

## Opportunities to Finance Cross-Border Regions from European Funds and in Particular the INTERREG Initiative

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### Abstract

*The article is dedicated to the description of the financing instrument for cross-border cooperation within the European Union, which in recent years has become an important instrument of European Union policy in the context of regional development, including cooperation with non-EU border regions. The article aims to analyze the INTERREG financial support instrument, analyzing the evolution of this instrument and its main objectives. The European Territorial Cooperation Instrument has significant financial and administrative resources, provides support to EU regions and economically underdeveloped third countries, ensures the development of an innovative economy and activates cooperation programs in new directions. For the research, the reports published by the European Commission, statistics and scientific articles by other authors specialized in this field were used.*

**Key word:** Neighborhood Programs, INTERREG, Financial instrument, Cross-border cooperation

**J.E.L. classification:** F2, F3, F5

### 1. Introduction

Cross-border cooperation is one of the forms of deepening European integration and serves as an appropriate instrument of the European Union's regional policy.

The EU's regional development strategy has as its main objective the support of border regions, which are also peripheral areas and have a low economic development compared to the main centers. The strategy pays major attention to the role of cross-border cooperation at the EU's internal and external borders, as it contributes to regional development, improving living standards in peripheral areas and the socio-economic growth of these areas. The EU provides financial support to cross-border regions through initiatives, programs and projects.

The vast majority of funding sources for cross-border cooperation operate on a project approach. This means that their operation is based on open competitive recruitment, encouraging border actors to develop partnerships, submit joint applications and implement projects that deliver the expected results to meet needs and solve problems on both sides of the border.

Thanks to the financial assistance provided by the European Union through its programs and initiatives, the opportunities for partner countries to develop cross-border cooperation at its borders are significantly expanding. This makes it relevant to study the problems of financing cross-border cooperation, namely the experience of EU countries in using funding opportunities for this type of cooperation, in particular the study of one of the main sources of funding for cross-border cooperation - INTERREG.

## 2. Theoretical background

Cross-border cooperation is considered to be a part of the current system of international relations. The concept of cross-border cooperation in its modern sense emerged relatively recently - in the middle of the last century, when Europe's regions began to play an independent role in international relations, they were given wider rights in international cooperation at local level, where regions considered an important component of development (Nagy, 2020). Cross-border cooperation involves joint actions of neighboring states aimed at establishing and deepening economic, social, scientific, technical, environmental, cultural and other relations between their territorial communities, local and regional state bodies (Giolda, 2015).

The transformation processes that have taken place in Europe are characterized by socio-economic crisis phenomena that have affected most economic and social spheres. One way to solve these problems is cross-border cooperation. Its purpose is to eliminate the negative consequences of locating territories at the border, ie to move them away from the main economic centers of the country and, at the same time, to use the opportunities that open up due to the proximity of the neighboring country. Cross-border cooperation is one of the important means of eliminating disparities in economic and social development on both sides of the border. (Medeiros 2016).

The European Commission plays a significant role in organizing cross-border cooperation in European governance. Thus, in 2003, the European Commission adopted the document "Enlarged Europe". who stated that the EU has a commitment not only to its citizens but also to its current and future neighbors to ensure social cohesion and economic dynamism (De Sousa 2013). The EU must promote regional and subregional cooperation and integration, which are prerequisites for political stability, economic development and poverty reduction and social differentiation. In particular, the European The Union must strengthen its existing neighborhood policies towards these regions around two main objectives: working with partners to reduce poverty and creating an area with high well-being and living conditions, through stronger economic integration, strengthening political relations between cross-border cooperation and the establishment of shared responsibilities to prevent conflicts between the EU and its neighbors; strengthening the EU's proposal for concrete benefits and preferential relations in a diverse framework, commensurate with the progress made by partner countries through their political and economic reforms (European Union, 2013).

## 3. Research methodology

The main purpose of the article is to study the main financial instruments that help to implement programs in the field of cross-border cooperation.

