

An interim review of the Swiss enlargement contribution to the EU-10 states

13 June 2012 marks the expiry date of the five-year period during which Switzerland can approve enlargement contribution projects to assist the EU-10 states.¹ It can thus be assumed that the total amount of CHF 1 billion earmarked is fully committed up to this time as planned, even if there may be some minor delays in a few of the partner states. Switzerland's enlargement contribution scheme has proved its worth to date and the review has been positive. The final review will happen after 2018 when all projects are completed and the enlargement contribution has been disbursed.

- 1 Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Malta and Cyprus.
- 2 These CHF 950 million correspond to the CHF 1000 million minus the CHF 50 million earmarked for Switzerland's management costs.
- 3 For example, project proposals for a total value of more than CHF 1.2 billion were submitted in Poland in the field of infrastructure/environment where CHF 173.6 million were available



In Latvia Switzerland plans to support the remediation of the oil-polluted Sarkandaugava area in the industrial port of Riga with CHF 13 million (see photo). This should also halt the pollution of the River Daugava which flows into the Baltic Sea.

Photo: SECO/SDC

The enlargement contribution is an instrument of Switzerland's policy towards Europe. With its enlargement, the EU contributes to stability, peace and prosperity in Europe, which is also in Switzerland's interests. Switzerland's enlargement contribution shows solidarity in supporting EU efforts to reduce economic and social disparities between the new and old EU member states, thus promoting cohesion within the Community. Thus, the enlargement contribution

is also very important in relations with the EU.

On 26 November 2006 the Federal Law on Cooperation with the Countries of Eastern Europe was approved by the Swiss electorate. This law on aid to Eastern Europe is the legal basis for the enlargement contribution to support the EU-10 states which joined the EU on 1 May 2004. As in the case of Bulgaria and Romania, the law, which is valid for 10 years, permits new EU member states to receive support.

With the approval of framework credit by the Swiss parliament on 14 June 2007, the five-year period commenced for the commitment of a total of CHF 1 billion for major projects and programmes in the EU-10 states. On 20 December 2007 Switzerland signed a bilateral framework agreement with each of these states to implement cooperation. On the Swiss side, the State Secretariat for Economic Affairs (Seco) and the Swiss Agency for Development and Cooperation (SDC) are together responsible for imple-



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Chart 1

Overview of SECO and SDC's enlargement contribution commitments, status 15.9.2010

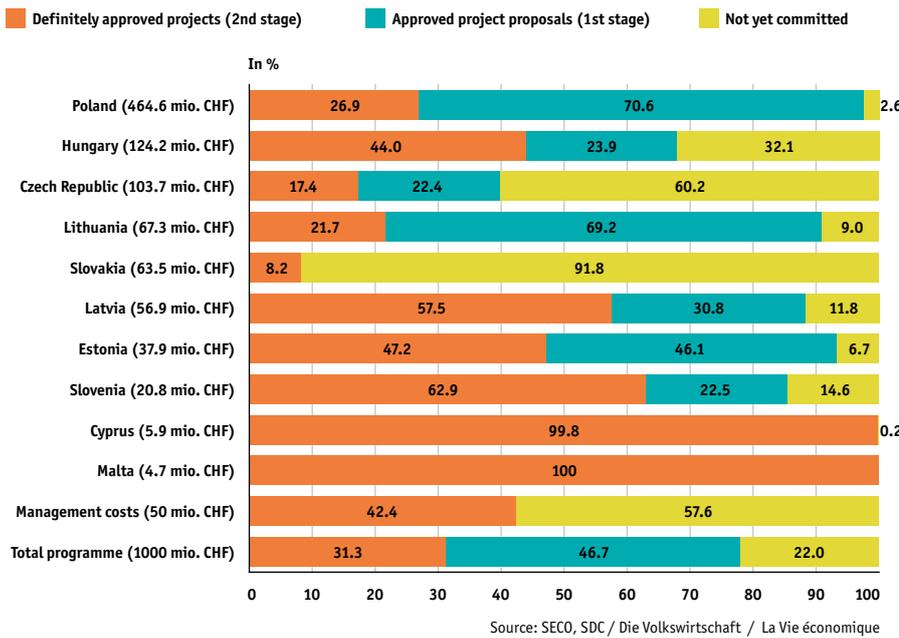
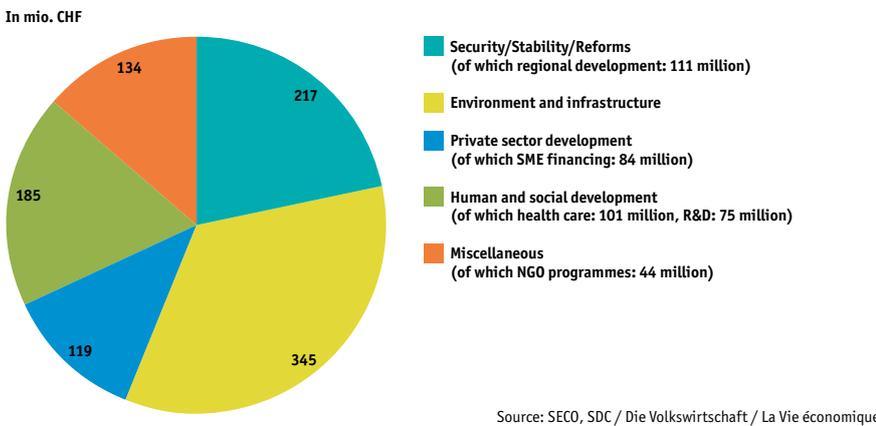


