

# SWISS ENLARGEMENT CONTRIBUTION ACTIVITIES IN 2009

ANNUAL REPORT BY SECO AND THE SDC



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## Dear readers

The economic and social situation in the twelve new EU member states is critical. Although these countries have been members of the EU since 2004 and 2007 respectively, the differences between them and the rest of the EU in terms of infrastructure, quality of life and social welfare remain considerable.

With a mandate from the Swiss people, the State Secretariat for Economic Affairs (SECO) and the Swiss Agency for Development and Cooperation (SDC) are helping to reduce these disparities. Projects in the areas of 1) security, stability and reform, 2) environment and infrastructure, 3) promotion of private industry and 4) human and social development are being implemented in close cooperation with the partner countries. Particularly in the current financial and economic crisis, the partner countries are very thankful for financial support and for advice from Switzerland. The Swiss enlargement contribution of one billion francs helps to ensure stability and prosperity in Europe. Following the approval by parliament in December 2009, Bulgaria and Romania will receive an additional sum of CHF 257 million.

This commitment by Switzerland is proof that it not only benefits from the large degree of access to the EU domestic market, but that it is also willing to contribute to the costs of the united Europe and to show solidarity with disadvantaged countries. The results of the enlargement contribution are gradually beginning to emerge and the first projects have been definitively approved.

Switzerland is entitled to be proud of its commitment. In Hungary, large tracts of land are now better protected against flooding, villages and communities are now connected to a water supply, and the quality of water is being improved. In Slovenia, the largest photo-voltaic plant in the country is being built along a 600-metre noise barrier. In Estonia, new children's homes are being built that are better able to meet children's needs, replacing inadequate accommodation blocks of the past. Additionally, a joint SECO and SDC project is making sure that women in childbirth are better protected and that the neo-natal mortality rate is reduced.

There is still a lot more to do; nevertheless, the positive reports from partner countries encourage us to accept the coming challenges. We hope that you will enjoy reading this report and will find the activities connected with the enlargement contribution interesting.



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## The enlargement contribution

On 26 November 2006, Swiss voters approved the Federal Act on Cooperation with the States of Eastern Europe. By doing so, the Swiss population expressed its wish to make a contribution helping to reduce economic and social disparities within the enlarged EU. The ten countries receiving support are those countries which acceded to the EU in 2004 (see also map): Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, the Czech Republic, Hungary and Cyprus. These countries are sometimes referred to as the «EU 10». The enlargement contribution is the expression of solidarity and responsibility of the Swiss population. By making the contribution, Switzerland is also consolidating its relations with the EU – its main political and economic partner. The Federal Act approved by the people in 2006 also contains the authorisation to grant an enlargement contribution to Bulgaria and Romania, which have been members of the EU since 2007. An additional sum of CHF 257 million has been made available for these two countries. This contribution was approved by a large majority in parliament in December 2009.

The responsibility for the administration of the Swiss enlargement contribution is shared by the State Secretariat for Economic Affairs (SECO) and the Swiss Agency for Development and Cooperation (SDC). Projects in the following four thematic priority areas are implemented in the partner countries in close cooperation with the responsible national institutions:

- 1) Security, stability and reforms
- 2) Environment and infrastructure
- 3) Promotion of private industry
- 4) Human and social development.

As a rule, the partner countries contribute at least 15 per cent of the project costs. The financing requests are thoroughly checked in a two-stage process both by the partner country concerned and by Switzerland.

Switzerland has agreed regular controls, reports and audits with all partner countries. If any suspicion of irregularity should arise, Switzerland can withhold payments or demand the repayment of contributions. Approval of projects for the «EU 10» will run until June 2012 and payments will be made up to June 2017 (see diagram page 7).



