

Working paper:

Crossborder Financial Management

January 2000

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1. Introduction

Planning and implementing joint programmes and measures involving regional authorities from various EU Member States in the context of crossborder cooperation poses special challenges for the partners concerned on both sides of the border. This is particularly true with regard to crossborder financial management.

The general options available today for crossborder financial management, solutions identified under the INTERREG IIA initiative and improvements that may be appropriate for the future Community initiative INTERREG IIIA are the key topics of this study on crossborder financial management carried out by the AEBR consultants.

2. General options for financial management across national borders

A brief overview of cooperation to date on financial matters among partners from various States

The post-second world war period has seen a steady and often rapid growth in economic and financial interrelations, both within Europe and worldwide. As Europe moves towards ever-closer union, it is becoming increasingly clear that many current problems can no longer be resolved at national level. Europe-wide cooperation is needed, both internally and with the rest of the world, in the economic as well as the political and administrative spheres.

Interestingly, the private sector has frequently led the way in this respect, demonstrating that it is possible to cooperate successfully and work across national borders in spite of differences in administrative structures and financial systems. Politicians and the public sector, on the other hand, have often been reluctant and slow to follow suit.

A wide range of financing methods is employed in the private sector, such as loans (from the public and private sectors), secured liabilities, leasing, investment funds, factoring schemes and a variety of public-private partnerships. And the business community also makes profitable use of these financial options and mechanisms in international and crossborder contexts.

Banks have a key role to play in these forms of financing. They are the main partner in putting the financial package together, particularly as regards the technical arrangements for implementing it. They can also help identify the best possible mix of private-sector financial instruments and public sources of financing for specific programmes or projects.

As a consequence of the increasingly interwoven nature of international and European economic relations, however, there is a need for national policy and administration to adjust to these European developments by creating a suitable management and financial framework. The increase in Europe-wide cooperation initiatives has put greater pressure on politicians and officials at all administrative levels to add a crossborder dimension to their activities and coordinate them with their neighbours across the border.

But the necessary instruments at European level are not always developed enough to allow cooperation to the extent or in the ways that would be desirable from a political and practical point of view. It can often take a long time for European regulations and directives to be incorporated into national law. There is also a considerable time lag in adjusting policy instruments on either side of the border to enable genuinely European crossborder cooperation.

This is particularly noticeable in the financing of crossborder programmes and projects such as INTERREG. In this context, it is not altogether clear why national legislative norms and administrative rules should be cited as obstacles to joint, crossborder financing of programmes and projects. The argument that finance from several countries for joint programmes and projects run by an international organisation cannot be pooled in a single account for legal reasons does not stand up to scrutiny.

- The EU funds deployed for INTERREG, for example, originate from joint European accounts in the various Member States. Taking Community funds for crossborder programmes such as INTERREG and dividing them up again into national quotas to distribute them makes little sense.
- The EU Member States are involved in a wide variety of ways in international associations, organisations and partnerships for which joint financing is both necessary and possible, and does indeed take place.

Financial cooperation across national borders is not unexplored territory for the EU Member States, a fact illustrated – as outlined briefly above – by the complexity of their economic relations and financial payments to international organisations such as the World Bank group (particularly the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), UNIDO and UNCTAD) and the International Monetary Fund. Indeed, national contributions to the European Union (EU) too are nothing other than joint, crossborder transfers of funds by national governments to a supra-national – crossborder – organisation with the aim of putting these funds to common use.

The EU Member States are likewise familiar with involving private banks in securing and implementing certain types of international financing, as can be seen from current practice in loan-backed international development aid and supplies of raw materials. There is ample evidence of major development projects (such as steelworks, agricultural development plans and the extraction of raw materials), both within Europe and further afield, having been financed jointly by several countries. The European Investment Bank is used as a private-sector instrument for such purposes much like any other private-sector bank in the EU (usually with a public majority shareholding). These "private banks" receive funds from the various international financial partners, enter into a private contract with the recipient and handle the technical implementation of the loan or grant in line with private banking rules.

The regional and local authorities in border areas have a vital pioneering role to play in establishing cooperation across national borders. In border areas – where geographical factors make such cooperation not just a choice but a necessity – the local and regional authorities also look to the experience of the private sector. The financial techniques developed by businesses in the course of their dealings can also bring significant benefits to the public sector.

- By using these financing techniques, the regional authorities can keep their costs low and substantially reduce their administrative burden by working with a private bank.
- Involving a private bank makes it possible to sidestep the problems of cooperation between public partners from various countries (with diverse structures, areas of authority and legal norms), as the technical implementation of the programme and project financing is governed by a private law contract drawn up between the bank and the project promoter.

The wealth of experience accumulated by the private sector in the field of crossborder cooperation as regards financial administration and implementation and overcoming the usual problems associated with public law should be used more widely, since it can provide practical solutions for managing the financing of EU assistance programmes such as INTERREG. It became clear under INTERREG I and even more under INTERREG IIA that crossborder programmes can be not only managed jointly, but also financed jointly from start to finish by keeping the EU funds on a common account.

In special cases – such as the INTERREG IIA programmes on the Dutch-German border – the preliminary financing from the Member States is also paid into the joint account, thus establishing a parallel between the financial structure of the operational programmes (OPs) and the corresponding structure of each project – in other words, genuine crossborder financing of programmes and projects. Special INTERREG agreements setting out the practical arrangements prior to the programme also play an important role in ensuring trouble-free joint financial management. Among other points, the agreements cover issues related to legal liability, such as ultimate responsibility and the right to take action, with the help of the partners on both sides of the border.

These forms of crossborder financial cooperation are not confined solely to the Dutch-German border region, as can be seen from the many examples in Scandinavia, and also in the joint cooperation fund for Euskadi/Navarra/Aquitaine (E/F). The numerous Euroregions, the Saar-Lor-Lux Euregio and the working communities of the Alpine countries and the Alps-Adriatic region have all devised practical ways of pooling financial resources from different countries for joint programmes and projects. Inter-regional development assistance schemes such as Recite and Carolos have also shown how EU funds can be used for a joint programme or joint projects.

Experience to date demonstrates, therefore, that highly practical - and in some cases also legislative - solutions have been found not only to manage but also to implement INTERREG programmes jointly, by means of common financial procedures and/or instruments. The public-sector problem is genuine and has not yet been resolved. And new legislation takes time to implement. What is clear so far, however, is that practicable solutions can be found as long as the political will is there.

3. Financial implementation of INTERREG IIA programmes along the internal and external borders of the EU

3.1. Guidelines for the financial implementation of INTERREG IIA programmes

Basic guidelines for the financial implementation of Community Initiatives are set out in the relevant Community regulations relating to the Structural Funds. In addition, the OPs approved by the Commission under INTERREG IIA also set out a number of detailed provisions relating to general programme management and to the financial implementation of assistance. Under these provisions, Member States are expected to ensure proper implementation of the measures, prevent irregularities and recover any Structural Fund assistance lost as a result of irregularities or negligence.

Within this general framework, the practical implementation of INTERREG IIA programmes along the internal and external borders of the EU varies considerably. In particular, the responsibilities of the implementing organisations as regards financial management often differ considerably. In many instances, the OPs are managed at regional and local level, for example by the Euroregions (Euregios) or similar structures. In such cases, the crossborder programmes and projects and in some cases the financial management are dealt with by their offices. These offices are frequently also the official point of contact for crossborder project promoters for matters relating to public-sector assistance.

The following sections provide an overview of the various ways in which crossborder financial management of INTERREG IIA programmes is dealt with along the internal and external borders of the EU.

3.2. Crossborder financial management at programme level along the internal borders of the EU and on the EU's external borders with Switzerland and Norway

3.2.1. INTERREG programmes involving crossborder financial management of EU assistance and national public cofinancing

In the German-Dutch border region and in the triangle of the German-Dutch-Belgian border there are five INTERREG IIA programmes operating in all.

- Four bilateral INTERREG IIA OPs involving Germany and the Netherlands (EUREGIO, Rhein-Maas-Nord, Rhein-Waal and Ems Dollart).
- A trilateral INTERREG IIA OP, Euregio Maas-Rhein, involving Germany, the Netherlands and Belgium.

In each of these cases highly integrated, joint structures have been set up for the financial management and technical implementation of both the INTERREG funds and the national cofinancing.

The **four bilateral INTERREG IIA programmes along the German-Dutch border** were set up at regional and local level, in partnership with the national governments, following a joint crossborder approach through the existing Euroregions (EUREGIO, Rhein-Maas-Nord, Rhein-Waal and Ems Dollart). Programme and financial management are also carried out jointly under a single procedure by all those involved on both sides of the border. Two main factors facilitated this high degree of joint crossborder management.

- First, the Euregios which were already up and running – in particular those which had operated under INTERREG I since 1990 – were granted an appropriate legal framework for crossborder cooperation between regional and local bodies with the adoption of an international agreement (Anholt Treaty, 1991).
- Second, formal crossborder cooperation and implementation agreements were signed by all partners, initially for the INTERREG I programmes (INTERREG agreements); these were then extended, with some minor amendments, to cover the INTERREG IIA programmes on the German-Dutch border. The agreements were submitted together with the OPs to the European Commission, which approved them.

The INTERREG agreement of 24.7.1995 relates to the implementation of the **INTERREG IIA OPs for EUREGIO, Rhein-Maas-Nord and Rhein-Waal**. The agreement was signed by all relevant INTERREG partners: the Dutch State, the four Dutch provinces involved (Drenthe, Gelderland, Limburg and Overijssel), the German *Länder* of Nordrhein-Westfalen and Niedersachsen and the three Euroregions. **The INTERREG agreement of 27.06.1995** relates to the implementation of the **INTERREG IIA programme for Ems Dollart**. It was signed by the German *Land* of Niedersachsen, the Dutch State, the Dutch provinces of Drenthe and Groningen, the *Samenwerkingsverband Noord-Nederland* and the Euregio Ems Dollart. Under the INTERREG agreements each of the INTERREG partners entered into an agreement

- with the Düsseldorf-based Investitions-Bank NRW (IB-NRW), which was given sole responsibility for the technical aspects of financial management (of both EU assistance and national cofinancing) of the OPs for EUREGIO, Rhein-Maas-Nord and Rhein-Waal,
- with the Hannover-based Niedersächsischen Landestreuhandstelle für Wirtschaftsförderung (LTS-Wirtschaft), the institution responsible for the technical aspects of financial management (of both EU assistance and national cofinancing) of the OP for Ems Dollart.

The INTERREG agreements govern, for all partners, the programme and financial management of INTERREG IIA programmes for the Euregios. They also set out detailed provisions on **task allocation, programme rules, objectives and principles, eligibility to submit project applications, the purpose and amount of assistance, the role of the steering and monitoring committees and project application and selection procedures**. The INTERREG agreements describe the duties and powers of the participating partners. They ensure single responsibility for programme and financial management while allowing the technical aspects of financial management to be handled separately by IB-NRW or the LTS-Wirtschaft. The INTERREG agreements provide that the EU assistance for the German-Dutch border area will be placed in a single account for each relevant Euregio.

The INTERREG agreements clearly establish who holds overall responsibility vis-à-vis the EU on behalf of all the partners involved with respect to the financial management of the INTERREG funds available for each programme.

In the case of the INTERREG IIA programmes for EUREGIO, Rhein-Maas-Nord and Rhein-Waal, overall responsibility lies with the *Land* of Nordrhein-Westfalen. The INTERREG agreement

ensures that both the ministry for economic affairs of the Netherlands and the ministry for economic affairs of the *Land* of Niedersachsen make the appropriate written undertakings allowing right of action in the respective areas of the partners.

In the case of the INTERREG IIA programme for Ems Dollart, the *Land* of Niedersachsen assumes overall responsibility. Here too, the right of action in the respective territorial areas of the partners is guaranteed.

The Euregios are responsible for general programme management and financial management, from the drafting of the OPs to their final conclusion. The Euregios sit on the monitoring and steering committees, nominate the chairperson and provide administrative support. The Euregios responsible in each area also evaluate project applications. The appropriate bodies of each Euregio decide on project applications in line with the available INTERREG funds. They take preliminary decisions on whether an application for assistance should be put before the steering committee after evaluation in the light of the criteria for the relevant OP and the INTERREG agreement. The Euregio offices put together draft decisions for the steering committee identical to the proposals voted on by their bodies. The Euregio offices also coordinate applications for complementary financing from the relevant national and regional bodies. The steering committee of the relevant Euregio decides on the application on the basis of the draft decision and any other information provided during the meeting. The decision is then forwarded by the Euregio to all participating agencies, IB-NRW or LTS-Wirtschaft and the body cofinancing the project concerned. The Euregios inform applicants of decisions reached by the steering committees. They also inform applicants whose projects have been selected that they must enter into a private law contract with IB-NRW or LTS-Wirtschaft, and that the relevant bank will provide them with a contract proposal.

The monitoring committee deals with specific aspects of INTERREG – most notably the OPs for the Euregios – and matters of a more general nature relating to the programmes, such as approving amendments. The relevant **programme steering committees** draft recommendations for changes or adjustments to the OP within the mandate set by the EU and assess whether individual project applications are compatible with uniform application of the evaluation criteria of the OP and the INTERREG agreements. They decide on the overall costs eligible for assistance (on the basis of the draft decisions presented by the relevant Euregios), on the implementation of EU funds within the overall financing framework, and on the recommendations with regard to the cofinancing provided by

the governments involved for individual projects. They are responsible for approving any significant amendments to individual projects already selected and for giving instructions to IB-NRW or LTS-Wirtschaft relating to any demands for repayment of financial assistance already committed. Lastly, they monitor the financial implementation of the OPs by IB-NRW or LTS-Wirtschaft and inform the partners and the European Commission on the progress of the OPs.

