



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.11.2002
COM(2002) 660 final

PROGRESS REPORT

**ON THE COMMUNICATION FROM THE COMMISSION
ON THE IMPACT OF ENLARGEMENT ON REGIONS BORDERING CANDIDATE
COUNTRIES**

COMMUNITY ACTION FOR BORDER REGIONS

TABLE OF CONTENTS

1. Introduction	3
2. State of implementation: new measures	5
2.1. Trans-European networks	5
2.2. Pilot Project on the Impact of Enlargement for the Border Regions	6
2.3. Networking measures in the framework of INTERREG	10
2.4. Special support of 30 MEUR to border regions under INTERREG in 2002.....	11
2.5. Special Programme with the European Investment Bank (EIB) to support municipal infrastructure projects in the border regions of candidate countries with the EU.....	12
3. State of implementation: better co-ordination of existing policies	14
3.1. Improved co-ordination between Phare CBC and INTERREG.....	14
3.2. Policy initiatives in the agricultural sector	16
4. Conclusion.....	17

1. INTRODUCTION

The European Commission adopted on 25 July 2001 an action plan for regions bordering on applicant countries [COM(2001) 437]. Twenty-three regions in Austria, Finland, Germany, Greece and Italy were involved.¹ The analysis undertaken in this framework demonstrated that most border regions receive substantial support from the Structural Funds under Objective 1 and 2 and through the Community Initiatives INTERREG, EQUAL, LEADER+ and URBAN. In the period 2000-2006, a total of € 16 billion are available to Objective 1 and 2 areas adjacent to candidate countries. However, it also became evident that some specific problems, in particular in the area of infrastructure and economic restructuring, persist.

Consequently, the Communication of the Commission of 25 July 2001 proposed a series of additional actions to strengthen economic competitiveness of border regions. These actions include *new measures* as well as a *better co-ordination of existing policies*.

The *new measures* proposed by the Commission aimed at providing specific additional funding to border regions in the area of transport and environmental infrastructure, small and medium-sized enterprises (SME), networking activities as well as youth exchanges. In detail, the action plan foresaw the following measures:

- EUR 150 million were earmarked to support TEN-T projects at the borders with candidate countries in the period 2003-06, EUR 50 million of which shall come from existing funds, not already committed. At the same time, the Commission proposed that the maximum level of Community support for specific TEN-T cross-border projects (including the above mentioned ones) should be raised from 10% to 20%;
- Development of a municipal infrastructure facility in co-operation with the EIB to support small-scale municipal infrastructure projects in candidate countries' border regions with the EU based on an extra allocation of EUR 35 million in 2002 and 15 million in 2003 under the Phare Programme;
- Additional support of EUR 15 million for actions that strengthen the competitiveness of regions and economic sectors particularly affected by enlargement, in particular of small and medium sized enterprises. These special actions are funded by budget line B5-3003 entitled "Pilot Project on the Impact of Enlargement for the Regions Bordering the Candidate Countries" and initiated by the European Parliament for the period 2001-2002 (i.e. EUR 10 million in 2001 and EUR 5 million in 2002);

1 Two of them are located in Finland: Uusimaa, Etelä-Suomi; eight in Germany: Niederbayern, Oberpfalz, Oberfranken, Brandenburg, Berlin, Mecklenburg-Vorpommern, Chemnitz, Dresden; six in Austria: Burgenland, Niederösterreich, Wien, Kärnten, Steiermark, Oberösterreich; two in Italy: Veneto, Friuli-Venezia Giulia; and five in Greece: Anatoliki Makedonia – Thraki, Kentriki Makedonia, Voreio Aigaio, Notio Aigaio, and Kriti.

- Community support of € 20 million for actions encouraging and facilitating co-operation in border regions in the framework of the INTERREG programme for networks, information activities, support to project development etc.;
- Allocation of an additional €10 million of Community support in the period 2003-2006 to targeted « people-to-people » youth exchanges, voluntary service and training and information activities in border regions, within the framework of the YOUTH programme.

Overall financing under the action plan for the development of border regions proposed by the Commission amounted to **EUR 245 million**, EUR 50 million of which were specifically reserved for border regions in the applicant countries.

In autumn 2001, the budgetary authority subsequently agreed to allocate an additional 60 MEUR to border regions in the 2002 and 2003 budgets raising the total funding for border regions on both sides of the frontier to **EUR 305 million**. The additional amount of € 60 million made available by the budgetary authority is split up as follows:

- special support of €30 million to border regions under INTERREG in 2002 (deriving from the flexibility instrument);
- additional allocation of €15 million to the above mentioned pilot project on the “Impact of Enlargement for the Regions Bordering the Candidate Countries” in 2002;
- additional allocation of € 15 million to preparatory measures on the “Impact of Enlargement for the Regions Bordering the Candidate Countries” (budget line B5-3003) in the 2003 budget.