## Activities in 2009

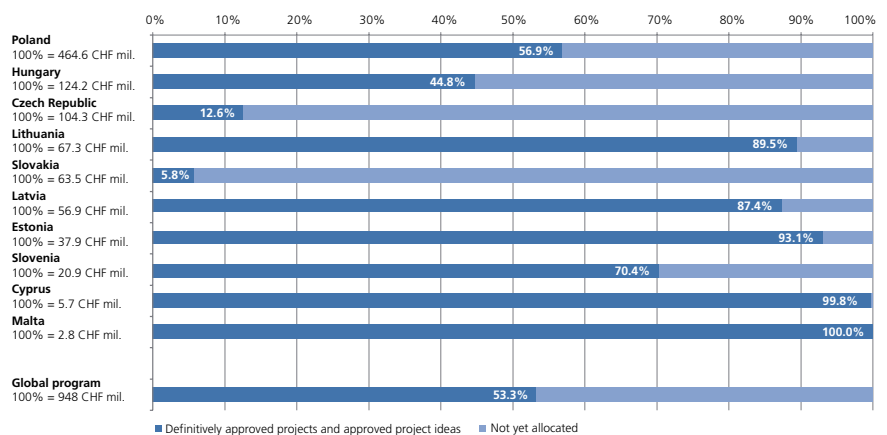
2008 was a year of preparation, while in 2009 the emphasis was on selecting and on approving projects in the framework of the Swiss enlargement contribution. The project proposals were either the result of public tenders or of direct submissions by the individual competent ministries to the national coordination units. The decision-making bodies of the SDC and of SECO examine the financing requests in a two-stage procedure: only when the preliminary project proposal, ie., project outline, has been approved (stage 1) is the applicant allowed to work out and to submit for approval a detailed project proposal (stage 2).

By the end of 2009, 37 projects were definitively approved. They include, inter alia, the promotion of renewable energies in Slovenia, the establishment of a national capital fund for small and medium-sized enterprises in Poland, a fund for Swiss-Polish research projects, as well as projects to improve school transport in Latvia and the situation of children in children's homes in Estonia.

In addition, 68 preliminary project proposals were also approved which now have to be transformed into detailed project proposals. A total of CHF 505 million, or 53% of the enlargement contribution, has been allocated: 22% for definitively approved projects, 31% for preliminary project proposals. Whether the 31% are actually implemented will depend on the evaluation of the detailed project proposals. In the Baltic countries, where projects were identified during the negotiations of the framework agreements, well

over 80 per cent of the project portfolios have already been allocated. In Cyprus and Malta, the small number of planned projects have been already defined. In countries with larger programmes, such as Poland, Hungary, the Czech Republic and Slovakia, the approval process takes more time because of the large number of applications and Switzerland's quality requirements.

The total amount of the project portfolio is CHF 948 million. The diagram below shows the distribution per country. The figures do not include the implementation costs on the Swiss side (CHF 50 million up to 2017) and a CHF 2 million reserve.



## Cooperation with partner countries

In 2009 Switzerland was regularly in contact with the partner countries. Close cooperation, especially with the national coordination units in the countries concerned, is a key aspect of the successful implementation of the Swiss enlargement contribution. In 2009, the first annual meetings, attended by SECO and SDC representatives, were held in all partner countries and the state of play was analysed. In the run-up to the annual meeting, Switzerland's partners were obliged to present reports on the activities which had unfolded in the year 2008 and on the plans in the pipeline for 2009.

In the project work, Switzerland's expenditure was higher than anticipated, one of the reasons being the high standards demanded by SECO and the SDC.

## The impact of the financial and economic crisis

The year 2009 was overshadowed by the financial and economic crisis, which seriously affected the economic and social situation in the new EU member states. There is a heightened risk of financial instability in countries such as Hungary and Latvia, which have received loans from the International Monetary Fund (IMF) and have committed themselves to drastic budget cuts.

The crisis can affect the implementation of the Swiss enlargement contribution if the partner countries experience difficulty in contributing their minimum share of at least 15 per cent or if they are struggling to respect the payment deadlines. In Latvia, for example, the approval of the harbour renovation project was delayed by nine months because the International Monetary Fund regulations required a revision of the national budget. It is also possible that job cuts or wage reductions will affect the quality of work and the volume of work in the partner institutions. It has become clear over the past year that, particularly in the present difficult economic phase, the partner states attach great importance to the Swiss enlargement contribution as a means of overcoming increasing social and economic disparities.

