

Final Report

**Analysis of needs for financial
instruments in the EU Strategy for
the Danube Region (EUSDR)**

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Abbreviations

BIFC	Balkan Incentive Fund for Culture
CBC	Cross-border-cooperation
CE	Central Europe
CEB	Council of Europe Development Bank
CIP	Competitiveness and Innovation Framework Programme
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECF	European Cultural Foundation
EIB	European Investment Bank
EIF	European Investment Fund
ELENA	European Local Energy Assistance
ENPI	European Neighbourhood Policy Instrument
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation programmes
EU	European Union
EUSDR	EU Strategy for the Danube Region
EWBJF	European Western Balkans Joint Fund
IFI	International Financial Institution
IPA	Instrument for Pre-Accession Assistance
JASPERS	Joint Assistance to Support Projects in European Regions
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
KfW	Kreditanstalt für Wiederaufbau
MA	Managing Authority
NCP	National Contact Point
OP	Operational Programme
PAC	Priority Area Coordinator
PL	Project Leaders
PP	Project Partners
RTDI	Research, Technological Development and Innovation
SF	Structural Funds
WBIF	Western Balkans Investment Framework

Executive summary

With the start of the implementation phase of the EU Strategy for the Danube Region (EUSDR), the question of how to finance the actions planned under the EUSDR became ever so relevant. The main objective of the „Analysis of needs for financial instruments in the EU Strategy for the Danube Region (EUSDR)“ is to identify the existing gaps in the implementation of the Strategy. The needs and expectations of the main stakeholders are identified along with existing financial and ‘non-financial’ instruments that can be used for implementing the EUSDR.

The study is based on an analysis of the current project landscape of the EUSDR informed by the Action Plan of the EUSDR (chapter 2). The key finding here is that most of the 124 EUSDR project examples from the Action Plan are still at the stage of an idea or in the preparation phase (88%) which highlights the importance of identifying the persisting needs for implementing the Strategy.

A central part of the study consists in examining financing instruments that are of relevance for the Danube Region (chapter 3). The study has identified a number of 38¹ financial instruments available throughout the Danube Region including non-repayable grants, repayable loans or guarantees. The study shows the large volume and great diversity of financial sources available, of which the European Commission is the main donor, often in cooperation with other institutions such as banks and international organisations (e.g. European Investment Bank, European Bank for Reconstruction and Development). However, these financial sources are not distributed evenly across the four thematic pillars of the EUSDR or the Danube Region countries. The further Danube countries are away from EU membership, the less funding opportunities are available to them.

The main focus of the study lies on the availability of funds under the European Regional Development Fund (ERDF) which finances 74 Operational Programmes (OP) of relevance to the EUSDR. The total funding of these 74 ERDF programmes indeed amount to 60.7 Bn. EUR (Union and national) within the current financing period 2007-2013. The European Territorial Cooperation programmes (ETC) are of utmost relevance for macro-regional strategies since they concentrate on the very essence of cross-border/ transnational cooperation. As such, 15 ETC programmes are relevant for the Danube Region amounting to 1.15 Bn. EUR. Given their geographic and thematic scope, the OP Central Europe and the OP South-East Europe are most pertinent to the characteristics and needs of the EUSDR.

After having shown what is actually available, the study moves on to identifying the needs and related gaps in the appropriate instruments of implementation (chapter 4). The main gaps identified in the study are:

- Financial resources are arguably limited given the uneven distribution of project activity in total and across pillars and Priority Areas (with a majority of capacity building projects).
- Incompatibility of regulations for funding instruments in the Member States and outside the EU (IPA, ENPI) inhibiting cooperation across some Danube Region Countries
- Bureaucratic barriers, such as administrative burden, timing of calls, lack of qualified/ experienced staff, etc.
- The lack of pre-financing poses major challenges for many applicants who have to finance preparation and implementation from their own resources until reimbursed, frequently after more than 6-8 months.

¹ The inventory of funding instruments does not claim to be complete but comprises the most common instruments in this area. Annex 5 contains more details on the instruments.

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- Co-financing involves complex process everywhere, and it has become increasingly difficult especially in the context of the economic recession.
 - Small projects face significant difficulties in finding the appropriate funding mechanism and overcoming administrative barriers.
 - Project preparation requires further support given that the study has demonstrated that the large majority of planned projects are still at conception stage or face difficulties in being launched.
 - Information about financing opportunities is insufficiently well disseminated.
 - Member States` and programme authorities` have to truly commit to the EUSDR.

Based on the gaps identified, the study concludes with recommendations on how to fill them.

Given that 88% of the project examples are still at conception or preparation stage, there is a strong need for early support of project ideas. The study therefore recommends to launch a Technical Assistance Implementation Facility to support project preparation (financial analysis, cost-benefit analysis, procurement planning), the application process (conception of the project, grant applications, budget) or provides advice on compliance with EU law (e.g. competition). Evidently this facility should target projects with a volume below EUR 25 mill. in order to avoid overlap with JASPERS.

In order to attract potential applicants and to inform applicants about existing opportunities and application processes, new transparent and user-friendly information tools should be developed to support information dissemination. The study recommends that, in addition to an integrated information tool for the entire Danube Region, the management and implementing bodies of existing OP organise project generation seminars focusing on the EUSDR.

The study also recommends that “one-stop shops” are developed to offer applicants a range of information about funding opportunities. They may take the form of a web-space which provides an overview of the funding opportunities offered by the EU along with the conditions.

Based on the finding that the private sector and, in some of the Priority Areas also non-governmental organisations (NGO) are underrepresented in implementing the EU Strategy of the Danube Region, a matchmaking platform could be set up to bring together mainly the private sector with financiers such as the European Investment Bank, the European Investment Fund, the World Bank, the European Council Bank, European Bank for Reconstruction and Development (EBRD).

Very small projects ranging from 10,000 up to about 200,000 EUR cannot afford the numerous bureaucratic challenges or time-consuming procedures involved for accessing funding but because barriers to apply for any EU funding are too high. These “very small” transnational or cross-border cooperation projects and activities are however highly relevant for generating the value-added of the Strategy through network and cooperation activities, transfer of know-how, and so forth, throughout a wide range of sectors. Therefore a Danube Region small project fund should be established possibly outside the SF framework should support such projects at a very early stage.

Part of these recommendations could be adopted in the current programme period (2007-2013). The remaining findings and conclusions should however be kept in mind when designing the funding programmes of the upcoming period of 2014-2020.

Introduction

With the endorsement of the EU Strategy for the Danube Region (EUSDR) by the European Council in June 2011 and the establishment of a cooperative working structure with the countries of the Danube Region by the Commission the Strategy entered its implementation phase. The Strategy and the appendant Action Plan comprise a great variety of proposals for cooperative action in order to achieve the joint objectives of the macro-region subsumed under the four pillars:

1. Connecting the Danube Region
2. Protecting the environment in the Danube Region
3. Building prosperity in the Danube Region
4. Strengthening the Danube Region

The Strategy and in particular the Action Plan is the result of a broad and very dynamic process of collection of ideas and interests of all kinds of stakeholders in the Danube Region and reflects the different issues of macro-regional importance and different necessities to improve policy delivery and policy results in the Danube Region.

By this Strategy the Commission and the Member States have agreed that the macro-regional level is key to “reinforce the integration of the whole Region ... (and) to strengthen EU policies and legislation implementation in the area. ... However (it needs) to address implementation gaps and practical or organisational difficulties leading to lack of results on the ground.”²

The implementation of the Strategy is stipulated as “the responsibility of all at country, regional, urban and local level.”³ This implementation by all will often take the form of concrete projects, which require a project leader and financial resources. Throughout the design phase (and beyond) the issues of financing of the Strategy have been very prominent in the discussion between the Member States and the Commission. Not least because the Commission has been taking a very firm stand on the issue, which was eventually also included in the final Communication, i.e. there will be “no new money” in the period 2007-2013. The implementation of the Strategy will be rather effectuated by “mobilising and aligning existing funding to its objectives”⁴ A comprehensive discussion on the funding issues of the Strategy was triggered by the High-level meeting in September 2010 in Belgrade. Within this debate in particular the representatives from the non EU Member States raised their concern about the lack of available funds not only from EU but also from national level. Furthermore the availability of the necessary (financial and non-financial) means to generate the desired – visible, effective, feasible and strategic – projects have been doubted by several stakeholders. As a consequence of these discussions an action was introduced into the Priority Area 10, namely “to examine the feasibility of a Danube Investment Framework”

Furthermore DG Regio commissioned this study as a first step to design “a facility to encourage support and implementation of Danube projects of real value-added and impact. The overall purpose is to create an environment that is favourable to the initiatives of promoters, in line with the Strategy and Action Plan”⁵.

The study has been charged with the following three tasks:

² COM (2010) 715 final

³ Ibid. P. 11

⁴ Ibid, p. 11

⁵ Tender specifications, p. 2

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- Identifying the needs and expectations of main stakeholders including Priority Area Coordinators (PACs), project leaders and promoters of ideas as well as Member States (Managing Authorities).
 - Identifying and describing the existing financial and 'non-financial' instruments.
 - Identifying the gaps and explaining how to fill them.

The study had to concentrate on the presently prevailing status quo, concerning both the needs and the instruments. However, a number of issues of relevance have changed during the elaboration period and therefore are only taken into account insufficiently:

- The aggravation of the absorption capacity in some of the Danube Region countries caused by the public austerity programmes and its effects on the possibility of (public) co-financing (in particular on local and regional level). Also the private sector in many countries (not only but probably more than average) in the Danube Region suffers under the increasing credit crunch, making it increasingly difficult to finance even profitable investment in particular for SME's and in countries with a relatively less developed financial services industry.
- On the other hand the proposals for the new regulation of Cohesion Policy have been released recently, which contain a number of innovations in response to the prevailing challenges in the financial sector and in any case will considerably change the delivery mechanisms of Structural Funds – by far the most important source of funding for the implementation of the Strategy.

Starting from a description of the project landscape as it is visible today (chapter 2) which is the departing point for the implementing agents of the Strategy (PAC, NCP⁶, IFI⁷) and an analysis of the financing instruments with relevance for the Danube Region in place (chapter 3), the study moves on to report on the findings with respect to needs and related gaps in appropriate instruments of implementation (chapter 4). Throughout the whole study the position of the potential project promoter/leader is taken, whereas the more administrative issues or policy delivery issues – though important for the success of the Strategy too – are largely left out. Chapter 5 presents the conclusions and elaborates some recommendations with predominantly short term chances for realisation.

