentric development with close ties between cities and their hinterland.

#### **Sustainability implies: Improved regional governance and participation**

Improving the governance of interventions. This means engaging all relevant stakeholders, promoting a greater role for local authorities, achieving the right coordination between territorial and thematic priorities and encouraging good planning and management practices.

### 4.3.2 Principle: Promotion of equal opportunities and non-discrimination

The implementation of the activities is in line with European and national policies for equal opportunities and non-discrimination. To put an end to discrimination and to achieve equal opportunities between the genders is a task of the policy – gender mainstreaming is a strategy for this. Equal opportunities is no separate topic, it is the basic principle for each single activity. By inclusion of equal opportunities in all the concepts and activities there should be achieved balance and fairness within the society.

In the SEE context that would mean that all priorities offer tools and opportunities to discriminated groups to improve their situation, while preventing or minimising negative developments in the fields of equal opportunities and non-discrimination (full economic and social participation of ethnic minorities). These elements are respected in all Priority Axes addressing participation and accessibility for everyone and promoting the inclusion of all citizens in the development processes.

### 4.3.3 Principle: Subsidiarity

The subsidiarity principle is intended to ensure that decisions are taken to the level ensuring the optimal efficiency and impact and simultaneously as closely as possible to the citizen and that constant checks are made as to whether action at Community level is justified in the light of the possibilities available at national, regional or local level. In the SEE context that would mean that problems are tackled and projects are developed at the level where added value is guaranteed and local or national solutions are no more effective than action taken at the transnational level. The priorities of the programme offer practical means to empower civil society, to promote participation of local and regional authorities and to strengthen transnational bonds.

## 4.4 Quantification of objectives

All priority axes should set quantified targets by means of a limited set of indicators to measure the achievement of the programme objectives.

For the operational programme a **subset** of quantified indicators (output and result indicators) will be applied taking into account the common minimum core indicators required by the Commission.<sup>18</sup>

The ex ante quantification of the **output targets** is based on two parameters: the financial weight of the priority axes and an average project size drawn from previous experiences. The ex ante quantification of the **result targets** is a pure estimation.

A **full set** of indicators will be further developed in a separate document (implementation manual). The full set of indicators serves for the **internal programme management** and forms an indispensable basis for the **reporting and communication needs** to make the programme achievements **visible** to the programme partners and to a broader public. Targets of the full set indicators may be ex-ante-quantified for internal use if appropriate. The full set of indicators is not part of the OP.

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<sup>18</sup> The New Programming Period, 2007-2013: Methodological Working Papers, Working Document No. 2, 1 June 2006

**Table Subset of quantified indicators for the OP (output and result indicators)**

	<b>Target 2013</b>	<b>Data source</b>
<b>Indicators for the priority axes</b>		
<b>Total no of projects implemented to develop the innovation capacity in SEE (Priority axis 1) (output)</b>	X	Monitoring
Out of which: no of projects developing RTD and innovation networks (output)	X	Monitoring
Total public funds committed (EU and national, in Euro) (output)	X	Monitoring
No of permanent information sources / channels in operation (result)	X	Monitoring
No of common positions formulated (result)	X	Monitoring
No of new tools deployed in building up technology and innovation capacities (result)	X	Monitoring
No of individuals trained or participated in exchange schema (result)	X	Monitoring
No of individuals reached directly through dissemination outputs (result)	X	Monitoring
No of SME reached directly through dissemination outputs (result)	X	Monitoring
No of investment proposals developed (result)	X	Monitoring
No of private market reactions achieved (e.g. private projects mobilized) (result)	X	Monitoring
No of investment projects implemented (result)	X	Monitoring
<b>Total no of projects implemented to improve the accessibility of and within SEE (Priority axis 2) (output)</b>	X	Monitoring
Total public funds committed (EU and national, in Euro) (output)	X	Monitoring
No of permanent information sources / channels in operation (result)	X	Monitoring
No of common management structures established (result)	X	Monitoring
No of common positions formulated (result)	X	Monitoring
No of new tools deployed to improve access to the physical infrastructure / Information Society (result)	X	Monitoring
No of individuals trained or participated in exchange schema (result)	X	Monitoring
No of individuals benefiting directly from new / improved services (result)	X	Monitoring
No of investment proposals developed (result)	X	Monitoring
No of private market reactions achieved (e.g. private activities mobilized) (result)	X	Monitoring
No of investment projects implemented (result)	X	Monitoring
<b>Total no of projects implemented to promote the sustainable development of metropolitan areas and regional systems of settlements (Priority axis 3) (output)</b>	X	Monitoring
Total public funds committed (EU and national, in Euro) (output)	X	Monitoring
No of permanent information sources / channels in operation (result)	X	Monitoring
No of common management structures established (result)	X	Monitoring
No of common positions formulated (result)	X	Monitoring
No of new tools deployed to tackle high concentration of economic, environmental, social and governmental problems / to optimise the given polycentric structure (result)	X	Monitoring
No of individuals trained or participated in exchange schema (result)	X	Monitoring
No of individuals benefiting directly from new / improved services (result)	X	Monitoring
No of individuals reached directly through dissemination outputs (result)	X	Monitoring

No of SME reached directly through dissemination outputs (result)	X	Monitoring
No of investment proposals developed (result)	X	Monitoring
No of private market reactions achieved (e.g. private activities mobilized) (result)	X	Monitoring
No of investment projects implemented (result)	X	Monitoring
<b>Total no of projects implemented to protect and improve the environment (Priority axis 4)</b> (output)	X	Monitoring
Out of which: no of projects on water management (output)	X	Monitoring
Out of which: no of projects on risk prevention (output)	X	Monitoring
Total public funds committed (EU and national, in Euro) (output)	X	Monitoring
No of permanent information sources / channels in operation (result)	X	Monitoring
No of common management structures established (result)	X	Monitoring
No of common positions formulated (result)	X	Monitoring
No of new tools deployed to promote energy & resource efficient technologies / to manage of natural resources efficiently /to prevent of environmental risks / to improve integrated water management (result)	X	Monitoring
No of treatment standards established	X	Monitoring
No of bio diversity areas maintained		
No of individuals trained or participated in exchange schema (result)	X	Monitoring
No of individuals benefiting directly from new / improved services (result)	X	Monitoring
No of individuals reached directly through dissemination outputs (result)	X	Monitoring
No of SME reached directly through dissemination outputs (result)	X	Monitoring
No of investment proposals developed (result)	X	Monitoring
No of private market reactions achieved (e.g. private activities mobilized) (result)	X	Monitoring
No of investment projects implemented (result)	X	Monitoring
<b>Indicators reflecting the degree of co-operation</b>		
– No of projects respecting <b>two</b> of the following criteria: joint development, joint implementation, joint staffing, joint financing	X	Monitoring
– No of projects respecting <b>three</b> of the following criteria: joint development, joint implementation, joint staffing, joint financing	X	Monitoring
– No of projects respecting <b>four</b> of the following criteria: joint development, joint implementation, joint staffing, joint financing	X	Monitoring

#### 4.5 Summary: Justification of the objectives and corresponding priority axes

In the following two tables the relation between the “**building materials**” of the SEE OP is presented in the light of the Community Strategic Guidelines (CSG) and in response to the specific needs of the South East cooperation space.

Table: Justification of the specific objectives / priority axes

<b>Strengths / opportunities to be exploited</b>	Dynamic catching-up process in new member states, paired with strong foreign direct investments and increasing internationalisation  Promising growth poles	States committed to long-term stability, economic development and reconciliation in the South East European Space  Existing polycentric system containing small and medium sized cities with potential specific roles  Dense and balance network of centres and nodes  Diverse and pristine environment	Cultural links and common past Similar lessons learned in the administration after the 90s Forthcoming IPA and ENPI framework Convergence to the EU (candidates, potential candidate, accession countries)
<b>OP objectives / priorities</b>	<b>Facilitation of innovation, entrepreneurship, knowledge economy and information society by transnational action</b>	<b>Improvement of the attractiveness of regions and cities taking into account sustainable development, physical and knowledge accessibility and environmental quality by integrated approaches and transnational action</b>	<b>Foster integration by supporting balanced capacities for transnational territorial cooperation on all levels</b>
<b>Response to EU priorities (Community Strategic Guidelines - CSG)</b>	in line with CSG: priority 2	in line with CSG: priority 1	in line with CSG: 2.5
<b>Weaknesses /Risks to be tackled</b>	Weak productive systems and sectors. Unfavourable R&D infrastructure Limited number of people employed in R&D and related Brain Drain Present "comparative advantages" threatened Polarization of FDI and R&D in the Western Part Small states do not acquire critical R&D mass Lack of know how on market mechanisms and financial engineering	Declining economic and demographic structures Hot spots of decline Growing discrepancies in opportunities High concentration in major urban areas Lack of cooperation between metropolitan areas Separation of landlocked and maritime zones Future environmental threats related to growth	Recent political past and resulting conflicts Administrative fragmentation Imprecise role of potential stakeholders Limited significance of transnational cooperation so far Complicated implementation due to multitude of regulative frameworks

<b>Strengths / opportunities to be exploited</b>	R&D Infrastructure and qualified human resources well developed in the central regions Strong foreign direct investments in R&D in the new member states Present university research institutes as starting points	Important crossroad within TEN and Pan-European Corridors Viable alternatives to road transport (ports, waterways, multi modal platforms) High market potential especially for ICT Opportunities and tools from International Financing Institutions available Multimodality potential (rivers and ports)	Strong capital regions Significant urban areas, able to create city clusters and functional city networks (transport, waste management, culture, ...) Balanced urban system with functional specialisation and division of labour Urban centres are cultural crossroads with a great variety of valuable cultural heritage Development of Gateways and Coordination with TEN Global economic integration zone South Cultural values as leverage to development	Rich biodiversity Environment as source of future economic and social development Potentials for environmental friendly technologies Large number of Forests and natural protection areas
<b>OP objectives / priorities</b>	<b>P1: Development of the innovation capacity</b>	<b>P2: Improvement of the accessibility</b>	<b>P3: Promotion of sustainable development of metropolitan areas and regional systems of settlements</b>	<b>P4: Protection and improvement of the environment</b>
<b>Response to EU priorities</b>	in line with CSG: 1.2.1 – 1.2.4	in line with CSG: 1.1.1	in line with CSG: 2.1	in line with CSG: 1.1.2
<b>Weaknesses /Risks to be tackled</b>	Weak R&D networks Extremely low R&D expenditure in the private sector Insufficient integration in the common market Emigration of skilled labour force / well educated persons (brain drain) Present “comparative advantages” threatened, Polarization of FDI and R&D in the Western Part Small states do not acquire critical R&D mass Lack of know how on market mechanisms and	Insufficient international and West-East connections Existing infrastructure (physical and ICT) not according to European standards Increasing road traffic flows and environmental burdens Separation of landlocked and maritime zones Network fragmentation, Diverging national and regional interests Limited know-how on investment, strategies, financial engineering etc. <b>Demanding topography</b>	Increasing disparities within urban centres, social segregation Functions of metropolitan areas in European context still weakly developed High centralisation in urban areas with negative social impacts Increasing suburbanisation process Lack of preservation and restoration actions Growing tendencies of concentrated development in single cities (urban sprawl, segregation, overburdening) Urban rural relations endangered	Industrialisation heritage caused problems in the quality of natural assets and still poses a large threat to the environment Insufficient coordination in the protection against and the prevention of natural disasters Insufficient coordination and management for maintaining biodiversity and preserving natural resources Pollution sources got smaller in size but increased in number Improvements in some environmental indicators are mainly through industry decline and not innovation or environmental protection. Future environmental threats related to growth





## 4.6 Compliance with other policies and programmes

### 4.6.1 Compliance with the Community policies

The Operational Programme of South East Europe in 2007-2013 contributes to achieving priorities established in the up-dated Lisbon and Gothenburg strategies and in the Community Strategic Guidelines. Additionally it takes into consideration European policies in respect to urban development, spatial development, transport and environment.

In the course of the European Council summit held in March 2000 the **Lisbon strategy** was adopted in which the emphasis was put on the necessity to make the EU „the most competitive and dynamic knowledge world economy with a higher figure of job opportunities having a better quality along with a higher social cohesion“. The scope of this strategy, which forms a socio-economic programme, has been extended by an agreement entered into in the course of the **Gothenburg** summit where the sustainable economic development became an integral part. With regard to unsatisfactory results of the Lisbon strategy its innovation has been proposed (in the report for the European Council spring summit<sup>19</sup>) and the so-called Lisbon Action Program has been adopted and presented in the document called „Joint activities for economic growth and employment. New start of the Lisbon strategy“.

The **policy of cohesion** has to contribute to the implementation of the renewed Lisbon agenda. In the Community Strategic guidelines (2006/702/EC, October 2006) the following priorities of the Community have been defined:

- improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving the environment (Guideline: Making Europe and its regions more attractive places in which to invest and work)
- encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies (Guideline: Improving knowledge and innovation for growth),
- creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital (Guideline: More and better jobs).

The Community Strategic guidelines formulate further strategic themes which are supported by the South East programme namely:

- encouraging a sound spatial planning strategy promoting a polycentric approach, and improving the links between rural and urban areas. This strategy should aim to strengthen the role of metropolitan areas as poles of excellence, at the same time controlling their expansion (urban sprawl) and to make small and medium-sized towns more attractive, reinforcing their economic base;

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<sup>19</sup> Report in the European Council spring summit: Joint activities for economic growth and employment. New start of the Lisbon strategy. COM (2005)24, Brussels, February 2, 2005

- improving the governance of interventions. This means engaging all relevant stakeholders, promoting a greater role for local authorities, achieving the right coordination between territorial and thematic priorities and encouraging good planning and management practices.

The importance of the **urban question** is further developed in the communication from the Commission: Cohesion Policy and cities: the urban contribution to growth and jobs in the regions” (COM(2006) 385 final, July 2006).

With the **European Spatial Development Perspective (ESDP, 1999)** there has been done an important step towards a co-ordinated regional and spatial development policy. There exist three basic objectives, which should lead towards a sustainable and balanced development of the territory of the European Union:

- economic and social cohesion
- preservation and management of natural and cultural resources
- more balanced competitiveness of European space.

European integration is part of the ESDP. Local and regional authorities have to co-operate in regional development across borders.

The further development **policy of European Unions transport** systems is meant to meet society’s economic, social and environmental needs. The fact that effective transportation systems are essential to Europe’s prosperity and have significant impacts on economic growth, social development and the environment has been formulated already in the white paper “European transport policy for 2010: time to decide”. EU transport policy shall help to provide Europeans with efficient, effective transportation systems that:

- offer a high level of mobility to people and businesses throughout the Union.
- protect the environment, ensure energy security, promote minimum labour standards for the sector and protect the passenger and the citizen.
- innovate in support of the first two aims of mobility and protection by increasing the efficiency and sustainability of the growing transport sector.
- connect internationally, projecting the Union’s policies to reinforce sustainable mobility, protection and innovation, by participating in the international organisations.

The Trans European Network (TEN) is one of the core projects, dealing with EU-wide transport infrastructure development, linking up national networks by modern and efficient infrastructure and thus enhancing accessibility within EU.

The Programme „**i2010 – European Information Society in 2010**“ is supposed to contribute also to creation of the information society. It will concern primarily activities for achieving certain goals of the initiative that will consist in increase of the information technologies availability. Projects implemented in the framework of this transnational co-operation 2007-2013 will contribute to build-up the information society.

In compliance with the item 11 of the Regulation proposal on the ERDF activities concerning small and medium enterprises the transnational OP will contribute to the realisation of the **European Charter of Small Enterprises** adopted by the European Council in June 2000 in Santa Maria de Feira, in the area of increase of technological capacities in small enterprises.

Principles of the Community Policy regarding the protection and improvement of the **environment** as well as relevant amendments including the EU guideline will also be respected. It concerns namely the fulfilment of obligations mentioned in the guideline 92/43/EEC (guideline on habitats), the guideline on birds 79/409/EEC and guidelines relating to the NATURA 2000 ecological system.

Projects contributing to the realisation of priorities registered in the **EU Sustainable Development Strategy** will be supported in the OP because it is required that partner states would concentrate their efforts to promote key issues in the field of climate change, energy, public health, social exclusion, demography and migration, natural assets management and balanced traffic.

The transnational programme **shall not support activities**, which could be financed by other European mainstream programmes if they do not have a clear focus on transnational co-operation. Therefore it is essential to indicate where there are similarities and differences with other EU programmes and where a co-ordination with the present programme is needed:

- Instrument for Pre-Accession Assistance in Candidate Countries
- Neighbourhood Instruments
- ERDF (European Regional Development Fund): Objective 1 – cohesion and Objective 2 - regional competitiveness
- ESF (European Social Fund) – employment
- EARDF – Development of rural areas (including LEADER 2007 – 2013)
- TEP (Territorial Employment Pacts)
- TEN (Trans European Networks)
- LIFE and Natura 2000.

#### **4.6.2 Compliance with National Policies**

The policy document, goals and priorities of the SEE OP are cohesive with the strategic policy documents. It concerns primarily following documents:

- National Development Plan for the period of 2007-2013 (draft) ,
- National Strategic Reference Framework 2007-2013 supporting economic growth and employment (preliminary draft); goals of the transnational programme contribute to achieving the strategic goal as well as registered horizontal detailed goals,

- Regional Operational Programmes (drafts) of those partner states, regions and federal states that cover the territory supported in the framework of the transnational programme 2007-2013.