The technical aspects of the financial management of INTERREG IIA programmes in the Euregios are governed by an agreement between each INTERREG programme partner and either IB-NRW or LTS-Wirtschaft. These set out the formal procedures for allocating the EU assistance and national public cofinancing available for INTERREG IIA programmes in the Euregios on the basis of private law. Each agreement contains detailed provisions regarding the allocation and payment of funds, the duties of the bank and other aspects (quarterly reporting obligation, review of the use of funds, external supervision, procedures for demanding repayment of grants, remuneration of the bank).

IB-NRW and LTS-Wirtschaft are responsible for ensuring that the respective German and Dutch instalments of the INTERREG funds are contracted from the EU and credited to the Euregio accounts, and for administrating these accounts. The German and Dutch public-sector finance is likewise made available to IB-NRW and LTS-Wirtschaft through the INTERREG partners on specific accounts in Germany and the Netherlands in local currency.

IB-NRW and LTS-Wirtschaft are authorised to act as a private partner vis-à-vis the project promoters. The project promoter simply enters into a **private law contract** with IB-NRW or the LTS-Wirtschaft, which are in charge of allocating and administering the EU assistance and national public-sector cofinancing. This contract covers the technical details relating to financial implementation of the project (commitment and contracting of funds, obligation to provide information, auditing rights, use of funds, reduction, annulment or revocation of assistance, demand for repayment of funds). While there can be up to eight sources of finance, project promoters have only one point of contact with which they contract the assistance and to which they must provide evidence that the funds have been used appropriately.

This system makes it possible to use a single account for all EU funds and permits the pooling of EU assistance and national cofinancing. The financial institutions were chosen by the partners to handle the technical aspects of financial management on account of their considerable expertise in the

implementation of European programmes and in computer-assisted financial administration. The institutions are also reliable interfaces between the national and regional levels. They were chosen in the early stages of INTERREG so that INTERREG funds could be committed across national borders under private law. In addition, when the INTERREG agreements were being drawn up it was realised that a project promoter would have difficulty with overall cross-border management if the procedures for applying for and implementing financial resources were too complex.

The joint financial management of the trilateral INTERREG OPs in the triangle on the borders of Germany, Belgium and the Netherlands (Euregio Maas-Rhein) is based on the experience of the German-Dutch border region. In December 1995, an agreement was reached on the financial management of the INTERREG IIA OP between the public-sector partners (the national State and the province of Limburg for the Netherlands; the Länder of Nordrhein-Westfalen and Rheinland-Pfalz and Regio Aachen e.V for Germany; the Walloon Region, the French- and German-Speaking Communities and Flemish Community and the provinces of Limburg and Liège for Belgium), and the Euregio Maas-Rhein.

Under this agreement, Community and national finance are gathered, administered and supervised together. Euregio Maas-Rhein, which has the legal status of *stichting* under Dutch law, was assigned responsibility by the partners not only for administering the OP but also for the overall financial implementation of EU assistance and national cofinancing. The *stichting* itself carries out all the tasks associated with the financial implementation, using the services of the ING bank in Maastricht solely as a "depository".

- The INTERREG funds (the German, Belgian and Dutch portions), are contracted from the EU by the Euregio Maas-Rhein and are then paid by the Commission directly into a separate *stichting* account held with ING. The public-sector INTERREG partners have given the Dutch ministry for economic affairs overall responsibility for the EU assistance vis-à-vis the Commission.
- The national funds are made available to the Euregio Maas-Rhein *stichting* by the public-sector cofinancing bodies (the Dutch State and Limburg province, the German *Länder* of Nordrhein-Westfalen and Rheinland-Pfalz and the Flemish government) by transfer in local currency to the *stichting's* bank accounts in the Netherlands, Germany and Belgium.

When a project application is assessed, the Euregio Maas-Rhein evaluates the overall financial plan and then waits for the INTERREG steering committee to reach a decision, which it must accept. The *stichting* then enters into a private law contract with the project promoter, in which the individual aspects of the project's implementation are set out in detail. Only then are any funds actually allocated by the Euregio Maas-Rhein, both from the EU assistance and from the national cofinancing provided by the partners. In its day-to-day programme management, the Euregio Maas-Rhein can make decisions on extending the deadline for contracting funds or on minor amendments relating to projects which it has not submitted itself. Decisions of the *stichting* relating to substantial amendments to projects, the transfer or non-use of assistance, or matters relating to reduction and demands for repayment of assistance require prior agreement of the steering committee. Where the *stichting* itself is both project promoter and financial beneficiary, matters relating to implementation are also decided by the steering committee.

**Financial implementation, INTERREG IIA:
EUREGIO, Rhein-Maas-Nord, Rhein-Waal and Ems Dollart programmes (D/NL)**

<p>EUROPEAN COMMISSION</p> <p>Transfer of the German/Dutch INTERREG funds to joint accounts in the name of the Euregios (2)</p>
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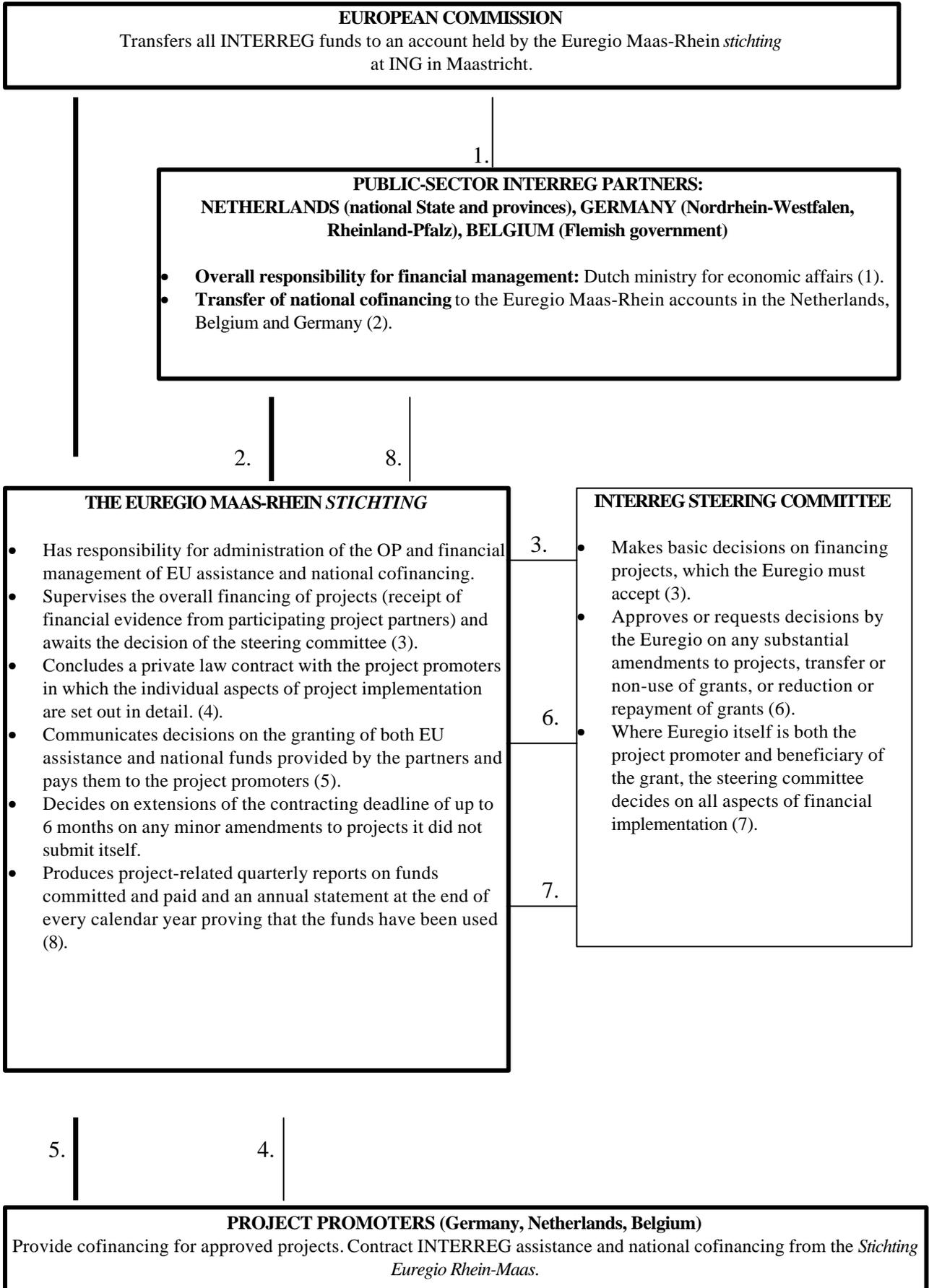
<p><u>INTERREG AGREEMENT:</u></p> <p>(governs procedures and responsibilities with respect to programme and financial management)</p> <p>1.) INTERREG partners: Netherlands (national State, regions), Germany (Nordrhein-Westfalen, Niedersachsen):</p> <ul style="list-style-type: none"> • Overall responsibility for the INTERREG programme vis-à-vis the Commission (1): the <i>Land</i> of Nordrhein-Westfalen for the EUREGIO, Rhein-Maas-Nord and Rhein-Waal programmes; the <i>Land</i> of Niedersachsen for the Ems Dollart programme. • Transfer of national cofinancing (3) to accounts held with IB-NRW (in the case of the EUREGIO, Rhein-Maas-Nord and Rhein-Waal programmes) or with LTS (Ems Dollart programme). <p>2.) The Euregios (EUREGIO, Rhein-Maas-Nord, Rhein-Waal and Ems Dollart): general, comprehensive programme and financial management.</p> <p align="center"><u>AGREEMENT between the INTERREG PARTNERS and IB-NRW or LTS-WIRTSCHAFT:</u></p> <p align="center">(governs the technical aspects of financial management)</p> <p>Investitions-Bank NRW (IB-NRW) for EUREGIO, Rhein-Maas-Nord, and Rhein-Waal, and the Niedersächsische Landestreuhandstelle für Wirtschaftsförderung (LTS-Wirtschaft) for Ems Dollart: the financial institutions provide joint technical management and supervision of INTERREG funds and national cofinancing, and must supply comprehensive information and reports.</p>

3.	<p align="center">INTERREG monitoring and steering committees for Euregios</p> <ul style="list-style-type: none"> • Final decision on total costs eligible for assistance and on project financing (including national cofinancing). • Monitoring and supervision of financial implementation of the OP by IB-NRW or LTS-Wirtschaft; responsibility for instructing IB-NRW or LTS-Wirtschaft to issue demands for repayment of EU assistance allocated (6). 	4.	<p align="center">The Euregios:</p> <ul style="list-style-type: none"> • Members of the monitoring and steering committees, nominate the chairperson and provide administrative support. • Assess project applications on the basis of INTERREG, Euregio and national criteria. Euregio entities select and decide on project applications. Communicate decisions to the relevant steering and monitoring committees (4); inform IB-NRW or LTS-Wirtschaft (5). • Coordinate applications for complementary financing from the national and regional bodies. • Carry out ongoing monitoring (9), ensure that EU reporting requirements are fulfilled.
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6.	<p>Joint accounts in the name of the Euregios for EU assistance and national funds with IB-NRW (in the case of EUREGIO, Rhein-Maas-Nord and Rhein-Waal) and with LTS-Wirtschaft (in the case of Ems Dollart).</p> <p>Duties of the financial institutions: contracting EU and national funds (NRW, Nds, NL), concluding a private law contract on project implementation with the project promoters (7), disbursing EU assistance and national cofinancing to the projects (8).</p>	9.
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8.	<p align="center">PROJECT PROMOTERS (GERMANY, NETHERLANDS)</p> <p align="center">Provide own cofinancing for approved projects.</p> <p align="center">Contract INTERREG assistance and national cofinancing from IB-NRW or LTS-Wirtschaft.</p>	7.
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**Financial implementation, INTERREG IIA:
Euregio Maas-Rhein programme (D/B/NL)**



3.2.2. INTERREG programmes featuring crossborder financial management of joint EU assistance

Crossborder financial management of joint EU assistance has been arranged for 12 INTERREG IIA programmes along the EU's internal borders, albeit in diverse forms. In all cases, responsibility for the technical aspects of the financial management of EU assistance was given to a single institution. The INTERREG IIA programmes are as follows:

- The bilateral programme between the EU Member States in the **Swedish-Finnish border area** (Islands Cooperation), and the two trilateral programmes involving Sweden, Finland and the non-EU Member State Norway (Nordkalotten, Kvarken & MittSkandia) **in the northern Scandinavian border region.**
- The three bilateral INTERREG IIA programmes in the **German-Danish border area** (Sønderjylland/Schleswig, Fyn/K.E.R.N, Storstrøm /Ostholstein).
- The two bilateral programmes (Scheldemond and Middengebied) **along the Belgian-Dutch border.**
- The trilateral programme Oberrhein-Mitte-Süd (D/F/CH) and the two bilateral programmes, PAMINA and Saar-Lor-Westpfalz (D/F), in the **German-French border area**; the bilateral programme Germany/Luxembourg **in the German-Luxembourg border area.**

i. INTERREG IIA programmes in the Scandinavian border area

In the case of the **trilateral INTERREG IIA programme Nordkalotten (S/N/SF)**, the financial management of EU funds is carried out jointly by the participating EU Member States, Sweden and Finland. A joint account for the EU assistance was opened for this purpose at the Swedish Central Bank.

The EU assistance for Sweden and Finland under the **INTERREG IIA programme Kvarken & MittSkandia (S/N/SF)** is also managed jointly. The monitoring committee, comprising seven representatives from Finland and Sweden and four representatives of the non-EU Member State, Norway, has general powers with respect to the financial implementation of the programme. It approves INTERREG project proposals and decides on the amount of Community assistance to be

awarded. The Norwegian members of the monitoring committee take part in the selection of projects, but not in the allocation of EU financing.