⁶ National Coordinators

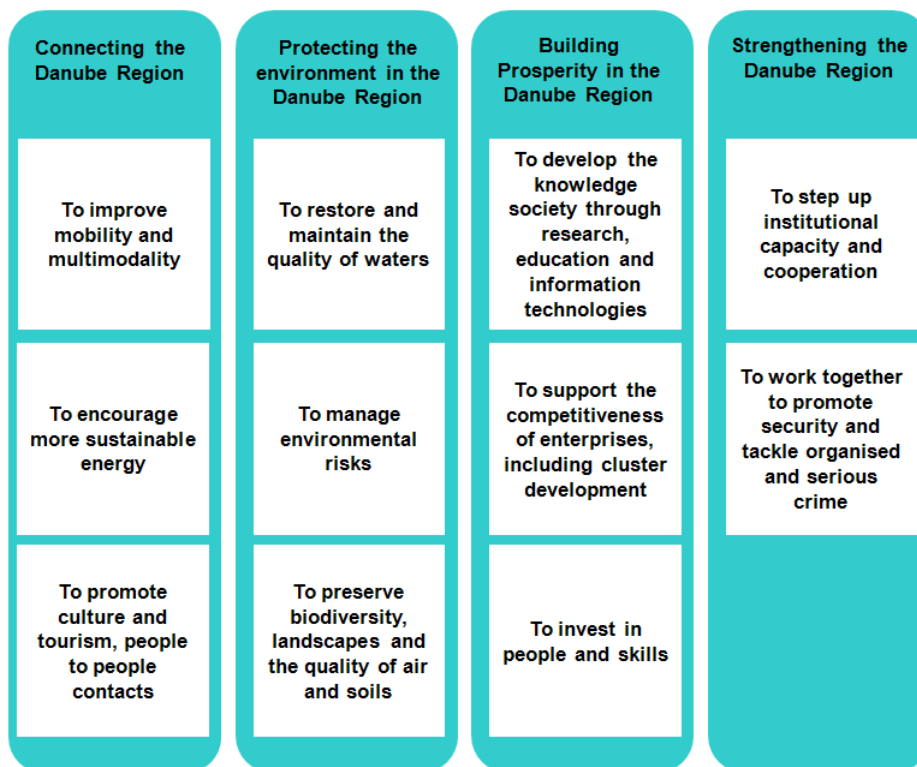
⁷ International Financial Institution

1 The EUSDR project landscape

1.1 Projects of the Action Plan

The EUSDR consists of four pillars which form the “core of the Strategy”, i.e. the headline issues to be addressed in the implementation (e.g. ‘Pillar 1: Connecting the Danube Region’). These four pillars are in turn divided into 11 Priority Areas (PA) in total (E.g. ‘PA 1: To improve mobility and multimodality’). These PA represent the main areas where the macro-regional strategy is to take action. Since the Strategy aims to encourage an integrated approach, each PA however relates to more than one policy field. Each PA is coordinated by a Priority Area Coordinator who are to work in close contact with relevant stakeholders such as the European Commission (EC), Regional and Local Authorities, Inter-Governmental and Non-Governmental Bodies, and so forth. Figure 1 depicts this basic structure of the EUSDR.

Figure 1. The Pillars and Priority Areas of the EUSDR



The Action Plan accompanying the European Union Strategy for the Danube Region⁸ includes an extensive list of projects and project ideas as examples of how the actions could be implemented under each Priority Area (PA). All together the Action Plan describes 124 project examples that are detailed and developed to varying extent. Some of these projects are transnational/ cross-border projects already running under European Territorial Cooperation (ETC) objective programmes. Yet the Action Plan does not include all transnational projects financed from ETC programmes of relevance to the Danube Region. Many of the approximately 175 projects of the South-East-Europe and the Central Europe programme would fit both geographically and

⁸ European Commission (2010), Action Plan accompanying the European Union Strategy for the Danube Region (EUDRS), SEC(2010)1489 final. Brussels, 8.12.2010.

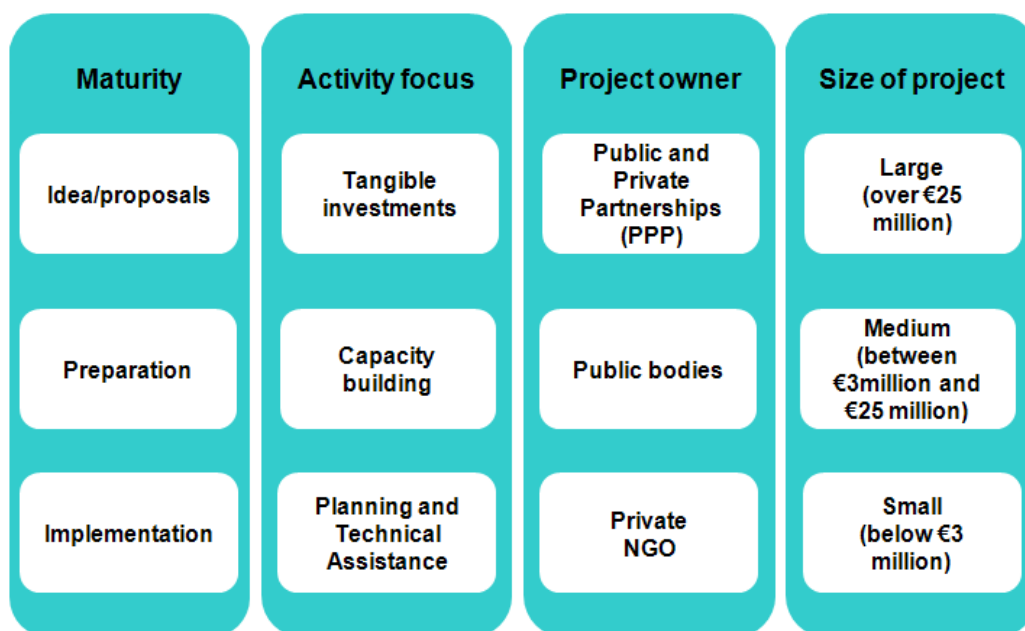
thematically in the EUSDR. Also a considerable number of national projects with a clear connection to the Strategy have not found their way into the example list of the Action Plan, e.g. some of the infrastructure and inland navigation projects financed by the EIB in the Danube Region.

Thus the project examples of the Action Plan only render part of the full picture of ongoing (and possibly also planned) projects of relevance to the EUSDR. Also the Action Plan will evolve as the implementation of the EUSDR progresses. However, we have to consider the Action Plan's projects as a representative sample of the entirety of (today's and future) EUSDR projects. Therefore we based our quantitative analysis on these projects, treating the examples as pars pro toto of actual EUSDR projects.

Project typology

The great variety of projects with respect to the actors involved, the sectors and activities pursued, etc. demands to define types of project which will in our case also reflect different needs. It seems appropriate to differentiate the projects for our purposes by (1) project maturity, (2) activity focus of the project (3) types of project owner and (4) the project size as illustrated in figure 2 below.

Figure 2. Typology of projects



Source: Metis 2011

- To describe **project maturity** three **phases** are distinguished here: the idea or proposal phase where most of the decisive features of a projects are either not yet decided or still very variable. Frequently there exists only the objective, a concept how to achieve this and rough estimates about the necessary resources; the preparation phase where these features are developed, sometimes requiring considerable effort and finally the implementation phase. In this phase the project is realised according to a technically and financially sound plan.

- Regarding the main focus of funded activity we have to distinguish:
 - **Tangible investment** (of different size) typically in different kinds of infrastructure.
 - **Capacity building** typically strengthens skills, competencies and abilities of institutions and individuals in order to overcome hindrances and problems related to specific tasks in socio-economic development.⁹ Also network projects are subsumed under this category. It deals with investment in people and relationship.
 - **Planning and Technical Assistance** comprise projects with a focus on diverse development options or on solutions for specific problems of administration or governance .
- As regards the types of **project owners**, three basic types are differentiated for the purpose of the analysis: public sector and public-private partnerships (including public enterprises); private sector and non-governmental organisations.
- **Project size** is measured by the (eligible) cost of the projects. For categorizing we define large projects to exceed 25 Mio. EUR (taking Article 39 of Regulation (EC) 1083/2006 as reference), medium projects range between 3 Mio. and 25 Mio. EUR, and a small projects is here one with less than 3 Mio. EUR eligible cost.

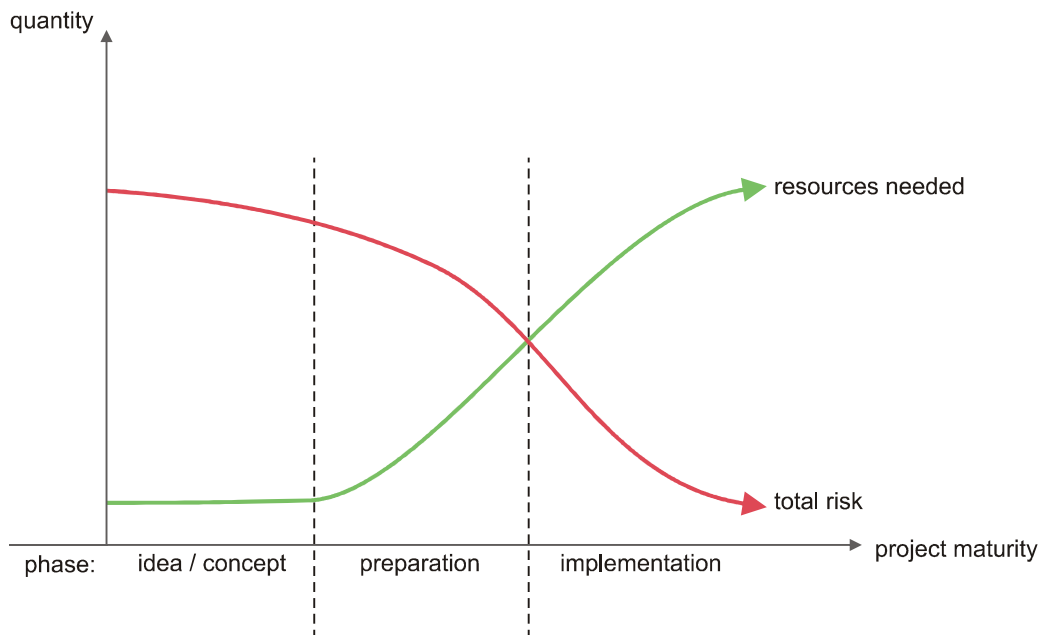
The following analyses of the needs and gaps as well as the existing instruments will follow the logic of this typology.

1.2 Maturity of EUSDR projects

It is self-evident that the different project phases require very different resources and thus different financing. But the maturity of projects not only defines the needs for resources it also reflects very different level of risks taking all actors and all forms of risk (technical, financial, political) together. Figure 3 depicts this relation schematically. Reducing the risk of project failure particularly in the concept and preparation phase may therefore be just as important as providing (public) funds.

⁹ This understanding is based on a slightly restricted use of the definition of 'capacity building' in the United Nations Development Programme (United Nations, 2006, p.7-8)

Figure 3: Project risk and resource input by project maturity



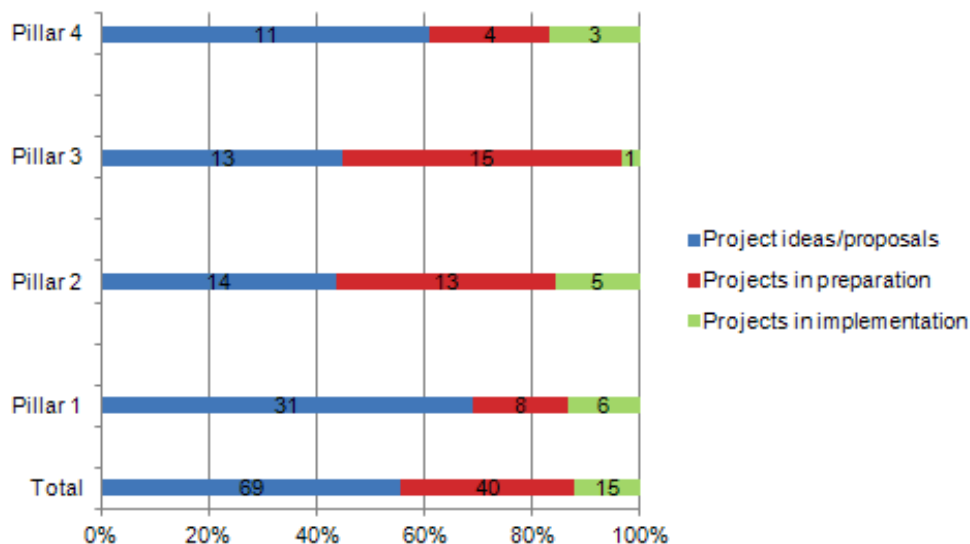
Source: Metis 2011

Although the Action Plan merely includes examples of projects to be implemented in the EUSDR and is still in development, the following observations and analyses can be drawn on the current maturity or state of implementation of the EUSDR projects (see also figure 4):

- First, while over half of the projects listed in the Action Plan are mere project ideas or suggestions with no decisions on project leaders or detailed descriptions (69 out of 124), only 15 out of 124 projects are currently being implemented (around 12%).
- The maturity of the projects listed in the Action Plan is currently rather low in all pillars. In pillar 3 (Building Prosperity) and pillar 2 (Protecting the Environment) the ratio between project concepts and projects in preparation is slightly better than average. there are currently more projects in preparation than project ideas (15 projects in preparation; 13 project ideas). Still, only one project listed under Pillar 3 is currently in implementation.
- In all pillars the number of projects that are already in implementation is less than a fifth of all projects

Figure 4 provides an overview of the state of implementation of the projects listed in the Action Plan in total and by pillar.