## **4.7 Main findings of Ex-ante Evaluation and Strategic Environmental Assessment**

### **4.7.1 Main findings of the Ex-ante Evaluation**

Text (shortcut of the results and recommendations) from the experts to be added; description of how the results and recommendations have been taken into account

### **4.7.2 Main findings of the Strategic Environmental Assessment**

Text (shortcut of the results and recommendations) from the experts to be added, description of how the results and recommendations have been taken into account

## **4.8 Indicative breakdown by category at programme level**

In accordance with Annex II of the Commission Implementing Regulation

To be added based on a detailed financial breakdown.

## 5. Priority axes

The Operational Programme defines a total of four priority axes plus a priority axis for technical assistance.

The priority axes cover a certain number of **indicative areas of intervention** (in total 13 thematic areas of intervention). The implementation of the areas of intervention will lead to the achievement of the global and specific objectives.

Figure: priority axes and areas of intervention

Priority axes	Areas of interventions			
<b>P1: Development of the innovation capacity</b>	1.1 Develop technology & innovation networks in specific fields	1.2 Develop the enabling environment for innovative entrepreneurship	1.3 Develop public awareness for innovation	
<b>P2: Improvement of the accessibility</b>	2.1 Improve coordination in promoting, planning and operation for primary & secondary transportation networks	2.2 Develop strategies to tackle the “digital divide”	2.3 Improve framework conditions for multi modal platforms	
<b>P3: Promotion of sustainable development of metropolitan areas and regional systems of settlements</b>	3.1 Tackle crucial problems affecting metropolitan areas and regional systems of settlements	3.2 Promote functional Polycentricity and Governance	3.3 Promote the use of cultural values for development	
<b>P4: Protection and improvement of the environment</b>	4.1 Promote energy & resource efficient technologies, services and policies	4.2 Promote efficient management of natural resources and protected areas	4.3 Improve prevention of environmental risks	4.4 Improve integrated water management
<b>P5: Technical assistance to support implementation and capacity building</b>	Implementation of the SEE OP and contracting, preparation, implementation, monitoring, evaluation and inspection		Accompanying activities to foster participation, project generation and project selection, options for learning	

## 5.1 Priority axis 1: Development of the innovation capacity

### Context and main objective of the priority axes 1

The priority axis 1 shall contribute specifically to the future development of SEE as a **place of innovation** contributing indirectly to the economic growth and employment in the technology sector.

The major support for research, technology and innovation projects in Europe and SEE stems from national and European programmes and schemes (eg. FP7-RTD, CIP-Competitiveness and Innovation Framework Programme 2007-2013, specific innovation priorities of Community Support Frameworks and OPs).

However a heavy concentration of research, technology and innovation activities and related investment is noticeable at the Northwest edge of the SEE area, at the edge of the "Pentagon". Those regions make full use of the opportunities offered by the EU programmes mentioned above. The challenge for the SEE area would be the development of common interests in the relevant fields, resulting to successful transfer of these capacities to potential poles.

As a "niche programme" SEE shall tackle still existing fragmentation along national and regional lines, draw on the creative potentials available in SEE and teaming up national and regional actors to encourage the innovation spirit and building up innovation capacity. In this respect transnational cooperation should complement European and national Technology and Innovation programmes.

The **objective** of the priority axis is to **facilitate** innovation, entrepreneurship and knowledge economy and to **enhance** integration and economic relations in the cooperation area by technology & innovation networks, promote an enabling environment for innovative entrepreneurship and develop public awareness for innovation.

The **orientation on research, technology and innovation** encloses a significant organisational and entrepreneurial development aspect. The emphasis on purely academic research would neglect the importance of structural adjustments and maturity of the business environment for entrepreneurial research and development.

The goal is to establish an **optimal development environment** for innovative enterprises, starting from the identification of scientific research findings, which can be commercially exploited, and their transfer to the business world, to the promotion of cooperative relationships. The SEE OP does not intend to compete with, or substitute mainstream Research Programmes. Networks should not be dominated by academic institutions but consist of applied innovation actors

Based on the significant regional differences in the SEE, the development of the innovation capacity should take **different directions of support**:

- on one hand address the SEE strengths and opportunities through networking. Emphasis should be given to actions built on **existing poles of activity** in order to exploit regional potential for technology & innovation and to foster networking and technological cooperation.
- On the other hand is should **broadly stimulate innovation** ("grass-root approach"). Emphasis should be given in the strengthening of the enabling innovation environment and the promotion of public awareness.

**Target groups** are primarily: collective business support actors; technology and innovation actors; local, regional and national governments and additionally culture and education actors.

The programme is not designed to directly finance businesses.

## **Areas of intervention**

### **5.1.1 Develop technology & innovation networks in specific fields**

The aim is the preparation, creation or the restructuring of technology & innovation-oriented networks in specific technology fields in the industrial and service sectors relevant for SEE.

The cooperation should generate concrete projects in building up technology & innovation capacity for improved products, processes and services in specific technology fields (e.g. mechatronic, plastics, Life science, urban technologies) and should achieve at longer term a more intensive use of technology and innovation in SEE. Therefore attention should be given also to the application of T&I at local and regional level.

Activities should go beyond singular interests and show a real **cooperative character** and **mutual benefits**.

Networking should be directly linked to action to develop **skills and competencies**. So training co-operation is desirably in direct relationship with technology & innovation networks.

It is also envisaged to **prepare** activities that support the development of technology and innovation-oriented networks in specific technology fields (e.g. feasibility studies, set up of databases).

In the framework of technology & innovation-oriented networks the implementation of cooperative pilot projects connected with **small-scale investments** is possible.

In the SEE the public sector is expected to be the main business contract generator especially through the utilization of Structural Funds. Networks fostering innovation and new technologies (eg. clean and energy efficient technologies, information and communication technologies to manage mobility) shall promote the inclusion of innovative aspects in the **public procurement**. This approach could be twofold: one the one hand innovative solutions will be introduced in public services, on the other hand innovation could acquire the necessary critical mass for market success.

Cooperation should also be sought with the **Innovation Relay centres** (IRC) which are financed under the CIP (Competitiveness and Innovation Framework Programme 2007-2013). One of the major tasks of these IRC offices is to find suitable co-operation partners across Europe.

**Specific target groups** for this area of intervention are technology and innovation actors / facilities, including tertiary education (but not networks of purely academic institutions).

### **5.1.2 Develop the enabling environment for innovative entrepreneurship**

The aim is the preparation and/or creation (or the restructuring) of networks for better utilization of the possibilities of the South East economic area and for a more effective provision of collective business and innovation support services esp. for SMEs.

Therefore networks should exchange, develop, promote and apply (in pilot projects) appropriate "soft measures", e.g. for better exploitation of the market opportunities in SEE, ensuring SME's access to relevant information, support technology transfer, encouraging micro and family firms to develop entrepreneurial spirit, mobilize start ups, manage intellectual and industrial property rights and patent rights, ease the access to appropriate forms of finance and promote skills and knowledge necessary for innovation.

Activities can also support the development of "innovation management", "innovation support" and "innovation governance" through analysis and monitoring of innovation performance and the development and coordination of innovation policy.

**Specific target group** for this area of intervention are business support actors / facilities with a view of the needs of SMEs.

### **5.1.3 Develop public awareness for innovation**

The aim is to increase public awareness on the importance of technological progress by transnational actions in SEE.

A modern system of promoting innovation requires the understanding of a majority of citizens. The image and success of technology locations depends also on how the general social climate for new developments is open-minded. In a society, which tendentious positively faces "new", also innovative ideas will more easily become generally accepted and will attract researchers and enterprises.

Activities should e.g. support the image formation of SEE as a place of innovation and growth, encourage young people to develop entrepreneurial spirit, wake enthusiasm for scientific education, tackle information lacks in the area of technology and innovation, diminish fears concerning new technologies, paying special attention to gender issues to increase the participation of women in technology and innovation.

This intervention goes beyond the classical target groups for technology & innovation. Activities should target a defined group and not represent singular interests or products. For the support of activities specific quality standards will be defined.

**Specific target groups** for this area of intervention are culture and education actors / facilities, business support actors / facilities, technology and innovation actors / facilities, regional governments.



## 5.2 Priority axis 2: Improvement of the accessibility

### Context and main objective of the priority axis 2

The priority axis 2 shall contribute specifically to the improvement of the accessibility of local and regional actors to the European Networks. They include physical infrastructure as well as access to the Information Society.

**Priority axis objective** is to promote coordinated preparation for the development of accessibility networks and the support of multi-modality.

In the SEE area accessibility infrastructure is financed and implemented through a **large number of instruments**. In Member States the options of National Funds, Structural Funds, international Financial Institutes (e.g. EIB), Public-Private Partnerships are available. In the Non Member States there is a more intensive commitment of International Financing Institutions and Donors, since national funds are limited. In all cases all states follow their **own agenda** in the development of their accessibility infrastructure. Thus the abundance of implementing options and agendas makes the **coordination in the SEE area very difficult**. Whereas the TEN Policy of the EU supports the coordination on the “continental” level, intra-regional disparities remain untouched.

Finally a spatially based approach is evident in the geographic orientation of the Corridors, which leave large “**white spots**” and **neglected maritime zones** in the area. Thus the successful integration of the networks should not only be relayed to the mainly North-South Corridors but should also address the secondary networks and West-East connections. Topography poses some obstacles in the development of the networks. However the surrounding seas (Adriatic, Ionian, Aegean and Black Sea) and the adjacent coastal zones along with the rivers and rail connections compose an attractive framework for regional development and EU transport policy implementation.

As a “niche programme”, SEE cannot substitute the existing programmes and plans. However it can provide a platform for coordination and agreement among states, as well as a podium for negotiations with International Financing Institutions, Donors etc.

**Target groups:** National Authorities, Planning Institutions, Regional and Central State Authorities, Cities and Rural Communities, Chambers and Associations, Transport Authorities.

### Areas of intervention

#### 5.2.1 Improve coordination in promoting, planning and operation for primary & secondary transportation networks

Aim is the provision of tools and space for coordinated promoting, planning and operation for primary & secondary transportation networks. The area of intervention can be used either for regional and local bodies pushing their agenda in the central states or for a number of SEE States towards the EU and other international institutions.

The cooperation should generate concrete projects in the creation of networks for the coordinated development of transport connections and Corridors, the conduction of feasibility studies, know how transfer for preparation of PPP (Public Private Partnerships), the conduction of transnational environmental assessment (EIA-SEA), the conduction of transnational Territorial Impact Assessments (TIA), the generation of viable alternatives to road transport on a transnational scale, establishment of joint transportation networks management bodies or enterprises etc, creation of transnational facilities for maintenance, road pricing, activities to foster public participation.

Activities should include the set up of networks, studies, training of officials and capacity building as well as promotion actions.

### **5.2.2 Develop strategies to tackle the “digital divide”**

Aim is the support of initiatives to lessen the “digital divide” among states and regions especially where market failure is evident or expected. The “digital divide” is the gap between those with regular, effective access to information and knowledge via ICT (information and communication infrastructure) and those without.

The cooperation should generate concrete projects in the development of concepts of Public-Private Partnerships for ICT accessibility, the development of concepts for coordinated broadband rollout for local and regional authorities, the collaboration of public authorities and scientific institutions in the development of public services, the interoperability of information systems e.g. in business support or education, the development of databases of transnational interest.

Activities could include studies, set up of services, capacity building and small scale investments.

Envisaged are also preparing activities for the development of regional ICT infrastructure and service providers for alternatives to costly earthbound broadband connections on a transnational basis.

### **5.2.3 Improve framework conditions for multi-modal platforms**

Aim is the support of multi modal platforms and the promotion of alternative transport means (e.g. rail and or sea compared to road) from the view of public interest. Multi-modal platforms can make existing transport more efficient and on the other hand stimulate the shift to environmentally friendly systems. Activities should go beyond singular interests and show a real cooperative character and mutual benefits.

The cooperation should generate concrete projects in coordinated Road pricing, common Supply Chain Management structures, promotion of rail and waterways transport through interconnectivity, support in standardised of transport units, transnational cooperation and specialisation plans for the development of logistics in metropolitan areas, concepts and strategies for the development of multi-modal terminals and Hubs, adoption of Eco-balances sheets for transportation, platforms for communication and coordination between regional and city authorities and private service providers and investors and their collective associations, concepts and agreements on intermodal connections especially among agglomerations.

Activities could include the set up of networks, studies, training and capacity building and set up of services.

### **5.3 Priority axis 3: Promotion of sustainable development of metropolitan areas and regional systems of settlements**

#### **Context and main objective of the priority axis 3**

The priority axis 3 shall contribute specifically to the future development of SEE as a place for sustainable metropolitan areas and regional systems of settlements.

This priority axis shows a specific cross-sectoral character strongly interlinking economic, environmental, social and governmental issues. The Commission Communication on „**Cohesion Policy and cities: the urban contribution to growth and jobs in the regions**”<sup>20</sup> fully reflects this approach. According to the Community Strategic Guidelines on Cohesion (chapter 2.1) a high quality urban environment **contributes** to the priority of the **renewed Lisbon strategy** to make Europe a more attractive place to work, live and invest.

**Priority axis objective** is to develop and apply integrated strategies – in the framework of transnational cooperation projects –

- tackling on one hand the **high concentration of economic, environmental, social and governmental problems** affecting metropolitan areas and regional systems of settlements and
- on the other hand **taking up the chances** which the optimisation of the given polycentric structure and the utilization of cultural values can offer.

As the objective indicates, the priority of sustainable urban and regional settlement development takes different forms of **preventive measures AND development factors**.

Firstly the **internal cohesion** inside the urban areas is a basic condition necessary for sustainable economic development. **Diversity** and **migration** issues are some of the priorities to be treated.

Secondly the optimisation of the existing extensive polycentric structure in the sense of “**functional polycentricity**” offers chances for linking smaller centres to attractive growth areas, capitalizing on their **potential complementarity** and so achieving competitiveness and ensuring a sufficient level of public services. The South European Space is characterised by a significant pattern of small and medium sized cities. These cities have a potential for developing functional co-operation among each other. The development of functional complementarity and urban-rural partnerships could be a future success factor for strengthening the **relative competitiveness of the respective regions** and securing key public services. In addition the use of **cultural values** can promote creativity, cultural identity and generate income and employment.

Transnational cooperation projects are a **tool** to develop and apply in that sense integrated strategies, sharing knowledge and best practices. **The transnational level is the scale where more creative patterns and cooperation experiences can interact.**

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<sup>20</sup> COM(2006) 385 final, Brussels, 13.7.2006

Transnational cooperation projects shall complement the (small) URBACT programme, as an instrument for exchange of experience and networking among cities.

**Target groups:** the civic society, NGOs, local, regional and national government, culture and education actors, business support actors, the private sector.

## **Areas of intervention**

### **5.3.1 Tackle crucial problems affecting metropolitan areas and regional systems of settlements**

The area of intervention aims at building up and disseminate strategies, skills and knowledge for tackling problems affecting metropolitan areas and regional systems of settlements with high concentration of economic, environmental, social and institutional problems and potentials not only as an preventive measure but as a development factor. This effort should be complemented by pilot actions to apply strategies, skills and knowledge.

Cities (or functional groups of cities) should have a medium/long term, consistent plan for all the different factors promoting sustainable growth and jobs in urban areas. Actions in one field must be consistent to a possible extent with those in another. Notably, economic measures must be sustainable in social and environmental terms. The key partners – the private sector, the community and NGOs, as well as local, regional and national government – should be mobilised in the planning, implementation and evaluation of urban development. Promotion of Public Participation and development of Accountability and Transparency in local authorities could also be addressed. Strategies for urban renewal and PPPs are setting the agenda in the cities. Action should have a focus on groups with specific needs by “community work”.

Specific problems of the programme area should be addresses, like the problems of "one-factory" towns and the ways of economic and employment diversification, resulting “brown fields and urban sprawl management”, the utilisation of the Structural Funds and the Cohesion Fund (also in the IPA light) for urban issues, the future of large housing estates inhabited by 20 million people in the cities of the SEE area. Also spatial and urban planning aspects of the Roma population in the SEE countries are a specific need to be tackled. The management, registration and regulation of real estates along with the development and rehabilitation of urban brownfields are to be addressed. Land registration is still a serious problem especially concerning urban areas.

### **5.3.2 Promote functional Polycentricity and Governance**

The area of intervention aims at elaborating integrated spatial and development strategies for functional areas and providing partners with tools for the formulation of their role and for the formation of new partnerships within those areas.

This intervention is addressing multifaceted issues. They can be clustered as:

#### **Formulate and manage “functional polycentricity”**

In the existing polycentric structure all the elements needed for the development of growth areas with “critical mass” are present. The challenge of formulating and implementing a strategy for

functional cooperation means to capitalize on potential complementarities and overbearing of geographic distances between different sized cities through enhanced cooperation links. This should be based on the analysis of the different functions and specialisations and the definition of “**Who** will specialize in **what?**” Functional potentials should complement each other. Allocation of public money on the “wrong spots” should be avoided. This will require the making of strategic choices in identifying and strengthening “growth areas” and putting in place the networks that link them in both physical (infrastructure) and human terms (building up capacities, skill, knowledge). The map of SEE should show several inter-connected zones of major growth, each carving its own niche in the European (and global) space economies.