Chart 2

Distribution by sector of the enlargement contribution to the EU-10 (in CHF)



menting the contribution. Project responsibility lies either with Seco or SDC depending on their thematic competence. There is a national coordination unit (NCU) in each partner country which is responsible for the bilateral cooperation programme with Switzerland. In the majority of cases this NCU is located in the same government department that is responsible for administering the EU funding.

Two-stage project approval procedure

The decision-making bodies of Seco and SDC examine the funding applications sent in by the NCUs in a two-stage procedure: only when the project proposal based on a rough draft has been approved in essence (first stage) can the applicant draw up the detailed project and submit it for approval (second stage). After the first stage, the applicant may apply for support for further work through the project preparation facility. A project facility has been set up for each member state apart from Malta and Cyprus. 85% of the costs of project preparation are covered by the enlargement contribution; the partner state covers 15% of the costs.

This two-stage procedure has various advantages for the applicants. If Seco or SDC gives a positive policy decision, the applicants can assume that their project has a good chance of being definitely approved. However, a prerequisite is that the stipulations set by Switzerland in the first stage are adhered to and the project documentation required for the second stage – including, for example, feasibility study, environmental sustainability study – stands up to rigorous examination. The project preparation costs are kept to a minimum for those applicants whose projects have already been rejected in the partner country or by Switzerland. It is then easier to accept this decision than if they had already invested large sums in project development. The main disadvantage of the procedure is that it can sometimes take up to 18 months from submitting the first application until the scheme is definitely approved.

Status of operational implementation

Up to the middle of September 2010 a total of 80 projects had been definitely approved and 72 projects provisionally approved by Seco/SDC. The total value of definitely approved projects is CHF 291.6 million and for provisionally approved projects CHF 467.2 million. With CHF 950 million² earmarked for projects, this amounts to a total of almost 80% either definitely or provisionally committed (cf. Chart 1).

The main reason why operational implementation in the Baltic states, Malta and Cyprus is further advanced than in Poland, Hungary, the Czech Republic and Slovakia is due to the project selection procedure. In the first group of countries the projects proposed to Switzerland were selected directly by the government departments. In the second group of countries project proposals are generated by a public call for proposals. This is a competitive procedure in which institutions and other actors (e.g. regional authorities) who qualify can submit project proposals in accordance with formal and content stipulations. In all previous competitive procedures the total value of submitted project proposals far exceeded the funds available in the thematic domain.³ Likewise, the partner country had and has to spend a considerable amount of time and effort in evaluating the many project proposals and then selecting those to be submitted to Switzerland.

