

## Networking for Enterprises in the Eastern External Border Regions



**Remove Borders!**  
**Recommendations for more  
innovative external border policies**



# NEEBOR

## Networking for Enterprises in the Eastern External Border Regions

### INTRODUCTION

The NEEBOR project, *Networking for Enterprises in the Eastern External Border Regions*, is co-financed by the European Union's INTERREG IVC programme dedicated to interregional cooperation. It grew out of the Network of the Eastern External Border Regions, as some of the member regions wanted to cooperate more closely to learn more about each other's development practices and challenges as well as to exchange experiences. The location of all the regions on the eastern external border of the European Union has a central role in the project, in which the aim is to identify common development patterns for the challenges and opportunities stemming from this area.

The NEEBOR project focused on improving the operating environment of small and medium-size enterprises (SMEs) and cooperating with neighbouring European Union countries and regions. This brochure describes the conclusions of the NEEBOR project in three different fields;

- External Cross-Border Cooperation,
- Access to Financing and
- Access to Knowledge.

Brochure enlightens the experiences gained during the project, and states the regional, national and EU level policy recommendations based on partners' common discussions, studies and exchange of experiences.

The twelve project partners from ten regions in eight European Union member countries are:

-  Agency for Regional Development and Innovation Burgas, Bulgaria
-  Észak-Alföld Regional Development Agency, Hungary (Lead Partner)
-  Észak-Alföld Regional Development Council, Hungary
-  Foundation „Vidzeme Development Agency”, Latvia
-  North-West Regional Development Agency, Romania
-  Regional Council of North Karelia, Finland
-  Regional Development Agency of the Presov Self-governing Region, Slovakia
-  Region of East Macedonia and Thrace, Greece
-  Rovaniemi University of Applied Sciences, Finland
-  South Transdanubian Regional Development Agency, Hungary
-  Warmia and Mazury Regional Development Agency, Poland
-  Vidzeme Planning Region, Latvia

#### Further information:

- Joensuu Declaration on safety, security and economic cooperation
- Prešov Declaration on innovation
- Alexandroupolis Declaration on social inclusion
- Position Paper on the future of the ENPI
- Olsztyn Declaration

on [www.neebor.eu](http://www.neebor.eu)



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## External Cross-Border Cooperation

Cross-border cooperation is one of the most significant development objectives in border regions. Most NEEBOR regions have both internal EU borders – where cooperation is rather close – and an external EU border. It is important to acknowledge the very different character of these border areas and the existing possibilities and challenges which NEEBOR regions have become familiar with during the years of cooperation with their eastern neighbours. The operational environment is fundamentally different in the internal and external border regions, which means many different approaches need to be taken into account and numerous challenges need to be overcome. This is also one reason why a significant amount of cooperation is done within the EU borders rather than with the EU's neighbouring countries. In addition, in some regions the external border is the only border they have.

However, development strategies in NEEBOR regions highly support and promote closer cooperation with the EU's neighbouring regions, as such cooperation offers many possibilities for regional development. This specific position is also acknowledged at the EU level, e.g. in the fifth report on

economic, social and territorial cohesion, which emphasises the specific challenges of eastern external border regions and the need to overcome those challenges.

NEEBOR regions have numerous strengths in terms of location and cross-border cooperation. Location as a bridge between the EU and its eastern neighbours (Russia, Belarus, Ukraine and Turkey) is very important and relevant for the whole EU. It is a huge, growing market area and e.g. investment opportunities in both directions are enormous. The neighbouring area can also function as a test market area for SMEs locating close to the border before they access wider markets.

NEEBOR regions hold an increasing amount of know-how about cooperation with their eastern neighbouring regions and countries. This know-how has much to offer in bringing the EU closer to its neighbours. Strong cooperation at the regional grass roots level and the existence of minorities and immigrants in the regions make the "border" lower, bring regions and countries closer to each other and make the external frontier safer and more secure.



