



## South East Europe (SEE)

*Transnational Cooperation Programme for a moving European area in transition on the way to integration*

### Operational Programme Draft version 2.2

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<b>Version 1.0:</b>	<b>New OP-structure, 3 November 2006</b>
<b>Version 1.1:</b>	<b>Integration of comments of Romania, Bulgaria, Italy, Hungary, Slovakia, Austria, 28 November 2006</b>
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<b>Version 2.1a:</b>	<b>Redraft based on comments at the TF meeting on 6-7/02/2007 in Ljubljana and subsequent written comments</b>
<b>Version 2.2:</b>	<b>Substantial redraft and additions based on the findings of the informal meeting with the Commission 22 February 2007, TF meeting in Brussels 23 Febr 2007</b>



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## Programme summary

The Transnational Cooperation Programme South East Europe is part of the new Objective 3 **European Territorial Cooperation** for the programming period 2007-2013.

**General aim** of transnational cooperation is to foster a **balanced territorial development** and **territorial integration** within the cooperation area.

Transnational cooperation concentrates on a limited number of **priority areas** in line with the Lisbon and Gothenburg processes: Innovation, Environment, Accessibility and Sustainable Urban Development.

Action related to **Innovation** shall make a direct contribution to the balanced economic development of a transnational cooperation area. Action related to **Environment** and **Accessibility** shall have a clear transnational dimension. Action to strengthen **sustainable urban and polycentric development** can be pronounced multi-level (transnational, national, regional) with a clear transnational impact.

The Transnational Cooperation Programme South East Europe faces an **additional challenge**. The programme is **not only part of the EU-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. The **programme area** includes **17 countries** with a total population of 269 million and presents one of the **most diverse and complex transnational cooperation areas** in Europe. This is the only transnational Programme area with such a large number of Non-EU countries participating (candidates, potential candidates and third countries).

Tab. 1: Programme area

Country	Area
Albania	Whole territory
Austria	Whole territory
Bosnia-Herzegovina	Whole territory
Bulgaria	Whole territory
Romania	Whole territory
Croatia	Whole territory
Former Yugoslav Republic of Macedonia (FYROM)	Whole territory
Greece	Whole territory
Hungary	Whole territory
Italy	Lombardia, Prov Autonoma Bolzano/Bozen, Prov. Autonoma Trento, Veneto, Friuli-Venezia-Giulia, Emilia Romagna, Umbria, Marche, Abruzzo, Molise, Puglia Basilicata
Serbia	Whole territory
Montenegro	Whole territory
Slovakia	Whole territory
Slovenia	Whole territory
Turkey	Regions: Bati Marmara, Istanbul
Moldova	Whole territory
Ukraine	Cjermovestka Oblast, Ivano-Frankiviska Oblast, Zakarpatska Oblast, Odessa Oblast

South East Europe poses a **unique landscape for improving integration, competitiveness and consequently territorial cohesion**.

As a global objective the South East Europe 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 Programme adopts a **common challenge approach**, focusing **primarily on matters of strategic importance**. Pursuant to the requirements of Article 6 of the ERDF Regulation (1080/2006) the Programme identifies strategic thematic issues, which are relevant for the cooperation area and which shall be tackled through multilevel transnational action.

**Priority axis 1 “Facilitation of innovation and entrepreneurship”** shall contribute specifically to the future development of South East Europe as a place of innovation. The objective is to facilitate innovation, entrepreneurship, knowledge economy and to enhance integration and economic relations in the cooperation area.

**Priority axis 2 “Protection and improvement of the environment”** shall contribute to the improvement of the environmental conditions and to the better management of protected and other natural/semi natural areas. The objective is to override the constraints imposed by national barriers, to foresee future environmental threats and opportunities and to develop common transnational action for the protection of nature and humans.

**Priority axis 3 “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. The objective is to promote coordinated preparation for the development of accessibility networks and the support of multi-modality.

**Priority axis 4 “Development of transnational synergies for sustainable growth areas”** shall contribute to the balanced and polycentric patterns of the programme area. The objective is to develop and apply integrated strategies tackling on one hand the high concentration of economic, environmental, social and governance 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 for the development of growth areas. Priority axis 4 shows a specific cross-sectoral character strongly interlinking economic, environmental, social and governmental issues.

**Priority axis 5 “Technical assistance to support implementation and capacity building”** shall contribute to the smooth implementation of the programme while enabling the programme bodies, stakeholders, project promoters and final beneficiaries to make full use of the opportunities offered by the European Territorial Cooperation Objective 3 and Transnational Cooperation in particular.

These priority axes are further detailed down to the distinct **level of areas of intervention**.

Tab. 2: Priority Axes and Areas of intervention (Aol)

Priority Axis 1 Facilitation of innovation and entrepreneurship	Priority Axis 2 Protection and improvement of the environment	Priority Axis 3 Improvement of the accessibility	Priority Axis 4 Development of transnational synergies for sustainable growth areas	Priority Axis 5 Technical assistance to support implementation and capacity building
<b>Aol 1.1</b> Develop technology & innovation networks in specific fields	<b>Aol 2.1</b> Improve integrated water management and flood risk prevention	<b>Aol 3.1</b> Improve coordination in promoting, planning and operation for primary & secondary transportation networks	<b>Aol 4.1</b> Tackle crucial problems affecting metropolitan areas and regional systems of settlements	<b>Aol 5.1</b> Secure the core management for the implementation of the programme
<b>Aol 1.2</b> Develop the enabling environment for innovative entrepreneurship	<b>Aol 2.2</b> Improve prevention of environmental risks	<b>Aol 3.2</b> Develop strategies to tackle the "digital divide"	<b>Aol 4.2</b> Promote a balanced pattern of attractive and accessible growth areas	<b>Aol 5.2</b> Implement accompanying activities (...)
<b>Aol 1.3</b> Enhance the framework conditions and pave the way for innovation	<b>Aol 2.3</b> Promote co-operation in management of natural assets and protected areas	<b>Aol 3.3</b> Improve framework conditions for multi-modal platforms	<b>Aol 4.3</b> Promote the use of cultural values for development	
	<b>Aol 2.4</b> Promote energy & resource efficiency			

The programme aims to **realize high quality, result orientated transnational projects of strategic character, relevant for the programme area**. This requires **high quality partnerships** and a **multi-level approach** on the activities level.

**Project Partnerships** have to contain partners **from at least three participating States**, of which at least one shall come from a EU Member State. It is the task of each project applicant to present an **adequate activities mix**, which will produce **concrete and visible outputs**, will assure the fulfilment of the proposed project objectives and will contribute to the Programmes Objectives. Detailed procedures on **project generation, application and selection** will be developed and will be communicated to potential applicants in form of detailed *Applicants Manuals*.

The **European Regional Development Fund (ERDF)** is the main funding source of the programme. It has a total available ERDF budget of Euro 206,7 million for the 2007-2015 period. These amount is supplemented by National public funds finally amounting to Euro 245,1 million. The Financial resources are significantly higher than for the predecessor programme INTERREG IIB CADSES 2000-2006.



**Eligible project partners** are public authorities; public equivalent bodies and any legal body governed by public or private law **not having an industrial or commercial character**. The programme is not designed to directly finance private economic actors.

The designated Managing Authority is the **National Development Agency (Hungary)** located in Budapest. The Managing Authority will be responsible for managing and implementing the programme in accordance with the respective regulations.

The **generation and selection of transnational projects** will be the responsibility of the **Monitoring Committee** assisted by the **Joint Technical Secretariat**. The network of **SEE Contact Points**, which represent the programme in Partner States serve as national coordination points for the programme implementation.

The **involvement of non-member states** in transnational projects is a **crucial element** of the programme. Non-member states are encouraged to fully integrate to the programme. As soon as a SEE partner state delegates member(s) to the Monitoring Committee and sets up a national committee (or other appropriate procedures) it is accepted as **full member** in the programme.

**Funding for non-member state project partners** shall come for **other EU Sources** (e.g. Instrument for Pre-Accession Assistance and the European Neighbourhood Policy).

# 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 Transnational cooperation in the framework of Territorial cooperation

The Transnational Cooperation Programme South East Europe (SEE) is part of the new Objective 3 **European Territorial Cooperation** for the programming period 2007-2013.

In the framework of Cohesion Policy the Objective 3 “European Territorial Cooperation” becomes now an objective **of its own** on an equal footing with the Objective 1 “Convergence” and Objective 2 “Regional Competitiveness and Employment” and will replace the Community Initiative INTERREG III 2000-2006. The Transnational Cooperation Programme South East Europe (SEE) is a descendant of the former INTERREG IIIB CADSES Programme. The naming of the cooperation area as “**South East Europe**” is according to the Commission Decision 2006/769/EC.

According the General Regulation (Art. 3, 1083/2006) the **overall objective** of transnational cooperation is to **strengthen integrated territorial development** (= Territorial Cohesion) **linked to Community priorities**.

**Territorial cohesion** pays particular attention to **specific needs** of broader transnational cooperation areas and should also be **part of the effort** to ensure that all Europe’s territory has the opportunity to contribute to the **growth and jobs agenda** (renewed Lisbon agenda<sup>1</sup>).

The **Community strategic guidelines on cohesion** (2006/702/EC) specify that in transnational cooperation areas there is a need to **increase economic and social integration and cohesion**. Transnational cooperation programmes seek to increase cooperation across Member States on matters of strategic importance.

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<sup>1</sup> 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

Article 6 of the **European Regional Development Funds (ERDF)** Regulation 1080/2006 provides that **transnational cooperation** supporting the **integrated territorial development** in the cooperation area shall concentrate on **four priority areas**: Innovation, Environment, Accessibility and Sustainable Urban Development.

Action related to **Innovation** shall make a direct contribution to the balanced economic development of a transnational cooperation area. Action related to **Environment** and **Accessibility** shall have a clear transnational dimension. Action to strengthen **sustainable urban and polycentric development** can be pronounced multi-level (transnational, national, regional) with a clear transnational impact.

The Transnational Cooperation Programme South East Europe faces an **additional challenge**:

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. The programme area is located at the South-Eastern edge of the Union, where several Accession Candidate Countries and Potential Candidate Countries as well as third countries engaged in the EU Partnership Framework are concentrated, thus going far beyond the present external borders of the EU.

After the 2007 enlargement 9 member states participate partially or totally in the “**South East Europe**” programme for territorial transnational co-operation in 2007-2013. The rest of the programme’s 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.

The integration of potential and current candidate countries as well as of third countries **will be crucial for the South East Europe cooperation area**.

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

Map 1: Programme area South East Europe



Tab. 3: Countries participating in the SEE programme

Country / Area	Relations with EU	Prospects	Funding
<b>Albania:</b> Whole territory	Stabilization and Association Agreement (SAA)	Potential Candidate	IPA
<b>Austria:</b> Whole territory	EU-member state		ERDF
<b>Bosnia-Herzegovina:</b> Whole territory	No contractual relations with EU, autonomous trade preferences by the EU, negotiations on SAA since 25/11/2005	Potential Candidate	IPA
<b>Bulgaria:</b> Whole territory	EU member state		ERDF
<b>Romania:</b> Whole territory	EU member state		ERDF
<b>Croatia:</b> Whole territory	SAA (signed 2001, implementation since 2/05), accession negotiations started on 3-10-2005	Candidate status	IPA
<b>Former Yugoslav Republic of Macedonia (FYROM):</b> 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)	IPA
<b>Greece:</b> Whole territory	EU-member state		ERDF
<b>Hungary:</b> Whole territory	EU-member state		ERDF
<b>Italy:</b> Regions: Lombardia, Prov Autonoma Bolzano / Bozen, Prov. Autonoma Trento, Veneto, Friuli-Venezia-Giulia, Emilia Romagna, Umbria, Marche, Abruzzo, Molise, Puglia Basilicata	EU-member state		ERDF
<b>Serbia:</b> Whole territory	Autonomous Trade Preferences since 2000, negotiations on SAA since 10/2005	Potential Candidate	IPA
<b>Montenegro:</b> Whole territory	Autonomous Trade Preferences since 2000, negotiations on SAA since 10/2005	Potential Candidate	IPA
<b>Slovakia:</b> Whole territory	EU-member state		ERDF
<b>Slovenia:</b> Whole territory	EU-member state		ERDF
<b>Turkey:</b> Regions: Bati Marmara, Istanbul	Tariff union since 1996, accession Negotiations since 2005	Candidate	IPA
<b>Moldova:</b> Whole territory	Partnership and cooperation agreement (PCA) since July 1998	Third country	Still to be clarified
<b>Ukraine:</b> Cjermovestka Oblast, Ivano-Frankiviska Oblast, Zakarpat-ska Oblast, Odessa Oblast	Partnership and cooperation agreement (PCA) since July 1998	Third country	Still to be clarified

## 1.4 Preparation of the operational 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 initial technical meeting in Brussels on the 31<sup>st</sup> of January 2006, there have been a series of meetings almost every month in several locations across the programme area.

Civil servants, public officials and external experts met and discussed the possibilities and best ways to stimulate and promote cooperation in the programme area. 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. Citizens in the concerned counties was also widely consulted and their comments, observations and suggestions taken into consideration. The Operational Programme was scrutinised using an extensive Ex-Ante evaluation and Strategic Environment Assessment (SEA) Both the ex-ante evaluation and the strategic environmental assessment were conducted parallel and interactively to the development of the OP itself: Experts contributed to and commented on the document at every stage of the preparation of the programme. 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.

## 2. Analysis

### Introduction

The programme area is one of the **most diverse and complex transnational cooperation areas** 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.

Elaborating an **analysis** for a transnational cooperation programme of such a diverse space in almost every sense is a **great challenge**. Apart from the different status and relation to the EU of the programme partner the area is characterized by **highly distinct economic, social, infrastructural, technological and administrative and institutional disparities and diversities**. There are **massive lacks** in the availability of harmonised data and no substantial preparatory thematic analysis for the whole area available.

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** (according Article 6, Regulation No 1080/2006). Because of the different status of relationship to the EU of the programme participants and the different administrative and competence structures and level of development regarding economic basis, infrastructure, technology and innovation potential and the civil society, the four above-mentioned topics **cover only a small range of the specific needs** of this European space.

For a better understanding of the challenges of transnational cooperation in this space the following analysis serves also as a **background report** and therefore some additionally issues are integrated in the analysis which do not have a direct connection to the priorities of the programme.<sup>2</sup>

### 2.1 Territorial Integration

The programme area is the most heterogeneous area of Europe considering the specific cultural, political, ethnical, social and historical characteristics of the participating regions. Historically the political, cultural (several languages, eastern, western, south and mid-european impacts) social, ethnical (several nations and ethnical groups) and religious diversity of Europe and the Orient meets in the cooperation area. This great diversity is potential not only for the identity but also for conflicts and the foundation of both cross border and transnational cohesion.

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 different facets:

- the deepening of EU-27 integration,
- the pre-integration process of the accession countries
- the process of deepening relations with the EU-Neighbouring countries and

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<sup>2</sup> As far as possible the analysis is based on harmonized and comparable data (Eurostat, World Bank..) In most of the cases data is only available for the whole countries, 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, the focusing on the range of the differences gives a clearer picture of the specific situation.

- the stabilisation and development of bilateral relations.

This should not only refer to integration per se, but also to the spatial effects of it. Integration affects

- the internal disparities and development processes
- the relation between strong and weak regions and the structure of urban hierarchy and
- the different institutional and legal structures, frameworks and capacities.

## 2.2 Geographic features

The physical, political and social geography of the program area is a very important factor not only for the understanding of the present situation in the area but also for the identification of links for transnational cooperation issues.

### ***The constitution of new states***

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.

### ***The diversity of landscapes***

The topography not only determines the spatial and settlement structures but forms also geographic framework the economic base and development perspectives. The diversity of landscapes in the program area can be described by the following types:

- ***the mountainous areas***

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 South-East Europe and the Balkan Mountains, Pindos mountains the Olymp-Ossa-Pilion-mountains and the Rhodope-mountains are the most important mountainous areas. The Great Hungarian Plain, large patches of grassland at a level of about 100m over the sea, are located in between those mountain ranges. The mountainous areas can be characterised by specific economic structure (agriculture, forestry, tourism), by specific settlement structures and climate condition. Much of this areas are economically weak regions. The mountainous areas are ecologically very sensitive and therefore of very high environmental interest.

- ***the sea and the maritime areas***

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 therefore is of crucial economic, cultural and ecological importance.

Tourism is one of the key sectors of these areas. The coastal regions account for most of the overnight stays throughout the whole programming area, with seasonal peaks in the summer months. By contrast, industry and the transportation sector (maritime transport, harbours) are

responsible for the good economic performance and stability of the coastal regions. The integration of the ports into an efficient and adequate transportation and logistics system is seen as one of the most important challenges for the future.

In Greece there are 9.840 island with a coastline of about 15.000 km. Along the Adriatic Sea coast of Croatia there are 1,185 small and big islands, and 67 of them are populated. Restricted development potentials, demographic problems, the stabilisation of the supply with goods and services, the accessibility and integration into national markets and the transportation system are the main challenges for this part of the programming area.

From an ecological point of view, one of the biggest problems for the maritime regions are the pollution caused by traffic, tourism and from big rivers which flow into the sea after passing through mostly industrialised and built-up regions, and areas of intensive agriculture with a high density of intensive livestock breeding and the use of agricultural chemicals. The quality of the sea water on some beaches decreases in the vicinity of sewage outlets from larger urban agglomerations.

- ***the rivers(-systems)***

The Danube as one of the largest rivers in Europe and connecting 7 partner countries of the program area and 4 capitals (Vienna, Bratislava, Budapest, Belgrade) plays a very important role for the program area not only in a topographic and environmental sense but also in an economic and cultural sense. Running from North-West to South-East the Danube is the direct connection from the Atlantic sea and some of the most important harbours in western Europe to the Black Sea and further the Mediterranean Sea. The Danube is also important for energy production and the vicinity to the river offers good locational conditions for specific industries and logistic activities. Beside the Danube there are a lot of rivers of national or regional economic, touristic and environmental importance.



Map 2: Types of landscapes



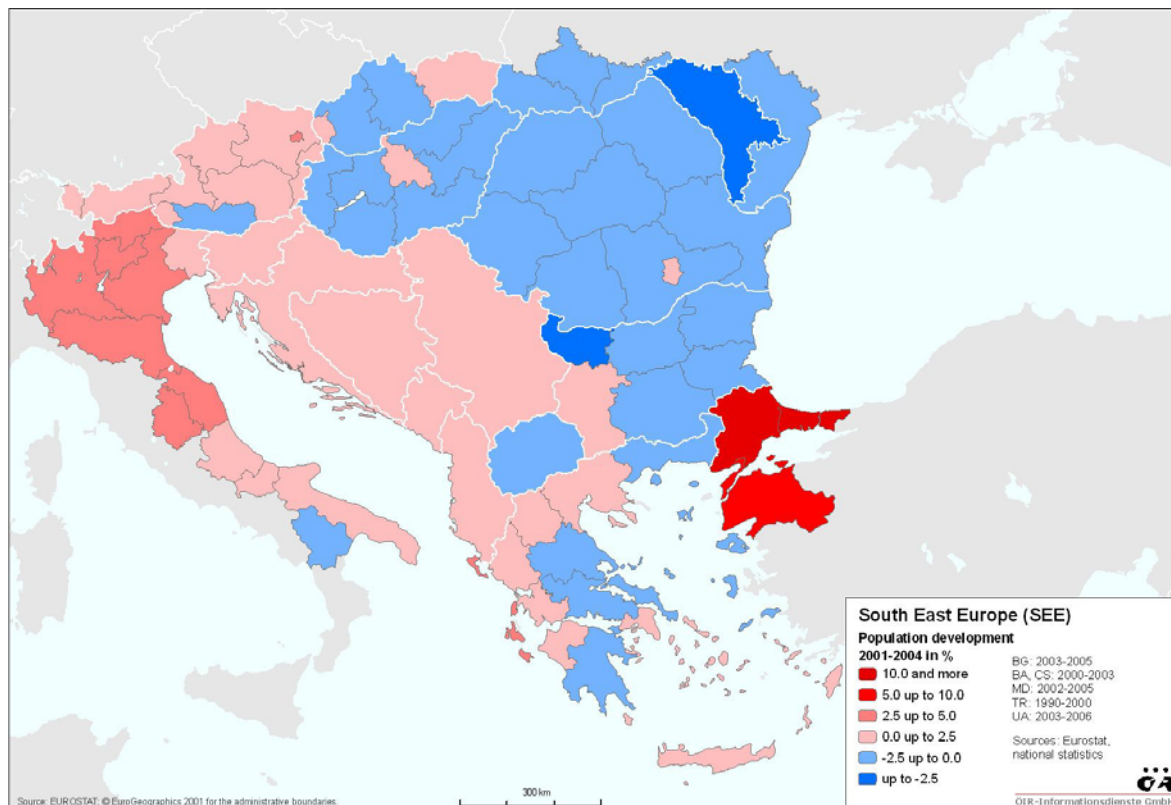
### **Demographic development**

Demographic trends are very heterogeneous between and within the countries of the program area, depending on economic, social and cultural and spatial factors. Challenges that need to be met are:

- the spatial concentration of positive or negative demographic development like migration , depopulation (rural versus urban areas)
- ageing population and
- migration

Regarding **population growth** at the national level, most of the EU members (except Hungary, Bulgaria, Romania) in the program area have experienced a modest increase in population in the last years mostly caused by immigration. Contrary developments have to be stated among the non-EU-countries, which have lost a significant part of their population in a relatively short period due to migration. Only the Turkish regions gained population as result of the economic power of the region. Depopulation trends with the greatest population decline have been experienced especially in peripheral rural regions.

