



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 13.10.1999  
SEC(1999)1596 final

COMMISSION DECISION

**GUIDELINES FOR PHARE PROGRAMME IMPLEMENTATION IN  
CANDIDATE COUNTRIES FOR THE PERIOD 2000-2006 IN APPLICATION  
OF ARTICLE 8 OF REGULATION 3906/89**

# GUIDELINES FOR PHARE PROGRAMME IMPLEMENTATION IN CANDIDATE COUNTRIES<sup>1</sup> FOR THE PERIOD 2000-2006 IN APPLICATION OF ARTICLE 8 OF REGULATION 3906/89

## 1. INTRODUCTION

Guidelines for the implementation of the Phare programme were adopted by the Commission in June 1998 for the period 1998-1999. They are replaced by these Guidelines which, as provided by article 8 of Council Regulation 3906/89, set out the broad parameters within which the Phare programme will operate in 2000-06 in the candidate countries of Central and Eastern Europe which have applied for membership of the European Union.

During the period 2000-2006 financial assistance from the European Communities to the candidate countries of Central and Eastern Europe will be provided through three instruments: the Phare programme (Council Regulation 3906/89), ISPA (Council Regulation 1267/99) and Sapard (Council Regulation 1268/99). Assistance provided under each of these instruments will be co-ordinated in accordance with Council Regulation 1266/99. The assistance will be given in the general legal framework of the Association Agreements with these countries, taking account of the contents of the Accession Partnerships.

These Guidelines only cover the Phare programme. They cover national programmes, cross border and multi-country programmes and take account of the fact that, since the other two instruments have sectoral objectives, Phare should continue to provide general assistance to the candidate countries to help them prepare for accession. Phare will operate within a wider framework to be co-ordinated by the Commission with the assistance of the Phare Management Committee, in accordance with the provisions of Article 9 of Regulation 1266/99. The modalities for this co-ordination are set out in a separate document.

### 1.1 Overall objective for Phare

The overall objective of the Phare programme is to help the candidate countries to prepare to join the European Union. The programme is thus "accession-driven", concentrating support on priorities which help the candidate countries to fulfil the Copenhagen criteria<sup>2</sup>.

To achieve this, Phare support focuses on the priority areas for action identified in the Accession Partnerships. The emphasis on an accession-

---

<sup>1</sup> Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia. Guidelines for Phare non-candidate countries will be issued in a separate document.

<sup>2</sup> The Copenhagen criteria require that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership.

driven approach, based on a limited number of priorities, has been complemented by reforms of the Phare management system, all of which aim at improving the speed, efficiency, effectiveness and transparency of its activities.

## **1.2 The Programming framework**

### **1.2.1 The Accession Partnerships**

In 1998 the Commission drew up Accession Partnerships for each candidate country in central and eastern Europe. The principles, priorities, intermediate objectives and conditions were decided by the Council. The Accession Partnerships, which are revised regularly, bring together in one document the priority areas in which the candidate countries need to make progress in order to become ready to join the Union. They also define ways in which EU financial assistance - of all types and from all programmes - will support their efforts to do so.

This constitutes a double programming:

- a) of the priorities for the preparation for accession, based in particular on the adoption of the *acquis*, and on the findings of the Opinions and Regular Reports;
- b) of the financial means available to help each country to tackle the priorities identified.

The Accession Partnerships are complemented by National Programmes for the Adoption of the *Acquis* (NPAA), drawn up by the partner country, which give details of each country's commitments with regard to achieving the Copenhagen criteria, of progress in adopting the *acquis communautaire*, and take account of instruments such as the Pact against Organised Crime, Joint Economic Assessments, Joint Employment Policy Reviews etc.

The Accession Partnership framework covers the whole pre-accession period, thus providing the framework for the multi-annual programming of assistance to the candidate countries. This will enable the candidate countries to plan their accession programmes more effectively and to ensure priority projects are prepared in time. It will also help to provide a framework within which other organisations such as the international financial institutions can plan and co-ordinate their assistance with that provided by national and EU sources.

