CROSS-BORDER COOPERATION PROGRAMME HUNGARY-ROMANIA AND

HUNGARY- SERBIA AND MONTENEGRO 2004-2006


# Final programme evaluation

Draft version


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# Contents

# 1 Introduction/Executive Summary

The purpose of Interreg IIIA Community Initiative is to promote permanent growth and connection of cross-border regions by eliminating the existing social and cultural obstacles and consequences of the marginal position of border regions.

The aim of this study is to present the main results of the Hungary-Romania-Serbia-Montenegro Neighbourhood Programme (NP), identifying the key information on this programme.

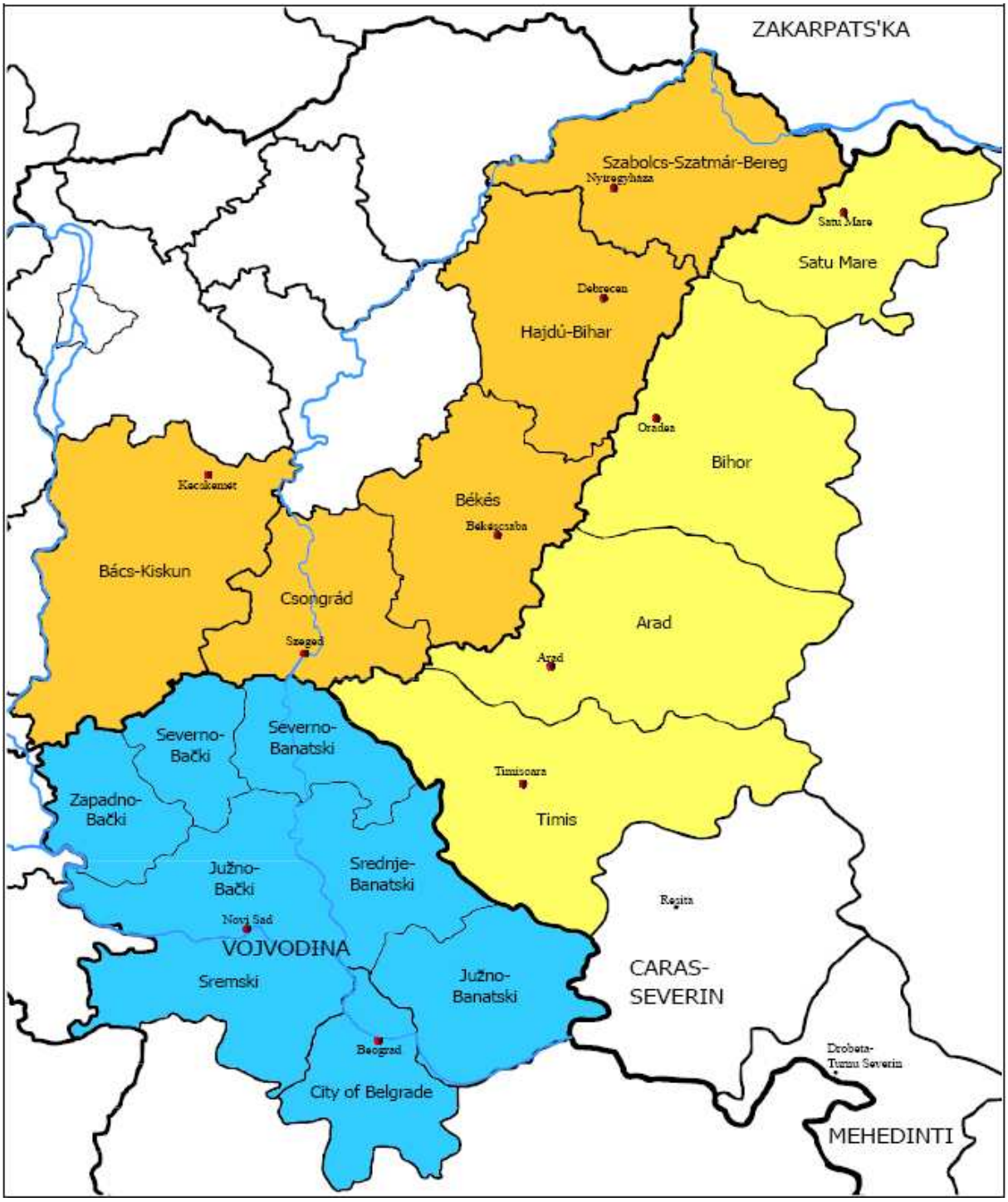
# 2 General description of the programme

The economic features and structures, and the similarities and complementary characteristics regarding specific sectors, offer a solid basis for cultural, economic and social co-operation between the actors of these three countries in the border area. But the co-operation is hindered by several physical and soft deficiencies, such as the underdeveloped infrastructural features of the border crossing points, resulting in a low level of border permeability, weak connections among the national transportation networks, the infrastructural shortages, or inadequate economical co-operation, lack of common environmental protection interventions etc. This programme focused on the establishment of essential pre-requisites of co-operation, and using various means, inspired the actors to establish and develop cross-border connections.

## *2.1 Eligible area of the programme*

The eligible **Hungarian** border area is located in the south-eastern part of Hungary, covering a significant area (one third) of the total area of the country; it is part of the Hungarian Great Plain. A number of rivers cross the border counties, including the two biggest rivers of Hungary, the Danube and the Tisa; the rivers also link the border region with the neighbouring countries, thus offering specific opportunities for cross-border co-operation. The following counties are in the programme area: Szabolcs-Szatmár-Bereg, Hajdú-Bihar, Békés, Csongrád, Bács-Kiskun. The five counties represent over one quarter of the total population of the country; the population density is 82 habitant/km2, (Hungary: 109 habitant /km2, EU15: 118 habitant /km2) which reflects the mainly rural character of the area.

In **Romania,** the eligible border area is located in the north-western and western part of Romania and has a surface of 28,413 km², representing 12% of Romania's territory. From a geographical point of view, the area includes all forms of terrain, from plains to hills and 12 mountains, and important rivers that cross the border area, namely the Mures, Cris, and Tisa. The multiethnic population living in this area accounts for about 9.6% of the total population of the country. The population density is 74 inhabitants/km², with higher values in the northern part (82-88 km²), which is still lower than national average density of 94 inhabitants/km². The following counties are in the programme area: Satu Mare, Bihor, Arad, and Timis.




**Map of the programme area**

**– Hungary-Romania, Hungary-Serbia and Crna Gora Interreg Programme, 2004-2006**

*Source: Program Document*

In **Serbia and Montenegro** the eligible border area is situated in the northern part of the country, covering 24.758 km², which represents 28% of Serbia and Montenegro's territory. There are various terrain types: plains and two major hills (Fruška Gora and Vršacki Breg). Hilly forms of terrain are also present in the south western part of the eligible area. The major

rivers that cross the border area are the Danube, Sava and Tisa. A system of hydro accumulative canals (Danube-Tisa-Danube) can be also found here, and there are also five large lakes (Ludos, Palic, Bela Crkva, Belo blato, and Obedska bara). The population living in the eligible border area accounts for almost half of the total population of the country (48.12%) and similarly, is also characterised by a multiethnic structure. The average population density is 146 /km2, with higher values in the metropolitan areas (148/km² in Južno-backi district and 489/km² in Belgrade), which average is significantly higher than the national average (97/km2), as well as the EU15 average. The following districts are in the programme area: Zapadno-bački, Severno-bački, Severno-banatski, Južno-bački, Srednje-banatski, Sremski, Južno-banatski, and Beograd.

**Main indicators of the programme area**

**– Hungary-Romania, Hungary-Serbia and Crna Gora Interreg Programme, 2004-2006**

| Indicator | Territorial dimension / Value | | |
|---|---|---|---|
| | HU | RO | SE |
| Surface of eligible area (km$^2$) | 30 486 | 28 413 | 24 758 |
| Population of the eligible area | 2 513 666 | 2 102 246 | 3 608 116 |
| Average population density in the eligible area (head / km$^2$) | 82.45 | 74 | 146 |
| GDP / capita (% of EU15 average) | 36.58 | 25 | 8.63** |
| Average unemployment rate (%) | 6.4 | 5.0 | 13.9*** |
| Share of arable land (%) | 71.3 | 71.5 | *77.1n/a* |
| Proportion of dwellings connected to public sewerage (%) | 34.96 | 5–5.71* | 20 |
| Overall territory of natural parks and landscape protection areas (ha) | 265 842 | 38 700 | *43 000n/a* |
| | | HU-RO | HU-SE |
| Border crossing points | | 12 | 8 |
| of which railway | | 4 | 1 |
| road & railway | | 2 | |
| water | | | 1 |

** Proportion of localities with sewerage, differs between counties.*

*** National level data.*

**** Vojvodina regional level data.*

*Source: Program Document*

Cross-border co-operation between Hungary, Romania and Serbia and Montenegro were based on the following strategic objectives:

- To establish and develop the physical and infrastructural systems supporting co-operation.
- To establish and develop a joint system to protect and capitalise on common natural resources promoting sustainable development.

- To reinforce economic connections between the border regions in order to boost sustainable economic development building on joint assets.
- To develop social and cultural coherence among people and communities.

The Cross-border Co-operation Programme in the Hungarian-Romanian and Hungarian-Serbian border areas was trilaterally elaborated. As such, it laid the foundations for using funds:

- from INTERREG IIIA, allocated to Hungary for the Hungarian-Romanian, and the Hungarian-Serbian border area;
- from the Phare Cross-Border Co-operation Programme (CBC) in Romania allocated for the Romanian-Hungarian border area;
- from the CARDS programme to support cross-border co-operation on the Serbian-Hungarian border. The CARDS financial contribution to the programme will come from the CARDS regional budget (funds allocated to Neighbourhood Programme) complemented by the CARDS National Annual Programme for Serbia.

In practice, under this trilaterally developed programme, two different bilateral programmes were implemented in close co-operation with the governance of a joint management structure. The reason for the separated, but coordinated implementation was the use of different financial instruments regulated by various rules and procedures.

The Hungary – Romania Cross-Border Cooperation Programme was prepared in line with the newly developed concept of Neighbourhood Programmes along the border of Hungary and Serbia and Montenegro for the period of 2004-2006.

The neighbourhood programme concept ensured the possibility to develop projects in close co-operation between partners on the different sides of the border. Basically three types of projects could be foreseen: joint project (Hungary – Serbia and Montenegro); mirror project (Hungary – Serbia and Montenegro, Hungary – Romania); individual project (Hungary – Serbia and Montenegro, Hungary – Romania). Trilateral joint projects under this Call for Proposals could not be submitted due to the difference in PHARE CBC implementation system.

The call for proposals were open to applicants who are non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest, and who have seats or a regional/local branch in the specified programme area. Eligible applicants must have at least one partner from the other side of the border.

The subject of the Call for proposals is the co-financing of projects corresponding to the following measures within Priorities 1 and 2:

*Priority 1: Strengthening the spatial, physical and infrastructural integrity of the cross-border area*

1.1 Improving cross-border infrastructure: This measure focused on development of the different types of transportation infrastructure of the border regions, and the border crossing points in order to facilitate efficient border management. The projects financed under this measure should contribute to the development of cross-border commercial activities, tourism and the free movement of labour. Priority should be given to projects contributing to an improved accessibility of tourism attractions. Given the size of the funds available, mainly small scale projects of local character would be supported; projects aiming at the preparation of large-scale investments, however, may also be eligible, if the cross-border benefits of the planned investment were clearly demonstrated. This measure should concentrate mainly on eliminating bottlenecks in areas where other funds were not available.

1.2 Addressing common challenges in the field of environmental protection and flood prevention: This measure was aimed at the joint protection of the environment and the natural assets of the area, with primary focus on the protection of the common water aggregate and surface waters, as well as on joint flood prevention activities. The interventions constituting the measure should directly contribute to specific objective No.2 (To establish and develop a joint system to protect and capitalise on common natural resources promoting sustainable development). Furthermore, all interventions within this measure had been designed to strongly support the establishment of the basic pre-conditions of the sustainable development of the area, thus directly contributing to one of the key horizontal objectives of the Programme.

*Priority 2: Promotion of co-operation initiatives in order to facilitate the integration of markets and enhance coherence between local societies*

2.1 Development of business infrastructure and joint business services: This measure, was aimed at establishing an inspiring business environment that included a co-operating network of various business infrastructure facilities, offering high quality business services with special attention to services supporting cross-border business-to-business co-operations. The interventions within this measure should directly contribute to specific objective No. 3 (To reinforce economic connections between the border

regions in order to boost sustainable economic development building on common strengths). The types of projects financed under this measure might include mainly small-scale investments in the creation of new business infrastructure facilities, such as business incubators, technology and innovation centres, industrial parks and trade centres, as well as the development of existing ones.

2.2 Support co-operation of enterprises: This measure was intended to support specific co-operation initiatives, providing opportunities for SME's from the partner countries to enhance cross-border business links. Interventions constituting the measure should contribute to specific objective No.3 (To reinforce economic connections between the border regions in order to boost sustainable economic development building on common strengths).

2.3 Encourage cooperation between institutions and communities: This measure was primarily aimed at encouraging cross-border contacts and co-operation at regional and local level, mainly in the fields of cultural, social and sports co-operation, as well as institution building. Priority would be given to projects that enhance the multicultural traditions of the area.

2.4 Promotion of co-operation in the field of RTD and human resource development: This measure was aimed at enhancing co-operation in the fields of human resource development as well as research and technological development. Priority would be given to RTD and HRD projects with relation to sectors relevant for the economic development of the border regions. HRD activities targeted at disadvantaged groups, or women would also enjoy special support under this measure. Interventions within this measure should directly contribute to specific objective No. 3 (To reinforce economic connections between the border regions in order to boost sustainable economic development building on common strengths).

The financial plan of the Hungary – Romania and Hungary – Serbia Montenegro Cross-border Co-operation Programme is presented below, and is relevant to the whole eligible area described above (data are given in euro). The ration of the grants between measures was modified because of the different demand of the applicant.

The success or otherwise of the Programme of Cross-border Co-operation and Neighbourhood Programme, both representing a new concept relative to earlier interregional programmes, the feasibility of shared project ideas, the attainability of actual objectives, a wider applicability of the new forms of cross-border co-operation depend on the quality of the content of the calls for applications, the existing needs of applicants and the coincidence of needs. In the light of

the results it is safe to say the Interreg IIIA programme was launched to eradicate existing problems on the Hungarian-Romanian and Hungarian-Serbian border regions, a fact evidenced by the high number of the applications submitted.

| Priority | Measure | Component | Hungary – Romania Cross-Border Cooperation Programme | | Hungary-Serbia & Montenegro Neighbourhood Programme | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Plan | Re-allocation | Plan | Re-allocation | Plan | Re-allocation |
| **Priority 1.** Strengthening the spatial, physical and infrastructural integrity of the cross-border area | 1.1 Improving cross-border infrastructure | Constructing | 7 558 527 | 8 466 646 | 3 454 918 | 3 870 009 | 11 013 445 | 12 336 655 |
| | | Planning | | | | | | |
| | 1.2 Addressing common challenges in the field of environmental protection and flood prevention | Constructing | 7 558 527 | 6 650 408 | 3 454 918 | 3 039 826 | 11 013 445 | 9 690 234 |
| | | Planning | | | | | | |
| **Priority 2.** Promotion of co-operation initiatives in order to facilitate the integration of markets and enhance coherence between local societies | 2.1 Development of business infrastructure and joint business services | | 2 208 405 | 2 340 356 | 1 009 437 | 1 069 751 | 3 217 842 | 3 410 107 |
| | 2.2 Support co-operation of enterprises | | 788 716 | 716 402 | 360 513 | 327 459 | 1 149 229 | 1 043 861 |
| | 2.3 Encourage cooperation between institutions and communities | People to people actions | 1 314 527 | 1 341 823 | 600 855 | 613 332 | 1 915 382 | 1 955 155 |
| | | Institution building | | | | | | |
| | 2.4 Promotion of co-operation in the field of RTD and human resource development | | 946 459 | 859 526 | 432 616 | 392 880 | 1 379 075 | 1 252 406 |

***Financial plan and reallocation of sources in HU-RO-SCG/SER 2004-2006 Programme***

*Source: Programme Document*

# 3 General method of programme evaluation

The starting point of our analysis was the programming document, which contains the objectives, measures and indicative financial plan of the programme. Our task was to compare the actual values of the programme implementation to the ideal state described in the Programme Document.

During the whole evaluation process we rested upon the data sources delivered VÁTI to us (Annual Implementation Reports, the filled application forms, progressive reports, PIR reports, as well as JSC and JMC minutes). On the basis of the PIR reports we have constructed a data base from which we are able to obtain data in different structures. The values of the output indicators were generated from Interreg Monitoring and Information System of Hungary (IMIR).

In order to compare the financing data of the programme implementation to the indicative financing plan, the national currency should be converted into EUR. The exchange rates were calculated for the time spans between the approval of the projects and the theoretical end of all projects (till this date should all projects be accomplished). The applied exchange rates were calculated by averaging the monthly average exchange rates of the Hungarian National Bank[1].

In case of the Cross-border Cooperation Programme Hungary-Romania and Hungary-Serbia and Montenegro 2004-2006 these time spans and average exchange rates are the following (for projects with Hungarian beneficiaries):

| Category | First selection round (1CfP) | Second selection round (2CfP) |
|---|---|---|
| Approval of the projects | 12/2005 | 03/2007 |
| Theoretical ending date (ca. last pay-off + one month) | 10/2008 | 10/2008 |
| Calculated average exchange rate (HUF/EUR) | 255,04 | 249,84 |

We carried out the consideration of the project indicators on the basis of indicator table in final report. Also among projects in the same measures, the comparison and consideration are very difficult due to the diversity of the indicators. In the case of both Priority we tried to

[1] Source of the monthly average exchange rates:
http://www.mnb.hu/engine.aspx?page=mnbhu_statisztikai_idosorok

drawn up 15 indicators which demonstrate right the result and outcome. We took into consideration both output and result indicators as well (in case it was possible). In order to identification of the real results and outputs of the projects we considered just the specific indicators – independently from number of copies, from number of pieces, and from any other deforming factors. It means in our opinion the cumulated results of the programme would be disfigured if studies with 200 copies or 100 pieces of office chairs were not registered as one supplied instrument or complied studies.

In the future all participant of the programme (programme managers, beneficiaries, experts of evaluation process etc.) will be favourable if there were some compulsory indicators also in the Programme documents, by the help of them the outputs and result of the projects would be comparable, manageable and determinable.

# 4 General analysis of programme results

The guarantee of smooth, shared development in the border regions involves two factors: one is the quality of cross-border co-operation and the other is the fullest possible realisation of sustainability. The success or otherwise of the Hungary-Romania and Hungary-Serbia and Montenegro Co-operation in the Border Region Programme can also be measured using these two factors. Accordingly, the most important objective of the programme is to strengthen, through the project, cohesion in the border regions, the cross-border socio-economic relationships between beneficiaries and their partners, contribute to the development of the development of the programme area and add a significant value to cross-border co-operation. This required a change in attitude and way of thinking as well as partnership co-operation on the part of the project hosts during the preparation and implementation of the project.

Compared to earlier programmes, the project hosts could rely on their existing relationships in shaping joint projects, which were the continuation of a project financed under Phare CBC or Small Project Funds or completely new ones; the project partners got to know each other's organisations and established a logical structure for the projects in the course of planning. The relationships that are of varying lengths exert cross-border relationships of varying quality, however, both projects that were the continuation of earlier projects and new ones were considered in the evaluation process, whereby new participants were also able to join. For the time being, the cross-border effect of the implemented winner projects and the quality of the partnerships that they have created are difficult to assess objectively. Only at the follow-up stage will we be able to obtain relevant information on the actual networks of relationships that have evolved.

