Special report

EU support to cross-border cooperation with neighbouring countries

Valuable support, but implementation started very late and problems with coordination need to be addressed
Contents

Executive summary I-VII

Introduction 01-05
Cross-border cooperation with neighbouring countries 01-03
Governance arrangements 04-05

Audit scope and approach 06-11

Observations 12-89
ENI CBC programmes targeted relevant needs, but their complementarity with other EU-funded programmes was insufficient and their start was significantly delayed 12-36
The programmes identified priorities aligned with common challenges of the border regions and were developed in a participatory manner 13-22
ENI CBC programmes set out how they would complement other EU programmes and strategies, but operational coordination was not sufficient 23-32
Setup of the programmes suffered substantial delays, which reduced the time for implementing ENI CBC projects 33-36
Projects have been to a large extent selected and implemented efficiently and effectively, but with weaknesses in results monitoring and reporting framework 37-71
The selection process in place was largely transparent and designed to select the most suitable ENI CBC projects 38-43
The Commission and the managing authorities provided useful guidance on project implementation and on mitigating the risk of fraud 44-49
The projects audited were on course to achieve their intended outputs but some had weaker cross-border impact 50-59
Limited information on overall results achieved at programmes level and on their sustainability, despite adequate monitoring of projects by managing authorities 60-71
The NEXT programmes draw upon lessons learned but face additional risks and the significant impact of political challenges 72-89
Changes reflect lessons learned, but certain simplification measures result in decreased Commission supervision 73-84
Political challenges and Russia’s invasion of Ukraine highlight the programmes’ importance but also their limits in improving cooperation between participating countries 85-89

Conclusions and recommendations 90-105

Annexes

Annex I – Map of ENI CBC programmes
Annex II – Geographic coverage of EU macro-regional strategies and regional initiatives with neighbouring countries
Annex III – Projects selected for detailed examination
Annex IV – Overview of our assessment of the audited ENI CBC projects

Acronyms and abbreviations

Glossary

Commission’s and the European External Action Service’s (EEAS) replies

Timeline

Audit team
Executive summary

Cross-border cooperation is a key element of the European neighbourhood policy, which covers 16 countries along the EU’s external border. Until recently, it also remained one of the very few areas of cooperation between the EU and Russia. For the 2014-2020 period, the Commission set up 15 joint programmes with neighbouring countries (ENI CBC programmes). With a total EU contribution of almost €1 billion, these programmes are intended to benefit both the Member States and the neighbouring countries with which they directly share a land or maritime border.

We conducted our audit at a time when the 2014-2020 programmes were approaching the end of their implementation. This report will serve to inform the set-up of the programmes proposed for the 2021-2027 financing period.

Our objective was to determine whether the programmes have been effective in enhancing territorial cooperation across the EU’s external borders. To answer this main audit question, we examined whether:

- the programmes targeted clearly identified needs and priorities that were common to the regions along the EU’s external borders and complemented other EU-financed programmes;
- the projects have been selected and implemented efficiently and effectively;
- the Commission and managing authorities made effective use of monitoring and evaluation mechanisms, and learned lessons with a view to strengthening the management of cross-border programmes proposed for the 2021-2027 financing period.

We found that the programmes targeted relevant needs, but their complementarity with other EU-funded programmes was insufficient and the involvement of EU Delegations to neighbouring countries could be further improved. With few exceptions, the projects were selected and implemented efficiently and effectively. However, we identified weaknesses in results monitoring framework of the programmes, regarding aggregation of results and reporting on sustainability of benefits after project closure. The programmes have managed to achieve a balanced distribution of project participants from EU and neighbouring countries. Safeguards are in place to mitigate the risk of fraud; however, the programmes cannot effectively use a fraud-reporting IT tool recommended by the Commission, due to lack of access by the participating non-EU countries.
We conclude that the 2014-2020 programmes have provided relevant and valuable support to the regions on both sides of the EU’s external border. However, the programmes suffered from significant delays to the start of their implementation and were still ongoing during our audit. Therefore, it was too early to assess their overall effectiveness. The legal framework for the 2021-2027 programmes draws upon lessons learned. The changes introduced have the potential to facilitate the start to the programmes’ implementation. However, they carry additional risks and reduce the Commission’s supervision of large infrastructure projects that can be of strategic importance in relations with partner countries.

Cross-border cooperation with neighbouring countries faces a challenging future: as part of a broader response to Russia’s invasion of Ukraine, the Commission has suspended financing agreements for programmes with Russia and Belarus. The invasion has also cast severe doubt on half of the programmes proposed for the 2021-2027 financing period. In the south, the Mediterranean Sea Basin programme continues to offer a forum for dialogue and cooperation between the participating countries. However, the number of joint projects between Israeli and Arab participants remains low, even if the very existence of such joint projects can be considered a success in itself.

As a result of our audit, we recommend that the Commission:

- improve coordination between programmes with a partial geographic overlap;
- enhance the involvement of EU Delegations;
- adapt a fraud-reporting IT tool;
- provide guidance on monitoring sustainability after project closure;
- consult all relevant services on large infrastructure projects;
- enhance the use of common indicators.
Introduction

Cross-border cooperation with neighbouring countries

01 Cross-border cooperation (CBC) is a key element of the European neighbourhood policy, which covers 16 countries along the EU’s external border (see the map in Annex I). Until recently, it also remained one of the very few areas of cooperation and continuous dialogue between the EU and Russia. The European Neighbourhood Instrument (ENI) CBC programmes\(^1\) are intended to benefit both the Member States and the neighbouring countries with which they directly share a land or maritime border. During the 2014-2020 financing period, the ENI CBC programmes had three strategic objectives\(^2\):

- promote economic and social development in regions on both sides of common borders;
- address common challenges in environment, public health, safety and security;
- promote better conditions and modalities for ensuring the mobility of persons, goods and capital.

02 For the 2014-2020 period, the Commission set up 15 CBC programmes (as well as a project financing technical support) that pool funding from the ENI and the European Regional Development Fund (ERDF), for a total of almost €1 billion. The programmes contribute at the same time to the EU’s external and regional policies\(^3\). Of the 15 programmes, seven cover cooperation with Russia, six cover the Eastern neighbourhood, and the two remaining programmes cover the Southern neighbourhood. Figure 1 lists the individual programmes and shows the allocations per programme.

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\(^1\) For the purpose of this report, “ENI CBC programmes” means EU-funded CBC programmes with neighbouring countries (European neighbourhood policy countries and Russia) during the 2014-2020 period.


\(^3\) DG REGIO 2020 Annual Activity Report – Annexes, Annex 7I: Assurance for ENI CBC (p. 100).
Most of the EU funding programmes supporting cooperation with Russia were suspended in response to the illegal annexation of Crimea in 2014. The ENI CBC programmes remained an exception until early March 2022, when the EU suspended the financing agreements with Russia and Belarus, in response to Russia’s invasion of Ukraine on 24 February 2022.
Governance arrangements

The ENI CBC implementing regulation\(^5\) defines the roles and tasks of all programme bodies. ENI CBC programmes are implemented either through projects selected through calls for proposals, or through large infrastructure projects (LIPs) selected through direct award. Joint monitoring committees are responsible for selecting projects and monitoring their performance. They involve national, regional and local authorities (from Member States and third countries), and the European Commission can participate as an observer. Managing authorities designated by Member States report to the Commission and implement ENI CBC programmes in accordance with the “shared management” principle, including for projects implemented outside the EU (which the Commission would typically implement directly). For instance, the Regional Council of South Karelia in Finland acts as the managing authority for the South-East Finland–Russia programme. For most managing authorities, this responsibility comes in addition to managing other European Structural and Investment Funds. Figure 2 shows the programme bodies of a standard CBC programme and describes their roles.

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\(^5\) Commission Implementing Regulation (EU) No 897/2014 on the implementation of cross-border cooperation programmes financed under the European Neighbourhood Instrument.
Figure 2 – Bodies of a standard CBC programme

**JOINT MONITORING COMMITTEE**
- Follows the implementation of the programme
- Approves Managing Authority’s work programme and financial plan
- Responsible for the projects’ evaluation and selection procedures

**NATIONAL AUTHORITY**
- Responsible for the set up and functioning of national management and control systems
- Ensures coordination of the national institutions involved
- Represents its country in the Joint Monitoring Committee

**MANAGING AUTHORITY**
Responsible for managing the programme, in particular:
- Selection and follow-up of projects
- Financial management and control, including verification of payment requests by project beneficiaries

**AUDIT AUTHORITY**
- Audits the programme’s management and control systems, an appropriate sample of projects, and annual accounts
- Issues annual opinion on the legality and regularity of expenditure

**BRANCH OFFICES** *(Optional)*
Perform communication and information activities, and assist the Managing Authority in the project implementation follow-up

**JOINT TECHNICAL SECRETARIAT** *(Optional)*
Assists the programme bodies in carrying out their respective functions, and beneficiaries in the project implementation

*Note:* Each country participating in an ENI CBC programme had to identify a national authority.


**05** The Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) is responsible for the overall management of ENI funding. It collaborates with other Commission services responsible for thematic policies, as well as with the European External Action Service (EEAS) and the EU Delegations. DG NEAR managed the ENI CBC programmes until the end of 2019. On 1 January 2020, they were transferred to *Directorate-General for Regional and Urban Policy (DG REGIO)*. In addition to the newly transferred ENI CBC programmes, DG REGIO was also responsible for the Baltic Sea Region and Danube Transnational programmes (both partly funded by the ENI), and for CBC programmes under the Instrument for Pre-accession Assistance.

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Audit scope and approach

06 The objective of this audit was to determine whether the ENI CBC programmes have been effective in enhancing territorial cooperation across the EU’s external borders. To answer this main audit question, we addressed three sub-questions:

(1) Did ENI CBC programmes target clearly identified needs and priorities that were common to the regions along the EU’s external borders and complemented other EU-financed programmes?

(2) Have ENI CBC projects been selected and implemented efficiently and effectively?

(3) Have the Commission and managing authorities made effective use of monitoring and evaluation mechanisms, and learned lessons with a view to strengthening the management of CBC (Interreg NEXT) programmes proposed for the 2021-2027 financing period?

