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Institutional Maintenance of Cross-Border Projects Monitoring

INTRODUCTION

Limitation of domestic financial resources that are directed at the socio-economic development improvement and reducing disparities in both internal and external border regions development determines alternative factors of competitiveness increase through external funding sources search. Numerous mechanisms of foreign aid from the European Union can serve as the example of such sources, primarily: European Neighbourhood and Partnership Instrument, European Instrument for Democracy and Human Rights, Tool for Development Cooperation, Instrument of Stability etc.

It is especially important to enhance international and national financial aid raising effectiveness to reach better usage of all cooperation possibilities, innovation infrastructure development at the regional, transboundary, and at the international level. Primary a necessity of fundraising and cost-sharing mechanisms of monitoring process improvement for the achievement of relevant regional innovation strategies objectives arises.

Some theoretical and practical aspects of international technical assistance as a factor of territories competitiveness increasing are considered by such Ukrainian and foreign scientists as: S. Brown, J. Wilson, J. Wolfensohn, S. Dell, J. Sachs, I. Burakovsky, V. Galchinsky V. Heyets, Z. Lutsyshyn, S. Mochernyy, N. Mikula, V. Novitsky, V. Sidenko, A. Filippenko, V. Nanivska, T. Lipova and others. However, the issue of fundraising process improvement through the establishment of international technical assistance monitoring both on cross-border and local levels remains unconsidered. In economic science co-financing mechanisms development of cross-border projects and their monitoring in Zakarpattja region was developed in the Institute of Regional Research of the National Academy of Sciences, under the supervision of N. Mikula.

THE AIM OF THE ARTICLE

The aim of the research is to identify opportunities to build an optimal project (including cross-border projects) monitoring model. The main objectives for this are: to determine the essence of cross-border projects monitoring; to define main subjects of cross-border projects monitoring and tools for their support in Ukraine and abroad; to identify obstacles in cross-border projects monitoring mechanisms and opportunities to their elimination.

THE ESSENCE OF CROSS-BORDER PROJECTS MONITORING

Currently, international technical assistance, defined as all resources provided by donors for implementation of programs and projects in order to conduct reforms and carry out the programs of socio-economic development, granted to Ukraine and its regions in accordance with more than 40 international agreements for implementation of appropriate projects, which contribute to technical and financial cooperation. About 172 of such projects are being implemented in Ukraine in cooperation with 10 donors-countries as well as EU, EBRD, UN, IAEA and the World Bank. Thus the largest donor of such assistance in Ukraine is the European Union – it is funding 40% of the whole scope of projects. In addition, our country is the recipient of funds for 51 project from the United States, 15 – with the EBRD and 8 – from Canada. The proportion of projects aimed at problems solving in cross-border areas is increasing. In particular, Ukraine is involved in four programs of the European Neighbourhood and Partnership Instrument: Programme „Poland-Belarus-Ukraine” (with total budget for 2007–2013 – 186.201 million euros), Programme „Romania-Ukraine-Republic of Moldova” (total budget for 2007–2013 – 126.718 million euros), Joint Operational Programme „Black Sea Basin” (total budget for 2007–2013 – 17.306 million euros), Programme „Hungary-Slovakia-Romania-Ukraine” (total budget for 2007–2013 – 68.6 million euros) [Мікула, Жук, Цибульська, 2011, p. 27–34].

According to the Cabinet of Ministers of Ukraine Resolution No. 153 (15.02.2002) „About the unified system of attraction, allocation and monitoring of international technical assistance” the main forms of international technical assistance may be: any property necessary to ensure compliance with project (programs) tasks that is imported or acquired in Ukraine, goods and services, intellectual property rights, financial resources (grants) in national or foreign currency and other legal resources, including scholarships. Recipients of project funds are often public organizations that operate in the frontier.

Considering a large number of potential recipients in each region of Ukraine, donors and forms in which funds can be granted, there are some diffi-

culties with accounting and grouping of all implemented projects of international technical assistance as well as with identifying their impact on the regional competitiveness. Competitiveness increasing could be achieved by a free access of all subjects of program activities to information about possible involvement. Therefore, the issue of development of such system that would summarise information about the implemented projects orientation, their results and regional competitiveness impact and free funds for co-financing under the regional development strategies becomes particularly important. Such international technical assistance monitoring system formation should be done at the regional level and its implementation form may be determined individually by each local authority. Although the maximum result would be possibly achieved introducing a unified system of monitoring in all regions of Ukraine.