- As regards Norway, the central State provides financing equivalent to the INTERREG contribution for crossborder activities; the use of these funds is decided by the representatives of the regional councils.
- As regards Sweden and Finland, a joint organisation was appointed to handle the financial management of the INTERREG funds. The ERDF, ESF and EAGGF funds are paid into a joint account of the administration of the Swedish County of Västerbotten. The County of Västerbotten has overall responsibility vis-à-vis the European Commission for the financial implementation and pays out the EU assistance to project promoters.

Joint financial management of EU funds has also been arranged for **the INTERREG-IIA Islands programme involving Sweden and Finland**; the principles are set out in the OP and in an interim agreement between the partners: Initially, the overall responsibility for financial management resided with the Swedish and Finnish authorities; in January 1997, however, it was transferred to the government of the autonomous Finnish region of Åland (Åland Landskapsstyrelse). INTERREG IIA funds are now transferred directly by the Commission to three accounts – one for each of the Community Structural Funds (ERDF, ESF and EAGGF), set up by the Government of Åland at a local bank.

Project applications, calculated in Finnish marks or in Swedish kroner, can be submitted to the programme secretariat (the secretariat of the Island/Archipelago Cooperation). They are then scrutinised by the secretariat and approved either by a special working party of the INTERREG steering committee (projects under ECU 34,000) or by the steering committee itself (projects over ECU 34,000). Once a project application has been approved, the government of Åland has a contract drawn up which is then signed by the project promoter on behalf of all the project partners. The EU assistance is paid only to the project promoter. Since the regional government of Åland is directly responsible to the Commission regarding the proper use of the EU assistance, external audits are also occasionally carried out by the Commission or by the Member States involved.

ii. INTERREG IIA programmes in the German-Danish border area

Common structures for the financial management of EU funds have also been established for the three INTERREG IIA programmes in the German-Danish border area (Sønderjylland/Schleswig, Fyn/K.E.R.N. and Storstrøm/Ostholstein). The decision-making mechanisms and the model adopted for the financial implementation of Community funds under these three INTERREG programmes reflect a significant level of crossborder integration. They are based on an exchange of letters which took place between the Danish side (the Danish Prime Minister and the regions concerned) and the government of the *Land* of Schleswig-Holstein; these have the status of an agreement and their content is binding for all partners concerned under international private law.

For the implementation of INTERREG IIA, in contrast to INTERREG I, the Danish regions (amtskommuner) requested financing without State involvement from the central government in Copenhagen, and in return offered to assume full responsibility in the event of any mismanagement or misuse of EU assistance for Denmark. This proposal was accepted by central government and secured by means of a financial guarantee signed by the State and the regions concerned for an amount equivalent to the INTERREG funds managed by them. On the Danish side, the three INTERREG IIA programmes are thus cofinanced at regional level only, and the project promoters must raise their 50% of the finance themselves. Only where the project promoter is a local administrative unit of central government or a government agency does the necessary cofinancing come from the State.

INTERREG project applications must be submitted in both Danish and German and with a common budget.

- On the Danish side, the project partners in the Sønderjylland/Schleswig and Fyn/K.E.R.N. programmes must appoint an auditor to ensure adequate financial administration of EU assistance for each project from the outset. An auditor's declaration is a prerequisite for payment of the first instalment of the grant. In the Storstrøm/Ostholstein programme, the decision-making process on the Danish side is rather more complex, since the organisation managing the programme is an agency independent of the local authority. Every project application is checked by the finance committee of the local authority before a decision can be reached by the steering committee.

- On the German side, project financing is audited by the German department of the relevant programme secretariat.

The technical aspects of financial management were entrusted to the Danish INTERREG partners in all three programmes. Each of the regions in question opened an ecu account for the joint INTERREG funds at a private Danish bank of its choice. A steering committee, which also acts as a monitoring committee for the INTERREG IIA programme, decides how the EU assistance will be used. Project promoters are given written notification of the decision (in German and Danish) by the appropriate national department of the programme secretariat. This communication also contains a detailed list of all the obligations to be fulfilled by the German and Danish partners. INTERREG grant payments to projects are made by the regions in ecus, thereby ensuring that the exchange-rate risk is borne by the project partners on either side of the border. Auditing of accounts and reporting are carried out in line with the provisions set out by the Commission.

iii. INTERREG IIA programmes in the Belgian-Dutch border area

Building on the experience of the German-Dutch border area, virtually identical common financial implementation structures have been established for the **INTERREG IIA Scheldemond and Middengebied programmes on the border between Belgium and the Netherlands**. To this end, the public-sector INTERREG partners involved (the Dutch State, Dutch provinces, the Flemish community and Belgian provinces) entered into an INTERREG agreement on financial implementation with a single bank in Belgium, the Crédit communal de Belgique/Gemeentekrediet van België. The programme partners have also defined a number of general conditions relating to the financial implementation of programmes.

Under the two INTERREG agreements, the public programme partners have given the Crédit communal de Belgique responsibility for the financial administration and technical management both of all EU assistance and of some of the national cofinancing relating to specific projects.

- Once the Crédit communal de Belgique has made a request for payment of INTERREG funds to the Flemish community, the Flemish government submits a joint request to the European Commission on behalf of the Belgian and Dutch INTERREG partners for payment of the total amount of EU assistance. The public-sector INTERREG partners involved make the EU funds

available to the Crédit communal de Belgique, in their respective local currencies, in a special account opened by the bank in Belgium and the Netherlands.

- The bank has the right to demand that the other partners in a project on both sides of the border provide a 100% bank or local authority guarantee for the amount they intend to contribute. In practice, the project partners (not the principal applicant) place the requisite counterpart financing at the disposal of the bank in advance in tranches (corresponding to the amounts of the EU cofinancing tranches).

As part of the implementation of the two INTERREG programmes, the two monitoring committees carry out a number of general tasks relating to financial administration. The Crédit communal de Belgique is represented on both monitoring committees as an observer.

- In the case of the Middengebied programme, the main tasks of the monitoring committee relate to decisions regarding the overall costs of projects eligible for assistance and the amount of EU cofinancing, vetting of any significant amendment to projects already approved, and supervision of the bank in charge of the programme's financial implementation. The Middengebied programme secretariat (IGRES) deals principally with tasks relating to day-to-day project management and project monitoring. It coordinates the submission of the financial component of project applications to the Crédit communal de Belgique, for instance, and acts as an intermediary with regard to applications for national cofinancing.
- Within the framework of the Scheldemonde programme, the monitoring committee ensures the financial supervision of the programme and has overall responsibility for its financial implementation. The secretariat of the Scheldemonde Euregio operates as a standing, bi-national office and looks after the operational management of the programme and its day-to-day implementation.

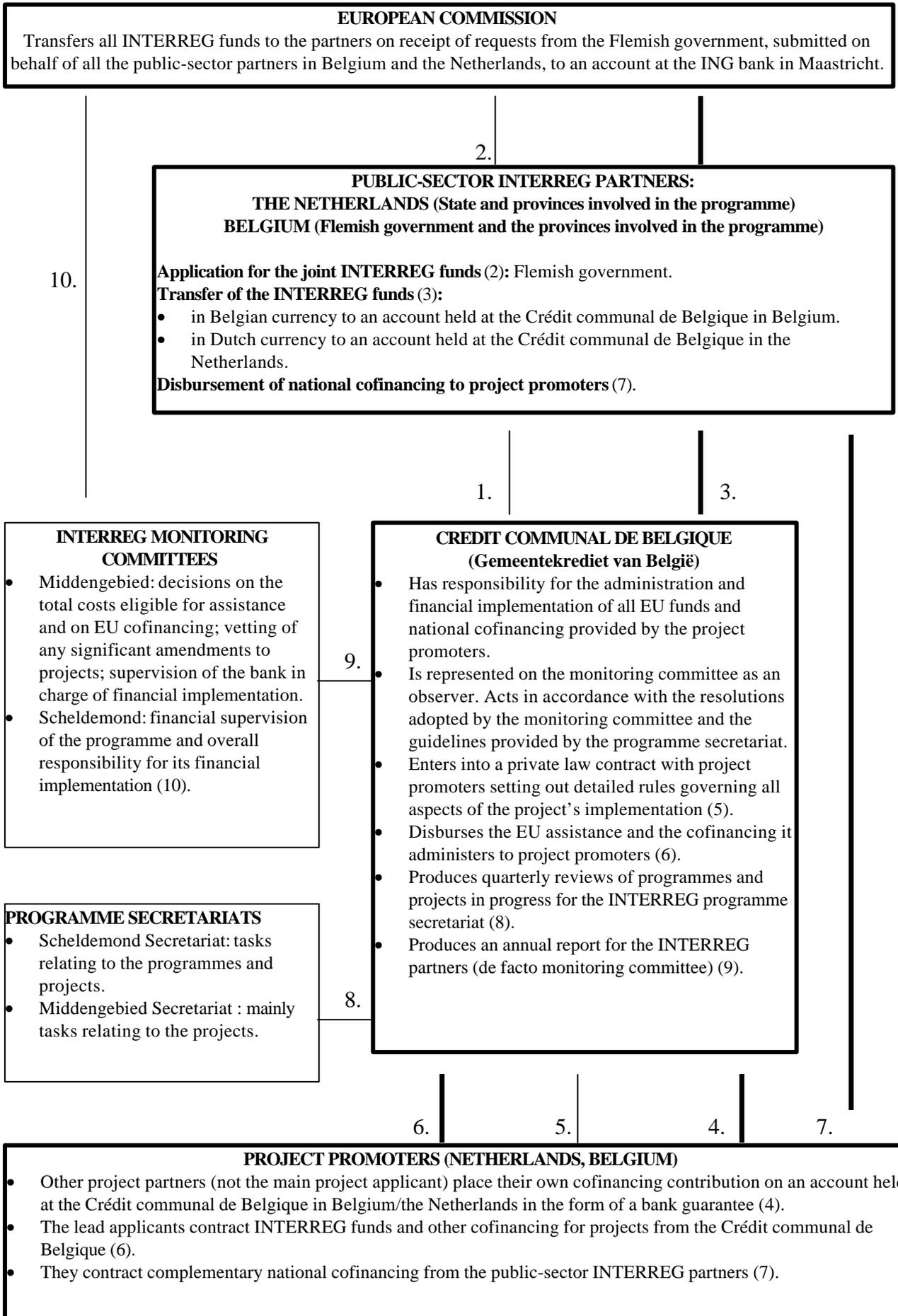
The technical aspects of the programmes' financial implementation are handled by the Crédit communal de Belgique in accordance with the mandate set out in the relevant agreements, the decisions of the monitoring committee and the guidelines issued by the programme secretariat.

- Project promoters must enter into a private law contract with the bank prior to disbursement of any funds managed by the bank (the EU assistance and some national cofinancing). The content of this contract is based on the general conditions agreed by the public-sector INTERREG

partners. Under the private law contracts, however, the bank has full decision-making power vis-à-vis the project promoters.

- The payments from the funds administered by the Bank are made in the name and on behalf of the public-sector INTERREG partners or other cofinancing organisations. Additional national cofinancing provided by the public-sector INTERREG partners are allocated by the bank on a project-by-project basis.
- The bank provides the INTERREG partners with an annual financial report at the end of the calendar year (at the latest by 31 March of the following year) and draws up monthly progress reports on the implementation of the various programmes and projects for the secretariats of the respective INTERREG programmes.
- The bank receives a fixed monthly amount, set out in the INTERREG agreement, in payment for its services. These costs are covered by the interest earned on the funds administered by the bank. Should this interest prove insufficient, the costs are covered pro rata by the partners and the INTERREG programme.
- The bank must also allow inspection by the relevant entities of the EU and the public-sector INTERREG partners for the purpose of checking the proper use of the funds it administers (EU assistance and part of the national cofinancing).

Financial implementation, INTERREG IIA:
Scheldemonde and Middengebied programmes (B/NL)



iv. INTERREG IIA programmes in the German-French and German-Luxembourg border areas

A framework agreement on the implementation and financial administration of the **trilateral INTERREG IIA programme Oberrhein-Mitte-Süd (D/F/CH)** was concluded by the participating INTERREG partners in March 1996 (the French Republic represented by the regional prefecture of Alsace, Alsace region, the Haut-Rhin and Bas-Rhin *départments*, the *Land* of Baden-Württemberg, the Swiss cantons of Basel-Stadt, Basel-Landschaft, Solothurn, Aargau, the canton of Jura, and Landeskreditbank Baden-Württemberg). This INTERREG agreement sets out, *inter alia*,

- the terms and conditions under which the *Land* of Baden-Württemberg assumes overall responsibility vis-à-vis the European Commission for the financial implementation of the OP;
- that the *Land* of Baden-Württemberg, on behalf of the other public-sector INTERREG partners, has appointed Landeskreditbank Baden-Württemberg (L-Bank) as sole institution in charge of administering the joint EU assistance;
- the terms and conditions governing payments made by L-Bank from the Community funds approved by the Commission in line with the instructions of the monitoring committee;
- that other national, regional or local cofinancing is to be made available separately in each Member State.

As a first stage of the programme's financial implementation, the Ministry of State of Baden-Württemberg asks the European Commission to pay the Community funds into an account specially opened for the purpose by L-Bank at the Générale de Banque in Brussels. Pending disbursement to the respective project promoters, L-Bank invests the funds so that they yield interest, in line with the relevant provisions laid down by the EU.

L-Bank undertakes to perform the tasks assigned to it with the due care customary in banking and in accordance with the financial implementation provisions and the rules set out in the framework agreement. L-Bank submits a report to the monitoring committee prior to every meeting, and also produces an annual financial report. At the end of the programme, L-Bank must submit a final report with details on the use of the Community funds. Lastly, the bank must allow all authorised auditing bodies of the EU and the INTERREG partners to inspect its records. L-Bank is paid for the performance of these administrative activities; its remuneration may not exceed the amount of interest earned on the interim investment of the INTERREG funds.

At the end of the application and selection procedure, once the monitoring committee has approved the allocation of EU funds, L-Bank enters into a comprehensive private law contract with the various project promoters. These individual agreements, which are subject to the German legislation on contracts, lay down the principles and conditions governing project implementation. The stipulations are detailed in Article 3 of the framework agreement. Complementary assistance from national or regional sources is forwarded directly to the project promoter, in accordance with the relevant legal provisions in force in each country.