07 The audit focused on the ENI CBC programmes that are approaching the end of their implementation (with a regulatory deadline of 31 December 2023 to complete activities) with a view to inform the set-up of the programmes proposed for the 2021-2027 financing period. We assessed the largest 2014-2020 programmes in the north, east and south regions, aiming to achieve good financial and geographic coverage. These three programmes together account for about 44 % of the total ENI CBC funding planned for the 2014-2020 period (see Figure 3):

- South-East Finland–Russia (SEFR), managing authority in Lappeenranta;
- Poland–Belarus–Ukraine (PL-BY-UA), managing authority in Warsaw;
- Mediterranean Sea Basin (MED), managing authority in Cagliari (Sardinia).
We analysed documents provided to us by the Commission and the EEAS relating to the development, implementation and monitoring of the 2014-2020 ENI CBC programmes, and to the lessons learned for the upcoming 2021-2027 CBC programmes. In addition, we held several interviews with representatives of various Commission services, the EEAS, TESIM (a technical support project for ENI CBC programmes) and the Interact programme (technical support for EU internal Interreg programmes), and the EU Delegations to Jordan, Lebanon, Russia, Ukraine, and Tunisia.

Between October-November 2021, we carried out on-the-spot visits to Finland, Poland, Russia and Ukraine. We replaced the visit to Sardinia (planned for December 2021) with video meetings due to the COVID-19 pandemic. We met with managing authorities and other programme bodies, and with representatives of 15 projects that we examined in detail (five projects from each of the three programmes; see Annex III). We selected these projects taking into account their materiality, coverage of diverse thematic objectives, and implementation progress. Annex IV summarises our assessment of the projects.

In addition to cross-border programmes with neighbouring countries, there are cross-border programmes between EU Member States, and also with pre-accession countries. We did not cover these programmes in this audit, as they have distinct legal bases and characteristics, and have been evaluated recently:

Within the EU, cross-border cooperation is part of a wider policy framework of European Territorial Cooperation, commonly known as Interreg. The ERDF has dedicated around €10.1 billion for territorial cooperation. We have recently published a special report on the cross-border cooperation programmes within the EU\(^7\).

The Instrument for Pre-accession Assistance finances cross-border programmes not only along the EU’s external border (e.g. Croatia/Serbia), but also among pre-accession countries themselves (e.g. Serbia/Montenegro). The Commission has recently assessed\(^8\) the performance of CBC programmes among pre-accession countries.

We recognise that Russia’s invasion of Ukraine on 24 February 2022, facilitated by Belarus, has had a profound impact on all ENI CBC programmes that include Russia, Belarus, Ukraine or Moldova, and on the sustainability of the underlying projects. Our assessment of the projects funded under the SEFR and PL-BY-UA programmes reflects the situation as of the end of 2021, prior to the invasion, when we completed the fieldwork phase of this audit. We summarise the latest developments that occurred post-audit, in February-June 2022, in paragraphs 85-88.

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\(^7\) Special report 14/2021: “Interreg cooperation: The potential of the European Union’s cross-border regions has not yet been fully unlocked”.

\(^8\) European Commission, Mid-term evaluation of cross border cooperation programmes between IPA II beneficiaries, August 2021.
Observations

ENI CBC programmes targeted relevant needs, but their complementarity with other EU-funded programmes was insufficient and their start was significantly delayed.

In this section, we examine whether the ENI CBC programmes:

(a) identified priorities that tackle common challenges of the border regions, with the involvement of relevant stakeholders;

(b) set out how they would complement and coordinate with other EU-financed programmes;

(c) were setup in a timely manner to facilitate the start of projects’ implementation.

The programmes identified priorities aligned with common challenges of the border regions and were developed in a participatory manner.

Response to the challenges of border regions

The joint operational programmes (JOPs), prepared by EU Member States and partner countries, are key documents that set out the framework and priorities for individual ENI CBC programmes. In June 2015, the managing authorities (MAs) for the three programmes we assessed in detail submitted the JOPs to the Commission. They included a detailed analysis of challenges facing the border regions, as well as potential opportunities from increased cooperation between these regions.

The Commission analysed draft versions of each JOP, in particular to assess their compliance with the ENI CBC implementing regulation, and replied to the MAs with detailed observations. Except for a contentious issue affecting bilateral relations with Russia (described in paragraph 80), the Commission’s directorates-general and the EEAS provided favourable opinions and recommended only minor changes to the JOPs.

Each of the three JOPs we assessed included four thematic objectives. This is the maximum possible number out of the 11 envisaged in the EU programming.

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document\textsuperscript{10}. Their selection reflects the consensus achieved among the participating countries. We found that the thematic objectives were in line with the analysis of the regions’ challenges and weaknesses set out in the JOPs. Figure 4 shows the thematic objectives selected by the 15 ENI CBC programmes and the allocated funding. None of the programmes opted for thematic objectives 9 “Promotion of and cooperation on sustainable energy and energy security” or 11 “Other areas”.

\textsuperscript{10} Programming document for EU support to ENI Cross-Border Cooperation (2014-2020), point 6.3.
Figure 4 – Thematic objectives selected by ENI CBC programmes and allocated EU funding

**Source:** ECA, based on Mid-term review of the ENI CBC programmes, Joint EEAS-DG NEAR document, 11.6.2018, p. 19, and on data reported by programmes (approved budget as of 30.6.2021).
For the previous (2007-2013) financing period, the Commission had listed 26 examples of objectives for “illustrative purposes only”\(^\text{11}\), meaning that the programmes were free to develop other objectives. The Commission’s *ex post* evaluation found these programmes lacked focus and recommended improving their strategic focus in order to maximise their impact\(^\text{12}\). Although the 2014-2020 programmes could select a maximum of four from the 11 pre-defined thematic objectives, their thematic coverage remained very broad, ranging from cultural heritage to fighting organised crime. This, in turn, reduced comparability between individual programmes and made monitoring results at overall policy level more difficult (see paragraphs 60-71).

For the 2021-2027 financing period, the Commission has decided to streamline the scope of the programmes further, by setting five policy objectives common to all programmes\(^\text{13}\) and two additional specific objectives for Interreg programmes\(^\text{14}\).

**Contribution of national and regional authorities to identifying needs and priorities**

Each programme had to be prepared “by a common agreement of all the participating countries”\(^\text{15}\). In the cases of the PL-BY-UA and SEFR programmes, national and regional authorities were strongly involved in identifying needs and priorities through their involvement in joint programming committees (JPCs), which drafted the initial JOPs between 2013 and 2015. In the case of the SEFR programme, the MA’s location within the South Karelia regional council also helped to give the programme a strong regional dimension and involve local stakeholders in programming. By contrast, for the MED programme, which covers 112 regions, the 13 participating countries

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\(^{13}\) Article 3 of Regulation (EU) 2021/1058 on the ERDF and on the Cohesion Fund. Specific objectives for the ERDF and the Cohesion Fund are: (1) a more competitive and smarter Europe, (2) a greener Europe, (3) a more connected Europe, (4) a more social and inclusive Europe, and (5) a Europe closer to citizens.

\(^{14}\) Article 14 of Regulation (EU) 2021/1059 on specific provisions for the European territorial cooperation goal (Interreg) supported by the ERDF and external financing instruments. Interreg-specific objectives are: (1) a better cooperation governance, and (2) a safer and more secure Europe.

\(^{15}\) Article 3 of Commission Implementing Regulation (EU) No 897/2014.
were represented by national central authorities (accompanied by regional representatives from four countries).

19 In addition, each programme was required to provide co-financing of at least 10% of the EU contribution, while being free to determine its source, amount and distribution\(^\text{16}\). The EU contribution to all programmes amounted to around €950 million. It was complemented by €270 million from other sources, bringing the overall funding available for ENI CBC programmes to €1.2 billion. Figure 5 shows the programmes’ funding sources.

**Figure 5 – Funding sources for the 2014-2020 programmes**

<table>
<thead>
<tr>
<th>Source</th>
<th>EU</th>
<th>Projects</th>
<th>Russia</th>
<th>Member States</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>(million euros)</td>
<td>950</td>
<td>96</td>
<td>87</td>
<td>59</td>
<td>14</td>
</tr>
</tbody>
</table>

*Note:* Programmes involving Finland do not report the co-financing provided by projects (amounting to at least 10% of eligible costs).

*Source:* ECA, based on data reported by programmes (approved budget as of 30.6.2021).

20 In certain cases, the participating countries found it important to increase the programmes’ co-financing with national funds beyond the mandatory 10%. For instance, Finland and Russia each contributed around 25% of the SEFR programme’s funding, with the EU covering the remaining 50%. This underlined the participating countries’ strong ownership of the programme. In other cases, the co-financing was borne solely by project beneficiaries. Figure 6 shows funding sources per ENI CBC programme.

\(^{16}\) Articles 12 and 13 of Commission Implementing Regulation (EU) No 897/2014.
The Commission’s *ex post* evaluation of the 2007-2013 programmes recommended increasing national co-financing to achieve a more balanced partnership with other neighbouring countries. However, the Commission has not promoted higher contributions from the neighbourhood partner countries, for example during information seminars at the start of the 2021-2027 financing period.

**Contribution of civil society to identifying needs and priorities**

Representatives of civil society were consulted on the preparation of the three programmes. Each of the three MAs, assisted by branch offices in partner countries, organised public consultations on the needs and priorities of the programmes. These attracted large number of participants, including representatives of civil society and NGOs, local and regional decision-makers, and SMEs. Such consultations were useful for fostering local ownership of programmes and ensuring their relevance and consistency with the regions’ development strategies.

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ENI CBC programmes set out how they would complement other EU programmes and strategies, but operational coordination was not sufficient

**Coherence and complementarity with other EU programmes and macro-regional strategies**

23 Each of the three JOPs examined recognised the need for good coordination and coherence with other EU policies, programmes, and strategies with which they overlap geographically and thematically. The Commission made efforts to avoid any double funding of projects and identify possible synergies. Therefore, during its review of the draft JOPs (see paragraph 13), the Commission made a recommendation to the MAs to further describe coordination between the programme and other initiatives and to establish informal consultation with the Commission on selected projects before awarding grants.

24 The MAs in Poland and Sardinia took these recommendations on board and, at the end of each call for proposals, before contracting projects, submitted the lists of projects selected by their respective joint monitoring committees (JMCs) to the Commission. The MAs and the JMCs considered the Commission’s and EU Delegations’ comments on individual projects as far as possible. By contrast, the SEFR programme did not create such an informal coordination mechanism with the Commission, or with other EU programmes.