A direct consequence of the aforementioned is **the optimized location development** for TEN-node areas as a mean for **functional polycentricity**. Optimising the effects of the expanding TENs and the Development of zones located at the best suitable and accessible locations can contribute to the competitiveness of a growth area. However functional polycentricity implies the creation of “regional compensation mechanisms” and the renouncement of “militant” competition.

Further elements of effective functional polycentricity are following: capacity building for the development of public services for smaller centres, development of mechanisms for sharing knowledge, access to finance and consultancy for smaller centres, development of concepts and settings for business locations (e.g. business parks), capacity building for the absorption of Structural Funds, promotion of Public Participation and Empowerment, establishment of “suburbs management” as urban-rural interfaces, establishment of Ombudsmen and facilitators of polycentricity, development of decentralisation capacities (financial, managerial, political), facilitating networking at all levels and taking full advantage of modern information and communications technologies (ICTs) to support good urban governance and sustainable urban development.

### **Governance as a new partnership of functional areas**

Governance can be seen as the participatory process to engage relevant stakeholders for the identification and development of functional areas. Cooperation is an option for retaining control of development processes and regaining power in development planning. In fact there is a large number of practical constraints for effective institutionalised or informal cooperation to be tackled such as indistinct legal framework for cooperation, low degree of cooperation between Economic Development Agencies and Regional Development Agencies; not fully developed mechanism of inter-communal financial compensations and contracting mechanisms; lack of common Land Use management. The Governance aspect could be an additional asset for rural and peri-urban communities, which usually lack the possibility to express and defend their interests towards metropolitan zones. Urban-rural relations should receive attention, like services of general interest for rapidly shrinking and ageing rural areas.

Activities should include the set up of networks, studies, training of officials and capacity building, promotion actions as well as set up of services.

### **5.3.3 Promote the use of cultural values for development**

Aim is the inclusion of cultural values as an integral part of the SEE area in the planning and development processes of urban centres and systems of settlements.

The SEE area is rich in cultural values and tourism potentials. Urban development can not take place in a “cultural vacuum”. Hence the mobilisation **of cultural values** in the Urban Development context presents an opportunity for promoting local identities and making SEE cities an attractive place to live and work.

The cooperation should generate concrete projects in development of cultural strategies and concepts, coordination of provision of business opportunities and cultural supply, promotion of Cultural tourism, development of transnational City marketing concepts, preservation of cultural diversity and Integration of migrants and social groups, development of Public-Private-Civil Society Partnerships, Data base creation, mapping and monitoring the sites of cultural interest, rehabilitation and development programmes at urban-regional scale, restoring techniques, supporting education both in the field of traditional materials and cultural resources management, networking experiences, cultural towns thematic networking and historical centres of traditional towns preservation.

Activities should include the set up of networks, studies, training of officials and capacity building, promotion actions as well as set up of services.

## **5.4 Priority axis 4: Protection and improvement of the environment**

### **Context and main objective of the priority axis 4**

The priority axis 4 shall contribute specifically to the promotion of resources efficiency, management of natural resources, prevention of environmental risks and integrated water management.

Priority axis **objective** is to override the constraints imposed by national barriers and the foresight of future environmental threats and opportunities through the promotion of resources efficiency, management of natural resources, prevention of environmental risks and integrated water management.

The SEE area is characterised by a large variety of some of the most pristine environments of the entire Continent, diverging environmental standards, a heavy legacy from the transition period and the political turmoil of the 90s and a growing demand for consumption and resources. Environmental policy is guided by European Strategies and Directives but main competence remains at the hands of the single states. In Member States national funds and especially the Cohesion Fund provides a reference framework for environmental protection actions. In Non-member states the Quality of the environment is only gradually becoming a priority, whereas funding for environmental issues is always a problem, international donors solving only small problems. For the entire SEE area the 6<sup>th</sup> Environmental Action Plan and the derived 7 Thematic Strategies (e.g., Thematic Strategy on Air Pollution) offer an usable orientation for transnational action.

As a “niche programme” transnational cooperation projects in SEE should try to transfer the experience gathered in the Member States (also in the IPA light), create structures for coordinated management and preservation of natural resources and provide concrete interventions in the areas

of risk prevention and water management, where transnational integration and coordination is of crucial importance.

**Target groups** are planning institutions and state agencies, NGOS and networks, regional and local authorities and related public utility companies, energy providers, technology centres and scientific institutions, associations and chambers, tourism agencies, management bodies of natural resources.

## **Areas of intervention**

### **5.4.1 Promote energy & resource efficient technologies, services and policies**

Aim is transfer of know-how on energy & resource efficient technologies, services and policies, the cooperation in the adoption and adaptation of EU policies and directives in the relevant fields and the preparation of the SEE area to cover the expected rise in demand through environmental friendly approaches.

The cooperation should generate concrete projects in the promotion of energy & resource efficient technologies, waste management, promotion of transnational actions on environmental resources (air quality, soil, water), development of “green energy” networks, the development of networks among, Renewable Energy Sources associations and regional and local authorities, the development of regional “resources consumption foresights”, the development of platforms for energy providers, the awarding and promotion of energy & resource efficient technologies and actions, the coordination of exploitation of natural resources especially concerning hydropower, structures for the implementation of relevant Directives and the awareness building on the environment as a development factor.

Activities could include set up of networks, studies, training and capacity building and promotion and information.

Envisaged are also preparing activities for the development of common energy & resource exploitation schemes, marketing and pricing.

### **5.4.2 Promote efficient management of natural resources and protected areas**

**to be discussed:** SR It needs to be defined what is meant by “**natural resources**”, otherwise the scope of this AoI would be still very broad

**Point for Discussion:** In the OP 1.0 (October 2006) this element was referred to as “sensitive resources”, i.e. vulnerable areas, biodiversity, ecosystems and protected areas, eco-tourism etc. How do we define natural resources in the OP?

Aim is the know-how transfer in management schemes of natural resources and protected areas and the set up of transnational management structures.

The cooperation should generate concrete projects in development of common strategies, development of transnational management plans, enhancing of rural tourism strategies, development of transnational management structures, structures for the implementation of relevant

Directives, enhancement of public information and public participation, establishment of transnational platforms for management of protected areas, development of corporate identity for transnational networks of protected areas (e.g. NATURA 2000) and the awareness building on the environment as a development factor.

Activities could include exchange of information, studies, capacity building and promotion and information.

### **5.4.3 Improve prevention of environmental risks**

Aim is the development and support of transnational risk prevention structures and systems.

The cooperation should generate concrete projects in the development of monitoring systems (e.g. air quality, pollutants etc.) and alert mechanisms on potential floods, coastal hazards, forest fires as well as chemical and biological contamination of water, soil and air, identification and management of risk sources, reclamation and rehabilitation of industrial brownfields, development of regional “risks foresights”, development of integrated policies, plans and systems for coordinated risk prevention and reaction to environmental risks, common procurement and-or operation of risk prevention infrastructure.

Activities could include studies, capacity building, set up of services and small scale investments.

### **5.4.4 Improve integrated water management**

A specific challenge for the South East European Space is the common management of the flood hazards and the management of the river catchment areas. Comprehensive river basin plans of the big rivers in the area and flood challenge in the river basins should be addressed. Aim is the development and support of integrated water management structures and systems.

The cooperation should generate concrete projects in the development of monitoring systems and alert mechanisms integrated development plans of river basins, catchments areas and coastal areas, integrated reaction systems for flood protection, common civil protection systems, Dissemination of alternative methods and systems of water quality protection and wastewater treatment, structures for the implementation of the Water Framework Directive and other related acts.

Activities could include studies, capacity building, set up of services and small scale investments.

## **5.5 Priority axis 5: Technical assistance to support implementation and capacity building**

The Technical Assistance (TA) will be spent on activities necessary for the effective and smooth management and implementation of the programme. In line with Article 46 of the General



Regulation<sup>21</sup>, Technical Assistance will be used for the preparatory, management, monitoring, evaluation, information, and control activities.

The technical assistance budget will amount to maximum 6% of the total ERDF amount allocated to the Programme.

In this priority axis are included activities for implementation, monitoring, evaluation and control of the present programme as well as information and publicity to support the active participation of all partners and regions. This should guarantee the preconditions (material and personal resources) for an efficient and effective programme implementation, follow-up and mentoring, including project selection, control, monitoring, evaluation, information and public relations.

TA should also cover costs for the "Implementation Manual" (separate document) and costs for the preparation of the next programming period.

In general transnational cooperation programmes pose a specific challenge for the technical assistance. **The SEE seems to be the most challenging among them.** For that reason evaluation activities, accompanying activities and options for learning play a crucial role. The following paragraphs offer an inception approach on how to treat those issues.

## **Evaluation**

The general aim of evaluation is to improve the quality, effectiveness and consistency of the assistance from the Funds and the strategy and implementation of operational programmes according Article 47[1]). Regulation [1083/2006] provides for a shift from a concept of mid-term evaluation driven by regulatory imperatives towards a more flexible, demand-driven approach to evaluation during the programming period: **on-going evaluation**.

The evaluation carried out during the programming period should serve – as far as possible - the needs of decision-makers in implementing Structural Fund assistance. In this respect, planning is crucial to ensure that this overall objective is met during programme implementation.

Hence an **evaluation plan** should be established is to provide an overall framework for the on-going evaluation and ensure that it is effectively used as an integrated management tool during the implementation phase. To this end, an evaluation plan defines the links between monitoring and evaluation as well as the overall periodicity/regularity of these two exercises. The evaluation plan cover the whole programming period.

## **Accompanying activities to foster participation, project generation and project selection**

Three pivotal aspects of implementation are: publicity and communication, project generation and project selection.

As this is a special need for the programme area, Technical Assistance should support the generation of adequate projects and high-quality partnerships by activities as: awareness raising campaigns, development of methodologies and tools to identify potentials of the area, finding

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<sup>21</sup> Council Regulation (EC) No 1083/2006 of 11 July 2006 (OJ L 210 p. 25)

common interests and a common identity, actively support information dissemination on partner states involved and on the cooperation area, media work.

A further element would be the networking and cooperation with those IPA and ENPI components that are not addressing Regional and Cross-Border Cooperation along with the relevant General Directorates in Brussels (DG External Relations and DG Enlargement).

Specifically open targeted calls, seminars, studies, an annual conference, publications and the promotion of the programme by national contact points (not co-financed) shall contribute to a higher relevance and effectiveness of the OPs implementation.

### **Options for learning**

One of the weaknesses of most current programmes is their **inability to transfer knowledge** beyond the co-funded partnerships. Frequently, valuable knowledge, tools, best practices and techniques are developed by projects but not sufficiently elaborated and disseminated to create added value for a wider group of beneficiaries. Therefore the new programme should foresee particular measures and tools for a **demand-driven management of knowledge** for the benefit of new and ongoing projects, as well as stakeholders, experts, policy developers and implementers of all regions. A significant ally in this effort is the requirements of the Structural Funds Framework either in the Member States or in the Candidate and Potentially Candidate Countries, which underline the common needs and concerns in a variety of fields addressed in the OP.

These **measures could entail**: peer to peer exchanges, consultations with predecessors, inspiration from the leaders (programme and project level), actively management of thematic issues of exceptional importance, proactively promotion of regions (e.g. by managing partner data), adoption of advanced tools and methodologies to increase innovation potential and programme visibility. An important tool will be the establishment of a projects databases providing information on content and on conduct.

## 6. Single financing plan

### 6.1 Financing plan of the Programme

Annual commitment of ERDF in the programme (in euros):

<b>Years</b>	<b>ERDF</b>
2007	31,408,830
2008	27,624,804
2009	27,591,110
2010	28,806,282
2011	29,345,629
2012	30,432,951
2013	31,482,041
<b>Total 2007-2013</b>	<b>206,691,647</b>

ERDF budget to be allocated to projects (94%): 194,290,148



## 6.2 Indicative breakdown by priority

Priority axes by source of funding (in euros):

Priority axes	Community Funding (a)	National public funding (b)	National private funding (c)	Total funding (d) = (a) + (b) + (c)	Co-financing rate (e) = (a)/(d)	For information	
						EIB contributions	Other funding
Innovation, Competitiveness And Knowledge Economy	44,051,157						
Accessibility	50,768,636						
Sustainable Urban Development	47,668,261						
Environment	51,802,094						
TA	12,401,499						
<b>TOTAL</b>	<b>206,691,647</b>						

## **7. Implementing provisions for the operational programme**

### **7.1 Programme management structure**

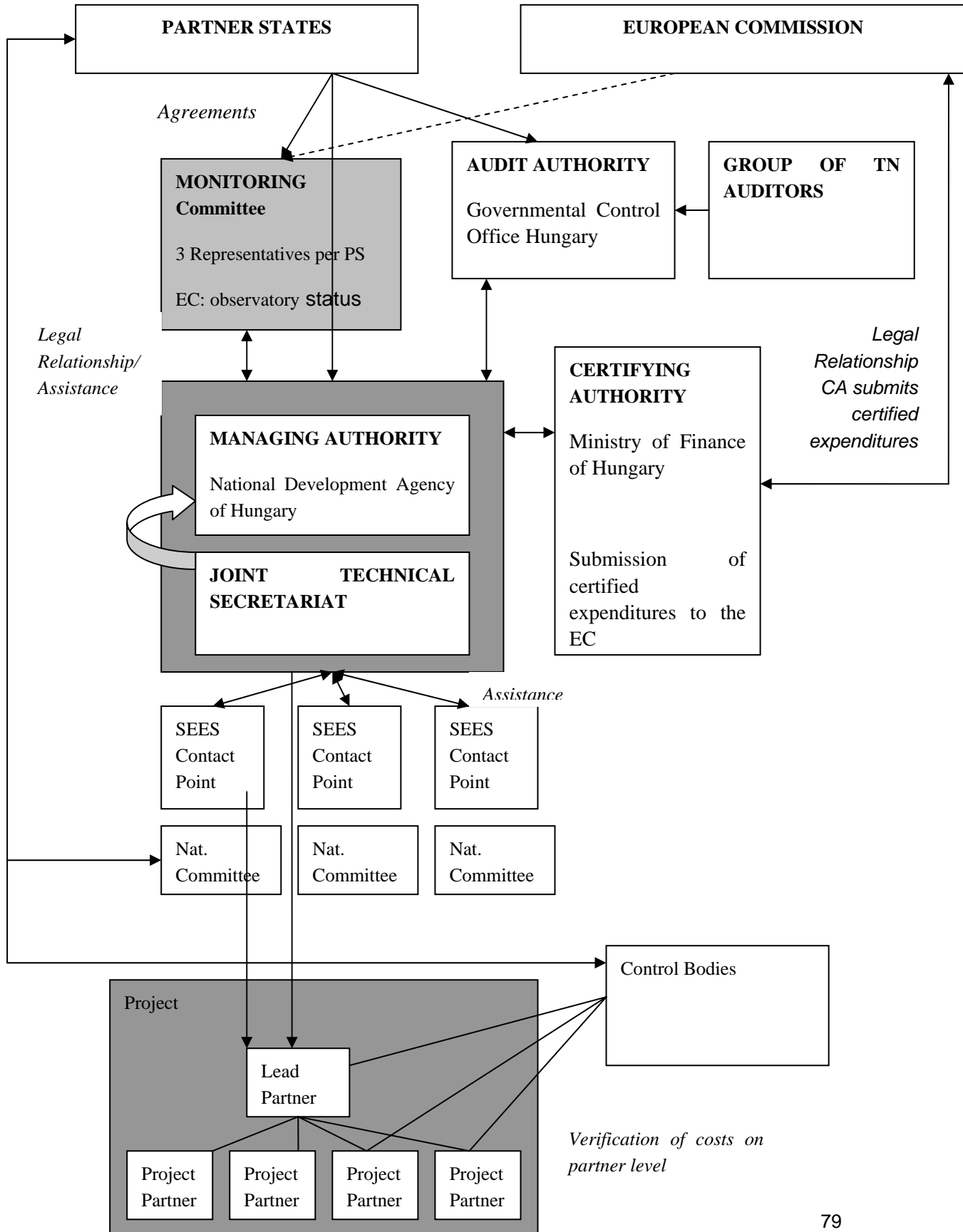
The following structures for the management of the programme will be designated:

- Monitoring Committee (MC)
- Managing Authority (MA)
- Certifying Authority (CA)
- Audit Authority (AA)
- Joint Technical Secretariat (JTS)
- SEES Contact Points (SCP)<sup>22</sup>
- National Committees (NC)

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<sup>22</sup> The word “SEES” refers to the aim of strengthening that Contact Points primarily represent the transnational programme in Partner States, and that national Contact Points can initiate and carry out activities of transnational character for the benefit of the programme.

## SEES programme management structure



### 7.1.1 Monitoring committee (MC)

The Monitoring Committee of the SEES program will be set up by the concerned Partner States within three months after the decision of the EC approving the program.

The overall tasks of the MC are to ensure the quality, effectiveness and accountability of the programme operations, and to select projects for funding.

