

Cross-border cooperation between Ukraine and Poland

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Abstract: This article discusses the issue of cross border cooperation between bordering territories of Poland and Ukraine. The features of financing of cross border programs as well as foreign economic activity, investment activity of Euroregions “Bug” and “Carpathian” are analyzed.

Abstrakt: W artykule scharakteryzowano pytania, które dotyczą współpracy transgranicznej między terytoriami pogranicznymi Polski i Ukrainy oraz finansowania programów transgranicznych i zagranicznej działalności gospodarczej, aktywności inwestycyjnej w euroregionach „Bug” i „Karpaccy”.

Cross-border cooperation (CBC) is a very promising direction of international integration. It foresees the implementation of common projects among administrations, public associations and commercial entities of border areas of neighbouring countries. Cross-border cooperation spheres include development of frontier infrastructure, tourism and recreation, environmental conditions and protection, cultural exchange, etc.

An analysis of the latest research and publications shows that there are many works of Ukrainian scientists dedicated to the studies on cross-border cooperation. Among them it is worth mentioning the publications of A. Balyan, V. Borschevskyj, M. Dolishnij, M. Malskyj, I. Mykhasyuk, N. Mikula, O. Urban, V. Pyla, I. Studennikov, T. Vasylytsiv et al.

There are a number of important problems that Ukraine has to solve which involve a few areas of interest at this time, namely the matter of efficient regional

policy, the regulation of the social life sphere, and standards of living improvement. If the solutions to those issues were made on the basis of EU principles, then it could become one of the significant factors that may positively influence the process of Ukraine's integration with the EU. The experience of Central and East European countries, new EU members, convincingly affirms that fact. This is why the government of Ukraine drafted a State Programme of cross-border cooperation development for 2011–2015, which was ratified in December 2010.

Nowadays, the realization process of cross-border cooperation becomes complicated since there exist disproportions in social and economic development of bordering areas. Therefore, the pivotal aim of CBC is to make the positions of border regions of adjoining states even and, importantly, to level up the living standards of population. In order to achieve those aims, the Euroregions have been created. They represent one of the forms of cross-border collaboration. Euroregions are the areas of cross-border cooperation based on agreements signed by the local authorities of adjacent countries.¹ Ukraine has land frontier with four member states of the EU: Poland, Slovakia, Hungary and Romania. Alongside Poland's border there have been created 18 Euroregions since 1990, and two of them, namely the Carpathian Euroregion and Euroregion "Bug" were created with the participation of Ukrainian regions, including areas of Lvivska oblast.² The Carpathian Euroregion is the single largest Euroregion in terms of area (104,989



Figure 1. Map of Carpathian Euroregion and Euroregion "Bug"

Source: Development of the author.

¹ On approval of the State Programme of cross-border cooperation development for 2011–2015: Government Regulation of Ukraine, 1.12.2010, No 1088, "Governmental Courier" 2010, No 230.

² *The Development Problems of Ukrainian Cross-Border Cooperation under Conditions of the Enlarged EU: Monograph*, ed. N. Mikula, V. Borschevskyj, T. Vasylytsiv, Lviv 2009, p. 41.

km²) and population (about 10 million people) in the whole of Europe. It covers parts of five countries, including Hungary, Romania, Slovakia, Ukraine and Poland. It was the first Euroregion established on the territory of Ukraine (on 14 February 1993). Euroregion “Bug” was the second one created (on 29 September 1995) and it includes parts of three countries (Poland, Ukraine and Belarus).

It is cross-border cooperation that could become an efficient means for regions to lead their economy to a competitive level and essentially decrease the unemployment rate, which is particularly important for western regions.