*"The eastern external border regions should be seen as an asset and opportunity: the whole of Europe can benefit from positive steps achieved in the East."*

**Dr. Pentti Hyttinen**  
Regional Mayor of North Karelia,  
Finland.



*"Cooperation is the key word. It is not, a question of money in the first instance but rather a question of attitude, political will, and readiness to trust each other, a commitment to act together for better future."*

**Ms. Charlina Vitcheva**  
Director, Directorate General  
Regional Policy



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However, many challenges first need to be solved before closer, more efficient cooperation is achieved – some at a wider transnational level and some in programme policy and day-to-day grass roots cooperation. Visa and border crossing bureaucracy, a weak transport infrastructure in the border area and the development gap across the border are challenging for cross-border cooperation. Different operational environments with changing legislation and centralised decision-making and political debates are perceived to hamper and delay cooperation, as well. On the other hand, human capital, such as language skills and knowledge about how to act in a different operational environment, needs to be improved at the regional level. SMEs' increasing interest in internationalisation and know-

how about international cooperation and programmes and positive attitudes and tolerance in the regions are also key to success. Thus, for all these reasons, SMEs, the education sector and other organisations need much information, knowledge and resources to be able to operate in such a challenging operational environment.

The ENPI programme needs to be highlighted as a specific cross-border cooperation tool, as it is a relevant tool for cross-border cooperation in external cross-border regions. There are several operational and technical challenges concerning implementation of the ENPI programme, which the NEEBOR regions also emphasise in the position paper on ENPI.



*"External border and our regions should not be considered as barriers but rather as bridges that are basis for cooperation."*

**Mr. Aristides Giannakides**  
Governor of the Region of East Macedonia and Thrace in Alexandroupolis Annual Conference 2011



*"East is not the end but the beginning – even sun rises from the East."*

**Mr. Peter Chudík**  
President of the Prešov Region in Prešov Annual Conference 2010



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## Policy recommendations:

- Establish an interregional programme and financing instrument for external border regions, as their challenges and cooperation possibilities with the EU's neighbouring regions differ from those of internal border regions: exchange experiences and find solutions together; communicate together at the community level; compare development policies, tools and financing instruments and improve them through cooperation. The programme could function on the basis of other interregional programmes such as INTERREG IVC, for example, with the possibility of including partners from outside the EU. The NEEBOR network could serve as a platform for the programme.
- Enhance positive attitudes and tolerance: train actors and policy-makers for a better understanding of the different operational environment, administrative structure and culture; introduce tools for better inclusion of immigrants and minorities in society and better utilisation of their skills in external cross-border cooperation; promote the mobility of labour across the border. NGO, youth, culture, sports and tourism cooperation and better language skills also create a solid basis for mutual tolerance and positive attitudes.
- Promote visa freedom and develop new models for border procedures.
- Improve infrastructure and accessibility and public transportation across the border by means of road, rail and air transportation.
- Take into account the external cross-border location whenever regional development financing tools and means for SME and innovation development are being planned.



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## Access to financing

### EU financing instruments

There are many sources of financing in the NEEBOR regions. Most SME development measures are financed from EU funds and national public sources. Experience in financing instruments exists and several organisations provide counselling and assistance in EU financing possibilities, and in some cases they also provide national and EU financing. This applies especially to ERDF and ESF mainstream programmes. The use of specific programmes, e.g. FP7 and CIP, is rather low in the regions.

Nevertheless, problems and challenges appear. Partners see that SMEs often don't know about the existence of some financing instruments and their knowledge is rather vague. Often only a few organisations implement the projects, which can be a sign that other institutions don't have enough know-how or resources to apply and implement the projects.