## **1.3 Phare programming**

### **1.3.1 Multi-annual Perspective for Phare**

The Berlin European Council has accepted a financial perspective for the period 2000 to 2006 which foresees an annual budget for Phare of Euro 1.5 billion (at 1997 prices). The Luxembourg European Council concluded that financial support to the countries involved in the enlargement process will be based on the principle of equal treatment, independently of time of accession, with particular attention being paid to countries with the greatest need.

Multi-annual indicative national allocations will be set by the Commission, based primarily on population and GDP per head but also taking into account past performance, need, absorption capacity and progress in implementing the Accession Partnerships. The Phare management committee will be informed of the multi-annual indicative allocations and, before the beginning of the relevant budget year, of the annual allocation for each country.

### **1.3.2 Annual Financing decisions**

Financial assistance for the priorities identified in the Accession Partnerships will be made available through annual financing decisions taken by the Commission, following the procedure set out in article 9 of Council Regulation 3906/89. The Management Committee will be consulted on the basis of a Financing Proposal accompanied by fiches which detail both the projects to be implemented and the commitments that the country will undertake in order to ensure the successful implementation of programmes.

These financing decisions will be followed by a Financing Memorandum signed with each of the candidate countries (or an exchange of letters, for multi-country programmes).

### **1.3.3 Programming of National and Cross Border Allocations**

The Accession Partnerships will provide the basis for programming Phare National Programmes, including Cross Border Co-operation Programmes. Cross Border assistance will be continued in accordance with Regulation 2760/98 on the basis of integrated regional programmes. Cross border cooperation, especially at the present external frontiers of the EU and also between adjacent countries of Central and Eastern Europe, is important in contributing to economic development in the border regions of these countries and to greater convergence with the level of development on the European Union side, and in preparing candidate countries as effectively as possible for participation in the Interreg programme. Every effort will be made to ensure consistency with the Interreg approach, bearing in mind the differences between the two Regulations. Consideration will be given to expanding the geographic coverage to the future external borders of the EU.

### **1.3.4 Programming of Multi-country programmes**

Multi-country programmes will only be used where the Accession Partnerships identify a priority in a sector where there is a specific justification for a multi-country approach - such as economies of scale, the need to promote regional co-operation or the need for certain types of delivery mechanisms.

The number of multi-country programmes has been reduced from 25 pre 1997 to less than 10 in 1999. They will continue to be reduced in order to rationalise the large number of programmes that are currently being managed, and to ensure that programmes cater to the individual needs of the candidate countries as far as possible. As far as possible preference will be given to multi-country programmes which are decided centrally but implemented through national implementing mechanisms.

Projects linked with interregional and transnational measures in the framework of the Community Initiative INTERREG can be supported through the national PHARE programmes. In addition, in the context of the review of the operation of the PHARE programme, envisaged for year 2000, the Commission will examine ways of reinforcing the link between the PHARE

CBC programme and transnational and inter-regional measures under strands B and C respectively of the INTERREG III Community Initiative.

## 2. TWO MAIN PRIORITIES FOR PHARE

During the period 2000-2006 Phare support will focus on two main priorities, Institution Building and investments.

The first priority, "**Institution Building**", is defined as the process of helping the candidate countries to develop the structures, strategies, human resources and management skills needed to strengthen their economic, social, regulatory and administrative capacity. Phare will contribute to the financing of Institution Building in all sectors. Assistance from Phare will be provided to help the candidate countries to:

- a) implement the *acquis communautaire* and to prepare for participation in EU policies such as economic and social cohesion;
- b) fulfil the requirements of the first Copenhagen criterion: the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. In this area support may be made available to public authorities or to non-governmental organisations.

Around 30% of Phare resources will be allocated for this purpose.

The second priority, "**investment**", will take two forms:

- a) Investment to strengthen the regulatory infrastructure needed to ensure compliance with the *acquis* and direct, *acquis*-related investments.
- b) Investment in economic and social cohesion through measures similar to those supported in Member States through the European Regional Development Fund and the European Social Fund. This will promote the functioning of the market economy and the capacity to cope with competitive pressure and market forces within the EU.

Around 70% of Phare resources will be allocated for investment.

The split of around 30% for Institution Building and around 70% for investment is indicative only. These figures do not reflect the relative importance accorded to the two priorities but rather are based on an assessment of needs and absorption capacity, particularly in the field of Institution Building. These proportions will be applied with flexibility on a country by country basis, giving priority to the needs arising in the field of Institution Building.