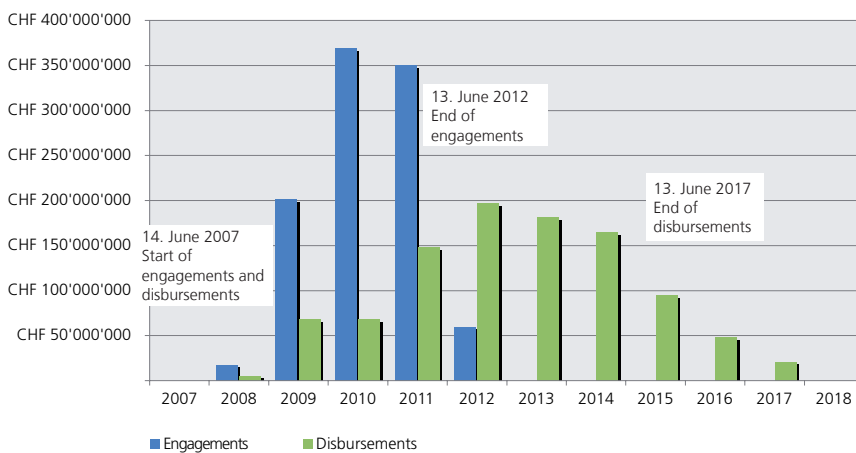


Diagram: Disbursements

As of 31 December 2009, 68.4 million francs were effectively paid out in the framework of the enlargement contribution. In principle the project costs are covered by the partner countries and are re-imbursed by Switzerland only later. This means that disbursements will only start to increase rapidly from 2011 onwards.



## The Swiss enlargement contribution for Bulgaria and Romania

Switzerland is making a contribution to the reduction of economic and social disparities not only in the EU 10 but also in Bulgaria and Romania. The Swiss enlargement contribution to Romania amounts to CHF 181 million and CHF 76 million to Bulgaria by 2014, the deadline within which projects can be approved.

In both countries, the same thematic priority areas have been defined as in the case of the EU 10. In addition, activities aimed at improving the integration of minorities - especially Roma - will be included in each of the bilateral framework agreements. As with all the other partner states of the Swiss enlargement contribution, great importance is attached to the effective and correct use of funds.

## Cooperation with the EU and the EEA

In connection with the enlargement contribution, contacts with the EU and the states of the European Economic Area, and in particular with Norway, are actively promoted. The progress of projects is discussed, and experience and know-how derived from the various projects are exchanged. This knowledge sharing allows an even more efficient implementation of the Swiss enlargement contribution.

From 2007 to 2013, the EU cohesion fund will contribute with CHF 230 million in order to reduce the economic and social disparities in the new member states. The three EEA states of Norway, Iceland and Liechtenstein contribute with CHF 1.65 billion over a five-year period to support the «EU 10». Switzerland decides autonomously about the use of the enlargement contribution, which is intended to complement the projects and programmes of the EU and the EEA.





# Thematic priorities and examples of projects

Numerous very good projects have been submitted for all four thematic priorities of the Swiss enlargement contribution. The thematic priorities of environment and infrastructure account for the largest proportion of costs because projects of this kind require the highest investments. In Poland, Hungary and Slovakia in 2009, there were a dozen competitive project tenders in the area of research, flood protection, biodiversity, renewable energy, energy efficiency, promotion of public transport, regional development, promotion of non-governmental organisations, development of private industry and infrastructure. In the three Baltic States, eight projects for goods and services have already been put out to public tender.

In the next step, the content of the four thematic priorities is presented and individual projects are analysed more closely. The finance available for each thematic priority area is also defined. This sum includes neither the reserve sums that are still to be allocated, nor special types of projects such as the fund for project preparation.

## Thematic priority Security, stability and reforms

In this area Switzerland is financing projects with a total value of about CHF 162 million. Projects proposals are related to border security, justice reforms, the fight against corruption and organised crime, disaster risk reduction, and regional development.

Last year a joint project with the Federal Court in Lausanne to modernise the work of courts in Latvia was approved. This will allow the installation of video-conferences facilities in courts and will improve the day-to-day work of courts. Approval was also given for purchasing school buses in rural areas of Latvia. Bussing is essential because pupils often live a long way from their schools and no other transport options are available. In Estonia, a project we are now modernising the National Forensic Institute in order to facilitate forensic examinations and also make it possible to conduct training courses. On top of these measures to promote cross-border information, exchanges to combat crime will be promoted.