Figure 4. Maturity of projects in the EUSDR Action Plan

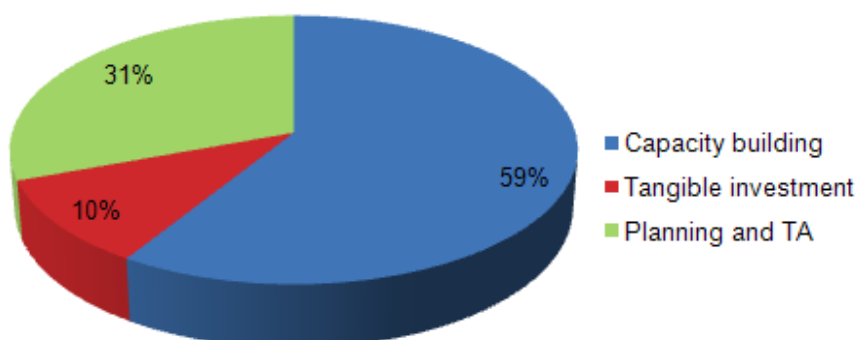


Based on the finding that the large majority of projects planned in the EUSDR are still either at conception stage or in preparation and only few projects are currently in implementation, the following chapters aim to find out what is still needed to ensure a successful implementation of the EUSDR activities.

1.3 Activity focus of EUSDR projects

After a thorough examination of project activity in the EUSDR, it must be stressed that the distribution of projects activity is rather unbalanced. In fact, of all projects under the EUSDR, 59% are capacity building projects, 31% are planning and TA projects and only 10% are focused on tangible investment (see figure 5).

Figure 5. Focus of activity of EUSDR projects (n=124)



The distribution of project activity by pillar is further illustrated in Annex 2.

1.4 Project ownership

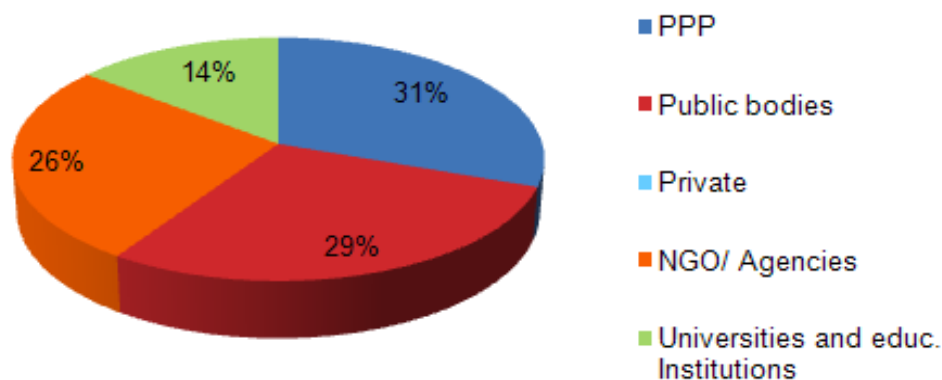
As mentioned above, in the framework of this study a distinction is made between three groups of project owners: The first group consists of public-private partnerships (PPP) including also public enterprises, such as ViaDonau. The second group consists of public bodies, i.e. public authorities of all levels – national, regional and local – who implement projects in the fields concerned by the Strategy. Private bodies such as SMEs and enterprises are the third group. This last group of project owners also includes NGOs for supporting specific investment or services and agencies, i.e. bodies that include partners from the private and public sector as well as the civil society and/or the educational sector (e.g. Central Europe Initiative; International Sava River Basin Commission, etc.).

Out of the 124 projects listed in the Action Plan, the type of beneficiaries could merely be identified for 49 projects. Of those 49 projects, there are approximately as many projects led by public bodies as Public and Private Partnerships and NGO. In fact, each of the three project owner groups represent about a third of the total number of projects analysed. Remarkably, within this sample of 49 projects none of the project owners appears to be a private enterprise (see figure 6).

This, of course does not mean that private enterprises are not addressed by the Strategy, but that they are much rather the beneficiaries of the projects listed than project owners themselves. One reason for this may be that cooperation across national borders has been running along very different logic in the public and in the private sector and territorial cooperation programmes have been primarily geared towards the public sector.

The lack of private sector project owners in the Strategy means that particular efforts and targeted actions will be needed to get this important group of actors on board.

Figure 6. Distribution of beneficiaries in EUSDR projects (n=49)



1.5 Project size

The exact size of the projects could only be found for 20 projects out of the total 124 projects in the Action Plan, basically those that are already implementing and therefore well documented (web site, etc.). Out of these 20 projects almost half (9 projects) are small projects according to our classification (less than 3 million EUR project cost), 7 project fall into the medium size category and the remaining four are large, i.e. require more cost than 25 mill. EUR. The shares of roughly 50% (small), 35% (medium) and 15% large projects probably is a fairly good estimate for the whole list of EUSDR projects

According to the interviews and online questionnaire carried out in the framework of this study, it has been emphasized repeatedly that what is considered a 'small' project in this analysis is however rather large compared to the projects carried out in some programmes such as for instance the ETC OP Austria- Czech Republic. Therefore, the number of small projects has to be acknowledged with caution, bearing in mind that very small projects (ranging from 10,000 EUR to 200,000 EUR) face particular difficulties in accessing funding.

2 Financial instruments for the implementation of the EUSDR

2.1 Type of instruments

In the Danube Region there is a large number of different financial instruments that support the implementation of EUSDR projects such as non-repayable grants, repayable loans or guarantees.

Most of the instruments are available on regional, national and EU-level. On the macro-regional level, i.e. projects with trans-national ownership only very few instruments exist, these are primarily the ETC-programmes and some of the programmes on EU level such as the framework programmes for Research, Technological Development and Innovation (RTDI).

From the point of view of the project proposers the need or attractiveness of the individual instruments is quite different. Public Authorities as well as non-governmental organizations (from Universities to civil society organizations) are almost exclusively interested in non-repayable grants, which directly lower the cost of the project.

In most cases these project proposers are not even legally entitled to take up a loan or other forms of repayable money. While the other types of project owners (private enterprises and formal PPPs) also can make good use of grants, they often need only loans (or guarantees) in order to finance a project; evidently with a much smaller effect on total project cost. Furthermore they need to prove their ability to repay either from future revenues of the project or from own income.

Going by the present structure of project owners most of EUDRS projects therefore will require non-repayable grants as financing instrument, i.e. funding and not only financing the project.

Figure 7. Needs of financial instruments per type of project owner

Type of project owner	Grant	Loans	Guarantees	Venture Capital
PPP	x	x	x	
Public authority	x			
Private enterprise	x	x	x	x
NGO	x			

Source: Metis 2011

A screening of funding institutions identified a number of 38¹⁰ financial instruments existing in the Danube Region. This number does not include the Structural Funds and their OP (see next chapter). Even so, the European Commission is the main donor and cooperates with many other institutions such as banks and international organizations. In the Danube Region, the following institutions play an important role when it comes to the financing of projects contributing to the EU Strategy for the Danube Region:

- European Investment Bank (EIB),
- European Bank for Reconstruction and Development (EBRD),
- European Investment Fund (EIF),
- Council of Europe Development Bank (CEB),

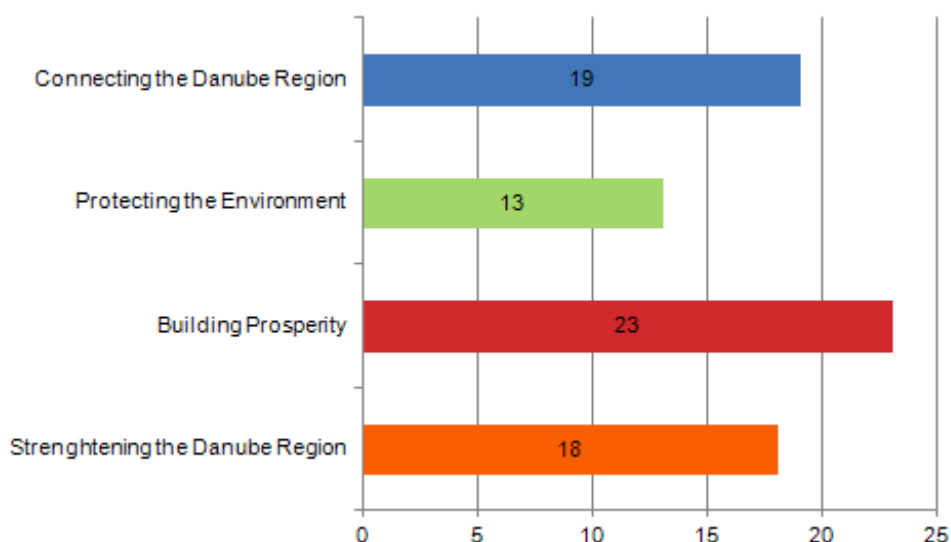
¹⁰ The inventory of funding instruments does not claim to be complete but comprises the most common instruments in this area. Annex 5 contains more details on the instruments.

- International Bank for Reconstruction and Development as part of the World Bank Group (IBRD),
- Europe Science Foundation.

There are several other institutions, especially national institutions which also invest in projects abroad and might therefore be relevant for of the Danube Strategy. However, these sources are highly difficult to pin down and this report will therefore focus merely on European (mainly EU) instruments available to project applicants in the EUSDR.

When examining attribution of these instruments to the four pillars of the EUSDR, the pillars “Building Prosperity” (Pillar 3) and “Connecting the Danube Region” (Pillar 1) count most of financing mechanisms (23 and 19 out of 38) as illustrated in figure 8 below. 18 funding instruments can be attributed to the pillar “Strengthening the Danube Region” (Pillar 4) and still 13 different financial instruments are suitable for the pillar “Protecting the Environment” (Pillar 2).

Figure 8. Financial instruments by pillar



2.2 Territorial coverage

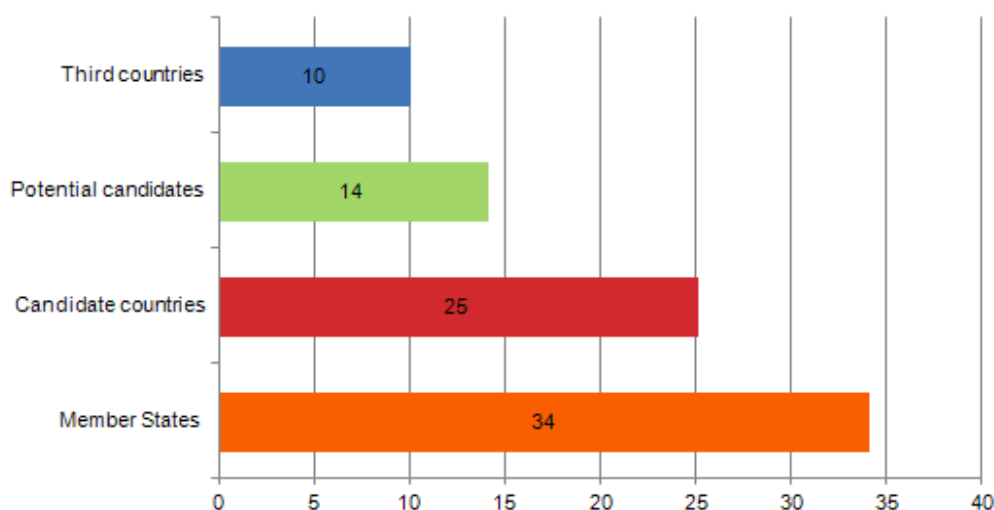
Not all Danube Region countries have access to all instruments in the same way as illustrated in figure 9 below. The graph shows that the numbers funding instruments available increases with the degree of integration with the EU, although the number of instruments available outside the EU is also considerable. Accordingly EU Member States (MS) have 34 possibilities to get their projects financed (from other sources than SF) compared to Third countries with 10 different financing instruments.