The Commission will ensure complementarity of the assistance provided under the headings of Institution Building and Investment. Every project or programme should take account of the institutional and policy environment and be consistent with it.

---

<sup>3</sup> In principle, direct budgetary support will not be financed from Phare.

### 3. INSTITUTION BUILDING

The reinforcement of the institutional and administrative capacity of the candidate countries is a key requirement for enlargement, if the countries are to be in a position to adopt, implement and comply with the *acquis*. This will require modernisation of their administrations and judiciary, taking account of the principles of professionalism and neutrality, and, in some cases, entirely new administrative structures. Preparing for EU membership will require far reaching changes across a broad range of sectors in many of the institutions and organisations involved in the legislative process.

Institution Building activities will be focused on the weaknesses identified at the central, regional and local level particularly in view of the increased emphasis to be given to economic and social cohesion (see section 4.2). Candidate countries will be encouraged to develop a strategic approach to Institution Building activities.

Assistance will also be given to support :

- a) organisations that will have an important role in helping prepare for accession and implement the *acquis* (e.g. organisations involved in the Social Dialogue such as employers federations, and trades unions, as well as socio-professional organisations such as chambers of commerce and agriculture, and other representative bodies)
- b) government and non-governmental bodies to help ensure the promotion of democracy, the rule of law, human rights, the respect for and protection of minorities and a flourishing civil society, in line with the Copenhagen criteria.

#### 3.1. Instruments for Institution Building

Phare programmes will help the candidate countries to develop their own institutions and training systems in the medium term, in particular through intensified interaction with officials and practitioners from Member State institutions. Twinning will be the main instrument. The Commission will work with the network of National Contact Points for twinning in order to facilitate and monitor twinning activities. The impact of twinning will be reviewed on a regular basis.

Where twinning does not allow the mobilisation of the necessary expertise, other forms of technical assistance will be used. Candidate countries will contribute towards the costs of Institution Building projects in kind as well as in budgetary form.

Phare support will:

- a) facilitate twinning arrangements between ministries, institutions, professional organisations (e.g. the judiciary and social partners), agencies, European and regional bodies and local authorities, in particular through the secondment of officials from the Member States, complemented, as necessary, by short-term assignments and training;
- b) provide specialist technical advice on the *acquis*, inter alia through TAIEX;

- c) help to develop facilities for training the public administration at central and regional level

## **3.2 Specific Actions**

### **3.2.1 Participation in Community Programmes**

The participation of the candidate countries in Community programmes will be further pursued through the progressive opening-up of of Community programmes. They provide a useful preparation for accession by familiarising the associated countries and their citizens with the Union's policies and working methods.

As provided in the Europe Agreements and their additional protocols, participation in Community programmes will be co-financed by the candidate countries themselves and Phare support (up to 10% of the national allocation) will be provided on a degressive basis. This 10% limit does not include participation in the research and development framework programme, which will be funded as "investment support".

The Community programmes in which candidate countries participate will be subject to evaluation according to normal Commission procedures.

The Luxembourg European Council concluded that the candidate countries should take part as observers, for the points which concern them, in the management committees responsible for monitoring the programmes to which they contribute financially.

### **3.2.2 Participation in Community Agencies**

The candidate countries will be invited to participate in the work of various Community agencies. Part of the costs of their participation may be funded by the Phare Programme, subject to the 10% limit set out in 3.2.1. Further details are set out in a separate Communication.

### **3.2.3 Civil Society Measures**

Safeguarding and developing the democratic process in the candidate countries is critical to satisfying the Copenhagen criteria. In addition to assistance which may be provided to governments for this purpose, e.g. for the protection of minorities such as the Roma, financial and technical assistance may also be provided to non-governmental organisations with a view to:

- a) supporting initiatives aimed at the consolidation and further development of democratic practices and the rule of law;
- b) strengthening the institutional capacity of non-governmental organisations and social partners at all levels;
- c) supporting the inclusion and participation of individuals or groups who risk being socially, economically or politically marginalised due to culture, beliefs, gender, age, sexual orientation or disability.

