



The future of territorial cooperation in an enlarged EU

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Preface

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EPRC, April 2005.

THE FUTURE OF TERRITORIAL COOPERATION IN AN ENLARGED EU

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THE FUTURE OF TERRITORIAL COOPERATION IN AN ENLARGED EU

EXECUTIVE SUMMARY

Over time, territorial cooperation has evolved considerably as a significant aspect of Cohesion policy, encompassing activities that may be difficult to administer but which can yield important economic and political results, particularly in countries where traditions of cooperation across borders and between nations and regions are less developed. The purpose of this paper is to trace the development of territorial cooperation activities in the EU, review and assess the involvement of new Member States (NMS) and Candidate Countries (CCs) in these programmes thus far, and identify and explore the key issues arising from current debate on the future development of territorial cooperation activities within EU Cohesion policy.

Section 1 of the paper focuses on the evolution of the territorial cooperation dimension of Cohesion policy, noting the increasing significance attached to these activities through time, the deepening appreciation of the distinctive political, economic and social value added by these programmes and, in parallel, the growing challenge facing policy-makers in terms of management and implementation.

The second section takes these issues and themes and applies them to the context of Member States and Candidate Countries. Although experience is limited, and variations in domestic approaches can be identified, reviewing the experience of NMS and CCs to date produces some particular emphases in terms of the scope and content of programmes and specific implementation issues.

The final section reviews the ongoing debate on the future of territorial cooperation in the EU, exploring reactions, among Member States to current Commission proposals under four headings: the financial package, the reorganisation of strands, implementation issues and the external dimension. It concludes that, while there is general recognition of the value of territorial cooperation and consensus on the increasing focus placed on this topic in the proposals, there are several issues that remain to be resolved in the negotiations that will have a crucial impact on the content and management of these programmes in the next programming period. The paper ends with some questions for discussion, based on issues emerging from the ongoing reform debate.

THE FUTURE OF TERRITORIAL COOPERATION IN AN ENLARGED EU

1. INTRODUCTION

Territorial cooperation is one of the most visible manifestations of the project of European integration. Cooperation between countries and regions is an essential element of EU Cohesion policy and building cultural, institutional and actual bridges between regions and nations has obvious value, particularly in the context of new Member States (NMS) and Candidate Countries (CCs), where experiences of cooperation are relatively recent. Although EU-funded territorial cooperation is relatively small in financial terms, and the programmes and projects associated with it are complicated to manage and administer, the importance of their overriding aim to break down cultural and physical barriers is reflected in the growing priority given to these programmes by the Commission.

This becomes obvious in the proposed continuation of INTERREG into the 2007-13 programming period, as set out in the Commission proposals, where a territorial cooperation strand, with an expanded financial package, is one of three pillars of proposed future cohesion policy.¹ However, this increased emphasis is prompting important questions concerning territorial cooperation. What type of activities should be funded? How can programmes best be implemented and managed? How can the true impact of these activities be evaluated?

For these reasons, now is a good time to review past experiences and assess future perspectives. The first part of the paper sets the context for our analysis by tracing the evolution of EU territorial cooperation programmes. An assessment of the experiences, achievements and challenges associated with the INTERREG Community Initiative in the EU provides several themes and issues which are subsequently explored, in Section 2, within the context of Member State experiences. Section 4 of the paper draws these insights together from the perspective of significant changes in the EU approach to territorial cooperation, outlined in current reform proposals.² The paper concludes with some questions for discussion, based on issues arising from the ongoing reform debate.

2. THE EVOLUTION OF TERRITORIAL COOPERATION IN THE EU

The term territorial cooperation has been of increasing salience in the past decade, spurred to a large extent by EU policies designed to promote national and regional collaboration.

¹ CEC (2004) *A new Partnership for Cohesion: Convergence, Competitiveness, Cooperation*, (The 'Third Cohesion Report'), Commission of the European Communities, Luxembourg.

² Sections 1 and 3 draw on Taylor S, Olejniczak K and Bachtler J (2004) *A Study of the Mid-Term Evaluations of INTERREG Programmes for the Programming Period 2000-06*, Report to the INTERACT Secretariat, EPRC, University of Strathclyde, Glasgow.

Cooperation can cover a large group of diverse activities. Different categories of territorial cooperation can be distinguished and these are briefly explored below.

2.1 Setting the context

Cooperation activities can be conceptualised according to different types of cooperation, different geographical or spatial dimensions and different intended results or impacts. The *fields of cooperation* can be categorised into three types:

- *cultural cooperation* - overcoming legacies of history; addressing fears and sensitivities, distrust, mutual suspicion; focus on education, culture; engaging with youth, ordinary people, as well as elites;
- *economic cooperation* - building economic bridges, stimulating economic development of the peripheries; co-operation instead of competition; inter-firm linkages; intermediary linkages to facilitate trade, investment;
- *institutional cooperation* - building institutional co-operation by promotion of mutual contacts among elites; building links between political and administrative organisations; vertical co-operation (between different levels) and horizontal (across borders).

The *spatial dimensions of cooperation* can be divided into those that are *geographically contiguous*, i.e. cooperation across contiguous national or regional borders; and *non-contiguous cooperation*, i.e. 'long-distance' cooperation or interregional co-operation. Lastly, the *intended impacts* may be:

- *direct* - a primary concern with local practical problem solving and activities is explicitly geared towards improving the economic and/or social situation of those living on either side of the border;
- *strategic* - the primary aim is to develop joint strategies to address common problems between the partners involved; or
- *networking* - the primary aim is to create mechanisms that improve collaboration and exchange between partners.