Map 3: Population development



In general the demographic development in the EU-member states within the program area follows the European trend of an **ageing population**. 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. On the other hand the candidate, potential and third countries follow two different routes. 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, for the Ukraine further declines of development are expected because of serious negative balances between birth and death rates in combination with emigration.

For some (candidate, potential 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 and Herzegovina and FYROM. This emigration is directed mainly towards Western Europe (EU-15) 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 the labour market, the social systems and housing may increase, often followed by social tension and conflicts between different cultures.

In the programme area all this mentioned problems arise, some of the countries are favoured immigrant countries (e.g. Italy and Austria, Greece), the others are countries confronted with high out-migration flows. 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 can feed.

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

The programme area is extremely diverse in terms of **ethnicity, culture and religion**. While larger homogenous areas are found on the perimeters, the central part of the area shows an extremely varied picture. In terms of ethnic and religious affiliation numerous peoples often are concentrated in border regions with neighbouring kin-states

In some of the programme participating 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 (high rate of illiteracy).

In general, ethnic diversity decreases. 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. This is one of the problems the area is faced in some parts.

**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. 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.

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

Architectural monuments primarily include religious-type monuments (monasteries, churches, mosques, synagogues) 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.

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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.

## 2.3 Competitiveness – economic performance and innovation

***Strong national and region disparities are characterising the socio-economic performance of the programme area.***

The analysis of the regional GDP per capita performance revealed that the programme area is far from being cohesive. This area 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 located in the new EU member, candidate, potential candidate or Third countries.

Concerning the economic activity level and the growth performance two patterns of economic strengths are visible in the programme area. Firstly, a clear West-East divide becomes apparent with the strongest regions located in the West (Italian regions, Austria) 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, potential candidate and Third countries.

***The economic process in the programme area is based on different potentials and follows very different development paths: the new and (potential) candidate countries are performing better the old member states. Factors of competitiveness like wages, taxes and aid systems in combination with the quantitative and qualitative availability of well educational labour force and the need of restructuring the national economy offer good conditions for a high dynamic.***

In terms of economic dynamics (growth rates of per capita GDP) the economic performance shows another picture. Countries like Greece, the new EU member, candidate, potential candidate and neighbouring countries (especially Albania) usually are performing better than the old EU-15 member states between 1995 and 2003. 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. Not at all the factors of competitiveness like wages, taxes and aid systems in combination with the quantitative and qualitative availability of well educational labour force and the need of restructuring the national economy offer good conditions for a high dynamic.

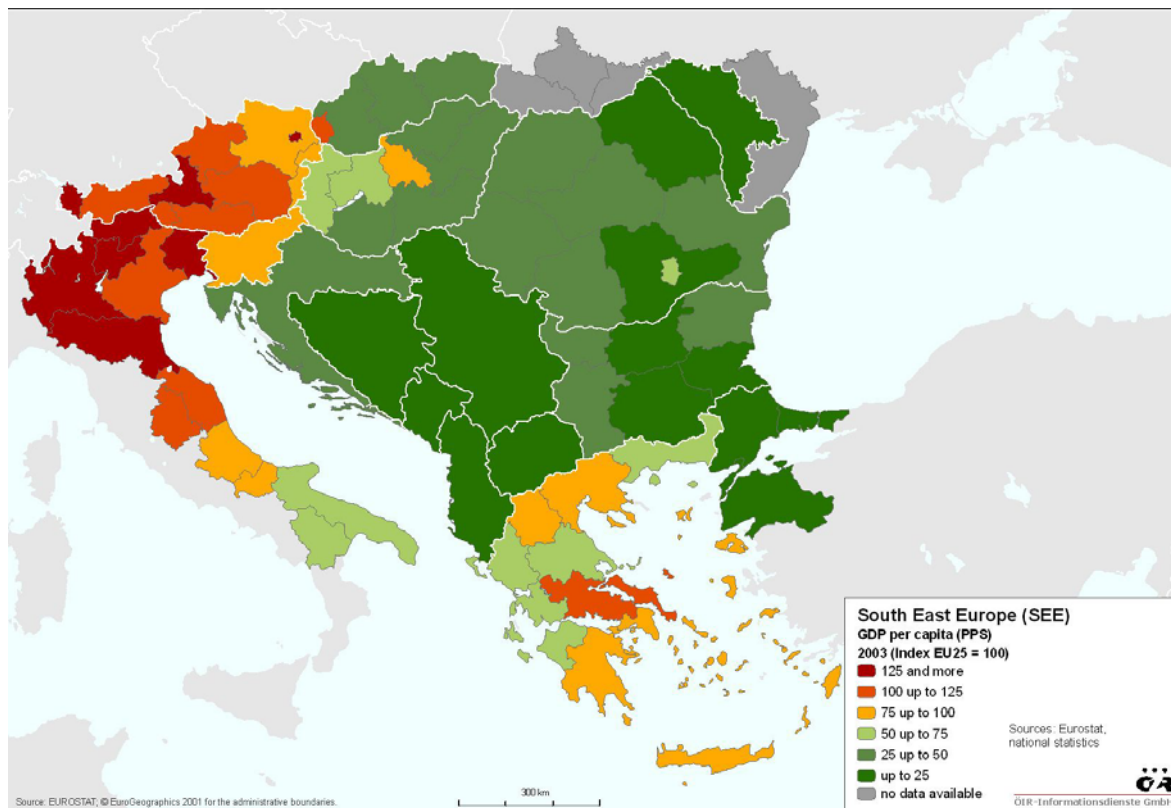
***FDI as development engine - the current competitiveness of most of the programme participating countries apparently depends on the presence of foreign capital in the country.***

Foreign Direct Investment (FDI) was and still is a major source of growth and competitiveness in all transition countries in Europe. Especially the new EU members 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. For a number of non-EU countries within South-East-Europe, the most important investors are coming from Austria (for Croatia and Romania), Greece (for FYROM) and Italy (for Albania), investment from within the region plays an important role also 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. .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 the programme area. The capital and other economic strong areas are benefiting much more of the foreign direct investment activities

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 and Herzegovina 0.4%, FYROM 0.3%, Serbia and Montenegro 0.9%).

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.

Map 4: GDP/capita 2003



***The structural change meets different competitive levels of economies in regard to the sectoral importance and the quality and efficiency of production and services and the institutional framework.***

The economic structure of programme participating countries has similarities and differences from that of the EU-25. The similarity is that both areas experience a decline in the weight of agriculture and industry and an increase in the weight of services in the composition of GDP. The differences are the relative high importance of agriculture in some parts of the programme area. (e.g. Bulgaria, Romania, Albania, Serbia, Montenegro, Moldova, Ukraine, Turkey). Especially in the new EU-member states and the candidate and some potential candidate countries the share of the service sector increased in the last years. Finally, industry, despite its serious decline since 1990, still accounts for 19% of GDP in Albania and 38% in Romania. Of course, similarities or differences in GDP shares with the EU should not underestimate the qualitative differences among the single countries in this area, especially in the industrial and the service sector.

As an important prerequisite for the economic development all countries in the programme area have done significant steps towards **economic freedom**. As a result they are already very close to the EU average. Turkey and the Third countries Ukraine and Moldova are the countries that yet need to cover some ground in order to reach the EU figures.

A comparison among 150 countries shows that there are serious problems of institutional nature, like corruption, in the region, which are affecting economic and social progress, but also the attractiveness of the region to outside investors. The Corruption Perception Index (CPI) ranks more than 150 countries in terms of perceived levels of corruption, as determined by expert assessments

and opinion surveys. On the basis of this assessment it can be shown that some parts of SEE suffer from relatively high levels of corruption. Only one country (Austria) has a score above the EU-25 average and only three countries have a score that is equal or above the mean value of the scale (Hungary, Italy, Slovenia). The rest of the countries have very low scores.

***The political and economic chance (transformation process, integration, constitution of new states) in the last decades leads to extensive changes of the trade relations and affects the programme area in a very high degree.***

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 programme area. Nowadays the trade in the area where geographical proximity, accessibility but also historical ties determine the trade relations, 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 programme area.

In 2003 the highest share of total exports within the programme area 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 the area 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 Europe. For Albania, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and Romania, the most important partner is Italy and in particular the Italian participating regions for their imports and the other Italian regions for their exports.

In addition to this described structures, foreign trade networks in the programme area 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.

***The development of the labour market follows the structural changes of the national economies and is determined by significant changes of the labour force demand concerning skills, flexibility and wage levels.***

The substantial changes of economic structures, development processes and relations between the countries since 1989 are determining the labour market structures in a qualitative and quantitative way with great differences between the old EU-15 member states and the new member states, candidate and potential 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 and potential 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 countries within the programme area 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 and 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 participating 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 and Herzegovina, 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).

***The disparities of the economic performance, the different institutional structures, missing or lacking (national) innovation strategies and are the main characteristics of the programme areas' innovation capacity.***

The innovation capacity can be described by the education system, the human resources (level of qualification) and the institutional framework for research and development (public and private sector, institutions, enterprises, budgets, programmes and politics).

Generally the **level of qualification**<sup>4</sup> – differing between the participating countries and single regions – does not reach the European average. 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

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<sup>4</sup> Source of data: World Bank, 2006



enrolment and to an higher extent regarding secondary enrolment ratios for the new EU-member states Bulgaria, Romania as well as for the candidate and potential candidate and Third countries.

Another indicator of opportunities regarding the active development of qualification is the amount of **public expenditure on education**<sup>5</sup>. Measured in public expenditures in % of GDP the figures for 2004 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%).

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 the programme area 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>6</sup>. Although some progress can be stated concerning the adaption of the educational and research system in the candidate and potential candidate countries the progress reports stated out, that especially some of the small countries of this group did not fulfil the requirements set out in the Bologna Process and the implementation of the existing legislation is weak.

According to existing national strategies for innovation and technology the single countries in the programme area are more or less provided with technology parks, innovation and transfer centres. In the old EU member states such facilities are essential partners implementing the national and regional innovation strategy. In the new member states such institutions were established during the transformation process, the regional diffusion is much lower. In most of the candidate, potential candidate and Third countries such facilities and institutions are missing as well as adequate strategic concepts.

Regarding **R&D expenditure (GERD)** the figure is generally rather low in comparison to EU 25. In 2004 only Austria (2,3% of GDP) had R&D figures higher than the EU-25 (1,9%), while Slovenia (1,6%) was ranked second followed by Italy and Croatia (1,1%). Nevertheless, in Romania, Bulgaria and most of the candidate and potential candidate countries very low expenditure in R&D has to be stated.

Concerning the recent development of R&D expenditure, some countries within the programme area show even declining shares of R&D expenditure, as e.g. in Slovakia, Bulgaria and Romania, whereas the highest growth rates can be stated in Hungary and Austria.

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<sup>5</sup> No data available for Bosnia and Herzegovina and Serbia-Montenegro.

<sup>6</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.

***The programme area has a low performance with respect to R&D and a dual spatial pattern is shown where few countries have figures comparable to EU standards but the majority of them has low levels of innovative activity, also due to yet lacking regulations and institutional capacities mainly in potential candidate and third countries, and as a result, low levels of competitiveness.***

Beside the public sector also enterprises are playing an important role in terms of R&D. In this context the size, the position in the production process and the available capacity for research and development of the enterprises are determining the level and output and the quality of research and development activities. The economic structure described by the enterprise system gives a very diverse picture in this area. In Austria, in the Italian regions and in Greece the SMEs are dominating the economic structures. Large enterprise can be found traditionally in key industries (steel, machinery, vehicles, food and beverage, oil and chemicals). Until the transformation of the economic and political system the enterprise system in the former Socialist countries was characterised by state-owned industrial complexes and large production units. During the transformation process the number of SMEs was growing rapidly, driven by the service sector. But also the FDIs contribute to a structural change. This dynamic is especially very strong in the EU-member states while in some of the candidate and potential candidate countries the basis of SMEs is still rather weak.

Generally the innovation capacity of SMEs is stated to be much lower than in large industry, therefore it will be very important to establish qualified and fitting frameworks to **motivate SMEs for innovation activities** or to bring them closer to the results of R&D activities.

This situation states an important reason that the performance of the programme area in terms of R&D in the business sector (BERD) is (according to the GERD figures) at **low levels** absolutely, but also relatively. The share of business enterprise R&D expenditure on total R&D expenditure ranges between 24% and 60% in the participating countries (providing data on F&E expenditures), whereas EU 25 shows a share of 64% by the business sector.

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.

## **2.4 Environment (in coordination with SEA)**

### **Natural resources, biodiversity**

***Due to the various landscapes (mountainous areas, maritime regions and the sea, river systems) there are substantial differences regarding the present situation of the environment, the nature and the scale of problems they are confronted with.***

Natural resources are extremely diversified in the programme area and include large areas of forest and agricultural land, mountain areas, important watercourses, coast with specific landscapes, urbanised areas, industrialized and mining areas. In general they are subject to a variety of adverse impacts from industrialisation, intensive agriculture, traffic and urbanisation and intensive tourism. 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 development, etc.

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 programme area contains the main **European rivers** after Volga, which are the base of the local economies and identities, as Danube, Tisza and Sava on the East and Po on the west, Axios, Nestos, Strimonas and Evros in the south and a huge **coastal area** along the Adriatic Sea Black Sea and Aegean Sea, which are the cradle of the European history and civilization.

An uncontrolled development in terms of land use change, increased energy consumption, increasing surface of metropolitan areas would worsen all the water-related problems. 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 most severe environmental threats derive from increasing flows of motorised traffic and increasing number of bottlenecks in urban areas, derelict, contaminated areas, gaps in energy efficiency, risks of natural and man made disasters, threatened water reserves, deforestation and soil erosion, insufficient supply and disposal infrastructure and a significant industrial bases in the still operate plants with no environmentally friendly technologies.***

The environmental situation in the programme area 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. As far as the environmental risks related to economic activities are concerned, the programme area has an average **environmental quality** similar to that of the EU-25. The per capita daily emissions of organic pollutants into water are 9,211 kg in the region and 9,361 in the EU-25. However, this average figure conceals relatively still high emissions in countries like Hungary, Slovenia, Bulgaria, Romania and Serbia and very low emission in countries like Albania, Bosnia and Herzegovina, 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 the programme area. Nevertheless waste amounts also increase fast in non EU25 participating countries. 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 EU accession countries where data exist, an average municipal waste recycling rate of 8.6 % was reported during the period 1998-2001.

Strong **growth in transport**, notable road transport, causes **growing environmental pressures**, like air and water pollution, greenhouse gas emissions, habitat fragmentation and destruction that need to be addressed by a sustainable transport policy. Growth in transport volume and activity will generate also increasing demand for fossil fuels and thus threatening energy security and generating more CO<sub>2</sub> emissions.

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

***Due to an ongoing climate change, future increase of natural risks like droughts and floods and by forest fires, land slides and so on has to be assumed for the programme region.***

According to an ESPON 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 Romanian Carpathians and their foreground 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 programme 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 and land slides (in the mountainous regions).

Especially the great floods of the last years have shown that risk management structures on a transnational level are missing.

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

***The envisaged balance of the programme area in economic and social development will require a more and more increasing demand in energy provision, which should be provided by ecologically friendly production of energy.***

In most EU member states of the programme area the share of **renewable energy** for primary energy production lies slightly below the average of EU-25 (2005: 6,38% including hydropower electricity production of pump-storage installations, (source: EUROSTAT), except Austria (21%) and Slovenia (11%) as large forestry countries. Within the renewable primary energy production biomass and waste along with hydropower are by far the most abundant sources of renewable energy.

Concerning the contribution of electricity produced from **renewable energy sources** to the national electricity consumption, the programme area shows figures below the EU-27 average (14% in 2005) not taking into account hydroelectric production coming from pump-storage installations functioning with power grid electricity. The highest share of electricity generation by renewable

sources can be shown in Austria (58%), followed by Romania (36%), Croatia (36%), Slovenia (24%) and Slovakia (16%).

Significant potential of renewable energy sources is given also in the candidate and potential candidate countries by large forest and agriculture areas, that can provide energy biomass, highlands and coastal territories with strong wind potential and generally high solar irradiation.

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>7</sup> by 0.5-2.5% per year.

In contrast to EU 25, the 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 for energy efficiency 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.

## 2.5 Accessibility – Transport and IC-Network

### Transnational accessibility and transport network

*The region plays a significant role in the European transportation network acting as a bridge between North, South, East and West Europe. Although the existing transport network provides the basic accessibility to the programme area, the network and transport facilities mainly outside EU-25 territory are still sub-standard and provide a poor level of service, largely as a result of accumulated under-investment and a lack of adequate maintenance.*

*In general, the programme area needs a radical restructuring and a new planning of the transport services in order to ensure parity of access to high quality infrastructure and a shift to environmental friendly systems.*

Transport networks have developed for centuries according to trade and travel requirements but also to political constraints, both factors are forming the situation in the programme area and have significantly changed recently. The **Trans-European Transport Network (TEN-T)** serves as the relatively well developed transport backbone within the 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 and sea transport<sup>8</sup>.

A dual pattern prevails 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

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<sup>7</sup> Measured by final energy demand per unit of gross value added (GVA), in 1995 prices, source: DG TREN.

<sup>8</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.

in 2007 but (apart from northern Croatia) even inferior in candidate countries and potential candidate countries 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 programme area those high-priority axes<sup>9</sup> envisage mainly an upgrading of railway links, an additional upgrading of roads is planned in the axis of Igoumenitsa/Patras–Athens–Sofia–Budapest.

Three of the five identified **Major Trans-European Transport Axes** are of importance within the programme area:

- **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 system (GALILEO) as well as the extension of the Single European Sky initiative to the neighbouring countries<sup>10</sup>.

The **Pan-European Transport Corridors** are of high importance within the programme area as well as for providing a linkage to northern and western EU. The main transport axis and thus the direction of the main traffic flow of the region is northwest to southeast which is strengthened by inland navigation corridor VII represented Danube inland navigation routes. Another corridor in this direction is corridor X and Xa starting from Austria and Budapest respectively and leading to the Balkan towards Belgrade, whereas a major traffic corridor in South East Europe is corridor IV today, connecting Germany with the Carpathian Basin, the new EU Member States (2007), Greece and Turkey. According to the last report of the High Level Group, Corridor IV and Corridor V will be

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<sup>9</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

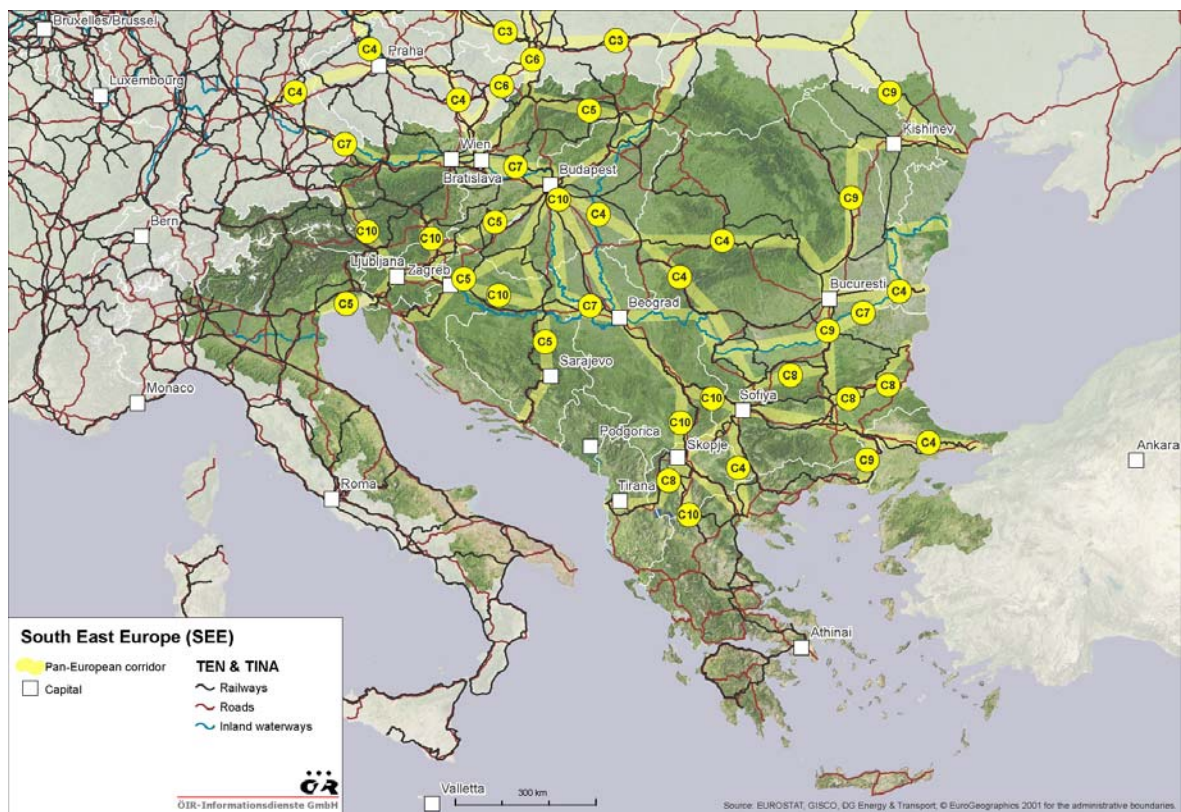
<sup>10</sup> Source: Report from the High Level Group chaired by Loyola de Palacio, NETWORKS FOR PEACE AND DEVELOPMENT, November 2005

extremely important for the future transport connection with Far-East markets, in particular with China.

