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ANNEXES TO

2004 Report on Phare

COUNTRY SECTIONS & ADDITIONAL INFORMATION

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LIST OF ACRONYMS

AC	Acceding Country
BSP	Business Support Programme
CAP	Common Agricultural Policy
CBC	Cross Border Cooperation
CC	Candidate Country
CEB	European Development Bank
CFCA	Central Financing and Contracting Agency
CFCD	Central Financing and Contracting Department
CFCU	Central Finance and Contracts Unit
CFP	Common Forestry Policy
CMO	Common Market Organisations
CPER	Country Phare Evaluation Review
CPMA	Central Programme Management Agency
CSO	Civil Society Organisation
DIS	Decentralised Implementation System
EAG	Evaluation Advisory Group
EAGGF	European Agricultural Guidance and Guarantee Fund
EBRD	European bank for reconstruction and development
EC	European Communities
ECR	European Commission Representation
EDIS	Extended Decentralised Implementation System
EFTA	European Free Trade Association
EIB	European Investment Bank
ENPI	European Neighbourhood and Partnerships Instrument
ESC	Economic and Social Cohesion
ESF	European Social Fund

EU European Union

FDI Foreign Direct Investment

FIFG Financial Instrument for Fisheries Guidance

GDP Gross Domestic Product

IA Implementing Agency

IACS Integrated Administration and Control System

IB Institution Building

IFI International Financial Institutions

IPA Instrument for Pre-Accession

IT Information and Telecommunication

JHA Justice and Home Affairs

JMC Joint Monitoring Committee

KIDSF Kozloduy international decommissioning fund

MAP Multi Annual Programming

MEDA Euro-Mediterranean Partnership

NAO National Authorising Officer

NAC National Aid Coordinator

NDP National Development Plan

NF National Fund

NGO Non-Governmental Organisation

NPAA National Programme for the Adoption of the Acquis

NP National Programme

NPP Nuclear Power Plant

OLAF European Antifraud Office

OP Operational Programmes

PAO Programme Authorising Officer

PAP Pre-Accession Programme

PIFCA Public Internal Financial Control Agency

QSG Quality Support Group

REACH Registration, Evaluation and Authorisation of Chemicals

RTA Resident Twinning Advisor

SF Structural Funds

SIGMA Support for Improvement in Governance and Management

SME Small and Medium Sized Enterprises

SMSC Sector Monitoring Sub-Committee

TA Technical Assistance

TAIEX Technical Assistance Information Exchange Unit

TSE Transmissible Spongiform Encephalopathy

UIBE Unallocated Institution-Building Envelope

UNDP United Nations Development Programme

VAT Value Added Tax

I.1. BULGARIA

1.1. The year in review

As noted in the Commission's latest Regular Report (October 2004), Bulgaria continued to make progress in meeting the accession criteria in 2004.

Political developments

Bulgaria continued to fulfil the political criteria. Tangible progress was made in public administration reform with the adoption of amendments to the Civil service law. The specific structures for co-ordinating European integration continue to function well, and in view of Bulgaria's aim of building a qualified and efficient civil service by the time of accession this progress needs to spread throughout the public administration. Also, interdepartmental coordination should improve. Attention should be given to the legal framework for local and regional administration, which will play an important role in the implementation of the *acquis*.

Building on important reforms of the judiciary system achieved in recent years, there have been positive developments with regard to the recruitment and appointment of judges. Still certain key parts of the reform of the judiciary remain to be adopted. The complexity and efficiency of the penal structures, in particular in the pre-trial phase, is a matter of concern. Strong efforts will be necessary to foster Bulgaria's capacity to prosecute organised crime and corruption, which involves further reforms in the structures of the judiciary and of the police.

Bulgaria has implemented several measures in the fight against corruption, but it remains a problem. Renewed efforts are needed, including tackling high level corruption.

Bulgaria continues to respect human rights and fundamental freedoms. Further progress should be pursued in specific areas to improve their implementation in practice. Comprehensive legislation on anti-discrimination was adopted but the independent body required by the law was not yet established in December 2004. The freedom of expression is ensured by law. However, the legal framework regarding libel and defamation by journalists needs to be revised. Efforts to address inadequate living conditions in certain prisons and problems of ill-treatment in custody need to be sustained. Trafficking in human beings is a serious problem and needs to be addressed. A new law on public health should address most of the issues related to the placement of mentally disabled people. The structures responsible for child welfare and their co-ordination with the relevant ministries need to be reinforced.

Efforts have been made in the past years to develop a framework to tackle the problems faced by minorities, but the situation on the ground has not evolved much. Sustained efforts including allocation of appropriate financial resources will be necessary to effectively implement the intentions and to combat in particular anti-Roma prejudice.

Macroeconomic developments and structural reforms

Bulgaria is a functioning market economy. The continuation of its current reform path should enable Bulgaria to cope with competitive pressure and market forces within the Union.

Bulgaria has maintained a high degree of macroeconomic stability and implemented an adequate macro-economic policy mix enabling sustained economic growth and a continued reduction of unemployment. The currency board arrangement, prudent fiscal policy and economic reforms have contributed to low inflation. The privatisation process is almost complete and the restructuring process in key sectors such as coal, steel and the network industries continues. The banking sector has considerably increased its role in financial intermediation. The quality of infrastructure is slowly increasing. Bulgaria has benefited from strong FDI inflows. The business environment is slowly improving.

However, improvements can be made in sustaining macroeconomic stability and in deepening structural reforms. The current account deficit has widened substantially in 2003 and could, if continuing, warrant a further policy response. The business environment, in particular the efficiency of the administrative and judicial system as well as regulatory procedures, should be further improved to increase Bulgaria's attractiveness for investment. In spite of significant achievements, privatisation still needs to be completed. While the legal framework is largely in place, the actual restructuring and liberalisation of the network industries need to progress further in order to enhance competition and efficiency. The ongoing reduction in unemployment should be further supported by reducing rigidities in labour market regulation.

Progress in meeting the *acquis communautaire*

Over the past year, **Bulgaria has continued to make good progress in most areas of the *acquis*** and is on track to complete the required legislative transposition before the planned date of accession if the current pace of progress is maintained. Bulgaria needs to continue to make sustained efforts to develop sufficient administrative and judicial capacity to implement and enforce the *acquis*. As well as continuing judicial reform and the horizontal reform of the public administration, it needs to focus in particular on developing the capacity to be part of the internal market and to apply the *acquis* in areas such as agriculture, environment and regional policy¹.

1.2. Phare in 2004

Programmes launched

For 2004, Phare allocations for Bulgaria totalled €293.52 million –

- National Programme (€172.52 million)
- Cross-border Co-operation Bulgaria-Greece (€20 million)
- Cross-border Co-operation Bulgaria-Romania (€8 million)
- Cross-border Co-operation Bulgaria-Turkey (€3 million)
- Cross-border Co-operation Bulgaria-FYROM (€2 million)
- Cross-border Co-operation Bulgaria-Serbia & Montenegro (€3 million)

¹ The information in this section is taken from the Commission's latest Regular Report for Bulgaria (October 2004). A more detailed analysis of Bulgaria's progress in meeting the *acquis* can be found in the Regular Report.

- Nuclear Decommissioning (€85million)

These figures exclude the benefits to Bulgaria from horizontal and multi-country Phare programmes, including those on nuclear safety.

The overall aim of the National Programme (**€172.52 million**) was to assist Bulgaria's preparations for EU membership, based on the priorities identified in Bulgaria's latest Accession Partnership, approved in May 2004.

In view of the clear timetable and priorities leading to accession in 2007, together with substantially increased financial resources in the 2004-06 period, the Commission has worked with the Bulgarian authorities to develop an enhanced system of multi-annual planning for the Phare programme for the next three years. This has involved the Bulgarian authorities preparing a Multi-Annual Programming document (MAP) setting out broad Phare priorities for 2004-06 together with indicative financial allocations broken down by sub-sector. The MAP is a Bulgarian owned Plan and is not formally adopted or approved by the Union.

The process of preparing the MAP has helped focus programming on key priorities and led to a better-planned and co-ordinated portfolio of more strategic interventions. In addition to the MAP, the Bulgarian authorities have been encouraged to prepare multi-annual programme or project fiches where these are feasible. These contain firm financial allocations for 2004 and indicative allocations for 2005 and/or 2006. Around 80% of projects selected in 2004 were multi-annual.

The National Programme was designed to meet six main broad objectives, which represented the areas in which the Commission believed that Phare support could most assist Bulgaria to meet the accession criteria.

- Strengthen public administration and the judiciary at all levels
- Improve transparency, financial control and the fight against corruption and fraud
- Promote economic growth, competitiveness and social cohesion
- Integrate minority and vulnerable groups into mainstream society and create a more dynamic and pluralist civil society
- Enhance the administrative and judicial capacity to implement and enforce legislative measures and assume the obligations of EU membership
- Improve the strategic planning and effective utilisation of EU funds and prepare for Structural Funds (including implementation of EDIS)

The authorities agreed that it was important that the Phare 2004 programme was devoted to projects in support of these overarching priorities. The National Aid Co-ordinator (the Minister of Finance) has endorsed these priorities.

Programming has been governed largely by the Road Map, Accession Partnership and Regular Report 2004.

The overall aim of the Cross-border co-operation programme (€ 36 million) was to promote economic co-operation between border regions of Bulgaria and counterpart regions in Greece, Romania, Turkey, FYROM and Serbia/Montenegro and help these regions overcome their specific development problems. The following projects were supported:

- **Cross-border co-operation projects with Greece:** Railway, road, employment, border safety and water quality projects (€20 million)
- **Cross-border co-operation projects with Romania:** Road, river, economic development and environmental protection projects (€8 million)
- **Cross-border co-operation projects with Turkey :** Road, border crossing checkpoint, People to people actions (€3 million)
- **Cross-border co-operation projects with FYROM:** Nature protection, co-operation among public institutions at regional/local level, implementation of the neighbourhood programme (€2 million)
- **Cross-border co-operation projects with Serbia & Montenegro:** Local capacity building grant scheme, technical assistance for the implementation of the neighbourhood programme, people to people actions; (€3 million)

Overview of programmes implemented

The Phare programme allocated some €1,703 million between 1992 and 2004. In addition to the National Programmes, Bulgaria has benefited from special assistance for the decommissioning of the Kozloduy nuclear power station, from Cross Border Cooperation programmes and from multi-beneficiary programmes.

The end of 2004 saw the successful closure of most of the projects financed from the 2001 programme, covering a range of sectors. The 2002 National Programme has been contracted and its implementation is under way. Contracting of 2003 National Programmes has started but the contracting rate, however, remained relatively low, as Bulgarian authorities have focused efforts mainly on the implementation of the projects under the National Programme 2002.

Phare management performance

At the end of November 2004 the contracting period for all the projects under the 2001 programmes expired with the exception of two projects worth a total of €7.660 million whose contracting deadline was extended by 7 ½ months (BG 0201.12 Strengthening of the National Conformity Assessment system and BG 0201.04 Improvement of veterinary border control).

The final contracting rate for Phare 2002 reached well over 95.01% (182 contracts). The amount of € 5.214 million (5%) is reported as non-contracted. This positive result was obtained as a result of intensive efforts by the Bulgarian authorities and the EC Delegation.

One Phare 2001 project BG0106.01 Rehabilitation and partial reconstruction of Road II-19 Section Simitli – Razlog (had contracting deadline extended by one year; the deadline expired on 30 November 2004 and was successfully contracted).