25 The MED programme, which has the broadest geographical scope (covering seven EU Member States and six Mediterranean partner countries\(^\text{18}\)), overlaps with a great number of initiatives in the Mediterranean area. It is unique in that, unlike other (mostly bilateral) ENI CBC programmes, its projects bring together participants from four or five countries, and sometimes even more. In this respect, ENI CBC MED projects strongly resemble ENI regional programmes\(^\text{19}\). The JOP includes a set of tables summarising the MED programme’s coherence with other EU bilateral programmes with individual southern Mediterranean countries. However, these tables do not refer

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\(^{18}\) Cyprus, France, Greece, Italy, Malta, Portugal, Spain, and Egypt, Israel, Jordan, Lebanon, Palestine and Tunisia. The designation of “Palestine” throughout this report shall not be interpreted as recognition of a State of Palestine and it is without prejudice to the individual positions of EU Member States on this issue. Algeria officially joined the programme in 2019 as the fourteenth country; however, the financing agreement has not yet been signed.

\(^{19}\) See Commission’s website on regional cooperation with southern neighbourhood partners.
to ENI regional programmes, which may lead to missed opportunities to exploit complementarities.

26 The three JOPs identified relevant EU macro-regional strategies and assessed the programmes’ synergies and complementarities with their objectives. These included the Strategy for the Danube Region, Strategy for the Baltic Sea Region, and Strategy for the Adriatic and Ionian Region. In addition, neighbouring countries participate in three important regional initiatives: the Eastern Partnership\(^{20}\), the Union for the Mediterranean (UfM), and the Northern Dimension. Annex II shows the geographic coverage of the strategies and initiatives. The Commission and the EU Delegations consulted on the ENI CBC projects verified that they complemented and did not overlap with projects developed under these frameworks.

27 In the case of the MED programme, the ex post evaluation highlighted the need to strengthen cooperation with the UfM\(^{21}\). Consequently, the MA concluded a memorandum of understanding with the UfM on 10 April 2019. A concrete example of this greater cooperation was the UfM secretariat’s involvement in preparing the last of the three calls for proposals organised by the MED programme\(^{22}\).

Complementarity with other partially overlapping CBC programmes

28 The three programmes each overlap geographically with a number of other cross-border (internal and external) programmes: SEFR with 6, PL-BY-UA with 9, and MED with 21 other programmes. In addition, these programmes also share several thematic objectives. A certain level of coordination took place. For instance, information events organised by the “Interact” programme and “TESIM” technical support project served as an opportunity for the MAs of different CBC programmes to interact with each other, discuss common challenges, and exchange best practices. On an ad hoc basis, if the MAs had doubts about projects during the selection process, they consulted other programmes. Only on one occasion did the MA for the MED programme send the list

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\(^{20}\) In October 2020, the Council decided to scale down cooperation with Belarusian central authorities, and to continue cooperation under the Eastern Partnership at a non-political level, while intensifying cooperation with civil society. As of 28 June 2021, Belarusian authorities have suspended their participation in the Eastern Partnership.


\(^{22}\) Call for capitalisation projects published on the MED programme website.
of selected “standard” projects to other CBC programmes as part of an inter-programme consultation.

29 However, the overall lack of structured coordination during project selection means that cross-border programmes may miss potential opportunities to complement and reinforce each other. The background analysis carried out by the Commission ahead of the 2021-2027 period confirmed the need to establish such coordination.

Involvement of EU Delegations

30 The EU Delegations in partner countries were consulted on the design of the ENI CBC programmes. At the end of each call for proposals, the Commission sent summary information on projects selected by the JMCs, prior to their contracting by the MAs, to the EU Delegations in the countries concerned. The EU Delegations provided comments to ensure CBC projects’ consistency with funding from other sources. The Commission and the EEAS occasionally sought their advice on ENI CBC projects, as well as on more general issues affecting the programmes.

31 However, four of the five EU Delegations that we interviewed expressed the need to be more closely involved in the selection process (for example, as observers in an advisory capacity) and in project monitoring, as they:

- focus on EU bilateral assistance (a larger portfolio under their direct management) rather than ENI CBC projects (under shared management), despite potential linkages between the two;

- have only limited information to assess potential overlap (or lack of synergies) with projects funded from other sources, as the lists they receive for comment contain only a summary of the selected ENI CBC projects. The Delegation to Russia was only consulted on the LIPs and not on “standard” projects;

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24 In the case of the SEFR programme, this consultation was limited only to LIPs.

25 EU Delegations to Jordan, Lebanon, Russia, Tunisia; the Delegation to Ukraine was the only exception.
are not involved in project monitoring. This leaves them unable to detect poorly performing projects, and unprepared when they are required to intervene in cases of unsuccessful recoveries;

occasionally refer to successful ENI CBC projects during political dialogue and high-level meetings, but not systematically, as they are not sufficiently informed of such success stories;

were consulted on suitable priorities for the new set of 2021-2027 programmes and provided written input into a joint paper26. However, none of the five Delegations was invited to the 2021-2027 JPC meetings.

Although the MAs play a central role in “shared management”, the ENI CBC programmes contribute to EU’s external policy. However, as EU Delegations are not systematically involved, they cannot fully explore the programmes’ complementarity with other EU policies and leverage the political benefits of successful cross-border cooperation. This was also noted by the Commission’s ex post evaluation of the 2007-2013 European Neighbourhood and Partnership Instrument (ENPI) CBC programmes, which recommended “a more active involvement of EU Delegations”27. Similarly, at least two EU Delegations recommended in writing to the Commission that coordination between the EU Delegations and the programmes and projects should be closer and formalised. In addition, the Commission’s Internal Audit Service reported “very important weaknesses” in coordinating the overall EU assistance provided to a given country (including under the external dimension of EU internal policies) among Commission DGs, the EEAS and EU Delegations. However, the Commission did not follow up these findings and recommendations for the 2021-2027 Interreg NEXT programmes (see paragraphs 73-79).

Setup of the programmes suffered substantial delays, which reduced the time for implementing ENI CBC projects

Setup of the JOPs

The joint operational programmes were launched with significant delays. The three draft JOPs examined were submitted in July 2015, and it took the Commission around six months to endorse them following their submission. By December 2017,

the Commission had signed financing agreements with at least one non-EU country under each of the three programmes, meaning that all regulatory deadlines were met. However, the subsequent steps in launching the programmes took a long time and delayed the start of project implementation, which could begin only in the fifth or sixth year of the financing period (see Figure 7).

**Figure 7 – Key steps in setting up the programmes**

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34 The reasons for the delays varied from programme to programme:

- In the case of the PL-BY-UA programme, the Commission completed the formal process of designating the MA only in July 2018, seven months after the entry into force of the financing agreement with Belarus, and despite the fact that the same ministry had already been designated to manage other EU funds in Poland.

- In the case of the SEFR programme, the stumbling block was the ratification of the financing agreement by the Russian Duma, which was completed only in August 2018.

- The Commission designated the MED programme’s MA only in May 2019, despite identifying “significant weaknesses” in the management and control system. Minor weaknesses were still present by the time of our audit. For instance, the programme’s JMC had not yet approved a note on anti-fraud measures. The programme’s joint technical secretariat (JTS) was set up only in February 2020, meaning that the MA, assisted by the two branch offices, ran the entire first call for proposals – a task it would normally delegate to the JTS. Moreover, the last financing agreement (with Egypt) was not signed until January 2018.
35 The delays in the setup of the MED programme had a direct impact on the organisation of call for proposals. It meant that projects selected during the first call could start implementation only in 2019. In turn, these delays led to a significant reduction in the budget, duration and scope of projects selected during the second call, which were originally intended to be “strategic” projects. The final call (for “capitalisation” projects, in 2020), could take place only because, in the meanwhile, the Commission had extended the regulatory deadline for programmes’ implementation period due to the COVID-19 pandemic (see paragraph 52).

Preparatory actions

36 To facilitate a timely start to the programmes’ implementation, the three MAs undertook “preparatory actions” (permitted by the ENI CBC implementing regulation) that were adapted to the circumstances. In particular, they organised the first calls for proposals before their formal designation by the Commission, and before the financing agreements with partner countries came into force (project funding being conditional upon successful MA designation and ratification of the financing agreements). However, these preparatory actions could not compensate for the significant delays encountered in setting up the JOPs.

Projects have been to a large extent selected and implemented efficiently and effectively, but with weaknesses in results monitoring and reporting framework

37 In this section, we assess whether:

(a) the selection process in place was transparent and designed to select the most suitable projects in terms of their relevance, cross-border dimension, and long-term sustainability;

(b) the Commission and managing authorities provided guidance to manage the programmes and implement projects, including guidance on safeguards to mitigate the risk of fraud;

(c) ENI CBC projects have reached satisfactory progress in implementation and have achieved or are likely to achieve their intended results;

(d) ENI CBC programmes and projects used a sound monitoring and evaluation framework.
The selection process in place was largely transparent and designed to select the most suitable ENI CBC projects.

Assessment of projects’ relevance, cross-border dimension, and sustainability

38 The calls for proposals under the three programmes included selection criteria aimed at ensuring that the project applications selected addressed the challenges identified in the JOP, were relevant to the programme objectives and chosen priority, promoted cross-border cooperation and would have a lasting impact on the development of the border regions. The weight of these criteria varied from programme to programme and between individual calls for proposals. However, they were sufficient to minimise the risk of a proposal passing the minimum threshold for selection without providing a sound description of its relevance and cross-border impact.

Ranking of projects

39 Each project proposal submitted had to pass an administrative and eligibility compliance check before being admitted to the evaluation phase. At the end of each call, the three programmes ranked the proposals according to the score they obtained in the evaluation process. The selection processes for the three programmes were transparent, except for insufficient documentation of the justification for rescoring some project proposals under the SEFR programme (see Box 1).
The SEFR programme’s JMC appointed a joint selection committee consisting of central government and regional level representatives. This committee has the power to adjust the evaluation scores of individual project proposals, which are assigned by independent assessors.

However, when the committee re-evaluated and rescored project proposals at its meetings, it did so without adequately documenting the grounds for changing the scores, and therefore without the necessary transparency. This issue was also raised by the programme’s audit authority, which considered the documentation of the minutes of joint selection committee meetings for the first four rounds of the call for proposals to be inadequate. For the last two rounds of the call, the documentation improved, also as a result of the audit authority’s recommendations.

