



ANNUAL REPORT 2008 ON SWITZERLAND'S CONTRIBUTION TO EU ENLARGEMENT



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC

State Secretariat for
Economic Affairs SECO

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Editorial

EU enlargement is a major step towards greater security, stability and prosperity on the European continent. For Switzerland, it opens up new political and economic horizons. To help sustain this process, Switzerland has set aside CHF 1 billion to mitigate economic and social disparities in the enlarged EU. This funding will be used for joint programmes and projects in the ten new EU member states.

In 2007, the framework credit for Switzerland's contribution to EU enlargement was debated in the Swiss Parliament and general framework agreements were negotiated on a bilateral basis with each of the ten new EU member states. In 2008, most of the preparatory work for Switzerland's contribution to EU enlargement was completed, setting the stage for implementation.

In 2008, the SDC and SECO set up Swiss Contribution Offices in four towns – Budapest, Prague, Riga and Warsaw – to better coordinate the use of Swiss contribution funding locally. On their end, the ten partner countries established or issued mandates to corresponding institutions and made the necessary amendments to national legislation.

By the end of 2008, thanks to the preparatory measures taken, Switzerland was able to give temporary or final approval to project proposals from the new EU Member States for a total of CHF 135.5 million.

This contribution to EU enlargement enables Switzerland to strengthen its presence in Central and Eastern Europe and develop its cooperation activities in various regions. This, in turn, serves to reinforce Switzerland's position as a strong, independent partner of the European Union in general and of the new EU member states in particular.

Martin Dahinden

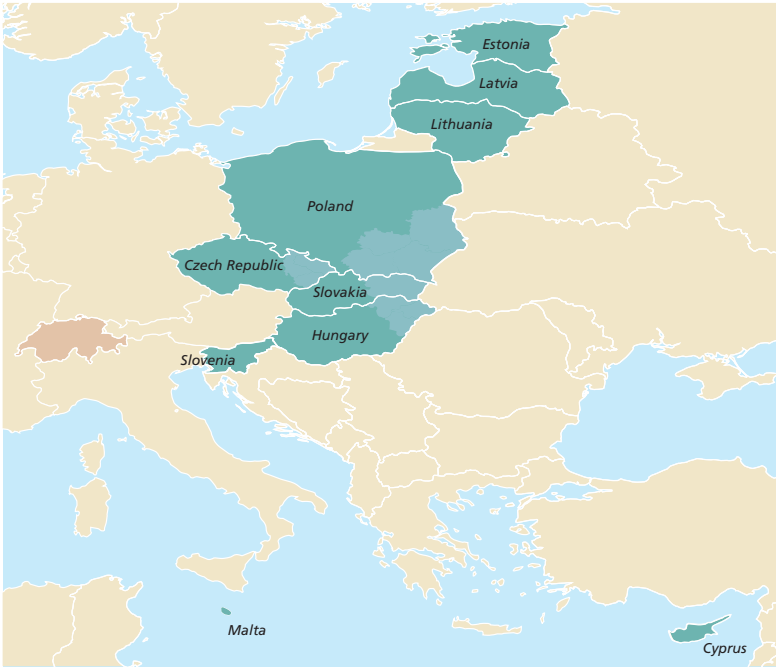
Ambassador
SDC Director-General



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State Secretary
SECO Director





1. Overview

With a contribution of **CHF 1 billion**, Switzerland helps to **reduce the economic and social disparities** in an enlarged European Union. Switzerland's contribution to EU enlargement will be used to fund programmes and projects in the ten new EU member states: Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, the Czech Republic, Hungary and Cyprus.

The legal basis for Switzerland's contribution to EU enlargement is the Federal Act of 24 March 2006 on cooperation with Eastern European countries (SR 974.1), which was approved by Swiss voters on 26 November 2006. This enlargement contribution not only strengthens Swiss ties with the EU – its most important economic and political partner – but is also an expression of its solidarity and its will to assume responsibility in Europe.