NDPs – State of Play

In January 2004, the Council of Ministers established the procedures for drafting the National Development Plan 2007-2013 and the respective Operational Programmes. It was decided that the NDP and the OPs had to be approved by the Council of Ministers but that a Co-ordination Council would be established to ensure the horizontal co-operation. The daily tasks of drafting the NDP and OPs have been delegated to specific working groups. The NDP working group became operational in March 2004, the OP working groups at the end of 2004. The partnership principle is ensured through the representation of socio-economic partners in the working groups and discussion forum

events organised at regular interval. The Bulgarian authorities aim at finalising the programming process by the end of 2005.

Institution Building highlights

Most new Phare Institution Building projects are now delivered through Twinning. For Bulgaria a total of ten 2001 projects, sixteen 2002 projects and thirteen out of nineteen 2003 standard twinning projects as well as eleven twinning light projects were under implementation in 2004. In addition, Twinning will contribute to the results of thirty seven twinning projects under the National 2004 Phare Programme for Bulgaria. Some additional acquis related activities have been identified in the framework of the Unallocated Institution Building Envelope for financing year 2003: five twinning light projects and one standard twinning projects.

The Unallocated Institution Building Envelope (UIBE) for covering institution-building needs that might arise between programming exercises has been substantially increased within the multi-annual Programme totalling €5 million a year for 2004-2006.

The selection of Member State partners for the Twinning projects under the Phare 2004 Early FM and 2004 Main FM took place in October and November 2004 respectively and the preparation of the twinning contract started without any delays.

1.3. Results and impact

State of play for JMC/SMSC development

During 2004, Bulgarian authorities continued with their efforts in improving their self-monitoring capacities. Apart from the nine Sectoral Monitoring Sub-committees, operational since 2001, which continued to hold regular sessions twice during 2004, from October 2004 onwards regular Monthly Progress Meetings for all sectors were organized with the participation of all involved parties: Contracting Authorities, Beneficiary Institutions, NAC, NAO and the Delegation. These meetings served to remedy problems occurring prior to procurement and during implementation and to agree on realistic and prompt timetables for upcoming tendering.

The fifth annual meeting of the Joint Monitoring Committee was held on 2 and 3 December 2004 in Sofia. It reviewed the findings of the Phare Sectoral Monitoring Sub-committees, the ISPA Monitoring Committee and the SAPARD Monitoring Committee meetings held in 2004. The Bulgarian National Aid Coordinator services also presented reports on the following issues of overall concern to pre-accession assistance management:

- Interim Evaluation activities in 2004. Assessment and corrective measures
- Lessons learned from previous Phare contracting cycles (incl. General proposals and discussions on the procurement plan/time-line for 2003 and 2004 Phare contracting)
- Preparation of Extended Decentralisation – EDIS
- Developments on 2005 Programming

Corrective measures were agreed on a number of sector specific issues of project management. The conclusions and recommendations from Phare 2002 contracting, completed in November, were highlighted with a view to ensure further improvements in implementation of all ongoing programmes and smoother contracting of Phare 2003 funds. Further efforts need to be devoted to the implementation of the recommendations of the SMSCs.

In addition, it has been decided to enhance JMC's monitoring by holding a second and more technical JMC in the middle of the year.

M&IE Reports in 2004-Lessons Learned

In 2004, Interim evaluations were carried out by two contractors EMS and ECOTEC. Ten Interim Evaluation reports covering all monitoring sectors in Bulgaria were undertaken as well as a Country Phare Evaluation Review of support allocated in 1998-2002 and implemented until July 2003.

The main findings from the Country Phare Evaluation Review in Bulgaria were that overall, good progress had been made with the harmonisation of Bulgarian legislation with the *aquis*, although effective implementation of harmonised legislation appears generally to be some way off. Institution building projects had sometime limited success notably due to the absorption capacity of beneficiary institutions. Projects had often been over ambitious. The *efficiency, effectiveness* and *sustainability* of much Phare assistance had been negatively affected by continuing high rates of staff turnover in key Phare implementation structures. In particular, there was limited capacity to manage the growing number of Structural Fund type grant schemes in the economic development, social development and regional development sectors. Infrastructure projects suffered from poor planning, which led to implementation delays. Phare assistance will have a positive impact in the longer term. However, it was not possible to assess the extent to which the achievement of wider objectives should be attributed to Phare or other factors.

National Aid Co-ordination responsibility was transferred to the Ministry of Finance in 2002 and the Management of EU Funds Directorate was established specifically for this purpose. Although the full impact of that change may not be apparent until the implementation of Phare 2003 projects, it was clear that positive steps had been taken to improve project design, screening, implementation and monitoring.

Recommendations underlined that the continuing high levels of staff turnover in key, Phare related bodies should be addressed by implementing, on a regular basis, a training programme covering core programme/project design and management skill. In addition the monitoring of preparatory projects should be prioritised to ensure that such projects consistently deliver timely and well designed follow-on projects.

Overall, the impact of Phare programmes in Bulgaria continues to be positive. In view of the target date for accession, further sustained efforts need be taken to ensure the capacity of the Bulgarian administration to absorb EC funds.

Sectors with positive results

In the **agriculture** sector work continued on improvement of phytosanitary control and plant protection which was delivered through separate twinning light projects, mainly for training of expert on different control mechanisms and methods, on improvement of veterinary control through supporting the alignment of the legislation and of the control systems, including the TSE control and establishment of adequate border veterinary control on the future EU outer borders and on strengthening of the fisheries and aquaculture sector in order to ensure harmonisation of legislation and to introduce key elements of the Common Fisheries Policy. New projects launched include a project for preparing the Ministry of Agriculture and Forestry to implement the second pillar of the EU Common Agricultural Policy – Rural Development, establish its Paying agency and

prepare the setting up of IACS in Bulgaria, a project on improvement of the internal market control via variety testing and seed control, improvement of the phytosanitary control and biological testing, and conformity of the animal waste processing system in Bulgaria with the EU requirements, as well as a project for the approximation and implementation of the legislation-CAP and CFP mechanisms – and administrative capacity strengthening of MAF to meet its future responsibilities.

In the **Public Finance** sector the following major projects were under implementation during 2004: BG2003/004-937.09.03 “Further implementation of the new model of Public Internal Financial Control in Bulgaria” / Twinning (Phare budget: MEUR 1.17) and BG2003/004-937.09.04 “Further Development of the Independent Public External Audit Institution”/Twinning (Phare budget: MEUR 1.3). Both projects could be considered as major tools in providing EU support to the National Audit Office (NAO) and the Public Internal Financial Control Agency (PIFCA) in strengthening the independent internal and external financial control and audit in BG. The implementation of these twinning projects facilitate the on-going process of reforms in the sector through: improvement of the legal framework, strengthening of the administrative capacity and development of modern audit and financial control system on the basis of EU best practices and international standards.

In the process of preparation of relevant BG authorities for EDIS accreditation, project BG 0103.09 “Improving the management of EU funds” was successfully completed. Stage 1 of EDIS “Gap Assessment” was carried out under the project. The implementation of Stage 2 of EDIS “Gap Plugging” financed under 2002/000-585 “Horizontal Programme Preparing Candidate Countries for EDIS in the Management of Pre-accession Funds in Bulgaria” started in 2004 too. These projects supported NF, Phare IAs, NAC and PIFCA in strengthening their capacity to manage and control EU funds effectively thus preparing them for the future management of the EU structural funds.

In the **Environment Sector** Phare Programme continued to provide assistance for the Closing of Eleshnitsa Uranium mines, the Rehabilitation and construction of Sofia WWTP has been completed and the taking over certificate was issued. Furthermore a twinning project for implementing the Seveso environment Directive was completed which was aiming to assist the Ministry of Environment and Waters to prevent and minimise the hazards of large industrial accidents by improving the administrative framework and institutional capacities necessary to implement and enforce the Seveso Directive. The project established a registration system for Seveso sites, introduced risk assessment and safety management procedures and provided training.

In the area of **nuclear safety**, eleven Phare projects worth €12.567 million (Phare budget) are currently under implementation. On the other hand the KIDSF (Kozloduy International Decommissioning Fund managed by EBRD) is also available for implementation of projects dealing with decommissioning projects (nuclear window) and energy efficiency and renewable energy projects (non-nuclear window) with a total commitment by the end of 2004 of €240 million (€155 million already committed + €85 million approved by the Phare Management Committee by the end of 2004).

The Bulgarian Nuclear Regulatory Authority (NRA) is benefiting from seven projects (€7.45 million) on a wide range of topics such as the decommissioning of Units 1 and 2, the assessment of modernisation of Kozloduy NPP Units 5 and 6, the management of sealed radioactive sources and the licensing-oriented review of severe accident

management guidelines (SAMGs) established for the KNPP's operators through a previous Phare project.

One project (with a Phare budget of €1.037 million), under procurement, will contribute to the innovation of the radiation monitoring system of the IRT research reactor, located in Sofia, of the Institute of Nuclear Research (INRNE), while three more projects are assisting the recently-established "State Enterprise for Radioactive Waste Management" (SERAW) in two main fields: 1) technical design, supply of equipment and works for characterisation and control of institutional radioactive waste at the national repository of Novi Han and 2) for the conceptual design of the national disposal facility for low and intermediate-level short-lived radioactive waste.

In the sector of **Regional Development**, support continued on the preparation of Bulgaria for the management of Structural Funds (SF) and on the promotion of cross border co-operation (CBC). Support for preparation for SF is provided by IB projects for the line ministries which will be involved in the implementation of SF as future managing authorities of the Sectoral and Regional operational Programmes and by investment projects, mainly grant schemes, which are considered as SF-type projects. In the area of **Cross-Border Cooperation**, projects in Transport, Environment, Energy and Joint Small Project Funds are under implementation for both CBC Programmes between Bulgaria – Greece (€20 million) and Bulgaria-Romania (€8 million). As a continuation of the External Border Initiative Programme a new CBC Programme has been established with Turkey (€3 million) and new Neighbourhood Programmes with Serbia & Montenegro (€3 million) and Former Yugoslav Republic of Macedonia (€2 million) have been launched.

In the **Public Administration Reform** sector, the project on the implementation of the Civil Service Reform started in 2003 and was completed successfully in September 2004. The project aimed to strengthen the capacity of the Public administration to implement the Law on Civil Servant and the Law on Administration and to reinforce the control and accountability mechanisms within the administration. It was implemented under a TA contract and a Supply contract. The project contributed to improve the control and accountability of the administration, to develop draft legislation on the provision of public information and to train civil servants in human resource management, evaluation of the functionality and efficiency of the administration, accountability and service delivery procedures.

In the **Justice** sector the Phare Programme supported the implementation of the Strategy for the Reform of the Judiciary which focuses on the following areas: introduction of European standards and best practices in the judiciary and harmonisation of the Bulgarian legislation with the *acquis*; co-operation within the judiciary and functioning of the Supreme Judicial Council; adoption of new procedure laws-administrative, penal and civil procedure codes; improvement of the judiciary structure, and adoption and implementation of judiciary computerisation strategy. In particular, the professional training of magistrates and administrative staff is improved through institutional building of the judiciary training body, the National Institute of Justice. The anti-corruption measures are strengthened by preparing an administrative procedure code to enhance judicial control over the actions and decisions of the administration. The Public Prosecutor's Office is assisted in the fight against organised and economic crime, and corruption. Phare projects for institutional building aimed also to improve civil and penal procedures and to improve international co-operation in penal and civil matters.

Institutional support for the Supreme Judicial Council aims to improve the magistrates' status. The institution building assistance to the Ministry of Justice intends to improve the provision of security to the judiciary, to strengthen the penitentiary system and to establish a probation system

In addition, Phare projects helped the judiciary with its computerisation through institutional building of the Registry Agency and the Information Service and Technologies Directorate at the Ministry of Justice, the supply of computer and communication equipment, and development of automated systems that will be used by the Supreme Judicial Council, courts, public prosecutors' offices, prisons, arrests, the Registry Agency, the Ministry of Justice, the National Institute of Justice, and the investigation services.