In addition to these measures providing additional funding, the action plan of the Commission proposed a *better co-ordination of existing policies* aimed at harmonising different European policies more efficiently in order to take account of the particular needs of border regions.

In particular, the Commission envisaged an improved co-ordination between Phare CBC and the INTERREG initiative. To this end, the Commission proposed

- to modify the Phare-CBC Regulation by the end of 2002;
- to examine the possibilities of making the so-called “principle of territoriality”, which only allows funding by INTERREG for those projects which are physically located in EU territory, less rigid in application.

Furthermore, the Commission encouraged Member States to undertake certain policy initiatives in the agricultural sector. In this context, the Commission proposed:

- to re-focus existing rural development programmes to improve the competitiveness and diversification of activities in border areas;

- to use the LEADER+ programme to develop cross-border co-operation between rural communities on both sides of the border.

Implementation of the action plan is monitored by a special Commission working group for border regions set up for this purpose. The working paper contains the first progress report of this working group. It describes the state of implementation of the measures outlined above.

2. STATE OF IMPLEMENTATION: NEW MEASURES

2.1. Trans-European networks

On 2 October 2001, the Commission adopted a proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 2236/95 laying down general rules for the granting of Community financial aid in the field of trans-European networks [COM(2001)545final].

In line with its action plan for border regions, the Commission argued that cross-border projects with candidate countries may prove difficult to be implemented due to financial constraints. The Commission therefore considered that the maximum support for trans-European transport network projects which fall into the category of cross-border rail projects crossing natural barriers or aiming at eliminating clearly identified bottlenecks at borders with candidate countries should be increased from 10% to 20%, in order to have a leverage effect and to attract private investors in particular.

In order to complement ISPA support for candidate countries, the Commission also concluded that an additional financial assistance of EUR 100 million in the period 2003-2006 assigned to the TEN budget line should be allocated to the Member States to be used towards the most urgently needed improvements related to cross-border transport infrastructure with candidate countries. Therefore the financial framework should be increased accordingly within the 2000-2006 financial perspectives. To this aim, 50 mio € of the current TEN-T budget will be specifically devoted to these projects. This could be done in the framework of the revision of the Indicative Multi-annual Programme established between Member States and the Commission for the funding of TEN projects.

The Council as well as the European Parliament have started to examine the Commission proposal. The first reading of the EP took place on the 2nd July 2002, and the vote of the EP confirmed its support to the Commission's proposal. The draft regulation has not yet been adopted and it is unlikely that the process of its adoption will be completed before the end of 2002.

2.2. Pilot Project on the Impact of Enlargement for the Border Regions

Co-operation with ARGE launched in 2001

In 2001, the Commission awarded a grant of EUR 10 million to ARGE² to support a wide scale pilot project in favour of SMEs of EU border regions (“Growing together with Europe”). ARGE is a network of 28 chambers of commerce from various Member States located in the EU regions bordering the candidate countries and therefore represents SMEs in most of the border regions specified in the action plan of the Commission. SME from a border region not represented through a chamber of commerce of the ARGE network (e.g. Finland) may also benefit from the activities of this pilot project and will be actively informed and involved by ARGE.

The pilot project aims at strengthening the competitiveness of SMEs in particular through 3 main components : 1) information, 2) strategy development and implementation, and 3) cross-border co-operation. The project started on January 3, 2002. Until May 2002 a complete work programme was established for each region and publication material for SMEs had been finalised. A dedicated web-site has been developed and is available to SMEs since July 1, 2002. Activities under all three components have started and will be implemented over a period of 40 months.

The project addresses the concerns of SMEs in labour intensive sectors likely to face increased competition from enterprises in the candidate countries. It also supports medium-sized businesses in capital intensive, innovative sectors likely to benefit from the opening of new growth markets. The available funds will be distributed according to the needs and priorities of each region without fixed proportions. The concept foresees to address 144.000 SMEs, 25% of which are located in each Austria, the new German Länder and Bavaria; 15% in Italy, and 5% in each Greek and Finnish border regions. The figures per country are indicative and based on number of population and SMEs.

The project stands out due to a combination of central project management and decentralised project implementation. On the one hand, selected regional co-ordinators from among the ARGE members provide knowledge on particular concerns of “their” border region. They can also provide their know-how concerning activities that have been organised by the chamber(s) they represent and which have proven to be particularly successful. Regional co-ordinators are also responsible for the planning and the implementation of measures in the regions, which they represent. On the other hand, the central project management performed by ARGE ensures coherent and balanced implementation of measures.

The planning and implementation of activities is co-ordinated with the Euro Info Centres (EIC), e.g. for information activities on the enlargement process or the set-up of co-operation networks in the candidate countries.