Beside the Neighbourhood Investment Facility from the Commission, loans (EIB, EBRD) and equity and trade finance or guarantees (EBRD), some of the EU’s programmes also provide funds to Third countries such as the “Youth in Action”, the “7th Framework Programme for Research and Technological Development” or the

“Tempus IV: Modernisation of Higher Education in countries surrounding the EU 2007-2013¹¹”.

Potential Candidates have not considerably more possibilities compared to Third countries having access to 14 (out of 38) instruments. The difference lies mainly in the fact that more EU programmes are targeting potential Candidates compared to Third Candidates. Croatia, the only Candidate country within the Danube Region, has almost the same financing possibilities as MS but not access to all EU funded programmes.

Figure 9. Number of financial instruments by country status



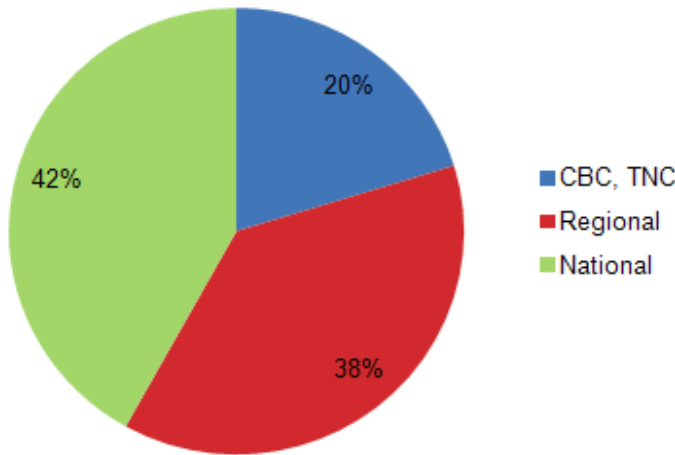
2.3 Availability of Structural Funds in the Danube Region

Out of the 14 countries of the Danube Region, 8 are EU Member States and recipients of the EU's major funding mechanism for macro-regional Strategies, namely Structural Funds. The Funds are implemented under three objectives: “Convergence”, “Regional Competitiveness and Employment”(RCE) and “European Territorial Cooperation”(ETC) and intervene in a large spectrum of policy fields – from urban regeneration to rural development, from renewable energies to transport infrastructure, from SME support to the provision of enterprise- and science related infrastructure and so forth

74 OP funded by the European Regional Development Fund (ERDF) are thematically and geographically relevant for the Danube Region. They comprise programmes of all three objectives and are managed on national, regional or trans-national (including cross-border) level. Figure 10 shows the distribution of these 74 OP by level of management.

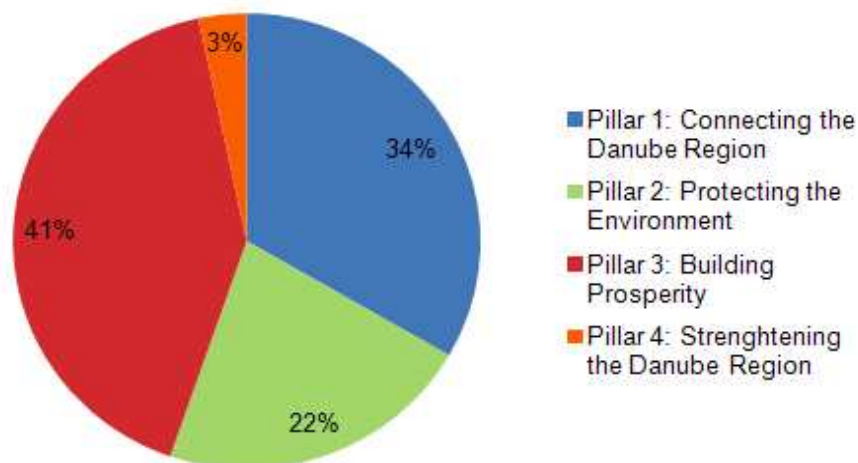
¹¹ Tempus IV is a programme financed by the EC and the OECD.

Figure 10. Number of ERDF OP by level of management (n=74)



These 74 ERDF OP reflect the policy fields in the priority axes and measures, where the types of project owners addressed and activities supported by the individual programmes vary widely. Thus, not all pillars of the EUSDR are covered to the same extent. As illustrated in figure 11 below, out of the 74 ERDF OP only 3% could be used for projects within pillar 4 “Strengthening the Danube Region” including the Priority Areas “Institutional capacity and cooperation” and “Security and serious crime”. The pillar that is most covered by ERDF OP in the EUSDR is Pillar 3 “Building Prosperity” with a coverage of 62 OPs¹² (41%). The other two pillars, “Connecting the Danube Region” and “Protecting the Environment” are covered by 50 OPs (34%) and 33 OPs (22%).

Figure 11. ERDF Operational Programmes per EUSDR pillar (total=74)

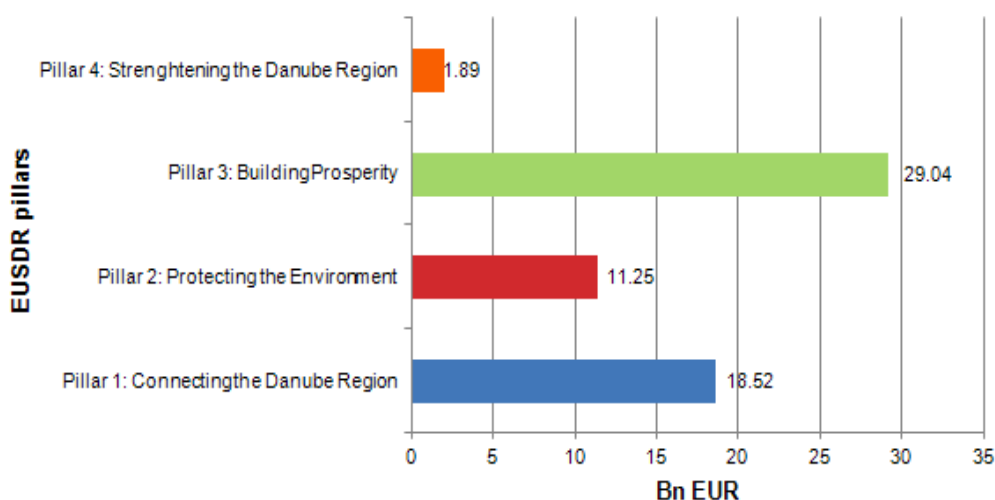


¹² The total number of OPs is 74. However, the number of allocations of OPs to EUSDR pillars is far higher as most of the OPs cover topics from more than one pillar.

The total **funding** of these 74 ERDF Operational Programmes of the Danube Region amounts to 60.7 Bn. EUR (Union and national) within the current financing period 2007-2013. By the end of 2010 the implementation rate amounted to 14,4% which shows that a large part of the funds has not yet been spent by that date. Even though it is important to note that the amount of committed funds is higher than indicated by this figure (only effected payments) the financial means still available for EUSDR projects within the current Structural Funds programmes in total is remarkable.

Furthermore, the relative availability of funds is even better visible allocating the programme volumes to the appropriate EUSDR pillar. As can be seen from Figure 12, there have been available approx. 18 billion EUR from all OPs relevant for Pillar 3 'Building Prosperity', but less than 2 billion EUR from OPs relevant for Pillar 4 'Strengthening the Danube Region'.

Figure 12. Total funding of ERDF OP per EUSDR pillar (Union and national)



ETC Programmes

European Territorial Cooperation Programmes (ETC) are most relevant for macro-regional strategies since they concentrate on the very essence of cross-border/transnational cooperation. The ETC-programmes for both strands – cross-border-cooperation (CBC) and transnational – within the Danube Region amount to one third of all Structural Funds Programmes comprising 15 OPs in numbers. Regarding the financing dimension a budget of 1.15 Bn. EUR¹³ has been allocated to these 15 ETC programmes in the Danube Region.

In geographical terms the South-East Europe (SEE) and the Central Europe (CE) programmes are the most relevant for the EUSDR.

The Central Europe Programme encourages cooperation among the countries of Central Europe in order to strengthen innovation, accessibility, to maintain the environment as well as to enhance the competitiveness and attractiveness of their cities and regions. The priorities of the OP are therefore very much in line with the

¹³ In case an ETC Programme includes a country or countries of the Danube Region and country/countries outside the Danube Region the whole budget of the ETC programme is included in this amount.

pillars of the EUSDR. With a total budget of 231 million EUR for 2007-2013, the OP aims to finance transnational cooperation projects involving public and private partners. Territorially it covers five Member States of the Danube Region and another two from outside.

Similarly, the South-East Europe Programme aims to improve the territorial, economic and social integration process and to contribute to cohesion, stability and competitiveness of the SEE region. Moreover, the OP sets the objective of promoting better integration between the Member States, candidate and potential candidate countries and neighbouring countries. The SEE OP includes 16 partner countries. In fact, the partners are both EU MS and non-MS (candidate countries, potential candidate countries, third countries) that benefit from the external Pre-Accession Assistance and the European Neighbourhood Policy funding. The territorial overlap with the EUSDR is even greater than in the case of Central Europe. The SEE Programme covers all countries of the Danube Region except Germany and Czech Republic plus four countries outside the macro-region (Italy, Greece, Albania and Macedonia). The SEE OP objectives also largely correspond to the EUSDR pillars, including the 'facilitation of innovation and entrepreneurship', 'protection and improvement of the environment', 'improvement of the accessibility' and the 'development of transnational synergies for sustainable growth areas'. The total budget for 2007-2013 is 245 million EUR. It should be mentioned moreover, that as a result of operative modifications, a considerable number of simplifications has been introduced for IPA countries so as to provide them with similar conditions as for standard ERDF applications. There have been less modifications for ENPI countries¹⁴.

While both of the above transnational cooperation programmes are highly relevant for the EUSDR in thematic as well as geographic terms, the main persisting difficulty is timing. In fact, the 4th and last call for proposals of the OP Central Europe was open from June 2011 to October 2011 and therefore left virtually no time for applicants to prepare and submit projects planned in the framework of the EUSDR. The same is by and large the case for the SEE Programme where the last call for proposals was open until November 2011.

Given the geographic and thematic relevance of these two ETC programmes, the EUSDR should further seek to build synergies between the activities planned in the Danube Region and in the framework of these programmes. Many projects listed in the EUSDR Action Plan are in fact oriented to be financed by these two OP and need an alternative before the new ETC-programme generation becomes operational.

Structural Funds in the new programming period

Since the funding opportunities for the remaining programming period (2007-2013) are limited also in other areas than the ETC, it should be ensured that the EUSDR is taken into account in the planning and implementation of the next period (2014-2020).