Despite of the general importance of north-south corridors, the degree of construction in those corridors generally is low, mainly in the candidate and potential candidate countries but also in the new EU Member States (2007). This is especially true for corridor V, connecting Ukraine via Hungary, Slovakia and Slovenia with the Adriatic Sea (Croatia and Bosnia and Herzegovina) and corridor IX, starting in Northern Europe and Russia/Belarus and running via Ukraine/Moldova and Romania, Bulgaria to Greece and the Aegean Sea.

Corridor VIII links the Adriatic Sea to the Black Sea, but also the corridors running north (west) to south(east) to each other. The construction of this corridor (from the Adriatic Sea to the Black Sea) to Bulgaria and Romania (Burgas/Várna–Durrës – Bari/Brindisi) is slow, too, while the parallel Egnatia-Odos motorway in Greece will be completed by 2008.

Map 5: Trans-European Transport Network and Pan-European transport corridors



Map 6: Major trans-National axes and motorways on the sea ports (High Level Group)



**Sea navigation** is of high importance for most of the programme partners. The programme area 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.

Additionally the **inland waterways**, the **Danube River** and its affluents are of high importance within programme area too. Inland navigation was almost completely interrupted by the destruction of bridges in Serbia, 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 transit between Western Europe and countries on the Black Sea, providing direct access to the sea for some 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>11</sup> stated, that today it is still limited in the countries of the programme area, 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.

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 Mio.) and freight (754,000 tons), followed by Austria (20 Mio. passengers, 182,000 tons) and Greece (31 Mio. passengers, 106,000 tons). Within EU-25, the countries which accessed in 2004 and in 2007 clearly show higher year to year growth of passengers in 2005. Whereas the number of passengers increased in all participating countries of EU-27, freight transport in all 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 programme area 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 the programme area flows of air transport<sup>12</sup> are oriented northwest/southeast serving the holiday destinations and the eastern Mediterranean and linking the Middle-East and Africa to en-route traffic arriving/departing the European Region. Due to existing restraints, such as the fragmentation of airspace in non-EU countries and the closure of Kosovo airspace, the airspace of the programme area 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 former Yugoslav Republic of

<sup>11</sup> ECMT, Transport Infrastructure Regional Study (TIRS) in the Balkans, Final Report prepared by Lois Berger SA, March 2002.

<sup>12</sup> Source: DG TREN - The South East Europe Functional Airspace Block Approach Working Group (SEE FABW WG), Report on The Opportunities for the Application of The Functional Airspace Block Approach in South East Europe, February 2006

Macedonia, Romania, Serbia, 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 programme 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 the programme area is not sufficiently developed. Some countries have efficient systems covering 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.
- The presence of rivers as Danube, Tisza and Sava 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 only 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**.

The participating EU-25 countries and Croatia have connecting European motorway networks, while Serbia and FYROM have direct and continuous connections (through Hungary and Croatia), whereas Bulgaria, Romania, Montenegro, Bosnia and 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 also most developed in EU-25 countries and Croatia, followed by Serbia and FYROM. 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 and 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, its rail density (33 km/km<sup>2</sup>) is at about 2/3 of EU-25 (48 km/km<sup>2</sup>). 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 and 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.

Furthermore there are countries located at the sea, sharing the challenge to offer accessibility (for passengers and freight) to a high number of small isles (most of them sparsely inhabited) by **shipping traffic** (esp. Croatia and Greece).

### **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>13</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.

### **Information and telecommunication system**

***A serious gap of quality and quantity of telecommunication infrastructure and access to services between the single countries and regions is characterising the situation in the programme area.***

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<sup>13</sup> Source: Urban Transport Initiative, Year Two, 2005

Additionally to the improvement of transport infrastructures and services the development of **telecommunication** must integrate the infrastructure buildings. Access to knowledge is of as high importance as structural facilities regarding the competitiveness of the EU territory.

In terms of **telecommunication services and infrastructure**, the figures also indicate a serious gap between the EU-25 and South-East-Europe. This gap is primarily due to the low level of telecommunications infrastructure in the candidate, potential candidate and third 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. South-East-Europe 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 South-East-Europe, rather than the EU-25 average.

## 2.6 Territorial structure

***Significant for the programme area are regional disparities in terms of economic power, innovation, competitiveness and accessibility between urban areas and rural areas. Beside that 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 relationships.***

South East Europe is characterized by small countries, as 13 countries have a population less than 11 million people. There are regions of large countries like Italy and the bordering regions of the Third countries like Turkey and Ukraine participating in this programme.

Additionally, significant **regional differences** within programme area 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.

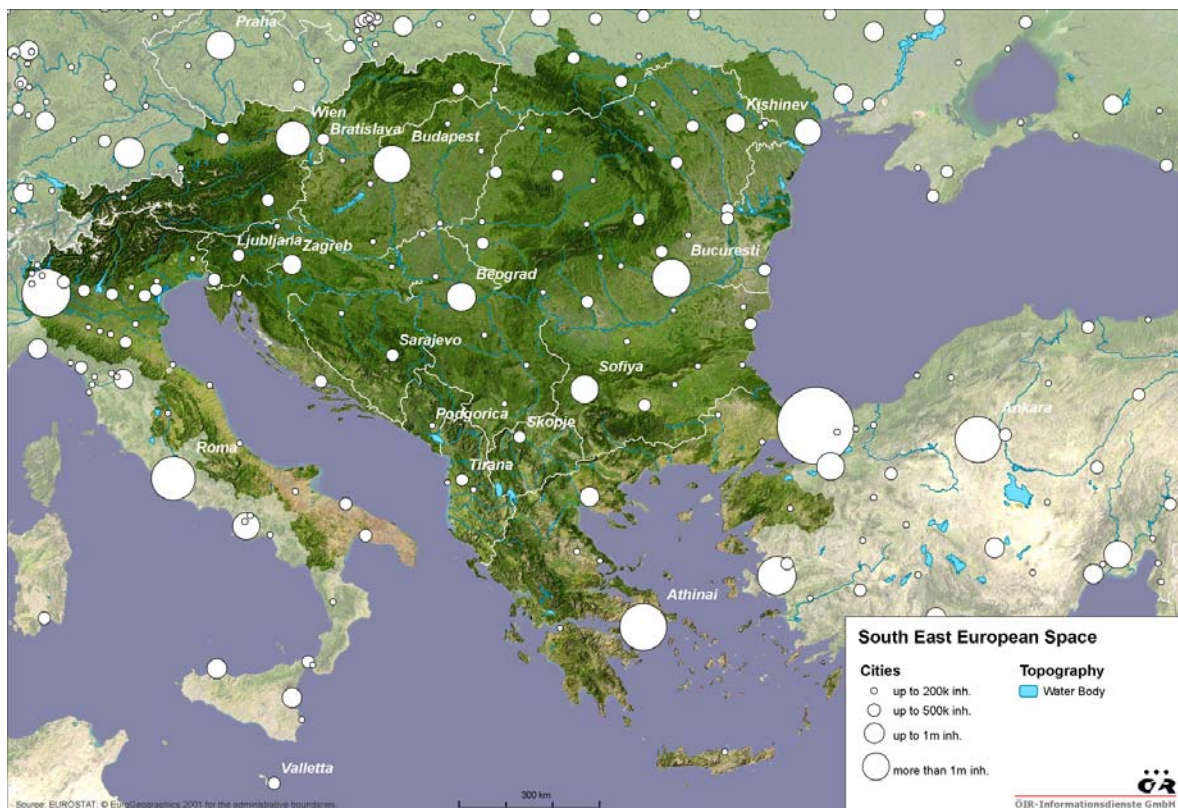
The capital regions are usually the **strongest regions** in a country because urban functions are concentrated here. They are “hot spots” of knowledge (universities, high education), cultural endowments, decision-making functions in the public and private sector, transport and telecommunication services 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 and productivity. Most of the foreign direct investments (in the new EU-member states and non EU states) is directed towards them. In regard of competitiveness the capital 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, candidate and potential candidate countries. With the exception of Albania and Kosovo, Europe’s poorest regions are nowadays along the eastern and southern external borders of the EU: in Moldova and in the western Ukraine.

## The urban system<sup>14</sup>

The population density is giving a clear picture of the actual settlement pattern in the programme area. 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 the population is concentrated clearly the capital areas, additionally only few other regions can compete with this trend.

The programme area 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 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.

Map 7: Cities in SEE 2006



The programme area presents a **very large variety of towns**, able to play the **leading role in the territorial polycentric development**. Both metropolitan regions and large, medium-sized or small cities are distributed evenly over the territory. (see map) Both polycentric and monocentric structures are to be found in programme area. 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

<sup>14</sup> This chapter is based on the results of the PlanNET CenSE projects.

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 programme participating 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.

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 infrastructure.

### **Rural and periphery regions**

Generally the programme region 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 and 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.

A **low level of urbanization** in the region indicates that the economy still depends to a large extent on agriculture and do not fully exploit the possibilities 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, fishing, 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 programme area 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 (e.g. Alps, Carpates). 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 pressures for example through economic growth and the expansion of the neighbouring urban areas have to **face great challenges** in terms of increasing traffic volumes, pressure on land use and environmental burdens (noise, waste...).

The rural regions are **not homogenous areas** in terms of development opportunities and prospects. The diversity of rural development in the programme area makes it clear that spatial development strategies must take into consideration the local and regional conditions, characteristics and requirements. New impetus can be expected from an intensification of the relationship between the (dominant) cities and the 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.

### **Border regions**

In the past 25 years the programme area has undergone a number of political and structural changes (end of the communist regimes, 3 EU accession rounds 1995, 2004, 2007, the war in SFR Yugoslavia) that radically altered the political physiognomy. Nowadays within the programme area there are **very different situations of border relations**: EU internal borders with and without Schengen status, EU-external borders, bilateral borders, although the status of particular borders is to be changed in the future (e.g. enlargement of Schengen).

The **numerous border regions seem to be more heterogeneous than in EU-27**. 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). As a consequence of the constitution of new states, old, **well-established connections have been severed and needs to be rebuilt now 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.

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

The Programme for South East Europe will be 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.

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**:

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<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



- **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 area. 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 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

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

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.

### 3. SWOT and Challenges

#### 3.1 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 programme's 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
- High labour force potential
- Presence of universities and research institutes with high level of internationalisation 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 and abundance of natural resources of high environmental value
- Presence of a great variety of valuable cultural heritage

#### Weaknesses

- Existence of imbalances within the program area - 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)
  - Depopulation and migration as consequence of structural changes and missing job perspectives,
  - Low R&D expenditure in the private and public sector and missing R&D concepts and/or implementation (esp. in some candidate countries)
  - 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) and insufficient maintenance of existing transport infrastructure
  - Quality of natural assets (e.g. water, soil, air, biodiversity) and increasing emissions
  - 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

- Strong polycentric system and a leading role of the small and medium sized cities
- Better access to (urban) services and information
- Mobility of the labour force
- Dynamic FDI activities
- Intensive trade relations among neighbouring countries and regions
- Sustainable tourism
- R&D infrastructure and (transnational, regional) know-how transfer
- 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)
- The development of inter-modal transport and logistics together with the strategically important position of South-East Europe
- Environmentally friendly transport systems and the potential of inland waterways (e.g. Danube) for sustainable international transport
- Existing sources for using renewable energy sources and applying environmental friendly technologies
- Coordination of international/national/regional interests
- Capacity building and strong institutions

## Threats

- Depopulation process and loss of the economic base and worsening social disparities and isolation of peripheral regions
  - Existence of a lot of border regions with historical burdens
  - Decline and aging of population with pressure on labour markets, social and health services
  - 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
  - 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
  - High density and increasing traffic flows (urban areas, transnational routes...)
  - High environmental burdens caused by increasing traffic
  - Very slow construction and upgrading of Pan European Corridors due to lacking financial means
  - Lack of cooperation between decision makers
  - Diverging and conflicting international/national and regional interests
  - Technological risks and risks of natural hazards
- 

### 3.2 Challenges for the cooperation area

The SWOT offers a broad and detailed overview over the **most important strengths and weaknesses of the area and of the emerging opportunities and alarming threats** affecting the programme area. Nevertheless a large and diverse area such South East Europe can only be marginally outlined in a single SWOT.

But even when using a very dense and compact SWOT the programme is challenged to make some **crucial choices**. The South East Europe Transnational Cooperation Programme cannot address all issues. Resources must be concentrated in the fields where Transnational Cooperation can make a difference to the benefit of the cooperation area.

The **uniqueness of the cooperation area** has been emphasised in several occasions. The South East Europe Transnational Cooperation Programme poses a distinctive opportunity for all

participating states and regions to react to strategic challenges that are not addressed or cannot be tackled within other programmes and initiatives. Those strategic challenges are:

- Foster **integration** at all levels
- Utilising the territorial capital to facilitate **competitiveness** and **innovation**
- Override the constraints imposed by national barriers to protect and improve the **environment**
- Coordinated improvement of **accessibility**
- Joint action for balanced **territorial structures**.

In the following paragraph those **five strategic challenges** are illustrated.

### **Integration**

South East Europe is composed from a **broad mix of countries**. Old and new EU Member states, Accession Candidates and Potential Candidates and third countries are concentrated. But the disparities among them are apparent. This area of wide diversities, different cultures, languages and different religions faces numerous challenges of social, economic and political nature. Some of the richest and the poorest regions of the continent are calling the area their home. Some of them have been zones of peace, prosperity and cooperation for decades while others only recently left the turmoil of the last years of the 20<sup>th</sup> century behind them.

Despite their differences however, all states and regions are connected to a **universal vision**, that of **European Integration**. Member states are facing the need to deepen their integration in the EU structures and utilise the opportunities offered to them. Candidates and Potential Candidates are approaching the EU channelling their efforts in the fulfilment of the criteria for an equal partnership and a stabilisation and development of bilateral relations.

The European Integration process offers each country with an array of tools and funding possibilities. There is a high concentration of Objective 1 regions and the related Structural Funds support, whereas the Instrument of Pre-Accession Assistance is also intervening in the non-member states in a way that bears close resemblance to the instruments of the EU Regional Policy. The utilisation of the Programme for transnational coordination in those two fields is crucial.

Beside the Structural Funds intervention the area is revealing another field for transnational action. South East Europe is one of the **most rapidly growing areas** in Europe, despite the **big disparities** and the **troublesome recent past**. It is essential to avoid the emerging of **new dividing lines**, which are going to be rather of an economical rather than of a political nature. Currently a **rapid disintegration** in the cooperation area is observable especially within the states with growing economic differences, selective investment and brain drain currents. Transnational cooperation, while not possessing the funds for redirecting the existing trends can make a significant contribution in the **reorientation of cooperation patterns and motivation for joint action**. A unique chance for all actors at the national, regional and local level exists for the integration in the networks of their peers and the joint development of answers to the problems imposed to all of them.

## Competitiveness and Innovation

The requirement for more Competitiveness and Innovation **is present in every debate** on regional development policies all over Europe. However South East Europe is rarely associated with those two terms. Indeed there are **large “white spots” in the innovation mental landscape** in the area. The area is undergoing a fundamental change in economic and production patterns after the 1990 changes. Some regions, especially the capital cities are adapting well to the new challenges, others are trying to re-orientate themselves.

However the **main comparative advantages** of the area are of **temporary nature**. Low wages, taxes cuts and aid systems cannot be maintained eternally. The combination of quantitative and qualitative of well educated available labour forces, the development of public awareness and the restructuring of the economy are the **only guarantees for growth and integration** in the global markets in the long term.

The area is challenged to address the request for competitiveness and innovation in two dimensions:

- The geographical dimension, addressing the selective concentration of capacity, investment, labour forces and infrastructure in certain geographic areas, especially at the western rim and
- The disparities in the institutional configuration, the qualification of the human resources, the mobilisation and networking of existing institutions and the development of critical mass on the demand and supply side.

## Environment

South East Europe is **home to a vast variety of landscapes, ecosystems and species**. The large number of protected areas, the potential for the employment of environmental friendly technologies and the assets for future economic and social development are the strong points of the area. However this environmental abundance is threatened by a **large number of factors** such as contaminated areas, risks of natural and human disasters, threatened water reserves, deforestation and soil erosion. Also global phenomena such as **global climate change** affect the area causing droughts, floods and forest fires.

The international community and the EU in particular have made the Environment a major issue in the Political and Regional Development Agenda. In South East Europe the challenge has three dimensions:

- Facing the legacy of the past due to the heritage imposed to the region after 1945,
- Reacting to the opportunities arising (e.g. renewable energy sources, surveillance technologies, tourism) and preparing for the emerging threats (e.g. climate change),
- Coordinating actions between the fragmented political landscapes.

## Accessibility

The region plays a significant role in the European transportation network acting as a bridge between North, South, East and West Europe. The existing networks however **cannot keep pace with the rise of the demand and the increasingly demanding** standards specifications. A large number of instruments and concepts like the TEN and the Pan-European Transport Corridors are

crossing the area. However the **opportunities are sub-optimally used** either due to deficits in coordination or in lacking know-how. Apart from that accessibility networks offer significant advantages to the adjacent areas without spreading the benefits within the regions. Last but not least accessibility has a fundamental environmental dimension, which should be considered when planning related interventions.

Accessibility interventions in the area must hence take in account the following parameters:

- Need for coordination through national and regional borders and across instruments and funds;
- Interest compromise among national, regional and local stakeholders for the development of transport networks in line with the location development policies of agglomerations;
- Integration of landlocked areas and maritime zones;
- Utilisation of ICT and multi-modal platforms as an alternative to physical mobility and road transport.

### **Territorial structures**

The area is characterised by an extensive and balanced settlements patterns. However those patterns are **rapidly changing** with capital regions becoming stronger, certain zones accumulating human resources and capital and a large number of regions and smaller centres entering a spiral of decline and degradation. Significant for the program area are regional disparities in terms of economic power, innovation, competitiveness and accessibility between urban areas and rural areas. Beside that, the emerging of new countries and with it the establishment of new frontiers has upset the pre-existing patterns of political, economic, social and cultural relationships.

Apart from the shifts in influence between regions and metropolitan areas, centres and periphery are facing **urgent problems** within their boundaries. Thus a high concentrations of activities and human resources in single cities causes urban sprawl, segregation and overburdening of the environment and the infrastructures. On the other side declining areas do not have the means to maintain their status and the inherited infrastructure thus entering a circle they cannot escape by heir own.

Urban areas are the places where economic activity, cultural progress, innovation and knowledge are attracted and generated. Transnational cooperation is necessary in the state mosaic of the area due to the large number of centres and the functional relations between them. Interventions must move in two directions:

- Horizontally, addressing the relations and the development perspectives of centres and regions between them,
- Vertically, addressing the problems within the urban areas and the joint approaches to solve them.

## 4. Programme strategy

### 4.1 Objectives and Priority Axes of the cooperation programme

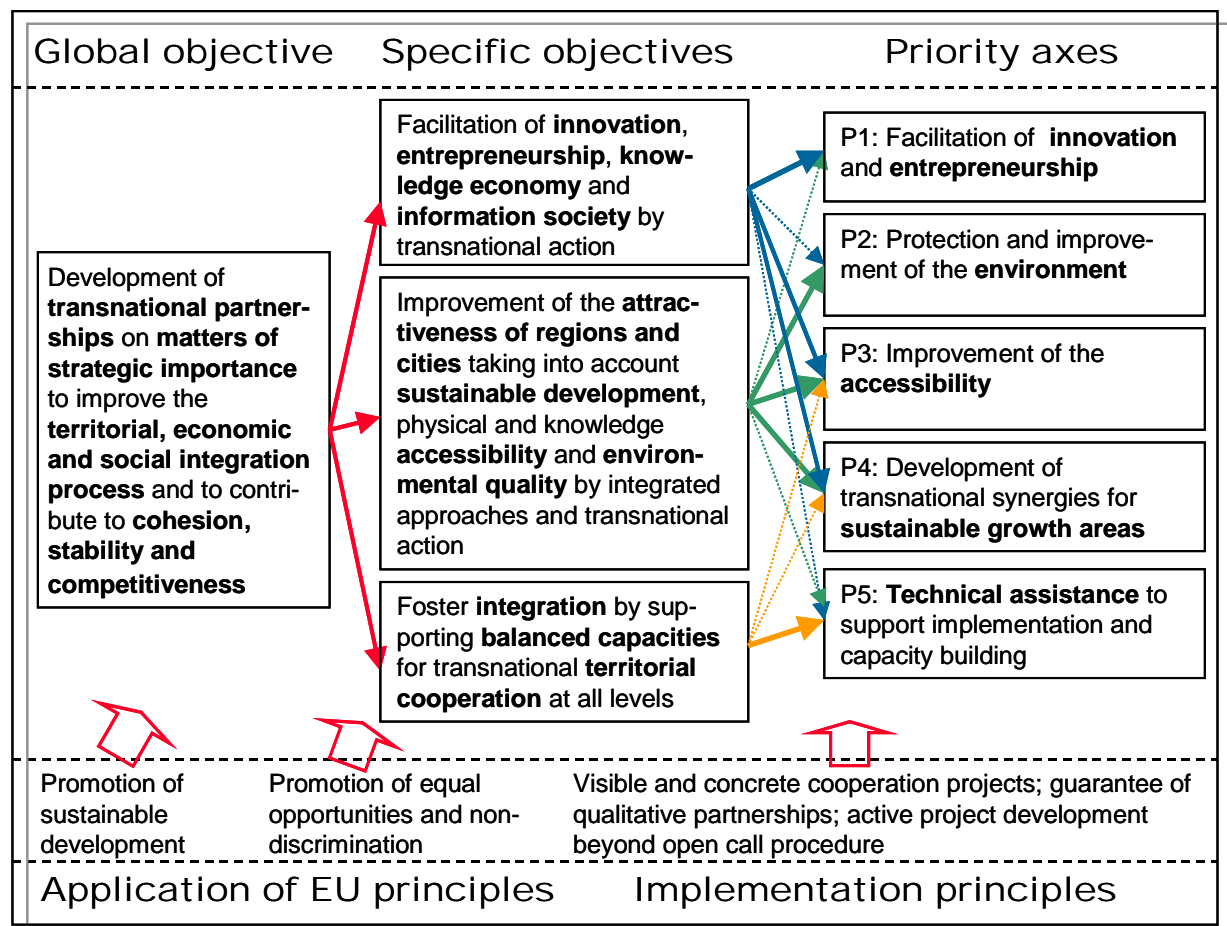
The Programme strategy is the result of the interaction of the following elements:

- **EU strategic decisions** as laid down in the Community Strategic Guidelines on Cohesion (2006/702/EC),
- The **specific needs and challenges** of the South East Europe cooperation area 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 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**.