Chart 2 provides an overview of the distribution by sector of the enlargement contribution based on the current project pipeline and planning. For each partner country the funds are concentrated on a few thematic domains within the sectors. Nevertheless, the project portfolio of the entire enlargement contribution is quite heterogeneous as can be illustrated by the following examples:

- Hungary: with a total amount of CHF 27.3 million, Switzerland is supporting the renovation and extension of the water supply systems, which are over 50 years old, in four municipalities. The disposal of asbestos cement pipes in an environmentally-friendly way presents a particular challenge.
- Slovenia: funding of CHF 3.7 million from Switzerland is enabling the municipalities in Primorska to use renewable energies. The main projects are the installation of a photovoltaic facility on a 600-metre-long noise barrier and converting the heating in 20 public buildings from oil to biomass.
- Latvia: CHF 2 million is supporting the application of accounting and auditing regulations for businesses in accordance with current international standards. The project comprises, for example, training and strengthening of the regulatory authorities, putting in place a quality assurance system, and exchange of experience with other new EU member states.
- Poland: Switzerland is contributing CHF 2.8 million to support the protection of the eastern EU border. The funds are being used to purchase 20 to 25 specially

equipped vehicles to support the mobile border police in their work. In addition to the acquisition of vehicles, additional training courses will be financed for Polish border police.

- Lithuania: Switzerland is providing CHF 44 million to support a health project. The project promotes energy efficiency in public hospitals by renovating and replacing obsolete equipment. In addition, this project will improve health services for mother and child across the country by investing in modern equipment and staff training. This health project is being financed jointly by SDC and Seco and links in with Swiss projects already carried out in the 1990s.
- Malta: the prevention and diagnosis of cancer is being supported with CHF 2.8 million. This is part-financing the installation of a new PET scanner⁴ in a public hospital.

With its contribution, Switzerland also wants to work towards reducing economic and social disparities within the partner states (internal cohesion). This goal is well on the way to being achieved. It can be assumed that more than 40% of the funds will benefit the most economically backward regions in the larger partner states (Poland, Hungary, the Czech Republic and Slovakia) as planned.

In the first half of 2010 Switzerland carried out an analysis of the current situation with each partner state. The joint planning was updated within these terms of reference with the aim of guaranteeing timely commitment of all funds up to June 2012.

Overall positive experiences

The experience of Seco and SDC with the partner states over the enlargement contribution has been good. The partner states also evaluate cooperation with Switzerland as positive overall. This is not at all a given when cooperation is often taking place against a difficult backdrop of sometimes strong political change in the partner states and the general economic crisis.

Looking back it must be noted that preparation for operational implementation of the enlargement contribution took a bit longer than originally expected in some partner states. This applies mainly to the Czech Republic, Slovakia and Hungary where elaborating legal and other principles, and creating structures and providing staff capacity for the enlargement contribution took a great deal of time. However, if the project proposals from these countries had been