The rescoring had a direct and substantial impact on funding decisions. In round 3, for example, one project was rescored from 166.33 points to 133. It thus went from being one of the top projects to not qualifying for funding at all.

**Geographical balance of project beneficiaries**

The calls for proposals required each project, in order to be eligible, to be composed of at least one beneficiary from the EU and at least one from the neighbouring non-EU country. Figure 8 shows that the three programmes have managed to achieve an even distribution of project participants from EU and non-EU countries, when we consider all types of beneficiaries (lead or otherwise) and all project categories (those selected through calls for proposals and those selected through direct award).
The three programmes also achieved a balanced budget split. The MED programme explicitly required each project to dedicate at least 50% of its direct costs to activities implemented in Mediterranean partner countries. As a result, around 48% of the programme’s budget was allocated to EU and 52% to Mediterranean partner countries. The other two programmes also managed to allocate their budgets among the partner countries in a balanced proportion\(^{28}\).

However, lead beneficiaries from EU countries continued to prevail over those from partner countries. Figure 9 shows that only about one third of lead beneficiaries originated from non-EU countries. Under the MED programme, the number of lead beneficiaries also varied greatly from one participating country to another: whereas 60 lead beneficiaries originated from Italy, Spain and Greece alone, the remaining ten countries each had between zero and five lead beneficiaries.

The low proportion of lead beneficiaries from non-EU countries had been roughly the same in the 2007-2013 ENPI programmes. Only in the case of the MED programme did this proportion increase from around 6% to 16%. The MAs for the three programmes put forward similar reasons to explain their underrepresentation: beneficiaries from non-EU countries often lack experience with EU projects, feel less

\(^{28}\) Based on data in Keep.eu database, downloaded on 5.4.2022.
comfortable in applying for support, face administrative burden (including difficulties transferring funds abroad) or lack the required language skills.

The Commission and the managing authorities provided useful guidance on project implementation and on mitigating the risk of fraud

Participation in JMCs and guidance provided

44 JMCs are responsible for monitoring the programme implementation and progress towards the programmes’ objectives (see paragraph 04). The Commission participated, as an observer, in most of the JMC meetings organised by the SEFR and MED programmes. During our interviews, both MAs welcomed its support and active participation. However, in the case of the PL-BY-UA programme, the Commission participated in only one of the five JMC meetings between 2016 and 2020. A TESIM officer participated in all JMC meetings for the three programmes, as an observer.

45 Based on our interviews, the MAs, JTSs and branch offices were satisfied with the guidance and assistance received from the Commission, provided very quickly when required. Similarly, they welcomed the tailored technical support from TESIM. The latter had also provided useful training, including on programme/project management, and prepared information sheets for beneficiaries such as on public procurement or state aid. Finally, all project beneficiaries we interviewed provided very positive feedback on their interactions with the MAs, JTSs and branch offices.

Safeguards to mitigate the risk of fraud

46 The MAs for the three programmes considered that they received sufficient guidance on mitigating the risk of fraud. In particular, TESIM developed guidance on risk management for programme bodies and national authorities, including on the risks of fraud and corruption. In line with this guidance, the three programmes assessed risks at project level as part of eligibility and administrative checks on project proposals and conducted regular risk assessments of ongoing projects. For the audited 2014-2020 programmes, the three MAs confirmed that, at the time of our audit, they had not reported any projects as suspected cases of fraud.

47 The Commission guidance note for ENI CBC programmes encouraged the MAs to use a dedicated IT tool known as the “Irregularity Management System” to report

29 TESIM, Managing the risks of the ENI CBC programmes, July 2019, section 4.4.

irregularities. However, anti-fraud bodies from only a limited number of non-EU countries (e.g. Switzerland and pre-accession countries) have access to this system.

48 The financing agreements signed with partner countries included provisions to prevent irregularities, fraud and corruption. In particular, they contained clauses facilitating the recovery of unduly spent funds from beneficiaries established in partner countries. However, these clauses exclude private entities. In addition, the financing agreements with two Mediterranean partner countries also excluded certain publicly funded bodies, such as municipalities and public enterprises, from the definition of “public entities”. Such provisions thus mean these two countries are only liable to repay funds unduly spent by central government bodies, which rarely participate in CBC projects.

49 The MAs for the three programmes we examined implemented safeguards to reduce the number of unsuccessful recoveries, particularly in relation to private beneficiaries in non-EU countries (such as bank guarantees, limited maximum share of a project’s funding, or fractioned payments). In addition, their websites include or make direct reference to an online whistleblowing tool. Experience from the previous set of programmes (2007-2013) suggests that amounts unrecoverable from beneficiaries tend to be rather low. By October 2021, “contentious recoveries” stood at €5.9 million. This is about 0.6 % of the EU’s overall allocation of €947 million to the 2007-2013 programmes. The total amount waived for private beneficiaries in partner countries was even lower: €210 891, or 0.02 % of the total EU allocation.

The projects audited were on course to achieve their intended outputs but some had weaker cross-border impact

Project implementation

50 The start of the 2014-2020 ENI CBC programmes’ implementation was significantly delayed (see paragraph 33). Figure 10 shows the three programmes’ progress by the end of 2021:

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31 ENI CBC programmes state of play of October 2021, financial data consolidated and submitted to the Commission by TESIM.

32 TESIM, Measures to minimise the risk of Partner Country liabilities, November 2021, p. 2.
Figure 10 – Programmes’ progress as at 31 December 2021

Note: The PL-BY-UA programme was still contracting new projects during 2022.
Source: ECA, based on the programmes’ data.

51 In general, the COVID-19 pandemic required projects to make some readjustments (mostly shifting activities online and extending schedules). All three MAs showed flexibility when it came to tackling delays and other implementation difficulties. The MAs for the SEFR and MED programmes proactively surveyed all projects at the beginning of the pandemic to identify potential issues and agree on mitigating measures. Only in the case of the PL-BY-UA programme did the consequences of the pandemic lead to project cancellation: the beneficiaries of six projects named the COVID-19 pandemic as one of the reasons for their cancellation. However, this programme also managed to re-allocate savings of €3 million to 12 healthcare-related CBC projects to help counter the pandemic (none of these were included in our sample). Similarly, four of the MED programme’s projects adapted their activities to counter the pandemic, including “Aquacycle” (a project in our sample) that adapted monitoring of wastewater to include detection of the COVID-19 virus.

52 In response to the pandemic, the Commission amended the implementing regulation\(^{33}\), giving all ENI CBC programmes greater budgetary flexibility and extending the deadline for completing activities by one year, until 31 December 2023.

53 Aside from the COVID-19 pandemic, certain projects were affected by difficult economic situations in Mediterranean partner countries (e.g. severe financial crisis in Lebanon). For these projects, the MA and the JTS (in consultation with TESIM) provided assistance in overcoming financial difficulties, such as in receiving payments from abroad.

54 Annex III provides a description of the 15 projects that we examined in detail. Annex IV includes an overview of the results of the various aspects assessed.

\(^{33}\) Commission Implementing Regulation (EU) 2020/879.
Of the 15 projects, six had been implemented as planned, in terms of scope, budget, and timetable. Another five projects had faced minor issues and required some readjustments, mainly due to the COVID-19 pandemic. The remaining four projects had not been implemented satisfactorily and had suffered substantial delays.

**Project outputs, outcomes, and cross-border impact**

Based on the information available at the time of our audit, we consider that seven of the fifteen audited projects have achieved or are likely to achieve their intended outputs and outcomes. Three projects have faced difficulties, but have caught up and their lead beneficiaries and partners are committed to delivering the planned outputs. One project has delivered its main output, but its main cross-border outcome has not been achieved (see paragraph 59). For the remaining four projects, we could not confirm whether they had achieved their intended results or are likely to do so. This was due to the absence of final reports (two projects), COVID-19 travel restrictions (one project) and, in one case, weaknesses in project reporting.

For the purposes of this audit, we used the following definition to assess the “cross-border impact” of the audited projects: “joint implementation of activities by partners resulting in the intensification of cross-border links and sustainable cross-border partnerships and/or the removal of cross-border obstacles to sustainable socio-economic development”\(^{(34)}\). Of the 15 projects, nine had a strong cross-border dimension (or potential to deliver cross-border benefits, in the case of ongoing projects). Partners from both sides of the border were actively involved in implementing projects (albeit sometimes to varying degrees, depending on their role). Equally, regions on both sides of the border were likely to benefit, at least to some extent, from the results of each of the projects. However, our assessment took place before Russia’s invasion of Ukraine. As part of a broader response, the Commission suspended financing agreements for programmes with Russia and Belarus, and therefore any cross-border dimension of projects involving these countries has been lost. The repercussions of the conflict have also raised uncertainties regarding the lasting cross-border benefits of certain projects financed under programmes involving Ukraine and Moldova.

In the case of five other projects, we found that the cross-border impact had been weaker (for some due to COVID-19 travel restrictions). For instance, in the case of the Reducing Risk of Tuberculosis project, the diagnostic equipment purchased by

\(^{(34)}\) Specific terms of reference for the mid-term evaluation of cross border cooperation programmes between IPA II beneficiaries, p. 8.
the Polish project partner was already being used to diagnose lung diseases, including pathologies related to COVID-19. However, during our visit in October 2021 (prior to Russia’s invasion of Ukraine), the Rzeszow hospital explained that no Ukrainian patients had received treatment there recently. From the statistics on the use of the equipment, it is unclear to what extent the equipment has served to diagnose and halt the spread of tuberculosis – the project’s main cross-border objective. Moreover, cooperation between the hospitals in Rzeszow and in Nyzhnya Apsha was strictly limited to project implementation and deliverables, with no prospect of continued cooperation. This is contrary to the notion of sustainable cross-border partnerships expressed in the definition of “cross-border impact” (we assess projects’ prospects to deliver sustainable results in paragraphs 69-71).

Finally, one project in our sample so far lacks any cross-border dimension at all: regional road 885 leading to the Polish border with Ukraine (see Box 2).
Box 2

A refurbished road finishing right at the national border

The refurbishment of road 885, re-open for traffic in early 2021, was aimed at making the Polish-Ukrainian border regions more accessible and increasing international traffic. The achievement of the intended cross-border impact was conditional upon the opening of a border crossing point in Malhowice and the renovation of the two connecting Ukrainian roads.