The enlargement contribution is being jointly implemented by two federal agencies: the **State Secretariat for Economic Affairs (SECO)** and the **Swiss Agency for Development and Cooperation (SDC)**. Funding will be used for programmes and projects relating to four priority themes: Environment and infrastructure; Promotion of the private sector; Security, stability and reforms; and Human and social development.

Project proposals may be submitted directly or within the framework of public calls for project proposals organised by institutions in each of partner countries. At least 15% of project costs must be self-funded, i.e. paid by the party that submits the project proposal. In the case of special funds established for NGOs, the self-

funded proportion may be lower.

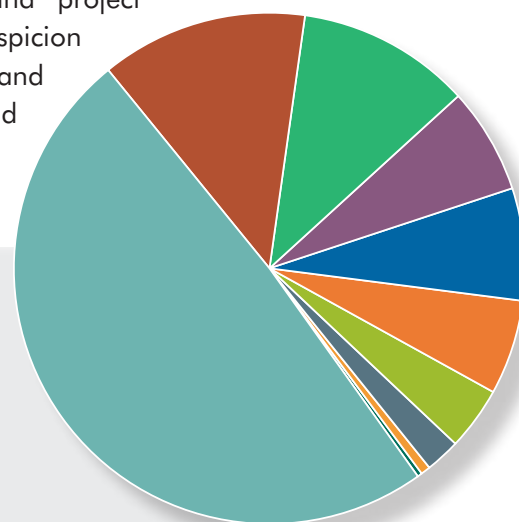
A comprehensive procedure has been set up to examine project proposals and related requests for funding both in the partner country and Switzerland. The final decision on whether to grant funding to a given project proposal is taken by Switzerland.

In order to help reduce disparities within the partner countries, around 40% of the funding to four of the larger countries – Poland, the Czech Republic, Slovakia and Hungary – will be used for development projects in remote underdeveloped regions in the east. (see map)

Contracts for the delivery of goods and services for approved projects will be awarded in accordance with national legislation in each partner country as well as with EU and WTO guidelines on public procurement contracts.

Switzerland has established agreements with all ten partner countries to ensure that regular verifications, assessments and financial audits are carried out at both the programme and project levels. If there is any suspicion of irregularities, Switzerland can suspend payments and obtain repayment for any unjustified amounts disbursed.

| in CHF million | |
|----------------|-------|
| Poland | 489.0 |
| Hungary | 130.7 |
| Czech Republic | 109.8 |
| Slovakia | 66.9 |
| Lithuania | 70.9 |
| Latvia | 59.9 |
| Estonia | 39.9 |
| Slovenia | 22.0 |
| Cyprus | 6.0 |
| Malta | 3.0 |



2. Activities in 2008



In 2008, various preparatory measures were taken both in Switzerland and in the partner countries to ensure that enlargement contribution funding would be used in an efficient and targeted manner.

On the partner country side, the following measures were completed by the end of 2008:

- A *national coordination unit (NCU)* was set up in each country to manage the various enlargement contribution programmes and projects.
- A series of laws, ordinances and guidelines was drafted in each country to establish a clear frame of reference for implementation procedures (e.g. project selection procedure, payment procedures).
- Specialised ministries and other institutions were asked to provide technical advisory services to facilitate project selection in specific programme fields. A commission was also set up to ensure that representatives of the regions and civil society organisations would also be involved in project selection procedures.
- The partner countries created a monitoring committee and established the principles for a comprehensive monitoring and control system.

On the Swiss side, implementation structures for enlargement contribution programmes and projects were established on schedule. In the first quarter of 2008, four Swiss contribution offices were opened in Budapest, Prague, Riga and Warsaw and local personnel were recruited and trained. Working closely with partner countries to identify priority themes, the SDC and SECO were able to introduce Swiss expertise and know-how in all ten of the new EU member states.

In early 2008, information campaigns on Switzerland's contribution to EU enlargement were launched in all three linguistic regions of Switzerland and in each of the ten partner countries. Internet platforms were also set up in Switzerland and the partner countries.