In general, the formation of the monitoring system must answer two following key questions:

1. What would be monitored?
2. Who will be monitoring?

At first we should understand the sense of the concept of „monitoring”. It is necessary for electing the most appropriate interpretation in the case of monitoring of cross-border projects. So, two different approaches to this term can be marked out: **situation monitoring** – means regular collection and analysis of information about the current condition of the objects and registering of any government policy changes, institutional changes, alterations in socio-economic development of regions; and **process monitoring** – analysis of the situation directly in the field of interest, in our case – implemented, current and potential cross-border projects [Лендзел, Винницький, Ратейчак, Санжаровський, 2007, p. 80]. Of course, complex and motivated decisions making means the combination of **both** situation monitoring and process monitoring to ensure the implementation of projects in accordance with government policy and strategies priorities for local and regional development.

For projects monitoring realization, primarily, common information database of already completed projects is required, which however does not exist in Ukraine currently. The biggest problem in collecting statistical data is the fact that different units in local authorities have only those data that is directly related to their field. In addition, there is no free access to all available local or regional programs, amount of their costs and no general criteria for common database structure. Even greater difficulties arise with the collection of similar information abroad, which is particularly important for cross-border projects implementation.

All the obstacles mentioned above ultimately lead to a lack of understanding of the monitoring process role by all project participants. Currently in Ukraine, due to the intensification of project activities, particularly in cross-border area, local authorities have already begun to feel the necessity for NGOs project

database creation. They realise that such creation would make possible to analyze performed research at the local level better and to plan projects for next year according to regional economy priorities and requiring investment of granted funds. However, due to authorities' empowerments and responsibilities unbalanced vertical allocation, local authorities are unable to monitor the cross-border projects implementation and financing.

The main prerequisite for the economic and social programs realization is to build democracy and to form civil society. Only various forms of associations and initiative groups can make best influence on state authorities and officials activities. Efficient communication between them leads to better results. These associations can be in a form of public organizations – formal and informal groups of individuals or associations that do not belong neither to administrative authority nor to businesses, that make contribution to humanitarian assistance reception, support human rights and environmental safety and participate in development of grant projects. Primary they are engaged in attracting extra-budgetary funds for regional development. As far as these organizations are not profitable and their activities are transparent to local authorities – this makes some difficulties in cross-border projects monitoring. Therefore, the analysis of the condition, problems and prospects of the process of interaction of public and governmental institutions, the legal basis of NGOs' functioning according to international experience and general condition and development of measures for public sector and government agencies cooperation, as well as possible amendments to the legislation in Ukraine are the issues of utmost importance.

Scientists of the Institute of Regional Research of the Ukrainian National Academy of Sciences have carried out an expert survey of number of NGOs in Zakarpattia region, which allows to make conclusions about the main barriers to monitoring system implementing in Ukraine. So the implementators of the cross-border projects do not realise the importance of consolidated monitoring of the situation in the region as well as in the country at whole, though they conduct regular results evaluation that is obligatory according to the terms of technical assistance programs of the European Union and of the other ways of donor funds attraction. They are appelling on risks of information dissemination. The most significant concerns are the possibility of competition increasing in this field in next contest submissions and financial risks. This is short-sighted and limited view on this problem because such wide access to information not only produces competition, but also significantly improves the projects quality, their contribution to the regional development, helps to combine NGO's goals achievement with current regional priorities, enables analysis of the experience of all completed projects and comparison of their advantages and disadvantages as well as improves the process of projects development in the future and broadens horizons on a significant number of problems at the project and regional scale.

When attracting the organizations – projects implementators to database creation and monitoring system implementation it is important to emphasize the **benefits of permanent monitoring**:

- free access to information about all programs, projects, funds that conversely provides an opportunity of potential partners search;
- access to data about successful experience of projects development and most correct formulations and justifications of funding requests;
- forming of the universal vision of regional development, its key priorities for both government and public sector, providing the possibility of its consistency and adjustments;
- possibility to determine the best ways of projects implementation;
- increasing of public confidence in the international technical assistance programs due to disclosure of project results;
- opportunity to identify specific problem areas of regional development in order to pay special attention to them in the process of projects writing.