Another equally important consideration, which, however, was not adequately emphasised in the evaluation process, is financial and institutional sustainability. It is highly important, if co-operation also continues after the project period; moreover, financing should not be limited to supporting the forging of relationship; rather, it should also help the very first steps of further co-operation. It is hard to assess the viability of the above on the basis of application documentations and project reports. The results of quite a number of projects hardly survive the project period. Relationships are not strong enough to continue operating on their own, without more support. A further problem is that projects that offer little in the way of sustainability or quality co-operation also received support. Given the limited amount of available funds, future calls for applications should optimise their allocation in terms of

sustainability in such a way that they rely on the experiences concerning the Interreg Programme.

Expert guidance and oversights in the implementation process should also play an important role in strengthening relationships. Efforts will have to be made to ensure that intermediate bodies and external business undertakings selected in the public procurement process to perform oversight functions each have a staff that is adequately trained to be able to assess the professional content of the projects during the implementation process. Project progress reports and on-site inspections should both focus on financial implementation, with the professional aspect forced to keep a low profile. In my opinion, such practices may lead to prospective applicants' referring to activities performed jointly with partners merely to be able to receive support, when in reality no actual professional content exists or no partnership exists. This may precipitate perilous processes in the sense that control will miss the chief aim of the programme, i.e. the one that makes it unique. As a result, it will be equally unable to facilitate social and economic cohesion to the desired extent and contribute to the mitigation of regional inequalities. In order to prevent such possibilities, close attention will have to be paid to the verifying of institutional and financial sustainability and the realisation of the long-term indicators of the winner projects in the follow-up period. In addition, an evaluation of the results may also provide useful experience and information for project hosts and the (control and intermediate) bodies concerned.

In summary, the Hungary-Romania and Hungary-Serbia and Montenegro Co-operation in the Border Region Programme launched in the framework of the Interreg IIIA programme has set promising processes in motion which will enter a more mature stage in the programming period. Currently, joint concepts and actions are mostly limited to certain geographical regions and the number of beneficiaries is mostly (but, fortunately, not always) equally limited. A favourable development is that, thanks to the programme, initiating and fostering bilateral relations are now the responsibilities of local councils (or the institutions owned by them) and civil organisations (associations, non-profit organisations providing assistance for the pursuit of business activities, regional or local institutions of public bodies), where a wide variety of co-operation has been or will be created. The initial stages of co-operation are now over; joint activities, programmes, actions, meetings and events have been organised, which all ensure the continuous operation of the relationship network. The success of the above has been instrumental in creating higher quality relationships. Furthermore, in addition to strengthening social cohesion, mitigating inequalities in development and efficiently managing the social problems of ethnic minorities, it also encouraged the taking of actual

steps in the area of co-operation and cohesion. Romania's EU membership may lead to access to a wider range of funds and their faster, more efficient and more flexible utilisation, which, in turn, may hold a stronger appeal for a wider circle of prospective applicants in the future.

## *4.1 Horizontal principles*

The horizontal principles of EU application methods effect the HU-RO-SCG/SER programme area characteristically:

- The promotion of the maintenance economic and social development
- The common solution of the problems of the environment protection, the prevention of public health diseases, crime problems etc.
- The creation of efficient and safe border zones regarding to the Schengen Treaty
- The stimulation of the co-operation capacity building among people
- The promotion of equal opportunity for the underprivileged social groups.

In the 2004-2006 HU-RO-SCG/SER neighbourhood programme two of the horizontal principles were investigated more deeply:

- Principle of sustainable development of the certain border region in order to avoid environmental hazards (prevention of water floods, sewage water diseases, nature protection, disposal risky materials etc.) and to have a balanced use of economic and social potential.
- Principle of equal opportunity for disadvantaged social groups (focusing on youth, gender and ethnic dimensions of the problem) as an effective tool of deeper (re-) integration.

Considering the experiences gained from implementation of former PHARE-CBC programmes, the focus should be on common initiatives and co-operation of people from all sides of border zones at all stages of project planning, development and implementation in order to improve social integration in the certain programme area.

In the ex-ante assessment a comparative table contains the connection of the content of Measures with horizontal principles, and the planned positive and negative effects of the projects related to different priorities and measures. In the following table we point out the negative (-), positive (+), or neutral (0) effects of contents regarding the cross-cutting principles of sustainable development (after Leipzig Charter) and equal opportunities (after Territorial Agenda).

***The expected influence of the content of measures by horizontal principles***

| *Measure* | *Sustainable development* | *Equal opportunities* |
|---|---|---|
| 1.1. Improving cross-border infrastructure (construction – planning) | ++ | ++ |
| 1.2. Addressing common challenges in the field of environmental protection and flood prevention (construction – planning) | +++ | + |
| 2.1. Development of business infrastructure and joint business services | + | +/0 |
| 2.2. Support co-operation of enterprises | +/0/- | +/0 |
| 2.3. Encourage cooperation between institutions and communities (people-to-people – institutional) | 0 (+) | ++ |
| 2.4. Promotion of co-operation in the field of RTD and human resource development | 0 (+) | + |

*Source: Project documents*

In general terms the HU-RO-SCG/SER neighbourhood programme 2004-2006 is expected to have mainly positive impacts on horizontal principles, particularly in the field of sustainable development. In Measure 2.2 the ecological effects are not clear. The support regarding to improving business competitiveness and capacities should have positive, neutral, even negative effects to the state of environment. The overall effect depends on technology and technique, and, of course the performance of legal background of national environment protection. The general output in Measure 2.3. is neutral, however a high number of application and winner projects concentrate on camps in conservation areas, soft-tourism, encouraging sustainable thinking and practice. The possible effect of 2.4 Measure is similar: there were some cases, when the theme of project had close relation to sustainable development (research project, human resource development project), however, the majority of the winner actions had no direct influence on this horizontal principle.

In the second investigated area (equal opportunities) the overall effects were also positive dominantly, however, the direct planned effects were rare in the projects. As regarding the deeper investigation of project aims and goals, in lot of actions there were (non defined) indirect effects on equal opportunity. Most of the applicants had limited knowledge on this area, they had no clear picture the main dimensions of equal opportunity, as well, that's why they were unable to define the planned effects.

In general: the number of projects related close to sustainable development was 49 (38,28%), of which 27 in the first call and 22 in the second (Measures 1.1 and 1.2). In the first call the number of infrastructural projects were almost the same as environmental ones, but in the second call the later grew up to 20 projects, and in parallel the infrastructural one decreased to

two. The rate of support in the areas close to sustainable development was higher than the number proportion: 74,32% of all EU-sources were concentrated on these areas. In the first call the level of concentration was a bit higher (76,95%) comparing the second round (66,44%). The reason was the large scale decrease in infrastructural projects.

The major areas of direct effects equal opportunities were 1.1 and 2.3 Measures. The number of projects related to this horizontal principle were 59 (46,09%) altogether, 27 in first call and 32 in the second. The decrease in infrastructural projects were counterpointed the increase in the area of encourage co-operations (from 14 to 30). The concentration of development sources were less characteristic comparing sustainable development, however, 43,48% of total support had close relation to equal opportunities. In the first call, the rate was higher (50,33%), but the decrease in infrastructural projects in the second call resulted the decreasing share of support connected to equal opportunities to 22,69%.

## *4.2 Evaluation of programme management*

The most important milestones of the timetable of programme management we collected into a table format (see next page). It is clear, that in the first call the time-lag between the launch of proposals to the beginning of signing the subsidy contracts was minimum 13 months, and from the deadline for submitting the applications to the grant offer letters was 8,5-9 months. In the second call round this time lag decreased to 9,5-13,5 months in the first case, and 6 months in the second. The speed of the process showed the increasing capacity of the Hungarian decision-making system in Interreg Programs in Hungarian-Romanian and Hungarian-Serbian relations.

***Timetable of the selection process in the first and second Call of Proposal – HU-RO-SCG/SER 2004-2006***

| Activity | First Call for Proposal | | Second Call for Proposal | |
|---|---|---|---|---|
| | **Date** | **Venue** | **Date** | **Venue** |
| Launch of the Call for Proposals | 16 February 2005 | Approval by the JSC | 14 August 2006 | Approval by the JSC |
| Deadline for submitting the applications | 20 May 2005 | JTS | 13 November 2006 | JTS/Information Point Békéscsaba |
| Opening Session (HU-RO) | 26 May 2005 | JTS | 14 November 2006 | JTS |
| Opening Session (HU-SCG) | 24 May 2005 | JTS | 15 November 2006 | Information Point |
| Administrative and eligibility check (HU-RO) | May-June 2005 | JTS | 15-30 November 2006 | JTS/Information Point Békéscsaba/ Ministry of International Economic Relations |
| Administrative and eligibility check (HU-SCG) | June- July 2005 | JTS, Ministry of International Economic Development | | |
| Concept Note Evaluation | - | - | 5-12 December 2006 | External assessors/ Ministry of International Economic Relations |
| Clarification of projects (HU-RO) | July - August 2005 | JTS | - | - |
| Clarification of projects (HU-SCG) | 1 August – 5 October 2005 | JTS | | |
| Evaluation of clarifications (HU-RO) | 15 September 2005<br>3 November 2005 | JTS Regional Office, Békéscsaba | - | - |
| Evaluation of clarifications (HU-SCG) | September 2005<br>7-9 November 2005 | JTS | - | - |
| Joint Steering Committee Meeting (approval of the administrative and eligibility check's results) | 23 August 2005 | JSC members | 21 December 2006 | JSC members |
| Financial and Technical Evaluation of projects (HU-RO) | September-October 2005 | JTS, external experts | 14 December 2006 – 15 January 2007 | MA,NA |
| Financial and Technical Evaluation of projects (HU-SCG) | 12 October 2005 – 14 November 2005 | JTS, external experts | | previously |
| Joint Steering Committee Meeting (approval of the quality assessment's results) (HU-RO) | 15 November 2005 | JSC members | 8 March 2007 | JSC members |
| Joint Steering Committee Meeting (approval of the quality assessment's results) (HU-SCG) | 12 December 2005 | JSC members | | |
| Requesting supporting documents for eligibility check | - | - | 20 March – 17 April 2007 | JTS |
| Grant Offer Letters | from February 2006 | MA/NA | 8 May 2007 | MA/NA |
| Signing the subsidy contracts | from March 2006 | Intermediate Body | 1 June – 31 October 2007 | Intermediate Body/EAR |

*Source: Program Document, Annual Reports*

## *4.3 Indicator Report – Output and result indicators*

### *4.3.1 Measures 1.1. and 1.2.*

Based on the available data (32 closing reports and 20 finalised reports containing output and result indicators), it is safe to say that the applicants were clearly unfamiliar with the correct use of the output and result indicators. There were only 8 projects where the sets of indicators were able to realistically reflect project results. There were overlaps between the two types of indicators in a further 8 projects. There were fundamental errors in 50% of the projects, especially in terms of their interpretability.

Planned, actual and closing figures were, for the most part, identical; when a large number of result indicators had been provided in advance, some differences were observed during the implementation phase. A greater part signified a favourable development, i.e. compared to the planned output figures, higher values were achieved at an unchanged level of support.

The winner projects (20) funded under measure 1.2 in both calls provided information on both types of indicators. The majority of these indicators (9) were well-chosen and were able to reflect the success of a project. The clear line between output indicators and result indicators was blurred in 4 and there were fundamental shortcomings in a further 8. It is mainly purchased assets and intellectual property (know-how) that were referred to as output indicators and, in a few case, as result indicators.

Overall, most applications managed to realise the goals that had been set. However, there were some shortcomings in the documentation and communication of the results.

During the evaluation process we found that the tables containing the indicators were often incomplete. Only a few were adequately detailed. As a result, only a few provided a comprehensive picture of the content and the results of the implementation of a given project. In the majority of cases, the tables of indicators failed to provide an itemised list of the assets to be purchased and the results of all the activities (e.g. the outputs of on-site inspections, closing meetings and project-related discussions).

In most of the reported projects the planned indicators were implemented. Our reamrks connected to the documentation and description of the existing results.

### *4.3.2 Measures 2.1. and 2.2.*

In measure 2.1, project hosts had listed a high number of indicators, which followed from the nature of project activities (implementation, purchase of assets, etc.). What was striking about the list of indicators was that there was no consistency in the way the individual project hosts had recorded output indicators. Some beneficiaries provided a detailed list of all purchases and the outputs linked to all of the activities. Others used umbrella terms. In the future, the former method should be followed, i.e. a detailed record of all goods and services purchased from the financial support should be kept. Beneficiaries presented 15 output indicators on average; however, there were some mentioning as many as 56 due to the above. Thanks to the fact that, in the majority of the applications, the requested financial support had been granted, the planned output indicators had also been fully achieved. It was mainly the assets to be purchased and size of the newly constructed buildings where planned figures had been fully achieved. One business facility was built smaller compared to the original construction plan; however, contract modification had not been penalised by a proportionate withdrawal of the original support amount. In 1 or 2 cases, commitments concerning public debates and partner meetings had not been fully met, the difference between the planned and actual figures was, however, negligible. The difference was due mainly to the fact that project hosts, in order to underscore the importance of their project concepts and aware of the length of the project period and the costs planned for the given activity, had made slightly exaggerated commitments.

By means of the indicators, the project hosts placed adequate emphasis on the presentation of tools and frequency of liaising with their partners.

A weakness of the project documents was that some of the organisations applying for support were unable to differentiate between output and result indicators, including some of the former in the group of the latter. There was even a beneficiary that used the two types of indicators interchangeably. The number of the result indicators was below 10 in all cases. The fulfilment of the result indicators was also around 100%. There was a slight difference in one or two cases. One applicant did not supply any information on fulfilment. The reason for this was that the local council concerned would provide information on it only in the follow-up report, in accordance with the closing report. In some of the 5 projects, indicators were outperformed.

Regarding the measure, broadly speaking, the indicators that the applicants used were suitable for measuring the output and results of the implemented projects. Project activities had been adequately evaluated.

Within the framework of SME development, due to the budget and content of the projects, there was a lower number of output indicators. The project hosts usually provided 10 output indicators. The conclusions that we can draw in connection with both output and result indicators are similar to the conclusions concerning measure 2.1. The indicators employed in measure 2.2 were able to summarily reflect the implemented activities; they were nearly fully achieved; in some cases, the difference between planned and actual indicators was adverse, in others, they were outperformed, relative to what had been planned. Our experience concerning the mixing-up of output and result indicators confirms our opinion that tenderees will have to define them clearly in order for the two types of indicators to be identified.

The findings concerning the indicators hold for the projects in both calls independently of the types of the projects (be them mirror, joint or independent) and the components of the implementation.

#### *4.3.3 Measures 2.3. and 2.4.*

The number of output indicators of the applications funded under measure 2.3 of call no. 501 varied widely. Based on a content analysis of 7-34 indicators, we can safely say that some of the organisations applying for support were unable to clearly differentiate between output and result indicators, putting some indicators in the wrong group. Hence it was inevitable that a relatively high number of result indicators should have led to differences in implementation. A greater part signified a favourable development, i.e. compared to the planned output figures, higher values were achieved at an unchanged level of support. In the case of one project, achieving the planned output indicators took longer than the timeframe set for the project. The very first steps of its implementation clearly suggested that they would be achieved, though. In this case a delay in the implementation did not affect the content of the project; only the anticipated and projected impact emerged later. The number of result indicators was below 10 in every case. In one case the result indicator was not identified. There were also differences in the result indicators compared to the planned ones; but these differences were nearly always positive.

The experiences concerning applications funded under measure 2.4 of call no. 501 were similar, the only difference being that the number of output indicators varied from 8 to 23 and that the result indicators and input indicators were more clearly separated. The cause of the differences was delays in the implementation. For technical reasons, some of the input indicators, originally planned to be realised in the first year, were achieved only in the second year. In spite of this, overall, the indicators planned in the projects were realised.

A similar difficulty was identified in separating the two types of indicators for several applications submitted for funding under measure 2.3 of call no. 602. An extremely high number of indicators (there were applications where there were 39) inevitably led to differences relative to the planned output indicators. Due to cautious planning, the final indicators were higher than the planned ones in the majority of the projects financed under this call as well. An important step forward was that there was no difference between the planned output indicators and the actual ones in over half of the projects; where there was, it remained at a very low level (one or two). This was partly due to the short timeline of the call (maximum 12 months) and partly to more accurate planning and implementation. However, the result indicators had still not been clearly separated from the output indicators; there was some progress made, though. In one instance only one indicator was clearly labelled. Having read the relevant closing report, we identified a further 2. The report also enabled us to readily follow the stages of the realisation of these indicators. Delays led to a few minor modifications for these projects as well, but their number was significantly lower than that for the projects financed under call 501. In the case of one project the biggest difference was attributable to the budget for translation and a timeline that was no longer needed (0% attainment). There were slightly fewer indicators and, hence, differences in the Hungarian-Serbian projects compared to their winner Hungarian-Romanian counterparts.

The number of output indicators of the projects present in measure 2.4 of call no. 602 declined somewhat relative to call no. 501. This said, however, there was a bigger variation in the actual output indicators compared to the planned ones. And this change was not always for the better. The pre-assessment of demand was misjudged for a training project. Because of this, the output for both those who took part in the training and those who were awarded a certificate at the end of the training was only 53%. Differences were also identified for the result indicators. We would like to add, as a side remark on their definition, that we identified some lapse rather than progress compared to the winner projects financed under measure 2.4 one year earlier. The clear line between output indicators and result indicators had blurred,

with the two indicators consistently being mixed up. Within measure 2.4, there were no significant differences between the winner applications from the two border regions.
Overall, the closing reports attest to the fact that both the output and result indicators reached or exceeded planned levels, which is promising. That is to say, the drawing-down of EU funds and co-financing seem to have, for the most part, been put to good use in both border regions.