## 4 INVESTMENT

The convergence of the candidate countries' economies with the EU and the ability to take on the obligations of membership mean that enterprises must improve their competitiveness, and infrastructure must be adapted. Enterprises and infrastructure must comply with Community standards. This will require considerable investment and an appropriate institutional and regulatory context.

Phare support for investment will be concentrated in the following areas:

- Alignment with EU norms and standards.;
- Investment in economic and social cohesion, including the effects of restructuring in important sectors of the economy.

Phare can only meet a very small proportion of the financial needs of the candidate countries but, together with Ispa and Sapard, it can continue to act as a catalyst by co-financing operations which are undertaken by the EIB and/or the international financial institutions. A Memorandum of Understanding has been concluded with the EBRD, the World Bank, the Nordic Investment Bank, the Nordic Environmental Finance Corporation, and the Council of Europe Social Development Fund on co-operation for accession preparation, to which the EIB is associated. This Memorandum aims to ensure enhanced co-ordination, harmonised action and strengthened co-operation between the respective financial instruments as well as to identify specific co-financing opportunities and to standardise procedures.

In order to respect article 4 of Co-ordinating Regulation 1266/99 Phare will not support investment projects in the areas of transport, environment or agriculture eligible for ISPA or Sapard respectively. As provided for in article 4 of this Regulation, exceptions may be made where investments in these sectors "form an incidental but indispensable part of integrated industrial reconstruction or regional development programmes". In cases where commitments have been given to contribute funding over a number of years for purposes which do not fit into the above categories (e.g. to post privatisation funds) the Commission will honour commitments made until the expiry of the agreed period.

### 4.1 Alignment with EU norms and standards.

This will include support for investment to equip key institutions whose infrastructures or capacity to monitor and enforce the *acquis* need to be strengthened (the regulatory infrastructure). These investments can be supported anywhere in the candidate country.

Investment in the regulatory infrastructure will only be made on the basis of a clear-cut government strategy supported as necessary by Institution Building.

### 4.2 Economic and Social Cohesion

#### 4.2.1 National Development Plan

Inside the EU, economic and social cohesion both within and between countries is a major part of the *acquis communautaire* and is supported substantially through the Structural Funds. For the candidate countries it will form an important part of their strategies for convergence with the EU. For



this reason, it is an important priority in the Accession Partnerships. However, economic and social cohesion is a complex objective which can only be met if each country has a coherent and integrated overall strategy, which takes into account the need both to promote competitiveness and to reduce internal disparities. Therefore, each candidate country has been asked to draw up a preliminary National Development Plan to be annexed to its NPAA.

The preliminary Plan will develop over time into the type of National Development Plan required for all Objective 1 regions inside the EU. It will be compatible with the planning and programming documents which are used inside the EU, and will be updated as the country's own strategy on economic and social cohesion develops. The preliminary National Development Plan will include:

- 1) an analysis of the candidate country's current situation, identifying the critical development gaps between its regions and between itself and the EU.
- 2) the identification of the key development priorities in the area of economic and social cohesion which need to be addressed during the pre-accession period.
- 3) a general financial perspective for government and Community co-financing (Phare, Ispa, Sapard) in this area for the period 2000-2002.

The Plan will also contain an assessment of the environmental situation and will over time introduce the environmental impact assessment requirements of the Structural Funds.

The *acquis communautaire* provides the framework within which this work must take place. Measures implemented by Phare will be fully coherent with the priorities of the Accession Partnership. The establishment and implementation of the Plan should be based on the partnership principles of the Structural Funds. In addition to the national authorities the regional and local authorities of the candidate countries themselves should in future increasingly be involved in the process. Phare Institution Building support will be made available to ensure that these three levels can play their intended role, in line with each country's own institutional arrangements. Relevant non-governmental actors with experience in the field of economic and social development should also be involved in this process.

The preliminary National Development Plan is to be approved by the responsible authorities of the country concerned and presented to the Commission.

#### **4.2.2 Focus, Concentration and Impact**

The preliminary National Development Plan is the framework which defines the sectoral themes and priorities chosen for support. The financial contribution to these priorities will come from different sources, mainly domestic public expenditure, but also including private finance and international assistance.

The total amount which PHARE can contribute to the achievement of these national priorities is limited. PHARE co-financing will be provided though coherent regional development plans only for those measures that are consistent with the objectives and priorities defined in the national development plan. PHARE support for investment in regional development

will be programmed on a regional level similar to NUTS 2, and will concentrate on the most serious structural problems.