Monitoring Committee will work in accordance with respective regulations:

<i>General Provisions Article 65 Tasks of the Monitoring Committee</i>
The monitoring committee shall satisfy itself as to the effectiveness and quality of the implementation of the operational programme, in accordance with the following provisions:
(a) it shall consider and approve the criteria for selecting the operations financed within six months of the approval of the operational programme and approve any revision of those criteria in accordance with programming needs;
(b) it shall periodically review progress made towards achieving the specific targets of the operational programme on the basis of documents submitted by the managing authority;
(c) it shall examine the results of implementation, particularly the achievement of the targets set for each priority axis and the evaluations referred to in Article 48(3);
(d) it shall consider and approve the annual and final reports on implementation referred to in Article 67;
(e) it shall be informed of the annual control report, or of the part of the report referring to the operational programme concerned, and of any relevant comments the Commission may make after examining that report or relating to that part of the report;
(f) it may propose to the managing authority any revision or examination of the operational programme likely to make possible the attainment of the Funds' objectives referred to in Article 3 or to improve its management, including its financial management;
(g) it shall consider and approve any proposal to amend the content of the Commission decision on the contribution from the Funds.

<i>ERDF Regulation Article 19. 3. Selection of operation</i>
In addition to the tasks referred to in Article 65 of Regulation (EC) No 1083/2006, the monitoring committee or a steering committee reporting to it shall be responsible for selecting operations.

The Monitoring Committee will draw up its own rules of procedure within the institutional and legal program-framework.

The Monitoring Committee in accordance with the institutional structure of the Partner States, is composed of up to 3 representatives of each Partner State, preferably from both national and regional level to ensure efficiency and broad representation. The respective governments within 30 days of the approval of the OP shall appoint the members of the Monitoring Committee. Broader involvement of the regional and local level will be secured through the National Committees (or other equivalent national procedures in the Partner States) to be established in each Partner State. Members of the Monitoring Committee can invite additional advisors to the meetings of the Committee with observatory status (participation of advisors has to be communicated in advance to the Chair by the Committee member).



Chairmanship of the Monitoring Committee will be rotated among pairs of Partner States involving an EU member and a non-member state on a yearly basis. The rights and duties of the chairman and vice-chairman shall be defined in the Rules of Procedure of the Committee.

Representatives of the European Commission (including DG Regio, DG Enlargement and other DGs as relevant) will participate as observers. Joint Technical Secretariat will provide the secretariat function towards the Monitoring Committee, including preparation of the documents, decisions and minutes.

The Monitoring Committee shall meet at least once a year. Decision-making in the Committee will be by consensus among the national delegations (one vote per delegation). Decisions may be taken via written procedure regulated by the Rules of Procedure.

The Monitoring Committee may create subcommittees with specific tasks, for project generation.. Rules regulating the composition and operation of the subcommittees will be set up by the Monitoring Committee within its rules of procedure. Joint Technical Secretariat will assist the work of the subcommittees. Final decision on project approval or rejection always remains with the Monitoring Committee.

### 7.1.2 Managing Authority (MA)

The designated Managing Authority is *National Development Agency* of Hungary.

The Managing Authority will be responsible for managing and implementing the programme in accordance with the respective regulations:

*General Provisions Article 60  
Functions of the managing authority*

The managing authority shall be responsible for managing and implementing the operational programme in accordance with the principle of sound financial management and in particular for:

- (a) ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;
- (b) verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission in accordance with the procedure referred to in Article 103(3);
- (c) ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the operational programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- (d) ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- (e) ensuring that the evaluations of operational programmes referred to in Article 48(3) are carried out in accordance with Article 47;
- (f) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90;
- (g) ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- (h) guiding the work of the monitoring committee and providing it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;
- (i) drawing up and, after approval by the monitoring committee, submitting to the Commission the annual and final reports on implementation;
- (j) ensuring compliance with the information and publicity requirements laid down in Article 69;

According to Article 15 of the ERDF Regulation the Managing Authority will not be responsible for the regularity of operations and their expenditures. For this purpose each Member State shall set up its own control system: designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation.

*ERDF Regulation Article 15  
Function of the managing authority*

1. The managing authority shall perform the duties provided for in Article 60 of Regulation (EC) No 1083/2006, with the exception of those concerning the regularity of operations and expenditure in relation to national and Community rules, as set out under point (b) of that Article. In this connection, it shall satisfy itself that the expenditure of each beneficiary participating in an operation has been validated by the controller referred to in Article 16(1) of this Regulation.
2. The managing authority shall lay down the implementing arrangements for each operation, where appropriate in agreement with the lead beneficiary.

According to Article 13 of the Implementation Regulation, the Managing Authority has to fulfil the following tasks in order to complete the functions set out under paragraphs (a) and (b) of Article 60 of General provisions.

*Implementation Regulation Article 13  
Managing authority*

1. For the purpose of the selection and approval of operations to be funded under Article 60 (a) of Regulation (EC) No 1083/2006, the managing authority shall ensure that beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, and the financial and other information to be kept and communicated.  
It shall satisfy itself that the beneficiary has the capacity to fulfil these conditions before the approval decision is taken.
2. The verifications to be carried out by the managing authority under Article 60 (b) of Regulation (EC) No 1083/2006 shall cover administrative, financial, technical and physical aspects of operations, as appropriate.  
These verifications shall ensure that the expenditure declared is real, the products or services have been delivered in accordance with the approval decision, the applications for reimbursement by the beneficiary are correct and that the operations and expenditure comply with Community and national rules. They shall include procedures to avoid double financing with other Community or national schemes and with other programming periods.  
The verifications shall include the following procedures:
  - (a) administrative verifications in respect of each application for reimbursement by beneficiaries;
  - (b) on-the-spot verifications of individual operations.
3. Where on-the-spot verifications under point (b) of paragraph 2 are carried out on a sample basis for an operational programme, the managing authority shall keep records describing and justifying the sampling method and identifying the operations or transactions selected for verifications. The managing authority shall determine the size of the sample in order to achieve reasonable assurance as to the legality and regularity of the underlying transactions having regard to the level of risk identified by the managing authority for the type of beneficiaries and operations concerned. It shall review the sampling method each year.
4. The managing authority shall establish written standards and procedures for the verifications carried out under paragraph 2 and shall keep records, for each verification, stating the work performed, the date and the results of the verification, and the measures taken in respect of irregularities detected.
5. Where the body designated as managing authority is also a beneficiary under the operational programme, arrangements for the verifications referred to in paragraphs 1 to 4 of this Article shall ensure adequate separation of functions in accordance with point (b) of Article 58 (1) of Regulation (EC) No 1083/2006.

The Managing Authority will be directly supported by the Joint Technical Secretariat as it carries out the operational management work for the whole program. Although the MA bears overall responsibility for the programme, specific elements of the programme management (employment

of the JTS members, contract preparation, setting up and operation of the program monitoring system, payments to projects<sup>23</sup>, etc.) can be delegated to intermediary bodies *according to Article 59(2) of General Provisions*. Delegation of tasks will be prescribed in the description of the management and control system and will be regulated by a specific framework agreement (contract) stipulated by the MA. MA will use VÁTI Hungarian Public Nonprofit Company as a single intermediary, managing certain pre-defined program level tasks.

### 7.1.3 Certifying Authority (CA)

The designated Certifying Authority is the *Ministry of Finance* of Hungary.

Main tasks of the Certifying Authority are to draw up and submit to the Commission certified statements of expenditure and applications for payment and receive payments from the Commission.

The Certifying Authority will act in accordance with respective regulations:

<p><i>General Provisions Article 61</i> <i>Functions of the certifying authority</i></p>
<p>The certifying authority of an operational programme shall be responsible in particular for:</p>
<ul style="list-style-type: none"><li>(a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;</li><li>(b) certifying that:<ul style="list-style-type: none"><li>(i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;</li><li>(ii) the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;</li></ul></li><li>(c) ensuring for the purposes of certification that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;</li><li>(d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the audit authority;</li><li>(e) maintaining accounting records in computerised form of expenditure declared to the Commission;</li><li>(f) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the operational programme by deducting them from the next statement of expenditure.</li></ul>

### 7.1.4 Audit Authority (AA)

The Government Control Office in Hungary will act as Audit Authority of the program.

<sup>23</sup> Separate department of VÁTI Hungarian Public Nonprofit Company as an Intermediary Paying Unit will carry out payments of ERDF funds to final beneficiaries.

Responsibilities of the Audit Authority are set out in the following regulations:

<p><i>General Provisions Article 62</i> <i>Functions of the audit authority</i></p>
<p>1. The audit authority of an operational programme shall be responsible in particular for:</p> <ul style="list-style-type: none"><li>(a) ensuring that audits are carried out to verify the effective functioning of the management and control system of the operational programme;</li><li>(b) ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;</li><li>(c) presenting to the Commission within nine months of the approval of the operational programme an audit strategy covering the bodies which will perform the audits referred to under points (a) and (b), the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period. (Where a common system applies to several operational programmes, a single audit strategy may be submitted.)</li><li>(d) by 31 December each year from 2008 to 2015:<ul style="list-style-type: none"><li>(i) submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month-period ending on 30 June of the year concerned in accordance with the audit strategy of the operational programme and reporting any shortcomings found in the systems for the management and control of the programme. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration referred to in point (e);</li><li>(ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;</li><li>(iii) submitting, where applicable under Article 88, a declaration for partial closure assessing the legality and regularity of the expenditure concerned. (When a common system applies to several operational programmes, the information referred to in point (i) may be grouped in a single report, and the opinion and declaration issued under points (ii) and (iii) may cover all the operational programmes concerned);</li></ul></li><li>(e) submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.</li></ul> <p>2. The audit authority shall ensure that the audit work takes account of internationally accepted audit standards.</p> <p>3. Where the audits and controls referred to in paragraph 1(a) and (b) are carried out by a body other than the audit authority, the audit authority shall ensure that such bodies have the necessary functional independence.</p> <p>4. The Commission shall provide its comments on the audit strategy presented under paragraph 1(c) no later than three months from receipt thereof. In the absence of comments within this period it shall be considered to be accepted.</p>

### *Transnational Group of Auditors*

According to Article 14 of the ERDF Regulation, the Transnational Group of Auditors will be set up to assist the Audit Authority:

<p><i>ERDF Regulation Article 14</i> <i>Designation of authorities</i></p>
<p>2. The audit authority for the operational programme shall be assisted by a group of auditors comprising a representative of each Member State participating in the operational programme and carrying out the duties provided for in Article 62 of Regulation (EC) No 1083/2006. The group of auditors shall be set up at the latest within three months of the decision approving the operational programme. It shall draw up its own rules of procedures. It shall be chaired by the audit authority for the operational programme.</p>

The representatives of the Transnational Group of Auditors for the SEES Programme shall be appointed by each national authority responsible for audit in the concerned Partner State. List of the responsible national institutions will be annexed to the Memorandum of Understanding.

The Audit Authority and the auditors appointed in the Transnational Group of Auditors shall be independent of the management and control system of the programme. Work of the Audit Authority and the Group of Auditors will be supported by the Joint Technical Secretariat.

### 7.1.5 Joint Technical Secretariat (JTS)

*ERDF Regulation Article 14  
Designation of authorities*

1. The managing authority, after consultation with the Member States represented in the programme area, shall set up a joint technical secretariat. The latter shall assist the managing authority and the monitoring committee, and, where appropriate, the audit authority, in carrying out their respective duties.

- The programme will have a single Joint Technical Secretariat in accordance with *Article 14 (1) of the ERDF Regulation*. The Joint Technical Secretariat will support the Managing Authority in programme co-ordination and implementation.

The tasks of the Joint Technical Secretariat are:

#### **Program level tasks**

- a) collaborate with the administrative central, local and regional organizations in the eligible area, with the view to collect data and information necessary in the process of the program implementation (elaboration/revision of the multi-annual programming documents);
- b) promotion activities related to the OP, by direct contacts with the relevant organizations (conferences, info days, brochures and any other type of information material);
- c) participate in the working groups set up for elaborating/ revising the programming documents;
- d) prepare proposals for programme amendments;

#### **Secretariat Tasks for Monitoring Committee (MC)**

- a) fulfil the usual work of a secretariat, i.e. organisation of meetings, preparation and the mailing of documentation for minutes, drafting of minutes of meetings in the agreed languages, drawing up and submission of the working documents to the committee members, in compliance with the internal rules of procedures of the committee;
- b) submit the results of the project evaluations sessions to the MC;
- c) implement operational decisions of the MC, including running written procedures
- d) assistance and technical co-ordination in preparation of the draft annual reports;

#### **Administrative management of external services and other TA activities**

- a) ensure the administrative management of (external) tasks and services i.e. interpreting services and translations if required, external experts, TA projects, etc

#### **Monitoring**

- a) co-ordination of setting up the monitoring system;
- b) regular maintenance and updating of the monitoring system;

#### **Project Generation and Assessment**

- a) support project generation and development (organisation of information seminars, etc);
- b) manage the project application process: prepare and make available documents necessary for project application and selection (general information on programme and project, standardised forms for project application and selection); provide information and advice to applicants, receiving, recording and checking (formally, technical, eligibility) the applications;
- c) Carry out the assessment of the proposals by internal staff or external experts

#### **Project Implementation**

- a) manage the programme/project implementation: prepare material necessary for programme/project implementation (subsidy contract with LP, reporting forms, implementing guidelines...); provide

- advice and assistance to transnational project partners regarding implementation of activities and financial administration;
- b) organize workshops addressed to Lead Partners with the view to provide additional information and clarifications regarding the implementation of the projects;
- c) ensure exchange of information on different project proposals;
- d) check financial and activity reports elaborated by the Lead Partner; monitor project progress through collecting and checking project monitoring reports, monitoring outputs etc.;

**Others**

- c) support the contact points in their activities;
- d) manage the joint projects/partner search database;
- e) prepare any other documents required by the European Commission or the Monitoring Committee;
- f) organizing the working group meetings of the controllers
- g) support the Audit Authority and the Group of Auditors in its activity

The annual work plans of the Joint Technical Secretariat have to be approved by the Monitoring Committee. The Joint Technical Secretariat will be funded from the Technical Assistance budget.

The staff of the Joint Technical Secretariat will be employed by VÁTI Hungarian Public Nonprofit Company on the basis of a framework contract with the MA. The JTS will be located in Budapest..

The Joint Technical Secretariat shall have international staff from the Partner States. The number and qualification of staff shall correspond to the tasks defined above.

### **7.1.6 SEES Contact Points (SCP)**

SEES Contact Points' main task is to represent the programme in Partner States and serve as national coordination points for the programme implementation. SCPs shall complement the activities of the Joint Technical Secretariat, and may initiate and carry out other specific transnational activities.

The main tasks of the SEES Contact Points are:

- to assist the project generation, application and implementation process;
- to contribute to information and publicity actions within the respective country;
- to support the National Committees in fulfilling their transnational tasks;
- to serve as a contact point for project applicants and partners at the national level

Transnational activities of SCPs should contribute to achieving programme goals. All SCPs are invited to design transnational activities and submit them to the Monitoring Committee (or its responsible subcommittee) for approval. Approved activities of the SCPs in the Member States may be financed from a specific budget line of the programme's ERDF TA budget (in form of specific TA projects) according to the provisions laid down in the "*Specific implementation rules of the programme TA budget*" chapter.

SEES Contact Points will be structured and organized in each Partner State, in order to be able to adequately represent the programme in the concerned country and to have the powers needed to implement their duties.

### **7.1.7 National Committees (NC)**

Each Partner State should establish a National Committee – or implement corresponding national procedures in accordance with its institutional structure – in order to involve the regional and local authorities as well as the relevant sectoral authorities and institutions and non governmental organizations and any other socio-economic and institutional partner considered relevant by the concerned Partner State.

The National Committees (or other equivalent national procedures) as integrated part of the transnational programme implementation have a strong advisory and supporting status. They are not entitled to pre-select project applications, as project selection is reserved for the Monitoring Committee. NCs will be supported by the respective SCPs and by the MC members of the respective Partner States. Close links will be established between the Joint Technical Secretariat and the respective SCPs that will transfer information or documents to the National Committees and vice-versa.

## 7.2 Project development and selection

The overall aim of the programme is to realize high quality; result orientated transnational projects of strategic character, relevant for the programme area.

Generation of transnational projects will be the responsibility of the Monitoring Committee assisted by the Joint Technical Secretariat and the network of SEES Contact Points. In order to perform this task effectively, as well as for other issues, the MC can create specific subcommittees in order to generate projects and to supervise application and evaluation procedures.

MC can also introduce top-down elements to project generation in order to achieve high level transnational projects. These element may include (among others):

I. Regarding the structure (“openness”) of the call for proposals:

- *open call for proposals* (targeting all potential applicants, to submit project ideas relevant for the programme priorities);
- *targeted calls* for project proposals:
  - focusing programme priorities (developing detailed project descriptions);
  - narrowing the target group of potential project partners;
  - setting specific eligibility criteria regarding the number and type of partners (or countries), activities, etc.
  - possible selection criteria to be used later during the evaluation and decision making about the project applications.