Failure on the part of the project promoter to fulfil the conditions set out in the Commission decision relating to the OP or in the individual agreement may result in a demand for repayment of the EU assistance. These decisions are taken by the monitoring committee. Where it is not possible to enforce repayment in full, the monitoring committee passes on responsibility for recovering the amount to the Regional Prefecture of Alsace, the *Land* of Baden-Württemberg or the Swiss cantons as appropriate.

The administration of joint EU assistance has also been entrusted to a single entity under the **INTERREG IIA programme PAMINA (Palatinat-Mittlerer Oberrhein-Nord Alsace)**, which involves the *Länder* of Rheinland-Pfalz and Baden-Württemberg on the German side and the Bas-Rhin *département* in the region of Alsace on the French side. A framework agreement was concluded by the public-sector partners for the administration and implementation of the INTERREG I programme as early as 1991. In September 1995, another agreement was concluded further to the adoption of the new INTERREG IIA programme by the Commission. This INTERREG IIA agreement was signed by the representative of the French State in the region of Alsace (the regional prefect), the Bas-Rhin *département* and representatives of the *Länder* of Rheinland-Pfalz and Baden-Württemberg. It covers all areas of programme administration (objectives, eligibility for assistance, project application and approval procedures, financial implementation, etc.).

A monitoring committee was set up to implement the INTERREG programme PAMINA, which is supported by a working group. A PAMINA office was set up in Lauterbourg (F) to provide administrative support for these two INTERREG implementation bodies and contribute to monitoring

the programme's financial implementation. Overall responsibility for the financial implementation of the INTERREG IIA programme PAMINA lies with the monitoring committee. The administration of INTERREG funds has nevertheless been delegated to a joint financial management unit, the Bas-Rhin *département*. After being transferred initially to the treasury in Paris, and then via the ministries responsible for ESF and ERDF funds to the regional prefecture of Alsace, the French and German INTERREG assistance is placed in the joint account of the INTERREG partners. The account was opened by the Bas-Rhin *département* in its own name at the Centre des chèques postaux in Strasbourg.

On being submitted to the PAMINA office in Lauterbourg, project proposals are evaluated by the monitoring committee working group. In the event of a favourable verdict, the monitoring committee must take a formal decision on the commitment of the EU assistance. An individual agreement for each project is then concluded between the cofinancing bodies, the project promoter, the Bas-Rhin *département* and the French government, as well as with the *Land* of Baden-Württemberg and/or Rheinland Pfalz, setting out the basic principles and conditions for implementing the project (pursuant to Article 4 of the framework agreement). The actual financial implementation takes place in one of two ways, depending on the type of finance:

- The Bas-Rhin *département* pays the appropriate INTERREG funds to the relevant project promoter. The EU assistance is contracted by the promoters of approved projects in accordance with the specific provisions set out in the individual agreement.
- The German and French cofinancing, on the other hand, must be applied for and contracted in the project promoter's own region of origin. The funds are disbursed in accordance with the relevant national and regional provisions in force and the specifications of the individual agreements concluded with the project promoters.

The Bas-Rhin *département* is responsible for managing the joint account management and providing evidence of how the EU assistance is used. The use of EU funds may be checked by the relevant auditing bodies at European level, by the programme partners, the INTERREG monitoring committee and – in the case of the individual projects – by the Bas-Rhin *département*. The INTERREG monitoring committee is empowered to demand repayment of EU assistance disbursed. In the event of irregularities, for example, the monitoring committee will instruct the Bas-Rhin

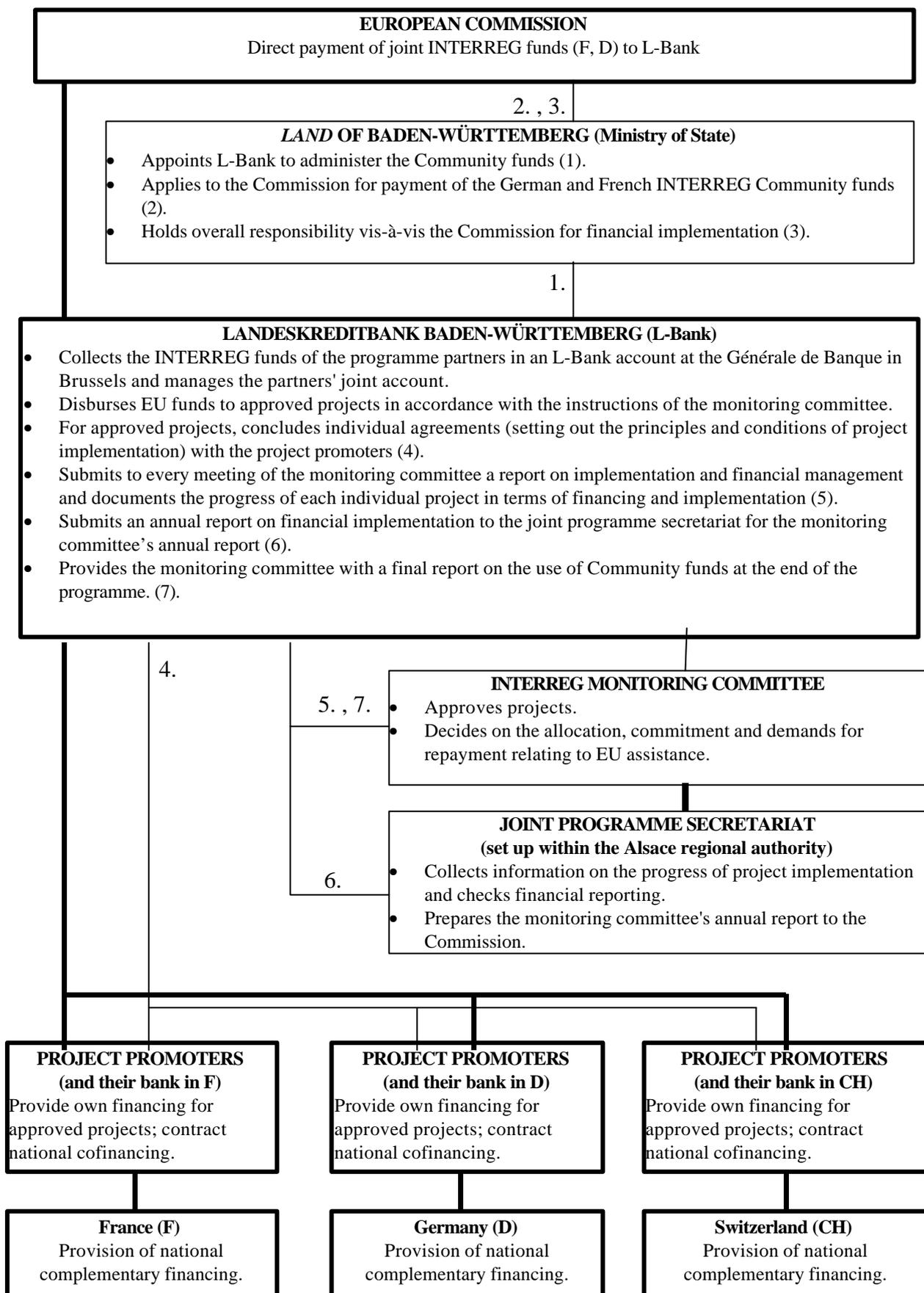
département or the *Länder* of Rheinland-Pfalz and Baden-Württemberg to demand repayment of funds from project promoters in their respective areas of jurisdiction.

As regards the implementation of the **INTERREG IIA programme Saar-Lor-Westpfalz**, an agreement similar to that concluded for the INTERREG I programme was drawn up in April 1993 between the French and German public-sector partners in the programme and the Saarländischen Investitions- und Kreditbank (SIKB). This agreement sets out a number of provisions, including

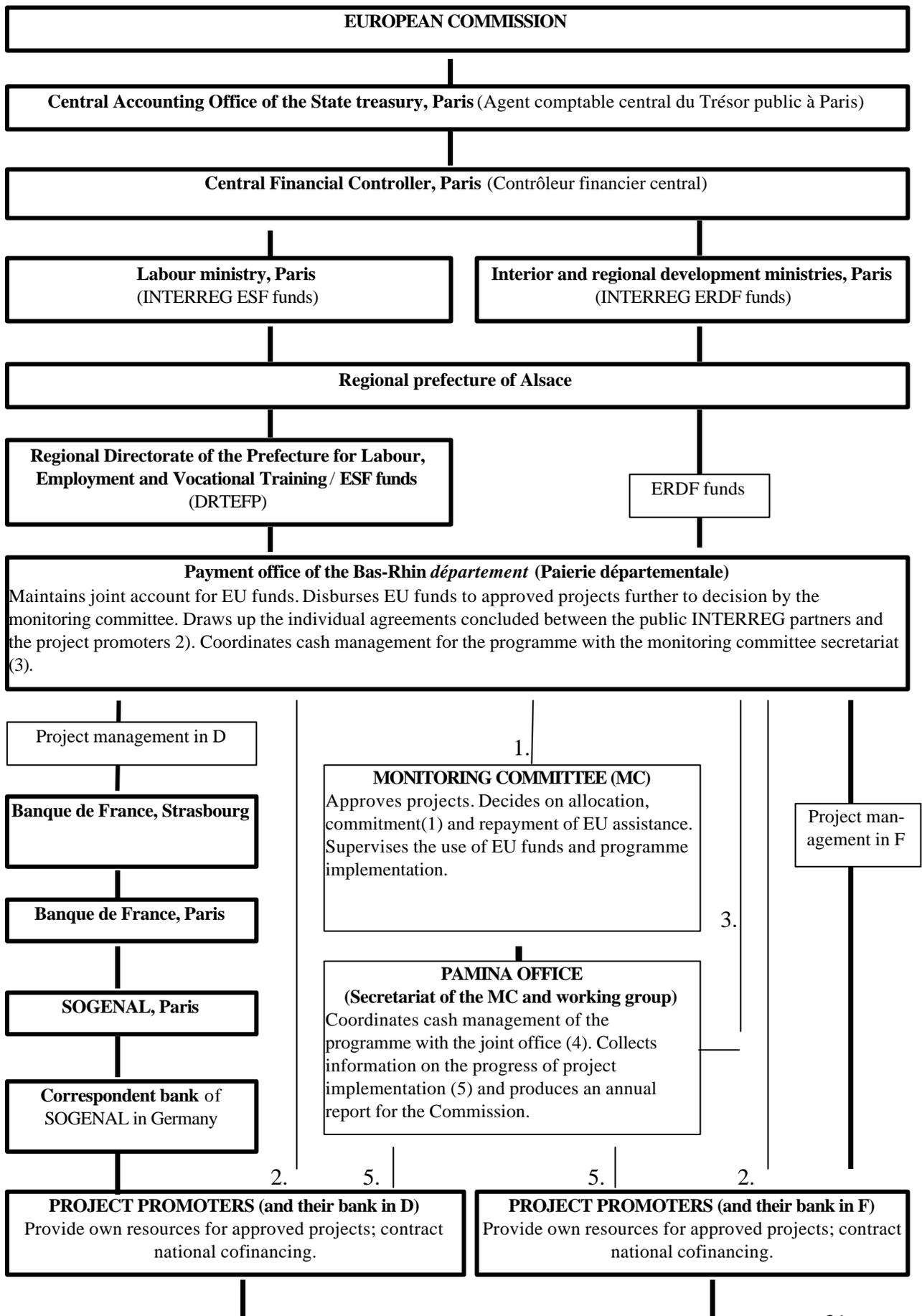
- that the *Land* of Saarland assumes overall responsibility on behalf of the other partners vis-à-vis the Commission for the financial implementation of the programme and the proper use of EU funds,
- that the SIKB undertakes to disburse the EU assistance approved by the Commission as part-financing of the crossborder programme in accordance with the terms specified by the monitoring committee.

Under the agreement, the Minister for Economic Affairs in Saarland submits a request to the European Commission for payment of the Community funds into a joint account opened at the SIKB by the French government, the region of Lorraine and the German *Länder* of Saarland and Rhineland-Palatinate. The SIKB was appointed by the public-sector partners in the programme to administrate the Community funds and is authorised to manage the joint account in the way best suited to ensure optimal implementation of the agreement. The SIKB has pledged to carry out the tasks entrusted to it with the due care customary in banking, in accordance with the provisions of the Commission's decision and the implementation agreement. The INTERREG funds are kept in the joint account and are invested by the SIKB in order to earn interest until they are disbursed to the final beneficiary.

Financial implementation, INTERREG IIA:
Oberrhein Mitte-Süd programme (F/D)



Financial implementation, INTERREG IIA: PAMINA programme (F/D)



Germany Provision of national complementary financing.	France Provision of national complementary financing.
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The services.

Once the examination of the overall financing of a crossborder project proposal is completed and it has been unanimously approved by the INTERREG IIA monitoring committee as eligible for assistance, the SIKB concludes a comprehensive contract with the project promoter on the technical aspects of implementing the INTERREG funds. These contracts contain a number of detailed provisions further defined as general conditions in Article 4 of the agreement. They include

- a precise definition of the objectives of the measure for which financing has been requested and the total financing required for its implementation;
- the arrangements for contracting and using Community funds;
- an obligation to abide by all the relevant Community provisions;
- an obligation to repay the financing at a later date in the event of misuse or incomplete use of the funds on the part of the project promoter;
- an obligation to produce an annual report on the use of Community funds and to submit to unrestricted supervision.

Once the private law contract is concluded, the SIKB transfers the required share of Community finance directly to the project promoter. EU funds are paid into the project promoter's bank account in the appropriate currency. The provision of national complementary finance in France and Germany takes place via the authorised national or regional offices, in accordance with the legal provisions in force in the respective countries. In the event of the project promoter being required to repay Community funds for whatever reason, the demand is decided on by the monitoring committee. The SIKB transfers this demand for repayment without delay to the project promoter concerned and is responsible in all cases for the recovery of the total amount due for repayment and the transfer of the funds to the joint account.