Thanks to these preparatory measures, the selection procedure for the first series of project proposals could begin at the end of 2008. Working with SDC and SECO, the partner countries launched public calls for project proposals, which were open to local authorities, ministries and other public institutions in the partner countries as well as international organisations and NGOs. In most of the partner countries, specialised ministries also took advantage of this opportunity to submit project proposals directly.



The table below provides an overview of pending or completed project proposals in the partner countries:

Table 1: Pending or completed project proposals in 2008

| Theme | Country | Proposed budget (in CHF millions) | Completion date |
|--|--|-----------------------------------|-----------------|
| Environment and infrastructure | Slovenia | 9 | 27.06.2008 |
| | Hungary | 32 | 30.09.2008 |
| | Estonia, Latvia, Lithuania | 47 | Pending |
| Border control | Estonia | 3.5 | 22.07.2008 |
| | Poland | 20 | Pending |
| Modernisation of the justice system | Latvia | 8 | 01.10.2008 |
| Trade promotion | Poland, Slovakia | 14 | Pending |
| Promotion of the private sector | Estonia, Latvia, Poland, Slovenia, the Czech Republic and Hungary | 97 | Pending |
| Regional development | Latvia | 16 | 19.09.2008 |
| | Poland | 50 | 23.12.2008 |
| Health and social services | Estonia | 7.14 | 25.06.2008 |
| | Malta | 2.74 | 14.04.2008 |
| | Slovenia | 3.5 | 27.06.2008 |
| Research | Hungary | 4.5 | 30.01.2009 |
| Scholarships | Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia, the Czech Republic and Hungary | 29.08 | 30.01.2009 |
| Vocational education and training | Cyprus | 1.6 | 27.10.2008 |
| Natural disaster prevention and mitigation | Hungary | 2.0 | 30.09.2008 |
| | Estonia | 2.0 | 3.11.2008 |
| Special funds for non-governmental organisations | Cyprus | 0.19 | 07.01.2008 |
| | Latvia | 3.5 | 3.10.2008 |

Incoming project proposals are examined by decision-making bodies in both the partner countries and Switzerland. In 2008, external experts were also called in to help SDC and SECO assess some of the project proposals.¹

Project proposals go through a two-tiered selection procedure: In the first stage of the selection procedure, applicants in the

partner country submit a project outline and corresponding funding request, which must make it through initial selection in both the partner country and Switzerland. Once temporary approval has been given to the project outline, applicants are asked to submit a final project proposal with detailed and complete documentation. In the second stage of the selection

¹ Following public calls for tenders, external mandates were awarded in 2008 to the Swiss Centre for International Health SCIH of the Swiss Tropical Institute, Basel (health projects), to KEK-CDC Consultants, Zurich (regional development projects), to Pöyry Ltd, Frutiger AG, Ernst Basler + Partner AG and EBP (infrastructure projects) and to SIFEM (promotion of the private sector projects).

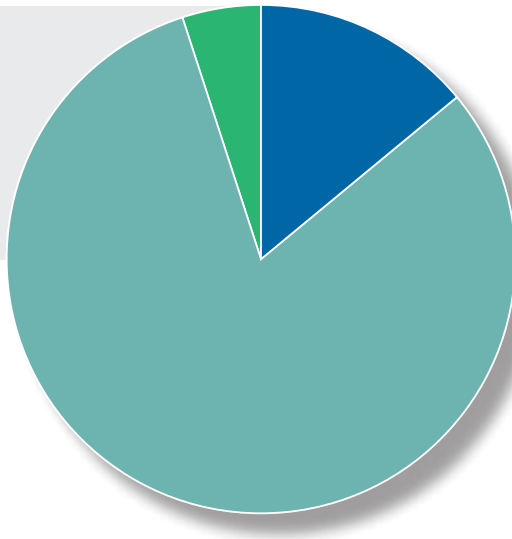
procedure, final approval of both the project proposals and the corresponding funding requests are left to Switzerland. By the end of 2008, the SDC and SECO were able to give temporary or final approval to project proposals from the new EU Member States for a total of CHF 135.8 million. This amounts to 14.3% of the total amount of enlargement contri-

bution funding that has been earmarked for projects.