To carry out this study, a large number of Council of Europe reports, reports from statistical institutions, scientific articles were analyzed to better understand the essence of financial instruments and in particular to study the INTERREG regional initiative.

In the modern scientific literature there are various approaches to the division of financial instruments for the implementation of cross-border cooperation programs, mainly due to their focus on solving problems specific to territorial development and the specificity of financial relations.

The disclosure of financial instruments is based on the Financial Directive, which states that financial instruments are measures of EU financial support, which are carried out in addition to the EU budget to address one or more specific policy objectives.

## 4. Findings

Cross-border cooperation is a key priority of the European Union's regional policy, which is achieved in order to achieve economic and social cohesion and to reduce the development gap of EU regions and countries. The financial instruments for implementing the European Union's structural policy are the Structural Funds and the Cohesion Fund, and has as main goal the financial implementation of the economic and social cohesion policy on several levels and the realization of common interests in cooperation with the member states (Cretu, 2018). The EU provides a number of structural funds, the largest of which is the European Regional Development Fund. In the EU Structural Funds System, the European Regional Development Fund (ERDF) is the main funding

mechanism for the implementation of regional policy. The ERDF was set up in 1975 to finance measures to overcome existing regional disparities in the EU by participating in the development and restructuring of the regions left behind by the industrialized regions (De Sousa 2013).

The EU has provided financial support for such cooperation and continues to offer through various programs, initiatives and projects through assistance the most important are: INTERREG, PHARE CBC, TACIS CBC, PHARE CREDO, MEDA, CARDS, LACE.

INTERREG is the EU's largest program of local initiatives to support the development of border communities in EU Member States and some coastal areas.

In the period 2000-2006, this program became known as INTERREG III, which offers three areas of cooperation: cross-border cooperation (direction A); transnational cooperation (direction B); interregional cooperation (direction C).

PHARE CBC is a program to support cross-border cooperation in the border areas of Central Europe that borders the EU and has been operating since 1994. Other financial instruments of the European Union are the TACIS CBC programs (covering the border regions of Russia, Ukraine, Belarus and Moldova), MEDA (for remote border regions of third countries); CARDS (program for the Western Balkans), LACE (a project of the Assembly of European Border Regions) (Bohm, Drapela, 2017).

Until 31 December 2006, EU assistance to European Neighborhood Policy (ENP) countries has been provided through numerous regional programs, such as TACIS. As of 1 January 2007, as part of the reform of EU assistance instruments, TACIS and many other programs (MEDA) have been replaced by the European Neighborhood and Partnership Instrument. ENPI has been applied since 2007 in the countries previously covered by the TACIS program (Tiganasu, Jijie, Kourtit, 2020).

The ENPI (European Neighborhood and Partnership Instrument) is designed as a more flexible and policy-oriented instrument. It is based on two main objectives:

- promoting deeper economic and political cooperation between the EU and partner countries;
- providing assistance on how to use funding opportunities.

*Evolution of the INTERREG financing instrument*

The ERDF has been funding cross-border cooperation since 1991 through the local INTERREG initiative, which has become the EU's largest initiative to support the development of EU Member States' border regions and coastal areas.

The INTERREG initiative (1990-1999) - a Community initiative on trans-European cooperation aimed at encouraging the harmonious and balanced development of the European territory - was created to stimulate cooperation between EU Member States at various levels and to reduce the impact of national borders in favor of economic, social and cultural development throughout the European Union.

The INTERREG initiative started as INTERREG I for the period 1989-1993, continued as INTERREG II for 1994-1999, passed to the level of INTERREG III (2000-2006), from 2007 to 2013 functioned as INTERREG IV and INTERREG V (2014 -2020). The whole initiative has three directions:

- A - cross-border cooperation;
- B - transnational cooperation;
- C - interregional cooperation.