The SIKB is responsible for meeting all the obligations it enters into. With regard to the financial management of Community assistance, the obligations of the SIKB focus principally on two areas: the duty to preserve supporting documents and the duty to report. As regards its duty to preserve

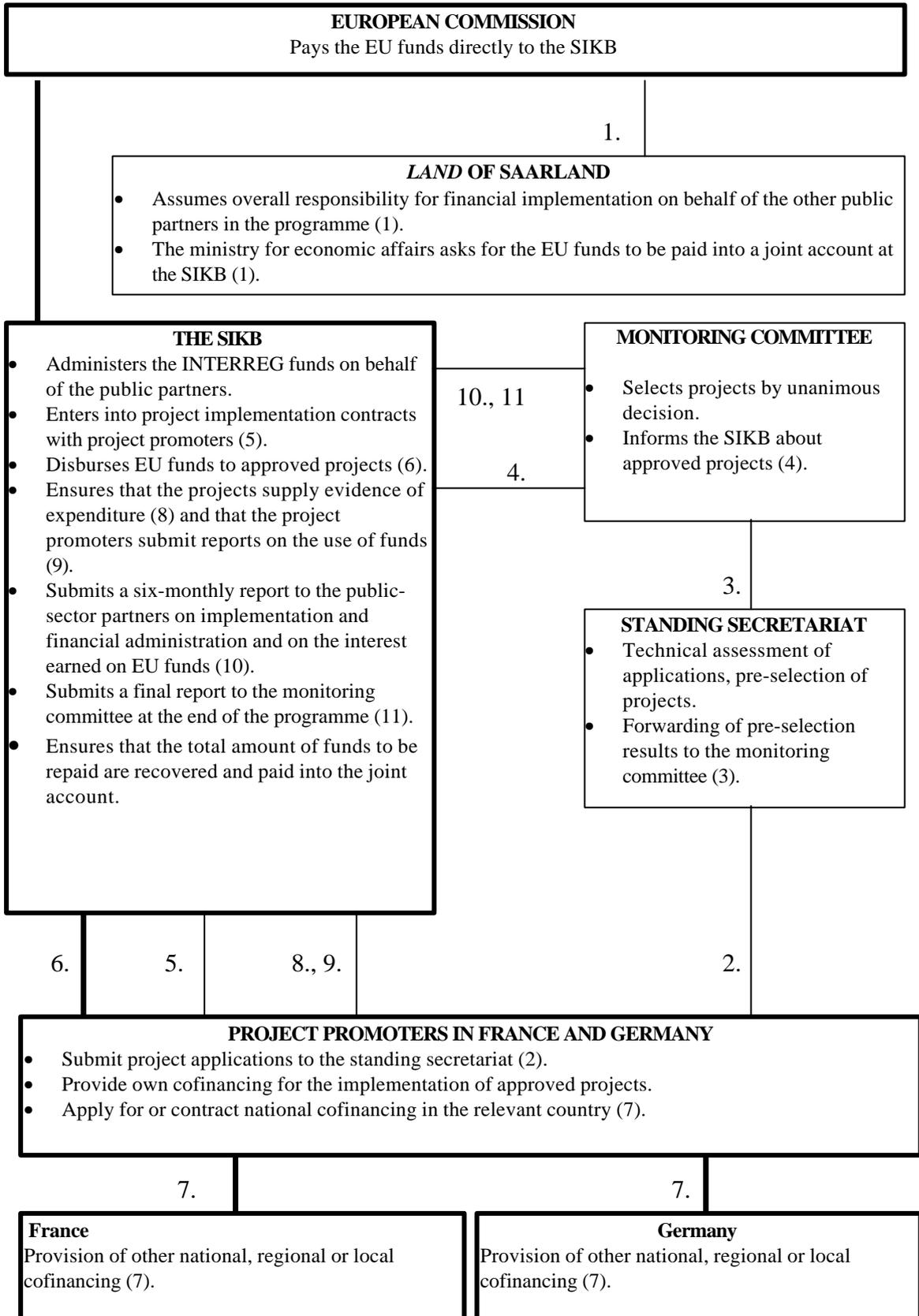
documents, the SIKB must ensure that the necessary supporting documents relating to disbursements are kept for at least five years after the end of the relevant programme. As regards its duty to report, the SIKB provides the public-sector programme partners with:

- a six-monthly report on the implementation and financial administration of the programme (report on the general and financial implementation of each project, and a summary of this information in an overview of the funds committed);
- a six-monthly report on the interest earned on Community funds; and, at the end of the programme
- a final report on the use of the EU funds for the monitoring committee.

For the purposes of verifying the proper use of the EU funds, the SIKB allows the relevant EU auditing bodies and the public-sector partners in the programme unrestricted access to its records.

As regards the **German-Luxembourg INTERREG IIA programme**, an agreement between the ministry for regional development of the Grand Duchy of Luxembourg and the ministries for economic affairs of the German *Länder* of Rheinland-Pfalz and Saarland provides for a special mechanism for the programme's implementation, the most important elements of which are a monitoring committee and a standing joint secretariat. The ministries responsible for the INTERREG programme have opened a joint account for EU funds at the Landesbank Rheinland-Pfalz/Landestreuhandstelle. The public-sector partners in the programme have also concluded an administration contract with the bank, thereby giving it responsibility for the financial implementation of the EU assistance. The use of joint INTERREG funds is decided jointly and unanimously by the monitoring committee. A decision of the monitoring committee adopted on 9.10.1995 also sets out a number of general conditions for drawing on INTERREG funds.

**Financial implementation, INTERREG IIA:
The Saar-Lor-Westpfalz programme (F/D)**



According to the information available, the financial implementation of the INTERREG-programme Germany/Luxembourg goes through three stages:

- The Grand Duchy of Luxembourg, Rhineland-Palatinate and Saarland decide through the monitoring committee whether to accept a project application, following in-depth consultation with the European Commission.
- Applications for payment of EU funds must be submitted by the project promoters to the appropriate national authority (authorising body). Once these authorities have checked that all conditions pertaining to disbursement have been met (as set out in the general conditions), the standing secretariat secures a payment decision from the monitoring committee. The project promoter and the Landesbank are informed promptly about the statutory decisions of the monitoring committee on the contracting of EU funds. Only then can the Landesbank Rheinland-Pfalz pay out the INTERREG grants to the project promoters.
- Applications for funds from national cofinancing sources are made separately for each project, in line with the national provisions in force. This also applies to the authorisation and payment of such funds, which are carried out by the national authority responsible in each case.

The monitoring committee supervises the use and transfers of EU funds and may at any time demand immediate repayment of funds via the relevant national authorities should there be serious grounds for doing so (as set out in the general conditions). The relevant national authorising body is responsible for auditing the statements relating to the use of INTERREG funds. The auditing of statements relating to national complementary financing is governed by the national provisions in force. In addition, the bodies responsible for financial auditing in Luxembourg, Rhineland-Palatinate and Saarland and in the EU are entitled to check whether the INTERREG funds are being used in accordance with the terms of the contract, and may conduct on-site inspections.

3.2.3. INTERREG programmes in which the EU assistance and public cofinancing are implemented separately in each country

The financial strands of many INTERREG IIA programmes are still implemented separately at national level. In such cases there is no joint crossborder financial management at programme level; INTERREG funds are administered on either side of the border by the relevant national authorities.

This applies in particular to

- INTERREG IIA programmes along **the French borders with other EU Member States (except Germany; see section 3.2.2.)** and the programmes on **Austria's borders with Italy and Germany,**
- INTERREG IIA internal border programmes **UK-Wales/Republic of Ireland, Spain/Portugal, Italy/Greece and the Øresund programme in the Scandinavian border region,**
- **all bilateral INTERREG IIA external border programmes with non-EU States Norway and Switzerland.**

i. INTERREG IIA programmes on France's intra-EU borders

With the exception of the three INTERREG programmes in the German-French border area (see 3.2.2.), **the financial implementation of INTERREG IIA programmes on France's intra-EU borders is carried out separately in each country.** This is the case for:

- the trilateral programme European Development Pole, or EDP (F/B/L), and the three bilateral programmes West Flanders, PACTE and Ardennes on the border between northern France and Belgium;
- the two programmes with the United Kingdom (Nord-Pas-de-Calais/Kent and Rives-Manche), on the Channel;
- the three programmes with Italy (Alpes, Corsica/Sardegna and Corsica/Toscana);
- the programme with Spain in the Pyrenees.

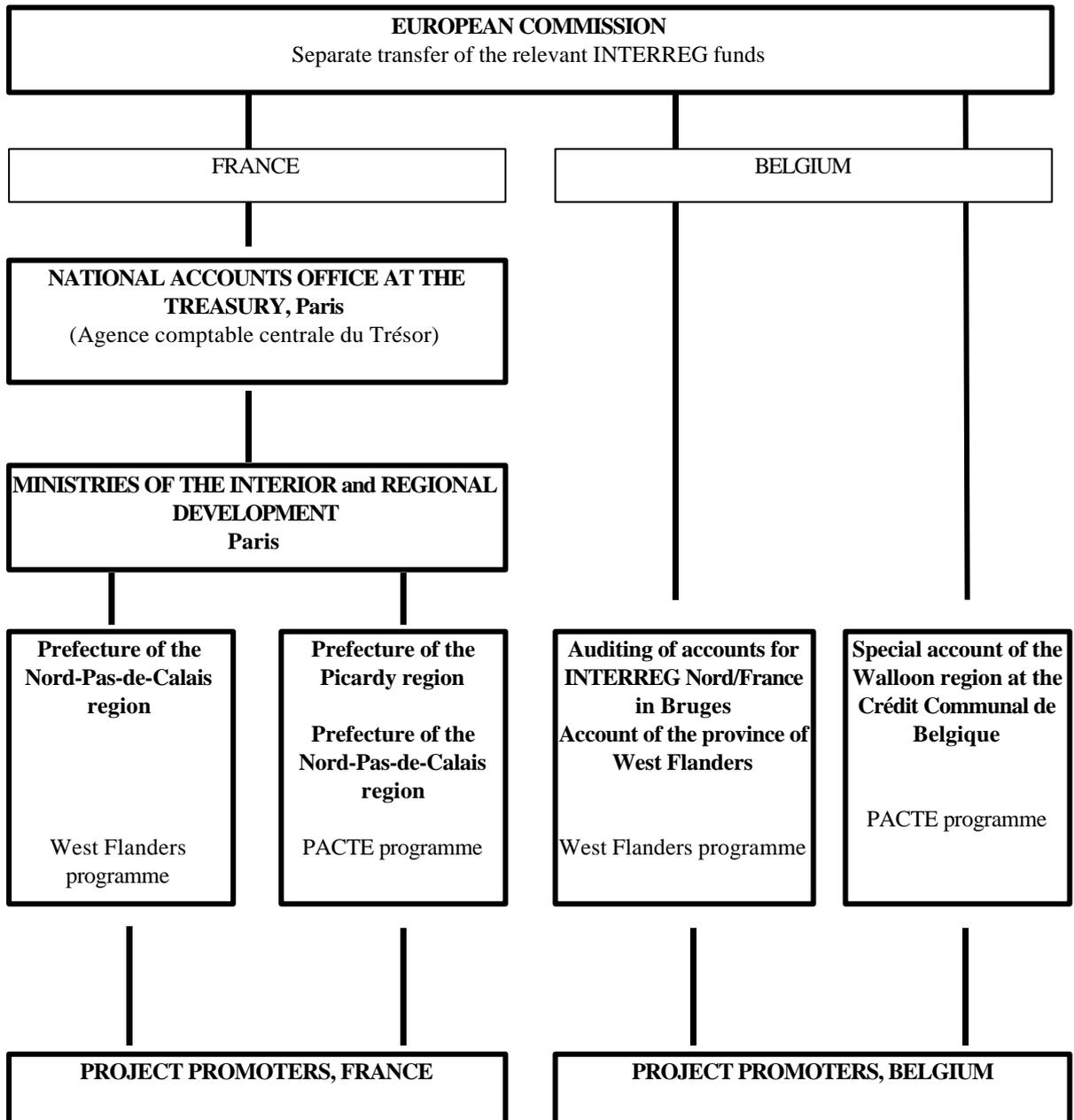
The financial implementation of the trilateral INTERREG programme **European Development Pole (F/B/L)** and the financial implementation of the three **INTERREG IIA programmes on the northern French border with Belgium** (West Flanders, PACTE, Ardennes) are carried out

separately in each country, by the public authority responsible in each case. **The INTERREG programmes West Flanders and PACTE**, in Belgium and France, have a relatively streamlined financial implementation structure (see graph). On the French side, the INTERREG funds for both programmes are paid by the European Commission first of all to the national accounts office of the treasury in Paris (Agence comptable centrale du Trésor public) and are then transferred by the ministry for regional development, which is responsible for the ERDF, to the relevant regional prefectures. On the Belgian side the regions involved in each case receive the INTERREG funds directly from the European Commission.

Under the **INTERREG programme Ardennes**, the financial implementation involves a more sectoral transfer of funds since the EU assistance on both sides of the border is still transferred (provisionally) to separate ministries/authorities according to the Structural Fund from which it originates.

- In France, the INTERREG funds are transferred by the Commission to the treasury in Paris and then – depending on the Structural Fund – either to the ministries of the interior and regional development (ERDF), the agriculture ministry (EAGGF) or the ministry for employment and vocational training (ESF). The national ministries then transfer the EU funds to the regional prefecture of Champagne-Ardennes, which passes on the ERDF funds only to the prefectures of the *départements*. The final beneficiaries may request INTERREG financing from the prefectures both of the regions and the *départements*.
- In Belgium, the INTERREG funds are transferred by the Commission to the budget department of the Walloon region. The ERDF and EAGGF funds are then transferred to the regional ministry for foreign affairs or, in the case of the ESF funds, to the regional ministry for education, research and training. Project promoters can contract the INTERREG funds from there.