The new regulations on Structural policy for 2014 to 2020¹⁵ include provisions that should ensure the alignment of funds and hence increase opportunities for project cooperation between EU- MS and non-MS:

¹⁴ SEE (2011), SEE Programme Manual, 4th call for project proposals, Version 4.2. October 2011, ETC 2007-2013.

¹⁵ European Commission (2011), Structural policy 2014-2020 – proposed Regulation covering all EU structural instruments - Citizens' summary

- Better coordination of various EU actions and national policies through a partnership contract. This is also supported by common legal framework for the major instruments to support the Europe 2020 Strategy, i.e. ERDF, ESF, Cohesion Fund, EAGFL, EMFF. Member States will be encouraged to combine ERDF, ESF, and Cohesion Fund in ‘multi-fund’ programmes¹⁶.
- A major objective of the next programming period will be to reinforce territorial cooperation among regions (CB, TN, Interregional) with simplified rules (especially where more than one Member State is involved)¹⁷.
- Increased simplification is to be applied through simplified reimbursement rules, the possibility to implement funds on the basis of results, harmonise eligibility rules and management and control systems between different EU funds¹⁸.

In this sense, the EUSDR should make use of the increased focus on macroregional policy and the alignment of funds planned in the next programming period. In the first place this requires raising awareness and stronger political support in the concerned Member States and the respective programme bodies.

2.4 Other instruments

Besides Structural Funds there are many other instruments available for financing projects under the EUSDR as has been shown in chapter 2.1 and 2.2. A list of instruments can be found in Annex 4 of this report. The table lists the relevant instruments and indicates for which countries of the Danube Region they are available. Moreover, the table provides an overview of the pillars for which these instruments are relevant as well as their budget.

The following instruments are examples of highly relevant instruments managed by the European Commission, beside Structural Funds:

- The 7th Framework programme for Research and Technological Development 2007-2013 covers all countries of the Danube Region and Priorities 1 (Connecting the DR), 2 (Protecting the Environment) and 3 (Building Prosperity). For the period of 2007-2013, there are 50,521 million EUR available (or approximately 721 million EUR per year).
- The Life-Long Learning Programme 2007-2013 is relevant for all Danube Region countries that are EU MS and Croatia and is relevant for projects falling under Pillar 1 and Pillar 3. For 2007-2013, 6,970 million EUR are available (or approximately 995 million EUR per year).
- The Competitiveness and Innovation Framework Programme (CIP) is highly relevant for projects under the Pillars 1 and 3 and accessible for all Danube Region countries except of Bosnia-Herzegovina, Ukraine and Moldova. For the 2007-2013 period 3.6 billion are available.

In total, around 1,069 billion EUR have been available on average per year from the instruments with non-repayable grants examined in this report.

¹⁶ European Commission (2011), Q&A on the legislative package of EU regional, employment and social policy for 2014-2020, MEMO/11/663, 6 October 2011, Brussels

¹⁷ Ibid.

¹⁸ Ibid.

As mentioned earlier, a further source of funding are instruments from non-EU institutions such as the for instance the EIB, the CEB or the EBRD. Many instruments are managed in cooperation with the European Commission.

Most funding instruments that are managed by institutions other than the European Commission (or in cooperation with the EC) also offer loans. This is the case for 6 instruments, namely:

- The European Progress MicroFinance Facility for Employment and Social Inclusion is managed by the EC, the EIB and the EIF. It offers microcredit loans below 25 000 EUR to beneficiaries.
- The EIB offers 1) individual loans for projects over €25 million, 2) intermediate loans to banks and financial institutions to finance SME with projects under €25 million.
- JESSICA (Joint European Support for Sustainable Investment in City Areas) is managed by the EC, EIB, Council of Europe Development Bank (CEB), and provides equity, loans and guarantees.
- JEREMIE (Joint European Resources for Micro to Medium Enterprises) is managed by the EC, the EIB and the EIF. EU countries have the possibility to use part of their European structural funds allocations to invest in revolving instruments such as venture capital, loan or guarantee funds. Not all countries however have to make use of the instrument.
- ELENA (European Local Energy Assistance) is managed by the EC and the EIB and provides 1) grant subsidy from the EC for Technical Assistance; 2) global loans to local participating financial intermediaries (PFIs) for investments up to 50 million EUR; 3) carbon crediting as a new financing element. Although eligible for a wide range of countries, not all countries make use of these instruments.
- The EBRD offers loans, equity finance, guarantees, leasing facilities, trade finance and professional development through support programmes.

2.5 Level of delivery

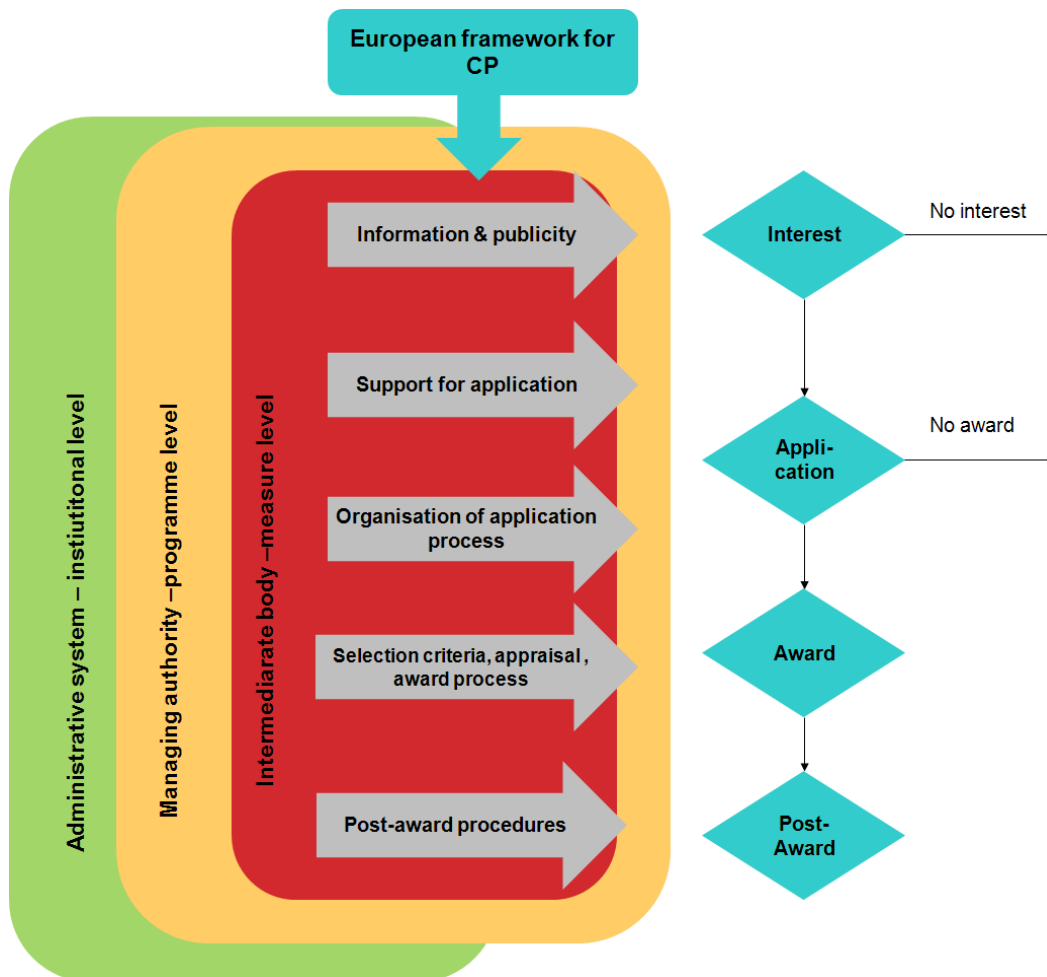
The chain of delivery between the 'source' of funding and the project owners is highly complex. This results in a high level of complexity for project owners to apply and to access funding which in turn leads to a number of barriers ranging from time constraints to bureaucratic difficulties involved in the application process. Moreover, the delivery chain influences how much the actual needs of those project owners or applicants are taken into account at authority level (regional, national and EU). Finally, the more complex the delivery chain, the less flexibility and the longer the processes for the application and ultimately the implementation of projects.

A characteristic feature of Cohesion policy is that there is no single model of implementation. Within a common regulatory framework, Member States determine their own approach to management and delivery. Therefore there is a lot of variation between administrative structures and resource allocation systems. In each Member State, the national government departments and sub-national actors can play different roles in the implementation systems (depending on their levels of competence and responsibility).

It is generally distinguished between the national, the programme management and the project level. Each level has different roles and responsibilities, While the EU,

national and programme management level have been widely analysed, factors at the project level are rarely tackled by recently published literature. The responsibilities by authority level are illustrated in figure 13.

Figure 13. Levels of interaction in the application process



Source: Tödtling-Schönhofer, H. et al. (2011), Barriers for applicants to Structural Funding, European Parliament, DG Internal Policies, November 2011.

The first level of contact between the potential applicants and an operational programme or a measure is established through the information activities that programme/measure employs. This can range from rather general information and dissemination activities to targeted ones. The more specific and clearer the information is at this stage and, the better target groups are identified, the more likely it is that a successful process of project generation can be launched. How applicants come to the decision to apply for funding are issues to be investigated in the concrete programme framework, where virtually no information is available on a more aggregate level. Previous experiences, the “image” of a measure or OP and the assessment of the likelihood of a successful application as well as a positive assessment of the benefit of the funds are clearly of relevance. However, in practical terms such investigations are

difficult as this would require either a survey among potential applicants of a specific measure or data on unsuccessful applications.

In a second phase potential applicants decide to apply for funding. Here the type and quality and organisation of the application process, the nature of the advice available at this stage and the capacity (and preparedness) of the applicant to deliver the appropriate information for the project application are relevant. Again, very little information on the capacity of applicants is available.

The third phase is entirely within the sphere of the implementing body. It covers the selection process including the appraisal and award or rejection of funding as well as the communication about the results with the applicants. Transparent procedures, clear communication and timely decisions in relation to the application process are factors that might influence the aptness of potential applicants to approach a funding scheme.

The fourth phase is the one following the award of funding, including the transfer of information and contractual steps. It has been included as this is part of the award. Again, transparent and simple procedures, a sense of proportion between information asked from the applicant – as well as the capacity and willingness to provide this - and the necessity to collect relevant information by the implementing body are important.

However, this interaction between the implementing body and the applicant is shaped by a number of factors, where the regulatory framework, the decisions taken, and the procedures adapted at various levels are of key importance. Most of these factors do not directly impact on the application process, but rather constitute the framework within this process must operate.

3 Needs and gaps identified

The following chapter aims to describe the persisting needs of the project promoters and related gaps for the implementation of the EUSDR. The analysis is based on an online questionnaire and individual interviews with relevant stakeholders.

Seventeen stakeholders have filled in the online questionnaire developed for this study. In this way, the analysis includes the opinions and the accounts from the following types of stakeholders:

- National Contact Points of the Member States and the (potential) candidate countries;
- Priority Area Coordinator, and
- Managing Authorities of ERDF OP that are relevant for the EUSDR.

Semi-structured interviews have moreover been carried out with six project leaders and other relevant stakeholders of EUSDR projects.

The data gathering comprises a full coverage of points of views and opinions of the fourteen Danube Countries and all Priority Areas. Both, the results of the desk research as well as the interviews (online questionnaire and individual stakeholder interviews) permit to obtain a satisfying overview of the existing needs at all levels.

3.1 Additional financial resources

Around two thirds of the respondents think that financial coverage could be better or that there are considerable financial difficulties in the preparation and the implementation phase, regardless of the project activity (tangible investment, capacity building, technical assistance).