Success story

BG 0203.02: Implementation of the national anti-corruption strategy.

The project, which was implemented as a twinning contract, aimed to enforce the administrative capacity of the Ministry of the Interior (MoI) in order to prevent and counter internal corruption. It focused on the adoption and effective implementation of EU standards and best practices; institutional strengthening of the integrated system of the MoI structural units for countering internal corruption; the development and implementation of a programme for prevention of corrupt behaviour of MoI officers; the design and introduction of an appropriate system for encouraging anti-corrupt conduct among vulnerable groups of MoI officials like police and border police; and the introduction of a training system for promoting a professional culture among MoI officials.

Political will, determined leadership and effective project management ensured that all the planned outcomes and guaranteed results were successfully delivered timely according to the required standards and within the available budget. In addition, in terms of sustainability the beneficiary has embarked upon a process of change and improvement that will continue to have a positive impact well beyond the life of the project itself.

The following results testify to successful project development:

"A much better balance has been achieved between preventive and enforcement measures and in spite of the deeply rooted culture of excessive secrecy, the Ministry has now become the government institution which provides the public with the most detailed information on the implementation of its anti-corruption measures, compared to all other institutions."

'Anti-Corruption Reforms in Bulgaria' Coalition 2000 Report, February 2005.

Beneficiary institution received the Bulgarian Council Of Ministers National Award for: 'The Most Effective Counteraction to Corruption in 2004'

The establishment of a 'Transparency Advisory Group', since the start of the project added considerable value at no cost and has been internationally acknowledged as being an example of best practice in the sector. The beneficiary was very active convening

regular meetings with representatives from the NGO community, the press and media associations to share common problems and design appropriate solutions, as part of its Public Communication Strategy.

Posters in public places, highly visible stickers on the outside of trams and buses, information pamphlets, Internet banners on the Websites of commercial News Agencies with direct links to the beneficiary's own Internet site, television clips, radio broadcasts and regular newspaper articles all promoted the newly adopted hotline telephone number and Internet site for the receipt of signals from the public. Public awareness that corruption is a shared problem increased and the number of corruption signals soared as the public gained confidence and trust in the determination and ability of the beneficiary to deliver results.

The balance between prevention and enforcement was supported by specific activities under the project and as a direct result; awareness training has been introduced in all courses at the National Training Academy and the Regional Training Centres. Particular emphasis has been given to the training of new recruits, senior managers and the 120 full-time Anti-Corruption investigators appointed as a result of the Project. To date, over 2000 officers have benefited from the training.

Tasks ahead

The challenges for 2005 and subsequent years are to further improve the implementation of Phare, and to implement EDIS for 2006 onward. These are in turn preparations for Bulgaria's eventual participation in Structural Funds after accession. The immediate priorities are threefold:

- First, there is a need further to strengthen the capacity of the Bulgarian authorities, and Implementing Agencies, to translate the priorities into mature project proposals that can be supported by Phare. Public institutions need to collaborate across ministerial boundaries, work in partnership with business and civil society groups, and co-ordinate donor assistance more effectively.
- Secondly, there is a need to strengthen both financial management systems and project implementation capacity in some areas. This is particularly the case for projects involving investment in ESC and grant schemes, which will account for an increasing proportion of the Phare programme. Efforts are needed to reduce staff turnover and provide adequate resources for the contracting, technical and financial aspects of project implementation.
- Thirdly, the JMC arrangements and evaluation systems must be further strengthened, and in this regard, it has been decided in the December JMC to plan an "intermediate" JMC before summertime, to ensure an enhanced follow-up. The lessons of monitoring and evaluation fed back into the design of new programmes will carefully be taken into account. The Bulgarian Ministries must develop their own monitoring and evaluation systems.

I.2. CYPRUS

2.1. Summary

In 2004, Cyprus became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of the Republic of Cyprus has submitted to the European Commission on 5 April 2002 a request to waive ex-ante controls on project selection, tendering and contracting for the management of pre-accession aid under Extended Decentralised Implementation System (EDIS).

Through its Decision (C(2004)2614), adopted and notified on 15 July 2004, the European Commission decided to confer the management of pre-accession aid on an extended decentralised (EDIS) basis to the following Cypriot authorities: the Cyprus Police; the State General Laboratory (Ministry of Health); the National Regulatory Authority (Office of the Commissioner of Telecommunications and Postal Regulation), the Department of Electronic Communications (Ministry of Communications and Works); the Department of Customs and Excise (Ministry of Finance); the Department of Agriculture (Ministry of Agriculture, Natural Resources and Environment); the Department of Forests (Ministry of Agriculture, Natural Resources and Environment); the Water Development Department (Ministry of Agriculture, Natural Resources and Environment); the Veterinary Services (Ministry of Agriculture, Natural Resources and Environment); the Planning Bureau; the Department of Merchant Shipping (Ministry of Communications and Works); the Mental Health Services (Ministry of Health); the Statistical Service (Ministry of Finance); the VAT Service (Ministry of Finance); the Cyprus Productivity Centre (Ministry of Labour and Social Insurance); the Ministry of Commerce, Industry and Tourism; the Environment and Management of Municipal Waste Unit (Ministry of Interior); and the Department of Labour Inspection (Ministry of Labour and Social Insurance). Since this date, procurement procedures have been carried out under the responsibility of these authorities and no longer require the ex-ante control of the European Commission services.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transition Facility programmes and monitoring of both pre-accession and Transition Facility programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

2.2. Pre-accession financial and Transition assistance in 2004

i) Programming

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the authorities of the Republic of Cyprus and the European Commission on 26 November 2004.

A total of € **9,000,000** was allocated to Cyprus under the 2004 Transition Facility budget for Cyprus.

Although the most urgent needs as regards *acquis* implementation have been addressed before accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures on par with those of other Member States.

Additional assistance was also provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee gave a favourable opinion on the Transition Facility 2004 National Programme for Cyprus on 8 October 2004. The programme was then approved by the Commission through its Decision C(2004) 4674 of 9 December 2004, which was notified to the national authorities on the same day.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the *acquis*.

The Transition Facility 2004 National Programme for Cyprus provides support for the following projects:

INTERNAL MARKET € 2 million

- Measures to develop the implementation capacity of the Cyprus authorities in applying the European public procurement legislative package
- Capacity building in the field of metrology

ENVIRONMENT € 2.58 million

- Development of integrated water monitoring programmes and tools for cost-effective monitoring and assessment to support sustainability of water resources and the implementation of the Water Framework Directive 2000/60/EC
- Preparation of management plans for NATURA 2000 sites

AGRICULTURE € 1.2 million

- Integrated programme on food safety and risk assessment to fulfil all the requirement of the EU *acquis*

JUSTICE AND HOME AFFAIRS € 0.37 million

- Enhancement of the administrative structures regarding asylum procedures

ADMINISTRATIVE CAPACITY € 2.85 million

- Interim evaluation of EU funded projects
- Development of a health monitoring system for Cyprus
- Unallocated Institution Building Facility

ii) **Implementation**

- Pre-accession programme 2001

A total of € 11,500,000 was allocated to Cyprus under the 2001 National Pre-accession programme. For 5 projects, the contracting deadline was extended by 6 months until 21 March 2004. The disbursement period for the 2001 Pre-accession programme expired on 30 September 2004. For 8 projects representing around 60% of the overall 2001 programme, particularly in the field of environment, internal market and employment and social affairs, the disbursement deadline was extended by 12 months until 30 September 2005. For one project, i.e. Reinforcement of the administrative capacity: monitoring and assessment (€ 150,000), the disbursement deadline was extended by 15 months until 31 December 2005. At the end of the contracting deadlines, around 83% of the overall 2001 programme has been contracted.

- Pre-accession programme 2002

The contracting deadline for the 2002 National Pre-accession programme (€ 11,500,000) was 31 July 2004. At that date, 85% of the programme had been contracted. The Cypriot authorities requested no extension for the 2002 programme.

- Institution Building highlights

During the year 2004, a total of around € 6.7 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes and participation in Community Programmes) has been disbursed from the Commission to Cyprus from the 2001-2003 Pre-accession programmes.

Implementation of pre-accession aid in Cyprus is considered overall satisfactory though in some sectors delays in tendering and contracting have been experienced and remedial actions had to be taken to decrease the risk of loss of EU funding.

As regards twinning, Cyprus has primarily taken advantage of the instrument of Twinning Light, since the Twinning Light has proven a flexible tool for ad-hoc interventions to fill gaps with regard to the implementation of the *acquis*.

A third of the annual pre-accession aid to Cyprus has been committed for bi-communal projects aiming to contribute to the reconciliation of the two Cypriot communities. Bi-communal projects are in the main managed centrally by the European Commission which has contracted the United Nations Development Programme (UNDP) for its implementation. The main focus of these projects is the rehabilitation of the walled city of Nicosia in accordance with the Nicosia Master Plan and support to SMEs. Apart from the grants given to UNDP, further bi-communal projects have been carried out, on the one hand, for the NGO sector and on the other hand for the trade unions of both sides of the island.

2.3. **Results and Impact**

i) **State of play for JMC / SMSC development**

On 1 May 2004, a revised Joint Monitoring Committee (JMC) Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are

chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

In 2004, only one JMC meeting took place on 1 November 2004. Given the absence of sub-committees in Cyprus previous to the introduction of the new JMC mandate, the first meeting of the JMC was very important in order to review in detail the implementation of projects funded by pre-accession programme in each sector. The JMC reviews progress of projects which are managed under EDIS by the Cypriot authorities and does not cover projects managed by the European Commission services, e.g. bi-communal projects. In the year 2004, the first meeting of the Sector Monitoring Sub-Committee (SMSC) took place. Due to the small size of the Cyprus pre-accession assistance programme, there is only one SMCS.

ii) Monitoring & and Evaluation Reports in 2004

Overall responsibility for monitoring and interim evaluation of the Pre-accession and Transition Facility programmes in Cyprus lies with the National Aid Co-ordinator services located in the Planning Bureau.

In 2004, a Country Summary Interim Evaluation of Pre-accession assistance to Cyprus by an independent external evaluator, under a centralised contract, was issued on 22 June 2004. It reflects the situation at the end of December 2003. The report is based on monitoring reports, other published documentation and interviews held in the period from December 2003 to February 2004. It focused on on-going projects and therefore did not review projects which had been completed prior to the cut-off date. The overall rating for the assistance was deemed as satisfactory. The report concluded that on the whole the relevance of pre-accession assistance was well established and closely tied to the agreed needs for Cyprus' accession. A substantial part of the assistance had not started or only very recently in part because of slow contracting under the 2001 programme. Realisation of results has been impeded by very slow contracting, with some contracts signed very close to the contracting deadline. This has meant that some interventions faced compressed implementation periods and have been delivered later than was desirable. However, progress in delivery of results from the assistance once contracted had been good. Attention was drawn to the low efficiency of one project in the 2001 programme, i.e. upgrading of the State Laboratories.

I.3. CZECH REPUBLIC

3.1. Summary

In 2004, the Czech Republic became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of the Czech Republic has submitted to the European Commission on 23 December 2003 a request to waive ex-ante controls on project selection, tendering and contracting for the management of Phare aid under Extended Decentralised Implementation System (EDIS).

Through its Decision (C(2004) 4649), adopted and notified on 8 December 2004, the European Commission decided to confer the management of Phare aid on an extended decentralised (EDIS) basis to the Central Finance and Contract Unit (CFCU), the Civil Society Development Foundation (NROS), CzechInvest (CI), the National Training Fund (NTF) and the Centre for Regional Development (CRD). Since this date, Phare procurement is carried out under the responsibility of these authorities and no longer requires the ex-ante control of the European Commission Representation in Prague.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transition Facility programmes and monitoring of both Phare and Transition Facility programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

3.2. Phare/pre-accession financial and Transition assistance in 2004

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Czech authorities and the European Commission on 27 September 2004.

i) Programming

A total of € 17,100,000 was allocated to the Czech Republic under its 2004 Transition Facility National Programme.