Fig. 1: Logic chart of the programme objectives and priority axes





The “programme strategy” sets out a **consistent common territorial strategy for the** South East Europe cooperation area, which explains the major objectives and priority axes to be implemented.

**Global Programme Objective:**

The 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, addressing the need for **stability** of the South East Europe cooperation area and connects to the lessons learned in the 2000-2006 period.

South East Europe poses a **unique landscape for improving integration, competitiveness and consequently territorial cohesion**. The area is the most diverse, heterogeneous and complex transnational cooperation area in Europe and covers 17 countries (or regions thereof).

The aim of territorial cohesion sets requirements for a policy response addressing **both competitiveness AND integration** at the same time. These two policies need not be contradictory but actually complementary for the **territorial cohesion** of the programme area.

**Competitiveness** is about utilising and developing economic strengths and opportunities while utilising the territorial capital and developing growth poles.

**Integration** is about removing barriers of free movement, building up networks and enhancing interaction and cooperation.

The policy definitions outlined above are **closely interrelated**. The utilisation of economic strengths demands the development of interaction and cooperation, the utilisation of the territorial capital presumes the removal of barriers, while the development of growth poles assumes the networking of all relevant stakeholders if they wish to play a role in the integrated global markets.

The **crossroad** of the Competitiveness and Integration policies is **Territorial Cohesion**. Territorial cohesion is about reducing regional disparities, coordinating coherent sector policies and achieving added value compared to the results expected by the implementation of single programmes and initiatives. In other words territorial cohesion in South East Europe is **more than the sum** of all national and regional policies of the participating regions and states.

The Programme adopts a **common challenge approach**, focusing **primarily on thematic issues and not only on a geographic approach**. Pursuant to the requirements of Article 6 of the ERDF Regulation (1080/2006) the Programme identifies strategic thematic issues (matters of strategic importance), which are relevant for the cooperation area and which shall be tackled through multilevel transnational action. These thematic issues are further detailed down to the distinct **level of areas of intervention**.

Effective transnational cooperation in the entire programme area can only be achieved through the promotion of partnerships with **clear multi-level and thematic approaches** resulting in high quality result orientated transnational projects of strategic character, relevant for the programme area.

As another consequence of this approach, the Programme also – but not exclusively – support efforts that focus on and have a clear positive impact on larger **transnational geographic areas** such as river basins, transport corridors or polycentric developments. This emphasis is especially important to the Programme since transnational geographic areas could be highly relevant to integrated economic, social and environmental development but are not typically targeted by other programmes such as cross-border or interregional cooperation programmes.

Due to the **size and the variety of the cooperation area** the outline of a limited set of **transnational geographic areas** should be avoided. Projects should have the opportunity to focus their activities as appropriate.

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

#### **Specific Programme Objective 1:**

The 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.

Specific Programme Objective 1 is strongly - but not exclusively- linked to Priority Axes 1, 3 and 4.

**Arguments** for the Specific Programme Objective 1 are:

- 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 programme area, diffusion mechanisms should be promoted through Transnational Action;
- The programme area is characterised by many small states. Innovation needs some critical mass (capital, human resources, knowledge, networks). This can be hardly achieved in single states, thus Transnational Action is recommended.

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

The 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.

Specific Programme Objective 2 will be pursued primarily in Priority Axes 2, 3 and 4.

**Arguments** for the Specific Programme Objective 2 are:

- European trends show that regions and cities are attractive when job opportunities and quality of live are assured at the long term. In the programme area 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 programme area; 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 was 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 Programme Objective 3:

The programme shall foster **integration** by supporting **balanced capacities for transnational territorial cooperation at 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. This objective is in line with Community Strategic Guidelines (chapter 2.5 transnational cooperation).

**Specific Programme Objective 3** is pursued primarily - but not exclusively- in Priority Axis 5.

**Arguments** for the Specific Programme Objective 3 are:

- 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 programme area 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.

### Specific Objectives of Priority Axes

The global and specific objectives of the operational programme will be pursued through **five priority axes**. The objectives are in accordance with the thematic fields set out in Article 6, Reg. (EC) No 1080/2006 and fit with the Community Strategic Guidelines on Cohesion (2006/702/EC) as far as the territorial dimension of Cohesion Policy is concerned.

**Priority axis 1 “Facilitation of innovation and entrepreneurship”** shall contribute specifically to the future development of South East Europe as a place of innovation. Specific Objective of Priority Axis 1 is to facilitate innovation, entrepreneurship, knowledge economy and to enhance integration and economic relations in the cooperation area.

This Specific Objective of Priority Axis 1 can be achieved through the accomplishment of the Operational Objectives referring to the development of technology & innovation networks, the promotion of an enabling environment for innovative entrepreneurship and the enhancement of the framework conditions for innovation.

**Priority axis 2 “Protection and improvement of the environment”** shall contribute to the improvement of the environmental conditions and to the better management of protected and other natural/semi natural areas. Specific Objective of Priority Axis 2 is to override the constraints imposed by national barriers, to foresee future environmental threats and opportunities and to develop common transnational action for the protection of nature and humans.

This Specific Objective of Priority Axis 2 can be achieved through the accomplishment of the Operational Objectives referring to integrated water management and flood prevention and management, the prevention of environmental risks, the management of natural resources and the promotion of resources and energy efficiency.

**Priority axis 3 “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. Specific Objective of Priority Axis 3 is to promote coordinated preparation for the development of accessibility networks and the support of multi-modality.

This Specific Objective of Priority Axis 3 can be achieved through the accomplishment of the Operational Objectives referring to the coordination in promoting, planning and operating of primary and secondary transportation networks, the development of strategies tackling the “digital divide” and the improvement of framework conditions for multi-modal platforms.

**Priority axis 4 “Development of transnational synergies for sustainable growth areas”** shall contribute to the balanced and polycentric patterns of the programme area. Specific Objective of Priority Axis 4 is to develop and apply integrated strategies tackling on one hand the high concentration of economic, environmental, social and governance 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 for the development of growth areas.

Priority axis 4 shows a specific cross-sectoral character strongly interlinking economic, environmental, social and governmental issues.

The Specific Objective of Priority Axis 4 can be achieved through the accomplishment of the Operational Objectives referring to the challenges of crucial problems affecting metropolitan areas and regional systems of settlement, the promotion of a balanced pattern of attractive and accessible growth areas and the promotion of cultural values as a development asset.

**Priority axis 5 “Technical assistance to support implementation and capacity building”** shall contribute to the smooth implementation of the programme while enabling the programme bodies, stakeholders, project promoters and final beneficiaries to make full use of the opportunities offered by the European Territorial Cooperation Objective 3 and Transnational Cooperation in particular.

Specific Objective of Priority Axis 5 is to support the implementation of the programme and increase capacity of institutions and beneficiaries in the programme area.

The Specific Objective of Priority Axis 4 can be achieved through the accomplishment of the Operational Objectives referring to the securing the core management for the implementation of the programme and the implementation of accompanying activities to support the generation and implementation of high quality, result oriented transnational projects and partnerships.

### **Financial allocation per priority axes**

The systematic of programme objectives, the internal coherence of the programme and the huge diversity of the programme area **require a balanced allocation** of the available funds. The

financial allocation in the table presented reflects the equilibrium between the interests of the programme actors and the framework of the EU Cohesion Policy.

Tab. 4: Financial allocation of Priority axes

<b>Priority axes</b>	<b>Budget share (ERDF funds, rounded numbers)</b>
P1: Facilitation of innovation and entrepreneurship	21%
P2: Protection and improvement of the environment	25%
P3: Improvement of the accessibility	23%
P4: Development of transnational synergies for sustainable growth areas	25%
P5: Technical assistance to support implementation and capacity building	6%

Tab. 5: Systematic of objectives

Global programme objective	Specific programme objectives	Specific objectives of Priority Axes (related results are specified in the quantification)	Operational Objectives (corresponding with Areas of Intervention, Examples of activities are specified in each AoI)
<p>The cooperation programme shall develop <b>transnational partnerships on matters of strategic importance</b> to improve the <b>territorial, economic and social integration process</b> and to contribute to <b>cohesion, stability and competitiveness</b></p>	<p>1. The cooperation programme shall facilitate <b>innovation, entrepreneurship, knowledge economy and information society</b> by trans-national action</p>	<p><b>P1:</b> Facilitate innovation, entrepreneurship, knowledge economy and enhance integration and economic relations in the cooperation area (<i>P1 "Facilitation of innovation and Entrepreneurship"</i>)</p>	<p>1. Develop technology &amp; innovation networks in specific fields 2. Develop the enabling environment for innovative entrepreneurship 3. Enhance the framework conditions and pave the way for innovation</p>
	<p>2. The cooperation programme shall improve the <b>attractiveness of regions and cities</b> taking into account <b>sustainable development</b>, physical and knowledge <b>accessibility</b> and <b>environmental quality</b> by integrated approaches and trans-national action</p>	<p><b>P2:</b> Override the constraints imposed by national barriers, foresee future environmental threats and opportunities and develop common transnational action for the protection of nature and humans, (<i>P2 "Protection and improvement of the environment"</i>)</p>	<p>4. Improve integrated water management and flood risk prevention 5. Improve prevention of environmental risks 6. Promote co-operation in management of natural assets and protected areas 7. Promote energy &amp; resource efficiency</p>
	<p>3. The cooperation programme shall foster <b>integration</b> by supporting <b>balanced capacities for transnational territorial cooperation on all levels</b></p>	<p><b>P3:</b> Promote coordinated preparation for the development of accessibility networks and the support of multi-modality (<i>P3 "Improvement of the accessibility"</i>)</p>	<p>8. Improve coordination in promoting, planning and operation for primary &amp; secondary transportation networks 9. Develop strategies to tackle the "digital divide" 10. Improve framework conditions for multi-modal platforms</p>
		<p><b>P4:</b> Develop and apply integrated strategies tackling on one hand the high concentration of economic, environmental, social and governance 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 for the development of growth areas (<i>P4 "Development of transnational synergies for sustainable growth areas"</i>)</p>	<p>11. Tackle crucial problems affecting metropolitan areas and regional systems of settlements 12. Promote a balanced pattern of attractive and accessible growth areas 13. Promote the use of cultural values for development</p>
		<p><b>P5:</b> Support the implementation of the programme and increase capacity of institutions and beneficiaries in the programme area (<i>P5 "Technical assistance to support implementation and capacity building"</i>)</p>	<p>14. Secure the core management for the implementation of the programme 15. Implement accompanying activities to support the generation and implementation of high quality, result oriented transnational projects and partnerships</p>





## 4.2 Implementation principles

The programme shall support the areas 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 of pro-active project development (“targeted calls”) in addition to “open call” procedure, 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 programme 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 in this direction.

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 programme 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.

This requires high quality partnerships and a **multi-level approach** on the activities level. On the transnational level there are hardly any administrative authorities and very few transnational policies. The Programme is acting as facilitator for competent national and regional actors to develop partnerships and bridge the transnational gap. The pattern repeats itself on the receiving end – there is usually no transnational media or public to be addressed, while local actors are focused on their narrow operating environment. Hence at the local level projects must include competent partners which can have an important role and which can produce outputs with a clear and visible impact. The Programme should therefore focus on enabling projects to follow a multi-level approach involving different perspectives on the same topic.

For these ends the SEE Transnational Cooperation Programme offers a wide array of cooperation opportunities. There are some limitations imposed by the Objective 3 scope and available Programme funds. However the project generators and project applicants have the opportunity to propose the correct activities mix to reach the individual project objectives and hence contribute to the Programmes Objectives at all levels.

Projects could include **activities such as** networking and exchange of information activities, studies and operational plans, capacity building activities, promotion actions, set-up of services, preparation and conduction of investments proposed by transnational strategic concepts, including infrastructure investment if appropriate and justifiable.

It is obvious that **none of these activities** can serve the objectives of the programme **as a “stand alone”**. These types of activities are as always **only indicative**. The SEE Transnational Cooperation Programme and the generated projects are **objective driven**.

It is the task of each project applicant and each proposed intervention to present **adequate activities mix**, which will produce visible outputs, assure the fulfilment of the proposed project objectives and contribute to the Programmes Objectives.

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

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

#### **4.2.2 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.

#### 4.2.3 Pro-active project development beyond “open call” procedure

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 programme adds a **strategic top-down component** (“targeted calls”) 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.

The generation of strategic projects and the definition of issues of major importance fits within the role proposed for Priority 5 on Technical Assistance. In general transnational cooperation programmes pose a specific challenge for the technical assistance. **South East Europe seems to be the most challenging among them, especially due to the capacity and experience disparities among beneficiaries and stakeholders** in the generation of the envisaged strategic projects. Pivotal aspects are Publicity and Communication, Project Generation and Project Selection. The Technical Assistance offers the **tools** (e.g. conferences, workshops, etc.) for the facilitation of the preparatory activities.

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 and priority axes objectives in accordance with implementation principles and application of EU-principles;
- 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 Europe cooperation 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).

### 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 programmes 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 programme 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

The ERDF regulation (Article 12) emphasizes the need to describe the objectives of each priority axis using a limited number of indicators for **output and results**.

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

Due to the limited financial resources and the scope and limitations of possible activities within an Objective 3 Transnational Cooperation Programme, it is obvious that the results of the programme will be mainly of immaterial nature; in some cases material investments may be appropriate and justifiable. The cooperation programme will never be a substitute of Convergence and Competitiveness programmes, which are more investment oriented and produce more visible and quantifiable outputs and results. So in the case of the transnational cooperation programme results will be more difficult to measure compared to Convergence and Competitiveness programmes.

Despite these limitations, a set of output and result indicators has been developed to measure the achievements of the cooperation programme.

Output and result indicators have been developed along with the specific objectives of the Priority Axes taking into account the operational objectives of the Areas of Intervention and the common minimum core indicators required by the Commission.<sup>17</sup>

The Operational Programme **contains only a sub-set of output and result indicators**, which are ex-ante-quantified.

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

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<sup>17</sup> The New Programming Period, 2007-2013: Methodological Working Papers, Working Document No. 2, 1 June 2006

achievements **visible** to the programme partners and to a broader public. The full set of indicators is not part of the Operational Programme.

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 based on **assumptions**.

#### Subset of Ex-Ante-quantified OUTPUT-indicators for the Operational Programme

	Target 2007- 2015	Data source
<b>Indicators for the priority axes</b>		
Priority axis 1: Total no of projects implemented to facilitate innovation and entrepreneurship	X	Monitoring
Priority axis 2: Total no of projects implemented to protect and improve the environment	X	Monitoring
Priority axis 3: Total no of projects implemented to improve the accessibility	X	Monitoring
Priority axis 4: Total no of projects implemented to develop transnational synergies for sustainable growth areas	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

The **complete list of Output-indicators** (which is not part of the operational programme) could include (as examples):

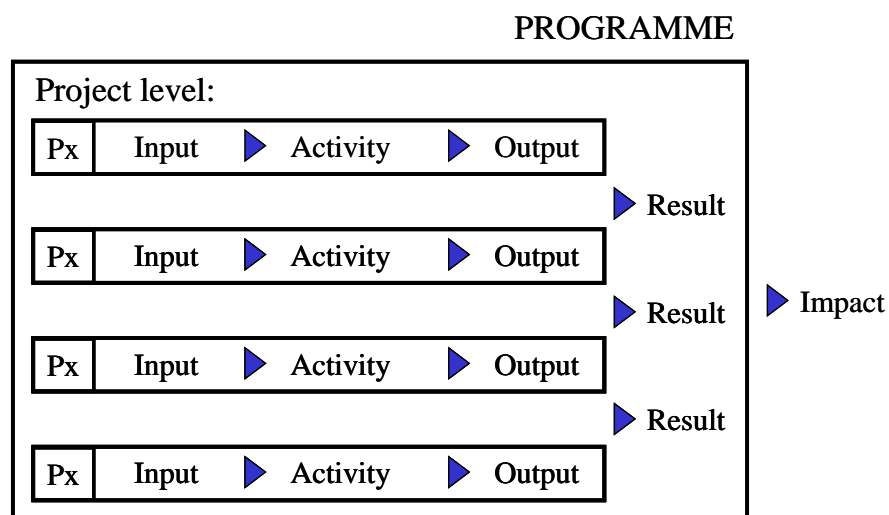
- Output indicators referring to all Priority Axes and Areas of Interventions (including the Technical Assistance)
- Horizontal Output-indicators reflecting project characteristics, strategic implementation principles, output of project activities, public awareness

#### Result indicators have been developed along the following logic:

Results are generated through the outputs of projects within the scope of the programme. Result indicators are linked to operational objectives corresponding to single areas of interventions. A single project can generate contributions to several operational objectives (hence the **total number of contributions exceeds the total number of projects**). All project contributions to the operational objectives of a single priority axis are accumulated. The total sum per priority axis reflects the achievement of the set target. This number represents the result indicator at priority axis level.

In contrast to it impact indicators refer to the long-term consequences of the programme and are beyond control of the programme management. So impact indicators are not included in the programme.

Tab. 6: Intervention logic



For the internal monitoring a **complete list of result indicators** will be applied. Projects will declare their relevance of any given result indicator by Yes/No selection and subsequently will give a short qualitative description where applicable.

For the operational programme only a **subset of ex-ante quantified result indicators** will be applied.

**Subset of Ex-Ante-quantified RESULT-indicators for Priority Axes and Areas of Intervention**

	<b>Target 2007-2015</b>	<b>Data source</b>
<b>P1: Total no of contributions to facilitated innovation and entrepreneurship</b>	X	Sum
No of contributions to established technology & innovation oriented networks in specific technology fields	X	Monitoring
No of contributions to more effective provision of collective business and innovation support especially for SME	X	Monitoring
No of contributions to improved innovation governance and increased public awareness with regard to innovation	X	Monitoring
<b>P2: Total no of contributions to protected and improved environment</b>	X	Sum
No of contributions to improved integrated water management and flood risk prevention structures and systems	X	Monitoring
No of contributions to improved transnational risk prevention structures and systems	X	Monitoring
No of contributions to coordinated activities on management schemes of natural assets and protected areas	X	Monitoring
No of contributions to coordinated activities on energy & resource efficient technologies, services and policies	X	Monitoring
<b>P3: Total no of contributions to improved accessibility</b>	X	Sum

No of contributions to coordinated promotion, planning and operation of primary and secondary transportation networks	X	Monitoring
No of contributions to coordinated activities to lessen the digital divide among states and regions especially in the case of market failure	X	Monitoring
No of contributions to coordinated activities for increased efficiency of existing transport and to stimulate the shift to environmentally friendly transportation systems	X	Monitoring
<b>P4: Total no of contributions to develop transnational synergies for sustainable growth areas</b>	X	Sum
No of contributions to built up and disseminated strategies, skills and knowledge and pilot action for tackling crucial problems affecting metropolitan areas and regional systems of settlements	X	Monitoring
No of contributions to the provision of partners with new tools for the formulation of their role and the formation of new partnerships for functional growth areas	X	Monitoring
No of contributions to improved sustainable use of cultural values for the development	X	Monitoring

### **Baselines for output and result indicators in order to provide information on the physical progress of the operational programme**

According Implementation regulation (ANNEX XX- Annual and Final reporting) for each quantified indicator mentioned in the operational programme the information on baseline, the target and the achievement of the targets shall be provided. Targets will not be specified for each year but cumulative for the period 2007-2015.

As baseline for the year 2007 the value "0" will be applied. For the subsequent years the results of the respective previous year are applied in each case as baseline.

#### **Context-indicators**

Context indicators should monitor the evolving socio-economic context of the programme. Context indicators form part of the **analysis** to describe the socio-economic development status based on official statistics (e.g. Public expenditure on education in % of GDP, 2004).

For the OP no context indicators (going beyond the analysis) are defined. For the programme context indicators are unsuitable, since the public expenditures, which are applied in the framework of the OP, demonstrate **only a very small part** of the entire public expenditures in cooperation area. A relationship between the programme funds and context indicators (macro-und mesoeconomic values) cannot be made therefore.

## **4.5 Compliance and complementarity with other policies and programmes**

### **4.5.1 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>18</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;
- 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).