As demonstrated in chapter 1, the distribution of project activity is not only uneven in total, but also across pillars and Priority Areas (with a majority of capacity building projects). Therefore it seems clear that the type of financial support provided to each Pillar and Priority Area must be matched to the type of projects existing in each area.

For instance, Pillar 4 (Strengthening the Danube Region) includes the largest number of projects falling into the category of capacity building as well as planning and Technical Assistance with 89% and 6% respectively (see Annex 3). According to respondents of Priority Area 11 (Pillar 4), the type of projects planned in the area of cooperation in security and organized crime have limited access to funding sources compared to other Priority areas which are widely supported by funds such as the ERDF. In fact, given the large number of capacity building projects in the area, a respondent expressed the need for more flexible access to larger investment projects.

Despite the high relevance of ETC Programmes for the thematic pillars and the geographic coverage of the EUSDR activities, the consulted stakeholders expressed their frustration with the tight deadlines of the programmes' calls. In fact, the 4th and last call of the OP Central Europe for this period has been open only from June to October 2011. Similarly, there will be no further calls in the period for the OP South East-Europe beyond November 2011. For the next programme period it was suggested to consider introducing an ETC programme that would cover the geographic and thematic scope of the EUSDR.

3.2 Flexibility of programmes

The Danube Region includes a great variety of countries with differing statuses. In fact, it includes eight Member States (whereof two are 'old' and six 'young' Member States), one candidate country, three potential candidates and two third countries. It has been shown that not all countries are eligible for the same funding instruments, which complicates the process for acquiring resources and submitting proposals for project partners from different countries. In the South-East Europe ETC OP, an operational change has simplified the application process for IPA countries; ENPI countries however still face more restrictions than their partners¹⁹.

There is a need for simplified and unified programme regulations and procedures for all programmes so as to reduce complexity. A solution should be found to harmonize the varying procedures for IPA/ENPI countries and ETC/CBC programmes to increase clarity on when IPA partners receive funding for their efforts in joint projects.

Given the transnational character of the EUSDR, there should be more funds available for cross-border cooperation than there is currently for European Territorial Cooperation in order to implement EUSDR projects. Existing programmes could for instance be more flexible so as to enable cross-programme, cross-border, cross-sector projects. A persisting need is therefore the possibility of financing transnational EU projects including EU MS and non-MS.

3.3 Lowering bureaucratic barriers

The need that has been most expressed as a major barrier for all project partners and project leaders consulted, is the large administrative burden related to submitting project proposals. All Project partners and project leaders consulted for this report agreed that application procedures are over-administered and too complex (additional documentation, paper work). Application procedures are often unclear and the changes of regulations and procedures can create additional burden. There is therefore a need for clearer and more transparent information as well as additional capacities for project application.

Audits and controls are also highly complex processes and the systems and length of the process vary across countries. Moreover, the process is complex and lengthy regardless of the size and type of project. Financial control mechanisms should be simplified to ensure effective implementation the respondents argued.

According to a large number of interviewees, a higher number of qualified staff with professional background on program topics for MA, JTS, PAC and NCP should also be ensured in order to guarantee a better use of existing instruments and opportunities. Over 60% of the respondents to the online questionnaire agree that there are limited human resources for programm management which limits successful application for projects. Unlike the long-standing experience with cross-border and transnational cooperation as well as EU funding instruments for EU Member States, authorities and managers from non-EU Member States or new EU Member States may lack necessary skills and experience and should therefore be given additional training opportunities.

¹⁹ SEE (2011), SEE Programme Manual, 4th call for project proposals, Version 4.2. October 2011, ETC 2007-2013.

In the next programming period, overcoming such administrative and bureaucratic barriers is in fact one of the major objectives of the new regulation proposals. It is even included as an ex-ante conditionality in the future partnership contracts²⁰.

3.4 Pre-financing

Since financial regulations governing Structural Funds programmes are based on the “real-cost-principle” and thus do not allow for pre-financing, project applicants do have to pre-finance the application process as well as the implementation phases themselves. However the longer the selection process the more those beneficiaries face financial problems. 81% of those who responded to the online questionnaire consider this to be a major barrier for applying for funding.

The lack of availability of pre-financing in fact represents an obstacle to beneficiary organisations which do not have the means to fund projects up-front. For example, in the SEE OP the duration of time between starting a project and receiving reimbursement can amount to 12-18 months²¹. A factor contributing in this case and others is the complexity of contracting arrangements.

In some cases Managing Authorities try to mitigate these obstacles with national pre-financing and/or simplified application procedures. In order to accelerate spending, the European Commission moreover launched additional pre-financing for Structural Funds in 2009 (allowing to increase the co-financing rate temporarily, where the overall co-financing rate over the programme period has to stay equal); the reimbursement of expenditure incurred under major projects without European Commission approval and the cancellation of the limited state aid advances to reach 100% of the total amount of aid, instead of just 35% as was previously the case²².

3.5 Co-financing

The economic crisis and the consequent shortage of co-financing has discouraged many applicants from applying for funds.

This lack of co-financing constitutes the major obstacle for applicants. Despite the efforts of the EC to increase liquidity in public budgets (through temporary increase advanced payments and extending the commitment period for the previous funding period, etc.), the “additionality principle” still requires co-financing at some point during project implementation. MAs have been reluctant to approve projects that are not co-financed when it was not clear if co-financing could be achieved at a later stage²³.

Securing co-financing and preventing high rejection rates are linked to domestic and contextual factors (e.g. domestic co-financing arrangements and the economic situation). The access to national co-funding often involves very complex processes and can take longer for some partners than others (depending on the administrative structure, EU Member State/ non-Member State status, and the type of beneficiary).

²⁰ Ibid.

²¹ Tödting-Schönhofer, H. et al. (2011), Barriers for applicants to Structural Funding, European Parliament, DG Internal Policies, 2011

²² European Commission (2009), amending Regulation (EC) No 1083/laying down general provision on the European Regional Development Fund, the European Social Fund and the Cohesion Fund concerning certain provisions relating to financial management, Council Regulation (EC) No 85/2009 of 19 January 2009

²³ Tödting-Schönhofer, H. et al. (2011), Barriers for applicants to Structural Funding, European Parliament, DG Internal Policies, 2011

3.6 Small project support

There is a clearly expressed need for a financial framework to finance 'very' small projects, e.g. projects amounting to 10,000 EUR to 200,000 EUR. In fact, in some priority areas (e.g. PA7, PA9, PA10 etc) even smaller projects are envisaged and should therefore be taken into consideration. In order to foster synergies in the Danube Region it is considered of particular importance to implement also very small projects including network activities between different stakeholders working in the same sector, civil society activities, projects in order to exchange know-how and disseminate information.

It is at least questionable if such 'very small projects are feasible to be financed from Structural Funds OP. The experiences with so-called small project funds for example within CBC-programmes have been predominantly negative from the point of view of the MA.

3.7 Facilitation of project preparation

Given that most projects suggested in the Action Plan are still at concept stage rather than at preparation and implementation stage (see chapter 2.3) there is a clear need to close the gap of project preparation capacity within concept phase. Further thought has to be given to project development at an early stage.

Technical Assistance for preparing support options for projects could include the following aspects:

- Support to make projects bankable
- Support and advice to prepare projects for applying funds in the upcoming financing period
- Funds for partner search (e.g. refunding travel costs).

Moreover, based on the results of the online questionnaire, some beneficiaries face more difficulties in accessing funds than others. In ascending order, from those beneficiaries who are considered to be the least to those who are the most covered are (1) public beneficiaries, (2) NGO, (3) private beneficiaries. The private sector (especially SME) and the civil society should therefore be more strongly represented in programme and project definition and implementation. In order to ensure this, EU programmes should allow for more flexibility in order to actively stimulate private sector and civil society participation.

3.8 Information about financing opportunities

63 % of the respondents to the online questionnaire consider limited knowledge about funding instruments to be a major barrier for applicants. The lack of knowledge can refer, on the one hand, to insufficient dissemination of the programme information to the wider public (i.e. potential applicants) and on the other hand, to intransparent or unclear information to actual applicants and beneficiaries. Project leaders face considerable difficulties in finding the appropriate financing mechanism for their individual project. Several project partners/ project leaders have raised the idea of launching a 'one-stop shop' or a 'project market place (face-to-face and online) where projects can be screened, and information about funding instruments and upcoming calls and requirements can be accessed.

Project leaders and project partners have also pointed to the importance of face-to-face meetings with partners and working groups meetings especially in the early preparatory phases of launching projects. Even though a lot of work can be done by web-based communication and information activities, the face-to-face exchange is a clearly expressed need by project stakeholders. Such network activities are important for various reasons: In the preparation phase, face-to-face meetings with partners as well as working group meetings are highly important to start preparing projects, i.e. for partner search, identifying financing instruments, exchange of know-how, etc. According to the project leaders, network meetings focusing on particular project activities or even sectors, project beneficiaries, etc. would be helpful. Larger beneficiary institutions have an advantage over small institutions with regards to the costs related to networking (travel costs, logistics). Therefore a need for funding at least partly for such activities to take place has been strongly advocated.

Although it is considered one of the minor problems (according to project partners as well as managing authorities and implementing bodies), language barriers also create difficulties for applicants to access certain information and cooperate in cross-border and transnational frameworks.

3.9 Member States' and programme authorities' commitment to EUSDR

The current political momentum where the new Regulations on Cohesion policy highlight the importance of macro-regional strategies and with the recent adoption of the EUSDR needs to be exploited. Member States should provide more political support for the EUSDR by giving more importance to projects at macro-regional level both in the current and even more so in the context of programming for 2014-2020. As one respondent of a financial institution said, "the implementation of the Strategy is the MS's job". According to the subsidiarity principle, the implementation is in facts mainly the responsibility of the Member States.

The value-added and objectives of the EUSDR should therefore be better communicated towards the key stakeholders on national level, including the PACs, NCPs, MAs, project leaders and partners. It must for instance become clear at all levels that the EUSDR is not a new financing instrument but supports the more efficient use of the funding mechanisms at hand.

In the same way, European banks and programmes carried out in the Danube Region should take into account in their strategic orientation and – as a first step – in their reporting the EUSDR. This should ultimately strengthen the alignment of funding instruments and increase synergies within the Region.

4 Conclusions and recommendations

Following the typology used throughout the present report, gaps could be identified in relation to each of the four criteria. Figure 14 provides an overview of the gaps identified with regards to maturity, activity focus, project owners and project size. Green squares symbolize the absence of gaps; red squares symbolize the existence of numerous gaps; and yellow squares symbolize where there are some gaps.

Figure 14: Overview of gaps



Maturity

Given that most projects in the EUSDR are still at idea/ proposal stage, there is a strong need for early support of project ideas. This can be best ensured through Technical Assistance to facilitate the support of promising project ideas. In addition, applicants must have access to more transparent information about funding opportunities (dates of calls for proposals, policy areas, eligibility, application requirements, etc.), hence new information tools should be developed to support information dissemination.

Activity focus

The maturity of projects is not influenced by the activity focus of the projects. In other words, regardless the state of maturity (idea, in preparation or in implementation) the balance between projects of different activity foci (capacity building, tangible investment, planning and TA) is similar (see Annex 4). Therefore, the amount and the kinds of gaps do not differ with regards to project activity focus. The respondents to the online questionnaire also have seen the necessity to cater for all three types in an equal way.

Project owner

There is a predominance of public bodies (including public enterprises) as project owners, which is due to the stocktaking process so far, which was led by interested public authorities. Private enterprises and NGOs (not including agencies) seem to be

most difficult to target. Therefore, a matchmaking platform between financing institutions and project proposers should be developed as one option to close this gap.