Although the most urgent needs as regards *acquis* implementation have been addressed before Accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures on par with those of other Member States.

Additional assistance was also provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transition Facility 2004 National Programme for the Czech Republic in May 2004. The programme was then approved by the Commission through its Decision C(2004)4016 of 21 October 2004, which was notified to the national authorities on the same day.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the Acquis.

The Transition Facility 2004 National Programme for the Czech Republic provides for:

POLITICAL CRITERIA € 2.70 million

- Improving Efficiency of Civil Society Organizations (CSOs) Working in the Field of Consumer Protection
- Strengthening the role of Advocacy and Monitoring Civil Society Organisations (CSOs)

TRANSPORT € 0.99 million

- Strengthening of the Railway Infrastructure Administration (RIA) Functions
- Assistance to the Civil Aviation Authority (CAA) in Improving Relevant Norms and Co-operation with the European Aviation Safety Agency (EASA)

ENERGY AND NUCLEAR SAFETY € 0.30 million

- Reconstruction of the Hot Cell at the Richard Repository

INTERNAL MARKET € 5.68 million

- Strengthening the Office of the Financial Arbiter – Ombudsman of the Czech Republic
- Financial Stability Issues in the Czech National Bank
- The Construction of the State Treasury System – 1st Phare
- Evaluation of EU-funded Measures (Phase I – Transition Facility)
- Improvement of the Household Surveys Processing
- Assistance to the Office for Personal Data Protection in Exercising Supervision in Personal Data Protection

ENVIRONMENT € 0.25 million

- Implementation of the Protection of the Ozone Layer EC Legislation in the CR

AGRICULTURE € 0.90 million

- Filling Gaps in Food Safety – Improvement of RASFF (Rapid Alert System for Foodstuffs)

JUSTICE AND HOME AFFAIRS € 1.98 million

- Parole Supervision – Enhancement of Effective and Professional Practice Between Judicial Agencies
- Support to Strategy Development of the Dublin Unit
- Assistance to Strengthening the Prevention and Community Policing in the Police Work

EMPLOYMENT, SOCIAL AFFAIRS AND HEALTH € 2.80 million

- Improvement in the Health Care Management System
- Integration of Registers of Healthcare Professionals (RHP)

ADMINISTRATIVE CAPACITY € 1.50 million

- Unallocated Institution Building Facility

ii) Implementation

- Phare 2001 – finalisation of payments

The disbursement period for the 2001 Phare National Programme and the Cross Border Co-operation Programmes expired in 2004. On 31 December 2004, 97.21% of these programmes had been contracted, while 82.50% had been disbursed.

- Phare 2002 – rate of contracting

By 31 December 2004 71.84% of the 2002 Phare National Programme and the Cross Border Co-operation Programmes had been contracted. To ensure maximum impact of Phare assistance some projects under the 2002 programmes had to be extended.

- Institution Building highlights

During the year 2004, a total of around € 380.38 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in the Czech Republic from Phare programmes (National Programmes and Cross Border Co-operation Programmes 2000-2003).

Implementation of Phare in the Czech Republic is considered generally successful in areas such as Environment and Justice and Home Affairs.

A sector which remains problematic is Cross Border Co-operation, where remedial actions had to be taken to decrease the negative impact from excessive delays and to avoid the risk of loss of funds.

The Twinning instrument continues to be used successfully in many priority areas and helped the Czech Republic to prepare for the implementation of EU policies and laws.

3.3. Results and Impact

i) State of play for JMC / SMSC development

On 1 May 2004, a revised JMC Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

In 2004, one JMC meeting took place on 10 December 2004. In total twelve SMSC meetings (one per each sector) in the following sectors: Social protection and health, Agriculture, Cross Border Co-operation, Civil Society Development, Environment, Economic and social cohesion, Energy and nuclear safety, Home Affairs, Justice and Public administration, Internal market, Business support, Finance and Banking.

ii) Monitoring and Evaluation Reports in 2004

Overall responsibility for monitoring and interim evaluation of the Phare and Transition Facility programmes in the Czech Republic lies with the Centre for Foreign Assistance at the Ministry of Finance. Throughout 2004, the NAC prepared Action Plans on decentralisation of Monitoring and Evaluation. After a transition period, following the decentralisation of the Interim Evaluation function, the actual decentralised Interim Evaluation operation in the Czech Republic started in April 2004.

In 2004, interim evaluation reports were prepared by an independent external evaluator and were issued by the NAC on the following sectors: Justice and Home Affairs, Internal Market and Civil Society Development.

A Country Phare Evaluation Review for the Czech Republic (CPER) prepared by an independent external evaluator, under a centralised contract, was issued on 10 February 2004. The report provides a consolidated country review of the findings of the findings of the Interim Evaluation Reports that were prepared between August 2001 and July 2003. It concluded that on the whole Phare has been effective as an instrument in supporting the accession process in the Czech Republic. It noted that institution building progressed well in many important *acquis* areas and the use of twinning support was successful. Extensive upgrading and modernisation of administrative and legislative practices and equipment was achieved in the justice and home affairs, environment and financial sectors. Generally, the report noted, however, that most beneficiaries were poorly prepared to absorb the assistance.

I.4. ESTONIA

4.1. Summary

In 2004, Estonia became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of the Republic of Estonia has submitted to the European Commission on 3 March 2004 a request to waive ex-ante controls on project selection, tendering and contracting for the management of Phare aid under Extended Decentralised Implementation System (EDIS).

Through its Decision (C(2004) 4410), adopted and notified on 29 November 2004, the European Commission decided to confer the management of Phare aid on an extended decentralised (EDIS) basis to Estonian Authorities. From this date onwards, Phare procurement dossiers no longer require the ex-ante control of the European Commission Representation (ECR) in Tallinn. The Ministry of Finance, Central Financing and Contracting Department is now responsible for ex-ante control and twinning. The Ministry of Finance, Central Financing and Contracting Department (CFCD) is now fully responsible for the daily implementation of the projects.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transition Facility programmes and monitoring of both Phare and Transition Facility programmes. The National Authorizing Officer (NAO) carries out the financial supervision. The new NAC and NAO were appointed respectively at the end of October and December 2004 and have been in office since then.

4.2. Phare/pre-accession financial and Transition assistance in 2004

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Estonian authorities and the European Commission on 10 August 2004.

i) Programming

A total of € **8.400.000** was allocated to Estonia under the 2004 Transition Facility budget for Estonia.

Although the most urgent needs as regards *acquis* implementation have been addressed before Accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures on par with those of other Member States.

Additional assistance was also provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transition Facility 2004 National Programme for Estonia in May 2004. The programme was then approved by the Commission through its Decision C(2004) 3524 of 23 September 2004, which was notified to the national authorities on the same day.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the Acquis.

The Transition Facility 2004 National Programme for Estonia provides for:

ADMINISTRATIVE CAPACITY € 1.65 million

- Twinning light facility

TRADE-INTERNAL MARKET € 0.85 million

- Strengthening the administrative capacity of the Consumer Protection Board
- Improving implementing capacity in the field of public procurement

TRANSPORT POLICY € 0.25 million

- Creation of Flight Safety Supervision System for Estonian Civil Aviation Administration (ECAA)

JUSTICE AND HOME AFFAIRS € 1.85 million

- Enhancement of administrative capacity of the Estonian Police on fight against drug related crimes
- Drug Prevention in Prisons and rehabilitation of inmates
- Integrated programme to strengthen the capacity of the Estonian anti money laundering institution
- Analysis for improving management decisions in the Estonian Police

SOCIAL POLICIES AND EMPLOYMENT € 0.73 million

- Elaboration of a computerised communicable disease information system
- Promoting the Integration of Persons with Undetermined Citizenship in Estonia

AGRICULTURE € 1.51 million

- Upgrading of Functional Capability on Testing of Harmful Organisms in Estonia
- Molecular genotyping of Estonian farm animals
- Creation of orthophotos for Land Parcel Identification System
- Development of detection systems of veterinary drug residues in live animals, animal products and feeds

ENVIRONMENT € 0.51 million

- Supporting the development of a nationwide packaging waste collection and recovery system

ii) Implementation

- Phare 2001 – finalisation of payments

The disbursement deadline of 2001 Phare programme was set on 31 December 2004. At that date, 94% of the programme had been contracted successfully. 84% of the programme had been disbursed, while two projects of the 2001 Programme have been extended and were ongoing.

- Phare 2002 – rate of contracting

At the end of the contracting period for the 2002 programme on 30 November 2004, 58% of the programme had been contracted. The Estonian Authorities asked for the extension of certain elements of the Phare National Programme for Estonia 2002 – Part II to the European Commission. A total of nine projects received extension and were ongoing.

- Institution Building highlights

During the year 2004, a total of around € 110 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Estonia from Phare programmes (2001-2003) and Transition Facility.

Implementation of Phare in Estonia is considered particularly successful in the areas of Environment, Public Finance and Education, where Phare funds and projects provide real value added to scarce public funds.

Two sectors remain problematic: CBC and Agriculture, and remedial actions had to be taken to decrease the negative impact from excessive delays, avoid the risk of loss of funds and support Estonia's ability to fulfil the *acquis* in these areas.

The Twinning instrument continues to be used successfully in many priority areas and helped Estonia to prepare for the implementation of EU policies and laws.

4.3. Results and Impact

i) State of play for JMC / SMSC development

On 1 May 2004, a revised JMC Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

The only Joint Monitoring Committee (JMC) meeting took place on 24 March 2004 and was co-chaired by the EC and the PAO who represented the NAC. The JMC meeting was fruitful and helped to address the problems concerning implementation of the ongoing programmes, to discuss horizontal/systemic issues and to identify possible solutions. Several immediate actions were agreed upon and deadlines set for their implementation.

In the year 2004, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in June and second round between November and December. There are eight sectors to be monitored in Estonia: Finance / European Integration, Social Affairs, Justice and Home Affairs, Cross Border Co-operation (CBC), Environment, Education, Agriculture / Fisheries and Internal Market / Transport.

ii) M&E Reports in 2004

Overall responsibility for monitoring and evaluation of the Phare programme in Estonia lies with the Ministry of Finance (MoF). Currently, the Foreign Financing Department provide services to the NAC in the State Budget Department. Throughout 2004, the NAC prepared the Action Plan on decentralisation of monitoring and evaluation that was endorsed by EC in February 2005.

A Country Phare Evaluation Review (CPEP) for Estonia prepared by an independent evaluator, under centralised contract, was issued on April 2004. The report provides a consolidated country review of the findings of the Interim Evaluation Reports that were prepared between August 2001 and June 2003. It concluded that on the whole Estonia has performed well in the implementation of Phare assistance, and this assistance has successfully supported the accession process. According to CPEP the Phare has made a considerable contribution to the implementation of the acquis in Estonia. Its incorporation into Estonian law as well as the design of procedures and the main principles of the respective policy fields on paper have overall, reached a satisfactory level.

However, what has been missing is a multi-annual strategic outlook identifying when, how and in which order the main issues would be tackled. Despite the existence of framework documents such as the National Programme for Adoption of the Acquis, there seems to have been a lack of vision when it comes to the development of sectors into the direction of EU membership.

I.5. HUNGARY

5.1. Summary

In 2004, Hungary became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of Hungary submitted to the European Commission on 1 October 2003 a request to waive ex-ante controls on project selection, tendering and contracting for the management of Phare aid under Extended Decentralised Implementation System (EDIS) by the CFCU-Central Finance and Contract Unit, the ESF-European Social Fund Agency and the VATI-Hungarian Public Company for Regional Town Planning.