However, the construction works for the border crossing point, which were supposed to be completed in 2020, did not pass eligibility checks for funding from the programme, and started only in 2021, with completion scheduled for 2025. Similarly, the renovation of the Ukrainian roads, also planned for 2020, started only in 2021. Due to the repercussions of Russia’s invasion of Ukraine, the border crossing and connecting routes are unlikely to be completed in the near future.

Until the new border crossing is open, the refurbished road can serve only the inhabitants of the Polish village of Malhowice, as one of two roads connecting the village with the nearby town Przemyśl. Malhowice’s population is only around 200 people, whereas the target for the refurbished road is 4 000 vehicles/day.

Source: ECA.
Limited information on overall results achieved at programmes level and on their sustainability, despite adequate monitoring of projects by managing authorities

**Indicators**

60 The programming document for the 2014-2020 programmes provided for the use of common output indicators (COIs) to facilitate the monitoring and evaluation of the programmes. It also planned for “aggregating indicators through the entire chain from project through programme priority, thematic objective, CBC as a whole, and finally to the level of the ENI”. The document required the programmes to adopt “at least some” of the 38 COIs developed by Interact ENPI, TESIM’s predecessor. However, the programmes mostly defined their own specific output indicators, and have used only few of the COIs (see **Figure 11**).

**Figure 11 – Low uptake of common output indicators**

<table>
<thead>
<tr>
<th></th>
<th>SEFR</th>
<th>PL-BY-UA</th>
<th>MED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common output indicators</td>
<td>4</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Programme output indicators</td>
<td>9</td>
<td>9</td>
<td>72</td>
</tr>
<tr>
<td>Other output indicators</td>
<td></td>
<td>65</td>
<td></td>
</tr>
</tbody>
</table>

*Source: ECA’s analysis of the approved JOPs.*

61 The MAs for the three programmes explained the low uptake of COIs by the fact that the programme’s activities are much broader in scope than the 38 pre-defined COIs. However, as most of the programmes’ outputs are not covered by the COIs, the Commission will face difficulties in aggregating the outputs and in evaluating ENI CBC programmes’ results at overall policy level.

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In addition to the COIs, Interact ENPI also prepared guidance for the programmes on developing result indicators (outcome indicators). However, the programmes were not obliged to use this guidance. In 2016, a TESIM-organised monitoring and evaluation working group noted that the 15 ENI CBC programmes had “a wide variety of result indicators (in total 129), with very few possibilities for aggregation at [ENI] instrument level”.

We have noted similar weaknesses with the indicators defined at project level. In particular, under the SEFR programme, these were mainly specific to each individual project, making them impossible to aggregate for the programme as a whole. For its part, the MED programme used a categorisation system with codes to ensure that project-specific indicators were linked with the programme-defined output indicators. However, three projects in our sample used the same code to measure different outputs. When summarised at programme level, these indicators will therefore contain many different elements and will not provide a clear picture. Only the PL-BY-UA programme made it mandatory for projects to choose indicators from a pre-defined list only. This requirement makes it easier to aggregate the indicators and measure overall progress for this particular programme.

Monitoring of projects

In line with the principle of “shared management”, the Commission does not monitor projects directly and relies on the MAs for this purpose (while remaining ultimately responsible for the management of EU funds). In this context, the Commission receives essential information on the programmes’ progress during JMC meetings, if it participates (see paragraph 44), and, only once a year, from the MAs when they submit their annual reports. However, these reports do not contain project-specific information, except in the case of LIPs.

The MAs of the three programmes we examined, assisted by their JTSs and branch offices, have developed a monitoring process enabling comprehensive project monitoring. It includes day-to-day monitoring (regular communication between the JTS and beneficiaries), attending kick-off meetings (under the SEFR and MED programmes), periodic project risk assessments, analysis of financial and narrative

36 Guidance for developing result indicators in ENI CBC programmes, Interact ENPI, December 2014.

37 Proceedings of the meeting of the monitoring and evaluation working group, organised by TESIM, 13-14 December 2016, p. 4.
progress reports submitted by lead beneficiaries, on-the-spot checks, and monitoring visits to projects selected on the basis of risk assessments.

66 All 15 projects in our sample submitted the documentation required to demonstrate their progress and we consider that 14 were adequately monitored. Where appropriate, nine of these projects had been subject to on-the-spot visits (or such visits were planned in the first half of 2022). We rated the monitoring of LIP885 (described in Box 2) as only partly satisfactory, as it did not receive any on-the-spot visit despite being the largest project financed under the PL-BY-UA programme. Such a visit could have detected the lack of a border crossing point at an earlier stage in the project life cycle.

Result-oriented monitoring

67 The Commission implementing regulation requires the MAs to “carry out result-oriented programme and project monitoring in addition to the day-to-day monitoring”38. TESIM prepared guidance on result-oriented monitoring (ROM) that highlighted the importance of assessing projects’ performance in terms of relevance, efficiency, effectiveness and sustainability39. However, the MAs’ approaches to ROM differed. The SEFR programme provided for ROM for all projects with a budget of over €1 million or assessed as high-risk, and ten projects had undergone ROM by the end of 2021. Under the MED programme, the very first ROM visits to projects took place in early 2022. By contrast, no ROM of projects has taken place under the PL-BY-UA programme, and none is planned.

68 The new Interreg regulation for the 2021-2027 financing period no longer requires ROM of programmes or projects. Programmes will be subject to the same performance monitoring framework as those under the European Structural and Investment Funds40. The legal framework introduces compulsory programme evaluations by the Member States41. For projects, however, the new framework does not envisage any mechanism similar to ROM for an independent assessment of project performance in terms of relevance, efficiency, effectiveness and sustainability.

38 Article 78(3) of Commission Implementing Regulation (EU) No 897/2014.
39 Factsheet on result-oriented monitoring, 19.9.2019, p. 3.
40 For details, see Commission staff working document: Performance, monitoring and evaluation of the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund in 2021-2027, SWD(2021) 198 final.
Sustainability of results

69 All three programmes assessed project proposals for sustainability during the selection phase (see paragraph 38) and required projects to report on sustainability in final reports. The MA for the SEFR programme monitors the sustainability of projects throughout their life cycle at all stages: during the selection phase, as part of selection criteria; during the implementation phase, as part of project risk assessment; and during the reporting phase, in projects’ final reports. Such attention to sustainability throughout the project life cycle increases the likelihood of lasting benefits and we considered it good practice.

70 Our assessment of sustainability, summarised in Annex IV, focused on projects’ prospects of delivering sustainable results. This was because certain projects were still ongoing at the time of our visits (see paragraph 56). Based on the available documents and our interviews with project partners, we consider that 11 of the 15 projects we examined had a good chance of delivering sustainable benefits. For three projects, sustainability depends on external factors (e.g. evolution of the COVID-19 pandemic, adoption of changes to national legislation). Finally, in the case of the Reducing Risk of Tuberculosis project, there was no prospect of continued cooperation between the partners (see paragraph 58). Our assessment took place before Russia’s invasion of Ukraine, which has cast severe doubt on the sustainability of the results of projects involving Belarus, Russia or Ukraine.

71 Specific legal sustainability requirements apply to projects that contain an infrastructure component: they must continue fulfilling their original objectives for five years after closure (i.e. after receiving the final payment from the MA) 42. However, for other types of projects, the Commission did not set a similar requirement to demonstrate the sustainability of their cross-border benefits or of the partnerships created. In addition, the 2014-2020 programmes do not require projects to report on the sustainability of their results after project closure. The Polish JTS plans to assess certain aspects of sustainability for a sample (at least 10 %) of closed projects. During our interview, the MA for the MED programme explained it was considering introducing a requirement for projects to submit “sustainability reports” (e.g. one or two years after project closure).

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The NEXT programmes draw upon lessons learned but face additional risks and the significant impact of political challenges

In this section, we analyse whether:

(a) the Commission took into account lessons learned from the CBC programmes implemented in the 2007-2013 and 2014-2020 periods when proposing the legislative framework for the 2021-2027 period; and whether these changes facilitate the timely setup of Interreg NEXT programmes;

(b) ENI CBC programmes can serve as confidence-building measures, beyond providing their intended outputs.

Changes reflect lessons learned, but certain simplification measures result in decreased Commission supervision

Lessons learned

The Commission carried out an *ex post* evaluation of the 2007-2013 CBC programmes, and used the results in its proposal for the new Interreg regulation, presented in May 2018\(^{43}\). However, the long delays in establishing the ENI CBC programmes (see paragraph \(33\)) meant that a mid-term review of the 2014-2020 programmes, a ROM exercise of individual ENI CBC programmes, a background analysis for the new 2021-2027 programmes\(^{44}\), as well as a joint paper on strategic programming\(^{45}\) were not available in time to inform the Commission’s proposal.

The Interreg regulation, adopted in June 2021, contains a large number of regulatory changes that reflect the lessons learned and are relevant for the Interreg NEXT programmes, the successors to the current set of CBC programmes\(^{46}\). These measures simplify the management of Interreg NEXT programmes and have the potential to accelerate the programmes’ establishment (see paragraphs \(82-84\)). However, these changes carry additional risks that highlight the importance of close

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\(^{44}\) Background analysis on the future NDICI CBC programmes, draft final report, 22 November 2019.

\(^{45}\) Joint paper on Interreg NEXT Strategic Programming 2021-2027.

\(^{46}\) For a complete overview of the 22 regulatory changes, see TESIM, *Key features of Interreg NEXT and main changes compared to the ENI CBC Implementing Rules*, updated in July 2021.
monitoring by the Commission and the EEAS (see paragraphs 76-84). The most important changes concern:

(a) the alignment of ENI CBC programmes with Interreg programmes;
(b) the abolition of the designation procedure for managing authorities;
(c) the deadline for the signing of financing agreements;
(d) responsibility for recoveries from private beneficiaries by participating countries;
(e) the simplified procedure for LIPs;
(f) common output and result indicators.

75 In addition, to address difficulties faced by cross-border projects and facilitate their compliance with State aid rules, the Commission decided that, under certain conditions, aid for costs incurred by beneficiaries participating in Interreg NEXT projects would be considered “compatible with the internal market” and exempted from the State aid notification requirement.\(^47\) This will facilitate the design and implementation of the projects.