² Arbeitsgemeinschaft der Wirtschaftskammern entlang der Grenzen zu den mittel- und osteuropäischen Beitrittsstaaten

Continuation of ARGE support in 2002

Throughout the budgetary procedure 2002, the initial proposal of the Commission of EUR 5 million for 2002 was increased at the request of the European Parliament to EUR 20 million. For the Programming of actions in 2002 the Commission took into account the request of the EP to continue to put an emphasis on SME support.

In this context the Commission has decided to award an additional grant of EUR 3 million to ARGE. The additional funds will be used to increase the level of information and qualification measures for entrepreneurs and to equip a dedicated web-site developed under the current pilot project with more products and services for SMEs of border regions than originally foreseen. In particular, the additional funds will allow the creation of new web-based products for SMEs such as company, traineeship and vocational training exchanges as well as an expert and information database providing SMEs with online access to local experts and country/regional profiles. In terms of training, funds will be used for the development of a coaching programme for SMEs to help them implement strategies and business plans, which have been developed under the project.

The Commission has decided to award this grant because of the Project's direct reach to SMEs in the border regions and its particularly innovative approach characterised by various factors including synergies through networking between 28 partner chambers, balanced service of border regions and result orientation of activities due to a centralised project management, advantages of know-how of sectors and problems of SMEs through decentralised implementation.

...and start of co-operation with EICs

In addition to the support granted to ARGE, the Commission published three calls for proposals on July 20, 2002³ for a total amount of EUR 15 million of which one call for proposals aims at improving the competitiveness of SMEs in EU border regions by developing their trade relations and industry links with SMEs in border regions of candidate countries or in non-border regions of the current EU. The Commission will support the organisation and implementation of regional partnership events for SMEs

- to foster co-operation between SMEs to help them establish contacts, networks and collaborative links with a view to establishing future business relations;
- to stimulate transnational and cross-border activities of SMEs with a view to identifying common business interests and market opportunities arising from the enlargement process;
- to give SME owners and managers the possibility to meet providers of technical, financial services and marketing assistance.

³ OJ C 174 pp.13-17 of July 20, 2002

The overall amount available for this call for proposals, which is restricted to EICs, is EUR 7.5 million.

....with local and regional trade union organisations

The objective of the second call for proposals is to strengthen the competitiveness of regions and economic sectors particularly affected by enlargement by addressing the needs of employees and workers in the border region. Activities will focus on:

- information and knowledge on social economic effects of enlargement to especially affected groups and organisations;
- qualification and skills enhancement for workers and employees of regions and economic sectors particularly affected by enlargement;
- cross-border activities affecting the social lives of workers and employees with a view to increase the cross cultural understanding.

The overall amount available for this call for proposals, which is restricted to local or regional trade union organisations, is EUR 6 million.

...and with regional/local authorities and municipalities

The third call for proposals aims at strengthening the capacity of local and regional authorities in the EU border regions to adopt strategies and action plans to prepare for the administrative effects of enlargement.. To achieve this objective, the grants to be awarded will support cross border initiatives which

- improve the collaboration and pooling of experience between local and regional authorities;
- intensify and consolidate cross border dialogue, and establish institutional relationships, between administrations to facilitate the integration of regions, communities and citizens;
- focus on institutional and administrative capacity building including developing frameworks for operations and management, needs assessment, human resources, and service delivery;
- equip local and regional authority actors with the skills and know-how to develop, implement and manage the administrative and technical aspects of enlargement..

The overall amount available for the call for proposals, which is restricted to local or regional authorities, municipalities or association of municipalities, is EUR 1.5 million.

All three calls for proposals have been restricted to well defined organisations whose main mission is the support of the target groups in the intervention areas concerned and which are

widely represented in the border regions and non-border regions of EU Member States. , A wide range of organisations have been invited to form partnerships with the applicants.

All project proposals submitted to the Commission must also demonstrate complementarity with local or regional activities promoting border regions and co-financed under European Community Programmes or Initiatives (such as INTERREG). Provisional notification date of results of the award process is likely to take place in December 2002.

Additional measures in favour of young people

...in the framework of the pilot project in 2002

Finally, €2 million will be used to finance measures in favour of young people in border regions according to the sets of rules, criteria and procedures currently applied in the YOUTH programme. The funds will, however, be executed in the framework of the pilot project (budget line B5-3003). Consequently, the budget of the YOUTH programme (B3-1010) in 2002 will not be affected by the activities foreseen for border regions.

The breakdown of funds decided by the Programme Committee for the YOUTH programme in June 2002 is based on the population of the regions concerned. Each country is allocated a proportion of the total funds dedicated to cross-border co-operation according to the ratio of the population of its regions concerned to the overall total population in all the regions concerned in all 13 countries. These funds will be awarded in accordance with the existing YOUTH programme rules for decentralised activities at the 5 selection rounds scheduled in 2002, which will strongly increase the cost efficiency and visibility of cross-border people-to-people co-operation. In the context of their regular reporting exercise scheduled for April 2003, YOUTH National Agencies are required to present a separate financial and statistical reporting which will clearly identify their 2002 cross-border activities.