2.2 INTERREG

As noted above, the EU has been an important driver for increased focus on territorial cooperation, particularly through its INTERREG Community Initiative thus introducing these various categories into Structural Funds programmes. The following section outlines briefly the evolution of this Community Initiative and assesses its achievements and challenges experienced thus far.

The INTERREG Community Initiative is now in its third programming period. Table 1 charts the evolution of programmes through these stages.

Table 1: Scope and numbers of INTERREG I, II and III programmes

Theme	INTERREG I 1990-93	INTERREG II 1994-99	INTERREG III 2000-06
Total	31 programmes	79 programmes	72 programmes
Cross-border cooperation	INTERREG I	INTERREG IIA	INTERREG IIIA
	31 programmes (4 maritime) →	59 programmes (16 maritime), of which: 31 internal border programmes 28 external border programmes ³	53 programmes (14 maritime), of which: 24 internal border programmes 29 external border programmes (12 of which are with new Member States, therefore internal by 2004)
Completion of energy networks	n/a	INTERREG IIB	n/a
		Continuation of the Regen Community Initiative 3 programmes Operated as collections of projects rather than 'programmes' in the rounder sense	
Transnational cooperation	n/a	INTERREG IIC & Article 10 Pilot Actions	INTERREG IIIB

³ Counting programmes including internal *and* external borders as external.

		<p>13 INTERREG IIC programmes focused on regional and spatial planning - context of ESDP</p> <p>transnational co-op programmes</p> <p>flood mitigation programmes</p> <p>drought prevention programmes</p> <p>4 Article 20 Pilot Actions</p>	<p>13 INTERREG IIIB programmes</p> <p>(Most relate to previous transnational co-operation and Article 20 pilot actions. Two new programmes target outermost regions.)</p>
Inter-regional cooperation	n/a	n/a	INTERREG IIIC
			<p>Pan-European programme</p> <p>4 programmes to divide the EU administratively into four sectors.</p>

Source: Taylor S, Olejniczak K and Bachtler J (2004) *op.cit.* p13.

INTERREG I was introduced in 1990, and supported 31 cross-border programmes. Since then, it has evolved in terms of design, management and delivery. The initiative was both expanded and diversified for the **1994-99 programming period**, embracing three different types of multi-national programme:

- A Cross-border cooperation**, promoting cooperation between adjacent regions with the aim of developing social and economic cross-border integration through common development strategies.
- B Transnational cooperation**, involving national, regional and local authorities and aims to promote better integration within the Union through the formation of large groups of European regions whose integration is strengthened through a range of strategic and conceptual initiatives.
- C Inter-regional cooperation**, which is relatively new and aims to improve the effectiveness of regional development policies and instruments through large-scale information exchange and sharing of experience (networks). It is focused on learning about policy rather than delivering it.

The introduction of PHARE CBC in 1994 and TACIS CBC in 1996 also offered scope for external integration efforts, with INTERREG IIA and TACIS or PHARE CBC programmes attempting to mirror each other across the two sides of relevant borders.

In the *2000-06 period*, the evolution of INTERREG has continued into a third phase. As in the previous phase, it is the largest Community Initiative, but it now receives significantly more resources [ERDF allocation of €4.875 billion (1999 prices)]. The number of Strand A programmes has decreased overall between INTERREG II and III, reflecting processes of consolidation of programmes along national borders. The process of enlargement has also had a significant impact, giving the EU several new internal and external borders. Nine new cross-border and neighbourhood programmes between regions in the ten new Member States, accession countries and third countries have been adopted, covering a total population of more than 57 million citizens. In total, the additional ERDF funding for INTERREG for the new Member States is around €479 million for the period 2004 to 2006. A further 12 cross-border existing programmes have been amended to integrate the new ERDF funding for the new Member States (for example the programmes Austria-Slovenia or Finland-Estonia). Existing transnational and interregional cooperation programmes have also been amended due to enlargement.

The most noticeable impact of enlargement has been on Strand A. First, former external border programmes with New Member States that operated under parallel INTERREG/PHARE CBC arrangements (with different calendars, rules and policy scope) now face the challenge of transforming themselves into full, multi-national INTERREG IIIA programmes. Second, new *internal* INTERREG IIIA programmes have been created on all new internal borders of the EU, such as between Poland and the Slovak Republic. Finally, new *external* border programmes have been created, e.g. for Poland with Belarus and the Ukraine. In this context, an important change, effective in 2004, was the introduction of the 'Neighbourhood Instrument' in new and continuing external border areas. This mechanism, which has been designed to allow more integrated cooperative working, was established in an attempt to address the difficulties associated with operating parallel, incompatible instruments on either side of external borders (INTERREG on the EU side and MEDA, TACIS CBC or PHARE CBC on the non-EU side).

2.3 Analysis of INTERREG Evolution

The following section assesses the achievements, experiences and challenges faced in progressing experienced and established INTERREG programmes as these have clear implications for what can be expected from these newer programmes. Although the three strands of INTERREG tend to be addressed separately, some general aspects, each with associated benefits and challenges, can be identified.