The issue of the appropriate institution to carry out monitoring is especially complicated and controversial. Forming of innovative cross-border projects monitoring system should be based on modern theoretical and methodological approaches according to the experience of both European and world developed countries as well as on the monitoring mechanisms operating in other areas of project and economic activity. EU experience shows that the problem of institutional character still remains to be one of the most serious problems (even in the context of Union enlargement) for further cross-border cooperation. Moreover, inconsistency of the state, local and regional authorities power on both sides of the border and the lack/failure of authority decentralization in many countries appear to be significant obstacle to the crossborder cooperation as well. Therefore, European Parliament and the Committee of the Regions (CoR) call for more decentralized funds management of EU structural funds. Different ways of monitoring projects in Europe and in Ukraine will be considered below.

EUROPEAN EXPERIENCE OF CROSS-BORDER PROJECTS MONITORING

Thus, **in Hungary** the question of funding and monitoring of cross-border projects (figure 1) is under the jurisdiction of central government. On regional level attention is paid just to information and advisory services for projects development. Monitoring Committee is the main body that makes decisions, superintends and monitors programs and is responsible for project selection at the regional and national level. Committee conforms to the National

Development Agency of Hungary, which is responsible for managing and implementing of programs. Ministry of Economy and Transport – is the main national authority, which is responsible for coordinating and implementation of programs. European Union funds the activities of the Monitoring Committee, so on the next stage the information is also transfered to European funds, which finance projects of the program. The European Commission in its turn gives all information about programs and their funding for the development of depressed regions to the Monitoring Committee. Only after these all data go to public organisations or other stakeholders („recipient” in figure 1), which will realize projects for regional development. For this aim the operating program „Implementation” funded by the European Fund „Unity” is adopted at the national level under the New Hungary Development Plan for 2007–2013.

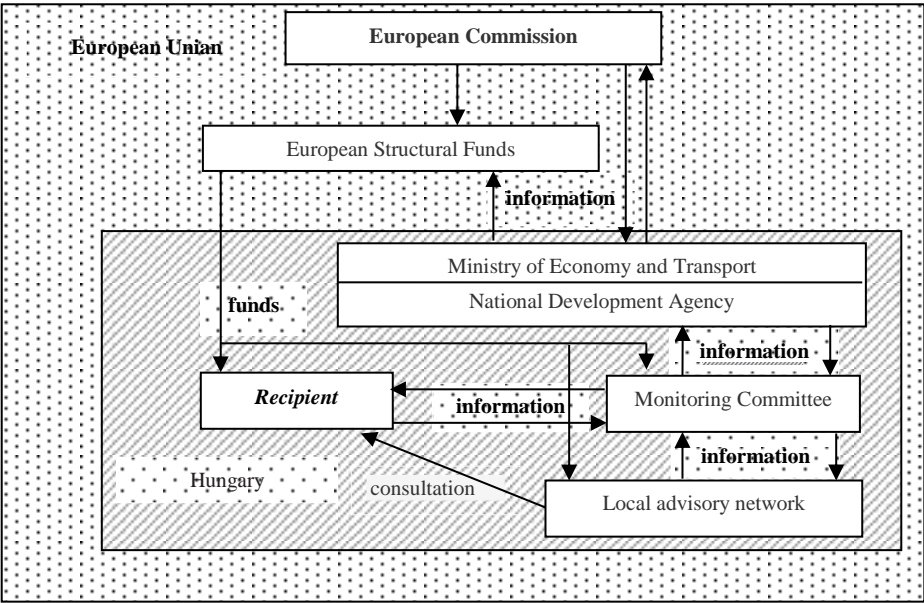


Figure 1. Organizational chart of projects monitoring in Hungary

Source: own development.

In **Czech Republic** the functions of government policy on government assistance are given to Office of Competition. After the entry of the Czech Republic to the EU, the competence of compatibility with the common market requirements analysis was referred to the European Commission. Accordingly, some changes in the jurisdiction of the Office of Competition were occurred, and the latter has acquired the status of central coordination, consultation and monitoring authority for technical assistance (figure 2).