Preparation of targeted calls can be supported by *thematic seminars* at level of stakeholders of the programme (target groups, experts, programme management bodies, etc) to define potential fields of strategic co-operation, which can serve as basis for targeted calls;

II. Regarding the selection of projects:

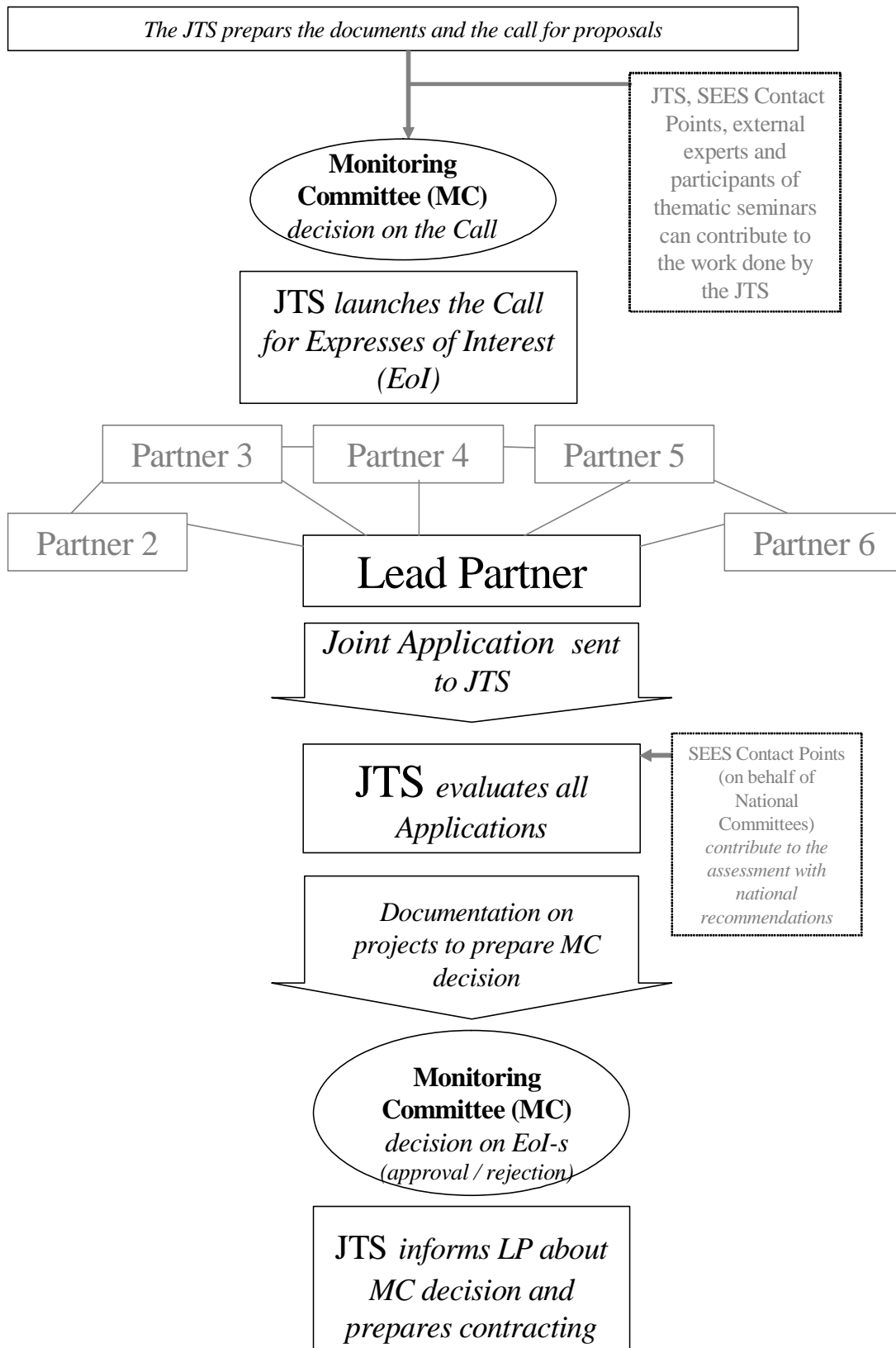
- *one step* application procedure: all applicants have to submit the whole applicants package which serves as a basis for evaluation of the project and the decision of the Monitoring Committee.
- *two step* application procedure:
  - inviting potential applicants to submit *Expresses of Interest* describing aims, partnership, activities, expected results, deliverables, etc of future transnational co-operations;
  - pre-select Expresses of Interest for further development (in terms of partnership, contents, results, etc) and/or give feedbacks to applicants in form of suggestions and conditions;
  - initiate discussions with applicants in order orientate and guide them to develop higher quality transnational projects.
  - Submission of full application by LP



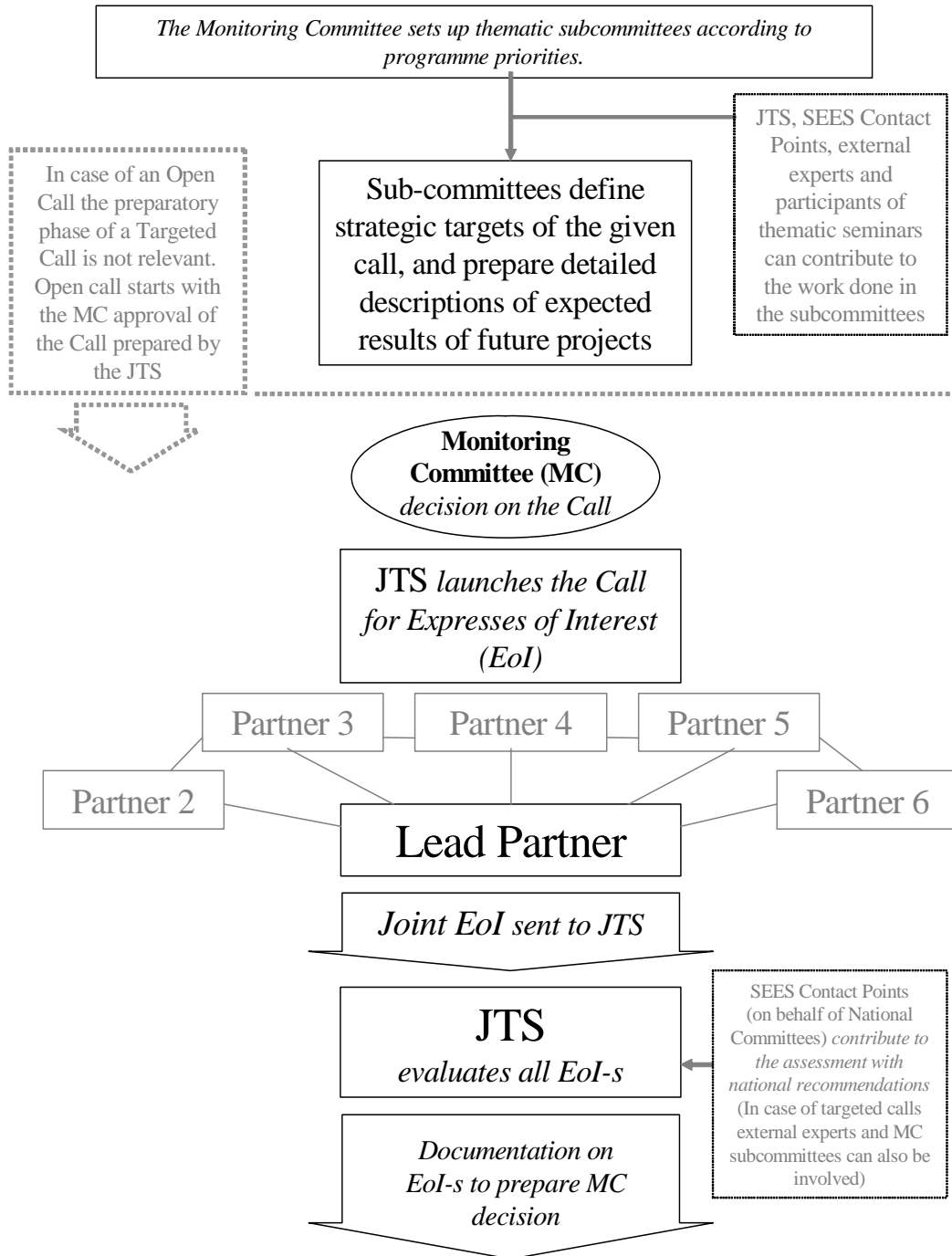
Final decision on approval/rejection of projects is the responsibility of the Monitoring Committee. MC might create sub-committees and involve external experts to the generation and evaluation of projects if necessary.

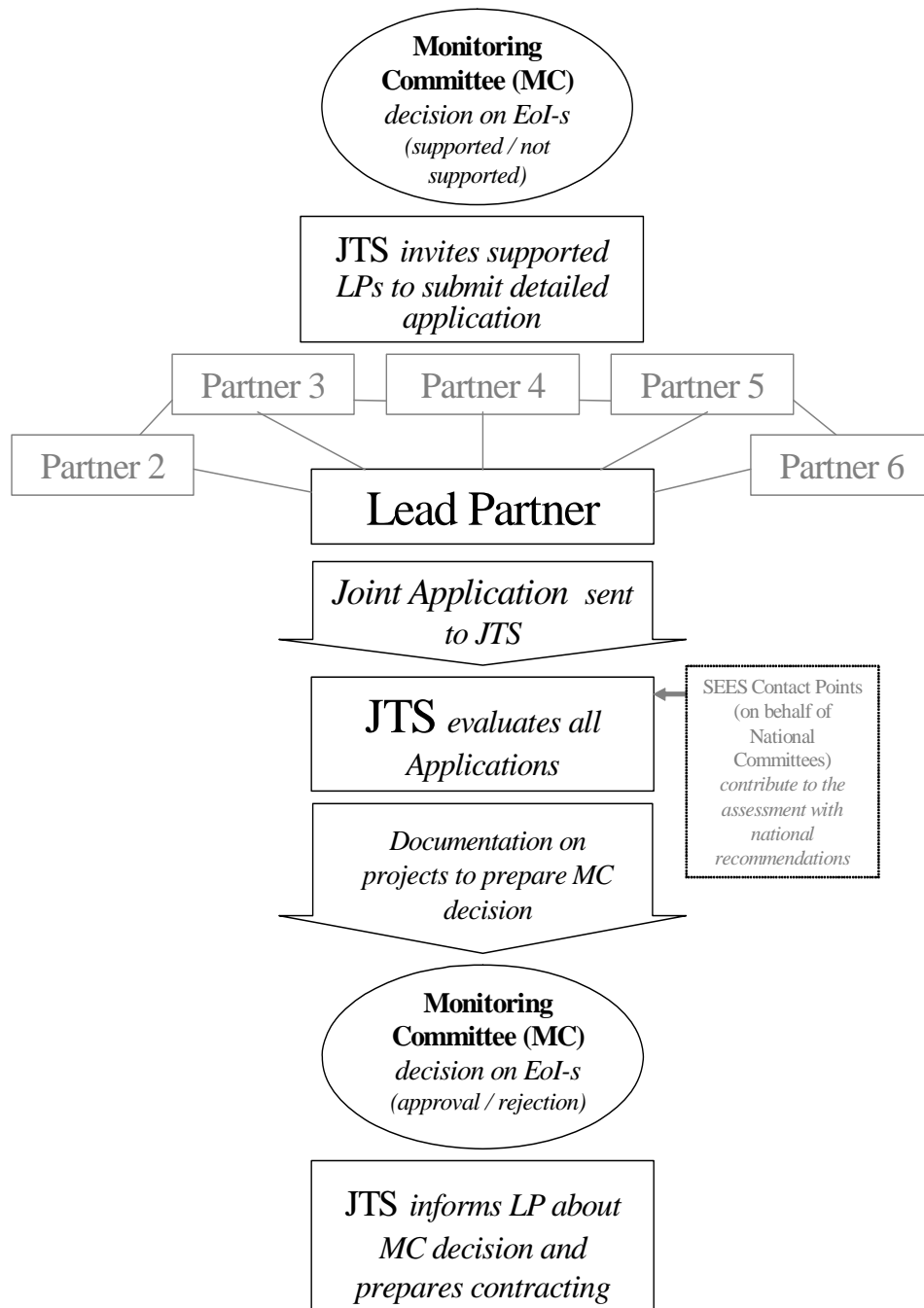
Detailed procedures on project generation, application and selection will be developed by the JTS (with the involvement of the SCPs where it is necessary), approved by the MC and will be communicated to potential applicants in form of detailed *Applicants Manuals*.

## Targeted/Open call for proposals/One-step application



## Targeted/Open call for proposals / Two-step application





### 7.2.1 Project generation

Assistance and support will be given to those developing projects. This support comprises the following elements:

- all Partner States in the programme are taking care of spreading information on funding to potential applicants – with the support of the Joint Technical Secretariat. All activities of this kind will be integrated in the Information and Publicity Plan, especially if TA funds are to be used;

Information on calls for proposals to potential applicants will be given in principle by the Joint Technical Secretariat SEES Contact Points as well as the Joint Technical Secretariat will take care of keeping the responsible authorities of Partner States informed about opportunities to joint project development.

While generating projects the following have to be secured:

- all potential applicants and project partners get the same information wherever they might be located;
- assisting the establishment of partnerships by helping to find interested actors, e.g. by means of a database or events;
- providing technical assistance to projects (e.g.: in form of model-contracts, etc).

## 7.2.2 Project selection

Project selection will be the overall responsibility of the Monitoring Committee. In order to achieve programme goals, the SMC will seek for projects with real transnational character, reflected in the:

- the relevance of the topic/ theme
- the concreteness of the envisaged results and impacts
- the quality of the partnership of the project
- cost-benefit efficiency in terms of mobilized resources (financial, human, natural and cultural ones).

In course of the selection process, two different sets of criteria are applied to come to the decision of approving an application. A first set consists of *eligibility criteria* – it gives the minimum requirements that an application has to meet. Projects which do not fulfil the eligibility criteria are sorted out. The second set consists of *quality criteria* – these criteria form the basis for an assessment of the application with the aim of bringing the projects in a certain ranking for selection.

Detailed criteria (including eligibility and quality criteria) used in course of project selection will be developed by the JTS in cooperation with the SCPs and potential sub-committees involved, approved by the MC, and will be communicated to potential applicants in form of detailed *Applicants Manuals*.

The Monitoring Committee can restrict the scope of eligible applicants in a given Call for Proposals taking into account the specific arrangements of the given Call.

### *Eligibility Criteria*

*ERDF Regulation Article 19. 1.  
Selection of operations*

Operations selected for operational programmes aimed at developing cross-border activities as referred to in Article 6(1) and at establishing and developing transnational cooperation as referred to in Article 6(2) shall include beneficiaries from at least two countries, of which at least one shall be a Member State, which shall cooperate in at least two of the following ways for each operation: joint development, joint implementation, joint staffing and joint financing.

The selected operations fulfilling the abovementioned conditions may be implemented in a single country provided that they have been presented by entities belonging to at least two countries.

- partners from a minimum of three Partner States, of which at least one shall be from a Member State;
- not more than 40% of the total Community contribution (ERDF, IPA, ENPI) is allocated to one of the partners;
- project directly addresses a priority of the programme;
- partners of the project are eligible (according to the eligibility rules set out in the Operational Programme and the respective Call for proposals);
- foreseen expenditures to be reimbursed from Community funds are eligible (according to the eligibility rules set out in the Call for proposals);

Eligible applicants

**Option1:**

Eligible project partners of the SEES program are as follows:

- public authorities;
- public equivalent bodies:

any legal body governed by public or private law

(1) established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character, and

(2) having legal personality, and

(3) - either financed, for the most part, by the State, or regional or

local authorities, or other bodies governed by public law,

- or subject to management supervision by those bodies,

- or having an administrative, managerial or supervisory board,

more than half of whose members are appointed by the State,

regional or local authorities or by other bodies governed by public law

**Option2:**

The circle of eligible applicants is defined according to article 2 of the general provisions.

**Article 2 of Council Regulation (EC) No 1083/2006**

(4) 'beneficiary': an operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations. In the context of aid schemes under Article 87 of the Treaty, beneficiaries are public or private firms carrying out an individual project and receiving public aid;

The responsibility of keeping the State Aid rules during the implementation is installed to each Member State by the treaty. For this purpose each MS has to name a State Aid Authority and contact person whom will be able to provide the MA with proper data about aid schemes in their Country until the end of the implementation of the OP. Parallel with this each MS bears the responsibility of threatening and infringement of State aid rules and the common market towards the EC.

Besides these general eligibility rules Monitoring Committee may set specific eligibility rules in case of the different Calls.

## 7.2.4 Involving actors from other transnational programmes

Involving actors from other transnational programmes will be managed in line with related EC regulations:

*ERDF Regulation Article 21*

*Special conditions governing the location of operations*

2. In the context of transnational cooperation and in duly justified cases, the ERDF may finance expenditure incurred by partners located outside the area participating in operations up to a limit of 20% of the amount of its contribution to the operational programme concerned, where such expenditure is for the benefit of the regions in the cooperation objective area.

In duly justified cases, the program will make use of the “20% rule”. Financial involvement of other actors outside the programme area is possible if the corresponding control and audit procedures and the related legal system meets the requirements set up by the MA. Related activities and payments will be closely monitored and reported by the JTS during the whole program period.

Detailed procedures on the use of the “20 percent rule” will be developed by the MC (with the involvement of the JTS and other relevant actors), and will be communicated to potential applicants in form of detailed *Applicants Manuals*.

## 7.3 Involvement of non-EU-member SEES partner states

### Involvement of non-EU-member SEES partner states

The involvement of non-member states in transnational projects is a crucial element of the programme. Without the substantial participation of non-member states at programme and project level, the programme will be faced with difficulties in meeting its objectives. Therefore each relevant actor (EC services, Partner States) should make efforts during the whole programme period to improve the respective regulatory, institutional and financial framework.