Projects to improve flood protection in Hungary are also in the planning phase (see box).

**Project example: Flood protection in Hungary**

Hungary is a transit country for water: 96% of surface water flows into it from neighbouring countries, which means that towns, farmland and roads are often flooded.

The Tisza River is the longest tributary of the Danube and carries large quantities of water. Its water level varies considerably over the year; therefore, the Tisza is notorious for disastrous floods. The river's low drop combined with the lowland location favours logjams when the much faster-flowing Danube is in spate. For the affected regions in northern Hungary and the northern lowlands, flood prevention is crucial. Switzerland supports flood-prevention projects with up to CHF 2 million. Five preliminary project outlines have been approved to date.

One project, for example, involves the renovation of water measurement stations and the installation of observation cameras. Another project focuses on scans which map the relief of a section of shoreline and establish water-current profiles from measurements of the river. A third project aims to improve monitoring and control by means of better forecasting instruments. These include rainwater flow and logjam models as well as geographical databases. These measures will enable the affected areas to prepare more effectively for the risk of floods.

Mobile dam safety systems are to be purchased to increase safety in the event of severe floods. The advantage of these mobile dams is that they are flexible and rapidly deployable; they can be useful in protecting very vulnerable points fast and safely. Detailed project proposals will be presented to Switzerland for definitive approval in the spring of 2010.



## Thematic priority Environment and infrastructure

Switzerland has made a total of CHF 277 million available for these domains. The projects concerned include energy efficiency (see example on page 14) and the use of renewable energies, disposal of hazardous waste (e.g. asbestos, hospital waste), bio-diversity, drinking water supply and sewerage (see box). In Poland, for example, two projects in the field of promotion of public transport in Warsaw and in the Pomorskie region will be developed, as well as two further projects for waste and asbestos disposal in the Lubelskie and Lubartow regions. In 2009, Switzerland definitively approved a project to promote renewable energy in Slovenia (see box on page 14).



### Project example: Water supply in Hungary

Most of the water supply infrastructure in Hungary is 50 to 60 years old and in bad conditions because of poor quality of the pipes. Most of pipes are made of asbestos-cement and cast iron. The number of pipe bursts is very high, which leads to high maintenance costs. Switzerland supports four projects in Hungary whose purpose is to improve the water supply infrastructure in communes, to increase the quality of life and to promote economic development.

**Project 1: Commune Borsod-Abauj-Zemplen.** The communities of Emod-Adorjan and Sima are hardly connected to the water supply system at all. Switzerland is contributing about CHF 8.7 million to improve this situation. All the hamlets will be connected to the water supply and the supply network will be made more reliable by partially replacing water mains. The quality of drinking water will also be improved.

**Project 2: Commune Balassagyarmat.** Switzerland is contributing CHF 5.3 million to a project to reduce maintenance costs for water supply. To this end, water mains with the largest number of pipe bursts will be replaced. This will make the water supply more reliable.

**Project 3: Commune Ozd.** The control system for the water supply in the commune of Ozd is antiquated, and 700 to 800 households are not connected to it. Switzerland intends to change this situation by a project contribution of CHF 7.3 million. The aim is to ensure that the water supply is of the same standard in the entire commune, to improve the quality of water, and to reduce maintenance costs. The water mains will be extended and partially replaced, while the control system will be completely renewed.

**Project 4: Commune Erd.** Switzerland supports the renewal of the main water pipelines and the introduction of a new control system in Erd with a contribution of CHF 6 million. This will improve the reliability of the water supply.

The implementation of these preliminary project outlines can begin once Switzerland has examined and approved the detailed project proposals.

### Project example: Promotion of renewable energy in Slovenia

Renewable energy is considered very important in Slovenia, but most of this green energy currently comes from hydro-electric power. This, however, will soon change. In the communes of the coastal region of Primorska, Switzerland is contributing CHF 3.7 million to a project that is banking on other forms of renewable energy. It consists of three components:

Firstly, Slovenia's first noise barrier equipped with solar cells will be constructed along part of the motorway to Italy. This photo-voltaic plant which will be the largest in the country is calculated to supply electricity to 55 households. The 600-metre noise barrier will also mean quieter days and nights for the 1,000 people living near the motorway.