**Financial implementation, INTERREG IIA:
West Flanders and PACTE programmes (F/B)**

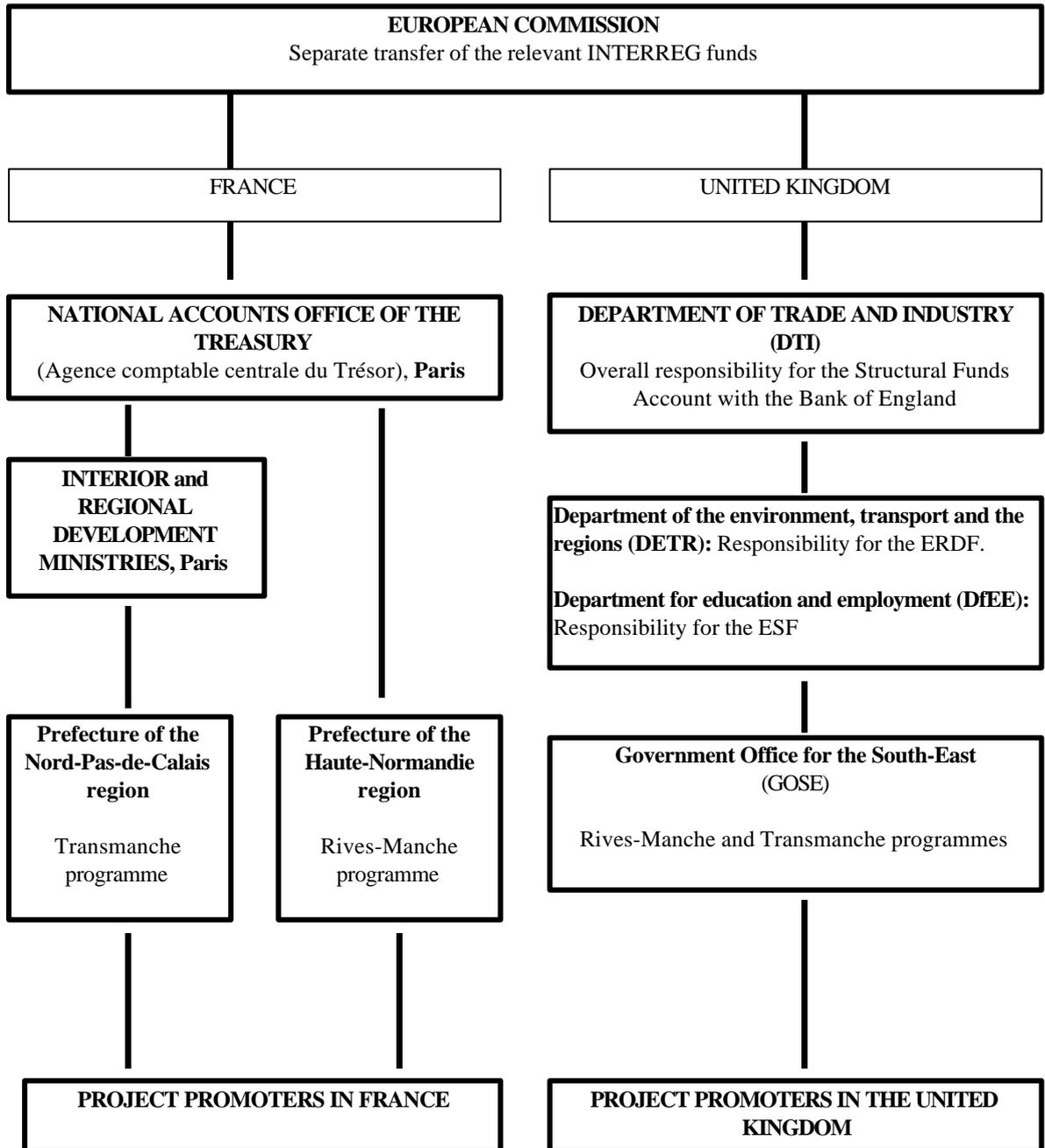


Like that of the INTERREG West Flanders and PACTE programmes, the financial implementation of both **INTERREG IIA programmes on the Channel between the UK and France (Transmanche, Rives-Manche)** is relatively straightforward (see graph). The EU assistance is paid to the final beneficiaries through the relevant ministries or local State authorities. Financial inspection is performed in France and the UK in accordance with the applicable provisions relating to the Structural Funds in each country. Under the Rives-Manche INTERREG IIA programme, however, the council of the Seine-Maritime *département*, together with the other bodies involved in the programme's implementation, also examines how financial implementation can be improved in future, in particular for smaller projects. In this respect, there are plans for establishing a joint fund administered by a crossborder structure that has yet to be set up. This fund would focus on a specific area of assistance to comply with current national and European legal requirements.

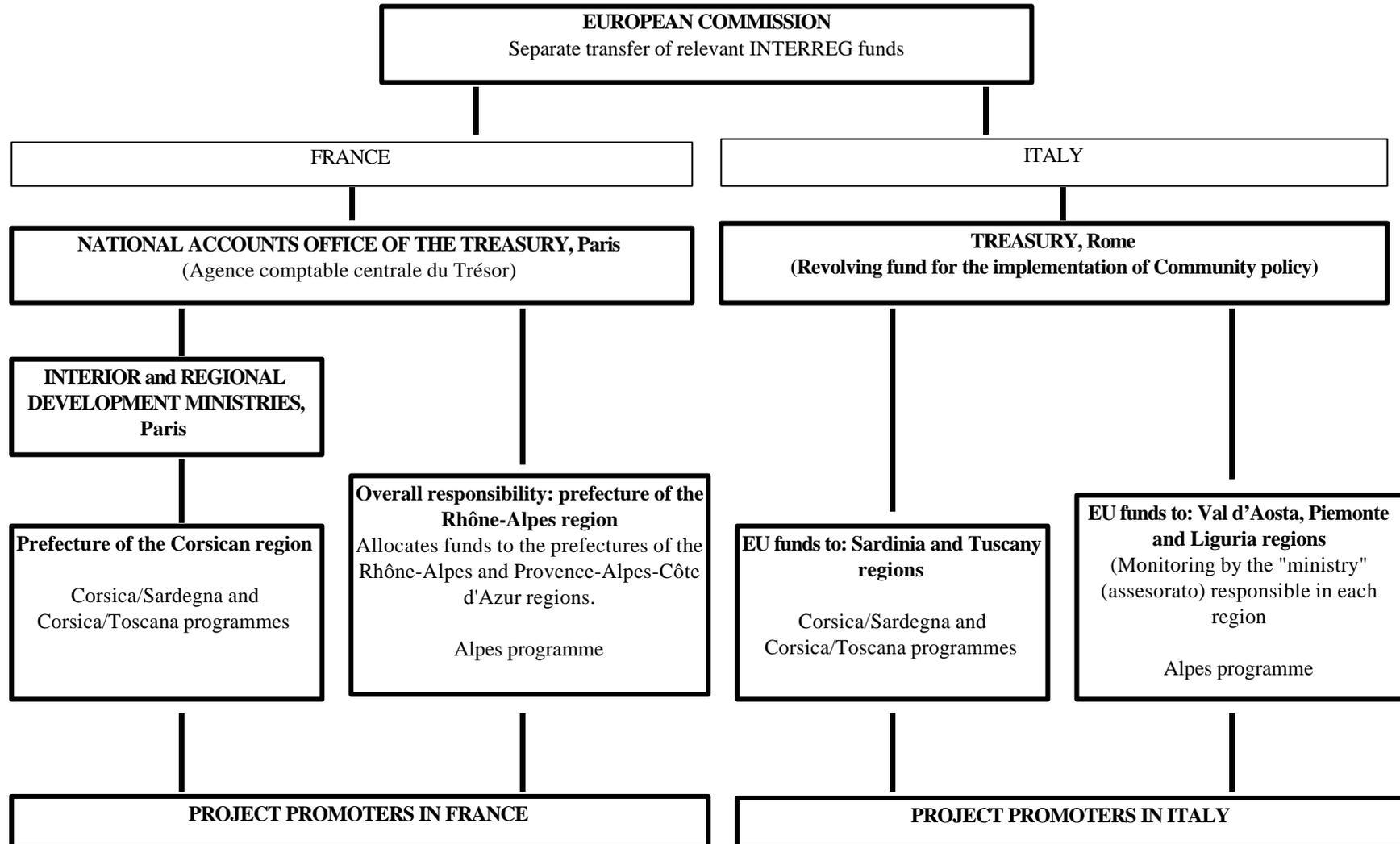
The **financial implementation of the three INTERREG programmes between France and Italy** (Alpes, Corsica/Sardegna and Corsica/Toscana) obeys a relatively uniform pattern on either side of the border (see graph). In contrast to the centralised State administration of EU assistance practiced in France, the Italian INTERREG funds, after being transferred by the Commission to the treasury in Rome, are passed on directly to the regions concerned, Sardinia and Tuscany.

Financial implementation of the INTERREG programme Pyrénées is performed independently in the two countries. On the Spanish side, the INTERREG funds are also transferred by the economics and finance ministry in Madrid (as "initial recipient") directly to the regions (autonomous communities) concerned. On the French side, the financial implementation procedures present one distinctive feature: the INTERREG funds, once transferred by the Commission to the treasury in Paris, are forwarded directly to the prefecture of the Midi-Pyrénées region. This prefecture, as overall coordinating agency on the French side, handles the transfer of funds to the departmental prefectures concerned along the whole border (including in the Aquitaine and Languedoc-Roussillon regions).

**Financial implementation, INTERREG IIA:
Transmanche and Rives-Manche programmes (F/UK)**



**Financial implementation, INTERREG IIA:
Alpes, Corsica/Sardegna and Corsica/Toscana programmes (F/I)**



In the Pyrenees, a cooperation agreement between the regions of Aquitaine (F) and Euskadi (E) has been in operation since 1989. Under this agreement, a cooperation fund was created in September 1990, before the launch of INTERREG. The fund is used by the regional authorities as a vehicle for providing sufficient development financing for implementing joint crossborder projects. In February 1992, this agreement was extended to include the Spanish region of Navarra. **The Joint Cooperation Fund for Aquitaine/Euskadi/Navarra** provides finance for the participating regions from a budget heading specifically established for the purpose, since the creation of a single fund was not possible in Spain for constitutional reasons.

The main objective of the cooperation fund is to provide support for bilateral and trilateral measures involving socioeconomic partners in the three regions. Calls for project proposals in the spheres of higher education and research, economic development and the environment, and culture, education and society are published at the beginning of each year. The projects eligible for assistance are selected in accordance with a set of pre-defined criteria. The financial assistance provided by two or three regions through the cooperation fund may cover up to 50% of the total costs of projects.

There has been a vast increase in the number of projects supported since the fund was set up in 1990; the figure since 1996 stands at between 72 and 75 projects each year. The same trend is apparent in the amount of assistance allocated every year, which has been standing at around FFr 12 million per year since 1996. These regional funds may also be used as cofinancing alongside EU development assistance, for example through the INTERREG programme. Under INTERREG I (1991-1993), some FFr 2.4 million were paid from the fund on the French side and ECU 1.07 million on the Spanish side (Euskadi). Under INTERREG II, the cofinancing for ERDF projects in 1996/1997 amounted to FFr 1.2 million.

ii. INTERREG IIA programmes on the German-Austrian border

There is no joint financial management at programme level for the **INTERREG IIA Austria/Italy programme** and the two INTERREG IIA programmes on the **German-Austrian border** (the bilateral programme Austria/Bavaria and the trilateral programme Alpenrhein/Bodensee/Hochrhein (D/A/CH)). EU funds are transferred separately to two accounts, one in each country, and are administered in each country by the relevant authorities.

Under the **INTERREG programme Austria/Bavaria**, the EU funds for the INTERREG IIA programme are coordinated centrally in the *Land* of Bavaria by the Bavarian ministry for economic affairs and paid via the government of Oberbayern, which acts as a grants office. The INTERREG funds are allocated to the authority responsible for the strand of measures and the Structural Fund involved (ERDF, ESF or EAGGF); this authority is also responsible for project evaluation. The INTERREG funds in Bavaria are therefore not allocated from the outset according to individual regions or Euroregions located within the border area. In Austria, a portion of the INTERREG funds is divided up immediately among the four *Länder* bordering Bavaria (Oberösterreich, Salzburg, Vorarlberg and Tirol). The EU funds are paid either through the *Land* government or through the federal government, depending on the mode of national cofinancing.

In the context of the INTERREG IIA programme Austria/Bavaria, attempts are being made to cooperate across national borders on financial management at project level. This is most notable where the four Euroregions on the Austrian-Bavarian border are involved (Euregio Bayrischer Wald/Böhmer Wald, Euregio Inn-Salzach, Euregio Salzburg-Berchtesgadner Land-Traunstein and Euregio "Via salina").

On the Austrian side, the **Inn-Salzach Euregio** and the **Bayrischer Wald-Böhmerwald Euregio** were involved in drawing up the INTERREG IIA OP and the process of deciding the financial quotas for the various priority measures. As regards the financial strand, however, the Euregios are not at present able to implement the OP on their own. This is due on the one hand to the fact that they lack the necessary financial and human resources, but also to the current procedures for granting assistance (liability vis-à-vis the European Commission). The role of the Euregios in the context of INTERREG is as follows:

- On a smaller scale, the **small project fund** enables the Bayrischer Wald-Böhmerwald Euregio to experiment with the independent awarding of grants. The Euregio receives a total of 200,000 Schillings annually from the Austrian side, from both EU and federal State sources, enabling it to provide assistance for smaller projects independently up to a set limit.
- The independent administration of these funds during the first two years has been satisfactory. The *Land* of Oberösterreich is currently considering giving the Austrian partner in the Bayrischer

Wald-Böhmerwald Euregio larger amounts to administer during the next period to enable it to support bigger projects.