Based on the current flow of incoming project proposals, the number of commitments is expected to rise substantially in 2009 and 2010. The SDC and SECO expect enlargement contribution funding to be fully allocated by mid-2012 in all ten partner countries as planned.

Financial absorption of enlargement contribution in 2008

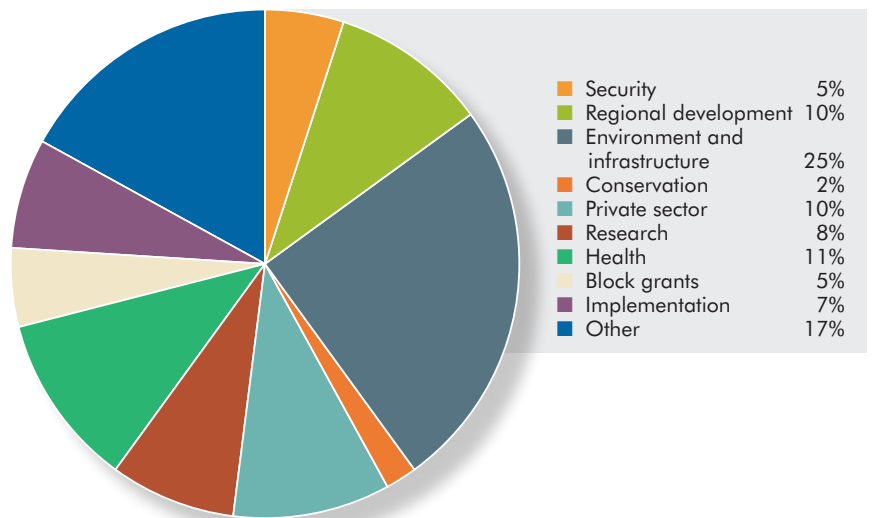
| | |
|--|-----|
| Swiss administrative costs (2008–2017) | 5% |
| Given temporary or final approval | 14% |
| Remaining budget to be allocated | 81% |



To reduce economic and social disparities in Bulgaria and Romania, it is expected that Switzerland will make an additional contribution of CHF 257 million to be used in these two countries, which joined the EU on 1 January 2007. In June 2008, the Federal Council signed an Addendum to the Swiss-EU bilateral agreement so that the scope of Switzerland's contribution to EU enlargement could be broadened to include Bulgaria and Romania. The Federal Parliament is expected to adopt a framework credit for this purpose by the end of 2009.

3. Priority themes

Switzerland's contribution to EU enlargement is centred on four priority themes: *Environment and infrastructure*; *Promotion of the private sector*; *Security, stability and reforms*; and *Human and social development*. These four priority themes cover a wide range of different cooperation issues. The specific needs of each partner country will serve as the basis for decisions as to what issues will be given greater or lesser importance. The pie chart below shows the various issues that Switzerland will be addressing with the ten new EU member states.



Environment and infrastructure

SECO has allocated a total of CHF 252 million for infrastructure projects, which include projects to encourage energy efficiency and the use of renewable energy sources; projects to dispose of special types of waste (e.g. asbestos, hospital waste); projects to set up water supply and wastewater treatment facilities; projects to monitor environmental conditions; and finally, projects to develop public transport. The SDC has allocated about CHF 20 million for projects to protect the environment and maintain biodiversity.

In 2008, public calls for project proposals in the area of infrastructure were launched

in Hungary and Slovenia. In the three Baltic states, project proposals were submitted directly by the public authorities themselves. By the end of 2008, SECO had given temporary approval to two project proposals in the area of environment and infrastructure: the first, a renewable energies project in Slovenia (CHF 7.7 million); the second, a waste removal project in Latvia (CHF 13 million).

In the first half of 2009, public calls for project proposals in the area of environment and infrastructure will be launched in Poland, Slovakia and the Czech Republic.