The candidate countries will be asked to select the target regions, including projects of regional importance, where Phare investment support will be focused. The selection should be based on objective criteria that reflect both the need for internal cohesion within the candidate country and the potential for maximising the reduction of social and economic disparities between the candidate country and the EU. These criteria could include indicators of economic and social development, sectoral restructuring etc. As resources permit, Phare will aim to progressively increase its regional coverage.

#### **4.2.3 Types of Investment Support**

Within the target regions the Phare programme will co-finance measures which address the following objectives:

**Increasing the activity of the productive sector.** These measures may be aimed at helping to diversify the economy, to develop the private sector (including SMEs and micro-enterprises), to restructure and modernise industry and services and to improve energy efficiency<sup>4</sup>. This will be in addition to Phare aid for investment in alignment with the acquis which may be available nationally.

- **Strengthening human resources.** This will target support to the four pillars in the European Employment Strategy - improving employability, developing entrepreneurship, encouraging adaptability of businesses and their employees and strengthening equal opportunities. This may be achieved by a range of measures including retraining of the labour force, raising managerial capacity in industry and services and improving innovative capacity. Particular attention will be paid to ensuring that Phare support to employment-related operations of a European Social Fund nature (e.g. human resources development) is fully in line with national employment strategies<sup>5</sup>. Over time, Phare will seek to expand the range of activities covered to bring them closer to those supported by the ESF in Member States.
- **Improving business related infrastructure.** This will focus on infrastructure projects which directly benefit productive sector activity and the local business environment. This may also include investment in transport and environment that is not eligible for support from ISPA (e.g. access to key sites for industrial and commercial development).

In line with practice inside the EU, Phare may contribute in the target regions to the co-financing of national aid schemes (e.g. for investment in fixed assets, private sector development schemes etc).

---

<sup>4</sup> Productive Sector Investment within regional development programmes may support companies directly, as is the case in Objective 1 regions inside EU.

<sup>5</sup> With the technical support of and in collaboration with the European Training Foundation, in view of its specific mandate.

The type of contracts that Phare may finance in the area of economic and social cohesion will include training, twinning, technical assistance, supplies and civil works contracts as well as co-financing national aid schemes (e.g. grants and credits) which will be important in terms of developing human resources and the productive sector.

#### **4.3 SME Horizontal Facility**

A general SME facility has been developed in co-operation with the EBRD. This facility provides low-cost finance to intermediary banks that have programmes to on-lend the funds to SMEs in the partner countries. It is complementary to the support for SME development provided through the national programmes.

Depending on results, further funding will be made available and the facility will be extended in co-operation with other International Financing Institutions, in co-operation with commercial sources and financial institutions in the EU.

#### **4.4 Nuclear Safety**

In addition to support for Institution Building measures, Phare will continue to provide investment support to assist the candidate countries in improving nuclear safety in view of the importance of high levels of nuclear safety in Central and Eastern Europe.

#### **4.5 Principles for Phare investment support**

All Phare support for investment will have to respect the following principles:

- 1) Catalytic: Phare support must act as a catalyst for a priority, accession-driven action which would otherwise not take place or which would only take place at a later date
- 2) Co-financing: All investment projects supported by Phare must receive co-financing from national public funds. The Community contribution may amount to up to 75% of the total eligible public expenditure. Every effort should be made to attract co-financing from other sources.
- 3) Co-ordination: The Commission will also continue to work closely with the European Investment Bank and the International Financial Institutions to co-ordinate activities and to identify suitable projects for co-financing.
- 4) Additionality: Phare support should not displace other financiers, especially from the private sector or from the international financial institutions.
- 5) Project readiness and size: projects (whether implemented through contracts or through grants/subsidies) will only be programmed for Phare support if they are fully developed. A minimum project size of EURO 2 million will apply, subject to the provisions of 5.1.7 below.

- 6) Sustainability: the investment actions to be supported should be sustainable beyond the date of accession. All projects must comply with EU norms and standards, be coherent with the sector policies of the EU and respect the principle of sustainable and environmentally sound development enshrined in Articles 2, 3, and 6 of the Amsterdam Treaty. All projects must also be financially sustainable to cover future maintenance and operating costs.
- 7) Competition: all actions financed must respect the competition and state aid provisions of the Europe Agreements.

