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EUROPEAN INTEGRATION INFLUENCE ON FUND MANAGEMENT MECHANISM AT THE NATIONAL LEVEL

Анотація: *Проаналізовано досвід Польщі та вимоги до управління зовнішніми ресурсами від ЄС та інших міжнародних організацій з метою інтеграції країни до ЄС та прискорення ринкових трансформацій. Особливу увагу приділено механізмам керування ресурсами як ключового фактору впливу на трансформації в економічному середовищі з метою використання для реалізації євро інтеграційного курсу України.*

Ключові слова: *євроінтеграція, зовнішні ресурси, підтримка, міжнародна допомога, бенефіціари, співфінансування, донори, міжнародні організації, децентралізована система управління.*

Annotation: *Poland's experience and requirements for management of external resources of the EU and other international organizations to accelerate economic reform and integration into the EU have been analyzed. Particular attention is paid to the mechanisms and approaches to the management of external resources as a key factor in the international assistance of reforms in order to adapt and use valuable experience in the implementation of reform programs and Ukraine's European aspirations.*

Key words: *eurointegration, external funds, assistance, international assistance, beneficiaries, co-financing, donors, international organizations, decentralized implementation system.*

Аннотация: *Проанализирован опыт Польши и требования к управлению внешними ресурсами от ЕС и других международных организаций с целью интеграции страны в ЕС и ускорения рыночных*

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трансформаций. Особое внимание уделено механизмам управления ресурсами как ключевого фактора влияния на трансформации в экономической среде с целью использования для реализации евроинтеграционного курса Украины.

***Ключевые слова**: евроинтеграция, внешние ресурсы, поддержка, международная помощь, бенефициары, со-финансирование, доноры, международные организации, децентрализованная система управления.*

Problem identification. Given the prospects of signing the Association Agreement between the EU and Ukraine the need to intensify economic reforms and approach Ukraine to the European standards becomes more acute.

The EU and other international organizations under special development tools provide assistance for development programs and reforms in Ukraine, which is a powerful external resource to support partner countries in the implementation of market and democratic transformations. Building a system of effective management of external resources is one of the key factors for successful implementation of the European aspirations of Ukraine.

Resent publications and researches analysis. The study of this problem is given little attention so far in the scientific studies. Some aspects of external resources and funds management for EU integration efforts could be seen in the works of such scientists as L. Kisterskiy, O. Plotnikov, V. Kolosova, K. Prigmore, U. Sics et al.

Singling out of previously unresolved component parts of the main problem. From the perspective of approaching the signing of the Association Agreement with the EU and Ukraine a mechanism of effective management of pre-accession and the EU structural funds should be built, the impact of the distribution and use of which will depend on the pace of economic transformation and approximation of Ukraine to European standards under which control and responsibility will be assigned to Ukraine as a potential candidate for EU membership.

Formulation of the article's goals. This article theoretically proved and analyzed the prospects of implementation and use of new mechanisms of external resources and EU funds management based on Poland's experience.

The Treaty establishing the European Communities (Articles 158 -162) requires that the EU promote an overall harmonious development and strengthen economic and social cohesion by reducing development disparities between the regions. Therefore over the past 30 years the European Union has established various funding regulations and mechanisms with two main aims, namely, to promote economic and social cohesion among the EU Member States and to support the economic and social development of non-EU Members States. The EU Cohesion Fund was established in 1993 through a provision of the Maastricht Treaty on European Union, and was designed to assist the least prosperous Member States in their preparation for Economic and Monetary Union.

Vis-à-vis the non-EU countries, the Instrument for Pre-Accession Regulation (IPA) was released at the same time as the set of new regulations for Structural / Cohesion Funds. It profoundly modifies the rules of the EC in direct relation with systems of control of the related funds. The intention of the EC is to prepare during the pre-accession period the candidate countries to manage post-accession or Structural Funds. In comparison with the former pre-accession instruments, a major change introduced in the institutional backdrop by the IPA regulation is the need for setting up an institutional framework similar to the one required for Structural / Cohesion Funds [4].

International assistance (IA) to the Central European countries was set up in 1989, but it did not have a clearly defined orientation, especially at the inception phases. In Poland it has been launched in 1989-1993 and was mostly chaotic – assistance was provided in a diversified way by different countries without a general plan of IA use. A peculiar feature of the then assistance was predominance of the isolated steps and projects. During this period, the work was underway to formulate the unifying IA coordination principles at national levels. IA of that time was not coordinated or planned properly, reminding of the

current principles of cooperation with Ukraine very much. A general IA distinction of that period was that a lion's share of consultancy did not yield the expected results.