**Implementation of indicators in Priority 1. HU-RO-SCG/SER 2004-2006**

| | **Priority 1** | | | | | |
|---|---|---|---|---|---|---|
| | ***Measure 1*** | | | ***Measure 2*** | | |
| **Output indicators** | *Planned* | *Actual* | *A/P (%)* | *Planned* | *Actual* | *A/P (%)* |
| 1. Number of people who's situation improved (person) | 1797 | 2500 | 139,12 | 51414 | 51414 | 100,00 |
| 2. Number of contracts established within the eligibility area (pc) | 2 | 2 | 100,00 | | | |
| 3. Newly built and reconstructed business infrastructures (m) | 77660 | 77660 | 100,00 | 2169 | 2169 | 100,00 |
| 4. Number of Municipalities and other Organisations directly effected by the programme (investments, activities, programme etc.) (pc) | | | | 31 | 32 | |
| 5. Number of new or used instruments bought (supply) (pc) | 28 | 28 | 100,00 | 582 | 581 | 99,83 |
| 6. Number of newly established or preserved job opportunities (pc) | | | | 277 | 227 | 100,00 |
| 7. Number of enterprises possessed cross border partnership (concerning the supported activities) (pc) | | | | | | |
| 8. Number of social, cultural events or conferences in the cross-border area (pc) | 21 | 20 | 95,24 | 159 | 131 | 82,39 |
| 9. Number of people or enterprises using the newly established or renewed business infrastructure network resulted by the improved HRD or joint researches (person) | | | | | | |
| 10. Number of joint researches, plans, studies, technical and training materials (pc) | 29 | 28 | 96,55 | 115 | 114 | 99,13 |
| 11. Number of surveys, pactums, databases, web-pages, white papers etc (pc) | 3 | 3 | 100,00 | 83 | 83 | 100,00 |
| 12. Number of people directly involved into the cultural and social events, training, HRD activities or study tours etc. (pc) | | | | 1030 | 622 | 60,39 |
| 13. m of transport lines built or renewed (road, waterways) (m) | 23314 | 23314 | 100,00 | 14982 | 14975 | 99,95 |
| 14. Activities contributing to the equal opportunities | | | | | | |
| 15.Activities contributing to the environment and sustainable development (pc) | | | | 59 | 64 | 108,47 |

*Source: Closing reports of projects*

## Implementation of indicators in Priority 2. Measures 1.–2. HU-RO-SCG/SER 2004-2006

| Output indicators | Priority 2 | | | | | |
|---|---|---|---|---|---|---|
| | ***Measure 1*** | | | ***Measure 2*** | | |
| | *Planned* | *Actual* | *A/P (%)* | *Planned* | *Actual* | *A/P (%)* |
| 1. Number of people who's situation improved (person) | | | | | | |
| 2. Number of contracts established within the eligibility area (pc) | | | | 5 | 9 | 180,00 |
| 3. Newly built and reconstructed business infrastructures (m) | 5464 | 5534 | 101,28 | | | |
| 4. Number of Municipalities and other Organisations directly effected by the programme (investments, activities, programme etc.) (pc) | | | | 6 | 9 | 150,00 |
| 5. Number of new or used instruments bought (supply) (pc) | 133 | 153 | 115,04 | 33 | 36 | 109,09 |
| 6. Number of newly established or preserved job opportunities (pc) | | | | | | |
| 7. Number of enterprises possessed cross border partnership (concerning the supported activities) (pc) | | | | 49 | 54 | 110,20 |
| 8. Number of social, cultural events or conferences in the cross-border area (pc) | 55 | 53 | 96,36 | 69 | 69 | 100,00 |
| 9. Number of people or enterprises using the newly established or renewed business infrastructure network resulted by the improved HRD or joint researches (person) | 660 | 849 | 128,64 | 190 | 230 | 121,05 |
| 10. Number of joint researches, plans, studies, technical and training materials (pc) | 10 | 10 | 100,00 | 518 | 518 | 100,00 |
| 11. Number of surveys, pactums, databases, web-pages, white papers etc (pc) | 2 | 2 | 100,00 | 18 | 18 | 100,00 |
| 12. Number of people directly involved into the cultural and social events, training, HRD activities or study tours etc. (pc) | 400 | 400 | 100,00 | 1090 | 1888 | 173,21 |
| 13. km of transport lines built or renewed (road, waterways) (m) | | | | | | |
| 14. Activities contributing to the equal opportunities | | | | | | |
| 15.Activities contributing to the environment and sustainable development (pc) | | | | | | |

*Source: Closing reports of projects*

## Implementation of indicators in Priority 2. Measures 3.–4. HU-RO-SCG/SER 2004-2006

| Output indicators | Priority 2 | | | | | |
|---|---|---|---|---|---|---|
| | *Measure 3* | | | *Measure 4* | | |
| | *Planned* | *Actual* | *A/P (%)* | *Planned* | *Actual* | *A/P (%)* |
| 1. Number of people who's situation improved (person) | 5000 | 5600 | 112,00 | | | |
| 2. Number of contracts established within the eligibility area (pc) | | | | | | |
| 3. Newly built and reconstructed business infrastructures (m) | 232 | 232 | 100,00 | | | |
| 4. Number of Municipalities and other Organisations directly effected by the programme (investments, activities, programme etc.) (pc) | 63 | 86 | 136,51 | 100 | 194 | 194,00 |
| 5. Number of new or used instruments bought (supply) (pc) | 692 | 694 | 100,29 | 55 | 55 | 100,00 |
| 6. Number of newly established or preserved job opportunities (pc) | 4 | 4 | 100,00 | 282 | 232 | 82,27 |
| 7. Number of enterprises possessed cross border partnership (concerning the supported activities) (pc) | | | | 49 | 54 | 110,20 |
| 8. Number of social, cultural events or conferences in the cross-border area (pc) | 180 | 185 | 102,78 | 27 | 26 | 96,30 |
| 9. Number of people or enterprises using the newly established or renewed business infrastructure network resulted by the improved HRD or joint researches (person) | 20 | 20 | 100,00 | | | |
| 10. Number of joint researches, plans, studies, technical and training materials (pc) | 30 | 47 | 156,67 | 47 | 49 | 104,26 |
| 11. Number of surveys, pactums, databases, web-pages, white papers etc (pc) | 9 | 9 | 100,00 | 3 | 3 | 100,00 |
| 12. Number of people directly involved into the cultural and social events, training, HRD activities or study tours etc. (pc) | 5726 | 6758 | 118,02 | 224 | 670 | 299,11 |
| 13. km of transport lines built or renewed (road, waterways) (m) | | | | | | |
| 14. Activities contributing to the equal opportunities | | | | | | |
| 15.Activities contributing to the environment and sustainable development (pc) | | | | | | |

*Source: Closing reports of projects*

## Implementation of indicators in Programme level HU-RO-SCG/SER 2004-2006

| Output indicators | Programme level | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | ***Priority 1*** | | | ***Priority 2*** | | | ***Total*** | | |
| | *Planned* | *Actual* | *A/P (%)* | *Planned* | *Actual* | *A/P (%)* | Planned | Actual | A/P (%) |
| 1. Number of people who's situation improved (person) | 53211 | 53914 | 101,32 | 5000 | 5600 | 112,00 | 58211 | 59514 | 102,24 |
| 2. Number of contracts established within the eligibility area (pc) | 2 | 2 | 100,00 | 5 | 9 | 180,00 | 7 | 11 | 157,14 |
| 3. Newly built and reconstructed business infrastructures (m) | 79829 | 79829 | 100,00 | 5696 | 5766 | 101,23 | 85525 | 85595 | 100,08 |
| 4. Number of Municipalities and other Organisations directly effected by the programme (investments, activities, programme etc.) (pc) | 31 | 32 | 103,23 | 169 | 289 | 171,01 | 200 | 321 | 160,50 |
| 5. Number of new or used instruments bought (supply) (pc) | 610 | 609 | 99,84 | 913 | 938 | 102,74 | 1523 | 1547 | 101,58 |
| 6. Number of newly established or preserved job opportunities (pc) | 277 | 227 | 81,95 | 286 | 236 | 82,52 | 563 | 463 | 82,24 |
| 7. Number of enterprises possessed cross border partnership (concerning the supported activities) (pc) | 0 | 0 | | 98 | 108 | 110,20 | 98 | 108 | 110,20 |
| 8. Number of social, cultural events or conferences in the cross-border area (pc) | 180 | 151 | 83,89 | 331 | 333 | 100,60 | 511 | 484 | 94,72 |
| 9. Number of people or enterprises using the newly established or renewed business infrastructure network resulted by the improved HRD or joint researches (person) | 0 | 0 | | 870 | 1099 | 126,32 | 870 | 1099 | 126,32 |
| 10. Number of joint researches, plans, studies, technical and training materials (pc) | 144 | 142 | 98,61 | 605 | 624 | 103,14 | 749 | 766 | 102,27 |
| 11. Number of surveys, pactums, databases, web-pages, white papers etc (pc) | 86 | 86 | 100,00 | 32 | 32 | 100,00 | 118 | 118 | 100,00 |
| 12. Number of people directly involved into the cultural and social events, training, HRD activities or study tours etc. (pc) | 1030 | 622 | 60,39 | 7440 | 9716 | 130,59 | 8470 | 10338 | 122,05 |
| 13. km of transport lines built or renewed (road, waterways) (m) | 38296 | 38289 | 99,98 | 0 | 0 | | 38296 | 38289 | 99,98 |
| 14. Activities contributing to the equal opportunities | 0 | 0 | | 0 | 0 | | 0 | 0 | |
| 15.Activities contributing to the environment and sustainable development (pc) | 59 | 64 | 108,47 | 0 | 0 | | 59 | 64 | 108,47 |

*Source: Closing reports of projects*

## *4.4 Evaluation of co-operation between partners*

### *4.4.1 Measures 1.1. and 1.2.*

The closing reports presented provided a summary of the experiences and mostly highlighted the kinds of activities of the partners that had to do with general administration, consultation, information and experience exchange as well as data provision. Only in the case of two projects did the applicants think, already in the implementation phase, that it was worth elaborating on the relationship that had been established with a partner. The closing report of one of these two projects, which was the only tri-lateral Romanian-Serbian-Hungarian project (triple border checkpoint), levelled criticism mainly against the Hungarian partner. The other (HURO0602/048 Mórahalom, systems of alternative energy generation) pointed out the importance of forward-looking planning based on further partnerships.

The partners all carried out their own planned tasks. The panel of judges voiced no criticism. As a result, we do not wish to offer any comments about them.

However, we should mention here that relatively few projects meant actual physical implementation and construction which concerned and directly affected the border regions themselves or the areas (counties and cities/towns) and institutions across the border.

### *4.4.2 Measures 2.1. and 2.2.*

There were both mirror and joint projects in measure 2.1; all three types were characteristic of measure 2.2. It is safe to conclude that in the case of these two measures no causal relationship could be established between the types of the projects and the depth and quality of their cross-border effect. The quality of the cross-border effect of projects depends, throughout the implementation process, on the number of foreign partners, joint activities and the users of the outputs. Due to the high proportion of the implementation costs, cross-border items in measure 2.1 had a relatively low share in the total costs. The proportion of the costs that could be linked to activities where the involvement of partners could be identified in one way or the other was 4 to 8% on average in the 5 projects. Joint actions represented a higher proportion within the measure aimed SME co-operation, due to the nature of the relationships and the activities. The results were rather heterogeneous in this case as well. On average, 35 to 40% of the total costs had been allocated to such joint actions. Cross-border impact was the weakest in the case of such mirror projects where the foreign applicant did not receive any

support. In these cases, due the lack of the foreign partner's activities, the number of the implemented joint activities was very low.

The commonest and most important areas of co-operation were as follows,

- conferences, business and partner meetings,
- project opening and project closing events,
- awarding ceremonies,
- entrepreneurial meetings,
- seminars,
- trade fairs,
- training.

Some of the joint activities (e.g. partner and entrepreneurial meetings), apart from their having been carried out, the related (e.g. per diem) costs having been reimbursed and minutes of them having been taken, yielded no practical benefits or 'tangible' results.

#### *4.4.3 Measures 2.3. and 2.4.*

Strangely enough, the evaluation of partnerships was rather similar and schematic in the vast majority of the winner applications in both calls in both border regions. Irrespective of the number of the project elements that involved co-operation with foreign partners, the closing reports of the majority of the projects voiced no criticism at all. Only a few referred to the fact that delays had hampered co-operation; however, such delays were caused mainly by circumstances of a technical nature rather than delays on the project partner's part. In one case, a favourable evaluation mentioned that smooth co-operation between the partners had led to an even more comprehensive project that had been successfully completed by the end of the timeline planned for the original project. The closing reports mentioned that communication with the (Romanian) partner ran into difficulties, which, in turn, resulted in several hitches in the implementation process. A further closing report complained about poor event attendance. As things stand, it would be hard to assess the extent to which the closing reports, which had found everything in good order and represented the majority of the reports, provided a true and fair picture of the actual situation. Therefore, we would rather not venture to offer a definitive conclusion here.

## *4.5 Dissemination, publicity*

### *4.5.1 Measures 1.1. and 1.2.*

Recent results were mainly promulgated in the local media. Coverage in the national media was less frequent. Websites, along with the links that they offered, as well as radio interviews were popular tools of raising public awareness. A presence here was relatively strong. By contrast, dissemination offering a summary of the projects in a printed form or as a CD was a rare occurrence.

### *4.5.2 Measures 2.1. and 2.2.*

The quality of the projects implemented in the interest of supporting and developing SME co-operation depends on the number of participants as well as the ensuring of access to results and information for the general public. Most project hosts are aware of the importance of the activities directly related to publicity (e.g. newspaper articles, TV appearances, press conferences, information brochures, etc.) and seem to have internalised this component as a mandatory element of the projects implemented from EU funds. In this regard, there was no difference between the individual applications. However, a vast majority of the projects only strove to inform the general public. It was rarely the case that project hosts were, already during the implementation process, paying attention to disseminating the results of the project in a wider group including other target groups. In this measure the most common forms of media presence included local and regional papers, local and regional radio and TV stations as well as press conferences. Websites were also popular tools of raising public awareness. In a few cases, media presence also included national papers, electronic circulars and information brochures. Publicity-related activities meant one public event per two month on average, which can be considered as expressly good in respect of dissemination in the narrowest sense.
In the case of projects involving construction, in addition to the above, events related to laying the foundation stone of a building, opening ceremonies, the unveiling of memorial plaques and the placement of billboards, etc. also provided for the possibility that project hosts might disseminate their objectives and results. In some cases the invitation of key public persons was meant to amplify media coverage, which, in our opinion, was a good initiative.

#### *4.5.3 Measures 2.3. and 2.4.*

An important component of cross-border projects are the frequency, quality and diversity of the media presence. Judging from the closing reports, lead partners were fully aware of this. In this respect no material difference was identified in border region, call or measure.

Media presence in local and municipal press, radio and television was common and relatively frequent in all three countries. A presence in the national press and the national electronic media was much less frequent. In contrast, websites, along with the links that they offered, were popular tools of raising public awareness. In the case of the best-documented project, media presence meant 1.5 occasions per month on average during the 24 months of its timeline, which suggests extremely well organised awareness-raising campaigns and participants with solid expertise.

## *4.6 Contract conclusion, implementation and contract modification*

#### *4.6.1 Measures 1.1. and 1.2.*

Although only two projects utilised the entire 24-month maximum timeline set in the first call for measure 1.1 (and also two projects with the most moderate terms), there were another 9 (i.e. 69%) out of the 13 winning applications where the implementation took longer than a year. The applicants who won had submitted their applications for actions with a contract term of 16 months on average. All the projects funded under measure 1.2 anticipated an implementation timeline of over 1 year, with the actual length of time amounting to 19 months on average. There were 5 applications, accounting for over one-third of all the projects, which fully utilised the 2-year contract term.

The second call set a shorter, 12-month deadline for implementation, with two projects funded under measure 1.1 and the majority (85%) of the projects in measure 1.2 were fully used up. In the latter the shortest contract term was 8 months.

Except for one application, contract conclusion suffered delays in all the remaining projects. The average length of delay was 4.3 months in measure 1.1 of call no. 501, and the shortest was 2.5 months in measure 1.2 of call no. 602. In an extreme case a whole year passed between the date of contract conclusion and the date of project commencement. In another case the execution of the contract occurred 1 month prior to the date of project commencement. Delay in contract conclusion in 25% of the cases (12 altogether) was 2 months. There was a 4-month delay in 9 and a 3-month delay in 7.

Based on the period between the date of the contract conclusion and the approval of the closing report, the above delays did not influence the implementation period of the projects. Those in charge of the projects and the authorities were able to manage these 'glitches' and make adjustments whenever the need arose.

In call 501, there were 12 modifications altogether (10 cases, 77% of all the winner projects) in measure 1.1. No project modification occurred in three cases. Two contracts had to be modified twice in both measure 1.1 and measure 1.2. In the latter changes affected only half of the projects (7).

The most frequent causes of the changes were the following:

- a change in the organisational form, name, address and the person authorised to sign, i.e. reasons of form;
- a re-allocation of the available funds between the budget lines, which suggests a problem with financial planning;
- postponement of the closing date of the projects
- correction of amount indicated on the performance certificates
- absence of minutes, attendance sheets.

The applicants were more 'disciplined' in the second call, as contract modification was only a one-off occurrence (8 cases, 40%). The reasons were identical with the ones observed in the first call. There was no significant difference between the two in this respect.

#### *4.6.2 Measures 2.1. and 2.2.*

The first call set a maximum of 24 months for the beneficiaries to realise the project ideas that received support. The implementation of all the 12 winner projects took over 1 year. The average project timeline was 20 months for measure 2.1 and 18 and for measure 2.2. 3 projects, of which 2 were implemented in measure 2.1 and 1 in measure 2.2, used the maximum length of project time. Of the 3 projects, 2 included engineering planning, public procurement and construction. 1 was a training project. The project hosts fully used the maximum permitted length of project time in all three projects. Whether project timelines were realistic cannot be judged objectively on the basis of the information sources (closing reports) available to me; therefore, I will not elaborate on this issue in my analysis. The average term of stratification of projects were 18 months.

None of the contracts was concluded as per the original schedule. The general underlying reasons for this were the protracted evaluation of the applications and a lengthy process of decision-making regarding support; They led to the application documentation having to be modified, delays in the performance of the support contract as per the call or an increase in the clerical workload on the intermediate body. Even under a best-case scenario there were 15-day delays in the implementation of the projects. There were also extreme cases where contract conclusion occurred only 4.5 months before the planned launch of the project. The average delay in contract conclusion was 2 months in the first call.

As there was not significant difference between the two measures in this respect, this phenomenon, which is independent of the form requirements of the calls, can be regarded system-specific problem area.

In the case of these two measures, delays in the execution of the support contracts did not seriously impede implementation as per schedule; nor did they, except one case, lead to contract modification due to failed deadlines or the failure of a project. This was a favourable development thanks to the expertise of the project hosts and the intermediate bodies involved in planning and implementation.

In the second call the maximum length of time for the implementation of the projects was half what it had been in the first one. The 2 winner projects funded under measure 2.1 used the maximum amount of project time. 12 months was also common in measure 2.2. One applicant planned 9 and another 10 months in the two programme components. Similar to the first call, there were delays in the execution of the support contracts in the second call as well. Fortunately, they did not hinder the implementation of the projects or led to an extension of the project period even if it had been possible. Delays in the execution of the contracts were slightly under 2 months in measure 2.1, and slightly over 2 months in measure 2.2. Thus, the 2 calls were broadly similar in this respect. At the two extremes there was one with a delay of less than 1-month and another with a delay of over 3 months. No significant difference in the execution of the support contracts was experienced in the projects of the two programme components.

Contract modification was a rare occurrence in measures 2.1 and 2.2 of the two calls. In this respect the applications appear to have been carefully prepared and well thought-out; the applicants properly managed the risks identified at the preparatory stage. Of the 5 winner applications funded under measure 2.1 in the two calls, the contract for 1 project had to be modified. The reason for the modification was a re-allocation between the budget lines. Of the

16 winner applications funded under measure 2.2, the contracts for 4 projects had to be modified.

The reason for a modification of the contracts in the case of 3 projects was a re-allocation between the budget lines, which was acceptable given the nature of the projects and the delays. A few serious problems - which were possible to resolve only through contract modification on two occasions - arose in one project. It was the risks implied in joint projects that emerged in this co-operation, and the second modification was the outcome of the first one. Due to delays in the deadlines, the originally planned costs were no longer realistic, hence the deadline modification resulted in a re-allocation between the budget lines. In the case of this project, delays in the process of public procurement under PRAG and the seasonality of tourism prevented the activities in the joint project from being carried out simultaneously and to a satisfactory extent. But thanks to the modifications, the project was successfully implemented.