*Table no.1 The evolution of the INTERREG Initiative in the period 1990-2020*

	<b>INTERREG I</b>	<b>INTERREG II</b>	<b>INTERREG III</b>	<b>INTERREG IV</b>	<b>INTERREG V</b>
<b>Legal status</b>	Community initiative		Integrated into structural funds regulation		Own regulation
<b>Benefiting member states</b>	11	15	25	28	28
<b>Budget</b>	1,1 BN EUR	3,8 BN EUR	5,8 BN EUR	8,7 BN EUR	10,1 BN EUR

Source: europa.eu

Under the INTERREG I program (1990-1993), 31 operational programs worth EUR 1,082 million were supported from the EU Structural Funds in various fields, including transport and communications (45%), environmental protection (10%), the economy. and tourism (28%), rural development (6%), education and other areas (11%).

INTERREG II received funds amounting to 413 million euros and allowed the implementation of 59 operational programs. Taking into account co-financing (national, regional, local and private funds), EUR 4 billion was spent on cross-border cooperation at the EU's internal and external borders. Since 1990, EUR 6.5 billion has been paid under the INTERREG initiative and several thousand cross-border projects have been implemented.

From the beginning, the INTERREG program covered all the EU's internal and external borders, and the operational programs were distributed as follows: 35 programs were implemented at the internal borders, 24 - at the external ones (Central European countries, Russia, Norway, Switzerland, Cyprus, Morocco). The new territories that benefited from the INTERREG II program were the eastern territories of the united Germany and the coastal territories: the Irish-British border (Walla), the Franco-British (East-Sussex-Haute-Normandie), the Spanish-Moroccan, the Greek-Italian and French Italian (Corsica-Livonia).

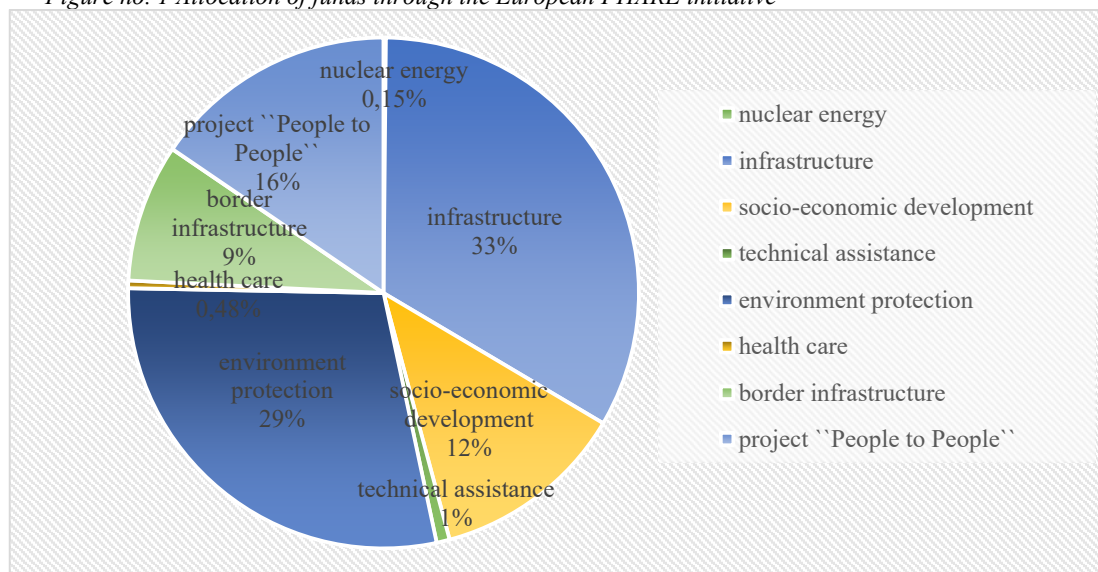
INTERREG III Program (2000-2006). became the largest initiative with a total funding of EUR 4.875 million and covered three areas, which included the following objectives:

A: cross-border cooperation between local authorities in adjacent border areas, designed to support integrated regional development, in particular at the EU's external borders;

B: transnational cooperation between national, regional and local authorities, in order to build a harmonized and balanced society and to improve territorial integration with EU candidates and neighboring countries;

C: interregional cooperation, designed to implement effective regional development and cohesion policies and mechanisms to create networks.