## **5. MECHANISMS AND PROCEDURES**

### **5.1 Implementation**

#### **5.1.1 Decentralisation**

As part of the preparation of the candidate countries for accession, the policy of decentralisation of the implementation of the Phare programme to the candidate countries will be continued and further extended - under the responsibility of the European Commission which remains ultimately responsible for the use of the funds.

Further decentralisation will only be authorised by the Commission on a case by case basis in those sectors where the criteria defined in Annex I of Regulation 1266/99 (Co-ordinating Regulation) can be respected by the candidate country and/or implementing agency responsible. This will ensure sound and efficient management and transparency of the use of the funds in line with the objectives of the agreed programmes. The candidate country would commit itself to respect the rules governing Phare as well as the Community's Financial Regulation. Candidate countries would be financially accountable and if the rules were not respected, funds would be recovered by the Commission for the total value of the Phare contract or grant in question.

#### **5.1.2 Commission Supervision of Decentralised Implementation**

The Commission will continue to supervise the implementation of the Phare programme under the decentralised implementation system. To reflect the greater decentralisation of programme implementation to the candidate countries, the Commission's supervision is increasingly exercised on the spot through the Delegations ("**deconcentration**"), whose financial and contractual management capabilities have been strengthened. This takes account of the observations made by the European Court of Auditors and the European Parliament calling for increasing the role of the Delegations in particular with a view to reducing duplication of controls and decision making processes.

#### **5.1.3 Implementation Structures in the candidate countries**

Implementation structures have been rationalised in the candidate countries with two objectives:

- a) to increase the transparency of operations and avoid dispersion of funds;

- b) to use, as far as possible, sustainable institutions and implementing agencies which will be responsible for the management and implementation of programmes financed from Community funds upon accession, particularly the Structural Funds.

Thus the following structure now exists in each candidate country for the implementation of the Phare programme:

- a) a **National Fund (NF)** located within the Ministry of Finance administers the funds allocated. The establishment of the Fund under the responsibility of a **National Authorising Officer (NAO)** has reduced the parallel structures in the financial management of Phare funds and will enhance co-ordination, especially with regard to measures co-financed with the national budget;
- b) the number of implementing agencies through which the Phare programme will be implemented in each country under the authority of the NAO will be strictly limited. A policy is under way of completely phasing out Programme Management Units - either through their closure or their integration into institutions which will retain a role in programme implementation on membership;
- c) where there is no appropriate implementing agency to administer the funds of a programme component for the candidate country, e.g. in the case of Institution Building which is multi-sectoral by nature, a Central Finance and Contracting Unit (CFCU) will be used to carry out the tendering and contracting of the programme. Project selection and monitoring remain the responsibility of the Ministries/administrations directly benefiting from the assistance.

#### **5.1.4 Procedures**

Assistance will be contracted on the basis of existing procedures, in compliance with the European Communities' Financial Regulation. These procedures are given in the Phare Decentralised Implementation System Manual, available on the Internet.

In addition, particular attention will be paid to increasing the visibility of EU support through projects funded by the Phare programme.

#### **5.1.5 Institution Building**

Standard Phare procedures will be used for the selection of contractors.

For certain types of projects to be financed under Institution Building, specific arrangements will be required - for example, twinning covenants signed by candidate countries and Member States and endorsed by the Commission to provide for payment from Phare of the costs incurred when their administrations are mobilised. Examples also include cases where:

- a) the provider is a network of competent Member States Institutions;
- b) the provider is a recognised multilateral institution with particular competence in the area concerned;
- c) the candidate country chooses to draw on the services of an institution in a Member State that is sponsored by that country's government;

d) the applicant country intends to support a partnership with a pre-qualified training institution from a Member State.

### **5.1.6 Investment**

National procurement rules of the candidate countries will be applied in the tendering and contracting of projects where possible. However, this will only be authorised by the Commission where the national rules clearly respect and effectively apply the principles of the European Communities' Financial Regulation and directives on public procurement. Particular attention will be paid to equal access, fair competition, transparency, visibility and public announcement of tenders (article 118 of the Financial Regulation).