The Commission has invited the National Agencies of all countries involved to present cross-border co-operation plans with a view to develop and implement projects and partnerships which will encourage mobility, initiative, intercultural learning and solidarity between young people and other citizens in border regions.

On the basis of these work plans, National Agencies shall grant a number of cross-border co-operation projects which all bear features of intercultural learning, active participation of young people, trans-national mobility and co-operation similar to the ones of the following exemplary youth exchange:

The Finnish YOUTH National Agency has granted a multilateral youth exchange entitled "COSMO" which involve young people from cross-border regions in Finland, Estonia and Germany. The project aims at preventing social exclusion and increasing the knowledge of Europe amongst young people. The youngsters will learn things about the culture and customs in other countries as well as get information on how to study and work abroad. During the youth exchange, young people will arrange workshops on themes of European interest and organise intercultural evenings where they will present their country through music, food and games. "olympic games" and a "city adventure" will complement the intercultural and non-formal

learning components. Young participants have been actively involved in preparing and organising the exchange as well as implementing the activity programme.

YOUTH National Agencies shall also undertake significant information activities to promote cross-border co-operation to young people and all actors in the youth field (youth workers, youth organisations, etc.) through contact-making seminars, study visits, training seminars, etc.

The final number of granted youth exchanges, voluntary services, support measures (co-operation, training and information activities) as well as information activities will not be available before 30 April 2003 when YOUTH National Agencies deliver their 2002 financial and statistical interim reports.

...in the framework of the YOUTH programme in the period 2003-2006

The additional allocation of €10 million of Community support to the YOUTH programme in the period 2003-2006 will be managed according to the same decentralised procedures. The Programme Committee for the YOUTH programme will decide in November 2002 on the distribution of the 3 Mio Euro allocated to the budget line of the YOUTH programme (B3-1010) for 2003.

2.3. Networking measures in the framework of INTERREG

In its action plan for border regions, the Commission proposed to allocate € 20 million of resources from paragraph 53 of the INTERREG III Guidelines for actions intended to encourage and facilitate co-operation in border regions. The Commission subsequently decided to allocate these funds to the strand C programmes of INTERREG III and to the INTERACT programme (i.e. INTERREG support programme) since both programmes are designed to provide financing in favour of the type of actions indicated in the Commission communication.

This approach also benefits from the partnerships and management structures already established for the implementation of INTERREG III C and INTERACT programmes and thus allows a more rapid use of the funds for the regions concerned. By contrast, the preparation of a new specific programme would have involved a slow and burdensome implementation process and would have been less effective.

On the basis of the population living in the border regions in question, the Commission decided to allocate €12.3 million to the INTERREG III C East programme, €2.2 million to INTERREG III C North programme, and €0.5 million to INTERREG III C South programme. In addition, the Commission will allocate €5 million to the INTERACT programme.

The additional funding has been added in the form of an additional priority in each programme concerned. In the case of the INTERREG III C programmes, the operations foreseen under this special priority include networks and individual co-operation projects aiming to encourage and facilitate co-operation in border regions in order to strengthen their economic competitiveness. In the case of INTERACT, the operations foreseen cover information actions, seminars, studies and exchange of experience on horizontal issues for INTERREG programmes and on their complementarity with external policy instruments.

Lead partners have to be located in border regions with candidate countries. Co-operation with partners located in candidate countries is encouraged. In the framework of the INTERREG III C programmes concerned, an individual co-operation project must have at least three partners from at least two countries, whereas a network must have at least five partners from at least three countries.

Concerning the additional funds made available to the INTERREG III C programmes, the same rates of contribution from the ERDF will be applied as envisaged under Article 29(3) of the general Regulation on the Structural Funds (1260/1999). As for INTERACT, the same contribution rate will be applied as for equivalent measures under INTERACT.

The process of adopting the affected INTERREG III C programmes has been completed in May 2002. The adoption of the INTERACT programme is envisaged for the beginning of autumn 2002.

2.4. Special support of 30 MEUR to border regions under INTERREG in 2002

On 21 November 2001, the European Parliament, the Commission and the Council agreed at a Conciliation Committee meeting on the budget procedure 2002 that an additional amount of €30 million should be entered under heading 2 (Structural Funds) of the budget for regions bordering candidate countries in order to finance specific actions to support these regions. The European Parliament adopted the 2002 budget on 13 December 2001 and confirmed the commitment of €30 million for border regions with a special budget line (B2-1411) relating to the INTERREG III initiative.