In conclusion, contract modification affected 20% of the projects in measure 2.1 and 25% in measure 2.2; however, except for 1 project, the modifications were nothing out of the ordinary. There were 4 modifications in the first call and 1 in the second call. Of the projects where the contracts were modified, 2 concerned the Hungarian-Romanian programme component and 3 the Hungarian-Serbian one.

#### *4.6.3 Measures 2.3. and 2.4.*

Projects in call 501 sometimes took as much as 24 months to be implemented. The projects that took over 1 year to complete (15) accounted for almost two-thirds of all the winner applications. In the case of 3, the applicants took the entire permitted length of time to implement the projects. Overall, the projects funded under measure 2.3 took longer to complete: 4 took 12 months or less (29%) (the minimum length of completion was 11 months); there were 9 that took longer than 18 months (64%); some took as long as 21, 23 or 24 months. The maximum length of completion in measure 2.4 was 16 months. It should be added, though, that only 25% of the projects had been envisaged to be completed according to plan (the minimum length of completion was 8 months).

Contract conclusion did not occur according to the original schedule in any one of the cases. The reason for this was the protracted evaluation of the applications and the occasional re-writing of the application documents. Even under the best case scenario, the execution of a contract suffered a month’s delay in its implementation (4 cases, 18%); there were also

extremely long delays: in some cases, contracts were concluded only 4.5 or 5.5 months after the planned launch. Such delays were much too long even in the case of measures 2.3 and 2.4, which contained no construction-related components. The majority of the projects (16 or 73%) were launched with a 1.5-3-month delay relative to the original schedule. There was no actual difference between the two measures in this respect. Thus, this phenomenon can, in fact, be regarded as system specific independently of the content requirements laid down in the calls for applications.

We studied the period between the date of contract conclusion and that of the approval of the closing reports in order to gauge the amount of time that protracted contract conclusion and the difficulties that arose during the implementation phase had added to the original length of time, and in order to find out whether the original length of time had been left unaffected. Based on the information available, it seems that the time lag between the actual date of implementation and the planned schedule was negligible. A delay of over 2 months occurred in two cases, affecting the projects of both measures. The winner applicants and the teams in charge of the implementation of the projects were, as a rule, adequately prepared. They were able to manage delays. Closing reports were accepted in a timely manner.

The maximum length of time for the completion of the projects financed under call no. 602 was 12 months in accordance with the regulations on the disbursement of funds. 15 applications (52%) from the Hungarian-Romanian region planned to use the maximum length of time to implement their projects. Nearly all of the applications from the Hungarian-Serbian region (6 out of the 7, i.e. 86%) had projects planned to be implemented in 1 year. At the other extreme, there were projects contemplating less than 6 months as their completion time (14%). Of them, 1 indicated 4 months, while 2 projects stated 5 and 6 months respectively. Short-term projects were all related to measure 2.3, and, except for 1, all were from the Hungarian-Romanian border region. Except for a project lasting 9 months, winner projects all planned to utilise the maximum length of time.

Compared to the first call for applications, the practice of contract conclusion improved somewhat. The completion time was not unduly long, with the longest delay being 3.5 months (4 cases, 11%); 1 month as a deadline remained uncommon, though (2 cases, 6%). Delays in contract conclusion were 1.5 to 3 months for the majority of the applications. There was no significant difference between the Serbian and Romanian projects or measures 2.3 and 2.4 in terms of delays in contract conclusion.

Delays due to a shorter completion time and a shorter application procedure could, in principle, have caused more serious problems in the implementation stage than in call 501,

because of the limited room for manoeuvre due to the time constraints. (In fact, these projects were completed simultaneously with the projects that had planned 19 to 24 months as their completion time and were financed under call 501.) Despite all this, the time between the date of contract conclusion and that of the approval of the closing reports and the discrepancy between the original schedule and the date of the actual implementation were all reasonable for the applications financed under call 602. Even the most significant difference in time (1.5 months) was shorter than what had been experienced in call 501. This suggests more accurate and careful planning, i.e. winner applicants were able to assess the time needed for implementation better and more reliably than in call 501. Furthermore, lead project partners had factored delays in contract conclusion already in the implementation stage. The projects that had planned to use the maximum length of time, i.e. 12 months, were, for the most part, closed 0.5-1 month ahead of schedule, which was the result of excellent co-operation between lead partners and project managers.

Of the 22 winner projects in call 501, a total of 18 were modified. In the case of 8 projects (36%), no contract modification was made at all. Nevertheless, it is noteworthy that these projects were not completed any earlier than those where contract modification occurred. In four cases contracts were modified on two occasions. The main causes of contract modifications were as follows:

- a change in the organisational form, name, address and the person authorised to sign, i.e. reasons of form;
- a re-allocation of the available funds between the budget lines, which suggests a problem with financial planning;
- a change in the VAT status, i.e. interim modification of the order of financial accounting.

A relatively higher number and proportion of contract modifications were attributable to the lengthy completion of the projects. During the 1.5-2 years of implementation there were quite a large number of incidents of disproportionate spending, which was, however, easy to keep under control through the internal re-allocation of funds.

Despite a higher number of applications in response to call 602, the instances of contract modification were significantly lower. There were a total of 11 modifications for 9 applications. (The contracts for 2 projects were each modified twice.) The proportion of the applications where no contract modification occurred was 75%, twice the figure in call 501. This can be attributed mainly to more accurate planning, which was due to prior experience and shorter planned periods. The likelihood of changes for reasons of form was lower. (There

were a few cases of such, however.) The main causes of contract modifications in call 602 were as follows:

- a change in the organisational form, name, address and the person authorised to sign, i.e. reasons of form;
- a change in the organisational form, name, address and the person authorised to sign, i.e. reasons of form (6 out of the 9 instances of modification);
- a modification of the deadline, i.e. re-scheduling;
- a change in the content of dissemination, i.e. partial modification of result indicators;
- a change in the content of the project closing document in response to requests for modification voiced in the approval process.

It should be noted that no contract modification occurred in connection with the winner applications funded under measure 2.4 or the Hungarian-Serbian projects financed under measure 2.3. As a result, only contracts for the Hungarian-Romanian projects financed under measure 2.3 needed to be modified. This accounted for nearly 35% of all the projects. Reflecting obvious progress in planning and execution, this proportion is far better than that for call 501.

## *4.7 Recommendations for future applications*

### *4.7.1 Measures 1.1. and 1.2.*

All the applicants were experts with proven track records and employees of institutions of water management and environment protection. They acted as project managers. Over the past few years, the institutions for which they work have managed to secure EU funds for developments related to water management and environment protection. Projects aimed at water management have sought to find permanent solutions to problems relating to waters and water management in the border region.

The results signify a change for the better in the modernisation and cross-border alignment of the systems of flood prevention and control.

The greatest achievement of the winning applications and also a key purpose of the EU will be, provided that the projects are implemented and the activities commenced are continued, the evolvement of relationships of merit between experts, civilians and small and medium-sized businesses. If the projects completed by the beneficiaries are sustained, they will give rise to effect-outcome relationships of various types and degree.

The relationship between three completed projects illustrates the various degrees of success of this application scheme.

For all applications that involve capital investment, on-going discussions with experts from the neighbouring countries should be made an integral part of the preparatory phase of the projects.

Calls for applications should be more specific for activities related to flood prevention and surface water regulation in order for duplications to be prevented. As regards environment protection, only applicants able to offer solutions to real cross-border environmental problems should be granted support: water pollution on one side of the border should not lead to pollution on the other side (e.g. an opportunity for submitting applications aimed at pollution remedy should be provided) (- there was 1 such application); pollution from dumps on one side of the border should not be allowed to pollute surface waters on the other side (e.g. an opportunity for submitting applications aimed at eliminating the impact of the pollution should be provided); if the eco-system along the border needs to be protected, a scheme should be implemented on the basis of projects and programmes worked out by a panel of experts, i.e. an opportunity that permits panels to submit applications should be provided.

The management of nature protection areas should also be carried out by means of aligned programmes. In this case as well, panels of experts, especially if they are from the EU, should be allowed to submit applications for these programmes.

The supported project in Interreg program must be concentrate only on solving existing cross-border problems in the area of environmental protection:

- The application of eliminating spoiling effects (e.g. in a border river) should be supported (there was one project in the 2004-2006 period),
- We have to investigate the potential cross-border spoiling processes (e.g. the spoiled ground water under a newly founded wasteyard should have a danger for the border zone in the partner country), it is important to support that actions, which concentrate on eliminating the negative effects,
- If there is a need for improving the quality of eco-systems in the border zone, it should be more effective to organize by a common workgroup of professionals. In this case the mirror project applications should be give the preference,
- The management of environmentally protected areas must be involve in the base of common (joint) projects, and the lead partners should be common expert groups.

- Planning and building regional wasteyards and disposals (3R) after the Hungarian membership in Schengen Treaty – particularly in Hungarian-Romanian relation – should be apply in joint projects,
- Using solar-energy source as CBC project has no cross-border effects, so these kind of applications must be refuse in the next programs,
- The implication of flood-prevention monitoring system in the Hungarian-Serbian border zone (Danube) must be preferable, as an important element of harmonisation infrastructural networks, forecasting the hydrological indexes of the river, and improving the safety of both river catchment basin.

### *4.7.2 Measures 2.1. and 2.2.*

The objectives set forth in the programme documents were in line with the implemented projects. The applicants used their experience concerning previous cross-border programmes and incorporated it, in the course of a new type of co-operation, into the preparation and implementation of the projects appropriately. A change for the better is that, in the course of their project activity, applicants paid more attention to and proceeded with higher care in ensuring publicity and, subject to the nature of the project, liaising with partners than they had done before. As regards cross-border effects, the picture is rather mixed in the two measures. Some projects were based on genuine co-operation and were implemented in order for actual cross-border needs and demand to be met. Others could easily have been financed within the framework of operational programmes. With the experience concerning the 2004-2006 programming period borne in mind, closer attention will have to be paid to this issue, especially in the light of the fact that the number of future applications is likely to exceed set quotas. This may help avoid the rejection of applications offering solutions to genuine problems for reasons of lack of funds. Local needs will have to be assessed more thoroughly when evaluating project proposals because the border section, due to its length, is rather complex economically, socially, infrastructurally and environmentally. What can be solved through cross-border co-operation in Hajdú-Bihar County may not work in Csongrád County.
As regards financial planning, applicants will have to pay special attention to factoring inflation developments between the planning and the implementation period in their draft budget. Clear explanation will have to be provided why the individual budget items differ from the prevailing prices, whereby the emergence of risks implied in fund re-allocation and support contract modifications can be avoided. Such explanation should also serve as a source

of information for the panel of judges, as realistic financial planning will remain one of the evaluation criteria.

Sustainability criteria should be more emphatically presented already in the calls for applications. The closing reports of some of the 21 winner projects in the 2 measures did not reveal the steps that the project hosts wished to take or the resources that they wished to use in order to sustain project results. Indicators cannot always describe this appropriately, therefore, we recommend certain changes in this area.

The cross-border effects of the projects form the basis of their uniqueness. Therefore, both intermediate bodies and project hosts will have to bear this fact in mind during both the implementation and the follow-up period. One of the most effective tools for controlling the sustainability of this kind of relationship is holding the beneficiaries accountable for the direct and indirect effects as well as long-term cross-border consequences of the projects.

#### *4.7.3 Measures 2.3. and 2.4.*

As regards calls for applications in measures 2.3. and 2.4., the most important step forward might be if uniform calls for applications were applied to both border regions (i.e. the Hungarian-Romanian and the Romanian-Serbian border regions), which are, in effect, treated jointly. More importantly, and this is something that Romania's EU membership also justifies, in the Hungarian-Romanian border region, where cross-border implications would materialise automatically from the very first stage of the working-out of the applications, individual projects should be replaced with joint and mirror projects. The rationale for this is that both the Hungarian and the Romanian governments rely on the EU's Interreg budget to finance the EU component of the applications from the border region, i.e. the method of financial settlement is completely identical in the two countries. (In the past difficulties concerning financial settlement between the PHARE-CBC and the Interreg funds used to be the source of serious problems.)

The adoption of a 'quasi-two round' application procedure seems to be a change for the better. The pre-qualification and ranking of projects, i.e. the evaluation of 4-page abstracts, subsequent to the identification of those applications that did not qualify for reasons of form, seems to work. This practice is more reasonable and less exacting for the panel, as they have less material to study, enabling them to focus more on content elements. Furthermore, it also speeds up the evaluation process, which is important for the applicants.

It is equally important that the current organisational diversity should remain the way it is now. Experience concerning call 2 has been expressly favourable in the Hungarian-Romanian border region. As regards the call for applications from the Hungarian-Serbian border region, given that available funds are rather limited, the number of winner applicants is so low that no real breakthrough can be expected here.

It is worth noting that despite long years of experience concerning announcing calls for applications/participation in calls (e.g. in the case of Pre-Accession Funds seven years ago), there were significant delays in contract conclusion. This practice should be discontinued and, as a first step, the intervening time between the planned launch dates of projects (which, by the way, applicants plan on the basis of calls for applications) and those of contract conclusion should be shortened. Applicants seem to be able to manage delays; however, especially in the case of applications that have to undergo a public procurement procedure (e.g. there were a few funded under measures 2.3 and 2.4, due to high-value procurements), a good timing assessment is crucial for winner project hosts. A further reduction in the lead-time to 1 month at most would be particularly welcome in the case of call no. 602. If such changes could be made, the drawing down of funds would also be swifter, which is vital to all applicants, given the pre-financed nature of the calls for applications.

The management of contract modifications was smooth. Unfortunately, changes of a technical nature will remain unavoidable; nevertheless, in the case of re-allocation between budget lines more accurate financial planning will be imperative. Budget lines can be more accurately planned through requesting indicative price offers for the goods to be procured. As regards staff costs, we do not anticipate any further clarification of the amount of work to be performed, or, in the case of certain events, any preliminary estimation of the number of attendees or the implied costs. Efforts must be made to reduce the instances of contract modification due to deadline modifications to a bare minimum. Likewise, modifications attributable to ad hoc changes in the content of projects should be discouraged (e.g. changes in the content of dissemination or the list of result and output indicators, and changes in the content of the closing documents).

The fact that the utilisation of EU funds exceeded 90% is a favourable development. An issue of overriding importance is that, based on experiences concerning projects with a relatively low utilisation rate of EU funds (which is definitely ‘worst’ rather than ‘best’ practice), common mistakes should be eliminated or at least their impact should be reduced before the process of implementation. Applicants used their own funds quite reasonably, using the classic mini-max model (i.e. getting maximum benefit with minimum expenses) (in our case

maximum benefit means the activity performed with the financial support drawn down). Given the applicants' financing capabilities, this attitude will also prevail in future applications.

It would be a welcome development if the shift that had occurred in the geographical locations of the lead and project partners prior to the announcement of call 602 persisted. The spatial distribution of winner applications should be wider, especially for measure 2.3, where the number of winner applications was much higher, and higher education and research kept a low profile. As regards measure 2.4, the concentration of the spatial structure of higher education and the R&D sector is so high that any real regional diffusion is a tall order. As regards spatial relations, the 'close neighbourhood' framework should be replaced with actions affecting larger areas in both the Hungarian-Romanian and Hungarian-Serbian co-operative ventures. Furthermore, partnerships should be established on the basis of a wider circle of prospective partners. Co-operation should not be limited to communities in neighbouring counties. Partners in more remote areas are also worth involving, as was attested by the Hungarian-Romanian applications submitted to call 501. The activity of larger consortia with multiple participants should also be encouraged even if this places a higher workload on lead partners in terms of co-ordination.

An important lesson learnt here is that applicants seem to consistently fail to keep the various indicator types separate. Training aimed at clarification should be organised at the small regional level. Offering a large number of examples, such training should concentrate on presenting best practice and clarifying the difference between output- and result-type indicators. No misunderstanding was identified regarding the difference between target and actual values. Unless the above markedly affects the implementation of a project, i.e. from a financial or content point of view, this issue is of lesser importance.

What *is* of importance is that an analysis of the viability or otherwise of partnerships be included in closing reports. This and an in-depth analysis of cross-border impact mechanisms should be the two key components of projects. Usually, several issues of lesser importance are addressed in much greater detail. This is, in part, why clichés and platitudes concerning partnership and cross-border effects are rife in applications. While not interfering with the approval of closing reports, they hardly provide any substantial guidance for future proposals and recommendations.

The dissemination of the individual projects was truly successful. In this area reinforcing achievements and existing best practices may offer some food for thought to prospective applicants.

What is likely to give rise to concerns, however, is the way sustainability is perceived. Taken overall, the closing reports do not provide a satisfactory background to the resolution of this issue. Only the ongoing monitoring of annual follow-up reports is likely to help us reach a more or less definitive agreement on the sustainability of projects.

# 5 Detailed analysis

## *5.1 Experiences gained from the call for application stage*

The extent to which applications exceeded the set quota and the strong demand for the programme were reflected in the fact that, on average, the number of the applications was over six times the permitted quota in the 6 measures. The extent to which applications exceeded the set quota was the largest in measures entitled 'Support for co-operations between SME's' and 'Promotion of research and the development of technologies and human resources'. Such a high number of applications carries the risk that project ideas that have a high added value, are sustainable in the long run and have a strong dissemination capability may also be rejected for reasons of lack of funds. As the level of economic development is different in the programme areas of the three countries, the number of supported areas cannot be reduced. So a larger budget could be the answer to the problem.

One of the obstacles to the successful preparation (and the subsequent implementation) of the projects requesting Interreg financing was the difference in the EU status of the participating countries programme. Hungary participated as a member state, Romania as an acceding country and the Federation of Serbia and Montenegro as a candidate country in the Interreg IIIA programme. This meant that Hungary was eligible for ERFA available for member states, Romania for Phare CBC and the Federation of Serbia and Montenegro for the CARDS funds during the implementation of the projects. Differences in the legislation regulating the use of these funds ruled out integrated, efficient, flexible and fast implementation. Differences between the financial systems of the three countries posed a challenge mainly to the programme managers of the intermediate bodies, requiring knowledge and expertise that was different from what had been usual up until then.

Another major obstacle was a strong intention on the part of the two neighbouring countries to establish a separate nation state, an endeavour sharing the same roots, which clearly impeded their seminal participation in regional co-operation. The central governments of these countries should help transform the intention of establishing a nation state into one aimed primarily at regional and sectoral development that transcends national borders.

### *5.1.1 Allocation and distribution of funds*

Due to the high number of applications in the two calls, a financial commitment to the implementation of the projects was made in an amount that exceeded the budgets in the original calls. Funds had to be re-allocated between the programme components of the measures (but exclusively within the individual priorities), because of the size and distribution of the requested financial support relative to what had been planned.

As regards the allocation of funds at a programme level, financial commitment to the implementation of the projects in an amount that exceeded the budgets in the original calls (and even the modified ones) was made in respect of the following 'Management of shared challenges posed by environment protection and the prevention of floods' (1.2), 'Support for co-operations between SME's' (2.2) and 'Support for co-operations between institutions and communities' (2.3). Differences between the planned and the contracted amounts of support were significant especially in measure 2.3 (50%). It was in these measures for both programme components that the difference between planned and actual financial commitments was the greatest. Differences between planned and actual figures can be identified in the case of one measure. The Hungarian-Romanian programme component did not fully utilise the amount made available in measure 2.1 called 'The development of business infrastructure and shared business services'. By contrast, the Hungarian-Serbian programme component overran the budget by nearly 40%.

It is striking that the amount of funds available for the measure called 'Improvement of infrastructure in the border region' was not used to the full in either of the programme components.