Cross-border cooperation between Poland and Ukraine was established within the framework of the Madrid Convention of the Council of Europe of 21 May 1980 and the European Charter of Local Self-Government. Thus, following these two documents, several agreements have been signed on cross-border cooperation between local authorities in the two countries. In 1993, the two countries signed the Treaty on Good Neighbourhood, Friendly Relations and Cooperation. In the 1990s, they signed many documents that regulated neighbour relations, including:

- 18 May 1992 On Check Points;
- 12 January 1993 On Law Relations on the Polish-Ukrainian National Border and On Cooperation and Mutual Help in Border Issues and On Cooperation in Water Economy on the Border Waters;
- 6 April 2000 On Cooperation and Mutual Help in Preventing Damages, Natural Disasters and Eliminating Their Results;
- Convention of 12 January 1993 On the Issue of Avoiding Double Taxation, of Avoiding Tax Evasion on Income and on Property.³

There is no doubt that the implementation of cross-border cooperation programmes depends on an effective financing mechanism. Generally, cross-border cooperation is financed on account of state and local budget allocations, as well as other extrabudgetary sources, for instance resources of public organizations, financed by foreign donor programmes, etc. At present, CBC project’s financing sources comprise only local budget allocations and international technical assistance, consequently CBC growth rates have slowed down.⁴

The Act of Ukraine On Cross-Border Cooperation foresees allotment of financial support for cross-border cooperation from the state budget.⁵ However, in accordance with the present financial mechanism within state programme those funds are essentially not being allocated.⁶ So as a matter of fact, only those Ukrainian Euroregions that have border with EU-members are financed. The funds for implementing the

³ *Swot Analysis and Planning for Cross-Border Co-operation in Central European Countries*, Institute of International Sociology of Gorizia, p. 199.

⁴ *On approval of the State Programme of cross-border cooperation development for 2011–2015...*

⁵ Act of Ukraine On Cross-Border Cooperation, <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=1861-15>.

⁶ *The Development Problems...*, p. 46.

projects, including CBC-projects, are received from the EU authorities, in particular within the execution of European Neighbourhood and Partnership Instrument programmes 2007–2013, with budgeting of 1.118,434 billion EUR, which considerably exceeds the budget for 2004–2006.⁷

Cross-border cooperation is a key priority of the European Neighbourhood and Partnership Instrument (ENPI). Its main aim is to strengthen cooperation between EU member states and partner countries along the external border of the European Union. Ukraine is taking part in three out of nine Land-Border Programmes: The Cross-border Cooperation Programme Poland–Belarus–Ukraine 2007–2013 (186.201 million EUR), Hungary-Slovakia-Ukraine-Romania 2007–2013 (68.638 million EUR), and Romania-Moldova-Ukraine 2007–2013 (126.718 million EUR), as well as in one of the Sea-Basin Programmes — Black Sea (17.306 million EUR), under the European Neighbourhood and Partnership Instrument (ENPI). The total available funding for these four programmes reaches nearly 400 million EUR.

It should be emphasized that in the past there was no specific Polish-Ukrainian programme for cross-border cooperation. Collaboration was based on the PHARE programme “Polish East border”. The programme started in 1997 and its aim was to improve border safety and to create CBC based on the model of Programme for Bordering Cooperation.⁸

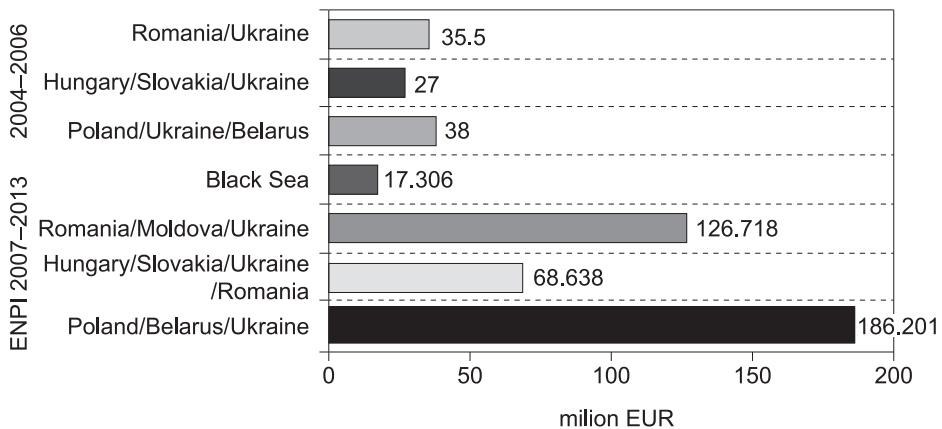


Figure 2. Indicative allocations per programme, 2004–2013

Source: European Neighbourhood & Partnership Instrument. Strategy Paper 2007–2013. Indicative Programme 2007–2010. Executive Summary.