- **Additionality and innovation.** Perhaps more than other Structural Fund programmes, INTERREG programmes are *additional to domestic policy initiatives*. In many cases, a particular contribution of INTERREG has been to enable specific problems to be tackled which could not have been addressed through other support programmes. The Community Initiative can constitute the initial stimulus to bringing about widespread cross-border

cooperation, so making it possible for other projects to be undertaken. They are potential catalysts - providing opportunities which lead either to new and additional activities, or to pre-existing priorities being taken forward in a different way, opening up new possibilities to enhance strategic coherence and coordination, synergies, learning, new economic development directions and economies of scale. On the other hand, this presents challenges: being additional to mainstream policy means that programmes require dedicated delivery structures and strong promotional activities in order to be delivered successfully, while the amount of funding available to realise projects is relatively small. Moreover, guaranteeing that activities under this heading are integrated with larger Structural Fund programmes and domestic development strategies, while avoiding becoming subsumed by them, has been a challenge from the outset. Finally, the development and implementation of innovative projects run the risk of having limited tangible achievements in the end.

- **Political symbolism.** Cooperation programmes address areas of potentially high political and symbolic added value. Territorial cooperation obviously has major symbolic significance for the EU project of European integration, and it can increase the visibility of the EU and its funding mechanisms in some regions (e.g. the experience of CADSES IIIB). However, the benefits of cooperation strategies that can be more symbolic than substantial in nature are difficult to capture: although long-term gains may be assumed, short-term benefits can be elusive. A common problem of evaluating small-scale EU expenditure is the difficulty of identifying impacts, disaggregating effects from other public expenditure and determining cause-and-effect. The continuity and sustainability of these types of activities also need particular consideration. The Community added value of INTERREG is, thus, difficult to dispute, but measuring impacts can be problematic.
- **Decentralisation.** By their nature, territorial cooperation can bring a wider range of actors into the programming process and help ensure that projects are genuinely bottom up (Danish-German IIAs). They can encourage new public conceptions of regions and the creation of new identities (e.g. Skårgården), institutions and cross-border governance systems (e.g. systemic linkages have been built between public administration and other core institutions in Austria-Slovenia IIIA). However, this 'bottom-up' perspective can cause tensions between INTERREG programmes and larger Structural Funds or domestic development programmes, complicate relationships between different administrative tiers and create conflict between regional, local and community interests and the agendas of nation states or even of the EU.
- **Trans-border relationships.** Programme activities can also result in a significant increase in the number, intensity and dynamics of cross-border contacts at national, regional and local levels. However, delivering programmes that can span multiple local, regional and national boundaries with different financial, administrative and regulatory systems can involve a high administrative cost. Programmes are delivered in accordance with most of the same rules which govern more straightforward Structural Fund programmes, including

the application of the n+2 decommitment rule, but they face particular difficulties in conforming to them. One consequence of this is that projects are dominated by public authorities, while direct participation by businesses in programmes and cooperation between firms, particularly under Strand A, has been limited. The main reasons for this are the barriers posed by complex procedures. Moreover, the quality, content, scope and expectations attached to projects in terms of fostering new institutional arrangements and links can vary depending on a variety of external factors.

To sum up, the added value of INTERREG is difficult to dispute. Supporting enhanced integration between EU Member States and the balanced and sustainable development of the European space is clearly a distinctive area where supranational frameworks and initiatives can come into their own. However, these activities can be associated with complex procedures and substantial administrative burdens. It is arguable that, to a greater extent than other Structural Funds programmes, the success of these activities can depend on external administrative, political and socio-economic factors. Finally, measuring this success in terms of tangible results, particularly in the short-term can be a significant challenge. The following section explores how these issues and themes are being played out in the specific context of new Member State experiences.

3. TERRITORIAL COOPERATION IN NEW MEMBER STATES AND CANDIDATE COUNTRIES

This section, reviews the experiences of the new Member States and Candidate Countries within the field of territorial cooperation, including an assessment of benefits and challenges encountered during the different stages of formulation and implementation. Variations in the priority attached to this theme in different national contexts and in the availability of interviewees preclude a comprehensive account. Rather, the aim of this section is to identify and explore key themes arising from experiences that are now informing the current reform discussion. The context for territorial cooperation activities will be set out before briefly exploring how EU territorial cooperation programmes have developed against this background. Evolving approaches to programme content and implementation are highlighted. This informs a list of achievements and challenges, drawn from policymakers' assessments of the experience of managing territorial cooperation programmes.

3.1 Context

3.1.1 General background

Experiences of territorial cooperation in the new Member States and Candidate Countries are relatively recent. The lack of tradition in this field can be explained, at least in part, by the legacy of communist rule where cooperation was realised at the party level and did not reach lower tiers. In the post-communist period, the priorities of macroeconomic reform, frequent changes of responsible institutions at the national level, the overall lack of finances and deficiencies in institutional structure also made this type of initiative difficult. Nevertheless, in

the early 1990s, some border regions were able to establish closer links within the broader framework of the Euroregions (e.g. Carpathian euroregion, Danube 21 euroregion). In the following years, territorial cooperation climbed up the policy agenda in many of these countries, driven largely by the EU. Within this general pattern, the impact and evolution of cooperation initiatives diverged, depending on traditions of cooperation, geographical position, level of economic development and the degree of administrative decentralisation in different domestic contexts. Significant variations in experience of territorial cooperation can be identified. While some regions can look back at longstanding experiences in the framework of the PHARE co-financed programmes (e.g. Bulgaria-Greece-Romania; Czech Republic-Germany; Poland-Germany), nascent cooperation projects have only just been launched with countries such as Turkey, Serbia & Montenegro and the Former Yugoslav Republic of Macedonia, and some of these have not yet reached the implementation phase.