In line with the approach taken for spending the €20 million for networking activities in the framework of INTERREG III C and INTERACT, the Commission decided to allocate these funds to already existing programmes providing the scope for enhanced cross-border co-operation. Given the tight timeframe for committing the additional allocation of €30 million, such a solution once again appeared as the simplest and most pragmatic approach.

The Commission decided to allocate the additional funding to:

- the 13 Strand A INTERREG programmes covering the borders with candidate countries and thus directly concerned by enlargement as well as
- to the Strand B INTERREG programme for the Baltic Sea Region.

The borders with the candidate countries are covered by the 13 Strand A programmes from Greece/Cyprus in the South to Finland/Estonia in the North with the exception of the maritime border with Latvia and Lithuania. Although these two countries have no land border with a Member State, their accession will also have an impact on the competitive situation of some regions of the Union similar to the accession of other candidate countries. Inclusion of the Strand B Baltic Sea programme also responds to the European Parliament's concern about the maritime border regions.

The funds have been distributed to the 14 programmes concerned following an objective key, which was the existing distribution of ERDF funds to the programmes (see annex).

Given the relatively small allocation per programme, the €30 million have been allocated to one common priority “ Special Support for Regions bordering the Candidate Countries” to be added to the 14 programmes. Priority shall be given to projects in the following fields: strengthening of transport systems, supporting SME particularly affected by enlargement as well as supporting training and inter-cultural co-operation actions including those favouring the integration of different language and cultural groups. Special attention shall be given to projects in the transport and SME sectors directly linked to the improvement of environment.

Normal rules concerning the INTERREG IIIA and B programmes apply. In view of sound and efficient management, one single Commission decision on 26 July 2002 amended the 14 INTERREG programmes concerned. All commitments were validated in September 2002. Member States were invited to submit beforehand the amended financial tables for the 14 programmes. It will be the task of the respective steering committees to commit these financial means to concrete projects according to criteria of the programme complements still to be adjusted.

2.5. Special Programme with the European Investment Bank (EIB) to support municipal infrastructure projects in the border regions of candidate countries with the EU

The Special EIB Programme has been developed in response to the lack of adequate small scale infrastructure identified in the border regions of the candidate countries with the EU. Its overall objective is to contribute to the social and economic development of these border regions and to their integration with their neighbouring regions in the current EU Member States.

To this end, the Programme will increase the availability of small scale municipal infrastructure, by increasing the financial means available to municipalities and their public service providers through a combination of loans from EIB resources with non-reimbursable Phare support. Investments will take due account of available regional and otherwise, national or local programming documents.

In 2002, €35 million will be allocated from the Phare budget 2002 to the Facility according to the Financing Proposal adopted by the Phare Management Committee on 27 September 2002.

The EIB intends to start the roll out of the Facility 2002 in Poland, which shares a large border with the European Union. Additional border regions of other Candidate Countries shall be covered at a later stage under this Programme (i.e. border regions of Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Slovenia, and Slovakia). In line with the Commission’s Action Plan for border regions, it is planned to continue funding of the Special EIB Programme with an additional amount of up to €15 million from the 2003 Phare budget.

The implementation of this Programme is based on the concept of a Municipal Infrastructure Facility. The EIB will dedicate funds from its own resources and thus provide a global loan combined with a Phare grant to selected local participating banks. The overall ratio between the

EIB resources and the Phare allocation shall be equal or higher than 5/1. The EIB will provide at least €175 million in the form of loans and the Commission will provide a maximum of €35 million in 2002.

The Commission entrusts the EIB with the implementation of this Programme and will conclude a Contribution Arrangement with the EIB for this purpose in early 2003 providing for project activities until 2009.

As regards the practical implementation of the programme, the EIB, in first step, will identify and select local financial institutions in the border regions as partners, which have the capacity, strength and interest to expand their operations to financing small infrastructure investments of municipalities in a specific border region. The EIB will provide loans to these institutions, which in return will engage in lending operations to municipalities or utilities providing a public service. The Phare Contribution will be used to pay for a performance and service fee to participating local banks to motivate them to participate in the Programme and to cover additional costs involved i.e. in the promotion of the Facility among municipalities, services rendered to municipalities to prepare loan applications, or the analysis and structuring of municipal loans. A second part of the Phare Contribution will be used to partly compensate municipalities or municipal service providers for the costs of their investments and those incurred in the selection and evaluation of these investments.

Before the EIB may sign an agreement on a financial package including the EIB loan and the Phare grant (“the Project”) with a selected local financial institution, the EIB has to propose this Project to the Commission for approval. In the Project proposal, the EIB will inform the Commission about the total loan amount allocated to this local financial institution under the Facility and the corresponding Phare Contribution. Upon approval, the EIB will sign an agreement with the local financial institution, which then becomes the Participating Bank under this Programme.