Measure 2.1 showed the worst plan-fact indicator at a programme level, which is ascribable to the fact that none of the applications of the Hungarian-Romanian programme were granted support in this measure in call 602. Measure 1.1 showed the second worst indicator. Relative to what had been planned, measure 2.3 received the highest amount of extra funds. Measure 2.4 of the Hungarian-Serbian programme ('Promoting co-operation in the area of R&D and human resources') came the closest to planned figures (99.8%). As regards the programme components, the largest difference materialised in the utilisation ratio. Departure from the plan was the largest in measure 2.3 for the Hungarian-Romanian programme and measure 1.2 for the Hungarian-Serbian programme.

During 2004-2006, of the EUR 31,002,837 earmarked from ERFA funds for support under the Interreg IIIA programme, the Hungarian-Romanian programme component and the

Hungarian-Serbian one utilised EUR 20,641,110 (66.5%) and EUR 10,361,727 (33.5%) respectively.

There were 89 winner applications in the 'Hungary-Romania Cross-Border Co-operation Programme'. The funds were evenly distributed between the two calls, despite the fact that a financial commitment of up to 75% of the funds available for the 2004-2006 period had already been made in the first call. With measures 1.1 and 2.3, there was a striking difference between the two calls in terms of the number of winner projects. Still, no significant difference was identified in the rest of the measures. Against this background, at the programme level, the number of winner applications was by far the highest in the measure aimed at co-operation between institutions and communities. At the other extreme, only one project was implemented in the measure called 'Improvement of infrastructure in the border region'. Two-thirds of the annual budget earmarked for co-operation in the border region was spent on the two measures of priority 1., 1.1. and 1.2.. Within these, available funds were almost evenly distributed between the two measures (see the figures below). Hardly a quarter of the budget available for development had been left for priority 2 (in the given year or two years), and even within this modest budget only a smaller amount was spent on encouraging co-operation between SME's (less than 4% of the total budget). A total of 39 projects received support under the Hungary-Serbia and Montenegro Neighbourhood Programme. Despite the fact that a financial commitment of up to 75% of the funds available for the 2004-2006 period had been made already in the first call, the number of the projects that received support was higher in call 602. This was partly attributable to the fact that while utilisation ratio of measure 1.1, which had the largest budget, was 40% in call 602, no project received support under this measure in call 603.

Similar to the Hungarian-Romanian programme, 72% of the budget earmarked each for the two calls was allocated to the two measures of priority 1; by contrast, promoting co-operation between SME's was given the lowest amount of support (measure 2.2: 3.41%).

## *5.2 Intensity of participation in projects*

### *5.2.1 Measures 1.1. and 1.2.*

The 49 winner projects of the 161 applications in Priority 1 account for nearly one-third (or 30.43%) of the applications submitted to the Hungary-Romania and Hungary-Serbia and Montenegro Cross-Border Co-operation Programmes between 2004 and 2006. Of the winner projects, 15 (31%) were intended to improve cross-border infrastructure (measure 1.1) and 34 (69%) for the management of common challenges in environment protection and flood prevention (1.2). A peculiar feature of the second call was the simultaneous presence of the highest and the lowest number of winner applications, the former being in measure 1.2 (35.9%) and the latter being in measure 1.2 (13.33%). The number of winning applications was broadly similar in both calls (22 and 27 respectively).

Most of the winner projects were mirror ones (30); the next most common type was individual projects (16); the number of joint projects was significantly lower (3).

According to the types of beneficiaries, nearly half of the winning applicants were local councils (county councils and municipalities) and associations of small regions. They submitted a total of 16 projects, which meant one-third of all the projects submitted, and received nearly half of the total amount of funds (HUF 2.5 billion). The other half of the winning applicants included other types of community organisations (e.g. foundations, associations and non-profit companies) and state organisations and the institutions operated by them (e.g. KÖRVIZIG's (~ Körös Valley waterworks directorates), national parks (NP's) and a rapid response directorate). Although the former had twice as many winner projects (22) as the latter (11), they received less support (24%) than other organisations (33%).

There were 4 separate winner projects funded under measure 1.1 of call no. 501. Winners included one municipality and one county council, one association of small regions and one non-profit company. The remaining 9 projects, receiving an almost identical amount of financial support, were mirror projects. The dominance of local councils was unmistakeable in this call as well. The average amount of financial support was HUF 305 million (with HUF 550 million as the highest and HUF 15 million as the lowest amount). Like 1.1, measure 1.2 also funded 4 individual projects (with one-third of the funds allocated to them) and 9 mirror ones (drawing two-thirds of the committed funds). The average amount of financial support was HUF 134, with mostly KÖRVIZIG's as beneficiaries.

The winning applicants in measure 1.1 of call no. 602 were two community organisations (one association and one non-profit organisation), submitting a mirror project each. The support received amounted to HUF 35 million (based on the datasheet of one of the two projects). Two-thirds (or 64%) of the over HUF 1 billion support earmarked for measure 1.2 was granted to individual projects mainly submitted by state organisations and a few institutions that they operate, with average support amounting to HUF 58 million. On the Hungarian side, the winning applicants of joint projects were two local councils and one non-profit organisation. A quarter of the financial support went to 6 mirror projects, in a balanced institutional breakdown.

Overall, interest in environment protection and flood prevention was much more intense in call no. 602. As a result, there was a higher number of winning applications, especially among the ones submitted by environmental protection and waterworks directorates. Nevertheless, the mean average amount of financial support was half of that made available for call 501 (in call no. 501 the average amount of support was HUF 138 million, compared to an average of HUF 62 million in call no. 602).

#### *5.2.2 Measures 2.1. and 2.2.*

There were 3 winner projects in measure 2.1 of call no. 501, of which 2 were implemented in the Hungarian-Serbian component and 1 in the Hungarian-Romanian programme component. According to the types of projects, there were 2 mirror projects and 1 joint one. The total amount of support allocated to the 3 applications accounted for 9.83% of the budget for the first round (EUR 23,346,160), 5.04% of which was spent on the incubation centre established in the Hungarian-Romanian component and 4.8% on promoting the economic co-operation created by the local councils (Mórahalom, Röszke) in the Hungarian-Serbian border region. 9 applications received support in measure 2.2, of which 6 were implemented in the Hungarian-Romanian co-operation and 3 in the Hungarian-Serbian co-operation. Based on the project type, there were 2 joint, 3 mirror and 4 independent projects which received support. The total amount of support allocated to the 3 applications accounted for 3.22% of the budget for the first round, 2.33% of which was spent on the Hungarian-Romanian programme and 0.89% on the Hungarian-Serbian one.

In the first call 7 applications received support in two measures for the Hungarian-Romanian programme. 1 funded project was for the development of business infrastructure and joint business services, and 6 funded projects were for the promotion of co-operation between

SME's. The amount of funds allocated to the 7 projects accounted for 11% of the budget (measure 2.1: 7.65%, 2.2: 3.53%). Based on the project type, there was 1 mirror project in measure 2.1 and 3 mirror projects and 3 independent projects in measure 2.2 (no joint project could be implemented in this border region). A foundation for economic development implemented the mirror project intended for the development of business infrastructure and business services, together with a local foundation for economic development under a partnership scheme. The foreign partner was a civil organisation representing local entrepreneurs. Within the framework of the project was an incubator house, the most common tool for economic development and revitalisation. The beneficiaries of the winner projects for promoting co-operation between SME's included chambers of trade, active organisations of the Euroregion, foundations for economic development and development agencies. As a rule, foreign partners also fell into the above categories.

In the first call, there were 5 winner applications in the Hungarian-Serbian programme: 2 in measure 2.1 and 3 in measure 2.2. 17% of all the funds made available for this programme component in the call was spent on these two measures in a distribution of 14% and 3%, respectively. The average amount of financial support allocated to measure 2.1 was approximately EUR 560,000, compared to the total EUR 2 million available for support. The average amount of financial support allocated to measure 2.2 was approximately EUR 70,000, relative to the total limit of EUR 0.5 million. Both beneficiaries of the winner projects in measure 2.1 were local councils, which implemented a mirror and a joint project. The mirror project was implemented by the main beneficiary local council under a broad-based partnership scheme in such a way that several councils of cities and townships in Hungary and Vojvodina were involved. The foreign partner in the joint project was also the local council of a township. The average budget in the Romanian programme was higher in both measures: in the case of measure 2.1 it was twice the amount. There were 2 joint winners and 1 individual project in measure 2.2. All three project hosts were a public benefit company with a partner organisation that had a similar profile. One of the applicants worked under a partnership scheme with a trade organisation and the Executive Council of the Autonomous Province of Vojvodina.

The amount of support was lower in the second call; accordingly, the number of supported applications was also lower. In line with more modest budgets, the amounts allocated to the projects were also lower.

No application received support in measure 2.1 of the second call in the Hungarian-Romanian programme. There were only four in measure 2.2. The budget available for supporting SME

co-operation accounted for 4.5% of the total amount of the financial support. Winner projects included 3 mirror projects and 1 independent project. 2 of the project hosts had already implemented projects in the first call. Winner applicants included two foundations for economic development and two chambers. In the second call 5 projects for better business co-operation received support in the Hungarian-Serbian programme, to an extent identical to that in the first call. 16% of the budget available in the second call was allocated to measure 2.1, and 6% in measure 2.2. One participant received support in both calls, while the rest had never participated in any call before. In measure 2.1 both projects were mirror projects; in 2.2 there were 2 joint projects and 1 independent project. Quite similar to the first call, mirror projects for the development of business infrastructure and services were implemented by the local councils in the border regions, with local councils in Vojvodina as their partners in the applications. Promoting SME co-operation was the goal of applications from public benefit companies (NGOs) in the second call as well. One of the winner applicants had already received support in the first call. The other winner only featured as a partner receiving support in the first call, while it became an LP in the second one. The third project host had never participated in any call before.

Overall, there were 5 winner projects financed under measure 2.1 for the development of business infrastructure and joint business services, 4 of which were implemented in the Hungarian-Serbian programme component and 1 in the Hungarian-Romanian one. Based on the winner project type, there were 4 mirror projects and 1 joint one. Within the framework of the support, the 5 winner projects received 8.61% of the total amount of financial support, of which 3.79% was financed from INTERREG IIIA - PHARE CBC funds and 4.81% from INTERREG IIIA – CARDS funds. Relative to the proposed allocation of funds set forth in the programme documents, the measure used a lower amount of support (78.3% of the modified amount). Considering the two programme components, this is the only measure that displayed the largest difference. While 140% of the planned amount was awarded in the case of the Hungarian-Serbian component, it was barely 50% in the Hungarian-Romanian programme. All the project hosts were local councils in the Hungarian-Serbian border region.

There were 16 winner applications funded under measure 2.2 for promoting better SME co-operation, of which 6 were implemented in the Hungarian-Serbian programme component and 10 in the Hungarian-Romanian one. Based on project type, winner projects included 4 joint, 6 mirror and 6 independent projects. Within the framework of the support, the 16 winner projects received 3.67% of the total amount of the financial support, of which 2.54% was financed from INTERREG IIIA - PHARE CBC funds and 1.13% from INTERREG IIIA

– CARDS funds. Relative to the proposed allocation of funds set forth in the programme documents, the measure used a higher amount of support (109% of the modified amount). Both programme components overran the planned budget to a roughly similar extent (Hungarian-Serbian: 107%; Hungarian-Romanian: 110%). Broadly speaking, project hosts were foundations for business development, chambers of trade and civil organisations for economic and area development.

### *5.2.3 Measures 2.3. and 2.4.*

Regarding the call for application no. 501, there were a total of 17 successful applications from the Hungarian-Romanian border region. Of them, 12 related to measure 2.3 (community building, educational and cultural co-operation), and 5 to measure 2.4 (academic and R&D projects). As Romania was already a candidate country at the time, it was also eligible for support from the PHARE-CBC funds earmarked by the EU for strengthening cross-border co-operation. A special feature of the composition of the applicant types for measure 2.3 was that local and regional governments and the institutions operated by them as well as regional development organisations (e.g. regional development agencies, development councils) accounted for half of all the applications, leaving rather limited room for manoeuvre for community and social organisations or bodies of interest representation. In the Hungarian-Romanian relation there was no possibility to organise joint projects even in the first call (501), instead of the situation in Serbia-Montenegro cross-border co-operation at that period.
Regarding the call for application no. 501, Hungary's partner was the Federation of Serbia and Montenegro, which broke up on 1 January in 2006 as a result of a referendum in Crna Gora. The number of the successful applications from this border region was much lower (5); of them, only 2 related to measures 2.3 and 3 to measure 2.4. In order to supplement Hungary's Interreg funds, Serbia and Montenegro had to rely on the more modest CARDS funds, which the EU had set aside expressly for Serbia in order to finance cross-border projects. (It should be noted that, relying on CARDS funds, the Federation of Serbia and Montenegro itself also announced calls for applications. The number of successful applications affecting the Hungarian section of the border was 12; 75% of which related to measure 2.3.) The two winners of measure 2.3 implemented a joint project, whereas the 3 winners in measure 2.4 implemented 1 joint, 1 mirror and 1 individual project. (By comparison, the 9 winners financed from the CARDS funds implemented 6 mirror projects, 2 joint projects and 1 individual project in measure 2.3; as regards measure 2.4, 2 mirror projects and 1 individual project were launched in 2006.) Given the limited number of

Hungarian applications from the Serbian border region, the number of successful Hungarian applicants was equally limited. One local council and one regional development agency were granted financial support under measure 2.3, and two institutions of higher education and a local council-run institution under measurement 2.4.

Call for applications no. 602 differed from call 501 in terms of its technical arrangements, and also because measure 2.3 had been divided into two parts. One was for actions expressly for the purposes of community development, while the other was aimed at applications striving to improve other social (and economic) co-operation.

As for the Hungarian-Romanian border region, there was a significant increase in the number of winner projects (from 17 to 29), with a relatively marked rise in the number of mirror projects (14). It should be noted that there were practically no joint projects, similarly the first round, accordingly, projects with national participants accounted for over half of the total number of projects. The amounts awarded roughly reflect the above proportions: 52% of the total amount of the funds financed individual projects. Interest in the call for applications for community development (2.3a) was the most intense, with the total number of winner applications amounting to 17. The average project budget was close to HUF 10 million. The budget of mirror projects at HUF 9.2 million slightly lagged behind, while individual projects were awarded the highest amount of support (HUF 10.3 million). The majority of the applications were submitted by local councils and the institutions run by them (8 applications) and community organisations (7 applications). Winner applicants also included interest representation bodies and trade organisations, but in a lower number. 9 projects received support under measure 2.3b. As the funds earmarked for this measure were essentially the same as those allocated to 2.3a, the average budget of the projects under 2.3b was twice that of 2.3a. In contrast to measure 2.3a, there was no difference between the average budget of the mirror projects and that of the individual ones. One-eighth of the funds were allocated to measure 2.4, with the remaining amount of financing divided between the two parts of measure 2.3.

The low number of winner applicants did not affect organisational diversity. State organisations were rather active (33%); several applications submitted by community organisations were equally successful (33%). Local councils, universities and regional development agencies were also among the winners. There were three winner projects funded under measure 2.4, of which 3 projects (two mirror projects and one individual project) were in call no. 602. The average budget of the projects financed under measure 2.4 (HUF 16.2

million) was similar to that of the winner projects funded under measures 2.3a and 2.3b. Winners in measure 2.4 were all from the higher education and research spheres.

In the call for applications that had, in the meantime, been transformed into a Hungarian-Serbian project, we managed to identify 8 winner applications, 4 of which received support for project implementation from both Hungary's Interreg funds and the CARDS funds. (It should be noted that 4 applications were put on a reserve list during the evaluation of the applications under measure 2.3.) Compared to the nearly HUF 400 million available for the Romanian border region, HUF 70 million for the Serbian border region is modest even if we know that it was supplemented with EUR 800 thousand (approx. HUF 200 million) from CARDS funds for the Serbian participants. The average budget of the projects (HUF 8.8 million) was somewhat lower than the average project budget typical of the Hungarian-Romanian region; nevertheless, the allocation of funds to the measures was roughly balanced in terms of the budget of the projects. In contrast to the allocation typical of the Hungarian-Romanian region, 37% of the funds available for Serbia were spent on higher education and research, approximately 50% on community building and the remaining 13% on other social programmes.

4 projects received financing under measure 2.3a, of which 3 were joint projects and one mirror project; the only winner application financed under 2.3b was categorised as a joint project. 3 projects were launched under measure 2.4 following the evaluation of the applications; of them, 1 was a joint project and 2 mirror ones. (We should remark that in Serbia, relying on the CARDS funds, 4 projects were launched under measure 2.3a, 2 under 2.3b and 6 under 2.4.) As a characteristic of Hungarian-Serbian applications, 1 project was launched under measure 2.3a, 1 under measure 2.3b and applications funded under measure 2.4 received joint financing. Given the low number of the applications, there is little point in analysing the distribution of the applicants. Overall, local councils and the institutions run by them, institutions of higher education as well as R&D organisations were more interested in development funds than state and community organisations and regional development agencies. (That local councils were more active is substantiated by the fact that the 4 projects included in the reserve list were all submitted from this sphere.)

Overall, the two calls for applications taken together, measure 2.3 was characterised by the dominance of local councils and the institutions run by them (31% or, if the applications put on reserve lists are included, 36%). Development agencies were also active (13%). In line with the objectives set in measure 2.4, most of the winner applicants (59%) were institutions of higher education and R&D organisations.