#### 7.3.1. *Participation at programme level*

The aim of the programme is to encourage non-member states to fully integrate to the programme. As soon as a SEES partner state delegates member(s) to the Monitoring Committee and sets up a national committee (or involves national, regional and local level by other appropriate procedures – see point 1.7) it is accepted as **full member** in the programme.

Full membership provides equal rights and possibilities for participating in the management of the SEES programme. It makes possible to every SEES partner state to delegate members to MC subcommittees, take part in all decisions, develop the same structures at country level (setting up SEES Contact Points, etc).

For SEES accession and pre-accession partner countries full membership in the programme can be an important stage in preparing for accession.

Chairing tasks of the programme – rotated among partner states on a yearly basis – can also facilitate institutional involvement of non-member states. By having two countries acting together as chair and co-chair, the awareness and preparedness of the co-chairing non-member state can raise significantly.

### 7.3.2. Participation at project level – financing

The core issue of project level involvement of non-member states is of course financing of participation of project partners. Throughout the programme implementation period, those solutions allowing the most harmonized management of the different funds at programme level and the most ERDF-like project management approach in non-member state partners will have to be found and applied. In order to achieve this goal, close co-operation is necessary between relevant EC directorates , programme management bodies (MA, JTS), MC and relevant national authorities. A crucial element of this co-operation is that non-member state MC members have to have direct daily contact to institutions responsible for the funding sources of the given non-member state. Funding of the SCPs in the non member states should be provided by the concerned external and national financial instruments.

Sources for funding participation of non-member state project partners preferably should come from other (IPA, etc) EU sources allocated at programme level. For fast and simple involvement of the non Member State partners the respective ERDF flexibility rule can be applied, although it makes possible only a very limited participation considering both financial and content-wise aspects

#### 7.3.2.1. ERDF – application of 10 percent flexibility rule

*ERDF Regulation Article 21*

3. In the context of cross-border, transnational and interregional cooperation, the ERDF may finance expenditure incurred in implementing operations or parts of operations on the territory of countries outside the European Community up to a limit of 10% of the amount of its contribution to the operational programme concerned, where they are for the benefit of the regions of the Community.
4. Member States shall ensure the legality and regularity of these expenditures. The managing authority shall confirm the selection of operations outside the eligible areas as referred to under paragraphs 1, 2 and 3.

The “10 percent flexibility rule” should be used to encourage the involvement of non-member state partners in the programme by using the ERDF budget to finance external expenditures in the context of a project. It is the quickest and most simple financial instrument to involve non-member state partners. A limited set of eligible costs should be developed and decided at programme level introducing limitations with respect to general programme level rules. The benefit brought to the EU territory by the ERDF resources spent externally has to be monitored during both project selection and validation of project costs. The overall responsibility for the management of external expenditures of the project via the 10 percent rule lies with the member state LP of the project.

As a general rule, the 10 percent flexibility rule will be available for all projects, i.e. all projects will have the possibility to plan 10 % of their ERDF budget to spend outside the EU territory. The Monitoring Committee however, has the right to revise this general approach during programme implementation, and to decrease or raise the percentage from call to call. In any case, the MC has to respect the limit of 10 % flexibility at the level of the programme budget.

Detailed procedures on the use of the “10 percent rule” will be developed by the MA/JTS, with the involvement of the other relevant actors, and will be communicated to potential applicants in form of detailed *Applicants Manuals*.



### 7.3.2.2 IPA funding

The EC provides IPA funds at programme level to finance participation of non-member state partners.

The joint management of ERDF and IPA resources will be based on the following principles:

- joint system of project application and selection: project partners will have to submit one joint application form (and expression of interest); non-member states will be involved in project evaluation and selection at programme level;
- as a general rule the IPA contracts will be managed in a centralized way (from Brussels). Some tasks regarding contracting, implementation or monitoring can be delegated to the MA/JTS;
- Programme management bodies, the partner states and the EC will seek for further solutions to manage external funds – to integrate the existing ones – these will be elaborated during the programming period.

#### Project management

The possibility to initiate projects and to act as a Lead Partner will be open for all organisations eligible for the SEES Programme. In a project partnership with partners from both Member States and Non-Member States a Lead Partner coming from a Non-Member State will act only as 'functional LP' as it cannot take financial responsibilities for ERDF-funds. In such projects a separate 'financial LP' from a Member State will be needed for managing the ERDF-Funds."

#### Contracting procedures

Based on the formal project approval by the MC the MA/JTS concludes an **ERDF subsidy contract** with the ERDF-LP. The MA/JTS will use an ERDF subsidy contract form approved by the MC.

The legally binding subsidy contract of a project shall be reported by the JTS to the Programme Monitoring System.

**Project parts financed by IPA/ENPI** will be contracted separately from ERDF project parts. The Contracting Authority for IPA funds will be the EC in Brussels. The JTS of the SEES programme may support the EC contracting procedures for IPA/ENPI funds. Contracting procedures will be harmonized to the maximum extent possible.

Considerable development in harmonizing procedures is foreseen by the program and the respective EC services. For example the tasks of IPA contracting and the implementation may be partly or fully delegated by the EC to the MA/JTS on the basis of a separate agreement.

#### Project reporting

Reporting related to the payment requests submitted by the Lead partners will be prepared separately for ERDF and IPA contracts. In case of projects financed from ERDF and IPA jointly, a JOINT ACTIVITY report should be prepared **additionally** by the Lead Partner/functional lead partner and cover the whole project activity, financial progress and the realisation of partnership."

### **7.3.2.3 ENPI and other financial sources**

In order to make the participation of non-member state partners possible further integration of EC or national sources are considered vital. It is preferable to integrate this kind of additional sources at programme level. The involvement of ENPI funds would be welcomed by the programme, solutions regulating this kind of financial input might be elaborated throughout the programme period.

### Tasks of the Lead Partner

	Tasks of an ERDF Lead Partner	Tasks of an IPA Lead Partner
In the role of a functional Lead Partner	<b>submission of the project application;</b>	
	<b>Co-signing the ERDF or IPA contracts respectively or signing partnership agreement and declaration</b>	
	<b>transnational project management and overall co-ordination;</b>	
	<b>collecting information about all project parts and monitoring and reporting about progress of the whole project in the framework of the agreed monitoring system;</b>	
In the role of financial LP	co-ordination of submission of the project application for ERDF contribution;	co-ordination of submission of the project application for IPA contribution
	signature of ERDF contract for the whole project (together with the functional LP when applicable);	signature of IPA contract for the whole project (together with the functional LP)
	financial responsibility for the ERDF funds including liability to the MA for the total amount of the ERDF subsidy	financial responsibility for the IPA funds
	submission of payment claims to the JTS on the basis of the ERDF contract	request of payments from the EC/CA on the basis of the IPA contract
	monitoring and reporting of financial flows for the ERDF funds;	monitoring and reporting of financial flows for the IPA funds;
	facilitating audit by all relevant EC and national authorities (ERDF contract)	facilitating audit by all relevant EC and national authorities (IPA contract)
	it shall lay down the arrangements for its relations with the beneficiaries participating in the operation (i.e. the other partners) in an agreement comprising, <i>inter alia</i> , provisions guaranteeing the sound financial management of the funds allocated to the operation, including arrangements for recovering amounts unduly paid; (ERDF Regulation- Art. 20)	it shall lay down the arrangements for its relations with the beneficiaries participating in the operation (i.e. the other partners) in an agreement comprising, <i>inter alia</i> , provisions guaranteeing the sound financial management of the funds allocated to the operation, including arrangements for recovering amounts unduly paid;
	it shall be responsible for ensuring the implementation of the entire operation; (ERDF Regulation- Article 20)	it shall be responsible for ensuring the implementation of the entire operation;
	it shall ensure that the expenditure presented by the beneficiaries participating in the operation has been incurred for the purpose of implementing the operation and corresponds to the activities agreed with those beneficiaries; (ERDF Regulation- Article 20)	it shall ensure that the expenditure presented by the beneficiaries participating in the operation has been incurred for the purpose of implementing the operation and corresponds to the activities agreed with those beneficiaries;
	it shall verify that the expenditure presented by the beneficiaries participating in the operation has been validated by the controllers; (ERDF Regulation- Article 20)	it shall verify that the expenditure presented by the beneficiaries participating in the operation has been validated by the controllers;
it shall be responsible for transferring the ERDF contribution to the beneficiaries participating in the operation. (ERDF Regulation- Article 20)	it shall be responsible for transferring the contribution to the beneficiaries participating in the operation.	

## 7.4 Information and publicity

Information and publicity strategy of the programme shall be carried out in accordance with respective EC regulations:

*General Provisions Article 69  
Information and publicity*

1. The Member State and the managing authority for the operational programme shall provide information on and publicise operations and co-financed programmes. The information shall be addressed to European Union citizens and beneficiaries with the aim of highlighting the role of the Community and ensure that assistance from the Funds is transparent. The Commission shall adopt implementing rules for this Article in accordance with the procedure referred to in Article 103(3).
2. The managing authority for the operational programme shall be responsible for publicity in accordance with the implementing rules of this Regulation adopted by the Commission in accordance with the procedure referred to in Article 103(3).

Detailed regulation and requirements related to Information and Publicity are set out in *Articles 2-9 of the Implementation Regulation*.

### 7.4.1 Objectives

The general aim of the IP strategy is to highlight the role of the Community and to ensure that assistance from the Funds is transparent by proactively disseminating information and providing platforms that stimulate exchanges of experience in order to raise the awareness with the general public.

The general objectives of the IP strategy are:

- Spreading information on the opportunities of this programme and ensuring transparency for the target groups of the programme including relevant actors from the point of view of specific programme priorities;
- Making the general public more aware of the results and benefits achieved by transnational projects.
- Informing correctly, in due time, the potential beneficiaries upon the rules and procedures in order to ensure sound project implementation.

### 7.4.2 Target groups

Communication primarily should be directed to potential applicants and beneficiaries to ensure that they are properly and in time informed about the opportunities of funding, about calls for proposals and simultaneously to make sure that they understand the administrative process.

The second target group is the general public as indirect beneficiaries who should be aware of the results and benefits achieved by the projects. Information on the results of the projects should also be provided to institutions involved in policy-making in fields related to SEES priorities.

### 7.4.3 Responsibilities

Besides the MA's overall responsibility for the communication with the beneficiaries and the public in practice information and publicity actions are carried out by the JTS and SEES Contact Points. Actions are carried out according to an *Information and Publicity Plan* (IPP) – including indicative budget for implementation – to be developed by the JTS and adopted by the Monitoring Committee on a yearly basis.

*Tasks of the JTS:*

- *to develop an overall system for public relations connected to the programme and to elaborate a common corporate identity for the programme to be used in all means of communication,*
- *to develop an overall IPP for the whole programme period, to be sent to the Commission within four months of the date of adoption of the operational programme (according to Article 6 of the Implementation Regulation),*
- *to develop Information and Publicity Plans on a yearly basis,*
- *to develop informational material for dissemination (both electronic and hard copies),*
- *to create, maintain and update the Internet homepage,*
- *to organise information events with partners from the programme area,*
- *to maintain necessary public relations with the media,*
- *to be responsive to any request of information,*
- *to appoint a staff member responsible for information and publicity,*
- *to organize a major information campaign publicizing the launch of the programme, even in the case of the absence of the final version of the communication plan,*
- *to organize at least one major information activity a year, presenting either the launch of the call for proposals or the achievements of the programme including, where relevant, major projects,*
- *to publicize the list of beneficiaries, the names of the operations approved and the amount of public funding allocated to the operations (the JTS has to ensure that a beneficiary is informed that acceptance of funding is also an acceptance of their inclusion in the list of beneficiaries published in accordance with Article 7 (c). of the Implementation Regulation);*
- *To draw up a visual identity manual of the Programme in accordance with Articles 8 and 9 of the Implementation Regulation.*

At national level the SCPs have the following tasks:

- *to present and represent the programme at national level so that partners are able to collect information necessary for developing projects,*
- *to provide information to assist (potential project partners in project development,*
- *to develop and deliver country specific information to the JTS for use on the Internet site.*
- *additional specific activities of transnational character which contribute to achieving programme goals can be carried out by SCPs (see the "Programme management structure – SEES Contact Points" section of the OP)*
- *to develop certain communication activities for the eligible beneficiaries (seminars, round tables, printed materials – leaflets, fliers etc.) Foreseen IP activities of both the JTS and the SCPs have to be included in the yearly IPP. ERDF technical assistance can cover expenses related to IP activities previously included in the IPP.*

The responsibilities of beneficiaries related to information and publicity measures for the public are laid down in *Article 8 of the Implementation Regulation*.

The technical characteristics of information and publicity measures aimed at beneficiaries, potential beneficiaries and the public are defined in *Article 9* of the same regulation.

#### **7.4.4 Monitoring and evaluation of the communication plan**

In line with *Article 3 of the Implementation Regulation*, the MC of the programme has to be informed by the MA/JTS of progress in implementing the communication plan, of information and publicity measures carried out and of the means of communication used.

The annual reports and the final report on implementation of the programme have to contain some examples of information and publicity measures for the programme taken in implementing the communication plan. The annual implementation report for the year 2010 and the final implementation report have to contain the evaluation of these measures. In addition, the annual implementation report shall set out the content of any amendment to the overall communication plan.

## 7.5 Project level implementation and programme level financial management

### 7.5.1 Project level implementation

The project implementation from contracting to project closure included reporting obligations and payment of Funds will be executed according to the regulations and rules relevant for the financial instruments of the Programme (ERDF, IPA, etc.).

#### 7.5.1.1 The Lead Partner principle

Lead Partner principle is a basic requirement for all operations financed from the Programme.

##### *ERDF Regulation Article 20*

##### *Responsibilities of the lead beneficiary and the other beneficiaries*

1. For each operation, a lead beneficiary shall be appointed by the beneficiaries among themselves. The lead beneficiary shall assume the following responsibilities:
  - a) It shall lay down the arrangements for its relations with the beneficiaries participating in the operation in an agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid.
  - b) it shall be responsible for ensuring the implementation of the entire operation;
  - c) it shall ensure that the expenditure presented by the beneficiaries participating in the operation has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the beneficiaries participating in the operation;
  - d) it shall verify that the expenditure presented by the beneficiaries participating in the operation has been validated by the controllers;
  - e) it shall be responsible for transferring the ERDF contribution to the beneficiaries participating in the operation.

The project will be represented by the Lead Partner who will act as the only direct contact between the project and the joint management bodies of the SEES programme. It is the responsibility of the Lead Partner to create a well working consortium based on a partnership agreement ensuring the proper and sound implementation of the project.

#### 7.5.1.2. Contracting procedures

Based on the formal project approval by the MC the MA/JTS concludes the *ERDF subsidy contract* with the ERDF-LP. The MA/JTS will use an ERDF subsidy contract form approved by the MC. The legally binding subsidy contract of a project shall be reported by the JTS to the Programme Monitoring System.

### **7.5.1.3. Project reporting**

Reporting related to the payment requests submitted by the Lead partners will be prepared separately for the ERDF contract and the IPA contract. In case of projects financed from ERDF and IPA jointly, interim report should be prepared **additionally** by the Lead Partner/functional lead partner on the whole project activity, financial progress and the realisation of partnership in every six months.

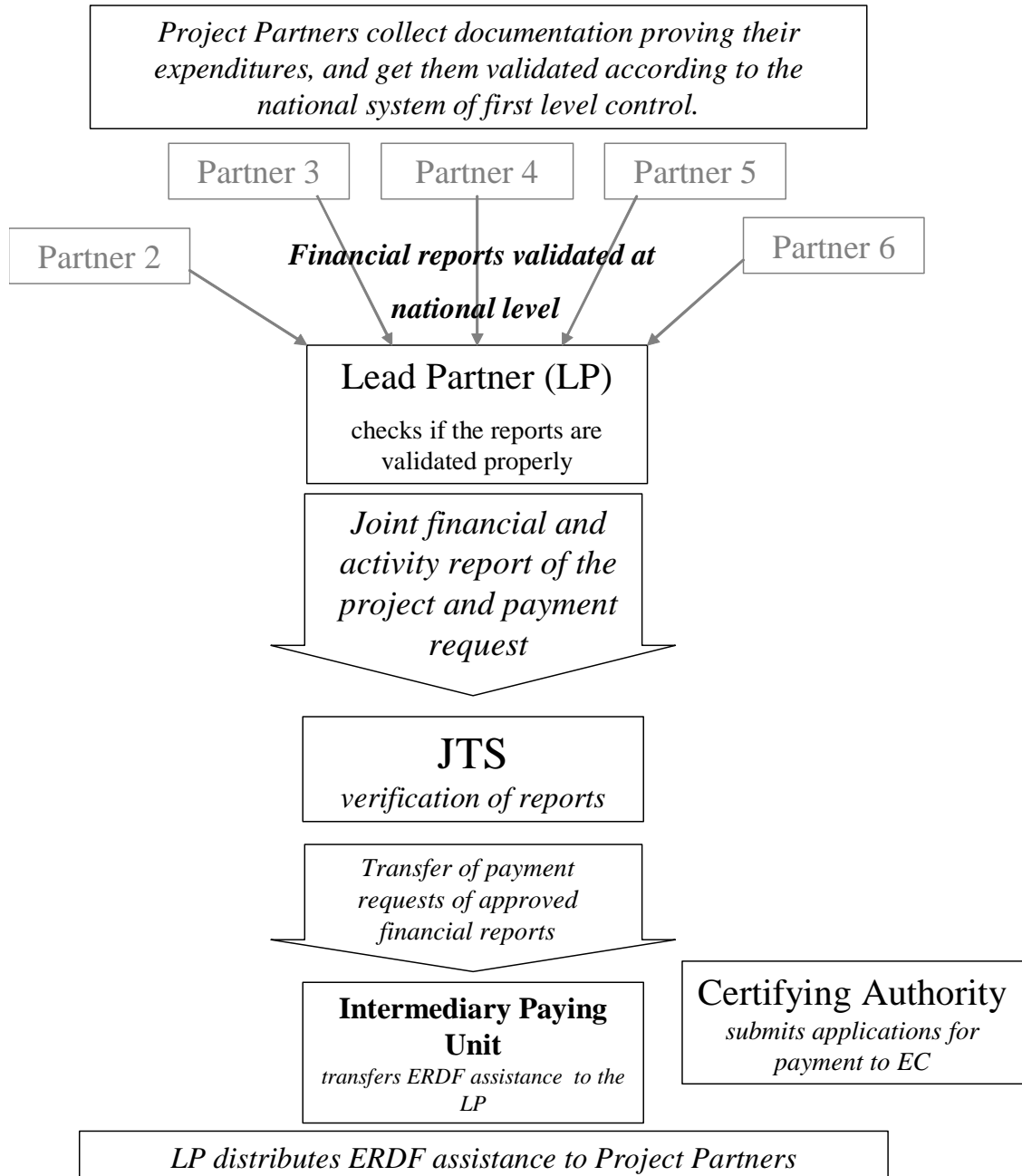
#### *Reporting Obligations - ERDF*

Progress reports and payment claims will be linked during the project implementation period. Therefore, the Lead Partner of the project may request ERDF payment by providing proof of progress as described in the work plan of the project.