Before the ENPI programme, the main CBC programme, which was financed by the European Commission, was the Neighbourhood Programme

⁷ European Neighbourhood & Partnership Instrument. Strategy Paper 2007–2013. Indicative Programme 2007–2010. Executive Summary http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-cross-border/documents/summary_of_strategy_paper_en.pdf.

⁸ *Swot Analysis and Planning...*

Poland-Belarus-Ukraine INTERREG IIIA/Tacis CBC 2004–2006. But the indicative allocations were less important than the ENPI ones.

As it is shown in Figure 2, the Programme “Poland-Belarus-Ukraine” is the biggest among all Cross-Border Cooperation European Neighbourhood and Partnership Instrument programmes having the budget of 186 million EUR. The difference between those two instruments is that the new mechanism, so called “large scale projects” appeared. Those projects are mainly focused on the investments into border crossing points. It is one of the tangible and visible effects of joint efforts to make borders more efficient. The most important causes that are hampering cross-border cooperation are: weak infrastructure of border check points and roads, difficult procedure of border crossing and using various tools of trade policy. The situation on the Polish-Ukrainian check points is becoming complicated due to a growing trade turnover of Ukraine with its neighbours. This has resulted in more queuing at the border.

As far as the border check points are concerned, collaboration is not as efficient as it was at the Polish-German border, though Ukraine and Poland have 500 km land border in common. Before 2004 there were more than 50 border check points at the Polish-German border. At present, there are only 12 of them on the Ukrainian-Polish border (from north to south): Dorohusk-Jagodzin (road-passenger, goods), Dorohusk-Jagodzin (railway-passenger, goods), Zosin-Ustulug (road-passenger), Hrubieszow-Wlodzimierz Wolynski (railway-passenger, goods), Hrebenne-Rawa Ruska (road-passenger, goods), Hrebenne-Rawa Ruska (railway-passenger, goods), Werchrata-Rawa Ruska (railway-goods), Korczowa-Krakowiec (road-passenger, goods), Przemysl-Mostiska (railway-passenger, goods), Medyka-Szeginie (road-passenger, goods), Krościenko-Smolnica (road-passenger, goods), Krościenko-Chyrow (railway-passenger).⁹

At the moment, there are three large scale projects concerning border check points:

- Construction of the exit as part of the construction of the road-border crossing Budomierz-Hruszew (total budget 8,888,889.00 EUR);

- Construction of the road border crossing in Dolhobyczow — 4 buildings (total budget 8,888,889 EUR);

- development of modern border guard sections infrastructure (total budget 8,842,447.87 EUR).

Thus, cross-border roads and waste water treatment facilities could now be co-financed on a considerably larger scale, as the programme gives new opportunities for the beneficiaries from Ukraine to implement infrastructure projects.

Eligible area for this programme includes cooperation areas and adjacent cooperation areas and it consists of the following administrative units in Poland and Ukraine:

⁹ *Ibidem.*

— in Poland: Krosniensko-przemyski subregion, Bialostocko-suwalski subregion, Bialskopodlaski and Chelmsko-zamojski subregion, Ostrolecko-siedlecki subregion and also as adjacent cooperation areas: Rzeszowsko-tarnobrzeski subregion, Lomzynski subregion, and Lubelski subregion.

— in Ukraine: Lvivska, Volynska, Zakarpatska oblasts and as adjacent cooperation areas: Rivnenska, Ternopilska and Ivano-Frankivska oblasts.