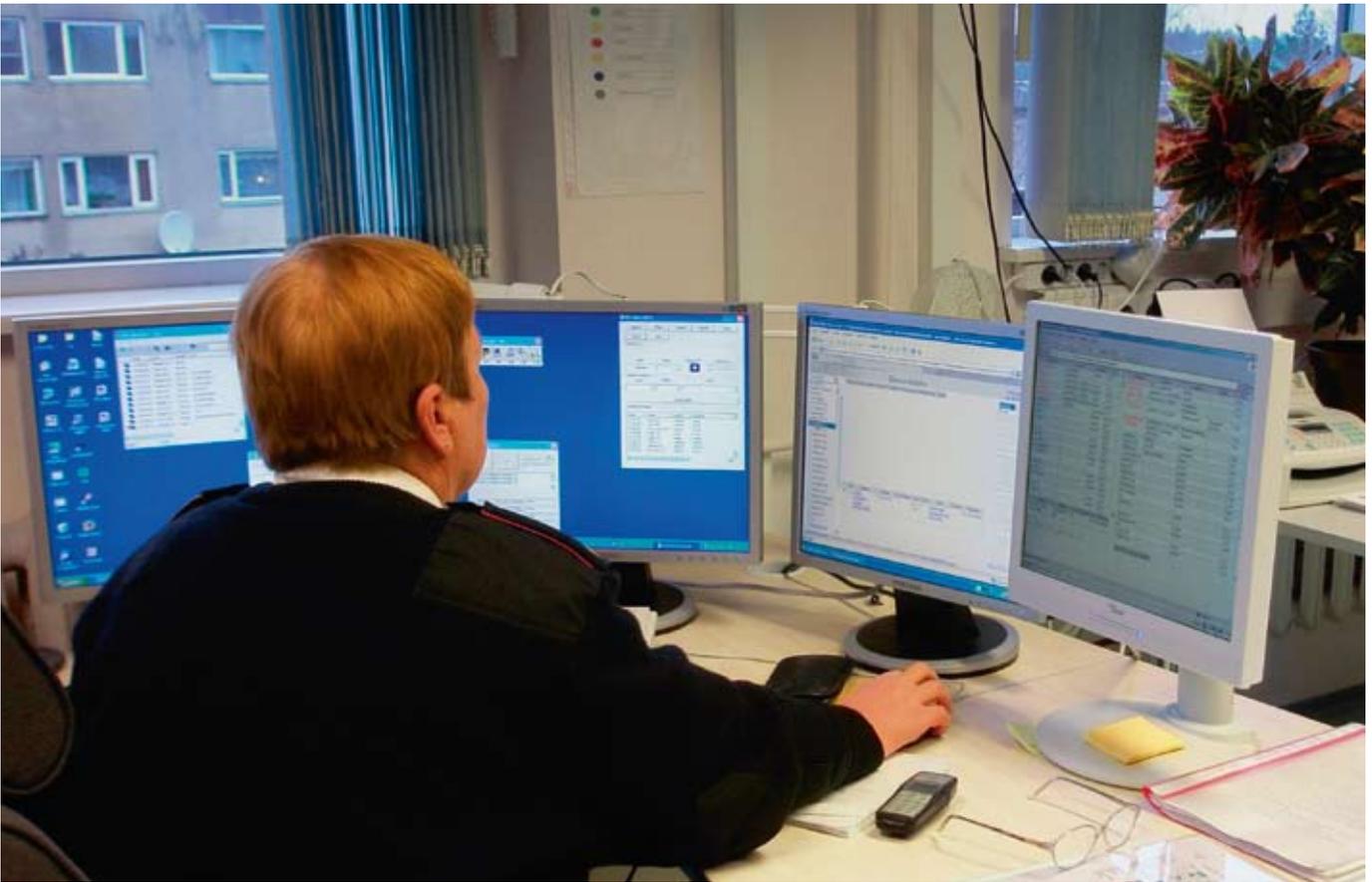


Photo: Christine Grieder

The modernization of the emergency and ambulance system in Tallinn (see photo) enables the emergency services to be better coordinated and more efficient, thus considerably shortening the emergency response time between the emergency call being received and emergency services arriving on the scene.

submitted to Switzerland at the same rate as from the other partner states, there would have been large bottlenecks in project evaluation at Seco and SDC.

Allowances must be made for the NCUs and other central institutions who carry out more than 99% of their activities in accordance with the processes and stipulations of the EU fund in that it was not easy for them to accept the modalities of Swiss cooperation and to manage the resulting restructuring. A few NCUs showed hesitation in accepting the Swiss approach of close Swiss monitoring of project selection and award of contract, periodic monitoring of project progress and direct contact with all partners involved. However, cooperation with all partner institutions has become well-established in the meantime even if there have been one or two communication problems here and there.

Setting up the four contribution offices in our embassies in Budapest, Prague, Riga and Warsaw⁵ proved to be a strategically correct decision. The offices perform an indispensable key role for SDC and Seco. Their knowledge of local conditions and their direct contacts with local partners make it easier to carry out the cooperation programmes and reduce the risk of failure.

In the interests of efficient use of funds, minimum amounts for projects depending on the thematic domain – usually several million CHF – were agreed in the framework agreement with each partner state. This measure has proved itself by helping to sensibly limit the number of project applications without the necessity of trade-offs in the quality of approved projects.

Up till now the economic crisis has not had a significant effect on the enlargement contribution, although in a couple of cases it had an influence on thematic fund allocation. Thus, for example in Latvia, CHF 6.7 million were reserved from non-allocated funds for a programme to support small businesses; in allocating reserves in Lithuania health care was given preference over security. In all partner states the planned implementation of programmes and projects supported by non-repayable external funds⁶ continues to be a first priority. Maintaining this as a priority is also important to them for injecting life into the economy and keeping jobs. Accordingly, there is no issue over providing the 15% co-payment in each of the budgets despite general budget cuts. In a few partner states (above all Hungary, Latvia) drastic measures have been taken to reduce staff expenditure (re-

4 Positron emission tomography.

5 The office in Warsaw is responsible for Poland and the one in Budapest for Hungary. The office in Prague covers the Czech Republic and Slovakia, the one in Riga the three Baltic states. Altogether 5 Swiss nationals work in the offices (management + 1 deputy in Warsaw) and 12 local employees.