Through its Decision adopted and notified on 21 June 2004, the European Commission decided to confer the management of Phare aid on an extended decentralised (EDIS) basis to the Hungarian Authorities. From this date Phare procurement dossiers no longer require the ex-ante control of the European Commission Representation (ECR) in Budapest. The CFCU-Central Finance and Contract Unit, the ESF Agency and the VATI are now responsible for ex-ante control and twinning and twinning light.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transitional Facility programmes and monitoring of both Phare and Transition Facility programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

5.2. Phare/pre-accession financial and Transition assistance in 2004

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to fund certain Institution Building actions in the new Member States to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural funds.

The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Slovenian authorities and the European Commission on 22 June 2004.

i) Programming

A total of € **18,400,000** was allocated to Hungary under the 2004 Transition Facility budget.

Although the most urgent needs as regards *acquis* implementation have been addressed before Accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures of the new Member States.

Additional assistance has also been provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transitional Facility 2004 National Programme for Hungary on 17 June 2004. The programme was then approved by the Commission with Decision C (2004) 3025 of 11 August 2004, which was then notified to the national authorities.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the *acquis*.

The Transition Facility 2004 National Programme for Hungary provides for:

AGRICULTURE € 2.57 MILLION

- Agri-Environmental Information and Monitoring System (AIMS)
- Implementation of new regulation – Forest Focus
- Upgrading the Information System of Variety Testing and Seed Certification

ENVIRONMENT € 3.59 MILLION

- Hungarian Nature Conservation Information System
- Noise Centre establishment to noise mapping
- Implementation of the Water Framework Directive (WFD) – Phase II

JUSTICE AND HOME AFFAIRS AND CUSTOMS € 6.58 MILLION

- Facilitating refugee integration in Hungary
- Competence-based, integrated system of human resources' management at the Ministry of Interior
- Developments in the fields of public security and fight against organised crime
- Strengthening the capacity of the Special Service for National Security of Hungary
- Strengthening the administrative capacity of the HCFG

PUBLIC GOVERNMENT ADMINISTRATION AND CIVIL SOCIETY € 1.4 MILLION

- Improving Public Internal Financial Control System (PIFC), Audit Mechanisms
- Civil society organisations and the implementation of the anti-discrimination law

TRANSPORT POLICY € 2.25 MILLION

- Implementation of EU legislation related to digital tachographs
- Improvement of efficiency of infrastructure railway operation and of rolling stock maintenance operation
- Developing information system (IT) for registering the infrastructure of inland waterways

OTHER INSTITUTION BUILDING ACTIONS € 2 MILLION

- Unallocated IB Envelope

ii) IMPLEMENTATION

- Phare 2001 – finalisation of payments

The disbursement deadline of 2001 Phare programme was 30 November 2004. For several projects, in particular those connected with support for the SME sector and with integration of the Roma minority, the disbursement deadline was extended by up to eleven months. On 1 May 2005, 95.25% of the programme had been contracted and 81% had been disbursed.

- Phare 2002 – rate of contracting (EDIS extensions)

The contracting deadline for the 2002 programme Parts I and II was 30 June 2004 for grant schemes, and 30 November 2004 for other projects. The contracting deadline for the grant schemes was extended to 30 September 2004. In addition, the Hungarian authorities were granted five extensions for projects from Part I and Part II of the programme. At the date of 1 May 2005, 91.49% of the funds from Part I and 89.48% of the funds from Part II had been contracted.

- Institution Building highlights

During the year 2004, a total of around € 330 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Hungary from Phare programmes (2001-2003).

2004 saw the completion of many institution-building activities in Hungary, of which the most significant were in the fields of agriculture and preparation for management of Structural Funds.

In agriculture, Phare supported software development for the Integrated Administration and Control System (IACS). Sufficient progress was made for Hungary to receive provisional accreditation for its IACS by the date of accession. Twinning projects provided vital assistance to complete preparation for accession in the fields of disease control (TSE and rabies), certification of feedstuffs and seeds, and setting up common market organisations (CMOs). In the field of food safety and consumer protection, a twinning supported the establishment of a Food Safety Office in Hungary, and IT and laboratory equipment was provided for a National Phytosanitary Diagnostic Control System.

Concerning preparation for management of Structural Funds, 2004 saw the final phase of a twinning supporting the establishment of Managing Authorities, and another twinning assisting the Ministry of Finance to establish appropriate systems of Public Internal Financial Control (PIFC) for Structural and Cohesion Funds. Meanwhile the Phare-funded Project Generation Facility made consultancy advice available for the preparation of high-quality proposals for Structural Funds support.

The Twinning instrument continues to be used successfully in many priority areas and helped Hungary to prepare for the implementation of EU policies and laws.

5.3. Results and Impact

i) State of play for JMC / SMSC development

On 1 May 2004, a revised JMC Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an

Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

The JMC meetings took place on 22 April 2004 and 19 October 2004 and were co-chaired by the EC and the NAC. The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes, to discuss horizontal/systemic issues and to identify possible solutions. Several immediate actions were agreed upon and deadlines set for their implementation.

ii) M&E Reports in 2004

Overall responsibility for monitoring and evaluation of the Phare programme in Hungary lies with the National Aid Coordinator (NAC)-Minister without portfolio responsible for co-ordination of European integration affairs. The actual decentralised Interim evaluation operation in Hungary started in January 2004 and is co-ordinated and supervised by the NAC, Department for Evaluation and Monitoring Administration.

A synthesis report was completed by the NAC in 2004 on the basis of the findings of the sectoral Interim Evaluation (Political criteria, Justice and Home Affairs, Internal Market, Environment and water Management, Transport, Agriculture, Customs and financial affairs, Health and Social affairs, Regional Development, Cross-border co-operation, Social Cohesion, Small and Medium Sized Enterprises).

A Country Phare Evaluation Review (CPEP) for Hungary prepared by an independent external evaluator under a centralised contract was issued in January 2004. The report provides a consolidated country review of the findings of the Interim Evaluation reports that were prepared between August 2001 and July 2003. It concluded that the programmes were in most cases relevant and closely related to meeting acquis requirements and to the introduction of EU compliant practices and procedures. Phare has also been instrumental in building administrative and judicial capacity. According to the report, there are a number of recurring inefficiencies, particularly delays in contracting and tendering, which affected programme implementation schedules. Most programmes are effective in achieving their objectives. The impact of Phare is most visible and direct from works projects and grant programmes. Other sectors bring less direct but equally significant value in terms of legal, health, environmental, economic, social and business impacts. Sustainability will be assured by the Government of Hungary's commitment to maintaining EU standards.

I.6. LATVIA

6.1. Summary

In 2004, Latvia became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of the Ministry of Finance of the Republic of Latvia submitted to the European Commission on 12 November 2003 a request to waive ex-ante controls on project selection, tendering and contracting for the management of Phare pre-accession aid under the Extended Decentralised Implementation System (EDIS) by the CFCA-Central Finance and Contract Agency and the SIF-Society Integration Foundation.

Through its Decision (C(2004) 2897), adopted and notified on 30 July 2004, the European Commission decided to confer management of aid provided under Phare to the agency responsible for the implementation of the Phare programmes in Latvia, the Central Finance and Contracting Agency (CFCA) and the Society Integration Foundation (SIF). As a result, procurement is carried out within an extended decentralised implementation system under the responsibility of these implementing agencies, and ex-ante control is no longer performed by the Commission Representation in Riga.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transition Facility programmes and monitoring of both Phare and Transition Facility programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

6.2. Phare/pre-accession financial and Transition assistance in 2004

For the period 2004 – 2006, a Transition Facility has been created by Art 34 of the Act of Accession to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Latvian authorities and the European Commission on 13 September 2004.

i) Programming

A total of € **6,679,100** was allocated under the 2004 Transition Facility budget for Latvia.

Although the most urgent needs as regards *acquis* implementation have been addressed before accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures on par with those of other Member States.

Additional assistance was also provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transition Facility 2004 National Programme for Latvia in 17 June 2004. The programme was then approved by the Commission through its Decision C(2004) 3695 of 11 October 2004, which was notified to the national authorities on the same day.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the Acquis.

The Transition Facility 2004 National Programme for Latvia provides for:

FREE MOVEMENT OF GOODS € 0.92 MILLION

- Strengthening the public procurement system, Food control (Beverages and Specific Foods)

STATISTICS € 0.65 MILLION

- Strengthening capacity in particular subject matter Divisions of the Central Statistical Bureau

SOCIAL POLICY AND EMPLOYMENT € 0.98 MILLION

- Regarding further development of occupational Health and Safety

ENERGY AND ENVIRONMENT € 0.84 MILLION

- Radioactive waste management and reactor decommissioning, strengthening data reporting on acidification, eutrophication and integrated pollution

JUSTICE AND HOME AFFAIRS € 1.95 MILLION

- To strengthen the capacity of human resources in the Ministry of Justice, to develop dispute resolution systems and training of legal practitioners

ADMINISTRATIVE CAPACITY € 1.3 MILLION

- Institution building facility and evaluation of EU Funded measures

ii) Implementation

- Phare 2001 – finalisation of payments

By the end of 2004, 88% of the 2001 programmes had been contracted and 83% of the programmes had been disbursed.

- Phare 2002 – rate of contracting

By the end of 2004, 63% of the 2002 programmes had been contracted and around 47% disbursed. However, the Latvian authorities asked for extension of some projects.

- Institution building highlights

During the year 2004, a total of around € 116 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Latvia from Phare programmes (2001-2003) and Transition Facility.

In 2004, Twinning continued to remain a successful instrument in Latvia in many areas and has helped the Latvian administration to further strengthen its capacities to implement and enforce EC legislation.

6.3 Results and impact

i) State of play of JMC / SMSC development

On 1 May 2004, a revised JMC Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

For the year 2004, one JMC meeting took place chaired by the Latvian authorities. In this meeting problematic areas regarding project management were discussed and possible remedial actions proposed. Problematic sectors concern the areas of environment and nuclear safety, Justice and to a certain extent also the Social sector where operational efficiency needs to be improved.

ii) M & E Reports in 2004

Overall responsibility for monitoring of the Phare programme in Latvia lies with the Ministry of Finance. Throughout 2004, the NAC prepared Action plan for Monitoring and Evaluation in Latvia. Following the decentralisation of the Interim Evaluation function, the actual decentralised Interim Evaluation operation started in September 2004.

In 2004, interim evaluation reports were prepared by an independent evaluator and issued by NAC for the following sector: Regional Development/CBC, Energy, Market and Anti-trust Surveillance, Statistic, Social Sector, Civil Society, Health and Twinning Light.

A Country Phare Evaluation Review (CPER) for Latvia prepared by an independent evaluator, under the centralised contract, was issued in March 2004. The report provides a consolidated country review of the findings of Interim Evaluation reports that were prepared between August 2001 and July 2003. It concluded that Phare assistance has successfully supported Latvia's accession process. It has induced institutional change and assisted in the transposition of the *acquis* into Latvia legislation. Successes were noted particularly where there was a clear national strategy, and the beneficiaries were committed, and well organised. Phare assistance has been largely effective in most sectors.

I.7. LITHUANIA

7.1. Summary

In 2004, Lithuania became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer for Lithuania submitted on 31 October 2003 to the European Commission a request to waive ex-ante controls on project selection, tendering and contracting for the management of Phare aid under Extended Decentralised Implementation System (EDIS) by the CPMA-Central Project Management Authority.