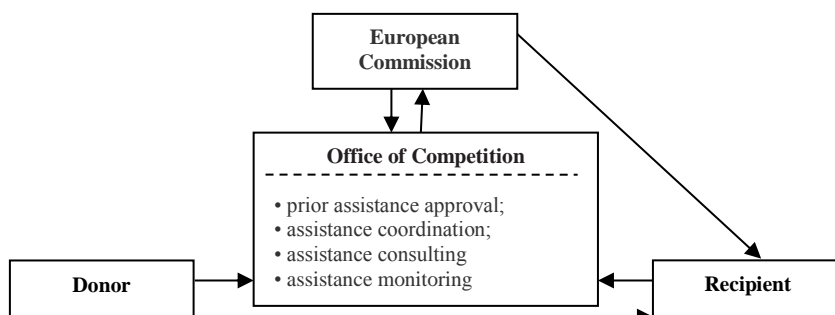


Figure 2. Organizational chart of projects monitoring in the Czech Republic

Source: own development.

The Office plays an important role in the process of prior approval of aid attraction (notification) and interacts with the European Commission and aid donors in order to ensure proper notification preparation, maintains a registry and prepares an annual report about aid schemes and individual assistance. Current legislation requires aid donors to send to the Office a report about all assistance provided last year, existing aid schemes as well as duplicates of all documents submitted to the European Commission under the procedures of prior approval (notification) and on-site projects monitoring. Assistance recipients must assist the Office in case of on-site monitoring of the European Commission in the Czech Republic and supply the Office with all information about aid within the prescribed period. In case of violation of these requirements the Office may impose a 1% fine of the whole aid amount.

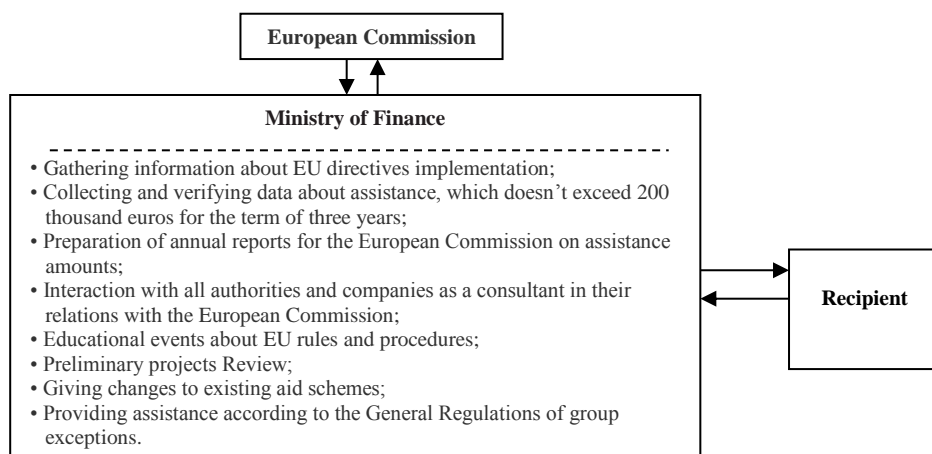


Figure 3. Organizational chart of projects monitoring in Latvia

Source: own development.

In **Latvia**, after the country's EU accession in 2004, the functions of the previous consideration of the projects under each program and specific activities before their submission for approval to the European Commission were given to the Ministry of Finance (figure 3). Ministry of Finance sends materials to the Commission for projects approval only in the case of their full complication with EU countries aid rules. Such a centralized approach allows minimizing the number of negative decisions taken by European Commission concerning aid in Latvia. The Ministry is not just a control and administration body in the field of aid – it actively cooperates with all concerned authorities and companies, acts as a consultant in their relations with the European Commission and carries out educational activities on EU rules and procedures.

CROSS-BORDER PROJECTS MONITORING SYSTEM DEVELOPMENT IN UKRAINE

In Ukraine, at the current stage of cross-border cooperation development, ambiguity in the distribution of responsibilities in project monitoring appears already on the national level. So there is a conflict of interests in the distribution of powers between the two ministries. The monitoring procedure of the European Neighbourhood and Partnership Instrument programs functioning is one of the powers of the Ministry of Economic Development and Trade of Ukraine, while the coordination of cross-border co-operation informational support with the usage of appropriate information technologies is carried out by the Ministry of Regional Development and Housing of Ukraine. The main functions of the latter Ministry according to the Ukrainian legislation are as follows: regional development, spatial and urban development. The desire of Ministry of Economic Development and Trade of Ukraine to keep under their control all questions about European Neighbourhood and Partnership Instrument programs can be explained by the reluctance of delegation of finances management to the regions.