The ENPI (European Neighbourhood and Partnership Instrument) interregional financing instrument is the most commonly used instrument for external border cross-border cooperation, but several challenges arise in implementing ENPI projects. Partners

see that there is not enough information provided about financing possibilities and applying for financing in the ENPI programme, which is partly due to the ENPI programme rules. Information flow between the joint management authority (JMA), the joint technical secretariat (JTS) and members of programme committees and applicants is perceived to be problematic, as the JMA and other members can't provide enough detailed information and counselling to applicants before and during project implementation. This hinders the work of the applicants. Also other kinds of difficulties in technical and operational processes exist, as some rules and legislation differ in the EU and non-EU regions, and procedures are complicated, with many operational and technical problems. In addition, finding eligible partners is difficult and there is not enough know-how on ENPI project management. Sometimes, because of the above-mentioned and other reasons, the results of projects are found to be insufficient. All these difficulties dampen interest towards external cross-border cooperation projects and reduce the quality of applications and, thus, access to financing, for example.



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## Venture and risk capital

Partners recognise that development is based strongly on EU project and national public financing, but a sustainable and competitive SME and innovation sector would need other kinds of financing sources, too. The regions don't have sufficient private

venture and seed capital, which are essential for an innovative regional economy. Investments in R&D are mostly dependent on public financing and HEI input, whereas SMEs often perceive it to be too risky or they have a lack of interest in expanding.

### Policy recommendations:

- Develop overall counselling on different additional financing possibilities. Development of one-door business services to enhance access to financing is needed to improve SMEs' knowledge about possibilities and to increase the number of organisations participating in EU programmes.
- Increase cooperation and coordination between different consultation points to provide the most efficient and easiest way for actors to receive information about financing instruments. Regional info points for programmes are also needed.
- Enhance counselling on the external border programme. This applies to general information on financing possibilities through programmes and more detailed consultation between the JMA, the JTS and members of programme committees and applicants to the ENPI programmes. This would improve the quality of the applications and thus access to financing. Facilitated partnership creation and more committed partnerships with jointly agreed objectives and aims also help improve the applications. Applications and other procedures could be made simpler and, in general, the programme could have a more result-oriented approach. Technical training in project management should be provided extensively.
- Create new ways to foster private financing. Project regions are rural and remote from national and EU centres, which hampers development of a market economy. New innovative ways to lure foreign capital and investors to the regions should be developed further. This is essential, as research, development and innovations need flexible financing instruments and risk-taking. The role of the European Investment Bank and European Investment Fund should be considered.



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## Access to knowledge

### Conceptualisation: the NEEBOR point of view

Partners acknowledge that innovation is a very frequently used concept in many contexts, which leads to the situation where its meaning gets blurred. Thus, first it is important to define what innovation is and then it is possible to think about how to promote and share knowledge and which institutions should be involved.

NEEBOR partners think it is important to understand innovation equally as both high-tech research-based as well as softer service and social innovation, as especially the latter approach offers many possibilities for remote rural regions. To increase the amount of innovations and enhance the innovation process in these regions, equal access to knowledge must be ensured.



*Railway innovations in Észak-Alföld.*



*Bioenergy production in North Karelia.*



*Arctic Power Laboratory in Lapland.*

### Business services

There are organisations in the NEEBOR regions which provide consultation and business services for SMEs. For example, these organisations tell about financing possibilities and getting started, help develop business ideas and connect SMEs with research and education organisations or other companies. Nevertheless, the supply is not sufficient, and some regions have more challenges than others in this respect. Especially problematic is that while some SMEs utilise provided assistance frequently, others are excluded simply because of a lack of

available information. For example, information does not always reach companies located outside of regional centres. Also, supply is fragmented, which is a problem for SMEs as they can't afford to spend a lot of time and resources in searching for information and the right contact person from several places. In some regions it is also acknowledged that assistance and counselling for SMEs end after financing is allocated, and there is no actual follow-up support for start-ups that would continue throughout the entire lifetime of the business.