The second project component involves the use of bio-mass as an energy source in nine selected public buildings. The nine buildings include schools and kindergartens, as well as two information centres in the Triglav national park which receives 30,000 visitors a year. The switch to bio-mass could reduce energy costs in these buildings by about 40 per cent.

The third project component consists of information and awareness-raising. In all the schools involved, renewable energy clubs will be formed. The aim is to educate pupils about energy efficiency and renewable energy. Once they have been trained as «energy managers», the pupils will teach their peers about energy issues. The highlight of the project will be a TV contest in which the prize will be a student exchange with a Swiss school.



### Thematic priority Promotion of the private sector

As part of the enlargement contribution, Switzerland is making available to the «EU 10» a total of CHF 114 million to strengthen the private sector, exports, and compliance with environmental and social standards. In May 2009, the Federal Council approved a project to provide venture capital totalling CHF 53 million for SMEs in Poland (see box). This is the largest programme to date in the framework of the Swiss enlargement contribution. The programme for transparent accounting standards has been definitively approved for Latvia and Poland, and provisionally approved in the Czech Republic. Approval for the projects in Estonia and in Slovenia was granted in 2008.

### Project example: Risk capital for SMEs in Poland

This project will facilitate the access to long-term financing for small and medium-sized companies (SMEs), and will create up to 1,500 jobs, particularly in structurally weak areas. Risk capital, i.e., investment in the company's equity, combined with technical support will finance the growth of these SMEs. Management methods will also be modernised. In the medium term, this will increase companies' creditworthiness, enabling them to go on the stock exchange and to attract investors. Such measures have become even more urgent against the background of the financial and economic crisis.

## Thematic priority Human and social development

As part of the enlargement contribution, Switzerland is making available to the «EU 10» a total of CHF 200 million to finance projects to promote human and social development in the «EU 10». This involves vocational training, research and study programmes, health projects and promotion of the activities of civil society and of community partnerships.

Last year, scholarship programmes with eight countries and a research project with Poland were approved, as well as a fund for the promotion of partnerships in Poland and the Czech Republic and two funds for the support of non-governmental organisations in Poland and Latvia. Last year projects were launched in Estonia to improve the lot of children in homes and to upgrade the national ambulance system. In Latvia, the preliminary project «Mother and Child», which aims to enhance health care provision, was also approved (see page 17).



### Project example: Joint research projects with Poland, Hungary and Lithuania

The enlargement contribution supports joint research projects with Switzerland in Poland, Hungary and Lithuania. The research topics range from health, environment, nanotechnology, energy, information and communication technology, to natural sciences in general. One project involves the development of visual recognition devices to help the visually impaired in their daily lives. Another research project being financed focuses on the restoration of sight using opto-genetic technology. A third project aims to further develop pain treatment.

A total of CHF 33 million has been made available for the research projects in these three countries. The project proposals will be evaluated by top international scientists. The final step will be their approval by a committee consisting of prominent researchers from Switzerland and from the partner countries.

### Project example: Children's homes in Estonia

Over the next three years Switzerland will help with the re-organisation of children's homes in Estonia, building ten new children's homes in the communes of Viljandi, Juuru and Elva. It is planned to construct family-style individual buildings in which children feel at home. Large, inadequate blocks that don't take into account children's needs will be dismantled. Eight to ten children will live in each new house.

Appropriate child care will be provided by the Estonian authorities in line with the national social welfare strategy. The new care concept gives top priority to the well-being of children, creating family-like structures. The local authorities will be responsible for these new homes.

**Project example: Partnership in the Czech Republic**

A fund was set up to support partnerships in the Czech Republic. This fund will be used to finance projects ranging from 10,000 to 250,000 francs, with exchanges of know-how leading to the solution of specific problems. Applications to this fund may be made not only by towns, communes and regions, but also by social partners such as trade unions and employer organisations, as well as non-profit organisations (non-governmental organisations, associations, educational bodies).

The first projects were approved at the end of 2009. A grant has been approved for a know-how and experience exchange project in the area of soft-mobility in the tourism sector. The project is being implemented by the Czech non-governmental organisation «Nadace Partnerství». The project partners in Switzerland are SchweizMobil and the Velobüro Olten. Another project involves exchange of experience and successful methods of sustainable development in communes and regions.