Therefore, on a base of analysis of the foreign experience on project monitoring, the conclusions about the overriding necessity of the following issues solution can be drawn:

- identification of a single responsible executive authority at the national level and ensurance of appropriate structure functioning at the regional level. The latter is to carry out the coordination of cross-border cooperation in the region and therefore contribute to the establishing of relationships between the responsible ministry, local authorities and public organizations that operate in this region, as well as attract both external and internal investment and funding;
- creation of regional innovation fund for local initiatives support to ensure partnership in co-financing of grant projects and enable the State to be one of the partners in projects co-financing;

- minimisation of supervising organizations (combating economic crimes authority, public prosecution office, revenue authority and other) encroachment to the process of cross-border projects monitoring;
- regularizing of the legislative problems on Ukraine-EU cooperation at the regional level for transferring tranches simplification, elimination of ad hoc inspections by authorities as well as decrease of bureaucratization in the process of financial resources excess etc.

So, it is necessary to transfer the powers of the European Neighborhood and Partnership programs monitoring under the jurisdiction of the Ministry of Regional Development and Housing of Ukraine. We propose to create new department of innovation and investment development for ensuring the implementation of projects through innovative approaches, widening of access to investment attraction by foreign and internal investors, implementation of regional promotion and the coordination of existing programs and strategies. Activities should be carried out in close cooperation with existing Department of Regional Development under the Ministry of Economy of Ukraine, the key role of which is to monitor and evaluate regional policy priorities implementation and to analyze socio-economic development trends (in cooperation with the Department of Regional Development Monitoring).

Now let's consider the possible options of monitoring organisation in the Ukrainian regions. So, function of monitoring can be the competence of the following institutions:

1. Regional administrations and departments responsible for the cross-border cooperation (figure 4). The main advantage of this way is a significant simplification of the process of collecting data on cross-border projects, because all this information is necessary also for the registration at the Ministry of Economy and Trade of Ukraine. On its way from public organization to this Ministry, the data go through this structure. Understanding by this structure of the current regional situation and the strategic vision of development also plays significant role. Only limited resources both financial and human constitute the obstacle.

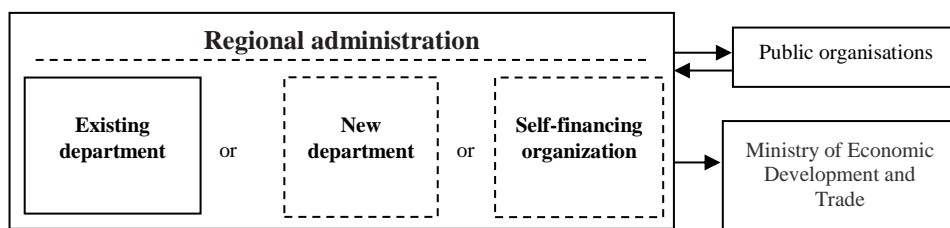


Figure 4. Organizational chart of cross-border projects monitoring (option 1)

Source: own development.

2. **Regional Statistical Offices** (figure 5). This institution holds full and adequate database about current situation and trends of regional development. Currently Regional Statistical Offices have already collected some data about the implemented projects. The refusal of public organizations that implement projects to provide additional formal data may be the main obstacle.

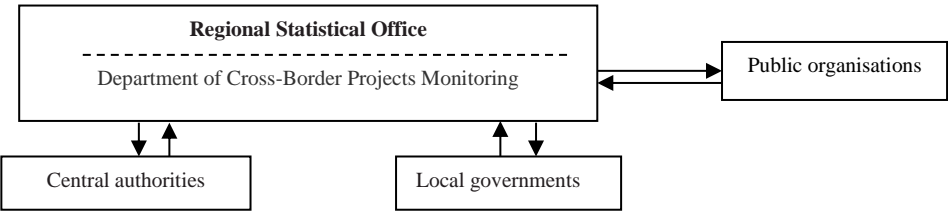


Figure 5. Organizational chart of cross-border projects monitoring (option 2)
Source: own development.

