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**EFFECTIVE ABSORBING AND USAGE OF EU FUNDS – EXPERIENCE OF POLISH LOCAL
ADMINISTRATION**

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- ❖ Ukraine should be more attentive to the opportunity of receiving 294 billions of euros for the development of the country in the framework of European Neighbourhood Partnership Instrument 2007-2013.
- ❖ Ukrainian local administrations should work on improving their capacity for participation in the EU Transborder Programmes: learning other experiences, thus gaining higher qualification in order to address the government for better mechanisms of participation in grant programmes, and work more on strategies of development of the region.
- ❖ Ukraine should pay attention to the positive experience of other countries. (i.e. case of Poland)
- ❖ The Ukrainian government should concentrate on effective work with EU funds.

Beginning with 2007, the European Union opened a new financial instrument, open to Ukraine's active participation--the European Neighbourhood Partnership Instrument (ENPI). This Programme was developed for all neighbouring countries; however there are differences in amounts of financing for individual countries, priorities of cooperation and needs of the countries. Also, the levels of implementation might be different – national, regional, thematic, transborder – and this programme is of interest to representatives of government, non-governmental organizations, scientific institutions and other programme participants.

The legal basis of this Programme is found in the Regulation (EU) #1638/2006 of the European Parliament and Commission from 24.10.2006, which determines general regulations concerning ENPI. The Basic Programme documents for Ukraine – Strategic Document: National Indicative Programme; Common Operational Programmes for Transborder Cooperation Programmes for Ukraine. Financing for Ukraine under the ENPI Programme is 294 millions of euros for 2007-2010 period, compared to 2.4 billions of euros provided in the period of 1991-2006.¹

Ukraine received a excellent opportunity to use EU funds for solving its problems, executing reforms, supporting development and better integration with its western Neighbour. The amount of money available for Ukraine under the NPI Programme is much bigger than in previous

programmes and its structure suggests different levels for using funds. It is a great opportunity for Ukraine, but it also, might become a big challenge to use this opportunity effectively and in proper way. European Union showed its trust to Ukraine and gave the opportunity for changes, next step is our. What will be Ukraine's reaction to this partnership and friendly help? Ukraine has a very big potential in using EU funds – it has a lot of needs and perspectives for change almost in all spheres of its functioning. Ukraine also has rather high intentions in solving its problems, it has development strategies and indicative plans but it's not enough. We have to put our plans into practice...

This policy paper is concerned with questions of preparing of Ukrainian local and regional administrations for effective absorption of EU funds, which is a question that is most relevant for regions of ENPI Transborder Programmes. The level of preparation will determine whether the process is going to be a major challenge or opportunity for development. Local and regional administrations will play a rather prominent role in absorption of EU funds – their attitude, level of qualification, activeness, policy and the vision of local development in All-Ukrainian perspective, desire and ability to learn and work hard.

Also, local and regional administrations have to be aware of the importance of participation in EU Programmes, which requires in-depth understanding of its aim and problems to be solved. The problem is, that implementation of EU funded projects requires a lot of efforts, time, qualification and responsibility, but implementation of such projects is not directly and primarily the responsibility of administrations. That is why some local and regional administrations might strongly argue that civil servants have a number of other problems to deal with and do not have any need to work overtime. Thus, only real understanding of importance of such Programmes, opportunities and advantages that they might bring to the community can motivate or encourage local and regional administrations in this sphere.

Opportunities and weaknesses of Ukrainian local administrations

Under the ENPI programme Ukrainian local governments can take part only in transborder programmes and some thematic programmes. Nine different regions (oblast – administrative unit) of Ukraine can take part in crossborder programmes.² It is very important to motivate Ukrainian local administrations participating in these programmes after opening and before announcing calls of

¹ Source: Instrument of European neighborhood and partnership. Ukraine, Strategic Document, 2007-2013, p. 9.

proposals. Several of these Programme regions (Volynska, Lvivska, Zakarpatska oblasts) have bigger experience in working with the EU programmes, but mostly they were not main applicants. Some other regions such as Ternopil, Khmelnytsk, and Vinnytsya have no relevant experience.

Another problem concerns the attitude of Ukrainian local administrations toward European financial programmes. Mostly, because of the lack of experience and the understanding of the importance of the role of such programmes, local administrations often refrain from applying, especially small districts or villages. Representatives of the government are very active participants in information seminars where EU programmes are presented, but after that their initiative diminishes. They complain about the complicated processes of application (English language is needed to complete difficult application forms and requirements), and absence of experts or workers to write projects, low opportunity of co-financing³ and further implementation.