Improving the quality of water and removing waste in Latvia

The oil industry in the Sarkandaugava region of Latvia has caused major environmental damage and exposed the population to serious health risks. For this reason, SECO intends to provide funding to improve the quality of water and help clean up the heavily polluted industrial port of Riga. The enlargement contribution will be used to fund a project to decontaminate the soil and water, and to remove dangerous waste matter. This should help reduce the amount of pollution in the Daugava River, which drains into the Gulf of Riga. SECO gave temporary approval to the project proposal and corresponding funding request of CHF 13 million in December 2008.

Promotion of the private sector

In the area of promotion of the private sector, SECO has set aside a total of CHF 114 million for the ten new EU member states. This contribution will be used to fund projects designed to improve access to long-term loan facilities and create a favourable business climate for small- and medium-sized enterprises (SMEs). In addition, measures will be taken to promote exports and to foster environmental and social standards.

Since 2008, project proposals in the area of promotion of the private sector may be submitted directly by specialised ministries in Poland, Hungary, Latvia, Estonia, the Czech Republic, Slovakia and Slovenia. In December 2008, SECO gave temporary approval to a project proposal for SME financing in Poland (CHF 53 million). SECO also launched a programme (CHF 4.4 million) to introduce more transparent corporate accounting standards in several partner countries.² In early 2009, a public call for project proposals in the area of trade promotion was launched in Hungary.



Introducing transparent corporate accounting standards in Slovenia, Estonia, Latvia and Poland

A transparent business climate is a decisive factor in the development of private enterprise. SECO therefore provides funding for a regional programme to introduce more transparent accounting and auditing standards in several of the new EU member states. This programme should help create a competitive market for high-quality auditing services. Specifically, over the next four years, the following measures will be taken: the public authorities will play a greater role in the supervision of company auditors; a quality assurance system will be introduced; finally, the public authorities will receive training to become familiar with the current international standards.

By the end of 2008, Switzerland had given temporary approval to a project proposal in Latvia (CHF 1.9 million) and final approval to project proposals in Estonia (CHF 2 million) and Slovenia (CHF 1.5 million). A similar project in Poland is also planned.



² No private sector promotion or trade promotion projects were carried out in Lithuania, Malta and Cyprus.

Security, stability and reforms

The security, stability and reforms theme includes modernisation of the justice system; border control; natural disaster prevention and mitigation; and support for regional development initiatives in remote underdeveloped regions.

Switzerland has set aside CHF 39.5 million to promote security and stability in six of the ten new EU member states: Hungary, Poland, Slovakia, the Czech Republic, Estonia and Latvia. This funding will be used for projects to secure national borders, particularly the external borders of the Schengen Area. Funding will also be used to modernise the justice system and fight corruption and crime. Switzerland will mainly help partner countries secure their national borders and strengthen their internal security capabilities, which should thereby improve overall security in Europe. Within this context, Switzerland can bring its own expertise and experience to bear and make use of existing networks of contacts.

In 2008, Switzerland gave temporary approval to two security projects, one in Estonia (CHF 3.5 million) and one in Latvia (CHF 8 million).



Fighting crime and securing the EU's external borders in Estonia

The crime rate in Estonia is higher than in EU-15 member states. Members of the Schengen Area exchange forensic data in an effort to fight international crime. The project in Estonia seeks to tackle the crime situation in Estonia and secure the EU's external borders. Switzerland will therefore provide CHF 3.5 million to the Estonian Forensics Institute and other law enforcement agencies. This funding will be used to purchase modern forensics equipment, organise training courses and facilitate the international exchange of experiences.

Human and social development

The human and social development theme includes programmes to promote health, science and education. Funding is provided to small-scale projects run by local NGOs in various thematic fields as well as to partnership initiatives between communities.

Scientific cooperation is a priority theme in eight partner countries. Swiss research institutes and their counterparts in partner countries have developed a programme covering three areas of cooperation: the sciex-NMS^{ch} exchange scholarship programme; bilateral research projects; and institutional research partnerships.



sciex-NMS^{ch} exchange scholarship programme with eight partner countries

The sciex-NMS^{ch} exchange scholarship programme between Switzerland and the ten new EU member states – sciex-NMS^{ch} – enables junior scientists to further develop their individual skills. The exchange scholarship programme also encourages research and innovation and strengthens scientific networks.