The programme “Poland-Belarus-Ukraine” has three main Priorities and eight Measures:

Priority 1. Increasing competitiveness of the border area:

- Measure 1.1. Better conditions for entrepreneurship
- Measure 1.2. Tourism development
- Measure 1.3. Improving access to the region

Priority 2. Improving the quality of life:

- Measure 2.1. Natural environment protection in the borderland
- Measure 2.2. Efficient and secure borders

Priority 3. Networking and people-to-people cooperation:

- Measure 3.1. Regional and local cross-border cooperation capacity building
- Measure 3.2. Local communities’ initiatives.¹⁰

The aggregate budget for the “Poland-Belarus-Ukraine 2007–2013” programme is 202.9 million EUR, where 186,201 thousand EUR is allocated from the European Commission fund, and 16,758 thousand EUR is mobilized through co-financing of cross-border projects by programme participants. Co-financing is equal to 10% of the amount allocated by the EU. The largest amount of funds is allocated to Priority 2 — improving the quality of life (71,687 thousand EUR), for improving competitiveness of the border area — 61,446 thousand EUR, for institutional cooperation and support of local community initiatives — 51,205 thousand EUR and for technical assistance — 18,620 thousand EUR.

Let us now consider a number of Polish-Ukrainian undertakings within this programme.

Under measure 1.2: “Tourism development” there is the biggest number of projects: “Geo-Carpathians — Creating a Polish-Ukrainian Tourist Route” with total budget of 326,988.90 EUR. The aim is to increase tourist potential utilisation in the Carpathian region and to improve the conditions for entrepreneurial development through the creation of a new Polish-Ukrainian tourist product — geotourist route. “Underground City: Development and Popularization of Cross-Border Tourism by the Creation of Cross-Border Tourist Route in the Underground Routes of Lviv, Rzeszów, Lublin” with the total budget of 494,866.51 EUR. “Lubaczów-Yavoriv Two Potentials, Joint Opportunity” (450,259.30 EUR) project aims to create tourist information systems for Lubaczów and Yavoriv, renovate

¹⁰ Cross-border cooperation programme “Poland-Belarus-Ukraine 2007–2013”, <http://pl-by-ua.eu/en,3>.

market squares in partner cities, conduct training on providing tourist information and tourist traffic service, promotional events. “Partner Project of Development of Common Tourism Based on New Youth Sport and Leisure Centres in Wola Michowa (Poland), Uzhgorod and Baranynci (Ukraine)” (574,868.98 EUR).

Improving access to the region: “Clean Water at the Bug Estuary — a Cross-Border Water Supply System for Hrubieszów and Volodymyr Volyns’kyi — Stage I” (410,327.00 EUR).

Natural environment protection in the borderland: “Developing a Cross-Border System for Natural Hazards Management at the Polish-Ukrainian Border” (632,772.58 EUR); “Renewable Sources of Energy — Method of Improving the Quality of Natural Environment within the Area of the Lubaczów District and Yavoriv Region” (453,717.22 EUR).

Regional and local cross-border cooperation capacity building: “Development of Alternative Pre-School Education System in Rural Communities” (316,871.00 EUR); “SOS — Safe Coexistence of People and Homeless Animals in Polish-Ukrainian Border Territories: Lviv, Lublin, Lutsk, Ivano-Frankivsk” (298,446.54 EUR).

This programme plays a significant role in the development of western Ukrainian boundary regions. The fundamental purpose of the programme is to provide assistance for cross-border development processes by bringing the local communities and organizations closer to each other, in order to derive benefits from the opportunities offered by the mutual development of the cross-border area.

Although this programme foresees primarily the financing of projects only in social fields, it should be noted that there is also a positive tendency in foreign economic activity of the border areas, as well as an increase in number of joint ventures and investments in Ukraine’s economy from neighbouring areas.

There are a number of organizations created in order to spur entrepreneurial activity in bordering regions. To support the establishment of trade partnerships between Ukrainian and Polish companies is the main aim of the Polish-Ukrainian Chamber of Commerce, which was established in 1992 as an initiative of Polish and Ukrainian entrepreneurs. It has organized collective appearance of Polish companies during many prestigious trade-shows and exhibitions in Ukraine. It has also organized hundreds of economic missions, associating reliable partners from Poland and Ukraine that usually entered in the fruitful relations with a commercial success in the end. The members of the Chamber are around 150 Ukrainian enterprises and more than 110 Polish firms.¹¹

In 2007 the NGO “Centre of Ukrainian-Polish Cross-border Cooperation” was established. One of the main priorities of the Centre is also to promote the development of small and medium-size businesses in the border areas. The main activities among this priority include:

¹¹ Polsko-Ukraińska Izba Gospodarcza, <http://www.pol-ukr.com/polska-czlonkowie/>.