**URBACT 2007-2013** tackles particular challenges concerning the situation in urban areas in Europe. The programme shall facilitate the cities’ task of playing a vital role in the achievement of the Lisbon and Gothenburg strategy aims by following the overall objective: “To improve the effectiveness of sustainable integrated urban development policies in Europe with a view to

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<sup>18</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

implementing the Lisbon-Gothenburg Strategy". As priority axes have been defined: "Cities, engines of growth and jobs" (1) and "Attractive and cohesive cities" (2).

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**, e.g. as formulated in the **Sixth Community Environment Action Programme 2002-2012**

(EAP6)<sup>19</sup>, addressing key environmental objectives and priorities as well as relevant amendments including the EU guidelines 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.

#### **4.5.2 Complementarity with other programmes and measures financed by the EAFRD and the EFF**

Co-ordination of activities between the transnational programme for South East Europe and **national programmes** covering parts of the eligible area is seen as essential to create synergies between efforts at different levels and to allow financing of follow-up actions to trans-national projects. Co-ordination with the present programme is therefore particularly needed with:

- ERDF (European Regional Development Fund): Convergence or Competitiveness
- ESF (European Social Fund): Employment
- Instrument for Pre-Accession Assistance (IPA) for candidate countries
- European Neighbourhood and Partnership Instrument (ENPI)

National Strategic Reference Frameworks (NSRFs) are being prepared by the national authorities of the member states and depict the national strategic priorities for cohesion 2007-2013. In the course of the ex-ante evaluation, the NSRFs of all participating EU-Member States (currently available as draft versions) have been reviewed and stated to be highly coherent as regards their objectives concerning Convergence, Competitiveness and Employment (for further information see 4.7.1 Main findings of the ex-ante evaluation, External coherence with other policies).

Complementary activities to the NSRFs, IPA and ENPI are assured by the programme's focusing on transnational issues of activities, which are in line with the nationally focused objectives identified by the participating countries. The programme adds a wider European dimension to those programmes by facilitating transnational integration and cohesion on matters of strategic importance.

Within the objective of **European Territorial Cooperation** it will be additionally essential to consider **overlaps with other programmes** covering parts of the eligible area (cross-border and interregional cooperation, transnational cooperation areas), in order to enhance synergies and to exploit potential complementarities but to avoid duplicating of activities. In this context, the overlapping transnational cooperation areas of Central Europe, Alpine Space and the Mediterranean Area will have to be taken into consideration particularly.

Moreover, coordinated implementation of activities will be highly important in relation to measures financed by **EAFRD** (European Agricultural Funds for Rural Development, including LEADER 2007 – 2013) and by **EFF** (European Fisheries Funds). Possibly similar activities to be considered and

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<sup>19</sup> Decision No 1600/2002/EC of the European Parliament and of the Council of 22 July 2002

coordinated might emerge mainly in priority axes 3 (Development of sustainable growth areas) and 4 (Protection and improvement of the environment).

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

### **4.6.1 Main findings of the Ex-ante Evaluation (draft inserted)**

#### **Process and Content of the ex-ante evaluation**

##### *Content of the ex-ante evaluation*

ÖAR Regionalberatung was commissioned by the Ministry of Infrastructure and Transport, Italy, as the Managing Authority of the current INTERREG IIIB Programme “CADSES Neighbourhood Programme” to carry out the ex-ante evaluation of the future Transnational Co-operation Programme “South-East Europe”. This contract also includes the preparation of the Strategic Environmental Assessment (SEA). Therefore SEA and ex-ante evaluation were carried out in close co-ordination both in terms of timing and content.

The components of the ex-ante evaluation correspond with those contained in the relevant Working Paper of the EU-Commission:

1. Appraisal of the Socio-economic Analysis, Relevance of Strategy
2. Rationale and Consistency of the Strategy
3. External Coherence with other policies (national levels, EU)
4. Expected results and impacts
5. Implementation systems

These components were specified further during the meetings with the Programming Group, neither the Managing Authority nor the Task Force put forth additional evaluation questions or requirements to the ex-ante evaluators.

In dealing with these components, the experience gained during the current programme period was taken into account, in particular the findings of the Mid-Term Evaluation (MTE) 2003 and the MTE Up-date in 2005.

##### *Process of the ex-ante evaluation*

The ex-ante evaluation was carried out in parallel to the elaboration of the Operational Programme, i.e. the assessments were done in an iterative process, based on interim results of the programming process and in close co-ordination with the programming team.

This process can be subdivided into several phases respectively assessment stages:

1. The assessment of the first three components was done on the basis of a 1<sup>st</sup> Draft OP (October 2006). Main findings were presented at and discussed with the Task Force (October 12<sup>th</sup> and 13<sup>th</sup>, 2006). The work was documented in a paper containing detailed comments, which were discussed with the programming experts.
2. The next assessment was carried out on the basis of the Draft Version 1.1. (November 2006). The evaluators assessed the external coherence of the programme with National Strategic Reference Frameworks and policy risks and presented the result at a Task Force meeting (December 6<sup>th</sup> and 7<sup>th</sup>, 2006). As the programme draft was in a process of redrafting at this stage, no further evaluation steps were taken.
3. Based on the Draft OP (version 2.1., January 2007) the evaluators assessed the incorporation of recommendations, the likeliness of expected results and impacts (based on the method "Process Monitoring of Impacts") as well as the indicator and the implementation system. The main findings were presented to the Task Force (February 6<sup>th</sup> and 7<sup>th</sup> 2007). Detail comments and recommendations were discussed with the programming experts.
4. Based on the next draft it is envisaged to assess the implementation structure and to complete the assessment of expected impacts based on financial allocations and quantification of indicators.

## **Results and value added of the ex-ante evaluation**

### *Appraisal of socio-economic analysis, Relevance of Strategy*

The analysis presents an accurate overview of the current situation in the co-operation area. Generally the analysis contains recent and relevant information on the economic and social situation of the programme area, partly – due to lack of availability for specific parts of the programme area – on national level. The main disparities, deficits and development potentials, relevant to the programme's strategy are presented in a concise manner, and extensive stakeholder consultation has taken place to identify needs or collect development ideas. The recommendations of the ex-ante evaluators have largely been integrated, eliminating initial inconsistencies between SWOT analysis and area description.

### *Rationale and Consistency of the Strategy*

The programme objectives and the selected priorities appropriately address the needs, identified in the socio-economic analysis. The OP displays a high degree of strategic rationale: the global and specific objectives are in line with the premises and principles of the programme focus, and the selected priorities address the defined objectives. The programme is well focused and strives for a stronger implementation focus, compared to the current INTERREG IIIB-CADSES Neighbourhood Programme. The experience gained with the implementation of this programme, the findings of the mid-term evaluation and its up-date have been taken into account.

Most of the amendments recommended in the course of the ex-ante-evaluation have been incorporated, which lead to improved justifications of priorities as well as to a clearer description of the links between Priority Objectives and Areas of Intervention. Also the intended application and implementation of horizontal principles was made more visible.

However, the implementation of the strategy - in particular the intended focus and level of ambition – is still associated with some risks that should be taken into account during the programme's implementation:

- Translating programme strategy into action: This will notably require pro-active development of transnational projects in line with defined objectives, which can only be achieved if there is a joint understanding of all programme partners. If this transformation process cannot be carried out swiftly there is a risk of slow programme start, delays in implementation and even de-commitments.
- The participation of candidate and third countries on project level is crucial for reaching the Programme Objectives. Efforts should be intensified to find project actors in these countries. The necessary application of different funds (beside ERDF also IPA and ENPI) can at the same time delay the implementation of the programme.
- Need to identify / address new actors: The realisation of strategic projects requires involvement of key actors for the respective themes
- To strengthen the pre-investment type of projects resp. support in a possible project follow-up with other funds, guidance on programme and national level is required.

#### *External coherence with other policies*

The current Draft OP is coherent with the General Structural Fund Regulation and the ERDF Regulation, notably Article 6 (2). It is equally in line with the basic aim of Cohesion Guidelines, especially 2.5. on transnational cooperation (economic and social integration).

The OP draft was assessed for coherence with the National Strategic Reference Frameworks (NSRF) of all EU-Member States participating in the programme and for Croatia (Strategic Development Framework). In addition, interviews were carried out with persons responsible for NSRF.

This assessment has revealed that all priorities of the Draft OP are in line with the NSRF objectives and priorities. Therefore the contents of the programme are in line with national strategies. In those cases, where the NSRFs contain a specific chapter on territorial cooperation, it was also verified that the Draft OP correspond with the priorities and objectives stated therein. This coherence with NSRF implies that - in principle – within each Member State taking part in the SEE programme funding will be available through various OPs which can be used to co-finance follow-up actions to trans-national projects.

When drafting the programme it was also taken into consideration that programmes under EAFRD and ESF shall fulfill a complementary function, that overlapping is avoided and possible synergies can be created.

#### **Implementation system**

Yet to be elaborated.

### **Main results with regard to expected impacts**

In order to assess the likeliness of results and impacts, impact diagrams were prepared by the evaluators at the level of Priorities. These initial diagrams were presented to the TF and discussed with the programming expert team.

These impact diagrams show that most of the expected effects are linked in a direct and plausible manner to the types of activities envisaged for support. Therefore the Programme displays a rather consistent set of impact mechanisms and „theory of action“. All of the expected results and impacts can be achieved with the foreseen Areas of Intervention.

Moreover, feedback was provided on the 1<sup>st</sup> proposal for an indicator system and discussed with the Task Force and the programming experts. Based on this initial feedback, parts of the description of Priorities and Areas of Intervention as well as the indicator system are being revised.

Further assessments can only be made once parts of the descriptions are amended and figures are provided for categories of expenditure and quantified targets for indicators.

### **Integration of core recommendations in the OP**

The following table contains a synthesis of the main recommendations made during the ex-ante evaluation and how they have been incorporated during the programming process (yet to be completed)

<b>Ex-Ante Recommendations</b>	<b>Integration in the OP</b>

#### **4.6.2 Main findings of the Strategic Environmental Assessment (draft inserted)**

The Task Force of South East Europe Programme 2007-2013 developed a draft operational programme for transnational cooperation in line with Art. 6 of the ERDF Regulation<sup>1</sup>. According to the SEA directive (2001/42/EC) a Strategic Environmental Assessment has been performed. The environmental report was elaborated according to Annex I of the SEA directive.

## **Current state of the environment**

The environmental context in which the transnational programme for South East Europe is proposed for implementation is briefly described, on the basis of European status reports of the environmental situation. Efforts are still needed to improve general conditions for air quality, soil, water resources and protection of fauna, flora and biodiversity. The diversity of the natural heritage is one of the biggest assets of the programme area. Although the Natura 2000 network has been established in most member states during the last ten years, the loss of biodiversity did not come to a halt. South-East Europe has to face consequences that follow dispersal and sprawl of urban settlements. Future accessibility modes will influence changes to urban development and landscape.

## **Programme objectives and priorities**

In the light of the Community Strategic Guidelines (Lisbon/Gothenburg) the overall strategic goal of the programme is to 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:

- Priority axis 1 – *Facilitation of innovation and entrepreneurship* – will contribute specifically to the future development of SEE as a place of innovation and - as long term impact – lead to economic growth and enhance employment.
- Priority axis 2 – *Protection and improvement of the environment* – will promote resource efficient technologies, support efficient management of natural resources and enhance transnational risk management capacities.
- Priority axis 3 – *Improvement of the accessibility* – will improve the accessibility of local and regional actors to the European Networks.
- Priority axis 4 – *Development of transnational synergies for sustainable growth areas* – will develop integrated strategies tackling economic, environmental, social and governmental problems affecting metropolitan areas and utilize polycentric structures and cultural values.

## **Methodology of impact assessment**

For each area of intervention possible effects on the relevant environmental issues were analysed, referring to “guiding questions” and environmental protection objectives based on 1 Council Regulation (EC) No 1083/2006 of 11 July 2006 Strategic Environmental Assessment – Environmental Report South East Europe Operational Programme 2007-2013 Page 5 legislation and strategic policies on international, community or state level. As none of the areas of intervention are described sufficiently detailed to perform a quantitative assessment, the assessment concentrates on a qualitative description of possible impacts (positive, neutral or negative) on relevant environmental issues referring to SEA directive (2001/42/EC).

## **Possible environmental impacts of the programme**

The programme integrates positive impacts on environmental issues into transnational cooperation and development activities. Priority 1 supports the creation or restructuring of technology & innovation-oriented networks, which will increase the implementation of best (or almost) best



technologies and – in a mid-term perspective – will lead to more resource and energy efficiency in production and service sector. Priority 2 aims to change transnational framework conditions for promoting, planning and operation for primary & secondary transportation networks and multimodal platforms. Priority 3 promotes activities to improve living conditions in urban areas, with positive impacts on water resources, soil, air and environmental related health risks. Priority 4 supports the protection of environment and natural resources, with positive impacts on most of the environmental issues including biodiversity and human health.

An assessment of possible positive or negative effects cannot be performed for all areas of intervention, due to the lack of information on details about possible downstream activities. Some activities seem to have only limited impact on environmental issues (e.g. “Develop the enabling environment for innovative entrepreneurship”). Negative impacts on environmental issues cannot be excluded, if the programme supports the preparation of transport infrastructure (road, rail, waterways) without taking into account environmental impacts. This could lead to an increase in land take, fragmentation of habitats and additional impact through air and noise pollution in sensitive areas. Ongoing implementation of risk technologies (like gen manipulated seeds) or the enhanced exploitation of energy sources could have indirect negative impacts on landscape, soil and biodiversity. These impacts should be taken into account by strict project selection criteria.

### **Main results and recommendations**

Most of the programme priorities and areas of intervention will have positive impacts on the relevant environmental issues. Significant negative impacts on the environment can be excluded, as project selection criteria will be elaborated in line with the specific objectives of the programme and the overall principle “promotion of sustainable development”. Programme implementation should focus on key issues of long-term balanced development in a transnational context, like reducing negative impacts of climate change, air emission control, natural resource management, sustainable transport systems and risk management.

## 4.7 Indicative breakdown by category at programme level

Tab. 7: Indicative breakdown by category at programme level (in accordance with Annex II of the Commission Implementing Regulation)

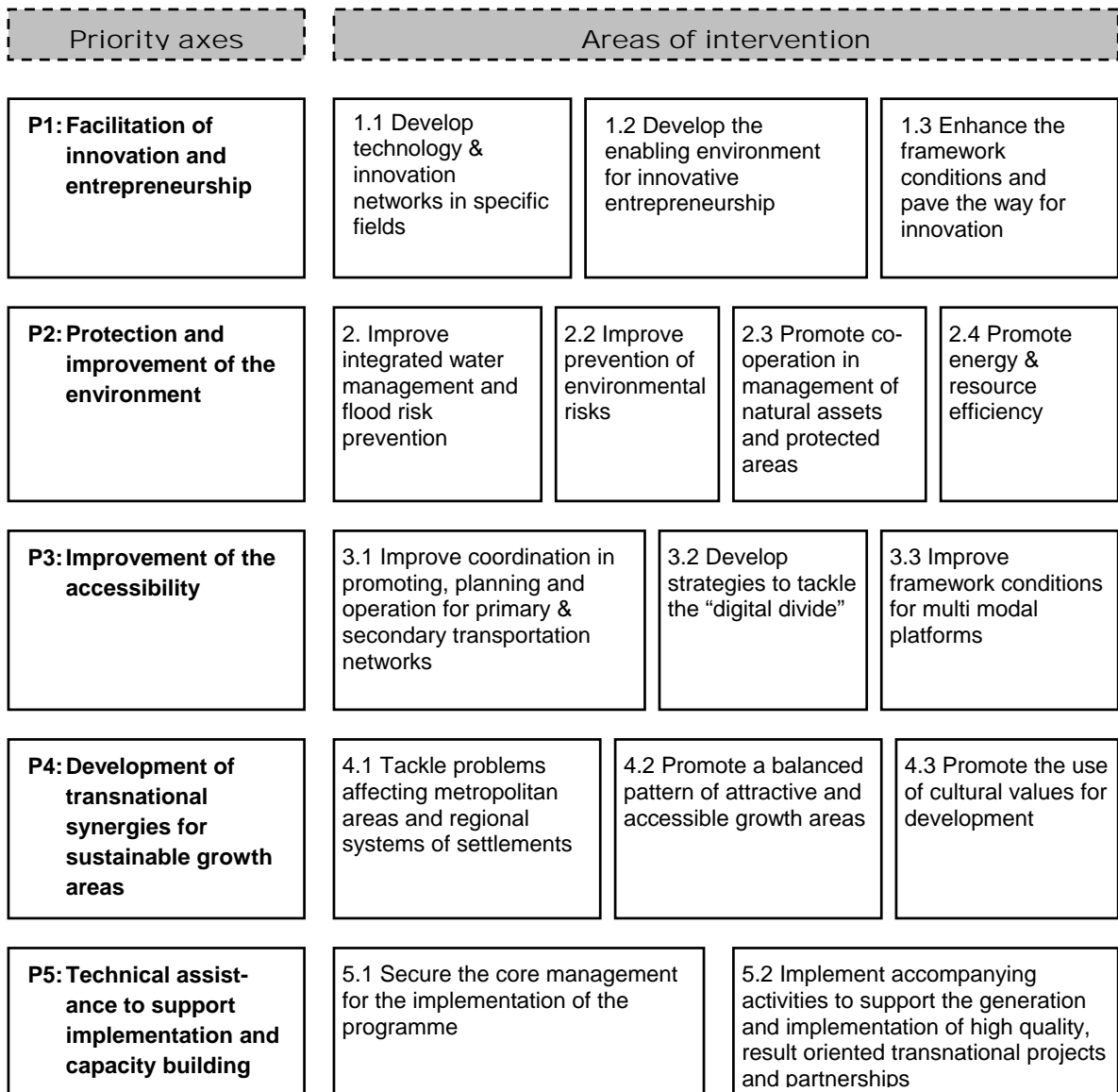
Dimension 1: codes for the priority theme		Dimension 2: codes for finance		Dimension 3: codes for territory	
Code	Allocation in Euro	Code	Allocation in Euro	Code	Allocation in Euro
xx	xx	01	all funds	09	all funds
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
xx	xx				
<b>Total</b>	<b>0</b>		<b>xx</b>		<b>xx</b>

## 5. Priority axes

This chapter provides detailed explanations on the selected Priority Axes and subsequent Areas of Intervention. The priority axes should not be considered as “completely separated compartments”, they follow an integrated approach and show many interfaces. In practice applications can tackle one “Area of Intervention” only or can be relevant for more than one priority axes. In the latter case applicants and programme management have to consider which priority axes matches the projects focus at the best and apply under that priority axes only.

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**. The implementation of the areas of intervention will lead to the achievement of the global and specific programme objectives.

Fig. 2: Priority axes and areas of intervention



## 5.1 Priority axis 1: Facilitation of innovation and entrepreneurship

### Context

The analysis highlighted that the programme area is characterised by **strong disparities** in economic power and innovation activities between the countries but also within each state. A clear **West-East divide** becomes apparent with the **strongest regions** located in the West (Italian regions, Austria) and the **least developed** in the East (capital city regions and Greece being an exception). In terms of **economic dynamics** 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.

The area seems to have on one hand a low performance with respect to R&D indicators and on the other hand, a **dual spatial pattern** is shown where **few countries** have innovative activities **comparable to EU standards** but the **majority** of them has **low levels of innovative activity** (also due to yet lacking regulations and institutional capacities mainly in potential candidate and third countries) and as a result, low levels of competitiveness. Generally the **innovation capacity of SMEs** is stated to be much lower than in large industry, therefore it will be very important to establish qualified and fitting frameworks to motivate SMEs for innovation activities or to bring them closer to the results of R&D activities.

An “acceleration strategy” to facilitate innovation activities should build upon **strengths and opportunities to be exploited**. These are: 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. Transnational action could serve to **pool “subcritical mass”** to achieve **better visibility** even internationally.

### Aim of the Priority Axis and Operational Objectives

In the light of these context and conclusions 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.

This priority axis aims at facilitating innovation, entrepreneurship, knowledge economy and enhance integration and economic relations in the cooperation area and seeks in particular to achieve **three operational objectives** and will support transnational partnerships and action that contribute to:

- Develop technology & innovation networks in specific fields
- Develop the enabling environment for innovative entrepreneurship
- Enhance the framework conditions and pave the way for innovation

Based on the significant regional differences in the area, the development of the innovation capacity should take **different directions of support** considering competitiveness and integration as complementary:

- Firstly addressing the areas 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 in **specific technology fields** (eg. advanced engineering, Information and Communication Technologies,...).

- Secondly addressing **structural deficits in the SME sector**, such as missing access to knowledge, “bad roads” to markets, low levels of cooperation, low level of internationalisation, lacking openness for new technologies.
- Thirdly emphasis should be given in the strengthening of the **enabling innovation environment** (the governance level) and the promotion of public awareness (“grass-root approach”).

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 programme area would be the development of **common interests** in the relevant fields, resulting to **successful transfer** of these capacities to potential poles.

The territorial cooperation programme shall tackle still existing fragmentation along national and regional lines, draw on the creative potentials available in the area 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 **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 programme 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

**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 programme area faces many research, technology and innovation facilities and educational infrastructures and potential poles with initial experience in co-operation, but in general sub-critical mass and lack of (international) visibility.

So there is a need to foster cooperation of networks, clusters, technology platforms to create critical mass and **strengthen specific technology fields**, gain (international) visibility, enable research, technology and innovation actors to participate at European programmes more effectively, set up mechanism to allow sharing and dissemination of key technologies, and help to establish supply chains.