3.1.2 First experiences with INTERREG

While there is a general tendency to use PHARE-CBC experiences as a platform for INTERREG programmes, as noted above, some countries have more experience to build on than others. Those with several borders, such as Hungary, which have prioritised PHARE-CBC from the outset and established institutional structures as well as programming procedures, are well-placed to assume INTERREG requirements (e.g. Joint Small Project Fund in the Czech Republic). Others are relatively new to these programmes and are still adapting to the new conditions. Despite this variety and the relatively limited time to gather experiences in the field of the development and the implementation of INTERREG programmes, initial views regarding the different strands of INTERREG are emerging. Some of these reflect, to a considerable degree, perceptions across the EU.

For instance, Strand A is commonly regarded as generating the most visible impacts (Hungary, Lithuania), whereas INTERREG IIIC is seen to function primarily as a base for exchange of experience (Slovakia). Concerning strand B, the designated areas of cooperation provide a framework for projects operating on a larger scale including the design of long-term strategies. In some cases, transnational programmes can build on 'natural links' for cooperative activities and are perceived to be particularly successful in the development of more concrete and financially bigger follow-up projects (e.g. Latvia and the BSR programme).

3.2 Review of experiences

Despite relatively limited traditions of territorial cooperation activities and variations in domestic approaches, reviewing the experience of new Member States and Candidate Countries thus far produces some particular emphases that reflect their specific context.

3.2.1 Evolution of programme scope and contents

- The main focus of activity under territorial cooperation has been on the **improvement and development of infrastructure** in border areas. The general development of cross-border

infrastructure and border security were prioritised, often involving larger investment projects in the transport sector but also in technical fields such as air protection, water management and sustainable development. Especially in coastal regions, the conservation of the environment constitutes a general priority of cooperation, and transnational cooperation programmes have played an active role (INTERREG IIIB, BSR). However, over time the range of cooperation activities has expanded considerably. Through PHARE-CBC/INTERREG programmes, efforts to improve **business cooperation** across borders in fields such as the service industry, the tourism sector (Poland-Germany) or innovation (e.g. Czech Republic), though still quite limited, have intensified.

- Increasing support has also been provided for **capacity building and institutional development** based on the establishment of cross-border links between local and regional authorities and NGOs (e.g. Estonia and Latvia). Although these 'people-to-people' measures (i.e. the organisation of seminars, trainings, the establishment of joint social and economic institutions) usually occur in smaller projects, they are regarded as particularly important in a context where experience of cooperation activities is low (e.g. Bulgaria-Macedonia/ Serbia & Montenegro).

All of the cooperation projects aim at more general objectives such as the integration of eligible areas, contributing to the gradual removal of regional disparities as well as the development of regional-level participation which seems to be especially important in the context of former socialist countries. In this respect, another essential aim is to do away with existing mental barriers (often a legacy of the communist period) and change people's thinking and attitudes in building on a common heritage. More specifically, bringing people and their institutions together during the preparation and implementation phases of PHARE/INTERREG programmes has contributed to the body of knowledge and experience of Structural Funds management, a resource which, again, is often in short supply.

3.2.2 Programme management and implementation

Some institutional factors have also had an impact on the evolution of technical arrangements for programming and implementation.

- Generally **weak processes of administrative decentralisation** which are a feature of several countries continue to influence the development of programming arrangements. In many countries, regional authorities or deconcentrated branches of the central state lack the legal competence, administrative capacity and financial strength to act as proper counterparts for foreign regional partners. One outcome is the participation of local authorities, which often have a stronger legal status and more financial resources, as partners in cooperation programmes, often as part of regional associations (e.g. Estonia, Bulgaria). Although this boosts the 'bottom-up' dimension of territorial cooperation programmes, there is a danger that the programme process can become complicated and fragmented and that the municipalities might lack the institutional or financial capacity to become involved in more substantial cooperation activities.

- In terms of **capacity issues**, assessments vary quite broadly. In some cases, the absorption of funds has tended to be very low, reflecting difficulties in accomplishing the objectives initially set out in cooperation programmes (e.g. Bulgaria-Greece INTERREG IIIA). Problems can also arise due to the shortage of skilled personnel for staffing managing authorities and technical secretariats. Demands for further training, technical assistance and exchange of experience in this particularly demanding field of Structural Funds activity has been a general theme to emerge, particularly amongst the Candidate Countries. On the other hand, the transition from PHARE to INTERREG management structures seems to have taken place without major problems, and in some cases projects have been approved during the first year of operation (e.g. Latvia). In this respect, there is a general impression that EU support for the pre-accession cross-border programmes has been valuable in developing expertise for current INTERREG programmes.
- A general feature of territorial cooperation programming, across the EU generally, is the **effort to create synergies** between strands and with mainstream Structural Funds and domestic economic development programmes. The experience of Polish-German trans-border cooperation is an example of the significant role played by strategic thinking in planning and delivering EU assistance fund programmes in border regions, ensuring that such programmes integrate with wider national development policy. Where administrative capacity is at a premium, efforts to ensure the complementarity of instruments and avoid overlaps in content and double financing are particularly noticeable. For instance, Hungary has the same managing authority for mainstream Structural Funds and INTERREG. Within INTERREG, there are several examples illustrating that the integration of INTERREG IIIA and B programme management and implementation systems can cut costs and produce synergy effects (e.g. Latvia, Estonia). On the other hand, some policy-makers noted that there are limits to this integration process: integrating programmes with different administrative or socio-economic contexts and disparate priorities can actually complicate management and implementation (e.g. Poland/Ukraine/Belarus Neighbourhood Programme 2004-2006).