Other obvious reasons include low motivation in the application for such programmes – where present, special departments of European integration or transborder cooperation in oblasts/regions have a lot of other duties. Mostly, workers do not receive additional payments for writing projects and they do not have the right to receive salaries from the project. Also, very often insufficient capacity prevents the involvement in such activities due to the lack of equipment, computer and language skills. Financial Mechanisms of project implementation by Ukrainian local administrations are complicated, hard and bureaucratic, so much so that local administrations prefer to be partners in such projects or participants rather than main applicants. There are no simplified financial procedures for governmental structures concerning projects of technical support.

Due to the complex political situation, local governments are required to send reports on their activities to two structures – the secretary of the President and the Prime minister, which takes a lot of time and effort.

The qualification level of representatives of government differs from region to region. One factor is the lack of unified methodology in State programmes for retraining and in-service training of employees of state power and local government, state enterprises, institutions and organizations.

Grant proposals from Ukrainian local governments have relatively lower quality compared to those filed by other states. This is explained by an insufficient experience, lack of information seminars, special trainings on project management, EU funding and general development seminars, where representatives of governments could hear best practices of work to gain an understanding

² (1) Programme Poland-Belarus-Ukraine. (2) Hungary-Slovakia-Romania-Ukraine. (3) Romania-Moldova-Ukraine.

that the implementing of EU funded projects might bring a lot of advantages. Technical secretaries or informational points of the Programme do not have enough experts, staff and resources to conduct long-term or intense trainings for potential applicants. Mostly, they conduct regional information seminars or mini trainings for representatives of oblast, but it is not enough comparing with the Programme territory (sometimes there is only one informational seminar conducted in oblast).

Applications for transborder programmes from other countries, for example, from Poland are of much higher and more professional quality, which does not mean that projects of other countries can solve relevant problems of Ukraine even if they are implemented in there. The budget of the Programme is not divided that means that grants will be given to countries with more strong applications. With passive attitude to ENPI programme we may lose significant opportunities for solving our own problems and reach positive changes.

It is important to notice that bordering countries have different needs and plans of cooperation programmes. For example, Ukraine needs more infrastructural projects (building roads, border passes, some buildings, etc.). Poland, Hungary, Slovakia already implemented or implement such projects from their European Structural Funds, so that, it is now obvious that such EU member countries are more interested in developing cultural or tourist projects, but not so much so in infrastructural or economic projects. That is why it is very important for Ukrainian policymakers to remember about this issue and during special meetings and negotiations discuss the opportunity of cooperation between such EU countries and Ukraine in the way, which could be useful for both sides. The rich experience of other European countries might be useful for Ukraine. Sharing their knowledge and common participation in EU Programmes could help develop joint projects, making them more interesting and able to solve relevant problems.

Another factor which is very important in participation in European Programmes requires strategic development programmes and strategic thinking. Each project is implemented not only for short-term benefits, but also for some long-term needs and changes. Usually, local administrations have strategic plans (but mostly they are too general or not fulfilled good enough), there are yearly programmes of financing, but the method of developing of this programmes and implementation instruments are not ideal ones.

³ Co-financing of projects by local administrations depends from Regional Plans of Financing which change often, so that it is hard to predict which project from 2 or 3 selected will be in the priority co-financing in a year.

Polish way to EU funded programmes

From the end of 1980s, during transformation period, Poland was supported by European countries. From that time, one of the most important sources of financing (investment, infrastructural and human resources development programmes) was the Phare Programme, launched by the European Commission on 23 December 1989. From the beginning, the main goals of this support had a development character for the country. Only later it had a more strong and integration meaning, especially with the new Phare programme since 1997.

Use of the EU financial instruments helped Poland to implement different projects on local, and regional levels in the areas of investment, social, and economic development, etc., and what is more important it helped to prepare the country for the EU accession. After 2000, Poland together with 10 other candidates gained access to two other pre-accession programmes - ISPA and SAPARD. In general, between 1990-2003, Poland received more than 7 billion euros from the EU.⁴

From May 1, 2004 Poland received access to structural funds. The implementation of pre-accession projects was continued until 2006 according to financial memorandums (concerning ISPA funds, they were added to Structural Funds from the moment of Poland's accession to the EU). Pre-accession funds helped Poland to prepare to membership in the EU, so that the general aim was reached.

The effective absorption of EU financing depends on different, but interrelated factors. These factors might start from the country level (proper legislation; political situation; social-economic factors), and then continue regarding the needs of the beneficiaries (desire to development and positive changes, favorable conditions) and finish with the main implementing authorities (high qualification and readiness to such initiatives) or vice versa.

The main topic of concern to this research includes questions concerning the Polish experience regarding the effective use and absorption of EU funds, and readiness of Ukrainian local administrations for European financial programmes.