- to search for business partners for business entities in Ukraine and Poland on both sides of the border;
- to promote the investment projects implementation by searching for potential investors on both sides of the Ukrainian-Polish border;
- to provide legal support to the first contract between business partners from both countries.
- to engage Ukrainian and Polish banks and insurance companies to export and import transactions between the two countries.¹²

In the border areas there is a significant share of export-import operations which affirms the fact of essential asymmetry in foreign economic activity of Ukrainian regions with Poland. Poland is the largest trade partner and investor for the western regions of Ukraine (the Poland's share in Ternopil'ska oblast's foreign trade turnover in 2010 was 40.8%, in Lviv'ska oblast — 26.1%, in Volyn'ska oblast — 17.6%), while in other regions there is a much lower level of trade cooperation with Polish partners (the smallest value of FTT with Poland was noted in Sevastopol [1%], Crimea [1.2%] and Luhans'ka Oblast [1.2%]). In geographical structure for "Carpathian" and "Bug" Euroregion's imports of goods in 2010 Poland occupied the first place, having 17% and 23% shares respectively. From the total volume of export of goods in the Carpathian Euroregion the share of Poland is only 9%, but this is due to the large volume of export operations in Zakarpats'ka oblast with Hungary, which occupied the first place with a 20% share. In general, the dynamic of foreign trade turnover is positive, with the exception of the year 2009, when the world financial crisis made its contractary influence. It is graphically presented in Figure 3. It should also be emphasized that among all of the oblasts that are part of eligible area for the programme "Poland-Belarus-Ukraine," the volume of Lviv'ska oblast's foreign trade turnover with Poland is the largest.¹³

In 2011 foreign investors invested 146.5 million USD in Lviv'ska oblast and that is 21.6% more than for the corresponding period in 2010. The total investments in Lviv'ska oblast amounted to 1358.2 million USD. Currently 60 countries successfully invest in Lviv'ska oblast. The most significant investments come from Poland (384 million USD), Austria (211.4 million USD), Cyprus (167.8 million USD), GB (111 million USD), Germany (80.8 million USD).

In 2012 there were 715 enterprises with foreign direct investments in Lviv, and 190 of them were enterprises with direct investments from Poland, having 26.6% share out of a total number. It is worth mentioning that among Lviv enterprises, which induced significant amount of foreign investment from Poland are: private joint-stock company "Kredobank" (investor- PKO Bank Polski S.A.), subsidiary "Facro-Lviv," private joint-stock company "Idea Bank," LLC Financial company "Garant Plus,"

¹² Centre of Ukrainian-Polish Cross-border Cooperation, <http://iardi.org/partners/tsentr-ukrajinsko-polskoho-transkordonnoho-spivrobitnytstva>.

¹³ Statistical publication Regions of Ukraine — State Statistics Service of Ukraine, 2011.