3.3 Assessment of achievements and challenges

To sum up, reviewing the response of NMS and CCs policy makers, some general benefits and achievements as well as problems and challenges can be identified from the experience of implementing EU territorial cooperation programmes.

3.3.1 Achievements

- The **act of cooperating in itself** is seen as very positive. The development of good contacts reaching beyond the implementation of funding therefore constitutes an essential basis for the general rapprochement of partners and their institutions (Slovak Republic).
- Tangible progress can mainly be observed in terms of **infrastructure and border-crossing facilities** where physical and concrete improvements are mentioned. Even in the rather

weakly covered business sector including the sphere of innovation, cooperation could be enhanced in some cases with the potential to lead up to improved market positions (INTERREG IIIA Czech Republic-Austria, Polish-German INTERREG CBC).

- EU-supported cross-border cooperation has promoted the **creation of specific institutions in border areas**, thus helping to develop administrative capacity at the local level as well as facilitating the access to funding sources for public authorities and NGOs which is of great importance regarding the slow pace of decentralisation in some countries (e.g. Romania).
- More **specific positive impacts** are also being stressed, such as the value added in addressing depopulation problems in lagging behind regions, and issues concerning ethnic minorities (e.g. the Romania/ Hungary: PHARE CBC programme spurred political action over Hungarian minorities in Romania, not least because it had €3 million attached).

3.3.2 Challenges

Some general difficulties which arise in every type of territorial cooperation are:

- **Different administrative structures.** Diverging legal, social and environmental frameworks and standards, as well as the dominant disparities concerning economic welfare make territorial cooperation a problematic issue. They can be the basis of minor problems in the field of financial administration of programmes (e.g. Poland-Lithuania) and concerning terminology and definition issues (e.g. Latvia), but they also can undermine cooperation initiatives on the long-run.
- The fact that **competencies and responsibilities of regional and local government structures** and other organisations in many cases have not yet fully developed and can vary considerably across borders has far-reaching implications regarding the number of regional administrations involved as well as in terms of capacity-building.

Specific problems arise concerning cooperation between new Member States and Candidate Countries and third countries. Following the EU enlargement in 2004 and the eastward shifting of its external borders, the positioning of the former Candidate Countries has fundamentally changed and although the economic disparities continue to persist along the new internal borders, many physical constraints have vanished and now apply more to the new external borders.

- **Practical problems** appear, as the lack of checkpoints and visa-only travel at the Schengen border, are added to the centralism and rigid inter-governmental agreements as well as the difficult access to information (e.g. Slovak Republic-Ukraine). These constraints considerably reduce the possibilities of engaging in substantial cooperation projects.
- Problems generated by **regulatory and funding mismatch** add to this already complex situation. The limited harmonisation between funding instruments is seen as having

substantially reduced the impact of cross-border cooperation⁴. Due to differences concerning (*inter alia*) the general procedures, priorities, timescales and eligibility criteria, the progress of INTERREG projects involving different sources of funding is often limited. This can produce situations where programme management is fragmented and cooperation, and communication between partners remains poor (e.g. Bulgaria (PHARE CBC) - Greece (ERDF), Romania-Hungary, Austria-Slovak Republic).

The new Member States are, in some ways, especially aware of the potential difficulties which can arise in the field of territorial cooperation as they have had experiences of INTERREG-PHARE CBC joint programming, and they will be involved in future cooperation across eastern external borders. One example is provided by the Baltic Sea Region (BSR) where programming along the internal EU borders is viewed very favourably, in contrast to difficulties expected concerning the cooperation with the Russian Federation and Belarus. This is partly due to the fact that the Russian Federation has not signed the TACIS final agreement yet so that corresponding funds cannot be used up to now.

Thus, although substantial progress has been made in the field of territorial cooperation, the extent to which related projects really generate common benefits on both sides of the border can be uncertain. There is a danger that projects will be "border-oriented" without necessarily contributing to the institutionalisation of shared cooperation structures. Most of the difficulties are generated by the general lack of regional structures and experience in the field of territorial cooperation especially at the new external borders (e.g. Ukraine, Moldova, Serbia). These circumstances entail great challenges concerning the identification and development of suitable joint projects. These can only be developed on the basis of the joint managing of calls for proposals, appraisals and project selection leading eventually up to genuine cross-border cooperation. In this context, it could be very useful to develop contacts and exchange of experience on territorial cooperation between old and new Member States as well as their Eastern neighbours. Several of these issues and concerns will be revisited in the next section as they feed directly into and are addressed by the ongoing reform debate.

4. THE REFORM OF EU COHESION POLICY AND THE FUTURE OF TERRITORIAL COOPERATION PROGRAMMES

In the current debate over the reform of EU cohesion policy, the continuation of the INTERREG programme commands widespread support. There is a general acceptance among old and new Member States that it is one of the areas of EU intervention where Community added value is most evident. Even among those Member States (e.g. the UK, Netherlands, Germany) which are advocating strict limits on the EU budget, and a rationalisation of cohesion policy under the so-called 'concentration model', there is explicit acknowledgement that INTERREG plays an important role.

⁴ CEC, EUR-Lex Official Journal C 048, 21/02/2000.

The Commission's proposals for territorial cooperation elements of the Cohesion Fund in the next programming period reflect this general consensus and can be grouped under four headings, referring to: financial issues, reorganisation of Strands, implementation issues and arrangements along external borders. The following section outlines these proposals and identifies key themes emerging in new Member States responses to them. It is worth noting that these proposals are tied to the broader discussions on ERDF regulations where debate is ongoing and the eventual outcome of negotiations is still uncertain.