Size of projects

There should be more possibilities for 'very' small projects (far below 3 million EUR, i.e. ranging between 10,000 EUR and 200,000 EUR) to apply for funding. One recommendation in order to overcome this gap is the setting up of a EUSDR small project fund (SPF).

For each of these gaps, a set of recommendations has been formulated below.

4.1 Small project fund

The challenge for implementing such small projects is not primarily the lack of financial sources at all but the barriers to apply for any EU funding are too high, comprising bureaucratic challenges or time consuming procedures in order to receive funding. The application process for small projects is just as complex as for medium or large projects. Therefore, an application is only viable from a certain project volume. However, such 'very small' transnational or cross-border cooperation projects and activities are highly relevant to generate the value added of the Strategy through network and cooperation activities, transfer of know-how, the use of synergies, development of joint projects with common objectives, etc. These projects cover almost all sectors from education to culture, institutional cooperation or environment and security.

Accordingly a small EUSDR project fund for activities with a volume between 10.000 and 200.000 EUR would enable institutions, NGOs, representatives of civil society without longstanding funding experiences to participate in the implementation of the Strategy. The fund should allow projects in a very early stage, rather small in terms of volume to get fast funding in a flexible way. The Structural Funds regulations hardly are an adequate framework for such a new instrument.

In order to develop such an instrument the main critical questions to be answered are:

- Who exactly should be targeted?
- How will the instrument be financed?
- Who would manage the funding instrument?
- What are the prerequisites for making use of the fund?

The launch of such an instrument could already take place in the current funding period (2007-2013) but is of course also relevant for the upcoming funding period 2014-2020.

4.2 Technical Assistance Implementation Facility

Most of the EUSDR project examples are in the stage of an idea or in the preparation phase (88%). Accordingly, a major need is to get these projects developed in order to make them "bankable" or "fundable". Furthermore, evaluation reports also highlight the need for more training for applicants, possibly financed through technical assistance²⁴.

²⁴ European Commission (2011), Evaluations undertaken for the Commission, available at: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/rado_2010_en.htm

Therefore project promoters or project leaders require technical assistance for facilitating promising project ideas for the following issues:

- Preparation of the project documents (financial analysis, cost-benefit analysis, procurement planning),
- Advice on the application process (conception of the project, grant applications, budget) or
- Advice on compliance with EU law (e.g. competition).

In order to develop such an instrument it is of utmost importance to make it complementary to already existing instruments such as JAPSERS (Joint Assistance to Support Projects in European Regions) which provides Technical Assistance for projects with a volume above 25 Mio. EUR in particular in the transport, energy, environment, RTDI and infrastructure sector.

Hence, the EUSDR Technical Assistance Implementation Facility should have a clear focus on projects within the Danube Region with a volume below 25 Mio. EUR. This instrument appears crucial for projects applying in the upcoming funding period of 2014-2020.

4.3 New information tools for potential applicants and project owners

The information services available play a central role, on the one hand, in attracting potential applicants, and on the other hand in informing applicants about existing opportunities and application processes. Public bodies, universities and larger businesses are obviously much better equipped to prepare and submit applications than SME or even single-person businesses.

Information and support services are of critical importance for potential applicants. Potential applicants however first need to develop interest for the opportunity which points to the fact that only those applicants who seek targeted information will be able to access it. Information and communication measures need to consider the information needs of the recipient groups. Communication activities of individual programmes need to be better directed towards potential applicants and explain the objective of the measure co-financed with European funds and the requirements and procedures for receiving funding.

Disseminating information to a small group of beneficiaries within selected calls is a much easier task than targeting a larger group such as SMEs or other private groups.²⁵ This has also been confirmed throughout the interviews with project owners carried out in the framework of this study. In fact, interviewees agreed that knowledge about funding opportunities, key dates of calls for proposals and application processes need to be spread to the business community. The same has been confirmed in the latest Partnership for Improvement of Danube Infrastructure and Navigation (PIDIN) meeting of 11th October 2011, where participants have highlighted the importance of spreading information directly to businesses.

Potential beneficiaries need detailed information of a practical nature. Therefore, several information tools should be developed:

- At the level of the existing OP management and implementing bodies it is strongly recommended that project generation seminars are organized that take

²⁵ Ferry M., Gross F., Bachtler J., McMaster I. (2007), pp. 71

account of the EUSDR. However, there is a need for an integrated form of information tool for the entire macroregion.

- So-called “one-stop shops” could be developed to offer applicants a range of information about funding opportunities. This tool may take the form of a web-space which provides an overview of what the EU is funding including the conditions required for each of the funding instrument or programme as initiated for ETC OPs set up by Interact. The aim would be to assemble and effectively communicate information about funding instruments, upcoming calls and application requirements. The web-space should take into account the differences between the countries in the Danube Region and therefore include information on requirements by country. Furthermore, a calendar with key dates relevant for project applications and funding sources for the Danube Region could be included.

4.4 Matchmaking platform

The private sector and, in some of the Priority Areas also non-governmental organisations (NGO), are underrepresented in implementing the EU Strategy of the Danube Region.

Therefore a matchmaking platform aiming to bring together mainly the private sector with financiers such as the European Investment Bank, the European Investment Fund, the World Bank, the European Council Bank, European Bank for Reconstruction and Development (EBRD) could be set in place. As for the private sector the incentive to participate in such a matchmaking platform is the reduction of costs related to identifying and making use of the most appropriate funding mechanism.

Such a matchmaking platform between financing institutions and project proposers could be set up as a series of conferences. Therefore the following steps would be required:

- Identification of promising projects from the private sector in the Danube Region:
- Screening and selection of the most promising projects
- Invitation of project promoters and financiers
- Matchmaking conference and dissemination of information

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Annex 1. List of interview partners

Project leaders

- (1) Interact Vienna, Mauro Novello (Coordinator): 18/10/2011
- (2) Danube Institute, Andrassy University Budapest, Ellen Bos (Head of the Danube Institute): 05/10/2011
- (3) Pro Danube International, Manfred Seitz (General Secretary): 17/10/2011
- (4) Civil Society Forum, Stefan August Lütgenau (Director): 05/10/2011
- (5) Szeged and Dual vocational training in the region, Ervin Kiss (General Secretary of the Budapest Chamber of Commerce and Industry): 19/10/2011
- (6) International Commission for the Protection of the Danube River, Philip Weller (Executive secretary): 06/10/2011

Representatives of financial instruments

- (1) Austrian Federal Economic Chamber, Michaela Kleedorfer (Department of EU-Coordination): 19/10/2011
- (2) Council of Europe Development Bank (CEB), Mrs Andreja Jerina (State Secretary in the Government Office for Growth and European affairs): 17/10/2011
- (3) European Investment Bank (EIB) Luxemburg, Tilman Seibert (Director Lending Operations in Central Europe): 19/10/2011
- (4) European Investment Bank (EIB) Office in Vienna, Emanuel Maravić (Head of Office): 05/10/2011
- (5) European Investment Bank (EIB) Office in Vienna, Marika Levana (CMA, Analyst): 14/10/2011
- (6) European Investment Fund (EIF) Luxemburg, Hubertus Cottogni (Head of Regional Business Development): 14/10/2011
- (7) JASPERS Luxemburg, Norbert Hahn (Head of the Operations Management Division): 14/10/2011
- (8) JASPERS Regional Office for Central Europe in Vienna, Axel Hörhager (Head of Office): 14/10/2011

Annex 2. Project activity distribution in the EUSDR

Figure A: Project activity in Pillar 1 'Connecting the Danube Region'

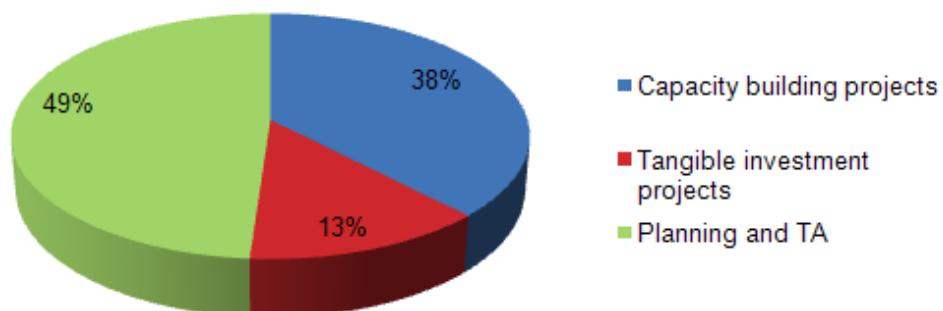


Figure B: Project activity in Pillar 2 'Protecting the Environment in the Danube Region'

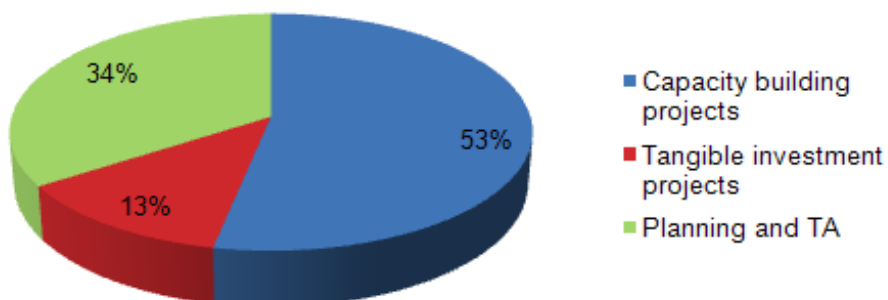


Figure C: Project activity in Pillar 3 'Building Prosperity in the Danube Region'

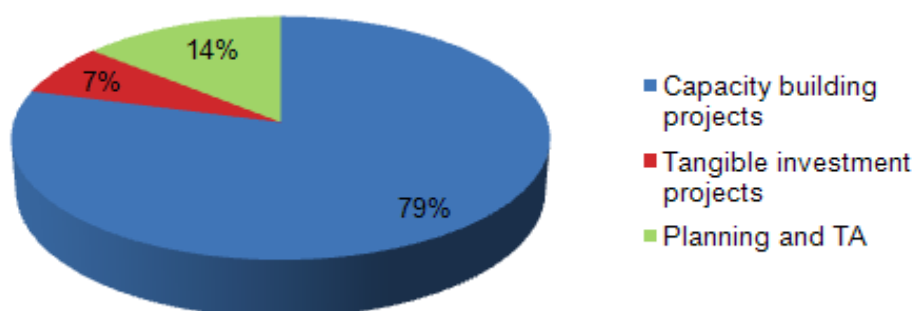
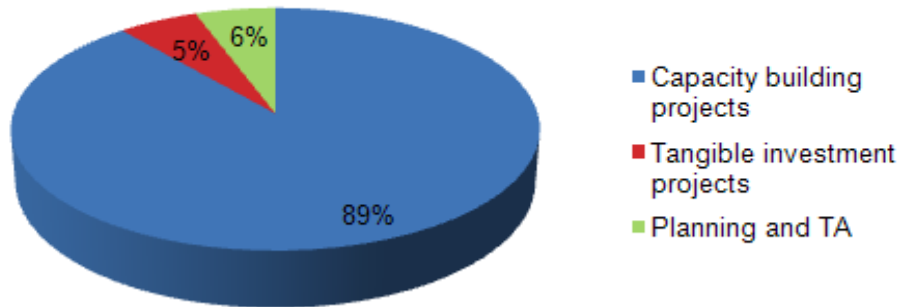


Figure D: Project activity in Pillar 4 'Strengthening the Danube Region'