Switzerland's contribution to the sciex-NMS^{ch} exchange scholarship programme stands at CHF 29.08 million.

Academic researchers from partner countries are eligible for a Swiss exchange scholarship if they hold a Master's degree or PhD. Exchange scholarships are awarded to candidates with strong academic performance. Selection is based on the quality of research projects.

The first exchange scholarship selection procedure will be launched in Poland and the Czech Republic in mid-2009. Similar selection procedures will be organised in the other six partner countries in the autumn of 2009. Interested junior researchers from the eight partner countries can find the latest information at www.sciex.ch.

| Recipient country | sciex-NMS ^{ch} programme, in CHF million |
|-------------------|---|
| Poland | 12.00 |
| Hungary | 3.00 |
| Czech Republic | 4.00 |
| Lithuania | 4.00 |
| Slovakia. | 1.50 |
| Latvia | 2.00 |
| Estonia | 1.58 |
| Slovenia | 1.00 |
| Total | 29.08 |

4. Opportunities for cooperation

Switzerland's contribution to EU enlargement offers Swiss actors various opportunities for cooperation:

- Swiss public institutions and NGOs may, for example, contribute to implementation of enlargement contribution projects by offering their **technical expertise and specific experience** to project applicants or partner countries. Partnership agreements would have to be explicitly desired by the project applicants in the partner country and mentioned in the project proposal. Currently, there is one such partnership agreement in the area of health between Swiss and Slovenian hospitals.
- In addition, a special **partnership fund** has been set up within the framework of Switzerland's contribution to EU enlargement. This partnership fund is intended to enable cooperation initiatives to be undertaken by Swiss non-profit institutions in the following partner countries: the Czech Republic, Hungary, Poland, Slovenia and Slovakia. This partnership fund will be used to support municipal and community partnership projects as well as joint projects with social partners or other non-profit organisations and institutions. Public calls for project proposals will be launched in the partner countries to select suitable cooperation projects.

- In the area of research and development, Switzerland provides funding for **scientific cooperation projects and exchange programmes** between research institutes in Switzerland and those in partner countries.

These three cooperation alternatives are mainly solidarity-based partnerships requiring a **substantial contribution from the Swiss actors themselves**. Only a limited portion of the costs may be covered by enlargement contribution funding.

Swiss companies, however, have the option of becoming **commercially involved** in enlargement contribution programmes and projects by responding to public calls for tender for the **provision of goods and services** for approved projects. Contracts will be awarded in accordance with national legislation in each partner country, as well as with EU and WTO guidelines on public procurement contracts. Thanks to these rules, Swiss companies are entitled to submit tenders for the EU's Structural and Cohesion Funds.



5. Contacts and addresses

Information about Switzerland's contribution to EU enlargement, country programmes and project selection can be found at www.erweiterungsbeitrag.admin.ch in German, French, Italian and English.

Country-specific information can be found in English or in the country's national language on the Web site of the corresponding National Coordination Units (NCUs) or the four Swiss Contribution Offices.

NCU Web sites

| | |
|------------|--|
| Estonia | www.swiss-contribution.ee |
| Latvia | www.swiss-contribution.lv |
| Lithuania | www.swiss-contribution.lt |
| Malta | www.swiss-contribution.mt (planned) |
| Poland | www.swiss-contribution.pl |
| Slovakia | www.swiss-contribution.sk |
| Slovenia | www.swiss-contribution.si |
| Czech Rep. | www.swiss-contribution.cz |
| Hungary | www.swiss-contribution.hu |
| Cyprus | www.swiss-contribution.gov.cy |

SCO Web sites

| | |
|-------------------------------------|--|
| Swiss Contribution Office, Budapest | www.swiss-contribution.admin.ch/hungary |
| Swiss Contribution Office, Prague | www.swiss-contribution.admin.ch/czechrepublic |
| Swiss Contribution Office, Riga | www.swiss-contribution.admin.ch/latvia |
| Swiss Contribution Office, Warsaw | www.swiss-contribution.admin.ch/poland |

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