Through its Decision (C(2004) 2901), adopted and notified on 30 July 2004, the European Commission decided to confer management of aid provided under Phare to the agency responsible for the implementation of the Phare programmes in Lithuania, the Central Programme Management Agency (CPMA). As a result, procurement is carried out within an extended decentralised implementation system under the entire responsibility of the CPMA, and ex-ante control is no longer performed by the Commission Representation in Vilnius.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transition Facility programmes and monitoring of both Phare and Transition Facility programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

7.2. Phare/pre-accession financial and Transition assistance in 2004

For the period 2004 – 2006, a Transition Facility has been created by Art 34 of the Act of Accession to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Lithuanian authorities and the European Commission on 12 November 2004.

i) Programming

A total of € **22,435,000 million** was allocated under the 2004 Transition Facility budget for Lithuania.

Although the most urgent needs as regards *acquis* implementation have been addressed before accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures on par with those of other Member States.

Additional assistance was also provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transition Facility 2004 National Programme for Lithuania in October 2004. The programme was then approved by the Commission through its Decision C(2004) 4620 of 3 December 2004, which was notified to the national authorities on the same day.

The Transition Facility 2004 National Programme for Lithuania provides for:

AGRICULTURE, FISHERIES AND FOOD SAFETY € 7.68 MILLION

Common Agriculture Policy Reform, on control of veterinary medicinal products and feeding stuffs, strengthening the border veterinary control system, control of food safety and residues, common market organisations for fishery products, a control system of plant origin production, biocidal products management as well as control of animal health and food safety through implementation of veterinary information management system

JUSTICE AND HOME AFFAIRS € 5.15 MILLION

Crime prevention and investigation regarding intellectual property rights and cyber-crimes; training and qualification system for police officers; international police co-operation in the fight against organised crime; and on the development of a customs data warehouse

ENVIRONMENT € 1.81 MILLION

Ambient air quality modelling; and raising qualification skills for protected areas managers

ADMINISTRATIVE CAPACITY € 7.78 MILLION

Improvement of public debt and cash management function; development of a risk management system for tax collection; strengthening capacities in railway transport; development of ionising radiation measurement infrastructure; new *acquis* in statistic; and Nemunas river basin management, Unallocated Institution Building Envelope to provide for twinning light and technical assistance

ii) Implementation

- Phare 2001 – finalisation of payments

By the end of 2004, 88% of the 2001 programmes had been contracted and 90% of the programmes had been disbursed.

- Phare 2002 – rate of contracting

By the end of 2004, 83% of the 2002 programmes had been contracted and around 44% disbursed. However, the Lithuanian authorities asked for extensions of the 2002 programme (part II) and for a project from the 2002 programme (part III). Certain projects received extensions and are thus ongoing.

- Institution building highlights

During the year 2004, a total of around € 111 million of pre-accession assistance from national allocation (not including horizontal, multi-country, and nuclear or Kaliningrad programmes) has been deployed in Lithuania from Phare programmes (2001-2003).

On the whole Lithuania has made good use of Phare assistance to support the accession process. Harmonisation of legislation, institution building and investment with the support of the Phare assistance progressed well.

In 2004, Twinning continued to remain a successful instrument in Lithuania in many areas and has helped the Lithuanian administration to further strengthen its capacities to implement and enforce EC legislation.

7.3 Results and impact

i) State of play of JMC / SMSC development

On 1 May 2004, a revised JMC Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

In 2004, one Joint Monitoring Committee meeting took place in April 2004. At this meeting issues regarding project management were discussed and possible remedial actions proposed to address problems identified. In particular issues were discussed related to projects in the field of Nuclear safety and Environment, Customs, Economic and Social cohesion grant schemes and possible remedial action was proposed.

ii) M & E Reports in 2004

National Aid Coordinator (NAC) has overall responsibility for monitoring and evaluation of Phare programme. In his/her duties it is assisted by the Financial Assistance Department (EU assistance coordination division) of the Ministry of Finance. The NAC prepared Action Plan on decentralisation of monitoring and evaluation in Lithuania in February 2004.

In 2004, interim evaluation reports were prepared by an independent external evaluator and issued by the NAC in the following sectors: Agriculture, Environment, Justice and home affairs, Social affairs and Public administration, Public Finance and Customs.

A Country Phare Evaluation Review (CPER) for Lithuania prepared by an independent evaluator, under a centralised contract, was issued in January 2004. The report provides a consolidated country review of the findings of Interim Evaluation reports that were prepared between August 2001 and July 2003. It concluded that on the whole Lithuania has made good use of Phare assistance to support the accession process. Harmonisation of legislation, institution building and investment with the support of the Phare assistance is progressing well. National Aid Co-ordination structures have been significantly strengthened and as a result project design has been improving. However, because the introduction of Economic and Social Cohesion projects has brought an increase in the number of actors unfamiliar with the requirements of designing Phare projects, further work is needed to support programme and project design.

I.8. MALTA

8.1. Summary

In 2004, Malta became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of Malta has submitted to the European Commission on 12 April 2002 and 17 April 2003 requests to waive ex-ante controls on project selection, tendering and contracting for the management of pre-accession aid under Extended Decentralised Implementation System (EDIS)) for the Department of Contracts in the Ministry of Finance.

Through its Decision (C(2004) 2132), adopted and notified on 21 June 2004, the European Commission decided to confer the management of aid on an extended decentralised (EDIS) basis to Malta. From this date, procurement dossiers no longer require the ex-ante control of the European Commission services. The Department of Contracts within the Ministry of Finance is now responsible for ex-ante control, tendering and contacting. The Implementing Agencies are in charge of the technical part of implementation and are now fully responsible for the daily implementation of the projects.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transition Facility programmes and monitoring of both Pre-Accession and Transition Facility programmes. The National Authorizing Officer (NAO) has overall authority and responsibility for the implementation of Pre-Accession and Transition Facility funds.

8.2. Pre-accession financial and Transition assistance in 2004

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Estonian authorities and the European Commission on 10 August 2004.

i) Programming

A total of € **11,800,000** was allocated to Malta under the 2004 Transition Facility budget. Although the most urgent needs as regards *acquis* implementation have been addressed before Accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures on par with those of other Member States.

Additional assistance was also provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transition Facility 2004 National Programme for Malta in July 2004. The programme was then approved by the Commission through its Decision C(2004) 3068 of 12 August 2004, which was notified to the national authorities on the same day.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the *acquis*.

The Transition Facility 2004 National Programme for Malta provides for:

TRADE-INTERNAL MARKET € 2.58 million

- Further institutional building, consolidation and strengthening of MSA
- Additional support in specific technical areas for the continued effective implementation and operation of the market surveillance system in Malta
- Upgrading the National Blood Transfusion Service to quality standards as specified in Directive 2002/98/EC
- Strengthening the overall capacity of the Department of Public Health to enforce the control of the foodstuffs *acquis*
- Intellectual property awareness, training and enforcement

TRANSPORT POLICY € 0.98 million

- Capacity building at the Malta Maritime Authority

JUSTICE AND HOME AFFAIRS € 0.98 million

- Strengthening Malta's capacity to issue visas
- The development of the border management control in Malta
- Modular training program for the enhancement of the asylum system in Malta
- Capacity building in the justice sector
- Measures to implement a radio network infrastructure for 112 call related emergency service providers in line with EU norms and standards

SOCIAL POLICIES AND EMPLOYMENT € 0.55 million

- Institutional Building of the Occupational Health and Safety Authority
- Capacity strengthening of the Department of Social Security to co-ordinate social security schemes

AGRICULTURE € 1 million

- Capacity building in the Food and Veterinary Regulation Division

ENVIRONMENT € 1.2 million

- Building capacity to implement the air pollution monitoring and mitigation measures required under the Air Quality Framework Directive 96/62/EC
- Building capacity to introduce the polluter pays principle through economic instruments to implement the EU Environmental *acquis*
- Strengthening institutional capacity for the implementation of the nature protection *acquis*

- Technical assistance for the development of implementation systems for the producer responsibility directives

ADMINISTRATIVE CAPACITY € 4.48 million

- Institution building facility
- Continuation of the National Statistics Office programme of strengthening its institutional capacity to integrate it into the European Statistical System
- Strengthening of the overall capacity of the VAT Department and the Tax Compliance Unit to adequately implement and control the VAT system and to combat evasion and fraud in the field of VAT
- Measures to assist the Customs Department in ensuring that new areas of work post-accession meet all the requirements
- Capacity building for Malta Enterprise
- Capacity building programme in Information Security
- The development of university-based courses to strengthen Malta's capacity in the field of translation
- The development of university-based courses to strengthen Malta's capacity in the field of interpretation

ii) Implementation

- PAP 2001 – finalisation of payments

The disbursement deadline of 2001 Pre-Accession programme was 30 September 2004. At that date, 90.65% of the programme had been contracted successfully. 80.9% of the programme had been disbursed, while three projects of the 2001 Programme had been extended and were ongoing.

- PAP 2002 – rate of contracting

At the end of the contracting period for the 2002 programme on 30 April 2004, 98.89% of the programme had been contracted. The Maltese authorities requested no extensions for the 2002 programme.

- Institution Building highlights

During the year 2004, a total of around € 24.78 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Malta from PAP (2001-2003).

Implementation of PAP in Malta is considered overall satisfactory in the area of Environment, Agriculture and others sectors like JHA, Internal market, etc.

The Twinning instrument continues to be used successfully in many priority areas and helped Malta to prepare for the implementation of EU policies and laws.

8.3. Results and Impact

i) State of play for JMC / SMSC development

On 1 May 2004, a revised JMC Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

In 2004, the only Joint Monitoring Committee (JMC) meeting took place on 29-30 March 2004 and was co-chaired by the EC and the NAC. Given the absence of sub-committees in Malta previous to the introduction of the new JMC mandate, this meeting helped to review in detail the implementation of the projects in each sector. In the year 2004, the first round of Sector Monitoring Sub-Committee (SMSC) meetings took place in November. There are three SMSCs and each SMSC is chaired by the NAC and includes the NAO and the Department of Contracts as core members.

ii) M&E Reports in 2004

Overall responsibility for monitoring and interim evaluation of the Pre-Accession and Transition Facility programmes in Malta lies with the NAC services located at the Office of the Prime Minister (OPM).

In 2004, two interim evaluation reports were prepared by an independent external evaluator and issued by the NAC. Due to the small size of the Malta PAP, the analyses looked at the overall programme and not sector by sector.

A Country Summary Evaluation Report (CPEP) for Malta prepared by an independent external evaluator, under a centralised contract, was issued on 22 November 2004. The report concluded that all the projects were relevant and have facilitated the adoption of the *acquis*. Only a few projects did not or are not likely to effectively attain their objectives. In general, they had a positive impact and will have a long-term effect on the ministries running them, and even on non-governmental stakeholders. However, it noted that efficiency was frequently hampered by a number of factors including delays in the process of approval of terms of reference, tenders and contracts.

I.9. POLAND

9.1. Summary

In 2004, Poland became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of the Poland has submitted to the European Commission on 11 March 2004 a request to waive ex-ante controls on project selection, tendering and contracting for the management of Phare aid under Extended Decentralised Implementation System (EDIS).

Through its Decision (C(2005)351), adopted and notified on 17 February 2005, the European Commission decided to confer the management of Phare aid on an extended decentralised (EDIS) basis to the Central Finance and Contracts Unit (CFCU), the Polish Agency for Enterprise Development (PAED) and the Implementing Authority for Phare Cross-Border Cooperation Programmes (IA-CBC) would be responsible for the daily implementation of the projects. Since this date, Phare procurement is carried out under the responsibility of these authorities and no longer requires the ex-ante control of the European Commission Representation in Warsaw.

The National Aid Co-ordinator (NAC) would exercise the programming function for the Transition Facility programmes and monitoring of both Phare and Transition Facility programmes. The National Authorizing Officer (NAO) would carry out the financial supervision.