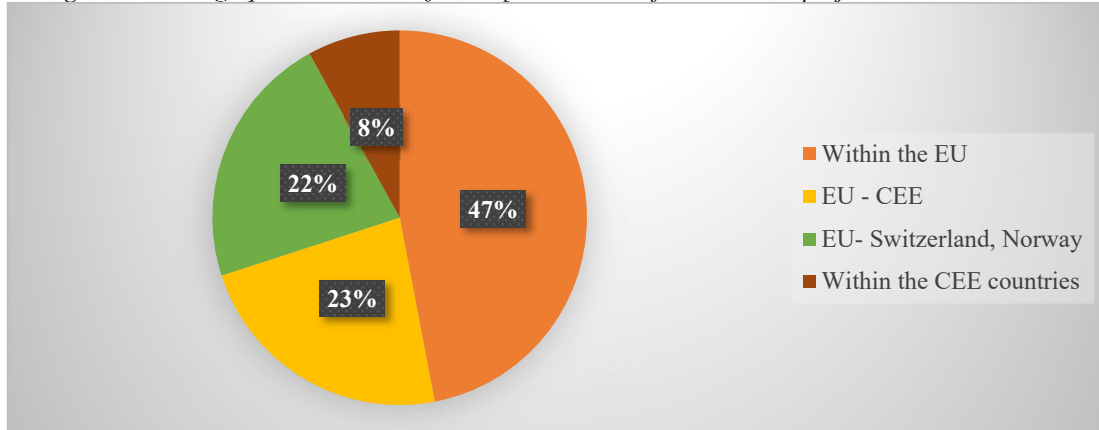
Figure no. 1 Allocation of funds through the European PHARE initiative



Source: Own processing according to: europa.eu

According to M. Perkman's analysis, about half of cross-border projects have been implemented in the EU (Perkman, 2003). The structure regarding the implementation of cross-border projects that are part of INTERREG III is presented in Figure 2.

Figure no. 2 Geographical structure of the implementation of cross-border projects within INTERREG III



Source: Own processing according to: europa.eu

In the third stage of the INTERREG initiative, 115,200 new jobs and 5,800 new entrepreneurial initiatives were created and another 3,900 existing forms of entrepreneurship were implemented. Approximately 544,000 people participated in events organized as part of the program's cooperation. Over 18,000 km of roads, railways were built or restored in the border regions during this period, funds were invested in telecommunications and environmental protection, over 25,000 projects initiated at local or regional level were supported (European Commission, 2014).

INTERREG IV covered the following programs:

Directorate A (a total of 52 programs, which covered 74% of all funds - about 6.5 billion euros). The strongest were the FLUXPYR program - was launched to manage water, carbon and energy flows in the Pyrenees ecosystem; The ISLES project - the development of renewable energy sources off the coasts of Scotland and Ireland; SHAPING 24 - Cultural Tourism Initiative in East England and the Lower Counties (ecofun.ctfc.cat);

Directorate B (13 transnational cooperation programs in the Baltic, Alpine and Mediterranean regions worth EUR 1.8 billion): BLAST (Bringing Land and Sea Together) - is a joint project between public, private and scientific authorities from different countries that make up the Black Sea region; Smart Cities - development of electronic services; SoNorA - improving the transport infrastructure between the Baltic Sea and the Adriatic Sea (Nadalutti, 2015);