6 Approx. 99% of this is EU funds. But the Swiss enlargement contribution and the Norwegian as well as the EFTA/EEA finance mechanism are included in this setting of priorities.

dundancies, huge pay cuts). Staff turnover due to this has in a few cases led to delays in identifying and elaborating projects.

Intensifying relations with the EU-10 states

The enlargement contribution has led to more intensive relations between Switzerland and the EU-10 states – and not just at the political level. The enlargement contribution and even more so the business opportunities arising from the EU-financed cohesion policy to which Seco, SDC, Osec and the Swiss chambers of commerce have frequently referred, appear to have given some Swiss companies the impetus to strengthen their presence in the markets of the new member states. Various Swiss companies have either received orders from EU-financed projects either directly or as sub-contractors. A greater number has also been able to benefit from EU grants in these countries, for example, grants for training employees, introduction of innovative technologies, energy-saving measures or production expansion.

The number of enlargement contribution projects, now rapidly increasing, entering the realization phase from 2011 onwards, will lead to numerous invitations to tender, which will also be of interest to Swiss companies. In order to get Swiss companies interested early in participating in these tenders, the website of the enlargement contribution⁷ will publish not only the approved projects and references to invitations to tender, but even the planned projects.

Opportunities existing within the scope of the enlargement contribution for institutional and consultancy partnerships are being increasingly utilized and contribute towards strengthening the bilateral relations with the new EU states. Thus, joint research projects between institutions in Hungary, Poland and Lithuania and Swiss universities are being supported to a value of approximately CHF 35 million. In addition, partnership funds in Poland, the Czech Republic, Slovakia, Hungary and Slovenia are setting up support opportunities for partnerships between organizations and institutions in Switzerland and the countries concerned. Projects are in the pipeline between municipalities, schools or even private groups. Examples of consultancy partnerships are cooperation between the Swiss Customs Department and its Polish counterpart in implementing a larger-scale project to improve border controls or the consultancy offered by the Bellinzona Kanton hospital to a hospital in Malta in introducing new technical equipment.

Outlook

Seco and SDC assume that the funds from the enlargement contribution can be committed up to June 2012 as planned. As Switzerland will only make its decision about the final projects in the Czech Republic, Hungary and Slovakia in the first quarter of 2012 as planned, compliance with planning will be monitored up till then at monthly meetings between the NCU and the Contribution Office. The partner states are aware that Switzerland will not approve any project that does not meet the high requirements agreed despite being under pressure to commit. In order to guarantee the necessary approval quality of the last project proposals, their selection and elaboration will be especially closely monitored by Switzerland. Even in the event of further pay cuts, redundancies and restructuring in the public sector in the partner states, Seco and SDC hope that staff capacities necessary for the professional execution of the enlargement contribution can be maintained everywhere.

With the growing number of projects entering the realization phase, SDC and Seco will increasingly use more resources for monitoring and controlling at the project level. The two particularly risk-attendant phases of project implementation – commissioning and contractual performance – will be very closely monitored. ■

Box 1

Annual Conference on Swiss Cooperation with Central and Eastern Europe focusing on the Enlargement Contribution

The Seco and SDC Annual Conference on Swiss Cooperation with Central and Eastern Europe focuses on the enlargement contribution. Implementation of the total amount of CHF 1 billion to the EU-10 countries began in June 2007. Now it is time to take stock. The following questions are the focus for discussion at the conference:

- What is the current status of projects being implemented by Switzerland directly in situ – to solve environment-related and infrastructure problems, for cooperation in the field of research and healthcare, in the security field and for strengthening the private sector?
- How is cooperation with the partner States proceeding?
- Has the implementation to date satisfied the expectations on all sides?
- What lessons can be learned for the future?
- What is the significance of the enlargement contribution in terms of European policy?
- What is the strategic thrust of the separate contribution to Bulgaria and Romania?

There will be presentations and discussions by representatives of the governments and administrations from the new member states and Switzerland. Short films will provide examples of how the projects are being implemented and for whose benefit. The public has the opportunity to get involved in workshops and ask questions. Please come along and find out more about the Swiss enlargement contribution.

Annual Conference on Swiss Cooperation with Central and Eastern Europe 2010,
19 November 2010, 1.30 – 5.30 pm, Aarau,
Cultural and Conference Centre.

Information and registration:
www.erweiterungsbeitrag.admin.ch

⁷ Internet: www.erweiterungsbeitrag.admin.ch.