***The application activity***

***in Hungary - Romania and Hungary - Serbia and Crna Gora Cross-Border Co-operation Program 2004-2006***

| Program | Priority/ Measure | Hungary - Romania and Hungary - Serbia and Crna Gora Cross-Border Co-operation Program 2004-2006 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1. Call | | | 2. Call | | | 2004-2006. Together | | |
| | | applicants (db) | projects (db) | Rate (%) | applicants (db) | projects (db) | Rate (%) | applicants (db) | projects (db) | Rate (%) |
| **HU-RO-SER** | | **346** | **61** | **17,63%** | **281** | **67** | **23,84%** | **627** | **128** | **20,41%** |
| **1. Strengthening the spatial, physical and infrastructural integrity of the cross-border area** | | **89** | **27** | **30,34%** | **72** | **22** | **30,56%** | **161** | **49** | **30,43%** |
| | 1.1. Improving cross-border infrastructure | 42 | 13 | 30,95% | 15 | 2 | 13,33% | 57 | 15 | 26,32% |
| | 1.2. Addressing common challenges in the field of environmental protection and flood prevention | 47 | 14 | 29,79% | 57 | 20 | 35,09% | 104 | 34 | 32,69% |
| **2. Promotion of co-operation initiatives in order to facilitate the integration of markets and enhance coherence between local societies** | | **257** | **34** | **13,23%** | **209** | **45** | **21,53%** | **466** | **79** | **16,95%** |
| | 2.1. Development of business infrastructure and joint business services | 33 | 3 | 9,09% | 21 | 2 | 9,52% | 54 | 5 | 9,26% |
| | 2.2. Support co-operation of enterprises | 44 | 9 | 20,45% | 41 | 7 | 17,07% | 85 | 16 | 18,82% |
| | 2.3. Encourage cooperation between institutions and communities | 124 | 14 | 11,29% | 113 | 30 | 26,55% | 237 | 44 | 18,57% |
| | 2.4. Promotion of co-operation in the field of RTD and human resource development | 56 | 8 | 14,29% | 34 | 6 | 17,65% | 90 | 14 | 15,56% |

*Source: HU-RO-SCG/SER Program Document*

***The allocation and re-allocation of development sources in the 2004-2006 period***

| | ***HU-RO program-component (68,63%)*** | | | | |
|---|---|---|---|---|---|
| Measure | a. PC original | b. re-allokation | c. Support | % (c/a) | % (c/b) |
| 1.1. | 7 558 527 | 8 466 646 | 7 433 159 | 98,34 | 87,79 |
| 1.2. | 7 558 527 | 6 650 408 | 8 195 226 | 108,42 | 123,23 |
| 2.1. | 2 208 405 | 2 340 356 | 1 175 899 | 53,25 | 50,24 |
| 2.2. | 788 716 | 716 402 | 787 179 | 99,81 | 109,88 |
| 2.3. | 1 314 527 | 1 341 823 | 2 244 267 | 170,73 | 167,26 |
| 2.4. | 946 459 | 859 526 | 805 379 | 85,09 | 93,70 |
| Together: | 20 375 161 | 20 375 161 | 20 641 111 | 101,31 | 101,31 |

| | ***HU-SER program-component (31,37%)*** | | | | |
|---|---|---|---|---|---|
| Measure | a. PC original | b. re-allokation | c. Support | % (c/a) | % (c/b) |
| 1.1. | 3 454 918 | 3 870 009 | 3 110 337 | 90,03 | 80,37 |
| 1.2. | 3 454 918 | 3 039 826 | 4 314 254 | 124,87 | 141,92 |
| 2.1. | 1 009 437 | 1 069 751 | 1 494 111 | 148,01 | 139,67 |
| 2.2. | 360 513 | 327 459 | 351 449 | 97,49 | 107,33 |
| 2.3. | 600 855 | 613 332 | 699 495 | 116,42 | 114,05 |
| 2.4. | 432 616 | 392 880 | 392 081 | 90,63 | 99,80 |
| Together: | 9 313 257 | 9 313 257 | 10 361 727 | 111,26 | 111,26 |

| | HU-RO-SER Program alltogether | | | | | | |
|---|---|---|---|---|---|---|---|
| Measure | a. PC original | b. re-allokation | c. Support | % (c/a) | % (c/b) | PC in % | Modified budget in % |
| 1.1. | 11 013 445 | 12 336 655 | 10 543 497 | 95,73 | 85,46 | 37,10 | 34,01 |
| 1.2. | 11 013 445 | 9 690 234 | 12 509 480 | 113,58 | 129,09 | 37,10 | 40,35 |
| 2.1. | 3 217 842 | 3 410 107 | 2 670 010 | 82,98 | 78,30 | 10,84 | 8,61 |
| 2.2. | 1 149 229 | 1 043 861 | 1 138 628 | 99,08 | 109,08 | 3,87 | 3,67 |
| 2.3. | 1 915 382 | 1 955 155 | 2 943 762 | 153,69 | 150,56 | 6,45 | 9,50 |
| 2.4. | 1 379 075 | 1 252 406 | 1 197 461 | 86,83 | 95,61 | 4,65 | 3,86 |
| Together: | 29 688 418 | 29 688 418 | 31 002 838 | 104,43 | 104,43 | 100,00 | 100,00 |

*Source: HU-RO-SCG/SER Program Document*

Notes:

a.) PC = Program-Complement Document – it contains the indicative source allocation among measures and priorities

b.) Re-allocation: between the two application terms certain sources were re-allocated. These differences were used in PC.

c.) Support: the wined support in the certain measure.

### *The distribution of sources by measures and programmes*

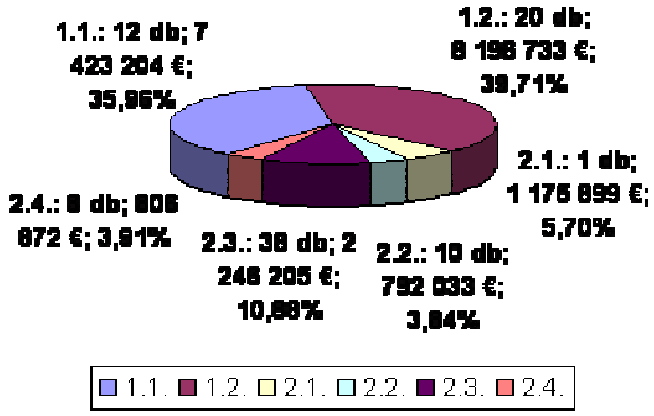
| INTERREG IIIA - PHARE CBC Hungary - Romania Cross-Border Co-operation Program 2004-2006 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *HU-RO-SCG/05/01* | | | *HU-RO-SER/06/02* | | | *INTERREG 2004-2006* | | |
| Measure | Db | HUF | EUR | Db | HUF | EUR | Db | HUF | EUR |
| 1.1. | 10 | 1 816 632 805 | 7 208 860 | 2 | 56 523 357 | 224 299 | 12 | 1 873 156 162 | 7 433 159 |
| 1.2. | 10 | 1 239 703 387 | 4 919 458 | 10 | 825 493 605 | 3 275 768 | 20 | 2 065 196 992 | 8 195 226 |
| 2.1. | 1 | 296 326 589 | 1 175 899 | 0 | 0 | 0 | 1 | 296 326 589 | 1 175 899 |
| 2.2. | 6 | 136 790 542 | 542 820 | 4 | 61 578 676 | 244 360 | 10 | 198 369 218 | 787 179 |
| 2.3. | 12 | 228 639 171 | 907 298 | 26 | 336 916 187 | 1 336 969 | 38 | 565 555 358 | 2 244 267 |
| 2.4. | 5 | 154 673 061 | 613 782 | 3 | 48 282 548 | 191 597 | 8 | 202 955 609 | 805 379 |
| SUM: | 44 | 3 872 765 555 | 15 368 117 | 45 | 1 328 794 373 | 5 272 994 | 89 | 5 201 559 928 | 20 641 111 |

| **INTERREG IIIA - CARDS Hungary - Serbia and Crna Gora Neighbourhood Program 2004-2006** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *HU-RO-SCG/05/01* | | | *HU-RO-SER/06/02* | | | *INTERREG 2004-2006* | | |
| Measure | Db | HUF | EUR | Db | HUF | EUR | Db | HUF | EUR |
| 1.1. | 3 | 783 805 000 | 3 110 337 | 0 | 0 | 0 | 3 | 783 805 000 | 3 110 337 |
| 1.2. | 4 | 687 207 091 | 2 727 012 | 10 | 399 984 975 | 1 587 242 | 14 | 1 087 192 066 | 4 314 254 |
| 2.1. | 2 | 282 136 781 | 1 119 590 | 2 | 94 379 088 | 374 520 | 4 | 376 515 869 | 1 494 111 |
| 2.2. | 3 | 52 642 272 | 208 898 | 3 | 35 922 773 | 142 551 | 6 | 88 565 045 | 351 449 |
| 2.3. | 2 | 131 865 586 | 523 276 | 4 | 44 407 125 | 176 219 | 6 | 176 272 711 | 699 495 |
| 2.4. | 3 | 72 810 084 | 288 929 | 3 | 25 994 436 | 103 153 | 6 | 98 804 520 | 392 081 |
| SUM: | 17 | 2 010 466 814 | 7 978 043 | 22 | 600 688 397 | 2 383 684 | 39 | 2 611 155 211 | 10 361 727 |

| **Hungary - Romania and Hungary - Serbia and Crna Gora Cross-Border Co-operation Program 2004-2006** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *HU-RO-SCG/05/01* | | | *HU-RO-SER/06/02* | | | *INTERREG 2004-2006* | | |
| Measure | Db | HUF | EUR | Db | HUF | EUR | Db | HUF | EUR |
| 1.1. | 13 | 2 600 437 805 | 10 319 198 | 2 | 56 523 357 | 224 299 | 15 | 2 656 961 162 | 10 543 497 |
| 1.2. | 14 | 1 926 910 478 | 7 646 470 | 20 | 1 225 478 580 | 4 863 010 | 34 | 3 152 389 058 | 12 509 480 |
| 2.1. | 3 | 578 463 370 | 2 295 490 | 2 | 94 379 088 | 374 520 | 5 | 672 842 458 | 2 670 010 |
| 2.2. | 9 | 189 432 814 | 751 718 | 7 | 97 501 449 | 386 911 | 16 | 286 934 263 | 1 138 628 |
| 2.3. | 14 | 360 504 757 | 1 430 574 | 30 | 381 323 312 | 1 513 188 | 44 | 741 828 069 | 2 943 762 |
| 2.4. | 8 | 227 483 145 | 902 711 | 6 | 74 276 984 | 294 750 | 14 | 301 760 129 | 1 197 461 |
| SUM: | 61 | 5 883 232 369 | 23 346 160 | 67 | 1 929 482 770 | 7 656 678 | 128 | 7 812 715 139 | 31 002 838 |

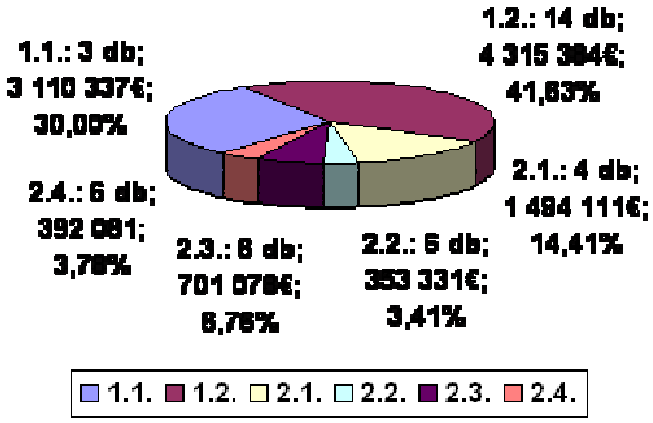
*Source: HU-RO-SCG/SER Program Document*

***Winner applicants by measures* – HU-RO INTERREG IIIA 2004-2006**



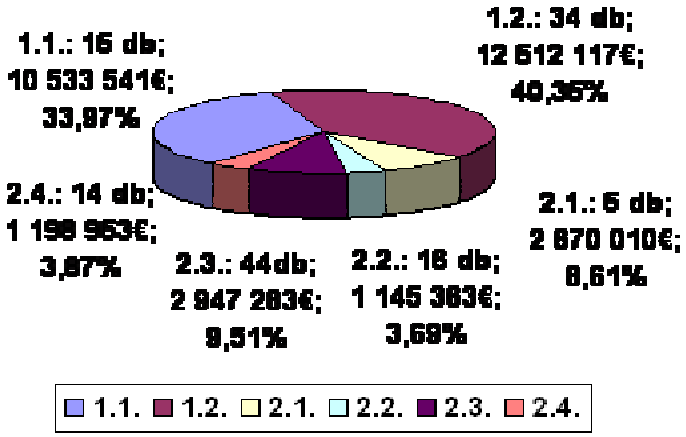

*Source: HU-RO-SCG/SER Program Document*

***Winner applicants by measures* – HU-SER INTERREG IIIA 2004-2006**




*Source: HU-RO-SCG/SER Program Document*

***Winner applicants by measures* – HU-RO-SER INTERREG IIIA 2004-2006**




*Source: HU-RO-SCG/SER Program Document*

## *5.3 Financial settlement*

### *5.3.1 Measures 1.1. and 1.2.*

Regarding the financial settlement aspects, we will present the structure of the awarded and utilised funds along with associated aspects. We will touch upon the planned and actually utilised own funds, with special regard to the 5% threshold value of own funds stipulated in the calls. We will then go on to describe the support intensity and indicate the success or otherwise of the drawing-down of the funds.

All the applications in both measure 1.1 and measure 1.2 of call no. 501 were able to produce the required 5% in own funds, with the support intensity exceeding 90%.

The support intensity for the Hungarian-Serbian applications, each able to provide the required 5% in own funds, was 73%. The drawing-down of funds was more efficient (90%) in the Hungarian-Romanian programme. The combined share of EU financing and co-financing was 94.3% in measure 1.2; no data is available on measure 1.1.

There was no marked difference between the Hungarian-Romanian and the Hungarian-Serbian programmes in respect of the extent of the utilisation of funds (94% and 98%, respectively). The lowest ratios of fund utilisation were experienced in call no. 501. Call no. 602 fared better in this regard.

**Reallocation and support**

The difference between the **reallocated** funds and the allocation of the original funds set forth in Programme Supplementation Document was the smallest in measure 1.1 of the HU-RO component (98.34%); the most conspicuous difference, albeit a favourable one, was observed in measure 1.2 of the HU-SER programme component (123.23%). The largest (favourable) difference between financial support and reallocation was seen in measure 1.2 of the HU-SER programme component (141.92%).

Nearly three-quarters (74.32%) of the EFRA funds earmarked for the entire programme period was ‘absorbed’ by priority 1. Of the support ‘absorbed’ by it, the largest amount (over EUR 12 million) was given to the projects funded under measure 1.2 (39.71%)

5 individual projects funded under measure 1.1 and 9 mirror projects funded under 1.2 received the highest amounts of support in the first call (HUF 1,294 and HUF 1,263 respectively). The support was more evenly allotted to the projects funded under measure 1.2 of the second call.

### *5.3.2 Measures 2.1. and 2.2.*

The programme stipulated a very low proportion (5%) of own funds. (The only exception was SME's, where the minimum required proportion of own funds was 50%. Although SME's were eligible for participating in both measures on the Hungarian side, none received support as applicants or partners in either measure.)

The average required proportion of own funds was 12.78% in measure 2.1. Any proportion exceeding the minimum proportion by 7 percentage points was considered as expressly good with regard to the beneficiary's financial commitment in excess of the prescribed value. However, such relatively high value was attributable to one project which produced nearly 30% in own funds for the implementation of the project. There was another project where own funds exceeded 5%. The rarity of such a high proportion of own funds is hardly surprising, considering the tight liquidity in the programme area. Several projects worth HUF 10-100 million, where the required own funds were sizeable (close to HUF 20 million on average), had been implemented in measure 2.1.

The average budget of the high risk projects implementing large-scale infrastructural capital investments in the measure was HUF 154 million, with average support intensity reaching 87%. The share of the implementation costs of these projects in the total costs was an average 75%. It was the project aimed at the implementation of the technological centre in Mátészalka where the construction content was the highest (91%) and whose project budget was the largest. The projects used nearly 99% of the awarded support, which can be considered as good in the case of developments with such a large budget and support intensity. Contract modification affecting financial items occurred in one project where the re-allocation of funds led to a high degree of financial implementation.

It was mainly low-budget projects sought to promote the development of SME co-operation. Own funds had not been used to a higher extent in these low-budget budget than had been in projects implementing investments. The proportion of own funds exceeded 8% in one case, 6% in another; only the minimum was provided in the rest. The average proportion of own funds was 5.27% in measure 2.2. There was no significant difference between the awarded and used amount of support. Implementation rate was 95% in a few projects. The worst rate was 87%, and there were two more projects with a 90% rate each. The average rate (98%) can be deemed as good in this measure as well.

The limited amount of funds available for this programme area forced the beneficiaries to use the full amount of the awarded funds and in a manner that fully complies with the

requirements of the call, as only external funds available to which they had access were the financial support offered in calls for applications. This also explains why financial planning and implementation were among the strengths of the projects.

### *5.3.3 Measures 2.3. and 2.4.*

In this section on financial settlement we will present the structure of the received and utilised funds, keeping the following in mind: we will discuss planned and actually utilised own funds with special regard to the 5% minimum threshold stipulated in the calls for applications. We will present, in connection with the actual use of funds, the degree of support and the success or otherwise of the financial support drawn down.

In call 501 for applications, planned own funds accounted for 5.00% to 6.12% of the requested support, with an average 5% relative to the awarded support. In this respect, there was no difference between measure 2.3 and measure 2.4. 11 winner applicants (50%) were able to produce the required minimum of 5% in own funds stipulated by the calls for applications; a further 7 (32%) planned 5.1% in own funds at most, i.e. they only strove to reach the technical minimum.

The actual utilisation ratio depended on the amount of support drawn down, which was over 90% in the majority of the projects. We measured an average 91.3% for measure 2.3 and measure 2.4 alike. Even in the least favourable case, nearly the two-thirds of the support (73.5%) was drawn down. Of the 5 projects affected, 3 were among the winners of measure 2.3 and 2 among the winners of measure 2.4. A conspicuous shortfall in the own fund ratio compared to the average is especially unfavourable in the case of the 2 projects with the largest budgets (HUF 60 and 66 million respectively). An earlier practice of the utilisation of EU funds is reflected in the over 99% drawdown ratios (8 projects, 36%).

In these cases, the planned own fund ratio, in the final structure of the utilised financial support, exceeded 5% (5.6% to 6.8%), which is, overall, still at an acceptable level.

As regards call no. 602 for applications, the planned own fund ratio within the planned structure of financing remained in the 5% to 5.5% range in the majority of the projects; however, a few (3 projects altogether) had a higher (8%) own funds-to-support ratio despite the fact that the conditions of the call had not changed in this respect. Of the projects affected, 2 (one Hungarian-Romanian project and one Hungarian-Serbian project) were financed under measure 2.3, and one (a Hungarian-Romanian project) under measure 2.4. Even the highest

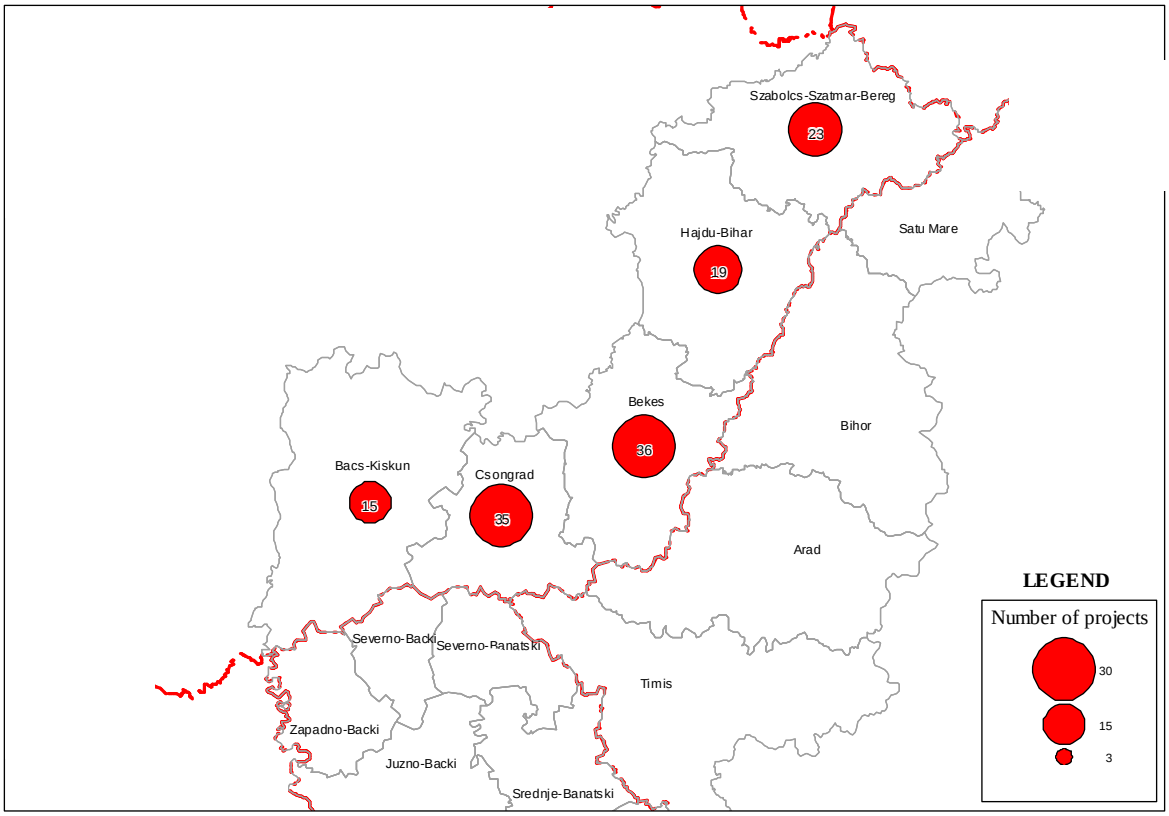
planned own funds-to-support ratio (9.4%) cannot be deemed as high; it meant a shift compared to earlier practices, however.