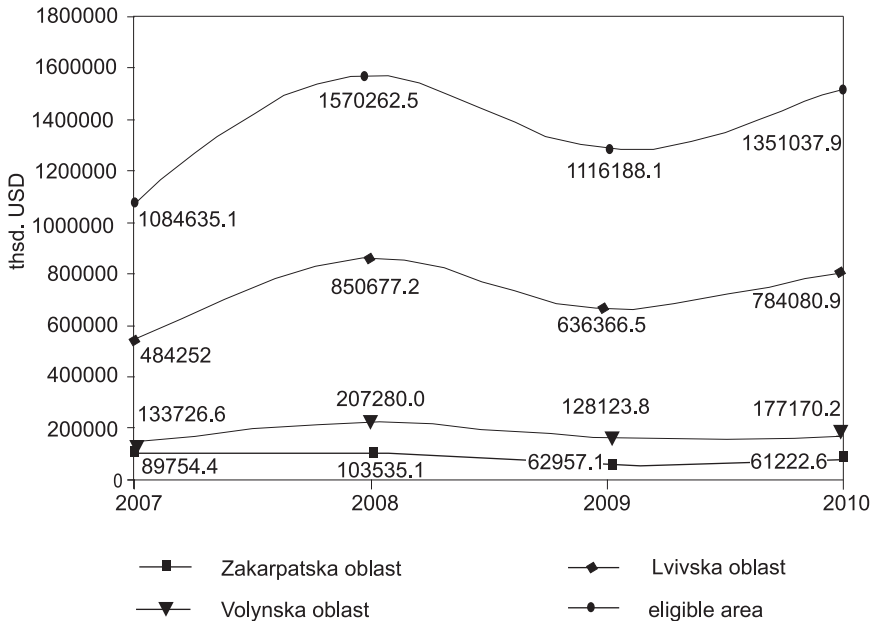


Figure 3. Foreign trade turnover with Poland during 2007–2010

Source: Statistical publication Regions of Ukraine — State Statistics Service of Ukraine, 2011.

LLC “Kingspan-Lviv,” subsidiary “B plus V telecom solutions,” LLC “Mercor-Ukraine” et al.¹⁴

During the entire period of investment the most attractive branches for foreign investors remained financial activities and manufacturing industry in Lvivska oblast, since these sectors cover almost two-thirds of foreign direct investment. There still remains negligible interest of foreign investors to the social sphere. At the end of 2011, the combined share of education, health, culture and sports in total foreign capital in the region was only 1%.¹⁵ It is very important that such types of projects are financed under the European Neighbourhood and Partnership Instrument programmes.

Conclusions

Cross-border cooperation plays an important role in social and economic life of the bordering regions, so it is important to take measures in order to intensify and deepen it. The Ukrainian and Polish borderland has many features in common with regard to the development of education, employment structure, and high

¹⁴ Lviv investment portal — Direct foreign investment, <http://www.investinlviv.com/ua/biznes-seredovyshe/ekonomichni-pokazniki/investycji-u-lviv/>.

¹⁵ Investment in foreign economic activities. Lvivska oblast...

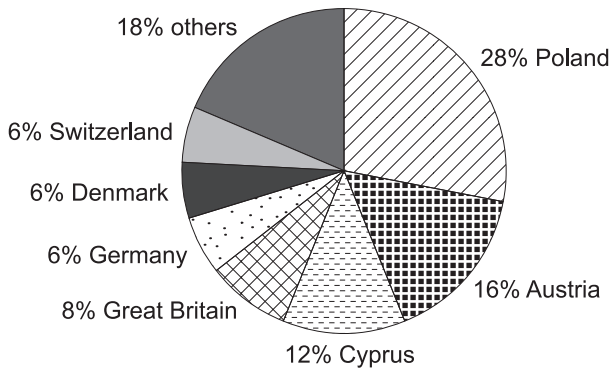


Figure 4. Geographical structure for direct foreign investment into Lvivska oblast (31.12.2011)

Source: *Investment in foreign economic activities. Lvivska oblast, "Statistical Yearbook" 2011*, pp. 7–8.

unemployment, migration of population and development of NGOs sector. In addition to this, it is necessary to support all kinds of “people to people” measures and encourage cooperation between local communities, and between enterprises. This will in turn contribute to the social unity of Ukrainian and Polish citizens inhabiting the border area. There are good prospects for cooperation between local and regional authorities, as well as various institutions to ensure border security, as well as for organizing various events (cultural, commercial, youth exchanges, conferences, scientific seminars, sporting events, etc.).

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Summary

The article introduces the characteristics of cross-border cooperation of western regions of Ukraine and Poland. The Cross-border Cooperation Programme “Poland-Belarus-Ukraine 2007–2013” was analysed and the economic aspects of the Euroregions “Bug” and “Carpathian” were examined.