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More information on cross-border cooperation in the external border regions (EU/non-EU border) is needed, as the operational environment is highly challenging, requiring a considerable amount of special knowledge and resources from SMEs, as the same rules do not apply as in the Schengen area. Finding business partners, understanding laws and contracts, etc., can be challenging and time-consuming. Thus, much assistance and support is needed. The neighbouring regions are inherent test market areas, which should be taken advantage of when planning establishment in a non-EU neighbouring country.

An innovation process should be stimulated in SMEs. There is a lack of interest in expanding and taking risks in many SMEs, and thus private research and development spending are at a low level. Innovation is often connected to high-tech research innovation with huge investments, and thus many small enterprises, often in the service sector, may not see the relevance of investing in research, development and innovation. Or vice versa: some regions share the problem that all kinds of activity are perceived to be innovative even though no real added value is created.

## Cooperation between HEIs, business and public sector

Partners see that cooperation between higher education institutions (HEIs) and the business sector is loose and there is not enough communication and cooperation. Nevertheless, it is still recognised that building good communication and cooperation takes time and patience, but eventually it could bring business and research closer together.

Without communication between universities and the business sector, building efficient cooperation and clusters and promoting R&D in SMEs is very difficult. Some regions also have recognised that existing clusters are artificially made and do not accelerate any spin-offs or create genuine cooperation. Thus, it is important for actors to understand the importance of cooperation. After the region has strong internal cooperation between actors, it is possible to internationalise and enhance cross-border

cooperation. Specialisation is considered important: regions could focus on fields of expertise already existing in the region.

Regions also lack cooperation between HEIs, businesses and the public sector. Thus, a triple-helix model should be promoted, as the public sector could also bring HEIs and companies closer to each other.

Partners also recognise that the needs of SMEs are not taken into consideration enough in education. This is revealed when students graduate and do not have enough practical skills. Students could work as a "bridge" between HEIs and the business sector. The potential of students is thus an unused resource in the regions that could be taken into better use through more efficient organisation of training.



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## Policy recommendations:

- Apply a wider understanding of innovation that takes into account e.g. service, social and demand-driven innovations.
- Develop more efficient business services: contact points for easy and efficient access to knowledge and closer cooperation between different organisations for the benefit of SMEs. Market existing services to entrepreneurs and potential entrepreneurs. A business support system should be developed in a way that it reaches all SMEs in central and rural regions and also female and young entrepreneurs equally.
- Provide more support for external cross-border cooperation throughout the lifetime of businesses, e.g. business services for entrepreneurs that facilitate business establishment or exporting from both sides of the border. Also, more innovative programmes and tools for promoting and boosting external border business cooperation should be developed, e.g. promoting the mobility of labour across the external border.
- Offer training in the innovation process for SMEs to provide a better understanding of how to exploit the possibilities of HEIs and R&D and to find one's own place and capacities in the innovation process. Practical methods for the innovation process and tailored innovation support to meet the needs of SMEs could be developed and supported. SMEs could be provided contact points or workshops with HEIs and other SMEs in different fields to discuss cooperation possibilities and find common interests.
- Enhance the triple-helix model, for example by promoting the creation of common platforms for sharing ideas and needs between actors in the public, private and education sectors.
- Promote training of students in companies at all educational levels with more efficient and systematic means. Also, students from non-EU neighbouring regions should be involved. As a result, this would provide students with practical skills and bring companies and universities – and regions – closer to each other. For example, compiling a Master's thesis for SMEs could be supported more. New public financing instruments for such training should be created to promote SMEs' participation. Students are also potential future entrepreneurs, so entrepreneurship education and encouragement to pursue entrepreneurship should be provided at all educational levels.
- Create new tools for enhancing clusters and SME cooperation across the external border, e.g. a platform for finding partners, cross-border business services, student exchanges, efficient inclusion of immigrants as a labour force and entrepreneurs and an extensive encouragement mechanism in addition to projects.
- See that real cooperation and partnerships are based on actual need. A sufficient level of education, general economic development and positive attitudes are needed for a more innovative economy, which should be also promoted through public policies.





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## NOTES



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