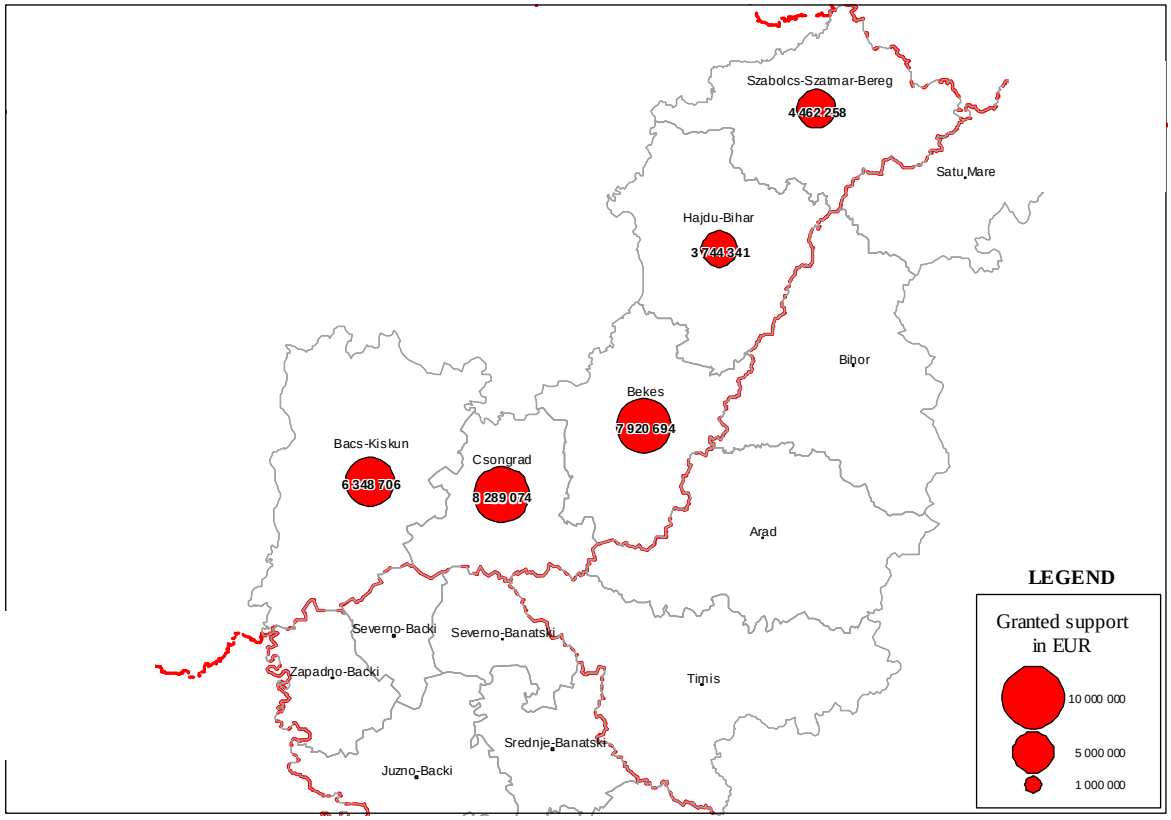
There was significant improvement in the ratio of drawn down support relative to the corresponding figures relating to call 501. The EU financing-to-co-financing ratios were 97.1% and 95.5% under measure 2.3 and measure 2.4 respectively. There was no marked difference between the Hungarian-Romanian projects and their Romanian-Serbian counterparts in terms of the utilisation of financing, namely 96.9% vs. 98.3% and 95.1% vs. 96.0% under measure 2.3 and measure 2.4 respectively. The main underlying reason for the difference is that, regarding the winner Hungarian-Romanian projects, in the case of 3 (all financed under measure 2.3), the drawdown ratio fell below the 90% threshold level (only by a mere 1.3% in one case, though). In contrast, no shortfall of this type was seen for the Serbian projects. The worst utilisation ratio (65.7%) was also identified among the projects financed under this call. Fortunately, this ratio was linked to an action with modest financing needs (HUF 26 million). A general improvement in the standard of financial planning was reflected in the fact that drawdown ratios over 99% were not isolated occurrences. This was actually the case in one-third (12) of all the winner projects.

The share of own funds within the approved final structure of the utilised financial support hardly changed. In addition to the 3 projects where the share of own funds was already over 5.5% at the planning stage, a further 2 had a similar percentage (as a result of the low draw-down ratio); however, their ratios (5.7% and 7.4%) cannot be viewed as remarkably high.

## *5.4 Regional distribution of lead and project partners*

Comparing the number of application, winner projects and the sum of support there are two highly active counties in the Hungarian border zone in Hungary - Romania and Hungary - Serbia and Crna Gora Cross-Border Co-operation Program 2004-2006 in both application circles. Both of active areas have very good geographical location to improve the cross-border connections, building partnerships and develop them. Békés and Csongrád counties utilised the opportunities in the Interreg programme and concentrate 7,92 and 8,29 million Euros for develop cross-border zones. The number of wined projects were the highest in these counties, too (36 and 35). The remaining counties were less active, however, Bács-Kiskun turned into Hungarian-Serbian relations and applications, using its location. The number of projects were less, but the amount of support was relative high (6,39 million Euros). Hajdú-Bihar and Szabolcs-Szatmár-Bereg counties preferred the Romanian cross-border potentials.




As a consequence of limited interest, the number of wined projects and the sum of support were lower, comparing the previous counties. The disinterested behaviour of organisations,

institutions and enterprises from Hajdú-Bihar has no viewing reason. Their role was significant only in measure 2.4 thanks to the University of Debrecen and its satellite organisations. The relative passivity of Szabolcs-Szatmár-Bereg was the consequence of the deep and wide connections between the county and Ukraine. A majority of application activity was concentrated in that border area in the investigated period.

The overall higher activity of the whole South Great Plain (Dél-Alföld) Region (NUTS 2 level) went back to the successful work in Danube-Kris-Maros-Tisa Euroregion as an institutional basis of common thinking, planning and co-operation. The Euroregion was founded in 1997, and in the last decade a high number of institutional, entrepreneurial, personal connections were established, which were turned into common project ideas, plans, application and later winner projects.

### *5.4.1 Measures 1.1. and 1.2.*

The Hungarian lead partners (LP's) submitting applications for the financing support under measure 1.1 of the first call cover all four counties that were eligible for participation in the call. The registered offices of the beneficiaries are in Békéscsaba and Körösnagyharsány (Békés County), Baja (Bács-Kiskun County), Szeged and Makó (Csongrád County), Álmosd (Hajdú-Bihar County), and Tiborszállás (Szabolcs-Szatmár-Bereg County). The Romanian partners were from four eligible counties in Romania: the city of Arad (Arad County), Diosig and Girisu de Cris (Bihor County), Cenad and Sinnicolau Mare (Timis County), and Berveni (Satu Mare County). As regards the Autonomous Province of Vojvodina, the applicants were from Subotica, Novi Sad, and Zombor. As to the direction of co-operation, it was the applicants participating in the Hungarian-Romanian partnership who applied for most projects (6). They were local councils or some state organisations on both sides of the border and the project goals were mostly cross-border road construction. Except for the individual applications from Makó and Nagyszentmiklós (river bank rehabilitation) and the one for the development of the airfield in Békéscsaba, all the other applications requested support for road construction. A glance at the type of the organisations reveals the unmistakeable dominance of local councils and the the county offices of Közútkezelő Kht. (Public Road Management Non-Profit Organisation) as LP's. The same holds true for Hungarian beneficiaries receiving support in measure 1.2: Gyula and Békéscsaba in Békés County, Baja, Bácsbokod and Kecskemét in Bács-Kiskun County, Szeged and Klárafalva in Csongrád County, Debrecen in Hajdú-Bihar, and Nyíregyháza in Szabolcs-Szatmár-Bereg County. In contrast to measure 1.1, the number of partners from Vojvodina is much higher (Palics, Novi-

Sad, Zombor, Senta, Nagykanizs, Horgos, and Doroslovo). There were 9 winner projects in the Hungarian-Romanian partnership and 4 in the Hungarian-Serbian partnership. In keeping with the objective of the priority, winner projects were mainly those intended for water management (flood prevention and control and surface water regulation); for this reason, waterworks directorates operating in the individual countries forged partnerships. The themes of further projects were eco-tourism, renewable energy and waste water management.

Based on the information available to us, the distribution of the winner projects in measure 1.2 of the second call in terms of the types of LP's is similar to that in the first call, though the dominance of Szeged (5 projects) and Nyíregyháza (4 projects) was conspicuous. Other cities/towns and counties were Bácsbokod, Baja and Kecskemét in Bács-Kiskun County, Debrecen in Hajdú-Bihar County, and Gyula and Medgyesegyháza in Békés County. Foreign partners were from Szatmár County (Szatmárnémeti and Doroit) and Bihar County (Oradea, Lazuri) in Romania and Sombor, Novi-Sad, Senta and Kaniza in Vojvodina. The majority of the winner projects (6) had flood prevention and control as their objective; 3 were actions intended for the protection of natural habitats, 3 for water management issues and 2 for the utilisation of renewable energy.

Regionally, the number of winner projects was the lowest in Arad and Szatmár Counties (4 and 3, respectively). The dominance of the two counties in Hungary (Csongrád and Bács-Counties) was unmistakeable in the second call. As regards the project partnerships forged, Békés County worked in co-operation with Bihar and Arad Counties, Bács-Kiskun County with Bihar County and Vojvodina. The foreign project partners of Csongrád County, where the number of applications and the number of cross-border relationships was the highest, were also from Bihor County and Vojvodina. Hajdú-Bihar and Szabolcs-Szatmár-Bereg Counties each had their project partners in Bihor County[2] in Romania.

### *5.4.2 Measures 2.1. and 2.2.*

As in some cases no closing reports were made, no comprehensive evaluation of the applications submitted to the first call was possible. Therefore, we will confine ourselves to identifying a few common characteristics

As regards measure 2.1, winner applicants (2 per call) in the Hungarian-Serbian programme were all from Csongrád County. The beneficiaries of the support were all local councils of

[2] Inconsistent spelling of names!!! Sometimes the Hungarian names of the places are used, at other times their currently effective Serbian versions.

places in the proximity of the state frontier (with border-crossing points in two cases). There was only one project where the applicant that was also able to involve partners also receiving financial support; it is true that there were as many as 3 in this one project. Most of the partners were also from Csongrád County.

In the measure the only winner applicant in the Romanian-Hungarian programme was from Szabolcs-Szatmár-Bereg County (Mátészalka), with its partners also from this county.

To sum up, regarding the Hungarian participants and their premises, measure 2.1 had yielded the following results:

- Number of applicant organisations: 1 from Szabolcs-Szatmár-Bereg County, 4 from Csongrád County;
- Number of partners receiving financial support: 2 from Csongrád County; 1 from Bács-Kiskun County, 1 from Szabolcs-Szatmár-Bereg County;
- Number of partners not receiving any financial support: 3 from Csongrád County, 1 from Szabolcs-Szatmár-Bereg County.
- The above reveals that no organisations from Békés and Hajdú-Bihar Counties participated as LPs in the implementation of this measure of the programme in either call.
- In all five projects partners were from townships and towns/cities in the vicinity of the state frontier. The partner of the project host in Szabolcs County was from Satu Mare, and those of organisations from Csongrád County were the local communities in the townships of Kanjiza, Novi Knezevac, Temerin, Backa Topola and Mali Idjos.
- Project hosts in measure 2.2 of the Hungarian-Romanian programme were from three from among the counties in the programme areas. Each was an organisation located in the county seat of the given county. Of the 10 winner applications, 3 were implemented by beneficiaries from Szabolcs-Szatmár-Bereg County, 3 by ones from Hajdú-Bihar County and 4 by beneficiaries from Békés County.
- Szeged's dominant role in the Hungarian-Serbian programme is unmistakeable: of the 6 winner applicants, 4 have its registered seat in the city. Besides the project hosts in Szeged, 1 organisation in Kiskunmajsa and 1 with its registered seat in Gyula received financial support.
- Most cross-border partners belonged to townships in the border region. They were mostly from Satu Mare, Subotica and Kanjiza, and, a few from Becej and Novi Sad.

### *5.4.3 Measures 2.3. and 2.4.*

As in some cases no closing reports were made, no comprehensive evaluation of the applications submitted to call 501 was possible. Therefore, we will confine ourselves to identifying a few common characteristics. The number of national lead partners was rather limited in both the Hungarian-Romanian and Hungarian-Serbian partnerships. This may be partly attributed to the low number of winner projects, because organisations in Békés Counties were also allowed to submit applications jointly with their Serbian counterparts. Similarly, applications from Bács-Kiskun would also have qualified for calls inviting applications from the Romanian border region. As regards the Hungarian-Romanian border region, Nyíregyháza (3 applications) and Nyírtelek (Szabolcs-Szatmár-Bereg County), Debrecen (6 applications) (Hajdú-Bihar County), Békéscsaba and Békés (Békés County) and Szeged (2 applications) (Csongrád County) emerged on the map of applications. In the Hungarian-Serbian border region, Kecskemét and Bácsalmás (Bács-Kiskun County), Szeged (4 applications) and Makó (Csongrád County,) and Békéscsaba (Békés County) were among the winners. Lead partners in measure 2.3 differed only slightly from those in measure 2.4. It strikes one as strange that neither Kecskemét, nor Nyíregyháza submitted any application for funding under measure 2.4 (R&D and higher educational co-operation); by contrast, Bácsalmás and Nyírtelek did. Regarding measure 2.4, the other counties were represented by their county seats, where most institutions of higher education and R&D are located. Unfortunately, only two participants registered at locations other than county seats were among the winners funded under measure 2.3.

The majority of national project partners were either local organisations or a local unit of an organisation. Remote co-operation proper materialised only between Szeged and Szarvas as well as Debrecen and Békéscsaba. Foreign partners were mainly from cities in the Romanian border region (Satu Mare, Oradea, Arad, Timisoara) and in Vojvodina (Subotica, Palic). There were a few project partners from places farther off in Romania (Cluj) and Serbia (Novi Sad), the latter being the provincial seat of the Vojvodina Autonomous Province. Chelmsford, UK as Debrecen's project partner was a rare exception to the pattern of project partners.

Although there were only a few project partners for most of the applications submitted to call no. 501, there were some projects that involved as many as 5 to 8 project partners. Such 'crowded' projects were less common in call no. 602, with the usual number of the project partner amounting to 3 (the only exception being a project that was funded under measure 2.3 in the township of Kötegyán).

The closing reports of the applications submitted to call no. 602 were truly detailed and comprehensive, enabling us to draw some conclusions of general relevance. A higher number of winner projects facilitated the spatial diffusion of the projects regarding national lead partners. As regards the Hungarian-Romanian border region, Nyíregyháza (3 projects), Kisvárda, Mátészalka and Tiszakóród (Szabolcs-Szatmár-Bereg County), Debrecen (3 projects) and Berettyóújfalu (Hajdú-Bihar County), Békéscsaba (9 projects), Gyula, Orosháza, Battonya, Kötegyán, Szarvas and Békés (Békés County) and Szeged (3 projects) and Makó (Csongrád County) emerged on the map of applications. (Regarding measure 2.4, 2 projects from Szeged and 1 from Szarvas were the only applicants.) Relative to call no. 501, Békéscsaba and Békés County in particular participated in call no. 602 actively; the high number of winning projects was significant compared to call no. 501. Although there was no change in the regional delineation in call no. 602, the more active participation of Békés County in the calls aimed at the Hungarian-Romanian border region was unmistakeable. There was hardly any change in the number of winner projects from the Hungarian-Serbian region in call no. 602. The applicants were, however, strongly differentiated. Winner applications were from Baja (Bács-Kiskun County), Szeged (3 projects), Makó and Hódmezővásárhely (Csongrád County) and Szarvas (HAKI-ÖKI) (Békés County).

The number of national partners fell significantly compared to the number for call no. 501. They participated in only 3 projects altogether, with Kötegyán (local project partner), Gyula (a project partner within the county) and Kecskemét and Hódmezővásárhely (regional project partners). There was no change in the geographical location of the foreign project partners, with cities in the border region having become increasingly dominant. Namely, Arad, Oradea, Satu Mare, Pecka, Timisoara, Petresti, Gradinari, Sannicolau Mare and Jimbolia in Romania and Novi Sad, Sombor and Horgos in Serbia. Their number was higher compared to call no. 501. And there were also a few new participants.

We also identified the most common directions of co-operation. Szabolcs-Szatmár-Bereg County paired up mainly with Satu Mare and Carei, Hajdú-Bihar County with Bihor County and, within that, Oradea. Békés County mainly focused its activities on Arad. Its strong role in establishing relations in the border region is attested by the fact that winner project partners were from Satu Mare, Oradea, Petresti, Gradinari and Pecka in Romania and Novi Sad and Subotica in Vojvodina. Csongrád County's biggest partner in Romania was Timisoara, but Sannicolau Mare and Jimbolia in the border region also helped Makó to achieve a breakthrough in forging partnerships. In the case of Bács-Kiskun County, co-operation

between Baja and Sombor and Bácsalmás and Subotica was particularly strong. Lukewarm interest at other places in the county was rather striking.

## *5.5 Cross-border effects and sustainability of projects*

The overall goal and major aim of cross-border applications were improving partnership among neighbouring areas, actors. The realisation of partnership should begin in the phase of planning to the period of implementation and over the session of project maintenance phase. This is the core element of the whole Interreg programme.

This idea was realised in the phases of project planning and implementation only partly. A part of connections was not real partnership. The foreign partners just signed the document, however, in the planned activities there were not cross-border effects, even in the phase of planning. As a consequence of such ideas, the experts, the representatives of partner area did not move, even they don't know, what is happening on the other side. In some cases, the partnership was declared, but there was no identified co-operation in the phase of implementation. (In some educational actions (eg. environment protection camps), the number and rate of participants from partner country was very low.)

There is a well defined role of Hungarian minority (experts, decision makers, leaders) in both partner countries to form and improve partnerships. These kind of connections are very useful in professional institutions (environmental protection, water hazards), even in NGOs and civil organisations. The success of co-operation in certain project hardly based on former partnerships. The long-lasting personal and institutional contacts were the base of the high level implementation in different phases, and even they had more-or-less well defined conceptions and actions for further co-operation, as well.

There were examples, if the project idea in the first call was not good enough, the partners improved their plan, widened the partnership and began a new circle of application in the 2nd round.