The Participating Bank will engage in the promotion of the Facility among municipalities and aim at receiving loan applications for infrastructure investments that meet the eligibility criteria.. On the basis of a thorough analysis of the applications, the Participating Bank will sign a loan agreement with a municipality or utility company providing a municipal service (“Sub-Project”). This loan agreement will include the allocation of a proportion of the Phare Contribution to the municipality or municipal service provider. Generally, those investments are eligible, whose costs do not exceed €5 million.

All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The sum of the total value of the “Sub-Project”, the total value of the Phare Contribution (Direct Investment Support) in favour of the Promoter and any other European Community funds used by the Promoter for the financing of the Investment shall not exceed 90% of the Investment costs. At operational level, the implementation of this Programme will be monitored through progress reports to be submitted by the EIB and through a Steering Committee composed of representatives of the Commission and the EIB.

3. STATE OF IMPLEMENTATION: BETTER CO-ORDINATION OF EXISTING POLICIES

With regard to the particular problems of border regions, the Commission expressed in the action plan its intention to further harmonise co-ordination between Phare CBC and INTERREG. To this end, the Commission announced the following measures:

3.1. Improved co-ordination between Phare CBC and INTERREG

Amendment of the PHARE CBC Regulation

On the assumption that enlargement will take place on 1st January 2004, the 2003 Phare programming exercise will be the last one for the acceding countries. Given the short timeframe of this scenario, the Commission envisages to only slightly adjust the Phare-CBC Regulation.

The experience gained since 1999 with the setting up of the Joint Programming Documents and of Joint Committees proves there is still scope to further align Phare-CBC with INTERREG, namely the eligibility of actions. Taking stock of the innovations already introduced by the Phare 2000 Review, it seems worthwhile to proceed with this alignment.

The only modification required for this purpose concerns Article 5 of the Phare-CBC Commission Regulation where, by deleting the final sentence of paragraph 1, the current differences between actions (a) to (i) and (j) to (n) will disappear. As a result, each and every action will be eligible for Phare CBC mainstream or Phare CBC Small Project Fund (Article 5.2) financing. This alignment of eligible actions under Phare CBC will bring more consistency with the INTERREG approach.

These amendments were adopted by the Commission on 6 September 2002, which allows the amended Phare CBC Regulation to be applicable for the Phare 2003 programming exercise.

Review of the PHARE Guidelines

The Commission has also worked on a revision of the Phare Guidelines 2000-2006. In this context, aspects of transnational and inter-regional co-operation have also been addressed.

Concerning the participation of candidate countries in INTERREG III B (transnational), such as CADSES, or III C (inter-regional) programmes, the Phare Guidelines reiterate that candidate countries can continue to use, and even expand if they so wish, their Phare national programme funds for this purpose.

In the Baltic Sea area, where a transnational approach is followed, PHARE-CBC will continue to provide co-funding for INTERREG III B-type programmes.

The revised guidelines were adopted together with the PHARE CBC Regulation on 6 September 2002.

Application of the territorial principle

In its action plan for border regions the Commission also announced to examine the possibilities of making the “principle of territoriality” less rigid in application. This means that currently only projects or those parts of projects which are physically located in EU territory may be funded by INTERREG.

After carefully examining this matter, the Commission has drawn the conclusion that the current legislative framework clearly rules out the use of Structural Funds assistance outside the territory of the European Union. The territorial principle must therefore continue to apply to investment projects (e.g. sewage plants, bridges, technology centres, etc.). A less rigid interpretation of the territorial principle approach is however feasible in the following cases:

Exceptions for technical assistance

Commission Regulation (EC) No 1685/2000 of 28 July 2000 (Point 2.1, second indent of rule No 11 in the Annex) laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 provides that expenses for participants from non-Community countries at meetings of the monitoring committees and subcommittees can be financed from the relevant technical assistance budget where the chair of the committee involved deems their presence necessary for the effective implementation of the programme.

In the case of INTERREG programmes, their steering committees can be regarded as subcommittees. Where INTERREG programmes involve non-Community countries, in particular applicant countries, the presence of these countries' representatives can generally be considered to be necessary for the effective implementation of the programme, given the rules of procedure of the monitoring and steering committees (which in most cases have already been decided), which establish the membership of these representatives from outside the Union and the requirement for decisions to be passed unanimously. This does not therefore need to be re-stated in each and every invitation.

Exceptions for projects not eligible for technical assistance

As regards the reimbursement of project-related travel and subsistence expenses incurred by representatives from non-Community countries, the Commission considers strand A projects – other than investment projects – run by promoters eligible for assistance on the EU side of the border, certain expenses incurred by participants from applicant countries (travel and subsistence costs, attendance fees for meetings, seminars and language courses, etc.) are eligible for reimbursement from the ERDF. For projects of strand A and B, with a view to ease the co-operation as much as possible, travel and subsistence expenses of **partners or participants from third countries** outside the EU can be eligible costs for an operation when the meeting or seminar takes place in the EU and is part of an approved operation.