Switzerland will make a total of CHF 3 million available for partnerships over a four-year period.

**Partnerships with institutions and organisations from Switzerland**

One of the main objectives of the enlargement contribution is to strengthen bilateral relations and cooperation with the new EU partner countries. To this end, Switzerland supports institutional partnerships between institutions, non-profit organisations and social partners in the eastern EU and Switzerland. Moreover, Switzerland promotes and finances partnerships involving the input of expertise in the framework of large projects. At the request of the partner countries, Swiss know-how can be utilised in the implementation of projects. Federal bodies, cantonal institutions and hospitals have already provided valuable expertise in this area.





### A closer look at a large-scale project

#### Improving the health care system in Lithuania

This project example from Lithuania shows how Switzerland is helping to reduce economic and social disparities while promoting the protection of the environment. Switzerland is improving energy efficiency in public hospitals, modernising antiquated hospital structures, and training staff. This will considerably improve conditions for women giving birth and for their new-born babies.

Economic	At a cost of CHF 19 million, energy efficiency is being improved in ten to fifteen maternity wards in public hospitals. This will lead to a reduction of maintenance costs. The geographical situation of Lithuania means that there are major temperature differences – with intense heat in summer and freezing cold in winter. Improved insulation means that in future, women giving birth and new-born babies will enjoy better conditions.
Environmental	Energy efficiency is being improved by two measures. The main focus is on insulation. Doors, windows, roofs and some walls are being renovated or replaced. On top of this, the operating technology – boilers, water supply systems, ventilation and air conditioning – is being modernised. These measures contribute to better protection of the environment.
Social	Mortality rates among women in childbirth and infant mortality in Lithuania have fallen considerably in recent years, but are still significantly higher than the EU average. This is why Switzerland is spending a further CHF 22.6 million for improvements to health care. The «Mother and Child» project consists of three parts. Thirty hospitals will be equipped with modern equipment. Five hospitals will receive special vehicles for the transportation of newborn babies. Health care staff will also receive specific training as part of a training programme. Thirdly, a comprehensive database with health data will be established.

This example shows that different project components, if they are well co-ordinated and integrated, can create considerable added value. The maternity wards will be heated by environmental-friendly and low-cost equipment and outfitted with up-to-date technology. Mothers and new-born babies will be looked after expertly by health care staff.

In 2009, a preliminary project proposal for the improvement of energy efficiency was approved by SECO and the accompanying «Mother and Child» project outline were approved by the SDC. Detailed project proposals are now being worked out and will be submitted to SECO and to the SDC in the course of the year.

With this large-scale project, Switzerland is responding to the needs of the partner country. Switzerland began supporting the Lithuanian health care system in the 1990s. This tradition is being continued and this is greatly appreciated by the Lithuanian authorities and people.



## Future Prospects



Various challenges connected with the enlargement contribution will have to be tackled in 2010. There will be an increased focus on the implementation of individual projects, and the selection and approval of projects will also remain crucially important. Special attention will be paid to ensuring that ongoing projects and programmes are implemented as efficiently as possible and achieve the maximum possible impact. The control measures that have been agreed with partner countries mean that Switzerland is always informed about the state of play. Even when goods and services are put out to public tender in the partner countries, Switzerland attentively monitors the tendering process and supervises the contract awarding process.

Thematic priorities and cooperation processes in the framework of the enlargement contribution still need to be negotiated with Bulgaria and Romania. As soon as Switzerland and the two partner countries have reached agreement on this, and provided that Switzerland is convinced of the effectiveness of the administrative and monitoring systems that have been put in place in Bulgaria and in Romania, the bilateral framework agreements can be signed. Information about both agreements will be published as soon as they have been signed. In 2010, a Swiss Contribution Office will be opened in Bucharest which will closely follow the implementation of the enlargement contribution in Romania.

## Contacts

Information about the enlargement contribution in German, French, Italian and English is available on the website. Approved preliminary project proposals will be found under the heading «Selection procedures». Definitively approved project proposals will be listed in a project database under the heading «Projects». A link to the home page leads direct to the public calls for tender for goods and services in the partner states.

[www.erweiterungsbeitrag.admin.ch](http://www.erweiterungsbeitrag.admin.ch)

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