The projects of the **Salzburg-Berchtesgadner Land-Traunstein Euregio** (Euregio reconstruction assistance, Euregio small project fund and Euregio development perspective) also receive assistance from INTERREG IIA. As the Euregio, established only in 1996, does not have legal personality, applications for financial support have had to be submitted through the two national assistance agencies. This has increased the administrative burden involved in the financial implementation of projects. Evidence of how the funds are spent must be kept in duplicate and payments have to be made through the two assistance agencies in Germany and Austria.

- The overall structure of project financing is relatively transparent and it is managed in a lean and efficient manner. After deduction of the INTERREG assistance, the costs incurred by projects are divided and charged in line with the number of inhabitants of the municipalities covered by the assistance agencies. By mutual agreement, the assistance agencies have delegated this task to the central Euregio office.
- Financial implementation of the Euregio development perspective project is somewhat more complicated than the procedure outlined above. In addition to the EU assistance and the Euregio's own resources supplied by the member regions on a proportional basis, other entities both in Bavaria (Bavarian ministry for rural development and the environment) and Austria (*Land* administration of Salzburg and the Federal Chancellery) also provide cofinancing.

A policy paper on the "Future of INTERREG" published by the Austrian-Bavarian Euroregions in March 1998 calls for various steps to increase integration in the sphere of financial management: it provides for a new geographical division of the border area, designed to adjust the OPs as much as possible to the area of the existing Euroregions. The Euroregions are to contribute to developing programmes and, later, sit as voting members on the steering committee responsible for the INTERREG programme and be represented on the monitoring committee which may be set up. Each of the Euregios is to have a small project fund, whose financial framework will be set out in the OP. In addition, INTERREG financing for the future Austria/Bavaria programme – ideally topped up by regional and federal cofinancing – is to be managed and implemented jointly by one entity. This should allow project financing to be made more transparent for project promoters and easier to manage for grant awarding bodies.

iii. Bilateral INTERREG IIA programmes in areas sharing a border with the non-EU States Norway and Switzerland

Since non-EU countries cannot receive assistance through INTERREG, the financial implementation of bilateral INTERREG IIA programmes in the border areas with Norway and Switzerland is carried out separately by the participating EU countries, in accordance with the relevant provisions in each country. This is the case, for example, of the INTERREG IIA programmes between Sweden and Norway (including Gränslost Samarbete, Inre Skandinavia and Nordens Gröna Belte with Sweden) and the INTERREG-IIA programmes with Switzerland (two programmes between France and Switzerland, and the Italy/Switzerland programme).

3.3. Financial cooperation on the EU's external borders with Morocco and with Central and Eastern Europe (PHARE CBC and TACIS CBC regions)

There are two INTERREG IIA programmes under way on **the EU's external border with North Africa** (Spain/Morocco and UK-Gibraltar/Morocco). Financial implementation of the programmes takes place separately in the two EU Member States involved; on the Moroccan side the measures are supported through the EU's MEDA programme.

On the **EU's external borders with the PHARE CBC and TACIS CBC regions** there are a total of 16 INTERREG IIA programmes in operation:

- three bilateral programmes on Germany's eastern border: Pomerania (D/PL), Brandenburg (D/PL) and Bavaria/Czech Republic;
- the trilateral programme Saxony (D/PL/CZ);
- the Bornholm programme (DK/Baltic);
- four Austrian programmes with Hungary, Slovenia, the Czech Republic and Slovakia;
- two Italian programmes with Albania and Slovenia;
- the Greek programme with Bulgaria, the former Yugoslavia and Albania;
- three bilateral Finnish programmes with Russia (Karelia and Saint Petersburg) and Estonia;
- the multilateral programme Barents (SF/S/RUS/N).

Out of these 16 INTERREG programmes along the EU's eastern border, only in the case of the multilateral programme, Barents (S/F/N/RUS), was a joint account set up for handling the INTERREG funds of the two EU Member States, Finland and Sweden. The financial aspects of all other programmes are managed separately – partly on account of the bilateral nature of the programmes (one EU Member State and a third country) and partly on account of provisions on financing from the EU Structural Funds.

The INTERREG IIA Brandenburg programme (D/P) is illustrative of the complexity of the situation with regard to financial implementation of programmes on the EU's external border with the PHARE CBC countries. In the programme area along the German-Polish border, there are no less than three Euroregions, the Pomerania Euregio (in part), the Pro Europa Viadrina Euroregion and the Spree-Neisse-Bober Euregio. Project promoters in Poland and Germany submit their applications

both for normal INTERREG projects and for "small-scale projects" directly to the Euroregions. From there, the applications are passed on to the relevant bodies on the German side (assistance offices appointed by the regional ministries responsible of the *Land* of Brandenburg) and the Polish side (voivodships, central government). German project applications are approved by the INTERREG steering committee. Polish applications are initially processed by the PHARE programming committee for Poland and then approved by the Germany-Poland joint programming and monitoring committee (JPMC).

On the Polish side, the entire area bordering Germany receives finance through a PHARE CBC programme. Financial management for the border region between Poland and Brandenburg is unified: the assistance is paid by the Commission to the central State, which passes it on directly either to the Polish project promoter or (in the case of small-scale projects) to the Polish partner in the three Euroregions operating in the Poland-Brandenburg border region.

On the German side, the funds transit down through more levels owing to the State's federal organisation. The INTERREG funds are paid by the Commission to the Federal government, which passes them on to the *Land* of Brandenburg. In the *Land* of Brandenburg, the EU funds are paid to the German project promoters on behalf of the relevant ministry by assistance offices:

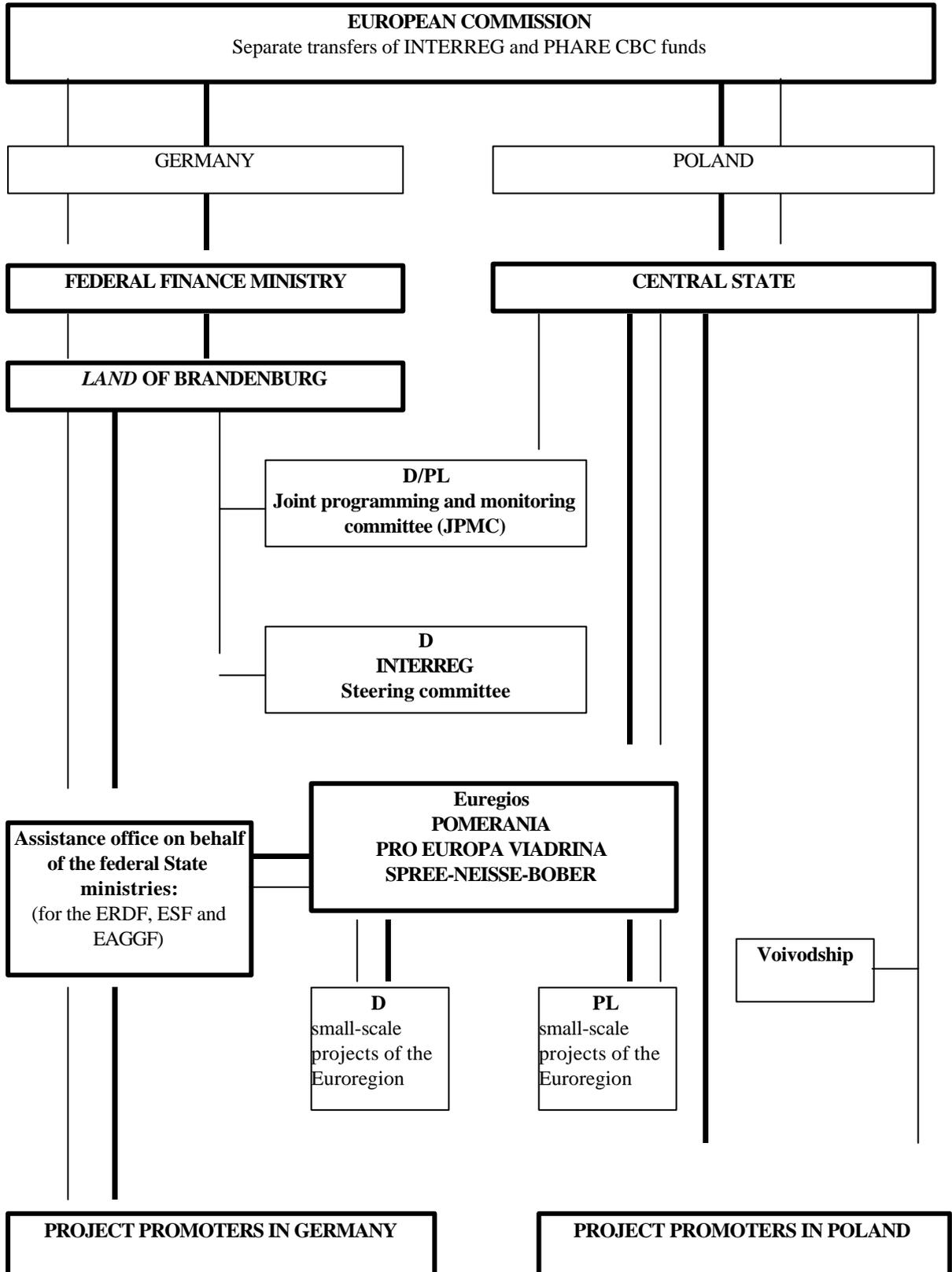
- ERDF: Investitions-Bank of the federal state of Brandenburg on behalf of the ministry for economic affairs, SMEs and technology (including payments to the Euroregion for small-scale projects).
- ESF: BBJ Servis GmbH on behalf of the ministry for labour, social affairs, health and women.
- EAGGF: office of land reorganisation and rural development, on behalf of the ministry for food, agriculture and forestry.

The assistance offices also handle the transfer of EU funds earmarked for small-scale projects to the German partners in the three Euroregions in the border area.

Financial implementation, INTERREG IIA/PHARE CBC:

Brandenburg programme (D/PL)

(Transfer of funds, reporting on financial implementation)



3.4. The degree of integration of crossborder financial management in INTERREG IIA programmes: a summary overview

Analysis of the financial implementation of INTERREG IIA programmes shows that in the day-to-day running of the Community initiative, a number of highly integrated schemes for crossborder financial management are already in operation at programme level, although many discrepancies remain between Member States.

In the case of the **43 INTERREG IIA programmes along the internal borders of the EU and on the borders with the non-EU States Switzerland and Norway**, a significant level of integration in financial cooperation has already been achieved. Just considering the 35 INTERREG IIA programmes involving at least two EU Member States, a joint bank account has been set up for the transfer of INTERREG funds in 17 cases. In five out of these 17 programmes, national cofinancing is kept in the same joint account as the EU assistance.

As regards the other **16 INTERREG IIA programmes along the EU borders with the PHARE CBC and TACIS CBC** areas, only the multilateral programme Barents (S/F/N/RUS) features a joint account for handling INTERREG funds between Finland and Sweden, the two EU States involved.

Under INTERREG IIA, **three models of integration** in crossborder financial management at programme level can be distinguished:

- **completely integrated crossborder financial management systems** (joint administration of EU assistance and all national cofinancing)
- **partially integrated crossborder financial management systems** (joint administration of EU assistance and possibly some national cofinancing)
- **separate financial management** of activities undertaken as part of crossborder cooperation

i. Completely integrated crossborder financial management

Practical examples of this model are to be found notably in the INTERREG programmes for the Euroregions along the German-Dutch border and in the triangle of the German-Dutch-Belgian borders. **The main feature of this model is that in these border areas, where highly integrated decision-making structures with regard to programme management already existed at regional and local level even before the INTERREG initiative, cooperation in the sphere of financial management has also become a "joint responsibility". In practice, this means that both the INTERREG funds and all national cofinancing are managed jointly within the Euroregion, and that one common entity (private bank or Euroregion) has responsibility for dealing with the technical aspects of the financial implementation of these funds.**

In all cases, specific INTERREG agreements were concluded by the public-sector partners for this purpose. These agreements set out who is to assume overall responsibility in the name of all partners vis-à-vis the EU for the financial implementation of the INTERREG funds. They also detail the various tasks, procedures and duties relating to financial implementation. The Euroregions already established in these areas have complete responsibility for overall financial and programme management. The transparent procedures reduce the administrative burden on the project promoter applying for assistance from EU funds and national cofinancing to a minimum. Commitment and payment of funds is made on the basis of one private law contract containing uniform provisions for all types of assistance (rather than several administrative decisions based on differing criteria and public law provisions in the individual countries).

In the case of the four German-Dutch INTERREG IIA programmes (EUREGIO, Rhein-Maas-Nord, Rhein-Waal, Ems Dollart), in addition to the INTERREG agreements, other agreements were concluded between the INTERREG partners and the German banks (IB-NRW and LTS-Wirtschaft) appointed to handle the technical aspects of financial management. The programme implementation structure thus established ensures single responsibility for programme and financial management (including vis-à-vis the EU) while allowing the technical side of financial management to be handled separately through the two banks. The system adopted here enables each of the Euroregions to have a single account for all programme funds, thereby allowing the EU assistance

and national cofinancing to be grouped. Lastly, the professional expertise of the two banks ensures efficient monitoring of financial transfers, which in turn means that funds are contracted from the EU in good time.

ii. Partially integrated crossborder financial management

Practical examples of this model are to be found on the Belgian-Dutch border and in the region of SaarLorLux-Wallonia (D/F/LUX/B), as well as in the German-French and German-Danish border areas and in many areas along the intra-EU borders between the Scandinavian EU Member States.

The most notable feature of this model is the fact that the general financial management is closely linked to programme management while the technical aspects of financial management - at least as far as EU funds are concerned - are delegated by the partners to a joint entity. The two INTERREG IIA programmes Scheldemond and Middengebied, on the Belgian-Dutch border, are worth mentioning in this context. In these programmes, not only the INTERREG funds but also the national cofinancing provided by the project promoters in the various countries (but not that of the public-sector partners) have been transferred to the joint entity.