The travel and subsistence expenses by **partners and participants from EU Member States** on parts of operations that take place in a third country and are vital for the success of the project as a whole is also eligible for ERDF assistance.

Further possibilities of a more flexible interpretation of the territorial principle

In accordance with EC public procurement law, services or equipment used for implementing an INTERREG project in the EU can also come from the "partner country" or other third countries in question, according to general national, EU or international legislation on public procurement.

In line with the approach described above concerning the eligibility for ERDF assistance of certain expenditure incurred by participants from applicant countries on projects – other than investment projects – some of the expenditure by participants from EU Member States on parts of projects that take place in an applicant country and are vital for the success of the project as a whole is also eligible for ERDF assistance (travel and subsistence costs, fees for attending meetings, seminars, work placements or language courses, etc.)

Eligibility of areas adjacent to border areas

In view of its unique geographical position in close proximity to the border areas of Slovakia, Hungary and the Czech Republic, the Commission agreed to the inclusion of Vienna in the INTERREG III A programmes with Hungary and the Czech Republic. The particular role of Vienna in economic relations and administrative co-ordination with border areas of candidate countries militated in favour of this inclusion. The details were discussed with the Austrian authorities and set out in a modification to the INTERREG guidelines⁴, after consulting the neighbouring countries and taking into account the specific needs of the bordering Länder.

3.2. Policy initiatives in the agricultural sector

With regard to re-orientating existing rural development programmes to improve the competitiveness and diversification of activities in border areas, it is still premature to draw conclusions in the absence of the mid-term evaluation of these programmes (planned by the end of 2003). It should, however, be recalled that a number of border regions benefit from substantial Objective 1 assistance comprising rural development measures as well as higher co-financing rates than other regions.

Implementation of the "trans-national co-operation" strand of LEADER +, which enables local action groups to launch projects with similar structures of another country (including applicant countries), has not started everywhere. The selection of LEADER groups is not yet completed and programmes are not yet in their implementing phase. In addition, co-operation with applicant countries is a new feature of LEADER and the LEADER groups, which give priority to local projects, have to identify their potential partners and to measure the added value of these projects for the development of their territory. However, certain groups of local action have already initiated contacts.

⁴ See OJ C 239 of 25 August 2001, page 4.

4. CONCLUSION

Enlargement is of particular importance to the border regions in the EU Member States. It will provide these regions with opportunities for increased integration, economic activity and growth. Some specific problems in the area of infrastructure and economic restructuring still need to be tackled, though.

In combination with the instruments of structural policy and the instruments of the intensified pre-accession strategy the action plan of the Commission of July 2001 ensures that the border regions will receive sufficient support through a broad range of measures.

The report demonstrates that the Commission has made considerable progress in implementing the Community Action for border regions. Project implementation is, however, still in its early stage and the Commission is relying in this context, to a large extent, on the efforts of regional and local partners to make the projects, to which financial means have been committed, a success.

With a view to 2003, an additional allocation of €15 million to preparatory measures on the “Impact of Enlargement for the Regions Bordering the Candidate Countries” (budget line B5-3003) is foreseen. The following activities are envisaged:

- continue with support measures for SMEs, particularly in the most affected business sectors including the promotion of business cooperation and transfer of technical know-how;
- consolidation of actions for workers, such as advice and guidance to workers in social and labour legislation on both sides of the border and other information on the acquis in the area of free movement of persons at the time of accession;
- continue with measures to prepare local and regional public administration bodies for increased mobility and migration and help implement targeted social, cultural and educational initiatives for their citizens.

In addition, the Commission will continue to monitor the social and economic impact of enlargement in border regions in order to further improve this Community Action.

Annex: Breakdown of 30 MEUR for border regions under INTERREG in 2002 (new budget line B2-1411)

13 A-STRAND PROGRAMMES + BALTIC SEA REGION B-STRAND PROGRAMME							
Participating countries	Name of the programme covering the regions in question	Total expenditure	ERDF allocation (used as weighting key)	Share in %	Distribution of the 30 million on programmes	Sum of ERDF allocation after top-up of 30 Meuro	
Finland/Estonia	South Coastal Line	31,40	14,10	1,5%	0,451	14,55	
Germany/Poland	Mecklenburg-Poland	110,98	83,09	8,9%	2,657	85,74	
Germany/Poland	Brandenburg-Lubuskie	130,79	96,21	10,3%	3,077	99,29	
Germany/Poland	Saxony-Poland	61,11	42,68	4,5%	1,365	44,05	
Germany/Czech Rep.	Saxony-Czech Rep.	244,25	170,72	18,2%	5,459	176,18	
Germany/Czech Rep.	Bavaria-Czech Rep.	127,64	63,82	6,8%	2,041	65,86	
Austria/Czech Rep.	Austria-Czech Rep.	51,80	25,90	2,8%	0,828	26,73	
Austria/Slovakia	Austria-Slovakia	52,50	26,25	2,8%	0,839	27,09	