Progress reports and payment claims should be submitted on a regular basis in each year of the project implementation. The final report should be submitted with the last payment claim within three months after completion of the project. Reporting deadlines will be given in the subsidy contracts. Detailed rules of reporting – including the list of responsible bodies for validation of expenditures at national level – will be set out in the “Common control guidelines” of the programme.



## Financial management of projects (ERDF part)



## 7.5.2 Control systems to validate expenditures

According to *Article 16 of the ERDF Regulation*, each Member State shall set up a control system to validate the expenditures at national level:

*ERDF Regulation Article 16  
Control system*

1. In order to validate the expenditure, each Member State shall set up a control system making it possible to verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure and of related operations, or parts of those operations, with Community and its national rules.  
For this purpose each Member State shall designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation. Member States may decide to designate a single controller for the whole programme area.  
Where the delivery of the products and services co-financed can be verified only in respect of the entire operation, the verification shall be performed by the controller of the Member State where the lead beneficiary is located or by the managing authority.
2. Each Member State shall ensure that the expenditure can be validated by the controllers within a period of three months.

In accordance with Article 13 of the Implementation Regulation, verifications to be carried out at national level shall cover administrative, financial, technical and physical aspects of operations. Verifications shall ensure that the expenditure declared is real, that the products and services have been delivered, and that the operations and expenditures comply with relevant Community and national rules. The process of verification carried out by the controllers at national level includes 100 % administrative verification and on the spot verifications, as appropriate.

The Managing Authority, the JTS and the Certification Authority should be regularly informed on the control system set up by each Member States.

In order to ensure the common understanding of the rules applied for control at national level *Guidelines for control* including detailed checklists will be developed at programme level. The common Guidelines for Control will be the basis for the guidelines prepared at national level. The national level guidelines have to be developed in line with the relevant EC and national regulations. These guidelines should be available in due time on the programme homepage as well.

The representatives of controllers of each Member States participating in the SEES programme will set up a *working group*. The work of this group will be co-ordinated and supported by the JTS. Regular consultation for the members of the working group shall be organised during the programme implementation period.

## 7.5.3 National co-financing

Each Member State shall decide on its own national co-financing system to ensure national sources for the projects approved by the MC.

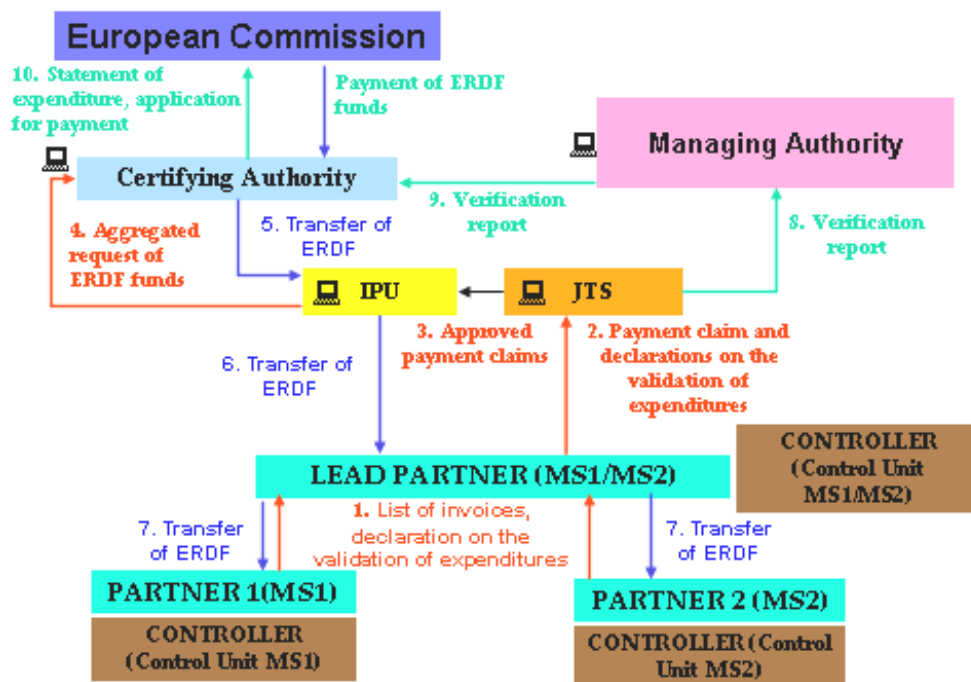
**Procedures for national co-financing disbursement to beneficiaries and contracts, if necessary, shall be defined separately from ERDF by the respective national authorities..** The subsidy contracts for national co-financing shall be concluded at project partner level, after the signature of the ERDF subsidy contracts between MA/JTS and LP and the partnership agreement between the project partners. The validation of expenditures for national co-financing shall be carried out in the same system as the ERDF funds.

National co-financing sources will be paid to the project partners through the respective national authorities thus separately from ERDF Funds.

### 7.5.4 Description of ERDF financial flows and procedures from project level to programme level

Financial management of projects, including payment of ERDF funds and IPA will be executed separately according to the relevant regulations.

The steps of financial flows for ERDF are presented by the following flowchart:



#### 7.5.4.1. Validation of expenditures

All expenditures included in a payment claim must be validated by the designated controllers at national level. . Expenditures incurred in national currency will be converted into euro on the date of the validation of expenditures by the responsible controllers. The amount shall be converted into

euro using the monthly accounting exchange rate published by the Commission in the month during which the expenditures are validated by the responsible controllers.

#### *7.5.4.2. Verification by the Lead partner*

- The Lead Partner shall collect the validation of expenditures (in euro) from all project partners, accompanied by the financial report containing detailed list of invoices and expenditures, validated by the respective controllers of the project partners.
- The Lead Partner shall verify that the expenditures presented by the project partners have been validated by the controllers designated at national level.

#### *7.5.4.3. Payment of ERDF funds to the Lead partner*

The main steps of the payment of ERDF funds are the followings:

- The Lead Partner should prepare the payment claim for the ERDF part of the project in euro on the basis of the validation of expenditures submitted by the project partners.
- Payment claim and the progress report shall be submitted to the Joint Technical Secretariat
- The JTS verifies the progress report and payment claim regarding if activities reported are in line with the project approved and all validation of expenditures have been issued by the designated controller at national level.
- The JTS forwards the approved payment claims to the Intermediary Paying Unit
- The Intermediary Paying Unit requests ERDF funds equivalent to the amount of the approved payment claims from the Certifying Authority
- The Certifying Authority transfers the requested amount of ERDF funds from the programme single bank account to the technical bank account held by the Intermediary Paying Unit.
- The Intermediary Paying Unit transfers the amount of ERDF funds in euro directly to the Lead Partner.
- After receiving the funds the Lead Partner distributes the appropriate amount of ERDF funds for each project partner.

#### *7.5.4.4. Programme level financial procedures (ERDF)*

The programme level financial procedures are primarily managed and coordinated by the Certifying Authority..

The main task of the Certifying Authority is to draw up and submit to the Commission certified statements of expenditure and applications for payment. The Certifying Authority performs system controls as well at the organization involved in financial procedures in order to assure an effective programme level financial management system that is in line with the relevant EC Regulations.

All ERDF payments by the Commission are transferred to the single bank account held by the Certifying Authority. *In line with Article 76 (2) of the General Provisions* payments shall take the form of pre-financing, interim payments and payments of the final balance.

*As set in Article 82 1.(c) of the General Provisions* the pre-financing amount for this Programme is 7% total, 2% in 2007, 3% in 2008 and 2% in 2009.

At the latest by 30 April each year, a provisional forecast of the likely applications for payment for the current and the subsequent financial year should be sent to the Commission. The Joint Technical Secretariat will be in charge of drafting this forecast and the Certifying Authority will submit it to the Commission. All statement of expenditure to be prepared by the Certifying Authority shall include for each priority axis the total amount of eligible expenditure paid by the Lead partner or partners implementing the projects as well as the public contribution paid to the project.

## **7.6 Monitoring and Evaluation**

### **7.6.1 Monitoring**

According to the Article 66(2) of General Regulation No.1080/2006, the Managing Authority and the Monitoring Committee shall carry out monitoring by reference to financial indicators and the indicators specified in the Strategic Chapter of the Operational Programme.

#### *7.6.1.1 Programme level monitoring*

In order to ensure the quality and effectiveness of the implementation of the OP, programme level monitoring activities need to be carried out.

#### *Managing the programme level monitoring – role of the Monitoring Committee*

As described in chapter 1.1 (Monitoring Committee) a joint Monitoring Committee should be set up within three months after the decision on the contribution of the funds.

The overall task of the Monitoring Committee is to ensure the quality and effectiveness of the implementation of the programme. The main tasks of the Monitoring Committee related to the programme level monitoring are:

- to review periodically progress made towards achieving the specific targets of the programme;
- to examine the results of implementation, particularly the achievement of the targets set out for each priority axis;
- to consider and approve the annual and final reports on implementation;
- to propose to the Managing Authority any revision or examination of the programme to improve its management.

The programme level monitoring tools are as follows:

#### *Annual report and final report on implementation:*

*General Provisions Article 67*

*Annual report and final report on implementation*

1. For the first time in 2008 and by 30 June each year, the managing authority shall send the Commission an annual report and by 31 March 2017 a final report on the implementation of the operational programme.
2. The reports referred to in paragraph 1 shall include the following information in order to obtain a clear view of the implementation of the operational programme:
  - (a) the progress made in implementing the operational programme and priority axes in relation to their specific, verifiable targets, with a quantification, wherever and whenever they lend themselves to quantification, using the indicators referred to in Article 37(1)(c) at the level of the priority axis;
  - (b) the financial implementation of the operational programme, detailing for each priority axis:
    - (i) the expenditure paid out by the beneficiaries included in applications for payment sent to the managing authority and the corresponding public contribution;
    - (ii) the total payments received from the Commission and quantification of the financial indicators referred to in Article 66(2); and
    - (iii) the expenditure paid out by the body responsible for making payments to the beneficiaries, where appropriate, financial implementation in areas receiving transitional support shall be presented separately within each operational programme;
  - (c) for information purposes only, the indicative breakdown of the allocation of Funds by categories, in accordance with the implementation rules adopted by the Commission in accordance with the procedure referred to in Article 103(3);
  - (d) the steps taken by the managing authority or the monitoring committee to ensure the quality and effectiveness of implementation, in particular:
    - (i) monitoring and evaluation measures, including data collection arrangements;
    - (ii) a summary of any significant problems encountered in implementing the operational programme and any measures taken, including the response to comments made under Article 68(2) where appropriate;
    - (iii) the use made of technical assistance;
  - (e) the measures taken to provide information on and publicise the operational programme;
  - (f) information about significant problems relating to compliance with Community law which have been encountered in the implementation of the operational programme and the measures taken to deal with them;
  - (g) where appropriate, the progress and financing of major projects;
  - (h) the use made of assistance released following cancellation as referred to in Article 98(2) to the managing authority or to another public authority during the period of implementation of the operational programme;
  - (i) cases where a substantial modification has been detected under Article 57.

The breadth of information transmitted to the Commission shall be proportional to the total amount of expenditure of the operational programme concerned. Where appropriate, such information may be provided in summary form.

Information referred to in points (d), (g), (h) and (i) shall not be included if there has been no significant modification since the previous report.
3. The reports referred to in paragraph 1 shall be judged admissible where they contain all the appropriate information listed in paragraph 2. The Commission shall inform the Member State on the admissibility of the annual report within 10 working days from the date of its receipt.
4. The Commission shall inform the Member State of its opinion on the content of an admissible annual report on implementation submitted by the managing authority within two months from the date of receipt. For the final report on an operational programme, the time limit shall be a maximum of five months from the date of receipt of an admissible report. If the Commission does not respond within the time limit laid down, the report shall be deemed to be accepted.

The annual reports will be drafted by the Joint Technical Secretariat and will be verified and submitted by the Managing Authority and approved by the Monitoring Committee before they are sent to the Commission.

*Annual examination of programme:*

*General Provisions Article 68  
Annual examination of programmes*

1. Every year, when the annual report on implementation referred to in Article 67 is submitted, the Commission and the managing authority shall examine the progress made in implementing the operational programme, the principal results achieved over the previous year, the financial implementation and other factors with a view to improving implementation.  
Any aspects of the operation of the management and control system raised in the last annual control report, referred to in Article 62(1)(d)(i), may also be examined.
2. After the examination referred to in paragraph 1, the Commission may make comments to the Member State and the managing authority, which shall inform the monitoring committee thereof. The Member State shall inform the Commission of the action taken in response to those comments.
3. When the ex post evaluations of assistance granted over the 2000-2006 programming period, where appropriate, are available, the overall results may be examined in the next annual examination.

*Indicator system*

For the operational programme a **subset** of quantified indicators will be applied taking into account the common minimum core indicators required by the Commission (*The New Programming Period, 2007-2013: Methodological Working Papers, Working Document No. 2, 1 June 2006*). The ex ante quantification of the targets is based on two parameters: the financial weight of the priority axes and an average project size drawn from previous experiences.

A **full set** of indicators will be further developed in a separate document (implementation manual). The full set of indicators serves for the **internal programme management** and forms an indispensable basis for the **reporting and communication needs** to make the programme achievements **visible** to the programme partners and to a broader public. Targets of the full set indicators may be ex-ante-quantified for internal use if appropriate. The full set of indicators is not part of the OP.

The indicators shall make it possible to measure the progress in relation to the baseline situation and the effectiveness of the targets implementing the priorities. The Joint Technical Secretariat will monitor these indicators.

*The indicator system will consist of two sets of indicators:*

- *The first one will be defined at the programme level in the strategic part of the operational programme and will monitor and evaluate the OP;*
- *The second one is settled to the level of every project and will help in the monitoring and evaluation of the projects implemented on the OP.*

*The responsible body with the monitoring of these indicators should be nominated in this section.*

*Project level monitoring*

The purpose of the project monitoring is to keep track of how the project is progressing in terms of expenditure, resource use, implementation of activities, delivery of results and management of risks. The monitoring activity of the project presumes the systematic and continuous collection of the information, input the data into the monitoring system, analysis of the value of the indicators defined in the project and use the system to support effective decision-making.

Joint Technical Secretariat may review project progress and performance on a periodic basis by monitoring the indicators of the project and take the necessary decisions to keep the project on track.

#### *7.6.1.2 Programme Monitoring and Information System*

The Managing Authority is responsible for the setting up of a system to gather reliable financial and statistical information on implementation for the monitoring indicators and for evaluation and forwarding these data in accordance with arrangements agreed between the Member States and the Commission using computer systems permitting the exchange of data with the Commission.

The common Monitoring and Information System of the SEES Programme will be based on a management information system which allows for data collection and monitoring at a transnational level. The system is to provide the competent bodies (Monitoring Committee, Managing Authority, Certifying Authority, Audit Authority, Joint Technical Secretariat, Intermediary Paying Unit, SEES Contact Points and National Committees with a practical tool to perform their tasks and should also foster communication and the flow of information among the Partner States. The system will support both the project cycle and the programme implementation.

The development and implementation of the Programme Monitoring and Information System shall be managed by the Joint Technical Secretariat, and financed from the TA budget.

#### **7.6.1.3. Exchange of Computerised Data**

Electronic data exchange between the Commission and the programme management institutions (MA, CA, JTS) is a requirement according to Article 39 of the Rules of Implementation. After having set up the Monitoring and Information system for the programme, in co-ordination with the European Commission, an efficient way of data exchange will be decided.

The computer system for data exchange shall be accessible for the relevant bodies of the programme and the Commission either directly or via an interface for automatic synchronisation and recording of data with the Programme Monitoring and Information System.