Annex 3. Project activity by state of maturity

Figure E: Activity of projects that have been proposed

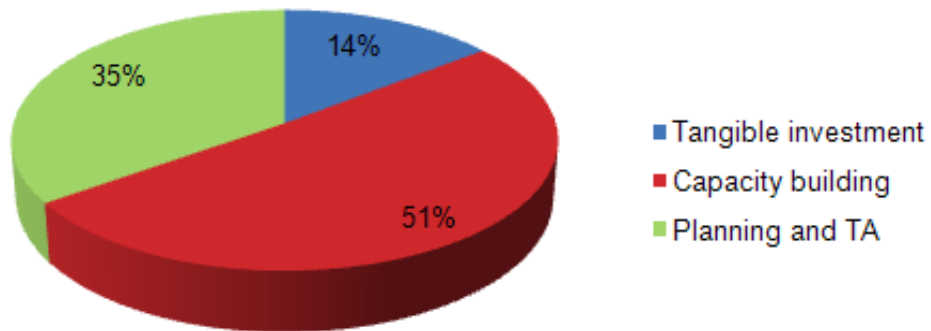


Figure F: Activity of projects in preparation

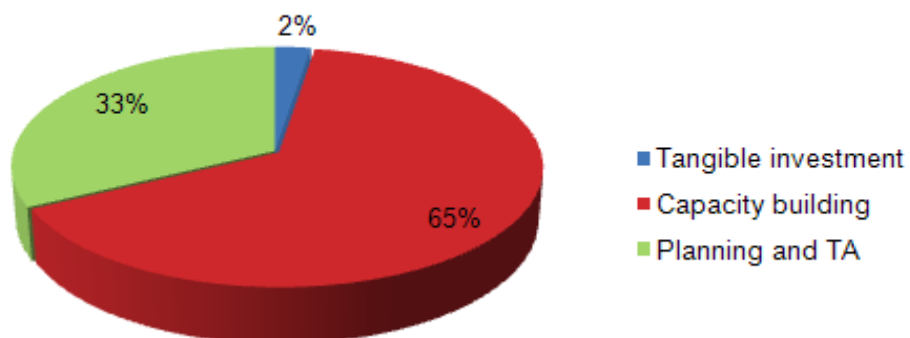
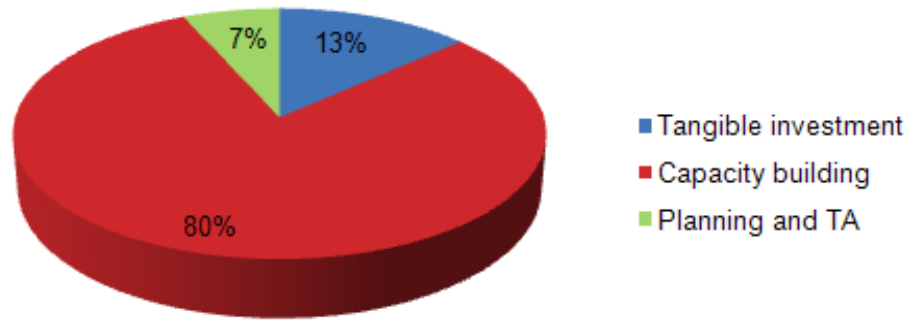


Figure G: Activity of projects implemented



Annex 4. Overview of Financial Instruments in the Danube Region

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget in EUR	
		Member States								Can did ate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III		Pillar IV
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO		HR	RS	BA	ME	UA				MD	
		European Commission	Neighbourhood Investment Facility (NIF)													1	1	1	1	1
European Commission	7th Framework Programme for Research and Technological Development 2007-2013	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		50 521 million (2007-2013)
European Commission	Lifelong Learning Programme 2007-2013	1	1	1	1	1	1	1	1	1						1		1		6.970 billion (2007-2013)
EU, OECD/DAC	Tempus IV: Modernisation of Higher Education in countries surrounding the EU 2007-2013	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				approx. 1.35-39 million per year (funded by IPA, ENPI, Development Cooperation Instrument)

		Beneficiaries of the Danube Region														EUSDR Pillar				Budget
		Member States								Can did ate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	in EUR
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO	HR	RS	BA	ME	UA	MD	Connecting the Danube Region	Protecting the Environment	Building Prosperity	Strengthening the Danube Region	
		European Commission	Erasmus Mundus - Scholarships and Academic Cooperation 2009-2013	1	1	1	1	1	1	1	1	1	1	1	1		1	1		1
European Commission	MEDIA 2007 programme 2007-2013	1	1	1	1	1	1	1	1	1						1		1		755 million (2007-2013)
European Commission	Culture Programme 2007-2013	1	1	1	1	1	1	1	1	1	1	1			1	1		1		400 million (2007-2013)
European Commission	LIFE+ Programme 2007-2013	1	1	1	1	1	1	1	1								1		1	2.143 billion (2007-2013)
European Commission	Eco-Innovation Programme 2008-2013	1	1	1	1	1	1	1	1	1	1		1		1		1	1		195 million (2008-2013)
European Commission	Marco Polo Programme 2007-2013	1	1	1	1	1	1	1	1	1						1		1		450 million (2007-2013)
European Commission	Competitiveness and Innovation Framework Programme 2007-2013	1	1	1	1	1	1	1	1	1	1		1			1		1		3.6 billion (2007-2013)

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget	
		Member States								Candidate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	in EUR
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO	HR	RS	BA	ME	UA	MD	Connecting the Danube Region	Protecting the Environment	Building Prosperity	Strengthening the Danube Region	
	(CIP)																			
European Commission, Eureka	Eurostars Programme	1	1	1	1	1	1	1	1	1								1		400 million (2007-2013)
European Commission	Fiscalis 2013 Programme	1	1	1	1	1	1	1	1	1	1				1				1	156.9 million (2008-2013)
European Commission	TEN-T / Transport infrastructure	1	1	1	1	1	1	1	1							1				8 billion (2007-2013)
European Commission	Second Programme of Community Action in the Field of Health 2008-2013	1	1	1	1	1	1	1	1	1	1	1	1						1	321.5 million (2008-2013)
European Commission	Community Programme for Employment and Solidarity - PROGRESS 2007-2013	1	1	1	1	1	1	1	1	1	1	1	1			1		1		743 million (2007-2013)

		Beneficiaries of the Danube Region														EUSDR Pillar				Budget
		Member States								Candidate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	in EUR
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO	HR	RS	BA	ME	UA	MD	Connecting the Danube Region	Protecting the Environment	Building Prosperity	Strengthening the Danube Region	
		European Commission, EIB, EIF	European Progress MicroFinance Facility for Employment and Social Inclusion	1	1	1	1	1	1	1	1									1
European Commission	Civil Protection Financial Instrument	1	1	1	1	1	1	1	1	1						1	1		1	189.8 million (2007-2013)
European Commission	Security and Safeguarding Liberties Framework Programme 2007-2013	1	1	1	1	1	1	1	1											745 million (2007-2013)
European Commission	Fundamental Rights and Justice Framework Programme 2007-2013	1	1	1	1	1	1	1	1								1		1	543 million (2007-2013)
European Commission	Solidarity and Management of Migration Flows 2007-2013	1	1	1	1	1	1	1	1							1		1	1	5866 million (2007-2013)
European Commission	Customs 2013 Programme	1	1	1	1	1	1	1	1	1	1								1	323.8 million (2008-2013)

		Beneficiaries of the Danube Region														EUSDR Pillar				Budget in EUR
		Member States								Candidate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO		HR	RS	BA	ME	UA					MD
		European Investment Bank (EIB)	European Investment Bank's Loans	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
EC, EIB, Council of Europe Development Bank (CEB)	* JESSICA (Joint European Support for Sustainable Investment in City Areas)	1	1	1	1	1	1	1	1							1			1	

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget	
		Member States								Can did ate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	in EUR
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO	HR	RS	BA	ME	UA	MD	Connecting the Danube Region	Protecting the Environment	Building Prosperity	Strengthening the Danube Region	
EC, EBRD, EIB, KfW	JASPERS (Joint Assistance in Supporting Projects in European Regions)		1	1		1	1	1	1							1	1			Focus on large projects (over €25 million) for environmental projects and €50 million for transport or other sectors. There is flexibility for small countries and projects serve pilot actions.

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget	
		Member States								Candidate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	in EUR
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO	HR	RS	BA	ME	UA	MD	Connecting the Danube Region	Protecting the Environment	Building Prosperity	Strengthening the Danube Region	
EC, EIB, EIF	* JEREMIE (Joint European Resources for Micro to Medium Enterprises)	1	1	1	1	1	1	1	1									1		EU countries can use part of their European structural fund allocation to invest in revolving instruments such as venture capital, loan or guarantee funds.

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget	
		Member States								Can did ate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	in EUR
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO	HR	RS	BA	ME	UA	MD	Connecting the Danube Region	Protecting the Environment	Building Prosperity	Strengthening the Danube Region	
EC, EIB	ELENA (European ENergy Assistance) Local	1	1	1	1	1	1	1	1	1						1				<ul style="list-style-type: none"> 1) grant subsidy from the EC for Technical Assistance 2) global loans to local participating financial intermediaries (PFIs) for smaller investments up to €50 million) 3) carbon crediting as a new financing element.

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget	
		Member States								Candidate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	in EUR
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO	HR	RS	BA	ME	UA	MD	Connecting the Danube Region	Protecting the Environment	Building Prosperity	Strengthening the Danube Region	
European Bank for Reconstruction and Development	The EBRD provides: - loans; - equity finance; - guarantees; - leasing facilities; - trade finance; - professional development through support programmes		1			1	1	1	1	1	1	1	1	1	1	1	1	1	1	1) direct investments; 2) investments to smaller projects are financed both directly by the EBRD and through financial intermediaries (local commercial banks, micro-business banks, equity funds and leasing

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget in EUR	
		Member States								Candidate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III		Pillar IV
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO		HR	RS	BA	ME	UA				MD	
European Commission	European Agricultural Fund for Rural Development	1	1	1	1	1	1	1	1	1						1	1	1	1	96 billion (2007-2013)

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget in EUR	
		Member States								Candidate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III		Pillar IV
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO		HR	RS	BA	ME	UA				MD	
		European Commission	European Fisheries Fund	1	1	1	1	1	1	1	1	1							1	1
European Commission	Safer Internet Programme	1	1	1	1	1	1	1	1	1	1	1	1	1	1				1	55 million (2009-2013)
European Commission	Youth in Action	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1			1	885 million (2007-2013)
European Commission	Europe for Citizens Citizenship Programme 2007-2013	1	1	1	1	1	1	1	1	1						1				215 million (2007-2013)
European Commission	European Social Fund (ESF)	1	1	1	1	1	1	1	1									1	1	75 billion (2007-2013)
European Commission, Council of Europe, European Science Foundation	European Cooperation in Science and Technology (COST)	1	1	1	1	1	1	1	1	1	1	1						1		

		Beneficiaries of the Danube Region													EUSDR Pillar				Budget in EUR	
		Member States								Candidate	Potential Candidates			Third countries		Pillar I	Pillar II	Pillar III	Pillar IV	
Financial institution	Financial instrument	AT	BG	CZ	DE	HU	SI	SK	RO	HR	RS	BA	ME	UA	MD	Connecting the Danube Region	Protecting the Environment	Building Prosperity	Strengthening the Danube Region	
		European Commission	European Regional Development Fund (ERDF)	1	1	1	1	1	1	1	1							1	1	1
European Commission	Instrument for Pre-Accession (IPA)									1	1	1	1			1	1	1	1	12900 million (2007-2013)
European Commission	European Neighbourhood and Partnership Instrument (ENPI)													1		1	1	1	1	11181 million (2007-2013)
Total		33	35	34	33	35	35	35	35	25	16	12	13	8	11	24	14	23	18	

* Although eligible for a wide range of countries (as indicated in the “beneficiaries” column), not all countries make use of these instruments.