3. The transfer of these powers to **Regional Development Agencies**, as the public utilities, which are financed from the state budget (figure 6). Agencies and their networks are actively cooperating with local and central authorities as focal centers for strategic planning and territorial development project support. They provide effective cross-sectoral cooperation between authorities, business and community as well as create a qualitatively new economic environment. This institution could coordinate actions of central and local executive authorities and local governments in developing and implementing programs and projects at the territory. Despite the undoubted advantages in understanding of specific regional needs and particularities of its development, delegating responsibility in project monitoring to the Agency could cause public organizations resistance, because this function will be in fact carried out by the „competitive organization”.

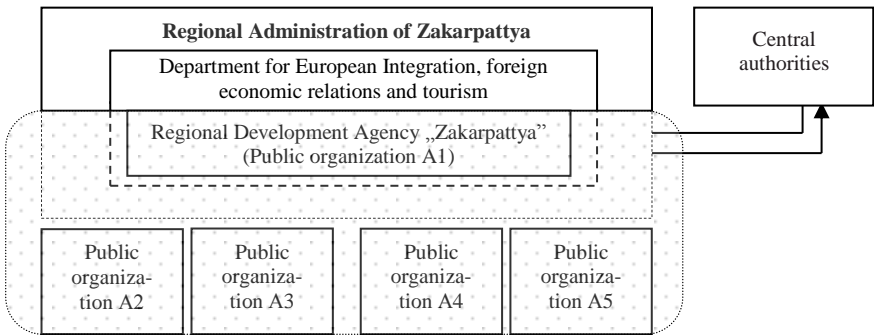


Figure 6. Organizational chart of cross-border projects monitoring (option 3)
Source: own development.

4. Creation of the special **assotiative public organization**, the main functions of which should be systematic monitoring, experience dissemination and modeling of the priority development trends for the region. This institution will be a link between the community initiatives network and authority (figure 7).

For the purpose of effective actions in projects realization aimed at socio-economic development of communities, quality of life improvement and avoiding of the unconstructive competition with other public organizations in the same activity area we propose one best way – self-imposed cooperation of all public organizations and establishment of the institution that would be engaged in cross-border projects' collecting, analysis and monitoring, which will promote the regional priority issues, analyze and provide solutions for main regional problems as well as will be the intermediary between the public initiatives network and authorities. In our opinion, the last option of monitoring organisation when the monitoring functions assigned on specially created organization will be optimal in Ukraine.

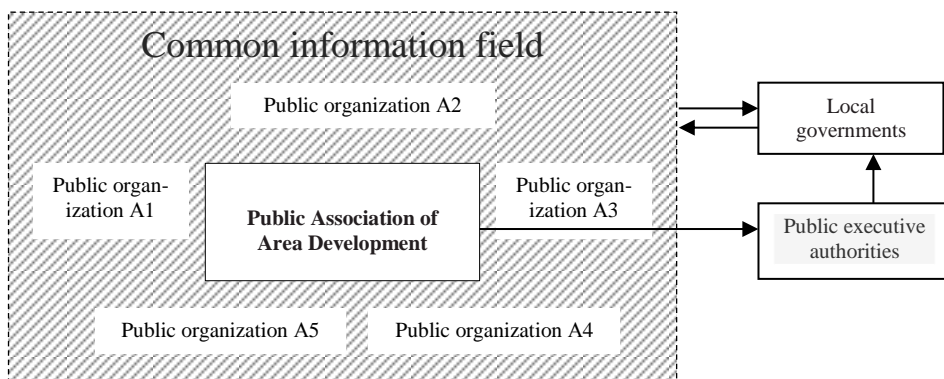


Figure 7. Organizational chart of cross-border projects monitoring (option 4)

Source: own development.

Moreover, the first steps in this direction have already been made in Zakarpattya region, where in January 2011 the NGO HART was founded („Public Association of Area Development”). It was the initiative of public utility „Regional Development Agency of Vynohradiv region” and this organization unites representatives of nine districts of Zakarpattya region out of 13 existing. Solving community development problems in close cooperation with executive authorities is the aim of the organization activity. Close cooperation at national level will be provided with the Ministry of Regional Development and Housing through representation under the Institute of Regional Commissioners.

The impossibility of financial support from EU of the projects on funding of the monitor organization creation is an important issue here because the key area

of EU fundings is the projects that influence socio-economic development of cross-border region. Therefore, the only **possibility of such organization financing** is: membership fees, state grant funds and funding from state, regional or district budget (figure 8).