(a) Alignment of ENI CBC with Interreg programmes

76 The most salient change is that the Interreg regulation\(^48\) brings together all EU-financed Interreg programmes – those within the EU and those with non-EU countries – under a single set of rules, while preserving certain specific features of the Interreg NEXT programmes. In particular, these programmes co-financed by the Neighbourhood, Development and International Cooperation Instrument will continue to benefit from higher pre-financing and co-financing rates, similar to those under ENI CBC. The alignment with Interreg rules has the potential to simplify procedures and enhance synergies between internal and external CBC programmes. The Commission will also receive project data more frequently: MAs will have to report four times a year on financial implementation and twice a year on output and result indicators achieved.\(^49\)

\(^47\) See Recital 5 and Article 20 of Commission Regulation (EU) 2021/1237 on declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

\(^48\) Regulation (EU) 2021/1059.

\(^49\) Ibid., Article 32.
(b) Abolition of the designation procedure for managing authorities

The Interreg regulation abolishes the designation procedure for managing authorities, which for the 2014-2020 programmes was completed only in 2018 or 2019 (see also paragraph 33). This will address one of the reasons for the delayed start to the implementation of the current programmes. However, during the designation procedure for the 2014-2020 MED programme, the Commission uncovered “significant weaknesses” in the programme’s management and control system. Abolishing the procedure thus runs the risk of failing to identify such significant weaknesses in the future.

(c) Deadline for the signing of financing agreements

For the next financing period, the Interreg regulation sets a deadline for the signing of the financing agreement by at least one non-EU country, which is similar to the ENI CBC implementing regulation. In addition, the regulation sets a new deadline for all the other participating countries to sign. Therefore, in the context of the new sea basin programmes (around the Mediterranean and Black Sea), it will be in all partner countries’ interests to sign financing agreements in time to become eligible.

(d) Responsibility for recoveries from private beneficiaries by partner countries

Provisions relating to recoveries from beneficiaries established in non-EU countries (see also paragraph 48) proved to be a point of contention during negotiations of the financing agreements for the 2014-2020 programmes. For 2021-2027, the new Interreg regulation makes no distinction as to whether beneficiaries are private or public entities, which means that non-EU countries will be responsible also for unsuccessful recoveries from private beneficiaries. This provision further strengthens the protection of EU financial interests against irrecoverable amounts. However, at the same time, partner countries perceive this as a “particularly challenging change.” This means that discussions on recoveries may protract negotiations of the new financing agreements, or lead to adverse consequences such as the exclusion of private beneficiaries from certain Interreg NEXT programmes.

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50 Ibid., Article 59(2) and 59(3).
51 Ibid., Article 52(3).
52 TESIM, CBC NEXT: the voices of Partner Countries were heard, 1.7.2021.
(e) Simplified procedure for large infrastructure projects

In 2014-2020, large infrastructure projects (LIPs) had to be included in the draft JOPs and were subject to two-stage approval by the Commission. For Interreg NEXT programmes, this will no longer be the case. Instead, a list of planned LIPs and short concept notes will need to be sent to the Commission at a later stage, for information only. The limit on financing for LIPs (they could account for no more than 30% of the EU contribution to a programme in 2014-2020) has also been lifted. This will reduce the Commission’s supervision of LIPs, even though these projects can be of strategic importance in relations with partner countries. For example, under the 2014-2020 programme, following an inter-service consultation, the Commission issued a negative opinion on two LIP proposals, due to “pending issues” with Russia in the area of transport. Following discussions with the Finnish authorities, the Commission suggested an alternative solution; however, the projects did not ultimately materialise.

(f) Common output and result indicators

For the 2021-2027 financing period, the Commission put forward important improvements relating to performance indicators (see also paragraphs 60-62). Article 34 of the Interreg regulation refers to common output and result indicators defined in the ERDF Regulation. The latter contains a comprehensive set of 96 common output indicators (of which 13 are specifically intended for Interreg programmes) and 65 common result indicators (with seven Interreg result indicators). The Commission prepared detailed guidance for the programmes to ensure correct application of the common indicators. However, Article 34 does not oblige the programmes to use only the common indicators and allows them to develop programme-specific indicators in addition to those defined in the ERDF Regulation. Therefore, there is no guarantee that, in the future, the Commission will be able to easily aggregate all results achieved by the Interreg NEXT programmes.

Actions to facilitate the timely establishment of Interreg NEXT programmes

The Commission initiated discussions on the new financing period as early as May-June 2018, when it presented a series of legislative proposals governing the future funding instruments. The Commission and the EEAS presented guidelines (a

53 Articles 57(3) and 57(4) of Regulation (EU) 2021/1059.
54 Annex 1 of Regulation (EU) 2021/1058.
55 See the “methodological description” for each indicator in Annex 1 to Staff Working Document SWD(2021) 198 on Performance, monitoring and evaluation, 8.7.2021.
joint paper) on programming the Interreg NEXT programmes to Member States as early as January 2020\textsuperscript{56}. However, it took until December 2020 for the European Parliament and the Council to agree on the overall financial framework, and until June 2021 to adopt the final Interreg regulation.

\textbf{83} In January 2022, the Commission decided on the financial allocations and geographical areas for individual Interreg NEXT programmes\textsuperscript{57}. The overall allocation has increased from €1 053 million\textsuperscript{58} for 2014-2020 to €1 125 million for 2021-2027 (an increase of 6.9 \%). Two new countries – Algeria and Turkey – have joined the JPC in preparing the new MED programme. However, in January 2022, Poland decided not to continue with the PL-BY-UA format, but rather to prepare a new programme with Ukraine only, while keeping open the possibility for Belarus to join should the situation change considerably in the future\textsuperscript{59}. In August 2022, the Commission adopted the multiannual strategy document for Interreg NEXT\textsuperscript{60}. As of October 2022 – at the end of the second year of the new financing period – seven Interreg NEXT programmes had been officially submitted to the Commission.

\textbf{84} Even if the new programmes may save time by dispensing with the designation procedure for managing authorities (see paragraph \textsuperscript{77}), the start to their implementation will also depend on the signing and entry into force of new financing agreements, which in certain countries need to be ratified. Negotiation and ratification of financing agreements was a major source of delays for the current SEFR and MED programmes (see paragraph \textsuperscript{33}). For the next period, the Interreg Regulation sets a deadline for the signing of the financing agreements (see paragraph \textsuperscript{78}). However, the new deadline will most likely not reduce the delays in their ratification, which is dependent on the national legislation of the partner countries.

\textsuperscript{56} Joint paper on Interreg NEXT strategic programming 2021-2027.

\textsuperscript{57} Commission Implementing Decision (EU) 2022/74 and Commission Implementing Decision (EU) 2022/75.

\textsuperscript{58} This includes €100 million initially allocated for the Mid-Atlantic programme that was subsequently cancelled.

\textsuperscript{59} This change was not yet reflected in the Commission’s implementing decisions of the same month. See news article Modification of the Programme for the years 2021-2027, 11.1.2022.

\textsuperscript{60} Commission Implementing Decision C(2022) 5740 setting out the multi-annual strategy document with regard to external cross-border cooperation programmes, 12.8.2022.
Political challenges and Russia’s invasion of Ukraine highlight the programmes’ importance but also their limits in improving cooperation between participating countries

85 Besides providing benefits at regional level, according to both the Commission and the EEAS, cross-border programmes with neighbouring countries have another important purpose: building and maintaining trust between the EU and non-EU countries and enhancing “people to people” contact.

86 Until February 2022, cross-border cooperation remained one of the very few areas where the EU still co-financed cooperation with Russia (see paragraph 03). Despite tensions in EU-Russia relations that have occasionally affected the programmes (see paragraph 80), the JMC and the JPC have offered a forum for continuous dialogue between ministries and regional authorities from Finland and Russia, in which a Commission representative has frequently participated as an observer. The most recent JPC meeting took place on 21 February 2022.

87 However, Russia’s invasion of Ukraine on 24 February 2022 put an end to such cooperation. The Commission reacted swiftly:

- As part of a broader response, in early March 2022, the Commission decided to suspend the 2014-2020 financing agreements and the programming process for the 2021-2027 programmes with Russia and with Belarus, which supported the military aggression61;

- On 8 March 2022, the Commission presented a legislative proposal for the “Cohesion’s Action for Refugees in Europe” (CARE) initiative, which will allow the reallocation of EU cohesion funding in support of Ukrainian refugees62;

- In July 2022, the Commission presented a legislative proposal adapting the ENI CBC implementing rules, to channel ENI CBC funding in support of Ukrainian

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61 Press release, Commission suspends cross-border cooperation and transnational cooperation with Russia and Belarus, 4.3.2022.

62 The proposal consists of amendments to the Common Provisions Regulation and the Fund for European Aid to the Most Deprived Regulation. See the Commission press release, 8.3.2022.
refugees and help EU beneficiaries of the programmes whose financing agreements has been suspended\(^{63}\).

**88** The invasion cast severe doubt on 9 of the 17 newly proposed Interreg NEXT programmes that would involve Russia and Belarus (see paragraph 83). The nine programmes together account for around €304 million, or almost 30 % of the envisaged total allocation.

**89** In the south, the MED programme continues to facilitate cooperation between Mediterranean partner countries. Its JMC has served as forum bringing together ministries and national authorities from the seven participating EU Member States, Israel and the five participating Arab countries\(^ {64}\), with a Commission representative attending as an observer. There are high numbers of project participants from each Mediterranean partner country, for instance 42 from Palestine and 11 from Israel. However, it is important to note that project partners from these two countries participate in only three joint projects out of the 80 projects financed under this programme\(^ {65}\), even if the very existence of such joint projects can be considered a success in itself. According to the MA, the situation is similar for joint projects between participants from Israel and Jordan, and is due to social pressure on both sides to avoid such cooperation. For these projects, partners’ identities are not disclosed, in line with their grant contracts.

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\(^{63}\) Commission proposal for a Regulation COM(2022) 362 laying down specific provisions for ENI CBC programmes following programme implementation disruption, 22.7.2022.

\(^{64}\) Egypt, Jordan, Lebanon, Palestine, and Tunisia.

\(^{65}\) Projects “Artolio”, “Decost”, “SME4smartcities”. 
Conclusions and recommendations

90 We conclude that the 2014-2020 EU-funded cross-border programmes with neighbouring countries (ENI CBC) have provided relevant and valuable support to the regions on both sides of the EU’s external borders. However, the programmes suffered from significant delays to the start of their implementation and were still ongoing during our audit. Therefore, it was too early to assess their overall effectiveness. In addition, the programmes contain weaknesses in monitoring and reporting on results. Moreover, current political challenges will greatly impact half of the programmes proposed for the 2021-2027 period (known as “Interreg NEXT”).