Austria/Hungary	Austria-Hungary	61,65		30,82		3,3%	0,986	31,81	
Austria/Slovenia	Austria-Slovenia	54,52		27,26		2,9%	0,872	28,13	
Italy/Slovenia	Italy-Slovenia	93,29		43,20		4,6%	1,381	44,58	
Greece/Bulgaria	Greece-Bulgaria	259,28		170,00		18,1%	5,436	175,44	
Greece/Cyprus	Greece-Cyprus	80,21		47,00		5,0%	1,503	48,50	
Finland/Sweden/ Denmark/Germany/ Estonia/Lithuania/ Latvia/Poland	Baltic Sea Region	186,51		97,11		10,4%	3,105	100,22	
Totals		1 545,93		938,17		100,0%	30,000	968,17	
								+3,2%	

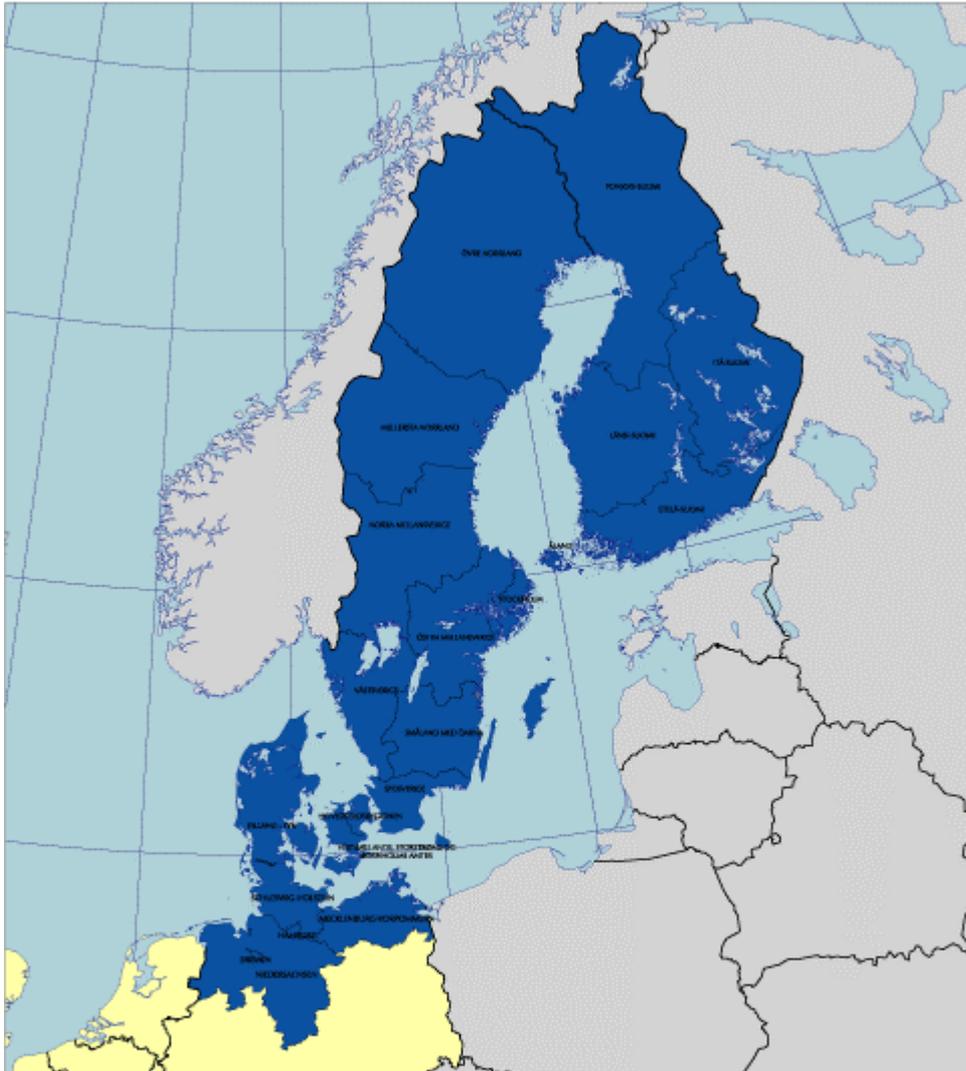
INTERREG III C East (2000-2006)



North EAST South West
INTERREG III C



INTERREG IIC North (2000-2006)



NORTH East South West
INTERREG IIC