### *5.5.1 Measures 1.1. and 1.2.*

All of the applicants had deep professional background, most of them were experts of water conservancy and/or environment protection institutions, with certain knowledge in project management. These institutions were successful in the last years for applying EU sources for such development programmes and actions. Most of these projects wanted to solve highly important problems with cross-border effects, untieing the major problems of water disposal

for a longer term. The results of these projects may result the harmonisation of cross-border institutions and modernisation of flood-prevention systems.

Below are a few examples of the shortcomings of the descriptions of cross-border effects:

- Even when the subject matter of a given project is clearly linked to cross-border co-operation, the rationale for co-operation was too flimsy and was confined to foreign partners' participation in opening and closing meetings.
- Foreign partners seem to have been expected to attend only opening and closing meetings. Their participation in the project activities could not be identified.
- No working relationship could be identified e.g. between the Hajdú-Bihar County Rapid Response Directorate and its Bihor County counterpart, either.
- The draft budgets of the projects did not include the expenses of the project managers' journeys abroad, their per diems or the travel expenses of foreign experts to and inside Hungary, which suggests 'sham' cross-border relationships.
- Although the applicants emphasised the importance of and the need for cross-border co-operation, they never went further than preparing feasibility studies.

Although certain components of projects intended for flood prevention and control have been implemented only in the Hungarian border region, they also affect the Serbian side as well.

There were only a few projects in the measure 1.1, where risk about the human and industrial sewage water was the main reason of application.

There was a project concentrate on alternative ways of energy using (solar and thermal energy systems) and its presentation were the core activities. The planned cross-border effect seemed minimal: the presentation, publicity and popularity actions were concentrated only in Mórahalom, and the Romanian partner's role was not defined clearly. In that case, the cross-border effect existed namely, but not really.

It is important to see, that in some specific areas, the implied projects definitely have cross-border effect, even in the project plan it was not described precisely (eg. flood-prevention).

### *5.5.2 Measures 2.1. and 2.2.*

**Institutional sustainability of projects**

In the case of the development of joint business infrastructures and the co-operation between SME's, the institutional sustainability of projects seems to be guaranteed, as project hosts are generally local governments, the regional organisations of state-owned public institutions or

other budgetary institutions. Though, for the time being, no conclusive opinion can be offered, regarding the projects (funded under measure 2.1) that implemented infrastructure for various business services, the number of the companies purchasing services and the extent to which they will carry out cross-border activities is still a serious question.

**Financial sustainability of projects**

Project hosts paid little attention to presenting the financial sustainability of the new buildings. Beneficiaries are intending to ensure the financial sustainability of the projects from the incomes of offered services realised; however, they failed to adequately present the sources of incomes needed for sustainability or the scheduling of the realisation of incomes. Generalities give rise to doubts, especially in the case of projects with high support intensity and a high amount of support like the ones implemented within the framework of the development of business infrastructure services. In the case of projects that use a sizeable portion of the amount available in priority 2 it would be especially important that decision-makers assign the same amount of weight to both the feasibility and the sustainability. The legal status of the beneficiaries also contributes to the financial sustainability of the developments. The project hosts belong to the sub-systems of the public finances, which guarantee some degree of certainty concerning incomes.

### *5.5.3 Measures 2.3. and 2.4.*

Measuring cross-border effects should be an essential part of projects. Unfortunately, the majority of the closing reports offered little in the way of hard evidence. Cross-border effects are especially hard to evaluate for the individual projects implemented in the Hungarian-Romanian border region, because the Romanian partner had no funds to rely on in the implementation stage of the project, which by itself placed limitations on its activities.

No significant difference was identified in the border region, call or measure in terms of the cross-border effects of the projects.

The key areas identified were as follows:

- Information exchange has become ongoing.
- Parties' interest in each other's activity has increased.
- There is now an active participation in each other's initiatives.
- There is now data collection on both sides of the border and a setting-up of similar databases.
- Now there are training courses and co-operation in the area of education.

- There is better preparation of materials aimed at raising professional standards and better co-ordination of the planning processes.
- There are now stronger personal and institutional ties and better professional co-operation.
- There is a more efficient transfer of know-how and exchange of experience.
- There is better practical co-operation in the interest of solving shared problems.

It was mainly in connection with the projects in call 602 that several closing reports mentioned that, relative to the level of co-operation experienced in the completed projects, project partners had moved to a higher level of co-operation in both community building (measure 2.3) and higher education and R&D (measure 2.4).

There is hardly any data on the sustainability or otherwise of the projects in the closing reports. Most of the closed projects offer nothing in the way of addressing this issue, or only do so indirectly. In approximately 12 to 15% of the projects further co-operation is more than a theoretical prospect: they offer actual ideas and well-thought-out topics. Their sustainability or a higher level of co-operation in these cases can already be assumed.

# 6 Best practice projects and experience

## *6.1 Project maintenance*

The major goal of wined projects – and in parallel one of the highest priorities of the object of aims in the EU Interreg programme – the implementation of the project successfully, the started activities belong for a longer term, active connections forming between expert, decision makers, civil organisations and SMEs from different countries. The maintenance of finished projects involved widely different needs, effects and consequences relations. To show the different types of results in project maintenance we selected one project per measure to focus on the long term effects of successfully closed projects representing the Hungarian-Romanian and Hungarian-Serbian relations.

### Priority 1 Measure 1

*Project number:* **HUROSCG0501/182/M/1.1/HU**

*Project title:* „Renovation of road between Biharugra – Körösnagyharsány – state border"

*Project type:* mirror

*Beneficiary:* Municipality of Körösnagyharsány (Hungary)

*Amount of funding:* 227 888 802 HUF

Körösnagyharsány is situated in the north-eastern part of Békés county. Concerning accessibility and transport it falls on the periphery. From the aspect of regional development it is among the 48 small areas of the most disadvantageous position, it faces several economic and social problems. The main reason for this is the collapse of collective agricultural production and the loss of eastern markets. In the past 15 years potential developments to slow down the process of the continuous lag of the area have not been successful. Oradea lies 20 kms from Körösnagyharsány. It has a population of 210.000 people, and it is the historical centre and "organizing power" of the area. Due to the only temporarily open state border at Körösnagyharsány, the present distance between the two towns is 45 kms, which does not allow closer economic relations between them. After the forthcoming accession of Romania to the European Union and with the continuous coming down of the state borders, new possibilities will emerge to develop the traditional suburbian Oradea-area again, following the reorganizations of territorial relations.

The crisis of employment and society has to be resolved in the municipalities of Körösnagyharsány and Biharugra; the only way to do this is to return to the Oradea district. The accession of Romania to the EU, the continuous coming down of the state borders provide the chance, but to exploit the situation it is necessary to create a public road system.

The number of population in the settlements has decreased with 500 people in the past 15 years. This is due to the inclining economic and living possibilities. The road under construction and the reorganization of the area both provide new employment possibilities for the population, market for agricultural products and jobs for commuters.

The Public Company, as the trustee of the public road in the project, will have an improvement of its position, since it is freed from the costs of the continuous reparation of the badly damaged road surface and track. That is why the company can spend its resources on the renovation of other roads in the same area.

## Priority 1 Measure 2

*Project number:* **HUSER0602/086/M/1.2/HU**

*Project title:* „Planning of Hungarian-Serbian Complex Geothermal Exploitation and Thermal Water Monitoring System"

*Project type:* mirror

*Beneficiary:* Geothermal Co-ordinating and Innovation Foundation (Hungary)

*Amount of funding:* 37 430 103 HUF

These projects could offer a solution to the Hungarian (and Serbian) alternative energy political needs, in addition to which their lack poses an acute problem of environmental protection – water base protection: naturally, the extension of thermal water bodies does not follow the borders, at the same time their protection, in respect of the operative observance of the EU Directive on Water Policy in Hungary, lags behind the protection of drinking water base and flood protection – in the lack of financing.

The present project, which is the first Hungarian-Serbian joint geothermic energy program, aims to realize the energetic, technological and construction planning of a complex geothermic cascade system (which utilizes the entire heat range of geothermic energy) to be implemented in three places (Szeged, Mórahalom and Palic in Serbia) – with the simultaneous setting up of an abstraction and water base protection monitoring system of the thermal water under joint abstraction.

The fields of action was a feasibility study of a geothermic heating system, the energetic, heat and water engineering planning, the official authorization and an abstraction and environmental effect study are to be prepared concerning several building in Szeged and Mórahalom and a 5-hectare automated greenhouse system utilizing residual heat, in addition to which the geothermal technical development concept is going to be prepared for the entire town.

## Priority 2 Measure 1

*Project number:* **HUROSCG0501/230/J/2.1/HU**

*Project title:* „Promotion of Hungarian and Serbian entrepreneur and institution co-operation in Bácska area"

*Project type:* joint

*Beneficiary:* Municipality of Röszke (Hungary)

*Amount of funding:* 109 962 632 HUF

One of the results of the realisation of the project, that the conference was built on Röszke, and training centre, that the most modern it is furnished with technical devices. The conference interpreter system suitable conferences with an international level and onto the keeping of programs, similarly to Kanjiza Cnesa Center of Education, where modern informatics devices were purchased likewise.

The vocational tasks breast, but we have to draw up the future jointly already now. A cooperation agreement got to a signature between the leaders of the two settlements which one may be hoping not exists on priest blush only. The result of this newer common projects, cooperations generating it all of them-all of them one are needed between our most important tasks is the act. Just because of this from a September the vocational training programs begin beyond the border following the claim surveys and on Hungary equally.

The aims set in the application attained the desired effect maximally, present project for foundation stone can be considered, which one anyway the common past of the two settlements and the moment defines that future collectively.

## Priority 2 Measure 2

*Project number:* **HUROSCG0501/031/J/2.2/HU**

*Project title:* INNOCOOPESS: Innovative border economic co-operation Subotica–Szeged

*Project type:* joint

*Beneficiary:* DARFT Regional Development Agency (Hungary)

*Amount of funding:* 7 770 981 HUF

The project was started by a KICK-OFF MEETING both in Szeged and Subotica. These events facilitated business cooperations in the cross-border area of both countries and contributed to forming out cross-border activities. Furthermore new connections came up among supporting institutions – like development institutions, local governments and business associations – helping this way the official linkages of these organizations. The project has had permanent apperaance at the web pages of both development organizations from Szeged and Subotica that promotes the business opportunities on both sides of the borderline.

STUDY TRIPS organised for business people played an effective role in decision making of investors and spreading information about investment opportunities. In the frame of such a trip a Hungarian delegation visited to Vojvodina in November of 2006. Participants had the chance to know more about the working circumstances of enterprises from different fields and get more direct information from local enterprises, organizations, institutions about problems, barriers they have to face up and surmount stepping into the local market. At the same time they have the chance to experience the advanteges of working there as a foreign company.

The Serbian delegation visited to Szeged in January of 2007. The main topic of this study visit was about the enterprise opportunities in the European Union. Visitors could get practical details about advantages and disadvantages being a player on the EU market, and presented the opportunities which ones are open for interested Serbian entrepreneurs. So in the frame of study visit guests from Vojvodina got acquainted with the Hungarian investment and business opportunities.

Preparation of the curriculum of the EDUCATIONAL PROGRAM embedded in the project had already been started at the starting phase. This made possible to hold the original timing in project management. The curriculum based on practice consists of three topics:

- Custom studies, with a review of actual law
- Enterprise development in the EU and in Hungary
- Organization of entreprenurial networks and clusters

The content of the educational program was published as an issue. The booklets reached not only to the participating business men and entrepreneurs, but it is useful help to any of interested institutions or enterprises. The CROSS-BORDER EDUCATIONAL PROGRAM was built on three occasions – two days of each. Participants of this events were mainly of business men who already had stepped into the European market or would have liked to do so. In the two-day programmes vocational presentations took place in the morning and afternoon of the first days, and one presentation in the morning of the second days. In the afternoon of the second days besides of talking through the topics of two days, a short test was written to check if everything was clear for the audience.

The overall aim of the CONNECTION BUILDING MEETINGS was biulding the partnership in between the leaders and employees of the organizations and institutions of Vojvodina and South Great Plain connected to economy development, entrepreneur- incentive, territorial development. A or specific aim was to strengthen the cross border cooperation in between the different areas of specialities through personal meetings. This way we have strengthened th ealready existing information exchange, and have deepened the working connections in between the organizations, institutions participating in the meetings. All in all we have organized 6 connection building meetings, three in Szeged (cross border cooperation possibilities, meeting of development offices, meeting in between organizations interested in entrepreneurial development), and three in Subotica. Organizing the meetings required a very thight cooperation in between the partners on the two side of the border. A very long conciliation preceded the organizations in order to find the organizations requiring this kind of connection as well as to set up a program for the meetings that could be the basis of future cooperatins.

We have provided INFORMATION AND CONSULTATION on the cross border possibilities for the affected organizations thoroughout the project. Answering the questions of busibnessman has mainly been connected to the events organized within the project, where ther was a possibility of personal information flow. The consultation used within the project were mainly in themes concerning the project INNOCOOPESS such as partner or financial resource search, business possibilities in Vijvodina (connected to the study tour). All the information gathered from out Vojvodina partner has been put at disposal of anyone interested. The relevant information can be found and/or downloaded from the website (www.darfu.hu – INNOCOOPESS).

The information days organized organized on both sides of the border have been serving the purpose of information delivery (one in each country). These information days have been organized on the basis of preconciliated themes, and have been organized connected to some

kind of season (Palics Harvest Days) or business event (Bosnian Serb conference and business meeting) according to the original plan.

The project ended with two closing conferences on both sides of the border. On the CLOSING SEMINARS the partners have presented the project, summarized the rsults and achievements, and based on these have outlined the future possibilities emphasizing the succesful parts of the project.

## Priority 2 Measure 3

*Project number:* **HUSER0602/129/M/2.3/HU**

*Project title:* „International County-walking Festival"

*Project type:* joint

*Beneficiary:* Self-Government of Town Makó (Hungary, Csongrád County)

*Amount of funding:* 14 349 500 HUF

The organization of the programmes of Makó (the Festival and the Conference) were started to realize by the project management. The preparation is already finished and the participants are chosen.

Within the confines of the project, the programme of the 'County-walking Festival' were materialized in Makó and in Horgos. In august 2007 the folkdance group of Makó performanced in Horgos, so in the festival of Horgos 45 dancer from Makó and 30 dancer from Horgos took part. In September 2007 the folklore dancers of Horgos arrived to Makó, for the Onion Festival, where 180 Hungarian and 30 dancers from Horgos took part. The approach of the two frontier cities and getting experiences were helped by the Live Panpotic of Makó and the performance of the Scenery. Within the confines of that programme the visitors of Makó could learn in an enjoyable way about the history of Makó. They were involved in an interactive way, so the foreign people could easily understand and enjoyed the past, the history and the culture of the city.

The Live Panoptic of Makó and the Scenery presented the history of Makó in 5 scenes, with 6 actors and a 3-membered choir. The scenes were played by young actors and local people in period dresses. The players were organized 10 times.

The following activities did the main applicant, the Autonomy of Makó:

1. Stage, light and sound technology renting and the assemblage at the place of the festival.

2. The supply of mobile tents for changing costumes (2 pieces) and microports (4 pieces) with the view of the repetitive co-operations in the future.
3. The publication of an issue in 3 languages (5000 pieces), the publicity of placards (1000 pieces), the publication of the invitation card for the conference (300 pieces) and the publication of the invitation card for the festival (500 pieces).
4. They ensured the performances of the Panoptic and the Scenery. They ensured the remuneration of the participants, the costs of the marionetts, dummies, set-ups and the expansion of the costumes.
5. They ensured the costs of the travelling, food and accommodation for the participants of the festival.
6. They ensured the costs of the food for the participants of the conference, the printing costs of the invitation cards and the issues.

## Priority 2 Measure 4

*Project number:* **HUSER0602/155/M/2.4/HU**

*Project title:* „ Sustainable use of living water sterlet livestock and development of sterlet breeding”

*Project type:* joint

*Beneficiary:* Fishing and Aquaculture Research Institute, Szarvas (Hungary, Békés County)

*Amount of funding:* 9 369 489 HUF

In the 4th project period the partners finished the evaluation and data analisys of the experiments and they finalised the common deliveries of the project. The Hungarian partner finished the manual/handbook of sterlet protection and this document was sent to the Serbian partners too, to support the sterlet aquaculture development in Serbia. The Serbian collegues prepared a draft of the common action plan, which also will be used in Hungary to support environmental policy initiatives.

The main activity of the period was the 2 days workshop about natural population of sterlet and aquaculture possibilities of this species. Beside of the international speakers the Hungarian and Serbian project staff held lectures about the experimental and research worlk achieved. The Serbian partner also announced here the main points of the common action plan. Because the one of the main goal of the workshop was to increase sterlet aquaculture in both country, the second day focused on practical trainings presented on sterlet farms. During

the evening discussion the project partners agreed in the following project activities should be achieved in Serbia.

The partners agreed that the final meeting of the project will be postponed to the last week of June 2008. The Hungarian project activities will be finished by 31. May 2008.

# 7 Description of the 2007-2013 period

## *7.1 Background*

The *European Territorial Co-operation* Objective provides (formerly the INTERREG Community Initiative) assistance in the border regions mainly for the development of cross-border economic, social, environmental activities through joint strategies for sustainable territorial development. European territorial cross-border cooperation is designed to make a significant contribution to the renewed Lisbon strategy. The assistance will be concentrated on the main priorities in support of sustainable growth and job creation.

In the new financial perspective covering the period from 2007 to 2013 the cross-border co-operation programmes at the EU external border will be upgraded from the Neighbourhood Programmes based on two financial instruments and different legislation bases to the integrated IPA programmes which, if successful, would permit to overcome the key obstacles to financing joint cross-border initiatives which existed so far.

In comparison to the programming period 2000-2006 there are three major changes in programmes for cross-border cooperation:

- the trilateral programme system will be converted into two bilateral programmes;
- Romania became a full member of the European Union on 1st January 2007;
- in October 2005 begun negotiations between Croatia and EU for EU accession.

Changes in programme system (2004-2006; 2007-2013)

| **2004-2006**<br>**INTERREG IIIA** | **2007-2013**<br>***European Territorial Cooperation*** |
|---|---|
| **Cross-border cooperation programme HUNGARY-ROMANIA HUNGARY-SERBIA MONTENEGRO** | **Hungary-Romania** |
| | **Hungary-Serbia**<br>**Instrument for Pre-Accession Assistence (IPA)** |
| **Cross-border cooperation programme HUNGARY-SLOVAKIA-UKRAINE** | **Hungary-Slovakia** |
| | **Hungary-Romania-Slovakia-Ukraine**<br>**European Neighbourhood and Partnership Instrument** |
| **Cross-border cooperation programme SLOVENIA-HUNGARY-CROATIA** | **Hungary-Slovenia** |
| | **Hungary-Croatia** |

Source: own construction.

The European Territorial Cooperation Objective financed by ERDF aims at strengthening cross-border cooperation through joint local and regional initiatives and strengthening transnational cooperation. It will support actions conducive to integrating territorial development linked to Community priorities, strengthening interregional cooperation and promoting the exchange of experience at the appropriate territorial level. The ultimate objective of cross-border cooperation in Europe is to integrate areas divided by national borders that face common problems requiring common solutions.

Eligible areas


Source: Programme Document

**Hungary-Romania-Serbia Neighbourhood Programme**

The eligible areas of the Hungary-Romania-Serbia Neighbourhood Programme in the new period will participate in two new programmes: internal Hungary-Romania Cross-border Co-operation Programme 2007-2013 and the Hungary-Serbia IPA Cross-border Cooperation Programme 2007-2013 on the external border with Serbia.