The role of joint entity responsible for the financial implementation of the INTERREG funds may be taken on by a variety of organisations:

- The INTERREG programme PAMINA (F/D), the programmes in the German-Danish border area (Sønderjylland/Schleswig, Fyn/KERN, Storstom/Ostholstein) and some of the programmes operating between Scandinavian EU Member States (Kvarken/MittSkandia, Islands, Barents) are instances where the task is handled by a regional authority.
- Examples of cases where technical financial management has simply been transferred to a State-owned or private bank include the INTERREG programmes Oberrhein-Mitte-Süd (D/F/CH), Saar-Lor-Westphalia (D/F), the Germany/Luxembourg programme and the two programmes on the Dutch-Belgian border (Scheldemond, Middengebied).

As for completely integrated financial management, in most cases the partners (national, regional and local authorities or joint crossborder entities) have entered into joint INTERREG agreements which set out precisely how the crossborder financial management is to be carried out. As a rule, the joint

entity appointed by the partners is responsible only for the administration, cash management and actual disbursement of INTERREG funds placed on the partners' joint ecu account.

In partially integrated financial management systems also, one crucial question must be answered: who takes responsibility for the INTERREG funds on behalf of all partners vis-à-vis the EU? This question has been solved in a variety of ways depending on the approach adopted.

- In cases where financial implementation is contracted out to a bank, responsibility is often assumed by one of the public-sector partners in the country of origin of the bank (for instance in the INTERREG programmes Oberrhein-Mitte-Süd, Saar-Lor-Westphalia and Germany/Luxembourg).
- Another possibility is for responsibility to be split between the regional authorities involved in the programme on either side of the border (this is the case for the Sønderjylland/Schleswig, Fyn/KERN and Storstom/Ostholstein programmes).
- Within the Scheldemond and PAMINA INTERREG programmes, overall responsibility is assumed by the monitoring committee.
- In a few cases where the single entity is a regional authority, this authority takes responsibility (for instance in the Kvarken/MittSkandia and Islands programmes).

iii. Separate financial implementation in the context of crossborder cooperation.

Separate financial implementation under INTERREG IIA can be found along the internal borders of the EU but is more common in crossborder cooperation along the EU's external borders (in particular in the PHARE and TACIS areas). **The main feature of this model is the lack of common entities and procedures for financial management at programme level.** Community funds from INTERREG (PHARE CBC and TACIS CBC) are transferred by the European Commission to each of the EU Member States (or third countries) participating in the programme and administered separately on each side of the border by the relevant – usually State – authority.

The vertical financial transfer structures found in EU Member States for the implementation of INTERREG IIA programmes vary considerably.

- In many **EU Member States with centralised administration systems** Community funds are generally managed by the central administration together with its local administrative entities (for

instance the majority of the French INTERREG IIA programmes, Greece, United Kingdom, Ireland and Portugal).

- As a rule, in **Member States where there is a significant degree of regionalisation, such as Spain or Italy**, the INTERREG funds are initially transferred to the central administration which then passes them on to the regions or autonomous communities concerned.
- In the case of INTERREG IIA programmes with separate financial implementation in **EU Member States with a federal administrative structure** (e.g. Belgian programmes on the border with northern France, the German-Austrian border area and German and Austrian programmes on the EU's external borders) EU funds are administered directly by the federal States/regions concerned. The allocation of EU funds takes place either directly from the European Commission to the regions (as in Belgium) or indirectly through the federal government (as in Austria).

In a few INTERREG IIA programmes with separate financial implementation, some initial steps have been taken with a view to **integrating the financing of joint projects**. Generally speaking, however, such approaches are still relatively rare where INTERREG IIA programmes are implemented separately.

- One technique is to **pool cofinancing for the implementation of crossborder projects** through regional and local authorities (creation of a specific fund for crossborder cooperation, or use of funds jointly contributed by Euroregions or similar structures). A concrete example of this is the Joint Cooperation Fund Aquitaine/Euskadi/Navarra.
- Another method is to establish **small project funds within the framework of the INTERREG programmes**. These funds are granted by the Euroregions or similar structures already operating in the border area at their own discretion. Under such a scheme, it is possible to ensure independent administration of funds by crossborder organisations in areas where responsibility for programme and financial management has not yet been fully settled.

Summary overview

Model	Characteristics	INTERREG IIA Programmes (including external borders)
Completely integrated crossborder financial management	Joint and crossborder programme, project and financial management on the basis of a specific INTERREG agreement. The agreement also sets out provisions governing the technical aspects of the financial implementation of INTERREG funds <u>and</u> national cofinancing through a joint account at a private bank.	<ul style="list-style-type: none"> • 4 bilateral programmes between Germany and the Netherlands (EUREGIO, Rhein-Maas-Nord, Rhein-Waal and Ems Dollart). • Euregio Rhein-Maas between Germany, the Netherlands and Belgium.
Partially integrated crossborder financial management	<p>Type I: Integration of EU funds and some national cofinancing (joint bank account for INTERREG funds and some project cofinancing).</p> <p>Type II: Integration of EU assistance through a joint bank account for INTERREG funds. National cofinancing contributions made separately by the partners.</p>	<p>Type I:</p> <ul style="list-style-type: none"> • 2 programmes on the Dutch-German-Belgian border (Scheldemond, Middengebied). <p>Type II:</p> <ul style="list-style-type: none"> • Saar-Lor-Westphalia (D/F) and Germany/Luxembourg, PAMINA (F/D), Oberrhein-Mitte-Süd (D/F/CH) • 3 programmes between Germany and Denmark (Sønderjylland/Schleswig, Storstrøm/Ostholstein, Fyn/K.E.R.N). • 3 programmes in the Scandinavian region: Kvarken & MittSkandia (SF/S/N), Islands (SF/S), Nordkalotten (SF/S/N) • Multilateral external border programme Barents (SF/S/N/RUS).
Separate financial implementation of programmes	<p>Despite the joint decision-making bodies prescribed under the INTERREG initiative, no joint financial management of INTERREG funds at programme level. The funds are transferred by the Commission separately to the participating countries and administered on both sides of the border by the relevant authorities.</p> <p>In the case of some INTERREG programmes and other crossborder EU measures, initial steps have been taken to achieve integration of financing for joint projects (provision of national and local cofinancing; small project funds as preparation for future joint management via Euroregions or similar structures).</p>	<ul style="list-style-type: none"> • Ireland/Wales, UK/Morocco • Spain/Portugal, Spain/Morocco • Italy/Greece, Italy/Austria and Italy/Switzerland • Øresund (DK/S) • Programmes between Sweden and Norway (Gränslöst Samarbete, Inre Skandinavia, Nordens Gröna Belte). • Alpenrhein/Bodensee/Hochrhein (D/A/CH), Austria/Bavaria. • Programmes along the French border: Jura, Rhône-Alpes (F/CH), European Development Priority (F/L/B), West Flanders, PACTE, Ardennes (F/B), Nord-Pas-de-Calais/Kent, Rives Manche (F/GB), Alpes, Corsica/Sardegna and Corsica/Toscana (F/I), Pyrénées (F/S). • 15 external border programmes with the PHARE CBC and TACIS CBC areas. <p>Integration of project financing:</p> <ul style="list-style-type: none"> • INTERREG IIA: Austria/Bavaria, Pyrénées (F/S).

4. Recommendations for INTERREG IIIA: crossborder financial management based on partnership and subsidiarity

The experience of INTERREG I and INTERREG IIA shows that genuine crossborder implementation of programmes exists in areas where the regional and local entities and social partners have been involved in all aspects of the programme or have been given a significant responsibility in it. This interim assessment therefore recommends strengthening the role of these players and establishing crossborder structures for joint programme management (see also the AEBR consultants' working paper on the "Institutional Aspects of Crossborder Cooperation", September 1998).

Against this background, the forthcoming Community initiative INTERREG IIIA needs to make significant progress in integrating crossborder financial management as part of a general effort to achieve closer integration based on partnership and subsidiarity. In this context, the differences in the legal and administrative conditions in individual EU Member States and the widely varying experiences of crossborder cooperation have to be taken into account. Given the diversity of situations across Europe, we should clearly aim for a region-by-region approach and flexible integration, rather than a single overall solution.

i. Recommendations for cooperation along the internal EU borders

One prerequisite for further progress with regard to the integration of crossborder financial management is to remove a series of current problems highlighted in July 1997 in a position paper produced by the AEBR ("The EU Initiative INTERREG and Future Developments") and discussed again more recently in a number of other statements:

- In principle, EU financial support for all border regions should be continued beyond the year 2000, since INTERREG funds automatically tie in national and regional cofinancing which would otherwise lapse.
- Special economic, infrastructural or geographical/geopolitical background conditions must be examined and assessed in order to take due account of special factors that might make particular areas (such as external borders and maritime borders) eligible for special financing. The way funds have been allocated to date – according to target areas – has often led to imbalances, with

a great deal of funds on one side of the border (in eligible areas) and considerably less on the other side, in the non-eligible areas. The practical outcome is that assistance ends up going to national projects rather than crossborder projects.

- Genuine crossborder frameworks and OPs must be drawn up jointly from the outset, for functionally linked crossborder regions (e.g. Euroregions or similar structures) of a manageable size. In order for this to happen, partners on both sides of the border must agree in advance on possible areas of action for several OPs along a border zone. Moreover, precise criteria for an OP must be laid down beforehand. (What is a crossborder project? What are the lower and upper limits for assistance? What is eligible for financing in each development priority?)
- Each of the OPs must be administered by its own steering committee, which should be responsible for all matters from preparation to implementation, including project selection. In addition, a monitoring committee covering several OPs should be set up, with responsibility for general matters relating to the implementation of INTERREG.
- Where, in practice, INTERREG projects are planned, financed and implemented at regional and local level, it is vital that the regional and local authorities and/or the Euroregion should sit on the steering and monitoring committees and have the right to vote.
- From a financial point of view, regional and local contributions to economic projects should be gradually increased to ensure that in future they can be 100% self-financed. In addition, for every project envisaged as part of the implementation of the crossborder programme, joint budgetary and financing plans should also be drawn up.

On this basis, the financial implementation of the future INTERREG IIIA programmes for the internal borders of the EU can also be improved and thereby simplified. **Practical efforts to build a clearer and more integrated system for crossborder financial management** should focus on the models already identified within the framework of the INTERREG IIA programmes and develop them further:

Priority should be given to storing EU funds in one account. In future, Community funds for all INTERREG IIIA programmes involving at least two EU Member States should be transferred as a matter of principle to a joint account belonging to a crossborder organisation or to a partner jointly appointed by both sides.

A second priority should be to strengthen fully integrated financial management structures and help the others achieve full integration (see D/NL Euroregions).

In order to achieve the two priorities above, detailed **INTERREG agreements** should be drawn up between the leading partners involved in the administration and financial implementation of the crossborder programme (regional and local levels in partnership with national authorities), as is already frequently the case under INTERREG IIA. These agreements should contain detailed provisions on issues such as task allocation (and overall responsibility vis-à-vis the EU), programme rules, objectives and principles, eligibility to submit project applications, the purpose and amount of assistance, the role of the steering and monitoring committees and project application and selection procedures.

No territorial rights are conferred by these agreements, which are valid on both sides of the border. They simply enable public-sector partners in an INTERREG programme to establish practical financial management systems similar to those used by the business community, based on private law and nowadays often implemented more efficiently with the help of private banks.

There are therefore not that many legal obstacles to greater integration of crossborder financial management. Progress depends first and foremost on securing the political will of the INTERREG partners and adopting a pragmatic approach.

i. Recommendations with regard to cooperation with the central and eastern European countries along the external borders of the EU

On the external borders of the EU – particularly with the PHARE CBC and TACIS CBC countries – there is also scope for improvements at programme level that could increase the impact of crossborder cooperation initiatives. This would then facilitate closer coordination of financial management, at least at project level.

- One basic prerequisite for coordinated financial management is the establishment of multiannual programmes designed on both sides of the border (OPs for INTERREG, indicative programmes for PHARE CBC). These should provide for joint analyses of strengths and weaknesses (SWOT analyses), the identification of development priorities and definition of objectives.
- There should be greater integration of the JPMC and INTERREG monitoring committee and of all aspects of programme implementation not related to financial administration (evaluation of applications and selection of projects, and supervision of project implementation).

- The implementation of PHARE CBC assistance for areas on the external borders of the EU should be subject to the same rules as INTERREG.
- A high degree of "operational compatibility" between the programmes on either side of the border is a further important prerequisite. To begin with, procedures for submitting project applications should be identical on both sides (rolling submission of project proposals for INTERREG; an annual deadline for project submissions for PHARE CBC).
- Lastly, precise rules should be established with regard to assessing project eligibility and costs, and these rules should apply on both sides of the border. One approach would be to define various types of crossborder project. Projects that have a "mirror project" in the neighbouring country (project type A) would receive financial assistance from INTERREG and PHARE CBC/national funds up to the border in each case. Projects with a crossborder impact (project type B) would receive financial assistance through INTERREG, ideally with massive involvement of partners in the PHARE CBC country, and vice-versa (financing from PHARE CBC with involvement of the INTERREG partners). Projects for developing the border area (project type C), which are more national in character, would serve to prepare the way for project types A and B, since in these cases some help is often needed initially to stimulate joint activities.

In this way, it might be possible not only to achieve joint programme management but also, in the case of certain specific projects (preferably type A projects), crossborder administration of INTERREG and PHARE CBC funds through a common entity (such as existing Euroregions or other crossborder structures). This does not necessarily entail a relaxation of the territorial principle applicable to both programmes. Here too, however, a special agreement must be worked out between the national administration and the regional/local level, which should include *inter alia* provisions relating to the question of overall responsibility and precise details relating to financial management.

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