The **purpose** of this area of intervention is primarily the preparation, creation or the restructuring of technology & innovation-oriented networks in specific technology fields in the industrial and service sectors relevant for the programme area.

The cooperation should – in the ideal case – generate concrete projects in building up technology & innovation capacity for improved products, processes and services in specific technology fields (e.g. advanced engineering, automotive, ICT, 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 technology & innovation 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**. The **exchange of skill at various levels** should be fostered (innovators, researchers, professors, students) allowing the sharing of experience and knowledge.

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

In the programme area 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).

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Preparing activities that support the development of technology and innovation-oriented networks in specific technology fields (e.g. feasibility studies, set up of databases).
- Developing transnational partnerships around Research, Technology and Innovation centres and agencies in sectors with high technology contents
- Facilitating the formation or consolidation or restructuring of transnational networks of industrial clusters
- Creating or reinforcing cooperation networks between companies and Research, Technology and innovation facilities of different countries
- Creating transnational exchange-teams (out of T&I-agencies, centres) specialised in measures building up technology & innovation capacity for improved products, processes and services
- Transnational partnerships promoting the inclusion of innovative aspects in the public procurement regarding the application of technologies of common interest
- Strategic cooperation aiming at enhancing the use of innovative and new technologies and its application at local and regional level
- Establishing transnational networks between appropriate tertiary education and Research, Technology and Innovation facilities
- Establishing joint training courses in connecting with technology & innovation networks
- Establishing Science- and Technology park networks developing standards and locational requirements for successful technology oriented real estates (“integrated high tech campus”) to be situated in the programme area
- Increasing the internationalisation level of Research, Technology and innovation facilities, especially in universities and in those areas, where the international rating for high educational level and research offer is still inadequate
- Facilitating the application of technological innovation in the programme area by enhancing the mobility of researchers, supporting the exchange of knowledge
- Fostering policies to support access to and link between Research, Technology and innovation facilities.

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

<i>Research and technological development (R&amp;TD), innovation and entrepreneurship</i>	3	Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, technopoles, etc.)
<i>Improving human capital</i>	74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses
<i>Strengthening institutional capacity at national, regional and local level</i>	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.

### 5.1.2 Develop the enabling environment for innovative entrepreneurship

The need in the programme area seems to be obvious: a SME-based economy with some leading companies as driving forces in innovation and internationalisation, but inadequate co-operation and internationalisation of SME, clusters remaining at local level, big disparities in economic development throughout the programme area.

The **purpose** of this area of intervention is primarily 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 especially for SMEs.

This area of intervention promotes “second level” clustering, that means networking of existing **SME-support facilities** in the programme area to set up mechanisms to allow sharing and dissemination of effective approaches in supporting SME.

Therefore networks should exchange, develop, promote and apply (in pilot projects) appropriate “soft measures”, e.g. for better exploitation of the market opportunities in the area, 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.

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

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Networking of SME-support facilities to set up mechanisms for developing, sharing and dissemination of effective approaches in supporting innovative entrepreneurship
- Pooling expertise in networks to help SMEs diagnose and solve legal, organisational and human issues associated with innovation processes



- Cooperation activities for the support and promotion of female entrepreneurship
- Exchanging of practice and experience among innovative SME (managed by SME-support facility)
- Increasing the SMEs awareness of innovation and technology approaching better roads to market
- Developing standards and locational requirements for successful innovation oriented real estates (“innovative business parks”) to be situated in the programme area
- Developing regional business support structures within transnational partnerships
- Cooperation in the field of innovation financing, making SMEs more familiar with various financial engineering techniques or setting up of transnational innovation trusts.

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

<i>Research and technological development (R&amp;TD), innovation and entrepreneurship</i>	5	Advanced support services for firms and groups of firms
<i>Research and technological development (R&amp;TD), innovation and entrepreneurship</i>	9	Other measures to stimulate research and innovation and entrepreneurship in SMEs
<i>Improving human capital</i>	74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses
<i>Strengthening institutional capacity at national, regional and local level</i>	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.

### 5.1.3 Enhance the framework conditions and pave the way for innovation

Strengthening the **capacity of institutions and of the society for innovation** is a critical component of overall innovation performance. **Missing or lacking** (national) innovation strategies and are a main characteristics of the programme areas’ innovation capacity. Whilst there has been in the best-case attention focused on national and regional level of innovation systems, the programme is seeking also to encourage the “transnational innovation system” for South East Europe. Transnational Cooperation is considered to be suitable to develop the institutional framework to facilitate and foster innovation, to create an innovation friendly environment by coordinated action in the programme area (Innovative milieu, new forms of institutional governance). This could be developed taking into account the experiences on existing good practice in “Regional Innovation Strategies” from the EU’s Innovative Action programmes.

The **purpose** of this area of intervention is primarily to set up exchange and coordination mechanisms for research, technology and innovation approaches and policies (governance aspect)

and to increase public awareness on the importance of technological progress by transnational actions in the area (awareness aspect).

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. Concerning the long-term impact of the interventions special attention should be paid to the young people, especially parallel to educational schemes.

Activities should e.g. support the image formation of South East Europe as a place of innovation and growth, encourage young people to develop entrepreneurial spirit, mobilise existing institutions in contacting and communicating with the population, 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 extents partly the classical target groups for technology & innovation and connects with the Information society for all. For the support of activities specific quality standards may be defined. Activities should target a defined group and not represent singular interests or products.

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

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Setting up exchange and coordination mechanisms for research, technology and innovation approaches and policies across South East Europe between key players of the innovation system (including exchange schemes)
- Improving the common governance at regional and local level with respect to innovative entrepreneurship. Activities can 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
- Networking between regions sharing an interest in a specific economic field /sector, aiming at strengthening the economic profile of respective regions
- Promoting the image formation of South East Europe as a place of innovation and growth by ICT
- Mobilising existing institutions (e.g. research institutes, education centres, media) in contacting and communicating via ICT with citizen to promote innovation
- Using ICT-tools of the evolving Information Society to encouraging young people to develop entrepreneurial spirit and wake enthusiasm for scientific education (e.g. open labs for pupils accessible by ICT).

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

<i>Strengthening institutional capacity at national, regional and local level</i>	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.
<i>Information society</i>	11	Information and communication technologies (access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)
<i>Information society</i>	13	Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)

## 5.2 Priority axis 2: Protection and improvement of the environment

### Context

Environment sets one of the **basic pillars of the EU Cohesion Policy** as defined in the Gothenburg Priorities, underlining the environmental dimension of the EU interventions and the need for protection and enhancement of environmental resources as a pre-condition for sustainable growth. Environmental objectives are epitomised in the **6th Environment Action Programme** of the European Community 2002-2012 (6th EAP), which identifies four environmental areas for priority actions: 'Climate Change', 'Nature and Biodiversity', 'Environment, Health and Quality of Life' and 'Natural Resources and Waste'. For the entire area the 6th Environmental Action Plan and the derived seven Thematic Strategies (e.g. Thematic Strategy on Air Pollution, Soil, Protection and Conservation of the Marine Environment) offer a **usable guideline for transnational action**.

South East Europe is characterised by a **large and diverse setting of natural environments** ranging from alpine to continental and Mediterranean regions. A large number of areas are rurally dominated and are characterised by **intact ecosystems** and unspoiled natural elements. Other areas are **heavily affected by industrialisation**, land take and urban sprawl, road traffic and intensive agriculture. Border zones pose challenging zones since they are fragmenting protected areas and ecosystems while simultaneously they have developed to zones of minimal human impact due to the former political dividing lines.

According to the **SWOT** the area is characterised by rich biodiversity, a large number of pristine landscapes, mountain areas and natural protected areas. The area possesses a large number of rivers as an environmental assets but also as a hazard due to frequent flooding. Additionally the industrialisation heritage caused problems in the quality of natural assets and still poses a large threat. The number of polluters, level of emissions, technology risks and resources consumption are expected to rise rapidly due to changes in the economic sectors. Significant potentials can also be exploited mainly in the utilisation of alternative energy sources, the coordinated protection of natural areas and in the areas of risk prevention and natural hazards management (particularly flood management) where transnational integration and coordination is of crucial importance.

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 having only a limited impact.

The chosen strategy focuses on opportunities to overcome the problems inherited by the past. Simultaneously it encounters the expected environmental threats. **Transnational action** could primarily serve to overcome the area fragmentation and to provide the framework for the adoption and development of the required methods and structures.

### **Aim of the Priority Axis and Operational Objectives**

In the light of the aforementioned the **Specific Objective of Priority Axis 2** is to override the constraints imposed by national barriers, to foresee future environmental threats and opportunities and to develop common transnational action for the protection of nature and humans.

This priority axis seeks in particular to achieve four **Operational Objectives** and will support transnational partnerships and action that contribute to:

- Improve integrated water management and flood risk prevention;
- Improve prevention of environmental risks;
- Promote co-operation in management of natural assets and protected areas;
- Promote energy & resource efficiency.

The Operational Objectives cover a wide spectrum, but are **closely related**. For example the guarantee of sustainable qualitative water supply is clearly interconnected with the prevention of environmental risks, while the successful management of natural assets should be regarded as highly relevant to the utilisation of resource efficient technologies and legislation. For most of the regions the main environmental interventions will be embedded within national programmes. However in the heavily fragmented area of the area transnational focused action is necessary due to the discrepancies in funding, the differences in capacity, the inevitable “white spots” in the core of the area and the omnipresent limitations imposed by the national borders.

**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**

#### **5.2.1 Integrated Water Management and Transnational Flood Risk Prevention**

The programme area contains the **important rivers** such as the Danube, Tisza, Sava, Axios and Evros among others and a huge **coastal area** along the Adriatic Sea, Black Sea and Aegean Sea. These areas are important factors in the economic and social activities for the citizens of the areas. However those activities set constraints on the available water reserves on the one hand and they

are prone to natural hazards and especially floods. A specific challenge for the South East European Space is the common management of the flood hazards and the management of water resources and river catchments areas. Comprehensive river basin plans of the big rivers in the area and flood challenge in the river basins should be addressed. Water reserves, rivers and their impact are transnational per se. Thus only a transnational approach can have an impact on the long term.

The **purpose** of the area of intervention is the development of transnational structures and systems/tools for an integrated management of water resources and flood risk prevention.

The transnational cooperation should generate concrete projects, which will address the need for common actions in the management of river basins coastal areas, seas, lakes and fresh-water resources. The promotion of networking and skills for successful transnational operations, accompanied with infrastructure investment where appropriate will give the regions the necessary tools.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention:

- Elaborating integrated development and management plans of river basins, catchments areas and coastal areas, seas, lakes and fresh-water resources including sustainable land use policies, agriculture and forest development supporting and intensifying an integrated approach of landscape and land use management;
- Integrated flood risk management including harmonisation of different standards; improved institutional cooperation and better integration of national and regional administrative structures;
- Elaborating foresight studies and analyses about impacts of climate change on meteorology, hydrology, erosion, etc;
- Coordinating, harmonising and developing joint water management activities;
- Coordinating, harmonising and developing of monitoring systems and alert mechanisms;
- Coordinating, harmonising and developing integrated reaction systems for flood protection;
- Coordinating, harmonising and developing common civil protection systems;
- Developing alternative methods and systems of water quality protection and wastewater treatment;
- Strengthening the institutional capacity and human resources at national, regional and local level for the development of integrated water management and transnational flood risk prevention especially in the implementation of the Water Framework Directive and other related acts.

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

<i>Environmental protection and risk prevention</i>	53	Risk prevention (including the drafting and implementation of plans and measures to prevent and manage natural and technological risks)
<i>Improving human capital</i>	74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses
<i>Strengthening institutional capacity at national, regional and local level</i>	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.

## 5.2.2 Improve prevention of environmental risks

South East Europe is an area affected by a large number of environmental risks. Some of them are **endemic** (e.g. earthquakes, droughts, floods and by forest fires), others are imposed or **accelerated by human activities** (e.g. contamination, landslides, erosion). In the programme area environmental risks take a variety of forms ranging from **droughts, earthquakes and fires** in the southern part to **chemical spills** and **landslides** in the northern part. An increase of risks can be expected due to intensification of human activities and due to global climate change. Transnational action is considered to be necessary since even single environmental hot spots can have a clear impact on a huge area and population.

The **purpose** of the area of intervention is the development of transnational structures and systems/tools for environmental risk protection, and comprehensive policy development to reduce risks and impacts on human health, biodiversity and other environmental issues.

The transnational cooperation should generate concrete projects, which will develop policies, plans and systems for the joint prevention of environmental risks while facilitating the exchange of information and coordination of activities in cases of emergency along with rehabilitation of affected areas and risk sources.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Developing integrated policies for coordinated risk prevention and reaction to environmental risks;
- Developing plans, measures and systems, including spatial and land use planning to prevent and cope with natural risks (especially fires, floods, desertification, droughts, earthquakes) and technological risks;
- Developing monitoring systems (e.g. emission control, dataset about potential sources of pollution, emission monitoring systems for air quality, pollutants etc.) and alert mechanisms on potential natural and industrial hazards, forest fires as well as chemical and biological contamination of water, soil and air;

- Applying alert mechanisms on potential hazards (floods, coastal hazards, forest fires, chemical and biological contamination of water, soil and air, industrial accidents, safety control of nuclear power plants, etc.);
- Developing information systems concerning the transport of dangerous goods and identification of relevant actions to inform the relevant groups;
- Developing regional “risks foresights” including future risk potentials, e.g. along transport corridors, economic activity zones etc.;
- Identifying and managing risk sources (information policies, exchange of data and reports, etc.);
- Promoting transnational actions on environmental objectives like reducing air emissions, protection of soil, etc.
- Implementing awareness raising and emergency planning for the population located in very sensitive areas,
- Implementing strategies for rehabilitation of brownfields;
- Facilitating common procurement and / or operation of risk prevention infrastructure

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

<i>Environmental protection and risk prevention</i>	53	Risk prevention (including the drafting and implementation of plans and measures to prevent and manage natural and technological risks)
<i>Environmental protection and risk prevention</i>	54	Other measures to preserve the environment and prevent risks
<i>Improving human capital</i>	74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses
<i>Strengthening institutional capacity at national, regional and local level</i>	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.

### 5.2.3 Promote co-operation in management of natural assets and protected areas

Protected areas and intact natural assets are indispensable elements for human health, biodiversity and socio-economic activities. Environmental damages have long term negative effects and consequences on the local social and economic balance. In the programme area protected areas are an important development factor especially in the tourism/leisure industries. Simultaneously they will inevitably come under pressure by the **expected rise in economic activity** and the **correlated land use changes**. The EU offers an extensive framework of directives, guidelines and tools for the management of natural assets and protected areas. In most of the cases this framework underlines the importance for transboundary and transnational action. In the “congested” programme area this importance becomes a necessity.

The **purpose** of the area of intervention is the co-operation and know how transfer in managing natural assets (e.g. vulnerable ecosystems, natural/semi natural areas, protected areas) and support of transnational awareness building on the importance of natural assets as development factor.

The transnational cooperation should generate concrete projects, which will address the need for the implementation of EU legislation and will facilitate the coordinated management of the designated areas. The projects should also respect the demand for know-how transfer and the development of skills for the useful management of natural assets and protected areas.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Developing common strategies in managing natural assets and protected areas;
- Enhancing know how transfer about comprehensive implementation of relevant EU-Directives (Fauna-Flora-Habitat Directive, Bird Directive, Water Frame Directive, etc.);
- Enhancing public information and public participation with respect to the management of natural assets and protected areas;
- Developing and coordinating management plans and structures for areas of transnational interest designated as protected areas at the national level;
- Developing corporate identity for transnational networks of protected areas (e.g. NATURA 2000);
- Promoting the development of actions linked to biodiversity and the preservation of natural heritage, especially in NATURA 2000 sites;
- Developing and exchanging management practices (especially within NATURA 2000), to ensuring the overall coherence and complementarity of the protected areas and addressing the problems of fragmentation and connectivity between NATURA sites in the area;
- Implementing transnational strategies for sustainable rural / maritime tourism in sensitive areas;
- Building awareness on the importance of natural assets as a development factor for economic sectors like agriculture, tourism and health services.



**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

<i>Environmental protection and risk prevention</i>	51	Promotion of biodiversity and nature protection
<i>Improving human capital</i>	74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses
<i>Strengthening institutional capacity at national, regional and local level</i>	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.
<i>Tourism</i>	55	Promotion of natural assets
<i>Tourism</i>	56	Protection and development of natural heritage

#### **5.2.4 Promote energy & resource efficiency**

For centuries the natural environment of the area forced the local communities to make the maximum use of the resources and energy sources available at the region. This legacy was neglected in the recent past due to centralisation, industrialisation and new consumption patterns. Energy and resources demand declined in the past years but is expected to **rise rapidly in the near future due to the envisaged convergence to the rest of the EU**. Recent legislation and trends and technologies are offering a major opportunity for promotion and expansion of energy & resource efficiency in the area. Transnational action in this area contains a significant element of transfer of know-how from the most experienced zones to those with still unutilised resources.

The **purpose** of the area of intervention is to establish co-ordination and transfer of know-how on energy & resource efficiency policies, to cooperate in the adoption and adaptation of EU policies and directives in the relevant fields and the preparation of the area to cover the expected rise in energy demand and resources consumption through environmental friendly approaches.

The transnational cooperation should generate concrete projects, which will support the adoption of energy and resource efficient policies and technologies. Projects should also facilitate the coordination among relevant stakeholders and raise the awareness for resource efficient policies and technologies in the programme area.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Developing policies for sustainable energy supply & resource efficiency at national or regional level, which help to implement the relevant EU-Guidelines and Directives;
- Developing “resources consumption foresights” including future bottlenecks and problem areas;
- Facilitating the coordination of energy providers, especially among Renewable Energy Sources associations and regional and local authorities;
- Coordinating development of infrastructure for the utilisation of Renewable Energy Sources and especially Hydropower at a transnational level;

- Supporting the development and use of fuel from renewable sources;
- Supporting the awarding and promotion of energy & resource efficient technologies and actions;
- Developing transnational policies for emission reduction to reduce greenhouse gas emissions;
- Developing transnational strategies which support and co-ordinate sustainable exploitation schemes of renewable energy sources (hydropower, biomass, geothermic energy, etc.)
- Enhancing know how transfer about comprehensive national strategies for sustainable waste management (avoiding – re-using – recycling);
- Enhancing know how transfer about comprehensive national strategies for sustainable fresh water management (efficient water use strategies & technologies);
- Developing transnational networks on “green industries”, energy agencies, regional and local authorities;
- Developing measures reducing the volume of traffic and/ or support environmental-friendlier means of transportation;
- Promoting the development of sustainable waste management activities and the movement to a recycling society;
- Stimulating energy efficiency and the development of renewable energies as well as better coordinated efficient energy management systems and promoting sustainable transport including information to industrial customers, service providers and citizens on issues such as how to reduce energy consumption

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

Energy	39	Renewable energy: wind
Energy	40	Renewable energy: solar
Energy	41	Renewable energy: biomass
Energy	42	Renewable energy: hydroelectric, geothermal and other
Energy	43	Energy efficiency, co-generation, energy management
Environmental protection and risk prevention	44	Management of household and industrial waste
Environmental protection and risk prevention	45	Management and distribution of water (drinking water)
Environmental protection and risk prevention	46	Water treatment (waste water)
Environmental protection and risk prevention	47	Air quality
Environmental protection and risk prevention	48	Integrated prevention and pollution control
Environmental protection and risk prevention	49	Mitigation and adaptation to climate change
Environmental protection and risk prevention	50	Rehabilitation of industrial sites and contaminated land
Environmental protection and risk prevention	52	Promotion of clean urban transport
Improving human capital	74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses
Strengthening institutional capacity at national, regional and local level	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.
Research and technological development (R&TD), innovation and entrepreneurship	6	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm p

### 5.3 Priority axis 3: Improvement of the accessibility

#### Context

Accessibility is considered to be one of the **prime requirements** for economic development and growth and finally for territorial cohesion. It facilitates the exchange of goods and ideas and the movement and interaction of people. All those aspects are of immense importance in South Eastern Europe. Transport corridors are showcase examples for the opportunities they offer to the regions they cross, while those areas by-passed tend to lag behind. Hence the development of transnational and intra-regional accessibility networks is therefore is a key factor for reducing existing disparities.

In South East Europe existing networks in **most cases are heavily fragmented** due to the political legacy or are facing inwards mainly serving the single states and regions. In most cases those networks are of **inferior quality** and cannot cope with the constant increase in road transport. A **dual pattern** of accessibility is evident with the **able funded TEN projects** on the one side and the ambitious but **cumbersome Pan-European Transport Corridors-network** outside the EU territory comprising **road, rail, inland waterway and sea transport** on the other side. However the potential offered by the surrounding sea routes and envisaged “motorways of the seas” and the significance of big navigable rivers like the Danube remains unexploited. Thus **contradictory**

**trends** in the transport sector are visible with a high congestion of existing infrastructure but without the development of viable alternatives. A similar pattern occurs in the **ICT sector** (Information and Communication Technologies) where the **networks and services gap** between EU member states and third countries exists. This gap remains considerable also between members states themselves.

According to the **SWOT** the area is characterised by a basic infrastructure network, which needs urgent investment for restoration, upgrade and completion. There is limited know-how on investment, strategies, financial engineering tools in order to generate the necessary investment and initiatives are hampered by Diverging national and regional interests. Existing infrastructure (physical and ICT) is heavily fragmented due to topography and national barriers and does not correspond to European standards. Transnational and West-East connections are fairly weak. Connections to the ports and maritime zones are underdeveloped.