4.1 Financial issues

The proposal to allocate some four percent of the cohesion policy under a new, dedicated objective would represent a significant increase in resources for cross-border and transnational cooperation (See Table 4.1). This overall increase has met with general approval in Member States where the value of territorial cooperation is widely acknowledged.

Table 2: Comparison of financial package for current period with that proposed for 2007-2013

	2000-2006	2007-2013
Cross-border co-operation programmes	€ 4 bn (69%)	€ 6.8 bn (47.73%) of which: - € 5.1 bn (35.61%) for mostly internal borders € 1.7 bn (12.12%) for external borders
Transnational co-operation programmes	€ 1.4 bn (24%)	€ 6.8 bn (47.73%)
interregional co-operation and network programmes	€ 370 mio (6%)	€ 650 mio (4.54%)
Total	€ 5.75 bn(100%)	€ 14.25 bn (100%)

Source: European Commission.

4.1.1 Flexibility in allocation between strands

A common theme to emerge amongst Member States is a call for more flexibility to decide for themselves how funds are allocated. This applies particularly to Commission proposals to limit the right of countries to make decisions on the proportion of spending under different strands in comparison to the current programming period (see Table 2). Up to now, the new Member

States have tended to allocate the vast majority of resources to cross-border cooperation as this is where they see the greatest potential for straightforward implementation and measurable impacts at this stage. The increased focus on strategic and networking activities, reflected in greater proportions of finance available for transnational and interregional cooperation in the Commission proposals, is an emerging trend across the EU, but may suit more developed and integrated borders. Although there have been positive experiences with INTERREG IIIB (for example, under the Baltic Sea Region programme), the administrative burden associated with these programmes can be high, particularly when weighed against tangible results.

4.1.2 Absorption

It should also be noted that, given the significantly increased package available, financial absorption is an issue. Previous studies have shown the relatively slow pace of commitment and, even more, of expenditure among INTERREG programmes, and the danger of considerable decommitment under n+2. It should be recognised that INTERREG programmes are more difficult to deliver than mainstream regional programmes because of the additional complexity built in at every stage, and at both the programme and project levels. There is a strong case for these factors to be recognised in the future financial management requirements, with concessions on the expected rate of absorption.

4.2 Reorganisation of Strands

The additional funding available is prompting questions over the scope, content and geographical orientation of territorial cooperation programmes and the arrangements for programme management. All INTERREG programmes are distinctive in having a broader range of aims than mainstream, more tightly focused economic development programmes. As noted above, a variety of cooperation activities can be supported. The new financial package provides the potential to expand the scope of programmes further, and this is prompting debate on several topics: the 'global' relationship between INTERREG and other Structural Funds and national development programmes; how funds should be allocated across different INTERREG strands; and what type of activities should be supported within each strand.

4.2.1 Strand A

Under current Commission proposals, the geographical scope, eligible areas and activities to be supported under Strand A will remain basically the same, focused on enhancing integration in specific border zones. As noted above, a broad spectrum of programmes already exist within Strand A with different hierarchies of priorities evident along different borders. Additional funding for this strand would provide scope to expand investment projects and this is provoking discussion over what type of activities should be organised under cross-border cooperation. Obviously, infrastructure development can be particularly valuable across borders where the level of development is relatively low and where the scope for cross-border cooperation appears to be constrained, either by a shortage of good projects or significant institutional

barriers. On the other hand, it can be argued that the declared principal objective of the programme - raising competitiveness of the region and ensuring the integration of local communities - is not matched by the selection of programme priorities which are dominated by initiatives associated with large-scale road improvement and environmental protection on either side of the border, i.e. the type of activities that other EU funding streams are already addressing. The argument is that large programmes that cover several borders or a long stretch of a border are not very efficient or successful and the degree to which decisions are made on the basis of joint, cross-border working is questionable. Thus, INTERREG IIIA infrastructure programmes should fund relatively small, cross-border "missing links".

In more developed areas, a significant type of Strand A activity is focused around developing shared, strategic frameworks, in fields including environmental and spatial management, integrated or sustainable transport, tourism concepts and service delivery. In some cases, partners undertaking such projects are not even in spatially contiguous regions, but are linked by a common thematic concern (especially on maritime or mountainous borders). However, this strategic investment has strong commonalities with Strand B activities focused around developing new, shared spatial visions in similar fields, including spatial management and planning, resource use, environmental management, transport and tourism. In this way, some INTERREG IIIA programmes in integrated border regions may have more in common with IIIB programmes (albeit that their projects are on a more modest scale) than with IIIA programmes on less-integrated internal or external borders.

Beyond this, there are more specific areas of concern. As noted previously, there has been a tendency to merge programmes, and the Commission has proposed the creation of one single programme per border, possibly with the creation of sub-programmes where necessary. Some countries with several programmes on long borders, are concerned that the different stage of advancement of bilateral relations, democratisation and decentralisation across borders and the different priorities and scope of related programmes will make the implementation of programmes more difficult. It is also worth noting some concerns with the proposed definition of maritime borders eligible for cross-border co-operation (up to 150 km).

This raises questions on the range of activities organised under Strand A and its geographical orientation. Should cross-border programmes be more focussed in order to enhance genuinely integrative and tangible cross-border activities? It may even be worth considering whether the universal coverage of all borders for cross-border cooperation is genuinely either wanted or warranted. Such experiences suggest that EU support could be made dependent on a greater degree of 'conditionality' (e.g. thresholds of national or organisational commitment, anticipated cross-border objectives or the achievable added value of intervention) rather than being universally provided as a matter of course. This is part of a general feeling that the main focus of cross-border cooperation should move eastwards as this is where the real impact in economic and political terms can be seen and where the most positive benefits from increased cooperation are felt.