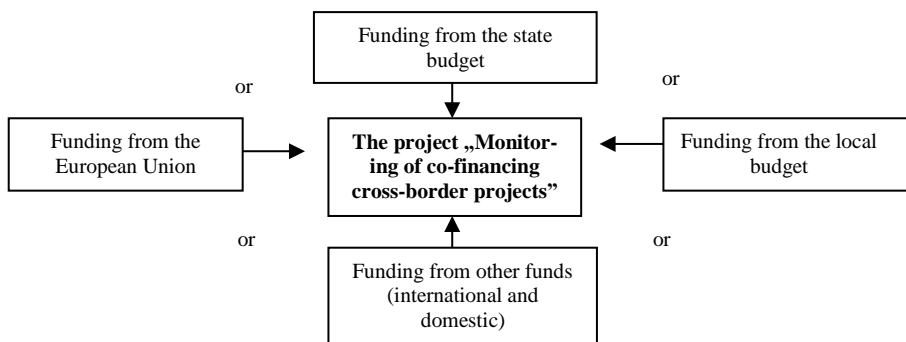


Figure 8. Organizational chart of cross-border projects monitoring (option 5)

Source: own development.

However, whatever way would be chosen by the region and its authority, the responsible institution will carry out following **functions**:

1. contribution to the coherence of the projects with different funding sources and in different time periods with regional, national and European priorities;
2. accumulation of information about:
 - completed projects (including information materials and publications by the projects);
 - projects that are currently being implemented;
 - a list of all donors – both EU and native;
 - the content of official documents in the field of regional policy;
 - cross-border regions description.

All the information mentioned above should be allocated at the web-site in free access and be grouped according to regional development priorities. Also it should be possible to find partners in cross-border area. The executive authorities can regulate the direction of the submitted projects according to the defined regional priorities and the disclosure of opportunities of their co-financing, thus acting as a partner. As noted above, not every NGO agrees to disclose its personal data. Therefore, it is important to limit access to the full statistical database of the organisations, which hadn't joined the association.

For the organization that will do monitoring of cross-border projects appropriate conditions for close cooperation and collaboration in developing of common strategy of cross-border cooperation by NGOs, local authorities and executive authorities should be provided. Establishment and effective functioning

of such organization would lead not only to cross-border region competitiveness increasing but also would enable the establishment of cooperation with the organizations of equal level abroad, including the neighboring Hungary and Slovakia, which have the similar goals to create mechanisms and structures of transboundary projects monitoring. This organization may also be engaged in recruitment and training of intellectual potential – the important source of economic growth. Village councils heads as well as villages and small cities inhabitants may have good ideas for the development of their region but due to the lack of experience they often can not implement projects and execute submission of documents for the project granting.

CONCLUSIONS

Lack of complete and significant information about the current situation at cross-border regions, the most influential actors in this area and most successful projects makes impossible to mobilize additional funds for projects co-finance, even if they are potentially qualitative and useful for the regional development. Systematic and comprehensive cross-border projects monitoring implementation on the basis of, for example, specially created organization will increase the efficiency of cross-border projects and optimize the allocation of financial resources from regional and local budgets, which ultimately will lead to regional competitiveness increasing. Further thorough study of existing mechanisms of financial aid funds monitoring in the European Union is a perspective direction.

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Summary

The role of cross-border projects' monitoring in increasing of the grant funds efficiency, local budgets targeting and ensuring of the regional competitiveness is represented. The obstacles in implementing of monitoring system in Ukraine are determined by a lot of factors. Options of the Ukrainian regions monitoring organization are examined. Functions of the responsible for cross-border projects monitoring authority are determined.

Wsparcie instytucjonalne monitorowania projektów transgranicznych

Streszczenie

W artykule pokazano rolę monitorowania projektów transgranicznych w zwiększaniu efektywności funduszy dotacyjnych, budżetów lokalnych i zapewnieniu konkurencyjności regionalnej. Wykryte przeszkody w realizacji systemu monitoringu na Ukrainie są zdeterminowane wieloma czynnikami. W artykule zaprezentowane zostały również opcje organizacyjne monitorowania tych działań w różnych regionach Ukrainy. Ponadto przedstawiono funkcje organów nadzoru odpowiedzialnych za monitorowanie transgranicznych projektów.