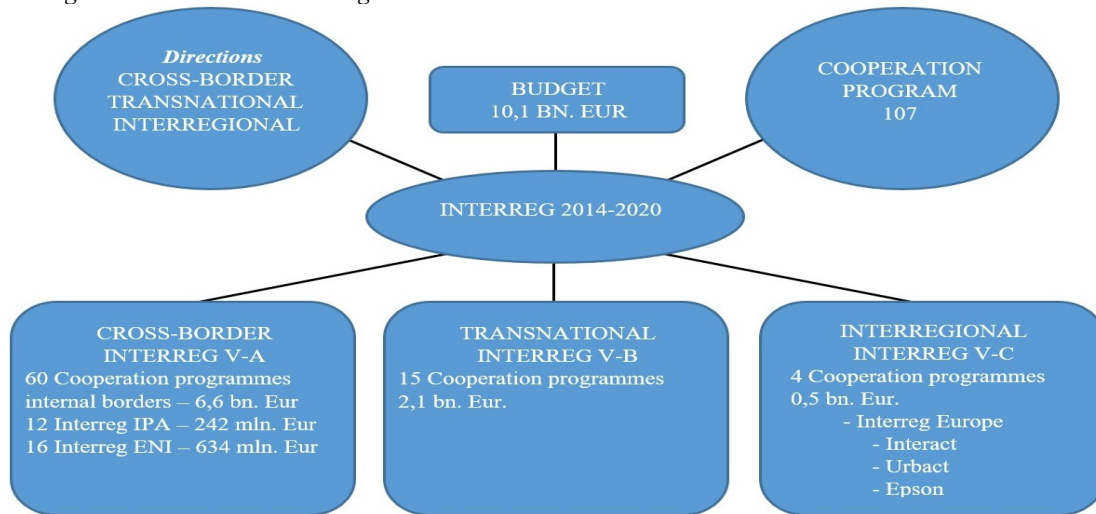
Directorate C (13 network programs covering all EU countries - EUR 445 million) - exchange of experience between regional and local authorities in different countries (European Commission, 2018).

INTERREG V

In the period 2014-2020, EUR 10.1 billion was allocated, which represented 2.8% of the total cohesion policy budget and was distributed through 107 programs. These programs were in three areas: cross-border cooperation, transnational cooperation and interregional cooperation.

The budget of the program has been made available to EU Member States and neighboring countries. 74% of the total budget was allocated to 88 internal and external programs, of which 60 within the EU and 28 at the external borders. (European Commission, 2020).

Figure no. 3 INTERREG V budget allocation



Source: europa.eu

## 5. Conclusions

Cross-border cooperation is one of the key elements of the EU's policy towards its neighbors, which supports sustainable development in cross-border regions, helps to reduce disparities in living standards and solves common problems in cross-border regions. The mobilization and efficient use of the resource potential of border regions, as well as taking into account the particularities of their functioning will allow the development of economic processes using flexible and innovative forms of financing, addressing regional development policy priorities and ensuring economic convergence, employment, work and interregional and cross-border cooperation.

This requires the use of effective mechanisms and instruments for financing the development of territorial communities, improving the mechanism of state financial support for cross-border cooperation programs and projects of Euroregions, rational use of EU funds for cross-border cooperation through long-term programs and ensuring long-term co-financing. at national and regional level, the creation, implementation and joint financing of cross-border programs and projects, as well as the improvement of financial and credit mechanisms in the field of investment.

Given the current situation in the field of financial support for cross-border cooperation, it is necessary to take a number of measures aimed at the effective implementation of cross-border programs in the framework of the European Neighborhood Policy, namely:

- decentralization and delegation to a lower administrative level of public administration competences and functions in order to address regional and local development issues that are common to neighboring regions;
- giving local authorities the right to independently select priority cross-border projects on a competitive basis and to co-finance them to the detriment of funds provided by the relevant articles of local and state budgets. It will provide adequate organizational and financial support to participants in cross-border projects implemented under cross-border cooperation programs. At the same time, the financial independence of local authorities in the implementation of joint international projects, including cross-border, is possible subject to the formation of the state budget.

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