4.2.2 Strand B

The higher proportion of funding allocated to Strand B reflects the Commission's idea of a new concept of transnational cooperation. The aim is that projects should concentrate more on larger strategic projects in the areas of water management, natural risk prevention, improving accessibility and the creation of scientific and technological networks. However, some Member States strongly favour broadening the scope of transnational cooperation further to encompass fields such as urban networking and cultural heritage as important projects in these fields have been developed over the past years (e.g. in the BSR programme).

As noted above, a key issue that involves both Strand A and Strand B activities is limiting overlap and duplication of activities and encouraging greater communication and synergy between cross-border and trans-national programmes. For instance, there is ongoing debate amongst some programmes concerning the creation of overarching coordination instruments that would bring together all Strand A and B programmes in a given area. On the one hand, there is general consensus on the need for more exchange of experience and efficient flow of information between different territorial co-operation programmes (e.g. through annual meetings of members of all Monitoring Committees). However, there is also awareness that the specificity and independence of programmes should be preserved and a fear that institutionalising closer ties could undermine the status of some programmes and lead to the creation of overarching ranking of priorities between them. For example, the merging of the BSR and the Northern Periphery programmes could prove problematic as these follow different rationales and objectives.

Another key issue in the current debate over the future of transnational cooperation programmes is the balance between geographic and thematic zoning. The current geography of INTERREG IIIB has several advantages. The programmes are generally sufficiently broad and flexible to accommodate a wide range of cooperation and network activities in different sectors or on different themes. Groupings such as Alpine Space, Baltic Sea Region or Northern Periphery are either building on, or encouraging, territorial integration in areas that share common development challenges and prospects of collective policy action. Equally, however, it has to be recognised that some areas may be too broad, there is overlap among zones, and some encompass too many different types of activity for there to be a coherent approach to programming. There are also reported difficulties in achieving a sense of ownership and identity over such large areas. Combined with the problems of measuring concrete outcomes, noted above, there are strong arguments for reconsidering the geographical configuration of the current transnational cooperation zones.

4.2.3 Strand C

Under the Commission's initial proposals, interregional Cooperation (Strand C) would be 'mainstreamed' i.e. integrated within the regional programmes rather than operated as a separate Community initiative. Each regional programme would be expected to devote a proportion of programme resources to inter-regional cooperation. The potential gains of these

proposals are understood in terms of integrating the best features of IIC (promoting networking and exchange of experience and encouraging a learning process from which regions can benefit) and streamlining the programming framework. However, there are also fears that the disruption caused by mainstreaming would threaten the loss of valuable experience and expertise. Moreover, mainstreaming could place a disproportionate administrative burden on regional programmes, particularly with respect to the complexities of budgetary management.

Due to concerns expressed by the Member States, the Commission has slightly amended this proposal (although the regulation has not been changed so far): although mainstreaming IIC remains an option, INTERREG IIC activities will continue in some form, but under a different formulation. Thus, the current plan is to have two forms of IIC-type activities, potentially with divergent management structures. Funding would be put aside within Objectives 1 and 2, but interregional cooperation here might be more bilateral, whereas under Objective 3 larger partnerships would be possible. As can be seen in the financial package (see Table 2), it is proposed to allocate a proportion of 4.54 percent of the funding to programmes of interregional cooperation and networking potentially involving three or more partners. In terms of content, a stronger focus will be put on the Lisbon and Gothenburg agendas.

4.3 Implementation issues

4.3.1 European Groupings of Cross-Border Cooperation

An important challenge for the next programming period is finding the optimal balance between national and regional institutional and administrative arrangements to facilitate effective territorial cooperation programming. The situation continues to evolve as part of broader processes of regionalisation noticeable in some new Member States. For example, Poland recently changed national legislation to allow regional actors to transfer funds across the borders enabling them to become lead partners in INTERREG projects.

The Commission proposes to simplify management systems through a new legal instrument, the "European groupings of cross-border cooperation" (EGCC). These will be invested with legal personality for the implementation of co-operation programmes and based on an optional convention of participating national, regional, local and other public authorities. The aim is to resolve some of the problems arising from the differences in institutional contexts of the Member States and thus to improve the general implementation of territorial cooperation projects. The scope of EGCC activities can cover co-funded projects of cross-border, trans-national and interregional cooperation but also cross-border cooperation programmes launched at the initiative of the Member States and their regional and local authorities.

The views expressed among Member States concerning this proposition differ. One explanation for this is variation in traditions of administrative decentralisation: some policy-makers regard the prior existence of a certain level of trust as conditional for the delegation of the funds management to a separate body (e.g. Romania), while others (e.g. Slovenia) see positive aspects in the joint management of cross-border budgets as well as in the joining of

responsibilities. There is also more general concern over the added value generated by the establishment of such institutions: many partners have already developed arrangements for programme management, and the reorganisation of responsibilities to accommodate EGCCs could lead to undue delays. Problems could occur when the creation of these bodies as legal instruments is seen to introduce new, potentially significant elements to the administrative systems established by central government on one side of a border. For this reason, some Member States are calling for the formation of EGCCs to be conditional on central governmental approval.