9.2. Phare/pre-accession financial and Transition assistance in 2004

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Polish authorities and the European Commission on 5 November 2004.

i) Programming

A total of € **49.914.620** was allocated to Poland under the 2004 Transition Facility budget. Although the most urgent needs as regards *acquis* implementation have been addressed before Accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures on par with those of other Member States.

Additional assistance was also provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transition Facility 2004 National Programme for Poland on 8 October 2004. The programme was then adopted by the Commission through its Decision C(2004)4476 of 29 November 2004, which was notified to the national authorities on the same day.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, grant schemes, and investments to provide the necessary equipment in order to implement the Acquis.

The Transition Facility 2004 National Programme for Poland provides for:

ADMINISTRATIVE CAPACITY **€ 18.32 MILLION**

- Strengthening Monitoring and Evaluation
- NGOs
- Improving administrative capacity central government
- EU integration multi-sector training programme
- Tissue and cell banking
- Co-ordination of social security systems
- Metrological control digital tachographs
- Strengthening Internal Audit
- Strengthening protection EU financial interests
- EU integration Flexible reserve

INTERNAL MARKET **€ 11.40 MILLION**

- REACH package
- Strengthening protection IPR
- Strengthening Competition protection
- Strengthening Consumer Protection
- Strengthening Customs service
- Strengthening Conformity assessment

ENVIRONMENT **€ 5.88 MILLION**

- Environmental protection information system-biological safety
- Drinking Water Monitoring
- Natura 2000-Birds & Habitats Directive

AGRICULTURE AND FISHERIES **€ 3.59 MILLION**

- Strengthening Veterinary Administration
- Rural Development EAGGF 2007-2013
- FIG 2007-2013

JUSTICE AND HOME AFFAIRS **€ 10.70 MILLION**

- Drug prevention at regional level
- Anti-Corruption
- Inter-Agency co-operation in Fight against Crime
- Strengthening the Justice system

ii) Implementation

- Phare 2001 – finalisation of payments

At the end of the disbursement period for the 2001 Phare programme on 15 December 2004, 96.8% of the programme had been contracted successfully and 73.33% of the programme had been disbursed, while 52 projects of the 2001 Programmes have been extended and were ongoing.

- Phare 2002 – rate of contracting

At the end of the contracting period for the 2002 programme on 30 November 2004, 82% of the programme had been contracted. The Polish Authorities asked for the extension of the certain elements of the Phare programmes 2002. One project received an extension of the contracting deadline until 31 December 2004, 17 projects until 28 February 2005, and one project till 30 June 2005.

- Institution Building highlights

During the year 2004, a total of around € 1,518 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Poland from Phare programmes (2000-2003).

Implementation of Phare in Poland is considered generally successful in the areas such as environment and internal market, where Phare funds and projects provide notable value added. In some limited cases remedial actions had to be taken.

Some sectors remain problematic, such as transport, and agriculture, where several remedial actions had to be taken to decrease the negative impact from excessive delays, avoid the risk of loss of funds and support Poland's ability to fulfil the *acquis* in these areas.

The Twinning instrument continues to be used successfully in many priority areas and helped Poland to prepare for the implementation of EU policies and laws.

9.3. Results and Impact

i) State of play for JMC / SMSC development

On 1 May 2004, a revised JMC Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

Joint Monitoring Committee (JMC) meetings took place on 26 April 2004 and 13 December 2004, and were co-chaired by the EC and the NAC. The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes, to discuss horizontal/systemic issues and to identify possible solutions. Several immediate actions were agreed upon and deadlines set for their implementation.

In the year 2004, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. There are eight sectors to be monitored in Poland: Transport; Environment; Agriculture; Internal Market; Cross Border Co-operation; Justice and Home Affairs; Regional Development; Public Administration, Science and Education.

ii) M&A Reports in 2004 (lessons learned)

Overall responsibility for monitoring of the Phare programme in Poland lies with the NAC department within the Office of the Committee for European Integration (UKIE). The NAC prepared Action Plan on decentralisation of Monitoring and Evaluation in February 2004.

The Annual Evaluation Plan covering all monitoring sector was prepared by NAC.

A Country Phare Evaluation Review (CPER) for Poland prepared by an independent external evaluator under a centralised contract was issued in May 2004. The report provides a consolidated country review of the findings of the Interim Evaluation reports that were prepared between August 2001 and July 2003. It concluded that Phare assistance has successfully supported Poland's accession process. Successes have been noted, particularly where there was a clear national strategy, and the beneficiaries were well organised with dedicated and experienced staff with previous knowledge of Phare. Most sectors were rated satisfactory for achievement of the programme objectives, but the effectiveness of the programmes for regional development and transport was unsatisfactory.

I.10. ROMANIA

10.1. The year in review

Political developments

In 2004, Romanian politics were marked by the elections which took place at local, general and presidential levels. While the PSD together with its electoral partner PUR (currently Conservative Party-PC) won the parliamentary elections, the PNL and PD made substantial gains by joining forces to form the Alliance for Truth and Justice (ADA). The new alliance ranked second in the general election, but won the presidency and ultimately formed the government.

The former PD leader, Traian Basescu, succeeded Ion Iliescu, and became in December 2004 the third post-communist President of Romania, while Calin Popescu Tariceanu (PNL) formed a Cabinet with PD, UDMR and PUR (PC), replacing the PSD Cabinet of Adrian Nastase. Thus, for the third time since 1989, a political change took place in Romania.

Despite the specificity of the 2004 electoral year, all Romanian leaders, in power or opposition, continued to support the proposed EU accession in 2007. Romania concluded negotiations with the European Union in December 2004. In the same month, the European Council noted with satisfaction the closure of negotiations and called for the finalisation of the Accession Treaty with Romania.

Macroeconomic developments and structural reforms

The Romanian economy performed strongly in 2004, boasting a GDP growth of 8.3%, the highest in its post-communist period. The disinflation trend was sustained, as the CPI increase was contained to single-digit figures (9.3% December-to-December) for the first time since 1990. A relatively strict budget stance (consolidated budget deficit of only 1.2% of GDP relative to 1.64% the year before) has helped, but slippages in the last quarter of the year – linked to the general elections – and a continued boom of consumption credit contributed to a new increase of the current account deficit, which came to exceed 7% of GDP. So far, however, no signs of external vulnerability are apparent, because the current account deficit was fully financed by autonomous capital inflows and the increase of external indebtedness was matched by a corresponding increase of international reserves. These two correlations, however, need to be followed closely in 2005, mainly because of a slowdown in FDI (also linked to the drying up of privatization opportunities) and of an increase in private external debt.

Structural reforms continued, albeit at an uneven pace. Privatisation made important inroads in the energy area, where several important companies were sold, including Romania's largest (PETROM), but dragged its feet in other sectors. Particularly disappointing is the persistence of the reflexes to “cling on” to companies which should swiftly be liquidated. In key sectors such as energy, mining, and transport, more perseverance in restructuring is called for.

Another weak point is the unsatisfactory bankruptcy framework, which keeps on the market non-viable companies and frustrates the efforts of creditors to receive what they are owed. Bankruptcy procedures continue to be grossly inadequate, in spite of a

legislative reshuffle carried out in May 2004 which had been hailed at the time as a decisive progress.

Progress in meeting the *acquis communautaire*

Romania continued to fulfill the **political criteria**. Political pluralism is functional, general and presidential elections organised towards the end of the reporting year ended up with a change in power. [Some?Little] progress could be noticed with regard to the reform of public administration, the general Strategy for reform having been endorsed at the highest political level in May 2004. However, civil service and administrative capacity of the public administration as a whole remain quite weak. Measures are needed to increase parliamentary capacity to effectively scrutinise draft legislation. As for the reform of the judiciary, apart from political will to address the issue, no progress was seen. Corruption continues to affect all areas of society, in parallel with a weak performance and capacity of the judicial system. Further measures were taken to enhance the protection of human rights, including protection of minorities and child protection.

Romania managed to **close negotiations** on all chapters, including Competition and JHA. Phare support will continue even beyond the end of negotiations in areas mutually agreed as priorities by EC and Romanian Government.

Romania continues to be on track with legal **adoption and transposition of the *acquis***. However, serious gaps continue to exist between legal transposition and effective implementation, mainly due to limited administrative capacity. This represents a major constraint on Romania's accession preparations and to address this issue will require a comprehensive, structural reform of both the public administration and the judicial system. These concerns extend beyond the adoption of the *acquis* and also apply to the management of EU financial assistance. Progress in establishing the new institutional structures required by the *acquis* continued although results were uneven.

10.2. Phare in 2004

Programmes launched

For 2004, Phare allocations for Romania totalled €422.3 million –

- National Programme (€405,3 million)
- Cross-border Co-operation Romania-Moldova (€5.0 million)
- Cross-border Co-operation Romania-Ukraine (€6.0 million)
- Cross-border Co-operation Romania-Serbia Montenegro (€4.0 million)
- Cross-border Co-operation Romania-Hungary (€2.0 million)

These figures exclude the benefits to Romania from horizontal and multi-country Phare programmes.

The overall aim of the National Programme (**€405.3 million**) was to assist Romania's preparations for EU membership, based on the priorities identified in Romania's latest Accession Partnership, approved in May 2004.

Overview of programmes implemented

Agriculture:

New IB projects to prepare the institutional framework required for management of the Common Agriculture Policy direct payments started in 2004, as did projects to further strengthen the SAPARD Agency and the newly set up National Sanitary veterinary and Food Safety Authority. Most of the 2003 on-going projects ended successfully (wine, fisheries, phytosanitary and SAPARD). The enforcement capacity of institutions in charge of implementation of already transposed *acquis* was strengthened in fields such as wine and phytosanitary but still remain insufficient in the field of veterinary, food safety, and paying agency and common market organisations. New laboratory facilities were opened in the field of testing plant protection products, injurious organisms and pesticide residue control.

Transport:

Investment support continued with particular emphasis on traffic safety infrastructure, for example: the rehabilitation of a railway-testing centre and the completion of interlocking systems in three main railway stations; a river information system on Danube; and a video surveillance system on the national road no. 1. Preparatory work has started for a substantial road safety scheme aiming at the elimination of blackspots within and outside localities. Control equipment supporting the enforcement of road transport legislation, including truck weighing devices, mobile testing devices for vehicles inspection and alcohol tests have been procured. The support for institution building has also continued, with measures including twinning at both the horizontal and sub-sectorial levels, as well as technical assistance in areas related to transport safety and taxation/financing of road and inlandwater transport systems.

Environment:

The programmes developed during 2004 focused mainly on Institution Building and legislative harmonisation. Important aspects included those in the field of cost assessment and preparation of a financial strategy for the so-called “heavy investment” directives. The projects focused on developing an environmental administration capable to cope with relevant EU requirements including the strengthening of local agencies and supporting the development of regional ones, and developing the air quality monitoring system for the municipality of Bucharest. In addition to this, contracts were concluded for ensuring compliance with industrial pollution and Water Framework directives, as well as for continuing the cost assessment and financial strategy, as a key element of the negotiation process.

Public Finance:

In 2004, the ongoing Phare projects covered mainly IB. Positive and tangible developments were noticed in the improvement of the capacity of the Ministry of Public Finance to collect revenue as well as to consolidate and complete legal framework and reinforce institutional capacity to collect taxes and duties. In addition, the budgetary procedures and the management of the public expenditure were improved. The current twinning project on fiscal control took steps forward on development of the fiscal control function and strengthening its role for increasing the voluntary compliance degree, the taxpayers' discipline, as well as diminishing the fiscal evasion.

Encouraging outputs and positive impact were identified with regard to the understanding of the general concepts and their implementation in the area of internal audit.