It is important to understand that the process of using such financial instruments provided by the EU involves various requirements and certain obligations. It is not enough just to apply for financing, to receive grant money and implement some actions. If it is so – the applicant might

⁴ Mapa pomocy Unii Europejskiej udzielonej Polsce w ramach programów Phare 1990-2003, ISPA 2000-2003 oraz SAPARD, Urząd Komitetu Integracji Europejskiej

waste time, effort and money.⁵ It is important to solve problems which, very often, have complex and diverse reasons. The results of implemented projects have to achieve not only short-time results, but also, long term perspectives and benefits.

It is obvious, that at the beginning, a country/applicant might have some difficulties, especially because of the lack of experience. It is possible to improve the situation by learning from the experience of other countries. For example, Ukraine might use the Polish experience – our countries have much in common in our history, but still Poland made a big progress in its development in different spheres of living and in using of EU funds, which gave a strong support to the country.

Poland's progress in working with EU financial instruments is quite high – it started from simple development programmes, and now Poland country realizes a number of financial programmes implemented in different levels and parts of the country.

At the beginning of EU-Polish relations, Poland faced a number of problems or complications which had to be solved by the country.

Threats or opportunities to development...What to choose?

– ***It depends from the policy of the country.***

Here are some obstacles which Poland faced on its way to receiving EU funds and several solutions⁶:

- 1 Polish legal base was not sufficiently ready for receiving all EU funding in a proper way, especially structural funds which were opened from 2004.*

The Polish government worked on the adaptation of its legislation along with the EU. Government and thus was able to develop all needed laws and regulations to help beneficiaries to implement projects. Also, some financial programmes were controlled by the government, which allowed relocating financial resources to improve the level of absorption of EU funding so that regions with less demand for funding returned money to the

⁵ EU funded projects have to include own contribution of the applicant (not less than 10% of the total budget) or in case of failing the project applicant have to return granted money.

⁶ This list is not full and detailed, because of different programmes of financing which were available for Poland and different situations within regions (for some regions a certain problem might be relevant, for other not). Each Programme has its specific requirements – deep research of which is not the aim of this policy paper

government which sent resources to more needy regions.

- 2 *Lack of qualified workers with expertise in working with the EU funds and proficiency in foreign languages was observed. Local administrations didn't have experience of work in the sphere of attracting and managing EU funded programmes; there were not enough equipment to work on in local administrations especially in small and rural territories.*

Special departments for work with the EU funds were opened (Departments of European Union, Implementing Authority for European Programmes, Committee of the European integration, etc). Workers visited special trainings (language courses, project management, EU funding, etc.) and additional staff were hired. EU mechanisms of financing helped to raise payment to workers and also the policy of the government was directed on popularization of work in local administrations. Some local or rural administrations, which wanted to participate in EU programmes but did not have enough experience, used outsourcing opportunities by hiring experts or consultants to fulfill a certain amount of work (for example, to write a project, to implement some activities or consult administrations). The Polish government gave financial support to local and rural administrations for modernization and improving their capacity, to buy technical equipment.

- 3 *There was slow exchange of information about EU financial Programmes, lack of unified data, web-recourses.*

This situation appeared only at the beginning of work with the EU funds. A need was identified for gathering and classifying of information resources of financing programmes. However, situation changed very soon – governmental web-sites had special pages with information about EU programmes and calls of proposals (Ministry of regional development, Implementing Authority for European Programmes, Departments of European Integration, and other regional or local administrations). Each programme had its own internet resources and other informational portals promoted relevant information. Potential applicants received not only electronic information, but also they could get published materials, manuals, reports written in simple and understandable language.

4 *There was no effective and transparent system for the monitoring and evaluation of existing projects.*

Polish Government developed strict mechanisms of controlling – financial and descriptive reporting on each financial period, visits to control applicant’s project activities etc. Data was collected on applicants and each applicant had to promote its activities in order to spread information about their project. Special, detailed reports were published after the implementation of EU Programmes which contained information about implemented projects.

5 *The quality of applications was not so high.*

This situation appeared that during the first round of calls, the lack of proposals was due to lack of experience of working with EU funds. However, it changed soon. Before each call of proposals of the EU Programme, regional informational seminars, trainings and consultations were conducted. In Poland, there were constant informational and educational trainings, which were organised on how to apply and use EU funds, which were conducted in different parts of the country in order to cover all regions. Participants of the trainings were people, who were directly engaged in writing proposals and implementation, so that the effectiveness of these trainings was high. After announcements of the call of proposals, potential applicants received explanations during a two month application period. Special trainings and consultations were given to applicants by representatives of the government, NGO’s, technical secretariats or infopoints of the Programmes.

The Implementing Authority for European Programmes worked on the improvement of the situation – they conducted informational seminars, gave consultations, and printed materials. They developed practical and easy to use forms of budgets (with formulas for exchange rates). With the help of experts, recommendations were developed for writing a logical framework and indicators to measure project results, also, possible types of activities which could be conducted within the project – it helped applicants to understand application requirements better, how to fill all parts of the application forms in a proper way, how to apply and implement project more effectively.