Nevertheless South East Europe is an area with a large concentration of important TEN projects and Pan-European Corridors. Parallel viable alternatives to road transport (ports, waterways, multi-modal platforms) with a high market potential exist. International Financing Institutions offer a significant array of tools and funding opportunities for the development of the necessary infrastructure for the improvement of accessibility.

In the programme 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 and West-East Corridors but should also address the secondary networks. 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.

The transnational cooperation programme 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.

The strategy underlying the Priority Axis 3 attempts to mobilise the strengths of the region and the opportunities emerging from the EU framework in order to overcome the weaknesses of the region. The priority axis 3 shall contribute specifically to the improvement of the accessibility of local and regional actors to the European Networks. This includes two main challenges:

- Physical accessibility (primary & secondary transportation infrastructure)
- Virtual accessibility (access to ICT networks and services)

## **Aim of the Priority Axis and Operational Objectives**

Specific Objective of Priority Axis 3 is to promote coordinated preparation for the development of accessibility networks and the support of multi-modality.

This priority axis seeks in particular to achieve three **Operational Objectives** and will support transnational partnerships and action that contribute to:

- Improve coordination in promoting, planning and operation for primary & secondary transportation networks
- Develop strategies to tackle the “digital divide”
- Improve framework conditions for multi-modal platforms

The programme confronted with a large number of issues and areas and limited funds. The main source of funding is still represented by National Programmes and Structural Funds Operational Programmes. The programme will contribute to the coordination of the related actors, which are limited either by operational means, national borders or institutional obstacles. The development of an efficient transportation network is closely dependent to the maximum utilisation of ICT as an assisting tool and as a substitute of physical mobility while the promotion of multi-modality is an obvious escorting action for the sustainability of the network itself. Hence the mix of transportation networks, ICT and multi-modality is offering a balanced approach concerning the accessibility to, within and between the regions.

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

## **Areas of intervention**

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

South East Europe is an area with a large concentration of programmes, plans and financing tools for the development of the primary & secondary transportation networks. Implementation is however slow either due to lack of know-how, institutional or contracting shortcomings. Also coordination with the neighbouring or affected countries is minimal. The disparities of land-locked countries and maritime states and the topography and political fragmentation do not facilitate the formulation of common positions and action plans. Transnational cooperation should be an indigenous element in the development of the networks due to the implementation requirements and the impact stretching over several countries.

The **purpose** of the area of intervention is the provision of tools and space for coordinated promoting, planning and operation for primary & secondary transportation networks. Interventions can be 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 programme cannot finance large infrastructure investments. However a significant contribution may be expected in mobilising stakeholders, conducting feasibility studies and action plans and coordinating operations that are financed on other budgets.

Transnational action can support Policy coordination among competent partners and transnational networking of regionally anchored pilot projects

Regional interests and needs should be taken into consideration when planning high-ranked and secondary transportation networks. This is to ensure that the regions are actually profiting from the transportation networks.

The transnational cooperation should generate concrete projects which will contribute to in the creation and strengthening of networks for the coordinated development of transport connections and Corridors and the elaboration of concrete action and financing plans for network development. The projects should also offer room for environmental friendly transportation and joint management of networks.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Promoting policy coordination among competent partners and elaborating coordinated strategies for infrastructure investments, promoting complementarities between various types of investments and mobilising various financial instruments,
- Developing joint action plans for the realisation of physical infrastructure financed by other programmes;
- Promoting transnational environmental assessment (EIA-SEA) and transnational Territorial Impact Assessments (TIA) in coordination with the realisation of physical infrastructure financed by other programmes;
- Increasing the transparency of ongoing corridor related programmes and projects;
- Elaborating PPP schemes for parts of the transportation infrastructure;
- Establishing joint transportation networks management bodies;
- Creating transnational facilities for maintenance and road pricing of physical infrastructure;
- Fostering transnational public participation in consultations over infrastructure network development;
- Strengthening coordinated development of regional airports;
- Creating intelligent traffic information systems for agglomerations;
- Developing solutions for the flexible public transport tackling the mobility needs;
- Analysing and maximising the effects of changed/improved accessibility on regional/location development opportunities;
- Tackling specific problems of peripheral and sensible regions (e.g. traffic in mountainous regions);

- Improving access to international maritime ports to achieve future strategic advantage in global freight competition;
- Joint promotional campaigns for maritime transport and raising awareness about its environmental and economic advantages;

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

Transport	16	Railways
Transport	17	Railways (TEN-T)
Transport	19	Mobile rail assets (TEN-T)
Transport	20	Motorways
Transport	21	Motorways (TEN-T)
Transport	25	Urban transport
Transport	29	Airports
Transport	30	Ports
Transport	32	Inland waterways (TEN-T)

### 5.3.2 Develop strategies to tackle the “digital divide”

Access to information is a condition sine qua non in the framework of the EU Cohesion Policy. Accessibility to ICT and equally important, uptake and use of ICT is relevant not only for households and enterprises but also for public bodies for the provision of a large number of services which nowadays unnecessarily demand the physical presence of the citizens. The area is lagging behind in that sector. Transnational cooperation in this field is necessary in order to acquire the necessary critical mass for the development of the envisaged plans and tools.

The **purpose** of the area of intervention is the support of joint 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 transnational cooperation should generate concrete projects which will contribute to the development of concepts of Public-Private Partnerships for ICT accessibility, the development of concepts and implementation of ICT solutions for local and regional authorities public services, the collaboration of public authorities and scientific institutions in the development of public services, the interoperability of information systems and the harmonisation of ICT training.

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. The programme is not designed to finance directly broadband infrastructure.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Raise awareness of ICT opportunities in regions where development of the information society is lagging behind;

- Supporting SMEs especially in remote areas to develop their business activities through the application of ICT platforms to foster the economic and social development;
- Developing Public-Private Partnerships for ICT accessibility;
- Enhancing the role of regional and local administration in the implementation of the information society especially in remote areas;
- Developing Public Services using e-government solutions and tools with the collaboration of public authorities and scientific institutions;
- Establishing common standards in ICT development in relation to support services and training courses;
- Promoting the interoperability of information systems e.g. in business support or education;
- Developing databases of transnational interest;
- Fostering the use of advanced ICT to reduce the need to travel and to replace physical mobility through virtual exchanges.

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

Information society	11	Information and communication technologies (access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)
Information society	12	Information and communication technologies (TEN-ICT)
Information society	13	Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)
Information society	14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
Information society	15	Other measures for improving access to and efficient use of ICT by SMEs

### 5.3.3 Improve framework conditions for multi-modal platforms

The completion of the transportation networks, integration in the global market and rising consumption patterns in the area place a **heavy burden on the transportation network**, which is currently **monopolised by road transport**. Matters of operational efficiency, exploitation of the available alternative routs and last but not least environmental concerns underline the need for the promotion of multi-modal platforms. Transnational action is obviously an important issue due to the economic interrelations and transport patterns between the regions and the impact of multi-modality or lack thereof in large areas.

The **purpose** of the area of intervention 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 transnational cooperation should generate concrete projects, which will contribute to the development of multi-modal concepts, and action plans, foster agreements for the promotion of multi-modality and support the development of tools and systems for the facilitation of multi-modal platforms.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Increasing the potential of inland waterway and maritime transport (short sea shipping and long-distance maritime transport) by concepts and action plans for the development of multi-modal terminals and hubs and improved hinterland connections;
- Supporting platforms for communication and coordination between regional and city authorities and private service providers and investors and their collective associations;
- Developing concepts and agreements on multi-modal connections especially among agglomerations;
- Developing multi-modal transport solutions and action plans (mainly over waterways and sea) aimed at relieving or bypassing bottlenecks and missing links along transnational land transport;
- Improving interoperability and intermodality of passenger and freight transport on land, inland waterways, sea and air, including harmonisation of all forms of public transport across national borders and on transnational East-West and North-South corridors
- Creating research and innovation networks focusing on multi-modal transport solutions including new equipment, technological developments, management of logistic chains etc.;
- Developing transnational Supply Chain Management structures including measures to improve the efficiency of multi-modal logistic chains (introduction of smart technologies, simplification of administration, etc.);
- Developing ICT tools and structures for better connection with multi-modal platforms including optimisation of train capacities, road haulage pricing, one-stop shops for transport transactions;
- Developing networks of logistic centres and encouraging the exchange of experience in the field of management, provision of services, cooperation within and outside the programme area;
- Supporting joint planning efforts to harmonize transport and logistical investments as well as coordinated logistical capacities and services
- Developing solutions to improve logistics of renewable energies

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

Transport	27	Multimodal transport (TEN-T)
Transport	28	Intelligent transport systems

#### **5.4 Priority axis 4: Development of transnational synergies for sustainable growth areas**

##### **Context**

The analysis highlighted firstly the growing tendencies of concentrated development in single areas connected with **increasing disparities within the areas** and evolving crucial problems, such as social segregation, growing poverty, lack of investments in certain areas, insufficient provision of public services, overburdening traffic capacities. This point addresses primarily the **internal cohesion** of growth areas.

Secondly the **pattern** of metropolitan areas, medium sized or small cities **distributed over the programme area** shows **dramatically increasing disparities** between stronger and weaker cities/regions. Monocentrism at a few metropolitan regions is strengthened by the current development in most of the countries. Today South East countries have much larger disparities than “western countries” in Europe. The current trend increases this difference, while in the old EU member countries disparities consolidate or decrease.

Thirdly the structure, function and role of capital, large, medium and small sized cities is partly new defined though new state structures in the programme area and **offers in general a great potential** to further increase of coordinated strategic planning, coordinated marketing and lobbying, and functional division. Diverse cities could capitalize on their **potential complementarities** and so achieving competitiveness, (international) visibility and ensure a sufficient level of public services. There is a chance to develop in the long run “**integration zones**” backed by transport corridors as carriers of growth and competitiveness in the context of a balanced regional development to improve the Position in Europe and catch up with the metropolitan regions in the old EU member states.

Fourthly there is a lack of policy to “**centralize the periphery**” that means to foster viable growth areas in endangered rural areas aiming at developing locations with minimum size and thus securing public services.

Fifthly the **great cultural diversity** (Ottoman Empire, Danubia Monarchy, Communist periode..) could be further utilized as development factor and as an asset in global competition.

##### **Aim of the Priority Axes and Operational Objectives**

In the light of these conclusions the priority axis 3 shall contribute specifically to the future development of South East Europe as a **place of sustainable and polycentric development of metropolitan areas and regional settlement systems**

This priority axis shows a specific **cross-sectoral character** strongly interlinking economic, environmental, social and governance 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 governance**<sup>21</sup> **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 for the development of growth areas.

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

This priority axes seeks in particular to achieve **three operational objectives** and will support transnational partnerships and action that contribute to:

- Tackle crucial problems affecting metropolitan areas and regional systems of settlements
- Promote a balanced pattern of attractive and accessible growth areas
- Promote the use of cultural values for development

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 complementarities** and so achieving competitiveness and ensuring a sufficient level of public services. The area 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 complementarities 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 and implementing pilot projects. **The transnational level is the scale where more creative patterns and cooperation experiences can interact.**

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

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

<sup>21</sup> The planning, influencing and conducting of the policy and affairs of an organization

**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

In the programme area hot spots with a high concentration of economic, social, environmental and governance problems exist. Current growth poles are congested and show increasing inner disparities, potential growth areas have to redefine their role and smaller centres are declining. These problems cannot be challenged only on national level. The cooperation programme supports joint action serving as a booster for national or regional strategies.

Joint expertise and pilot co-operation projects could be developed in a **wide spectrum of issues of common interest**. Transnational cooperation should combine the exchange of experience with appropriate pilot projects in urban and settlement areas to apply strategies, skills and knowledge.

The **purpose** of this area of intervention is the development, implementation and dissemination of concrete strategies and action plans and the utilisation of transnational skills and knowledge for tackling crucial problems affecting metropolitan areas and regional systems of settlements.

Crucial problems could be of **interrelated economic, environmental, social and governance** nature. Multilevel activities within transnational partnerships should seek to improve these kind of crucial problems.

Cooperation partners, who work on similar or complementary problems, can use a transnational partnership within the cooperation area as „boosters“ for local action. Cooperation partners can use a transnational partnership also in terms of „**agenda setting**“, in order to receive external support for innovative ideas and approaches. Cooperation partners could **pool their resources** to implement trainings and pilot action. Partnership projects implemented at local and regional level can achieve a **pronounced visibility** for citizen.

In contrary to interregional cooperation – which deals in principle with similar issues – territorial cooperation aims at developing **durable partnerships** in the defined cooperation area. Only a territorial cooperation programme can carry that out. The intensification of interregional exchange may contribute to more cohesive and balanced territorial development of the South East Europe area.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

#### **Developing transnational synergies in the field of Public Infrastructure and Public services, e.g.**

- Developing common pilot co-operation projects to improve the urban infrastructure (e.g. waste water treatment, drinking water improvement, energy efficiency refurbishment) and to improve useful inter-connections

- Developing new ways for Public Infrastructure Financing
- Improving Public Procurement for urban infrastructure according to EU standards
- Improving Management and Monitoring systems for green areas
- Developing effective ways for housing restructuring and improvement of residential areas
- Tackling the needs of settlement areas that are suffering from economic and population decline

**Developing transnational synergies in Planning and Governance, e.g.**

- Developing integrative tools such as City Development Strategies in order to cover poverty, economic development, the environment, city management, and finance
- Development and Action plans for cooperative solutions for Urban renewal and Revitalisation
- Developing plans for the restructuring of former military camps
- Developing GIS-networks (Geographic Information systems) to tackle specific needs (e.g. soil pollution monitoring)
- Tackling land registration as a serious problem especially concerning urban areas
- Enhancing the management, registration and regulation of real estates along with the development and rehabilitation of urban brownfields
- Promoting of Governance and development of Accountability and Transparency in local authorities could also be addressed. 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 (e.g. City-district/quarter-management)

**Developing transnational synergies in social issues (in the context of Integrated projects for urban and regional regeneration), e.g.**

- Developing pathways to integration for disadvantaged people, migrants and groups with specific needs

**Developing transnational synergies in economic issues (in the context of integrated projects for urban and regional regeneration), e.g.**

- Developing measures to stimulate Business opportunities, innovation and entrepreneurship in crisis areas
- Developing technological and management standards for economic infrastructures (such as SME business incubators) serving to improve areas with a lack of investments.

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

<i>Urban and rural regeneration</i>	61	Integrated projects for urban and rural regeneration
<i>Strengthening institutional capacity at national, regional and local level</i>	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.
<i>Information society</i>	13	Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)
<i>Improving the social inclusion of less-favoured persons</i>	71	Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace
<i>Improving access to employment and sustainability</i>	70	Specific action to increase migrants' participation in employment and thereby strengthen their social integration
<i>Environmental protection and risk prevention</i>	48	Integrated prevention and pollution control
<i>Environmental protection and risk prevention</i>	52	Promotion of clean urban transport
<i>Research and technological development (R&amp;TD), innovation and entrepreneurship</i>	9	Other measures to stimulate research and innovation and entrepreneurship in SMEs

### 5.3.2 Promote a balanced pattern of attractive and accessible growth areas

Urban polycentrism in South East Europe is at **great risk**: only a limited number of large cities, most of them capital cities, have until now significantly benefited from the socio-economic development trends now prevailing in the area. What is in progress is a **marked polarisation** of growth, innovation, accessibility and investment and consequently of territorial development in a large part of the programme area (monocentrism). To preserve a viable polycentric territorial organisation is a real and difficult challenge that policy makers at various levels have to face. Transnational action can contribute to overcome the dilemma between a high-ranking goal (promoting viable polycentrism) and the restricted availability of common awareness, joint strategies and pooled resources to achieve that demanding goal. Transnational action can serve **as the framework** and **protecting shell** for the development of the **partnership** for local/regional activities in advanced and experimental development strategies to develop **viable polycentrism** and strengthen consequently territorial cohesion in South East Europe against the emerging divides.

Against the background it is considered to be crucial to promote a balanced distribution of competitive growth areas in the cooperation area in combination with strong internal and external functional relations.

The **purpose** of this area of intervention is to elaborating integrated spatial and development strategies for strengthening functional regions as carriers of growth and competitiveness 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:

### **Joint action to formulate and manage “functional polycentricity”**

Aim is the development, implementation and dissemination of concrete strategies and action plans and the utilisation of transnational skills and knowledge in order to optimise the existing extensive polycentric structure in the sense of “functional polycentricity” linking smaller centres to attractive growth areas, capitalizing on their potential complementarities and so achieving **competitiveness** and ensuring a **sufficient level of public services**.

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. However functional polycentricity implies the creation of “regional compensation mechanisms” and the renouncement of “militant” competition.

### **Joint action to support Governance as a new partnership of functional areas**

Aim is the development of structures and capacities for the development of **consistent** policies, plans and pilot projects for all the different factors promoting sustainable growth and jobs in functional areas.

Public bodies are increasingly aware of the question: what is happening outside the traditional administrative borders (jurisdictional boundaries), but within the functional linkages. 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.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Developing Joint Action Plans for functional regions, e.g. in combination with extensive and participative planning processes, for better co-ordination between municipal authorities (both central and suburban) and rural and regional authorities

Elaborating manageable multi-dimension concepts that are taking up various challenges for functional regions. Develop an integrated multi-focus: “hard core issues” of regional development (like transport and business location development) should be complemented by quality of life interventions such as in the field of culture, tourism and leisure. Pay attention to the prerequisite for a knowledge based economy: the qualification issue. Expand pure spatial development planning to regional economic planning and investments. Establish the co-operation with institutions at a higher level and link key projects to powerful programmes at a higher level. The stakeholders within a functional region should pool their resources (finance, personal, know-how) and co-ordinate their activities. Create visible products (like an investment guide) to get political support and to be visible to the public.

- Strengthening cooperative marketing activities to support economic and regional development, attracting investments in a transnational network of regions
- Integrated business location concept for functional economic regions: presenting and coordinating disperse business location offers that cover a functional region of small communes, development of business zones located at the best suitable and accessible locations
- Developing better administrative procedures for business location development

Optimise and standardize public decision making procedures within an economic calculable time frame; Transparency of the obligations and conditions for private investors (e.g. binding handbook of the administration addressing investors explaining clearly defined, reliable requirements for development); Define “key-area-programms” as a basis for the implementation of project management methods; Introduce “action planning” which means the elaboration of “regional business plans”

- Creating public funds or other relevant tools for interventions in the land market and as an instrument of public land policy, to “protect” areas for the intended use
- Intensifying the involvement of private money in the implementation process of urban and regional development projects by using appropriate forms of PPP, development of bodies for the management of Renewal Funds and development of resource centers
- Developing networks and other forms of co-operation between public bodies to save investment costs (e.g. inter-communal industrial parks)
- Promoting Public Participation and Empowerment, establishment of Ombudsmen and facilitators of polycentricity, development of decentralisation capacities (financial, managerial, political), establishment of “suburbs management” as urban-rural interfaces
- Creating networks of Regional Development Agencies promoting integrated approaches for improving the partners capabilities
- Taking full advantage of modern information and communications technologies (ICTs) to support good urban governance and sustainable urban development
- Developing cooperation focused not only on economic and infrastructure issues but on all urban functions, such as culture, education, knowledge and social infrastructure.



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Urban and rural regeneration	61	Integrated projects for urban and rural regeneration
Strengthening institutional capacity at national, regional and local level	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.
Information society	13	Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)

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

The programme 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 South East Europe cities an attractive place to live and work.

The **purpose** of this area of intervention is the inclusion of cultural values as an integral part of the programme area in the planning and development processes of urban centres and systems of settlements.

Transnational action should support joint conservation and the utilisation of cultural values as a Development factor and resource of sustainable tourisms.

Projects should make sure that the action undertaken contributes to developing the endogenous potential and generates directly or indirectly income and jobs.

**Examples** of (multilevel) activities within transnational partnerships that can be supported under this area of intervention

- Improving good policy, programme design and capacity building with respect to joint conservation and the utilisation of cultural values
- Enhancing joint promotion of historic places, joint labelling and communication strategies, development of transnational City marketing concepts for historical centres
- Transnational pooling of specific expertise, e.g. for better management of archaeological sites
- Coordinated approaches in cultural heritage conservation in combination with common professional training (Data base creation, mapping and monitoring the sites of cultural interest, restoring techniques
- Promoting cultural tourism, e.g. through the developing of cultural routes
- Supporting education both in the field of traditional materials and cultural resources management
- Developing Public-Private-Civil Society Partnerships for the restoration of prominent sites

- Improving the perception of heritage with the help of new media tools.

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

Culture	58	Protection and preservation of the cultural heritage
Culture	59	Development of cultural infrastructure
Culture	60	Other assistance to improve cultural services
<i>Strengthening institutional capacity at national, regional and local level</i>	81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.

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

### Context

In general transnational cooperation programmes pose a specific challenge for the technical assistance. **The SEE transnational cooperation programme seems to be the most challenging among them.**

The programme faces an **additional challenge**. It is located at the South-Eastern edge of the Union, where several Accession candidate countries and potential candidate countries as well as partner third countries are concentrated, thus going far beyond the present external borders of the EU. The programme management should support them to fully participate in the project collaboration. In particular, this applies for the Western Balkan countries, Ukraine, Moldova and Turkey. A **high risk – beyond the means of programme management** - lays in the lacking harmonisation of regulations and legal standards.