### **5.1.7 Maturity and Size of Projects**

Projects should be clearly defined and only proposed for financing when they are ready for implementation. In the case of projects which require tendering the Commission will only propose to allocate resources to them if they are ready for tendering as soon as the financial commitment has been confirmed by the Commission. Where funds cannot be fully committed to a given country, due to a lack of mature projects, these funds will be reallocated (for example, to a horizontal facility such as the SME facility or to other facilities to which all candidate countries will have equal access).

Contracting should take place as far as possible within the first 6 months after the signature of the Financing Memorandum. Contracting must be completed within two years of the signature of the Financing Memorandum and disbursement must be completed by the end of the third year. Extensions of the contracting and disbursement periods will only be authorised in exceptional cases.

The minimum size of projects will be EURO 2 million. Given the specific nature of cross border, civil society, transnational and Institution Building projects and of participation in Community programmes and Agencies, and taking account of the overall size of the particular programme, this principle will be applied with flexibility.

In co-ordination with the Community INTERREG programme this approach implies in particular:

- projects up to €300,000<sup>6</sup> may be financed under the small project fund facility in accordance with Art. 5 paragraph 3 of Commission Regulation 2760/98,
- the application of the otherwise required minimum size of projects (€ 2 Mio) will allow derogations only on the basis of a case by case assessment and under the circumstances of genuine cross-border cooperation falling within the priority measures defined in the joint PHARE-INTERREG programming documents.

---

<sup>6</sup> \* In order to create the conditions for improved coherence with INTERREG III, this figure is at present under examination with a view to an increase.

Along these lines similar language should be introduced in the INTERREG Guidelines concerning the corresponding points in question.

## **5.2 Monitoring**

The monitoring of programme implementation shall be carried out jointly by the candidate countries and the European Commission, through a Joint Monitoring Committee in each country. In order to ensure the effectiveness of monitoring, each Financing Memorandum will incorporate objectively verifiable and measurable indicators of achievements with regard to financial and physical inputs, activities, outputs and objectives and the timescale for implementation. Monitoring, based on these indicators will assist the Commission, the Phare Management Committee and the candidate countries in subsequently reorienting programmes where necessary and in the design of new programmes.

## **5.3 Evaluation**

In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex-post evaluation to appraise their impact with respect to their objectives. Evaluation reports will be systematically published and made available to all concerned and their results will be taken into account in the design of future programmes.

## **5.4 Audit**

The accounts and operations of each National Fund and, where applicable, the CFCU and all relevant Implementing Agencies will be subject to on-the-spot checks by an outside auditor contracted by the Commission. This audit is without prejudice to the rights of the Commission and the Court of Auditors.

## **5.5 Conditionality**

In the interests of the candidate countries and of sound financial management it is necessary to ensure that the resources of the Phare programme are used as effectively as possible. Funds will be made available subject to certain conditions.

As provided in article 4 of Regulation 622/98 where an element that is essential for continuing to grant pre-accession assistance is lacking the Council will, on the basis of a proposal from the Commission, take appropriate steps with regard to any pre-accession assistance granted to a candidate country. Elements deemed essential would include failure to respect the commitments contained in the Europe Agreement and lack of progress towards fulfilment of the Copenhagen criteria, or in implementing the Accession Partnerships.

## **5.6 Individual country allocations**

Past performance and absorption capacity: the system of multi-annual indicative envelopes introduced after the Essen European Council will be maintained. However the amounts provisionally allocated to each country may be revised to take account of performance and absorption capacity, e.g. where there have been persistent delays in contracting the amounts may be revised downwards and where countries have shown an ability to absorb funds rapidly they may be revised upwards. A first multi-annual period of three years will apply from 2000 to 2002;

Meeting commitments: funds will be made available to support programmes and projects in which the candidate countries will undertake to meet specific commitments. Where commitments are not made or are not met (for reasons which are under the control of the candidate country) the Commission will consider reducing the allocation for the same area in the following budget year. In applying these principles the Commission will strive to ensure that they do not operate to the detriment of the overall objective of the preparation of the candidate country for membership.

## **6. REVIEW**

These Guidelines will be reviewed before the end of 2002 and may be adapted to take account of developments in the accession process.