4.3.2 Monitoring and Evaluation

A recurring issue is the question of whether Structural Fund monitoring practices, and quantified indicators in particular, fit well with the soft and innovative aims of some territorial cooperation programmes. Some programmes aim to capture these less tangible achievements by extending their monitoring indicators to cover the interactions encouraged by the programme, but an alternative approach involves using more qualitative techniques at the evaluation stage including interviews and case studies to capture such outcomes. Consequently, several countries want the Commission not only to specify important conditions for cooperation activities but also to help arrive at closer definition of a cooperation project for the next programming period. This includes clearer definition of eligible areas and activities, more specific criteria or qualitative weighting for project selection and evaluation, and indicators to help capture the genuinely cooperative nature of programmes.

In this context, a general feature running through proposals for future procedural arrangements of all types of cooperation programmes is the demand to fulfil at least two of the following conditions in terms of programme management: joint project development; joint implementation; joint project staff; and/or joint financing. This aspect is especially important in the context of the new Member States where difficulties can be observed concerning the institutionalisation of shared cooperation practices.

4.4 Cooperation along external borders

As noted previously, implementing co-operation programmes across external borders through different financial arrangements (INTERREG, PHARE CBC, TACIS, MEDA) has caused particular problems. According to the Commission, "The fundamental problem of managing cross-border and transnational programmes is the often very different legal and administrative rules and traditions in the different countries involved [which] require ad hoc legal arrangements and this applies particularly to new Member States who have external borders with third countries". Difficulties can arise from the fundamentally diverging systems applied to the financial management of Community funds, implying different roles and responsibilities for the Commission and the national, regional or local authorities.

The European Commission has proposed a two-pronged approach to addressing this challenge: during the first (current) stage, 2004-2006, it is harmonizing the existing aforementioned EU

instruments through the creation of Neighbourhood Programmes. During the second phase, 2007-2013, cooperation will be even further enhanced with increased funding and harmonized instruments:

- The Instrument for Pre-Accession (IPA) which will cover the Candidate and potential Candidate Countries, replacing PHARE, ISPA, SAPARD and CARDS;
- The European Neighbourhood and Partnership Instrument (ENPI) will cover third countries participating in the European Neighbourhood Policy, replacing MEDA and part of TACIS.

The aim is to fully integrate the application, selection and implementation procedures governing co-operation programmes that straddle the external border of the Union. Contracting remains separate (i.e. there is one contract for the internal part of each project and one for the external part), but the Neighbourhood Programmes offer genuinely joint possibilities to build effective co-operation across the Union's external borders. Generally speaking, the Commission's initiative for the new, harmonised instruments is viewed as a crucial part of the increasing focus on the external borders which is welcomed by Member States. It is here that territorial cooperation can achieve a visible physical but also a political impact. Several Member States see themselves as 'sponsors' for future EU members and this type of cooperation can be of political and symbolic significance in this respect. As noted above, a substantive criticism, particularly of cross-border cooperation projects, has been weakness in the implementation of genuinely cross-border nature structures, funding and projects. External programmes have to date tended to be 'border-oriented' rather than cross-border. Harmonising systems and giving partners across external borders equal status should encourage programmes that are worked out jointly with common cost and funding plans and thus help address this issue. Indeed, for some policy-makers, integration has not gone far enough.

However, some countries stress that it would be wrong to assume that such measures will integrate external and internal border programmes. On the external borders, there is a lack of direct communication channels between the citizens (because of the need for visas and other travel restrictions), a lack of cooperation experience and a low level of information on the funding opportunities etc. Given this context, the ambitions, objectives and types of project are, at least for the time being, bound to be more limited than on internal borders and this dissimilarity must be taken into account. According to some Member States, it is important to take into account relative levels of development on both sides of external borders and to avoid a "one-size-fits-all" approach to territorial cooperation. Given that the aspirations and support needs of external and internal borders are so different, it may be worth organising the types of border programme as separate strands from the outset.

There is another general concern that cooperation on external borders is to be regulated by two different documents which, according to some, are not precise enough in delineating the type of cooperation supported, the appropriate management procedures and the relevant responsible authorities. Problems could arise regarding the division of responsibilities within the Member States (e.g. between Ministries of internal or external affairs) as well as within the

Commission for coordinating the Structural Funds with this new neighbourhood instrument. This, in turn, might lead to considerable delays, disruption of existing relationships and loss of expertise. There is also a risk that these changes might politicise cooperation activities, which would run counter to the pragmatic and integrated approach initially intended by the Commission.

5. ISSUES FOR DISCUSSION

Over time territorial cooperation has evolved considerably as a significant aspect of Cohesion policy, encompassing activities that may be difficult to administrate but which can yield important economic and political results, particularly in countries where traditions of cooperation across borders and between nations and regions is less developed. General support across MS for renewed focus in this area is reflected in the Commission's proposals which are designed to boost funding and make cooperation a more integral part of Cohesion policy. The challenge for the future is to develop a framework that minimises the complexity associated with these programmes and maximises the potential they undoubtedly offer. As noted above, the reform debate remains quite fluid and all of the issues above are subject to further debate. Thus, rather than a conclusion - some questions for discussion would perhaps be more appropriate:

- (i) What have Member States gained from territorial co-operation projects (i.e. Phare CBC, Interreg?) What achievements or challenges can be identified?
- (ii) With respect to the Commission's proposals, should Strand A and B activities be more focused thematically and/or geographically and how can synergies be exploited?
- (iii) How can the implementation of programmes be improved, particularly with respect to the scope for decentralisation (eg. through EGCCs)?
- (iv) Will the new instruments help overcome some of the problems caused by the different management/administration systems on the EU's external borders?