### Aim of the Priority Axis and Operational Objectives

In the light of these requirements the Priority Axis 5 aims at supporting the implementation of the programme and increase capacity of institutions and beneficiaries in the programme area for transnational action.

Priority Axis 5 seeks in particular to achieve two specific objectives:

- Secure the **core management** for the implementation of the programme (Implementation of the programme and contracting, preparation, implementation, monitoring, evaluation and inspection);
- Implement **accompanying activities** to support the generation and implementation of high quality, result oriented transnational projects and partnerships.

As outlined in detail in **chapter 7 (Implementing Provisions)** the Technical Assistance 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>22</sup>, Technical Assistance will be used for the preparatory, management, monitoring, evaluation, information, and control activities.

Technical Assistance should also cover costs for the “Implementation Manual” (separate document) and costs for the preparation of the next programming period.

Technical Assistance should be amended to provide for environmental monitoring of the Programme, if necessary, according to the SEA report and particularly if monitoring measures are considered inadequate.

As this is a special need for the programme area, Technical Assistance should support **accompanying activities to foster participation, project generation and project selection** by activities as (**indicative**): awareness raising campaigns, development of methodologies and tools to identify potentials of the area, finding common interests and a common identity, actively support information dissemination on partner states involved and on the cooperation area, media work.

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 programmes implementation.

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 operational programme.

These **measures could entail (indicative)**: 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.

**For internal use only: Categories (codes for the priority theme dimension) according Annex II Implementation Regulation No 1828/2006, matching the Area of intervention**

<i>Technical assistance</i>	85	Preparation, implementation, monitoring and inspection
<i>Technical assistance</i>	86	Evaluation and studies; information and communication

<sup>22</sup> Council Regulation (EC) No 1083/2006 of 11 July 2006 (OJ L 210 p. 25)

## 6. Financing plan

### 6.1 Annual commitment of ERDF in the programme

Tab. 8: Annual commitment of ERDF in the programme (in Euro):

Years	ERDF
2007	31,918,022
2008	29,689,399
2009	29,565,665
2010	28,565,151
2011	30,342,331
2012	29,004,134
2013	27,606,943
<b>Total 2007-2013</b>	<b>206,691,645</b>

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

## 6.2 Indicative breakdown by priority axes

Tab. 9: Priority axes by source of funding (in Euro):

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
P1 Innovation	44,051,157	7 773 734	0	51 824 891	0,85	0	0
P2 Environment	51,802,094	9 141 546	0	60 943 640	0,85	0	0
P2 Accessibility	50,768,636	8 959 171	0	59 727 807	0,85	0	0
P4 Sustainable growth areas	47,668,261	8 412 046	0	56 080 307	0,85	0	0
P5 Technical Assistance	12,401,497	4 133 832	0	16 535 329	0,75	0	0
<b>TOTAL</b>	<b>206,691,645</b>	<b>38 420 329</b>	<b>0</b>	<b>245 111 974</b>		<b>0</b>	<b>0</b>

### 6.3 Financing plan containing the annual contribution of IPA with breakdown by Partner States

Tab. 10: Financing plan containing the annual contribution of IPA with breakdown by Partner States

Partner States \ Years	Years							Total
	2007	2008	2009	2010	2011	2012	2013	
Croatia								
Turkey								
FYRoM								
Albania								
Bosnia								
Montenegro								
Serbia								
<b>Total</b>								

## 7 Implementing provisions for the operational programme

### 7.1 Programme management structure

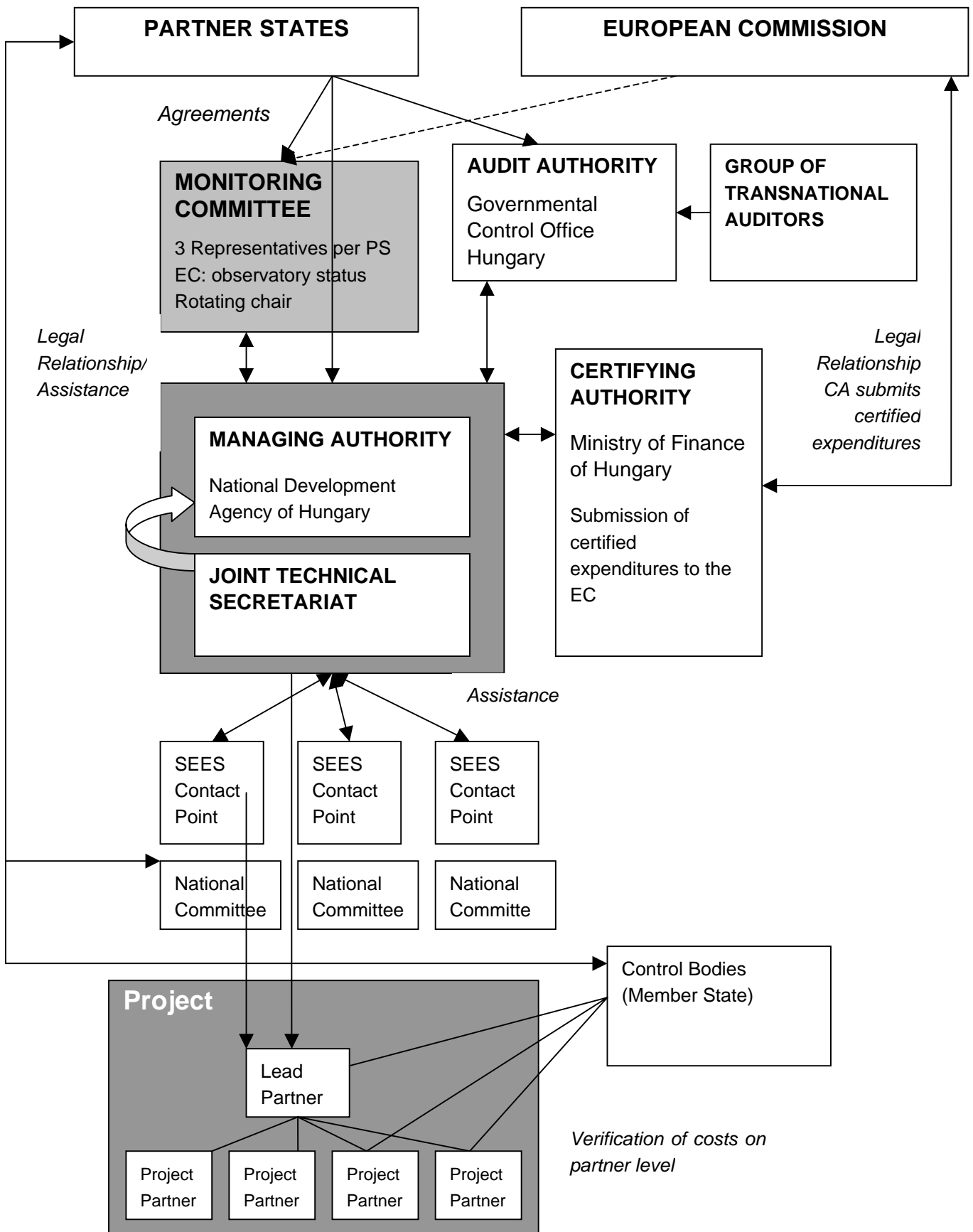
The following structures for the management of the programme will be designated:

- Monitoring Committee (MC)
- Managing Authority (MA)
- Certifying Authority (CA)
- Audit Authority (AA)
- Joint Technical Secretariat (JTS)
- SEES Contact Points (SCP)<sup>23</sup>
- National Committees (NC)

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<sup>23</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.

Fig. 3: SEE programme management structure





### 7.1.1 Monitoring committee (MC)

The Monitoring Committee of the SEE 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, e.g. 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 (Hungary)**  
**H - 1133 Budapest**  
**Pozsonyi út 56.**

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>24</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:

**Ministry of Finance of Hungary  
H - 1051 Budapest**

<sup>24</sup> Separate department of VÁTI Hungarian Public Nonprofit Company as a Financial Transfer Unit will be responsible for the technical management of payments of ERDF funds to final beneficiaries.

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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:

<i>General Provisions Article 61 Functions of the certifying authority</i>
The certifying authority of an operational programme shall be responsible in particular for:
(a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
(b) certifying that:
(i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
(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;
(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;
(d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the audit authority;
(e) maintaining accounting records in computerised form of expenditure declared to the Commission;
(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.

### 7.1.4 Audit Authority (AA)

The designated Audit Authority of the program is:

**Government Control Office (Hungary)**  
**H - 1126 Budapest**  
**Tartsay u. 11/A.**

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:

*ERDF Regulation Article 14*

*Designation of authorities*

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.

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)**

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.

*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 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) contribution to the setting up of 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**

- a) support the contact points in their activities;
- b) manage the joint projects/partner search database;
- c) prepare any other documents required by the European Commission or the Monitoring Committee;
- d) organizing the working group meetings of the controllers
- e) 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 an 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 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;

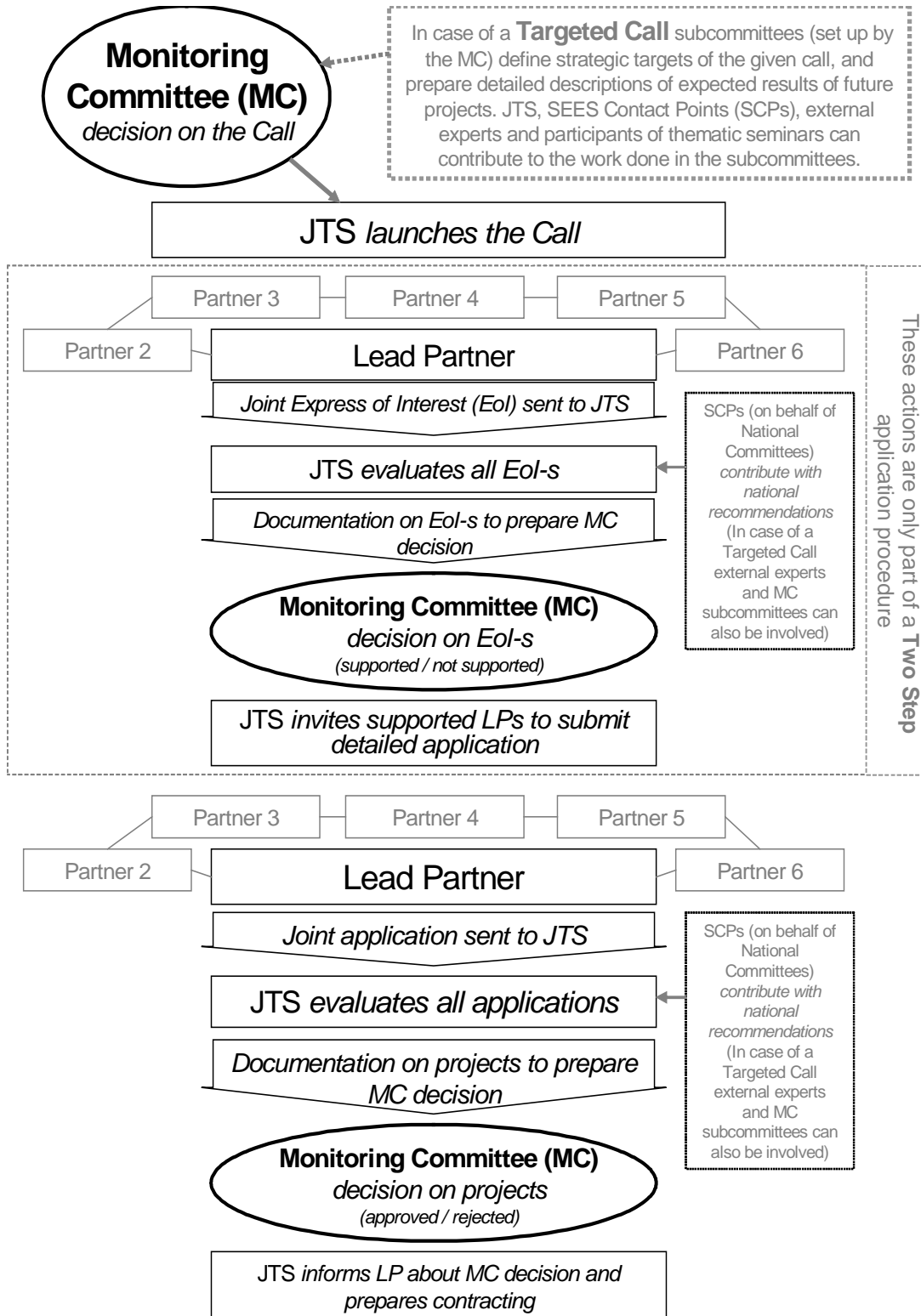
II. Regarding the selection of projects:

- *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*.

Fig. 4: Calls for Proposals



### 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);*
- *all relevant EC regulations regarding being eligible final beneficiary are respected with special emphasis on ERDF Regulation Art 19*

### **7.2.3 Eligible applicants**

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*

In line with Article 2 of Council Regulation (EC) No 1083/2006 private, public and public equivalent bodies may be involved in projects also as non-financing partners or subcontractors – respecting all relevant EC and national regulations (e.g. public procurement).

*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;

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 respecting IPA regulations. 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***

Project parts financed by IPA/ENPI will be contracted separately from ERDF project parts. The Contracting Authority for IPA funds in respective IPA/ENPI country will be designated by IPA regulations. The JTS of the SEES programme may support the 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. For example the tasks of IPA contracting and the implementation may be partly or fully delegated by the EC to the SEES shared management system (MA/JTS) on the basis of a separate agreement.

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

### ***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.

## 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*.

An overall IP strategy for the whole programming period will be developed and submitted to the MC for approval after the EC endorsement of the programme. Detailed yearly IP plan will be developed by the JTS (with the involvement of SCPs) and will be basis for MC approval.

## **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 according to Article 20 of the ERDF Regulation is a basic requirement for all operations financed from the Programme.

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 JTS prepares the *ERDF subsidy contract* with the ERDF-LP. The MA bears legal responsibility for the subsidy contract from the side of the SEES programme, and decides on the programme body responsible for signing the contract on behalf of the MA. 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.

### **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:

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.

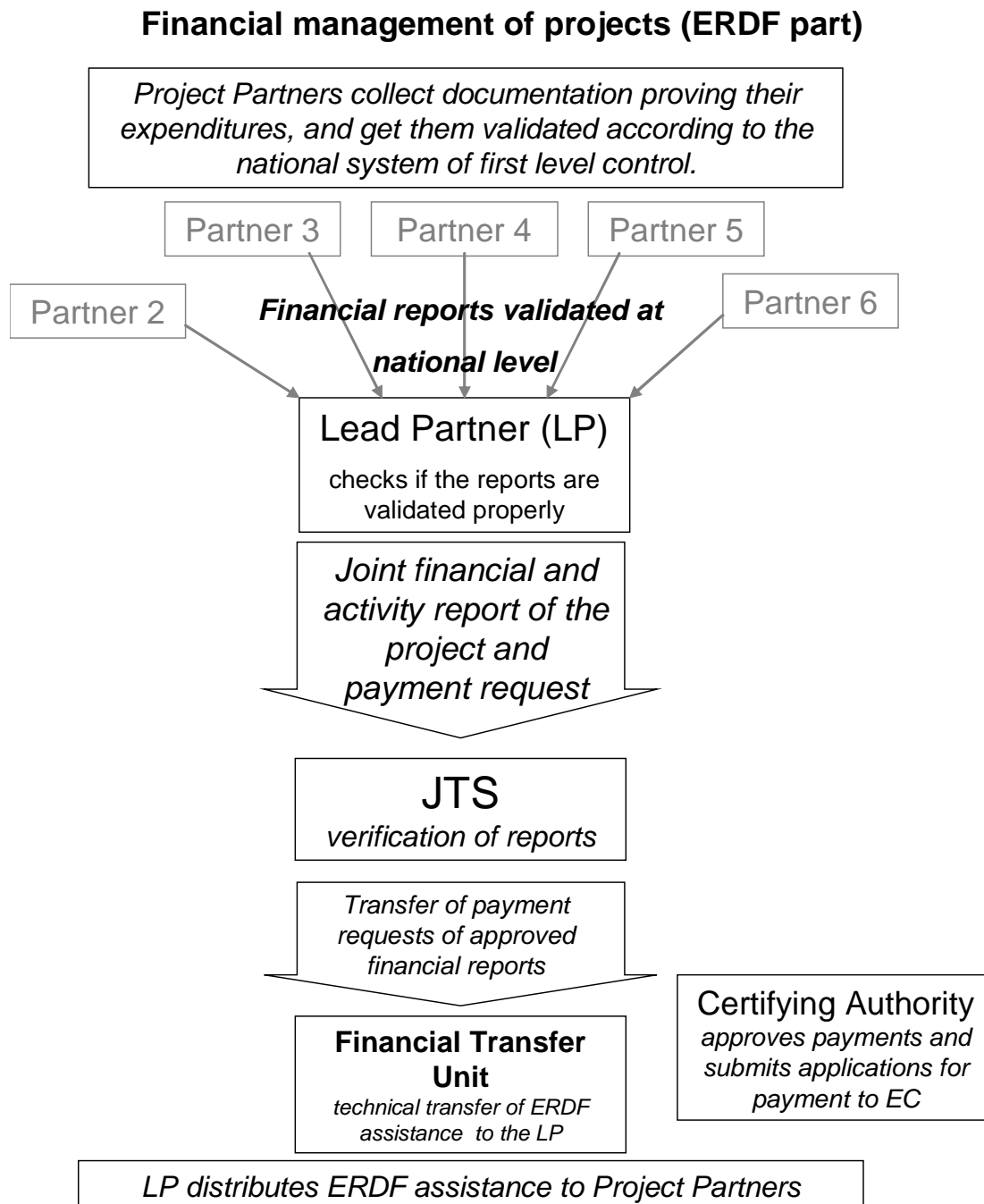
The representatives of controllers of each Member States participating in the SEES programme will set up a *working group*. The work of this group will be co-ordinated and supported by the JTS. Regular consultation for the members of the working group shall be organised during the programme implementation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

### **7.5.3 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 flow for ERDF are presented by the following flowchart:

Fig. 5: Financial management of projects (ERDF part)



### 7.5.3.1 Flow of payments to Lead Partners

a) The controller responsible checks the invoices or accounting documents of equivalent probative value submitted by the beneficiary and verifies the delivery of the products and services co-

financed, the soundness of the expenditure declared, and the compliance of such expenditure and related (parts) of operations with Community rules and relevant national rules.

b) After reception of the validated payment claims submitted by the beneficiaries the lead beneficiary draws up and submits the project-level payment claim to the Joint Technical Secretariat.

c) Following the checks on the payment claim and the relating progress report the JTS forwards the payment claims to the Financial Transfer Unit. In the course of the requests of funds, the Financial Transfer Unit draws requests for the transfer of ERDF contribution from the Certifying Authority (CA) through the Programme's Monitoring System, which results in the approval of payments by the CA and the transfer of ERDF contribution drawn from the programme account handled by the CA to the technical disposal bank account kept by the Financial Transfer Unit.

Following the approval of the Certifying Authority, the Financial Transfer Unit transfers the payment of the ERDF contribution to the lead beneficiaries. The implementation of the payment process is supported by the Monitoring and Information System of the programme. The project payment claims and the specific stages of the process are entered into the Monitoring System so that they can be traced back afterwards.

d) The lead beneficiary transfers the ERDF contribution to beneficiaries participating in the operation.

### **7.5.3.2 Programme level financial procedures (ERDF), certification process**

The ERDF contribution is paid into a single account opened and managed by the Certifying Authority. Payments made by the European Commission take the form of pre-financing, interim payments and payment of the final balance.

Based on validated eligible expenditure verified by the Joint Technical Secretariat which can be supported by receipted invoices or accounting documents of equivalent probative value the Managing Authority draws up the statement of expenditure. The statement of expenditure shall include for each priority axis the total amount of eligible expenditure paid by the lead beneficiaries or beneficiaries in implementing the operations and the corresponding public contribution. Based on the statement of expenditure submitted by the Managing Authority the Certifying Authority draws up the application for payment and the certification of expenditure and submits them together with the certified statement of expenditure to the European Commission.

In support of the certification activity of the Certifying Authority the Managing Authority operates a verification reporting system. Before compiling the statement of expenditure the Managing Authority prepares a verification report on the procedures and verifications carried out in relation to expenditure included in the statements of expenditure. In order to have adequate information on the validation and verification of expenditure the Managing Authority will request information in the form of a verification report from the Partner States.

In order to support its certification activity, the Certifying Authority performs system, controls, carries out so-called fact-finding visits at the joint management structures participating in financial management of the programme.

## **7.6 Monitoring and Evaluation**

### **7.6.1 Monitoring**

According to the Article 66(2) of General Regulation No.1083/2006, 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.

#### *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 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.

#### *Annual report on implementation*

*In accordance with Article 67 of General Regulation annual report and final report on implementation have to be prepared.* 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.

#### *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, Financial Transfer Unit, SEES Contact Points) 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 Computerised Exchange of Data**

Electronic data exchange between the Commission SFC system 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 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 according to Article 48 of the General Regulation. 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 evaluation shall be presented to the Monitoring Committee and to the Commission and shall also be published on the website of the programme..

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 a separate bank 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

Detailed regulation of responsibilities related to irregularities will be part of the Memorandum of Understanding of the programme.

### 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.

The Member State shall send a copy of their quarterly reports to the MA. The MA shall make a register for these reports so that it can inform the EC about 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 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 concerned Partner State.

## **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.