91 The three programmes we assessed in detail identified priorities and selected thematic objectives that were aligned with the needs of the border regions. They were developed in a participatory manner involving consultations with a wide range of stakeholders, including national, regional and local authorities and civil society representatives. The programmes recognised the need for good coordination and coherence with other EU policies, programmes, macro-regional strategies and initiatives. All three programmes have a partial geographic and thematic overlap with other ENI CBC programmes. However, coordination during project selection and implementation with these programmes remained non-systematic (see paragraphs 13-29).

Recommendation 1 – Improve inter-programme coordination

The Commission should:

(a) when reviewing the draft Interreg NEXT programmes, assess whether programmes with a partial geographic overlap have committed to ensure inter-programme coordination, complementarities and synergies;

(b) in its monitoring role, verify the effective implementation of the inter-programme coordination established.

Target implementation date for (a): 31 December 2022

Target implementation date for (b): 30 June 2023
The relevant EU Delegations were consulted on selected projects’ complementarity with funding from other sources (EU and otherwise). However, as the ENI CBC programmes contribute to EU’s external policy, closer involvement of EU Delegations in the selection process (for example, as observers in an advisory capacity) and in project monitoring is essential to leverage the political benefits of successful cross-border cooperation (see paragraphs 30-32).

**Recommendation 2 – Enhance the involvement of EU Delegations**

In its advisory capacity, the Commission should systematically involve, as observers, the EEAS and relevant EU Delegations in the work of joint programming committees and joint monitoring committees.

**Target implementation date: 31 March 2023**

The 2014-2020 programmes were launched with significant delays, mainly due to the “designation procedure” and negotiating financing agreements with partner countries. Despite “preparatory actions” undertaken by the managing authorities, project implementation could only begin in the fifth or sixth year of the financing period (see paragraphs 33-36).

The calls for project proposals aimed at ensuring that the applications selected had a sound description of the project relevance, cross-border impact, and long-term sustainability. Except for examples of occasional rescoring under the South-East Finland–Russia programme without adequate written justification, the three programmes’ selection processes were transparent. The programmes have managed to achieve a balanced distribution of project participants from EU and non-EU countries. However, lead beneficiaries from EU countries continue to prevail over those from partner countries (see paragraphs 37-43).

The programme bodies we met appreciated the guidance received from the Commission and the technical support project TESIM, including on mitigating the risk of fraud. However, the Commission’s IT tool to report potential fraud (the Irregularity Management System) was of limited use for ENI CBC programmes, due to lack of access by the participating non-EU countries. The managing authorities considered the Commission’s participation in joint monitoring committees meetings to be helpful. All project beneficiaries we interviewed provided very positive feedback on their interactions with programme bodies (see paragraphs 44-49).
Recommendation 3 – Adapt a fraud-reporting IT tool

The Commission should allow anti-fraud bodies in non-EU countries (identified in financing agreements) to report potential irregularities directly via the Irregularity Management System.

Target implementation date: 31 December 2023

96 Most projects we audited are on course to achieve their intended outputs and outcomes; however, the COVID-19 pandemic required projects to make some readjustments. The managing authorities showed flexibility when it came to tackling delays and other implementation difficulties caused by the pandemic. Whereas most projects had strong potential to deliver cross-border benefits, five had a weaker cross-border impact, in some cases partly due to COVID-19 travel restrictions. One project – a regional road – so far lacks any cross-border dimension at all (see paragraphs 50-59).

97 The three programmes defined mostly programme-specific output indicators and used only a few common output indicators to monitor progress. This means that the Commission will face difficulties in aggregating the ENI CBC programmes’ results at overall policy level. We have noted similar weaknesses with the indicators defined at the level of projects (see paragraph 60-63).

98 The managing authorities adequately monitored all but one of the projects in our sample. Result-oriented monitoring is an important tool for independently assessing projects’ performance in terms of relevance, efficiency, effectiveness and sustainability. However, the managing authorities’ approaches to such monitoring of projects differed. Furthermore, the result-oriented monitoring of projects will no longer be compulsory for the 2021-2027 programmes (see paragraphs 64-68).

99 Our assessment of sustainability focused on projects’ prospects of delivering sustainable results and took place prior to Russia’s invasion of Ukraine. It showed that most of the sampled projects had a good chance of delivering sustainable benefits. For three projects, sustainability depended on external factors, such as the evolution of the COVID-19 pandemic, and, in another case, there was no prospect of continued cooperation between project partners. However, the programmes do not require projects to report on the sustainability of their results after their closure (see paragraphs 69-71).
Recommendation 4 – Provide guidance on monitoring sustainability after project closure

The Commission should provide guidance, in the form of advice and support, on monitoring the sustainability of projects (financed by ENI CBC and Interreg NEXT programmes), recommending that projects above a certain value and/or with an infrastructure component report to managing authorities on the sustainability of their results after project closure.

Target implementation date: 31 December 2023

The new Interreg regulation brings together all cross-border programmes (intra-EU programmes and those involving non-EU countries) under a single set of rules, while preserving some specific features of the Interreg NEXT programmes. The regulation builds upon lessons learned from the previous sets of programmes and introduces changes that simplify the management of the new programmes and have the potential to facilitate the start to their implementation. However, these changes carry additional risks that highlight the importance of close monitoring by the Commission and the European External Action Service (see paragraphs 73-79).

In particular, for 2021-2027, there will be no limit on financing for large infrastructure projects as a proportion of the EU contribution to a programme’s total budget. Such projects will no longer be subject to the Commission’s approval. This will reduce the Commission’s supervision of large infrastructure projects, even though these projects can be of strategic importance in relations with partner countries (see paragraph 80).

Recommendation 5 – Consult all relevant services on large infrastructure projects

Given the strategic importance of large infrastructure projects in bilateral relations with partner countries, the Commission should ensure that the Directorate-General for Regional and Urban Policy (DG REGIO) consults all relevant directorates-general, the European External Action Service and EU Delegations, on the list of planned projects and on related concept notes.

Target implementation date: 31 December 2022
For the 2021-2027 financing period, the Commission developed a comprehensive set of common output and result indicators, including those specifically intended for Interreg programmes. However, the common indicators do not guarantee straightforward aggregation, as individual programmes can also develop additional programme-specific indicators (see paragraph 81).

**Recommendation 6 – Enhance use of common indicators**

When reviewing the draft Interreg NEXT programmes, the Commission should assess the consistency of indicators, and promote the widest possible use of common output and outcome indicators.

**Target implementation date: Immediate**

The Commission and European External Action Service initiated discussions on the 2021-2027 financing period already in 2018. However, due to delays in adopting the legal framework, seven draft Interreg NEXT programme had been submitted to the Commission for approval only in the course of 2022. The start of the new programmes’ implementation will also depend on how long it takes to negotiate the new financing agreements and, in certain cases, on their ratification (see paragraphs 82-84).

Besides providing benefits at regional level, cross-border programmes have contributed to building and maintaining trust between the EU and neighbouring countries, and among neighbouring countries themselves. Until recently, cross-border programmes remained one of the very few areas of cooperation and continuous dialogue between the EU and Russia. As part of a broader response to Russia’s invasion of Ukraine, the Commission suspended financing agreements for cross-border programmes with Russia and Belarus. In July 2022, the Commission presented a legislative proposal that would channel ENI CBC funding to support Ukrainian refugees and help EU beneficiaries of the suspended programmes. However, the invasion has cast severe doubt on the future of half of the proposed Interreg NEXT programmes (see paragraphs 85-88).

In the south, the Mediterranean Sea Basin programme’s joint monitoring committee continues to offer a forum for dialogue and cooperation between the seven participating EU Member States, Israel and the five participating Arab countries. However, the number of joint projects between Israeli and Arab participants remains low, even if the very existence of such joint projects can be considered a success in itself (see paragraph 89).
This Report was adopted by Chamber III, headed by Mrs Bettina Jakobsen, Member of the Court of Auditors, in Luxembourg at its meeting of 8 November 2022.

For the Court of Auditors

Tony Murphy
President
Annexes

Annex I – Map of ENI CBC programmes

Note: An interactive map is available on the website of TESIM.

Source: European Commission, © EuroGeographics Association for the administrative boundaries.
## Annex II – Geographic coverage of EU macro-regional strategies and regional initiatives with neighbouring countries

The table below illustrates the geographic coverage of EU macro-regional strategies and regional initiatives with neighbouring countries. The coverage is indicated by checkmarks in the respective strategies and initiatives columns.

**Source:** ECA, based on membership information published by the strategies and initiatives.

<table>
<thead>
<tr>
<th>Country</th>
<th>Eastern Partnership</th>
<th>Union for the Mediterranean</th>
<th>Northern Dimension</th>
<th>Danube Region Strategy</th>
<th>Baltic Sea Region Strategy</th>
<th>Adriatic and Ionian Region Strategy</th>
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| TOTAL                    | 33                  | 42                          | 30                 | 14                     | 12                          | 9                                   |
### Annex III – Projects selected for detailed examination