Also, after implementing the first projects, applicants received practical experience which helped them to understand more about how to improve their work with projects, and which problems need to be solved which therefore made the quality of applications higher after each next application.

Since Poland's accession to the EU in 2004, two successive budget lines of EU funding for member countries (first – 2004-2006; second 2007-2013) have been available. In the process of working with the EU funds, representatives of government and NGOs acquired a good experience of working with the EU projects, they learned planning and implementing development strategies. Thanks to hard work, constant learning, along with the desire to solve local problems and to develop the country, Polish local administrations gradually started to improve their quality of work. There were a lot of trainings and special programmes where all interested potential beneficiaries of EU funds could learn how to write and manage projects effectively.

Presently, the absorption ability of Poland is rather high. Representatives of local administrations and other applicants started to implement more complicated and well-planned projects – resulting in higher efficiency in the use of funds.

Strategic Planning and Regional Development Programmes played a very important role in Poland, as well as defining the real needs of local communities and activities in the course of pursuing short and long-term results. Such projects, which corresponded to Development Programmes, had better influence and multiplier effects.

When financial support from the EU to Poland started to increase, the country's own contribution increased, too.⁷ Poland was aware of this financial problem, which could endanger the absorption of all available funding suggested by the EU. Local administrations in small towns and rural regions could not co-finance such projects because of small budgets. However, this threat was eliminated by governmental support, warranty funds, special credits or even simple loans in local banks. Representatives of local administrations are so interested in the development of their regions/towns that they take big risks and responsibilities for implementing high cost projects.

Effective absorption and usage of EU funds (case of Ukraine?)

Effective absorption and usage of EU funds depends on several factors:

1. Understanding the importance of the EU Programmes and their main aim
2. Having a desire to solve real problems and gain real changes and results
3. Developing projects which correspond to a clear vision of strategic development of the community and country
4. Learning best practices of management of EU programmes, looking for best solutions and relevant needs
5. Creating a favorable climate in developing, application and implementation phases of projects.

Ukraine is in need of all opportunities for absorption and using of EU funds. Although there are a lot of perspective fields and sectors of development, it is very important to be aware of the effective use of funds. Only this element will help to fulfill all obligations.

Recommendations

- ✓ Government of Ukraine and local administrations have to address their interest to NPI programme as an opportunity for changes to improve development, assistance on solving relevant problems and opportunity to integrate to European standards.
- ✓ While all other preconditions and obligations are fulfilled by the country, the quantity of EU funding depends also on the ability of the country to provide co-financing and effective absorption of money (real needs => good strategy of solving the problem => appropriate activities => added values and multiplier effects of the project).
- ✓ NPI is a new programme for 2007-2013 years. Information on opportunities opened for Ukraine under this Programme cannot be considered as one of the declared and signed documents. Transparent information policy for potential beneficiaries of the Programme will lead to active participation and real, positive changes which might be acquired under the effective use of EU funds.

⁷ The minimum request is 10% of own contribution to every project financed by EU.

Concerning cross-border programmes:

- ✓ The policy of government should support active participation in the Programme of the representatives of local government, NGOs and other institutions. Particular attention needs to be paid to mechanisms of financial support of own contribution in CBC projects.
- ✓ Present Cross Border Cooperation Programmes involve the participation of new regions, which suggests that potential beneficiaries lack relevant experience and skills to apply and manage projects. Special training programmes on project management and writing proposals have to be conducted.
- ✓ It is important to cooperate with representatives of NGOs who have relevant experience of work in CBC Programmes and can help local administrations in writing and implementing the project.
- ✓ For effective implementation of CBC projects Ukrainian applicants have to look for good and reliable partners.

Concerning project management:

- ✓ *Before writing a proposal:* read programme and competition requirements; do not think about the money you can get, but concentrate on real problem to solve; consult with experts; attend special information seminars which will be organized by informational points of the programme; find good partnerships; think about the idea, structure, quality, relevance, influence, indicators and added value of future projects;
- ✓ *Writing a proposal:* take enough time to write a proposal – do not write in a hurry; write simple and understandable sentences; proofread the text to avoid mistakes and unclear ideas;
- ✓ *Waiting:* be patient after doing everything that was on your competence by applying for the programme. Sometimes it takes more than half a year to receive the results from a competition. Don't try to influence the results of the competition or know them earlier than announced.
- ✓ *Project implementation:* read the contract attentively – there are all “rules of game”; read requirements on reporting – there is information which might be useful for you in terms of using money and future reporting; read your project again and start to implement everything you've written there.

Sources:

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