The computer system for data exchange shall be developed as a tool of exchange of all data relating to the operational programme. The computer system used must meet accepted security standards to ensure that the documents held comply with national legal requirements and can be relied on for audit purposes.

#### **7.6.2 Evaluation**

The aim of the evaluation is to improve the quality, effectiveness and consistency of the use of assistance, the strategy and the implementation of the programme. Evaluation shall be carried out before (ex-ante evaluation), ongoing evaluation and after (ex-post evaluation) the programming period. The Partner States shall provide the resources necessary for carrying out evaluations, organise the production and gathering of the necessary data and use the various types of information provided by the monitoring system.

The results of the evaluations shall be published on the website of the programme..



*In accordance with Article 48 of the General Provisions*, during the programming period, the Partner States shall carry out evaluations linked to the monitoring of the OP in particular where monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of the OP. This evaluation should be carried out by an independent assessor. The results of the evaluation shall be sent to the Monitoring Committee and to the Commission.

The Commission may carry out, at its initiative and in partnership with the Member States concerned, evaluations linked to the monitoring of operational programme where the monitoring of programme reveals a significant departure from the goals initially set. The results shall be sent to the Monitoring Committee. As a part of the closure of the Programme, the Commission shall carry out an ex post evaluation in close cooperation with the Partner States and Managing Authority. Ex-post evaluation shall be completed by 31 December 2015.

Evaluations shall be financed from the TA budget.

## **7.7 Specific implementation rules of the programme TA budget**

Technical Assistance is necessary to assist the joint structures (Managing Authority, the Joint Technical Secretariat and partly the SCPs) in implementing the programme. Taking into consideration the size and diversity of the programming area 6 % of the ERDF funds allocated to this programme will be used for the priority "Technical Assistance".

Technical Assistance budget will be used for assistance required to prepare, manage, implement, monitor, control and evaluate the programme. The JTS should provide support for efficient programme implementation by helping to co-ordinate the transnational co-operation at programme level.

Furthermore, TA budget should be used for tasks aimed to improve and assure proper programme implementation at project generation level (e.g. thematic seminars, information and publicity measures, evaluation) and to increase the overall quality of funded projects.

The following activities are to be carried out within the scope of TA in order to ensure the efficient administration of the programme:

- activities in connection with the preparation, selection, evaluation and support of projects
- activities to promote the capitalization of results;
- activities in connection with the support to joint structures;
- management and work of the Joint Technical Secretariat including staff supporting horizontal tasks;
- activities involving meetings of the Monitoring Committee and sub-committees in connection with interventions;
- examination of control and on-the-spot checks of operations;
- audit of the operations;
- the setting up, operation and maintenance of a common Monitoring and Information System for the administration, support and evaluation of the programme;
- preparation of reports and studies (e.g. annual reports, mid-term evaluation, etc.);
- information and publicity activities;

- promotion and assistance to potential final beneficiaries.

### 7.7.1 TA Budget

6 % of the programme's ERDF budget will be used to finance TA, with a **25%** national co-financing rate. EU member Partner States will transfer their national co-financing share to the programme's single account on a yearly basis.

### 7.7.2 Management of the Technical Assistance

Activities covered by TA will be financed using the project management approach. All programme management activities (i.e. work of the JTS, including development and management of the monitoring system, etc; or transnational project generation activities of SCPs; etc) to be reimbursed by TA shall be prepared in form of "TA projects". TA project plans shall include:

- objective
- activities
- target groups
- expected expenditures, etc

TA projects are implemented by programme management bodies (JTS, MA/CA, SCPs). TA project proposals have to be previously approved by the Monitoring Committee. Costs occurred while implementing the project will be reimbursed by the programme. Reimbursement will take place on the basis of occurred expenditures to be a subject of regular control. Programme management bodies implementing TA projects have to respect and follow the program level eligibility rules and procedures.

## 7.8 Audits

### 7.8.1 The Audits of the Operations

*Article 16 Implementation Regulation  
The Audits of the Operations*

1. The audits referred to in point (b) of *Article 62 (1) of the Regulation (EC) No 1083/2006* shall be carried out each twelve month period from 1 July 2008 on a sample of operations selected by a method established, or approved by the Audit Authority in accordance with Article 17.

The audits shall be carried out on the spot, on the basis of documentation and records held by the beneficiary.

The audits shall verify that the following conditions are fulfilled:

- The operation meets the selection criteria for the operational programme and has been implemented in accordance with the approval decision and fulfils any applicable conditions concerning its functionality and use or the objective to be attained
- The expenditure declared corresponds to the accounting records and supporting documents held by the beneficiary

- The expenditure declared by the beneficiary is in compliance with the Community and national rules
- Public contribution has been paid to the beneficiary

Where problems detected appear to be systemic in nature and therefore entail a risk of other operations under the programme, the Audit Authority shall ensure that further examination is carried out, including additional audits where necessary, to establish the scale of such problems. The relevant authorities shall take the necessary preventive and corrective actions.

The method of sampling for the operations to be audited should be in line with the Article 17 of the Implementation Regulation.

The Group of Auditors comprising a representative of each Member States will assist the Audit Authority as described in point 7.1.4.

## **7.9 Irregularities and recovery of funds unduly paid**

### **7.9.1. Definition**

*Article 2 (7) general provisions*

'irregularity': any infringement of a provision of Community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.

The responsibilities related to handling irregularities contain two main duties, one is the reporting to the Commission and the other is the recovery of the amounts unduly paid.

### **7.9.2 Reporting**

*Article 28 rules for implementation*

1. Without prejudice to the other obligations under Article 70 of Regulation (EC) No 1083/2006, within two months following the end of each quarter, Member States shall report to the Commission any irregularities which have been the subject of a primary administrative or judicial finding.

4. Irregularities relating to operational programmes under the European territorial cooperation objective shall be reported by the Member State in which the expenditure is paid by the beneficiary in implementing the operation. The Member State shall at the same time inform the managing authority, the certifying authority for the programme and the audit authority.

Each MS must send a copy of their quarterly reports to the JTS. The JTS shall make a register for these reports so it can inform the MA or the EC about the irregularities at programme level. This will provide the MA to follow up the irregularities at programme level.

### **7.9.3 Recovery**

The MA can recover money only from the natural or legal persons which are in contractual legal relation with the MA.

#### *7.9.3.1 Responsibility scheme*

The responsibility scheme is the limited responsibility. It means that the responsibility of the Member States is limited to the errors and expenditure irregularities committed by partners located their national territory.

In the implementation phase of the SEES OP two types of responsibilities can occur:

1. Contractual liability between the MA and the LB (parallel with this there is also contractual liability between the LB and the PP)
2. Legal liability between the EC and the concerning Partner State.

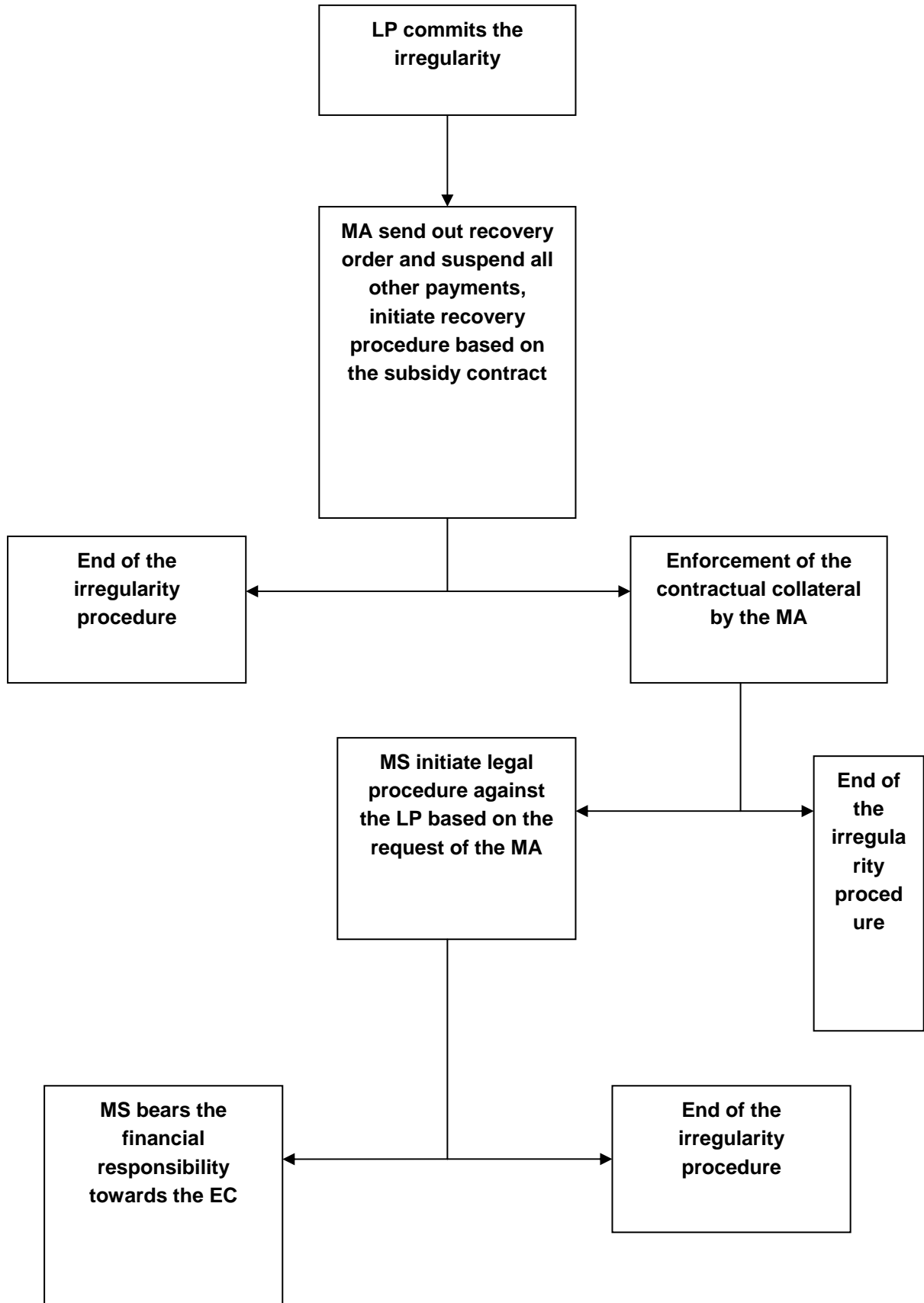
As a common legal principle contractual liability always „overtakes” the legal liability.

### **7.9.3.2 Recovery when the Lead Partner commits irregularity**

1. If the LP commits the irregularity the MA initiate a recovery procedure by a recovery order parallel with this suspends any other payments to the concerning LP.
2. The recovery procedure can be closed by two possible results:
  - The LP pays back the amounts unduly paid (Ends the irregularity procedure)
  - The LP doesn't pay back the amounts unduly paid
3. To solve the situation caused by the second possible result the following opportunities are available:
  - If there is a contractual collateral<sup>24</sup> the MA can enforce it to collect the unduly paid amounts
  - If there is no collateral or unenforceable is the collateral the MA request the concerning MS to initiate a legal procedure against the LP and sends her the documentation of the recovery procedure done by the MA (**this is the limit of the contractual liability**)
4. The MS initiate a legal procedure against the LP the two possible results are the followings:
  - The legal procedure is successful and the LP pays back the amounts unduly paid (Ends the irregularity procedure)
  - The legal procedure is unsuccessful the MS continue further legal procedures and bears the financial responsibility towards the EC (**legal liability**)

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<sup>24</sup> The Lead Partner can grant collateral to safeguard the fulfillment of its contractual relation related to the subsidy contract. Available collaterals are: bank guarantee, mortgage, and prompt collection order.

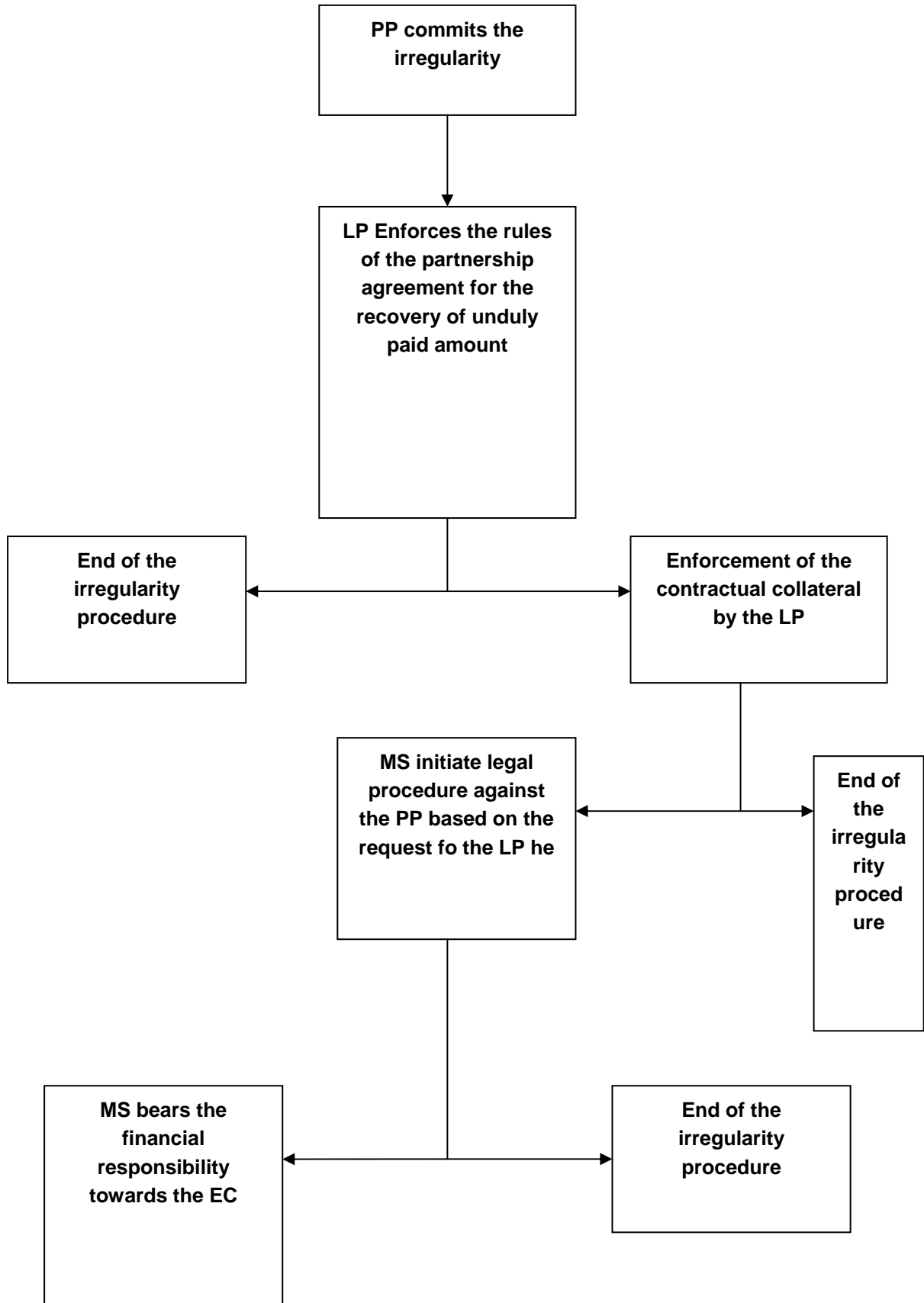


### **7.9.3.3 Recovery when the Partner commits irregularity**

1. If the PP commits the irregularity the LP Enforces the rules of the partnership agreement for the recovery of unduly paid amount.
2. The recovery procedure can be closed by two possible results:
  - The PP pays back the amounts unduly paid (Ends the irregularity procedure)
  - The PP doesn't pay back the amounts unduly paid
3. To solve the situation caused by the second possible result the following opportunities are available:
  - If there is a contractual collateral<sup>25</sup> the LP can enforce it to collect the unduly paid amounts
  - If there is no collateral or unenforceable is the collateral the LP request the concerning MS to initiate a legal procedure against the PP and sends her the documentation of the recovery procedure done by the LP ( **this is the limit of the contractual liability**)
4. The MS initiate a legal procedure against the PP the two possible results are the followings:
  - The legal procedure is successful and the PP pays back the amounts unduly paid (Ends the irregularity procedure)
  - The legal procedure is unsuccessful the MS continue further legal procedures and bears the financial responsibility towards the EC (**legal liability**)

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<sup>25</sup> The Project Partner can grant collateral to safeguard the fulfillment of its contractual relation related to the partnership agreement. Available collaterals are: bank guarantee, mortgage, and prompt collection order.



#### **7.9.4 Irregularities related to TA projects**

Irregularity can be committed by those who are benefited by the TA budget.

If any control or audit activity detects an irregularity related to a TA project the affected part of the management has to pay back the unduly paid amount to the Certifying Authority.

#### **7.9.5 Errors which are system in nature**

During the running of the system, errors can be detected which make impossible to detect irregularities or cause irregularities themselves. (For example there is a mistake in the call for proposals which indicates irregularities)

In this case if anybody detects an error like this, the MA/CA submits the whole documentation to the MS (MC) with a recommendation how to solve the problem. The MS (MC) make decision how to solve the problem.