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<tr>
<th>Project name</th>
<th>Thematic objective</th>
<th>Implementing period</th>
<th>EU contribution (euro)</th>
<th>Geographic coverage</th>
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<tbody>
<tr>
<td><strong>ENI CBC South-East Finland–Russia programme</strong></td>
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<tr>
<td><strong>StartUp Connect</strong> project will support start-up entrepreneurship and SME cooperation and form a community of active and motivated business leaders with ambitions and abilities for global success.</td>
<td>1. Business and SME development</td>
<td>1.11.2018-30.4.2021</td>
<td>387 588</td>
<td>Finland, Russia</td>
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<td><strong>Multipass Port</strong> large infrastructure project will improve the seaport border-crossing points with increased throughput capacity serving cargo and passenger flows and develop strong and regular as well as professional business cooperation between the Passenger Sea Port of Saint Petersburg in Russia and Port of Hamina Kotka in Finland.</td>
<td>10. Promotion of border management, border security and mobility</td>
<td>1.3.2019-31.8.2021</td>
<td>960 000</td>
<td>Finland, Russia</td>
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<td><strong>Cycling</strong> project will contribute to adopting new approach to develop cycling and cycling routes between Russia and Finland by the means of improving infrastructure, safety, mobility and environment and by supporting to social development and sustainable approaches.</td>
<td>10. Promotion of border management, border security and mobility</td>
<td>1.11.2018-31.10.2021</td>
<td>949 944</td>
<td>Finland, Russia</td>
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<td><strong>OneDrop</strong> project objectives are studying, designing and developing a mobile water purification plant-based methodology for ecologically safe and economic solution on water treatment.</td>
<td>6. Environmental protection, and climate change mitigation and adaptation</td>
<td>1.4.2019-31.5.2022</td>
<td>568 388</td>
<td>Finland, Russia</td>
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<td><strong>Safecon</strong> project aims to improve work safety competence of the construction industry in the cross-border area, in order to increase the productivity of the industry as well as reduce social costs and human harms.</td>
<td>2. Support to education, research, technological development and innovation</td>
<td>1.11.2018-31.10.2021</td>
<td>431 375</td>
<td>Finland, Russia</td>
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<td><strong>ENI CBC Poland–Belarus–Ukraine programme</strong></td>
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<td><strong>MichaelAndYouth</strong> – Construction of educational centres for youth in Poland and Ukraine, including accommodation, conference room and theatre, to provide a space for cultural and artistic workshops.</td>
<td>3. Promotion of local culture and preservation of historical heritage</td>
<td>1.10.2018-28.2.2022</td>
<td>2 360 080</td>
<td>Poland, Ukraine</td>
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<td><strong>VirTour</strong> – Development of a virtual tourist route – using a website and a mobile application – based on historic research about the life of Prince Sanguszko’s family.</td>
<td>3. Promotion of local culture and preservation of historical heritage</td>
<td>1.11.2019-30.9.2020</td>
<td>40 271</td>
<td>Poland, Ukraine</td>
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<td><strong>LIP885</strong> – Refurbishment of almost 7 km of the regional road No 885 on the state border, between Przemyśl, Hermanowice, and the State border.</td>
<td>7. Improvement of accessibility to the regions, development of sustainable and climate-proof transport and communication networks and systems</td>
<td>8.10.2018-8.10.2021</td>
<td>6 750 000</td>
<td>Poland, Ukraine</td>
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<td><strong>Reducing the risk of tuberculosis incidences in the border areas of Ukraine and Poland through the construction of tuberculous hospital for 100 beds in Zakarpattya Oblast, and improvement of medical equipment in the Frederic Chopin Hospital in Rzeszow.</strong></td>
<td>8. Common challenges in the field of safety and security</td>
<td>1.1.2019-31.12.2021</td>
<td>5 760 000</td>
<td>Poland, Ukraine</td>
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<td><strong>BCPMonitoring</strong> – Creating a system of information exchange between the border agencies of Ukraine and Poland, equipping the Ukrainian border guards with drones and other equipment, and putting in place a new surveillance system on the Polish side.</td>
<td>10. Promotion of border management, border security and mobility</td>
<td>21.8.2018-21.8.2021</td>
<td>2 203 607</td>
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<td><strong>ENI CBC Mediterranean Sea Basin programme</strong></td>
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<td><strong>Medusa</strong> – The project will promote and develop sustainable adventure tourism in Mediterranean countries</td>
<td>1. Business and SME development</td>
<td>1.9.2019-31.8.2022</td>
<td>2 985 583</td>
<td>Spain, Jordan, Lebanon, Italy, Tunisia</td>
</tr>
<tr>
<td>Project name</td>
<td>Thematic objective</td>
<td>Implementing period</td>
<td>EU contribution (euro)</td>
<td>Geographic coverage</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------------------------------------------</td>
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<td>------------------------</td>
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</tr>
<tr>
<td><strong>BestMedGrape</strong></td>
<td>The project promotes technological transfer, increase business opportunities and shares knowledge in the Med area on grape waste exploitation.</td>
<td>2. Support to education, research, technological development and innovation</td>
<td>1.9.2019-31.8.2022</td>
<td>Italy, France, Tunisia, Lebanon, Jordan</td>
</tr>
<tr>
<td><strong>Medtown</strong></td>
<td>– This project aimed at reinforcing the social and solidarity economy, the role of citizens and local authorities, to produce social policies, in order to fight poverty, inequality and social inclusion Co-producing social policies to fight poverty, inequality and social exclusion.</td>
<td>4. Promotion of social inclusion and fight against poverty</td>
<td>5.9.2019-4.9.2022</td>
<td>Spain, Portugal, Greece, Jordan, Palestine, Tunisia</td>
</tr>
<tr>
<td><strong>Berlin</strong></td>
<td>– The project will implement cross-border measures, support innovative and cost-effective energy rehabilitations in public buildings, based on nano grid concept.</td>
<td>6. Environmental protection, and climate change mitigation and adaptation</td>
<td>2.9.2019-1.9.2022</td>
<td>Cyprus, Greece, Israel, Italy</td>
</tr>
<tr>
<td><strong>Aquacycle</strong></td>
<td>– The project will provide R&amp;D support for sustainable non-conventional water resource management through low-cost eco-innovative technology and participatory governance.</td>
<td>6. Environmental protection, and climate change mitigation and adaptation</td>
<td>1.9.2019-31.8.2022</td>
<td>Greece, Spain, Malta, Lebanon, Tunisia</td>
</tr>
<tr>
<td><strong>Total selected projects</strong></td>
<td></td>
<td></td>
<td>34 171 760</td>
<td></td>
</tr>
</tbody>
</table>
Annex IV – Overview of our assessment of the audited ENI CBC projects

Not satisfactory
Partly satisfactory
Satisfactory
Not available

Cross-border dimension (implementation/results)
Implemented as planned (scope, budget, timetable)

Likely to achieve intended outputs and outcomes
Benefits likely to be sustainable
Adequately monitored by the MA/JTS/branch office

Note: Our assessment of sustainability focused on projects’ prospects of delivering sustainable results. This was because certain projects were still ongoing at the time of our visits.

Source: ECA.

Disclaimer: This Annex summarises our assessment of the 15 ENI CBC projects as of 31 January 2021. Therefore, it does not reflect the repercussions that Russia’s invasion of Ukraine of 24 February 2022 may have on the SEFR and PL-BY-UA projects, in terms of achieving outputs and on the sustainability of their results.
Acronyms and abbreviations

CBC: Cross-border cooperation

COI: Common output indicator

DG NEAR: Directorate-General for Neighbourhood and Enlargement Negotiations

DG REGIO: Directorate-General for Regional and Urban Policy

EEAS: European External Action Service

ENI: European Neighbourhood Instrument

ENPI: European Neighbourhood and Partnership Instrument

ERDF: European Regional Development Fund

Interreg: Acronym by which the interregional cooperation programmes within the EU are generally known.

Interreg NEXT: Cross-border programmes with the neighbouring partner countries to be implemented during the 2021-2027 financing period.

JMC: Joint monitoring committee

JOP: Joint operational programme

JPC: Joint programming committee

JTS: Joint technical secretariat

LIP: Large infrastructure project

MA: Managing authority

MED: Mediterranean Sea Basin programme

PL-BY-UA: Poland–Belarus–Ukraine programme

ROM: Result-oriented monitoring

SEFR: South-East Finland–Russia programme

TESIM: EU funded technical assistance project *Technical Support to the Implementation and Management of ENI CBC Programmes*
UfM: Union for the Mediterranean
Glossary

**Cross-border cooperation:** Cooperation between one or more Member States, and one or more third countries and territories along the external adjacent land and maritime borders of the EU, transnational cooperation over larger transnational territories, or around sea-basins.

**European Regional Development Fund:** An EU fund that strengthens economic and social cohesion in the EU by financing investments that reduce social and economic imbalances between regions.

**European Territorial Cooperation:** Framework for cross-border, transnational and interregional cooperation guiding policy exchanges and the implementation of joint action, commonly known as *Interreg*.

**Joint monitoring committee:** A body that oversees the implementation of an operational programme, comprising representatives of Member State authorities, third country authorities, and the Commission as observer.

**Joint operational programme:** Sets out priorities of Member State(s) and third country(ies), thematic objectives, and outlines how the funding (EU and Member States’ and third countries’ co-financing) will be used to finance projects. A JOP is prepared by the participating Member State(s) and third country(ies) and has to be approved by the Commission before any payments from the EU budget can be made.

**Joint programming committee:** A body that identifies needs and priorities and prepares a draft operational programme, comprising representatives of Member State authorities, third country authorities, and the Commission as observer.

**Joint technical secretariat:** Office that assists the Managing Authority and joint monitoring committee of a cross-border programme, as well as informing beneficiaries about potential funding opportunities and supporting project implementation.

**Large infrastructure project:** In the case of ENI CBC, a project, comprising a set of works, activities or services where a budget share of at least €2.5 million is allocated to acquisition of infrastructure. These projects are selected through direct award.

**Lead beneficiary:** An entity designated by project partners, responsible for management and coordination of the entire project and directly accountable to the Managing Authority for the operational and financial progress of all project activities.

**Managing authority:** The national, regional or local authority designated by a Member State to manage an EU-funded programme.
Commission’s and the European External Action Service’s (EEAS) replies


Timeline

Audit team

The ECA’s special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber III External action, security and justice, headed by ECA Member Bettina Jakobsen. The audit was initially led by ECA Member Leo Brincat, supported by Romuald Kayibanda, Head of Private Office and Annette Farrugia, Private Office Attaché.
The audit was finalised by ECA Member Bettina Jakobsen, supported by Katja Mattfolk, Head of Private Office and Aino Rantanen, Private Office Attaché; Michael Bain, Principal Manager; Jiri Lang, Head of Task; Karel Meixner and Erika Söveges, Auditors. Michael Pyper provided linguistic support. Giuliana Lucchese provided graphic support.
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Cross-border cooperation programmes are a key element of European neighbourhood policy. Until recently, they also remained one of the few areas of cooperation with Russia. We found that the programmes targeted relevant needs and provided valuable support to regions on both sides of the EU's external border. However, their implementation started very late and their complementarity with other EU-funded programmes was insufficient, as was the involvement of EU Delegations in neighbouring countries. We make recommendations aimed at addressing these coordination and complementarity problems and enhancing the monitoring of the programmes’ results. This will be essential as cross-border cooperation faces a challenging future: Russia’s invasion of Ukraine has cast severe doubt on half of the programmes proposed for the 2021-2027 period.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.