At this phase, critical actions were taken having hereafter significant influence on IA effectiveness and Poland's EU accession, among them: establishing the stabilisation funds dealing with inflation and national currency stabilisation; launching the European Union's PHARE Programme; setting up the cooperation fund in the production and other industries; establishing a number of specialised IA delivery agencies – industrial development agency, agency for restructuring and modernisation of agriculture, agency for retraining of military personnel; creating the new funds – Foundation in Support of Local Democracy, Soros Foundation and others.

Besides PHARE, from 2000 the new EU pre-accession assistance programme for the Central European countries included another two programmes: ISPA and SAPARD. ISPA envisaged measures for structural policy implementation in the pre-accession period and focused on financing the countries' major investment projects over 5 mln. Euro. SAPARD Programme in Poland was directed at supporting agricultural firms and rural development [3].

The coordination, distribution and control over resource utilisation of these two programmes were entirely entrusted to the Ministry of Finance of Poland as a national authorising office and a managing authority for the national co-financing funds. But for that time where were not effective structure of management and coordination funds and efforts in the Polish government. Poland was not structurally fully prepared for such a transformation [5].

As a result, in realising the programmes Poland encountered with many problems: delays with technical assistance projects because of the problems related to drawing up of technical documentation, need for completing the projects through the budget funds to achieve these project goals on account of the unavailable programme resources. The programme funds were expected to be returned at the expense of the state budget regarding some projects because

of the unattainable goals or violated criteria (the created job places should function at least 5 years, and equipment – no less than 2 years).

Thus, many projects under SAPARD and ISPA Programmes are not completed till now. In order to cover the deficit in financing the completion of projects, a special reserve fund was created to also finance return of resources with respect to the projects being considered uncompleted in terms of the above evaluation criteria. The project monitoring and recovery of funds in connection with the irregularities within the programmes will continue till 2013, and their closure is a matter of distant future.

Successful development depends to a large extent on a government's capacity to implement its policies and manage public resources through its own institutions and systems. In the Paris Declaration, recipient countries committed to strengthen their systems and donors committed to use those systems to the maximum extent possible. Evidence shows however that recipient countries and donors are not on track to meet these commitments. Progress in improving the quality of country systems varies considerably among countries and even where there are good-quality country systems, donors often do not use them. Yet it is recognized that using country systems promotes their development, and Ukraine has got basis for improving international funds management system within the Ministry of Finance and its structures [2].

Given that the Ukrainian current system of IA management and coordination provides a less than optimal donor* coordination mechanism, does not provide an effective administrative and financial system in which donors can operate fully respecting commitments of Paris and Accra Declarations, allows leadership of donor programs to rest with donors instead of the Ukrainian authorities, does not allow for a future transitions to "a next stage of engagement" with the international community, (especially the EU), a new and more effective approach to donor coordination is required.

* international organizations provide IA

Such an approach should place the Government of Ukraine in a leadership position and provided for the potential of a progression on a path to closer integration with the international community (in particular the EU), while progressively increasing the amounts of donor technical and financial assistance. Such "next stage" donor coordination system should be built on the strengths of the current mechanism, but it should also effectively deal with its weaknesses.

While many mechanisms and systems of IA/ donor coordination exist globally and have been utilized in central Europe over the last 20 years, the most effective (and progressive) system which would meet the main requirements mentioned above and provide effective systems is a Decentralized Implementation System (DIS) similar to the systems which have been put in place in many EU accession and EU pre-accession countries.

DIS normally has two main components: 1) a financial control, contracting and financial implementation system, which implements the financial resources of a National Fund, normally placed inside or connected to a Ministry of Finance. This function is currently fulfilled by the individual donors; 2) a structure responsible for programming, administrative/ operational issues related to project planning, monitoring and implementation strategic fit of programs into the wider national development. This is normally referred to as a Central Management Unit and is quite typically located in a Ministry for European Integration or Ministry of Economy. This function is normally fulfilled by the Ministry of Economy, although practically the donors do most of these functions [2]. A third overall or strategic coordination and control unit is also highly desirable, which may oversee wider implementation issues, ensure alignment between national level strategic and plans and IA efforts of donors as well as maintaining strategic relationships with donors.

Conclusions. IA can be an impotent tool to allow the injection of professional advice and competent support to a partner country in transition. This assumes professional and competent advice and support, which requires an effective selection of process to get the best and most relevant IA where it is

best needed. It also assumes effective frameworks, into which this advice and support align. To ensure effective euro-integration of Ukraine, effective IA funds management at the partner country level and the sector level is critical. Extensive work and efforts on creating effective mechanism of funds management and competences at the Ministry of Finance/ Ministry of Economy and the government of Ukraine in general is crucial. This includes a complete revision of existing monitoring and evaluation system to ensure delivery of information that is useful to decision makers to take decisions and to build relevant country development strategy supported by the IA on Ukraine's way to Europe.

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