The twinning project in progress in the area of public accounting focuses on improving the organisation and performance of the public accounting system in accordance with the European and international standards in force. As a consequence there was progress in the elaboration and implementation of new regulations, a new Chart of Accounts for public institutions, an appropriate reporting system of the accounting information in accordance with European and international standards, methodological handbooks for proper applications of the new regulations, etc.

Notable development was recorded in achieving the necessary knowledge for simulation of the technical procedures for calculation of the Romanian contribution to the own resources of European Union budget. Steps were taken towards setting up and continuously improving the work procedures and co-operation between the involved institutions in view of achieving a uniform management for the Romanian contribution to the EU budget.

The twinning project for the National Fund, future Paying Authority, under implementation, contributes to the development of the institutional structure for sound financial management, control and audit of the post accession structural and cohesion funds.

In 2004, the assessment and enhancement of the management structure and administrative capacity of the CFCU began. There have been improvements towards the setting up of an effective management system to ensure proper procurement procedures for Phare programmes by the development of the overall performance and quality of documents processed.

The administrative capacity of the School of Public Finance continues to be reinforced at central and territorial levels.

In the external audit area, the Romanian Court of Accounts was strengthened as an independent external audit institution. The audit related legal framework was improved, the international external audit standards were adopted, adapted to the Romanian context and implemented. The audit quality was also enhanced.

Home Affairs

PHARE assistance in the home affairs sector continued in 2004 with the implementation of institution building and investment projects that had been programmed and budgeted in 2002 and 2003. The general process of reform and modernisation of law enforcement capabilities continued within the framework of a twinning project with Spain and the UK; in particular, the assistance targeted the demilitarisation and decentralisation of the policing system and also looked into new methodologies for preventing and combating corruption within the ranks of law enforcement agencies. Money laundering, organised crime and drugs trafficking and abuse were specific areas that benefited from PHARE assistance in 2004. The capacity of the anti-money laundering institutional system was strengthened in line with the EU's Second Money Laundering Directive.

In the area of organised crime, assistance in 2004 focused on the following: the creation of a Resource Centre for countering Trafficking in Human Beings; developing a national DNA profiling database for use in the forensic identification of Romanian nationals perpetrating offences on the territory of EU Member States; strengthening the institutional and operational capacity of the Romanian Police and Antidrug National Agency in preventing and fighting against drugs trafficking and abuse; and setting up a

EUROPOL Unit in line with EU standards. A 2002 project relating to the strengthening of procedures in the fight against trafficking in human beings and drugs was launched in 2004 at the Romanian Border Police (RBP). The phenomenon of migration was addressed in a project that assisted the development of the professional management and monitoring capacity within both the migration management structures and accommodation centres for illegal immigrants; the project also assisted with the setup of a research and analysis centre on migration management and the rehabilitation of a building for the centre's headquarters in Bucharest. The process of border management modernisation focused on further enhancing the capacity of the RBP to guard the Romanian borders effectively; as such, additional equipment to assist the RBP in this task was purchased and institutional support provided.

Justice

EU assistance in the justice sector consolidated the process of reform in important areas such as: professional training and specialisation; demilitarisation of the penitentiary system and a visible improvement of the policies and practices deployed inside penitentiaries and educational facilities; automation of courts; raising awareness and improving the standards of juvenile justice; providing assistance to the establishment and strengthening of important institutions such as the Superior Council of Magistracy (SCM), the National Institute of Magistracy (NIM), the National Administration of Penitentiaries (NAP) and the National Anticorruption Prosecutor's Office (NAPO). The assistance programmes in 2004 concentrated mostly on aspects of institutional building, but there were also significant investment projects that assisted the operational capacity of important institutions such as the NIM and NAPO.

Public administration:

Assistance for public administration focused on institution building and on strengthening capacity of the central and local administration. Some progress was made in the field of promotion and career structure principally because the primary and secondary legislation has been adopted; Human Resources handbooks were elaborated, published and disseminated within the public institutions and authorities from central and local public administration. Also under Phare assistance a communication strategy and a database were designed and a human resource network extending to both central and local administrations was established.

The National Institute for Administration (NIA), set up by the Government Ordinance no. 81/2001 as a specialised public institution for training and professional development of managers, professional civil servants and elected officials at central and local government levels, has connected to a national network of public administration training centres as well as to international networks of civil service training institutions in Europe. The Institute has increased its provision of short-term courses in public administration management, public finance, the management of EU funds and information technology.

Assistance was provided to support the Government in its determination to speed up the process of decentralisation (resulting in some important legislative initiatives under revision). There is still a lack of clarity concerning the allocation of responsibilities among central and local governments, and a lack of financial resources at local level.

Roma

In 2004, 10 counties in Romania finalised projects aimed at improving access and quality of education for disadvantaged groups with a special focus on Roma. The projects involved 74 pilot schools and supported training for around 1500 school inspectors, principals and teachers and 69 Roma school mediators. 55 Roma students have started and will be supported during a 4-year Open Distance Learning programme to become Romani language teachers. In addition, the programme supported the implementation of Second chance and after school remedial programmes and summer kindergartens. In the 2003-2004 school-year the following results were obtained: enrolment of Roma children in pre-school programs increased by 28%; kindergarten attendance was significantly improved-out of over 1600 Roma children enrolled in

kindergarten, only 5 dropped out during the school year; school enrolment of Roma children increased by more than 11% compared to the previous school year; the number of Roma children who dropped out from primary school halved; and the drop-out rate for Roma children in secondary school was reduced to 8,5% from 9,9%.

Children

In 2004, the Commission continued its multi-annual support for the closure of large residential institutions and their replacement with alternative family-type services. A total of 14 institutions were closed and replaced with 88 alternative services (family-type homes, daycare centres, recuperation centres etc) with over 4000 beneficiaries.

Social assistance

In 2004, the European Commission supported the development of social services in most disadvantaged areas in Romania through a Grant scheme implemented by the regional development agencies with the support of the Ministry of Labour Social Solidarity and Family. 135 projects supported the development of a wide range of social services aimed at improving the situation of vulnerable groups such as: children, disabled persons, elderly, youngsters leaving residential institutions, addicted persons etc. Interim and final evaluation reports revealed, following site visits, that the grant scheme is a success and local authorities and their partners have successfully implemented the projects and are willing in further support the services developed. Moreover it is absolutely obvious that the need for services is still far from being fulfilled. This Grant scheme was accompanied by training of local authorities and partners for enhancing the skills and supporting partnerships to provide social services.

Economic and Social Cohesion

This is a very large and complex cluster of programmes providing assistance according to the National Development Plan 2004-2006 for the implementation of the national and regional policies in the field of human resources, education, local and regional infrastructure, environment and SMEs. All the components of the programme are prepared as an exercise for the management of the future Structural Funds. There is also a consistent component for institution building for all the institutions involved at central and regional level.

Phare management performance

In 2004, Romania continued to implement levels of pre-accession assistance similar to those available in 2003.

The PHARE 2002 Programme (National, CBC, Nuclear Safety and EDIS Horizontal-279,9 M€) reached a level of contracting of 89.6% as against 96.5% contracted the year before under the PHARE 2001 Programme. Much like in 2003, a large proportion of contracts were signed in the two or three months prior to the expiry of the contracting deadline.

The implementation of the PHARE 2003 Programme (National, CBC, Nuclear Safety and External Border Initiative-288 M€) started early in 2004 with a contracting rate that did not go beyond 5.7% in December 2004, consisting mostly of twinning contracts.

In the context of a slightly poorer performance on 2003 levels and with the requirements for an EDIS accreditation drawing closer and closer, a Joint Quality Monitoring exercise was initiated in mid-2004 looking fairly effectively into rejection rates and the ex-ante control framework that should be set up and made operational by Implementing Agencies in Romania.

The Romanian authorities continued to implement remedial actions simultaneously with preparations for EDIS and Structural Funds but the most substantive of those (especially staffing and associated measures) would only be visible in the medium-to long-term. Although some improvements could be expected for 2005, concerns were expressed already in 2004 that these might not rise to the actual needs of the system.

NDPs – State of Play

The National Development Plan 2004-2006 approved by the Government and submitted to the Commission at the beginning of 2004 represented the basic documents for multi-annual programming of the Economic and Social Cohesion component of the Phare programme. Given that this is the last plan before the country's accession to the EU and therefore a forerunner of the plan that will provide the basis for negotiating the Community Support Framework, the EU methodology and key principles for action under structural funds were followed. This version of the NDP was drawn up in broad partnerships established at national and regional level, involving all relevant stakeholders, including economic and social partners.

In 2004, the Romanian authorities started also to prepare the NDP for the period 2007-2013 as the basic documents for the future Structural and Cohesion Funds after accession.

Institution Building highlights

The implementation of twinning projects was completed by the end of 2004 for most of Phare 2001 and 2002 projects. Of the 34 twinning projects under Phare 2002, 20 were finalised, approved and endorsed. There are 32 projects currently under implementation and nine will start implementation soon. Even in cases where the quality of the offers had improved and some proposals could be considered a preliminary draft covenant, the covenanting process encountered delays due to long negotiations between partners, especially in case of consortia, or due to inexperienced partners (misunderstanding of twinning rules), which in the case of the Insurance Supervision project, even led to the transforming of the project into a Technical Assistance one.

For several reasons (e.g. short period of implementation, small budget, instrument being used only since 2002), Twinning Light was not considered a success until the middle of 2004 when an increased interest from both the beneficiaries and the Member States was noticed. Six projects were closed and there are five projects under implementation.

Most projects attained all their proposed objectives and delivered the guaranteed results.

10.3. Results and impact

State of play for JMC/SMSC development

The annual meeting of the Joint Monitoring Committee was held on 12 July 2004 with a challenging agenda focused on the improvement of the administrative capacity of the Romanian authorities and the adequate preparation of the EDIS process. In September 2004 the first Phare Coordination Meeting was held as a result of the JMC decision to

create a follow-up mechanism to regularly monitor the progress in implementing the JMC recommendations.

The meetings of the 9 SMSCs were more focused and issue-solving oriented with the strong involvement of the NAC structures and the quality of the minutes improved as they became an efficient management tool. The change of the SMSCs structure with a view to correspond to the priority sectors identified under the Multi Annual Programming (MAP) and the introduction of the new sector monitoring reports were postponed for 2005. In this respect it was strongly recommended that a reporting system-based on a proper MIS-should be operational in 2005.

M&IE Reports in 2004-Lessons Learned

The quality of the monitoring reports was variable in 2004 and the shift from the project monitoring reports to the sector monitoring reports was not accomplished. The monitoring structures at the NAC level need additional resources in order to ensure adequate quality control of the monitoring reports. As regards the involvement of the Implementing Agencies in elaborating the sectoral monitoring reports, this should be significantly improved in 2005.

The new interim evaluation (IE) contract started on 1 July 2004 with a three month period (between April and June 2004) uncovered in IE terms. Of the four (4) Interim Evaluation reports finalised in 2004, two were rated “Satisfactory”-Cross Border Cooperation and Agriculture & Rural Development – whereas the Economic & Social Cohesion and Environment reports were rated “Barely Satisfactory”. The reports on transport and justice, although initiated in 2004, were only issued in February 2005.

Main recommendations focused *inter alia* on: appropriate actions by the Romanian government to ensure adequate levels of staff and resources in contracting authorities and other key Phare institutions; adequate information sharing meetings to be organised by the implementing authorities with the PAA/RTAs and experts involved in Twinning and TA projects across their sector; greater emphasis to be placed, in on-going programmes, on providing assistance at regional and local levels for future potential applicants for Structural Funds.

Sectors with positive results

ESC

Under the 2001 Phare budget the **Modernisation of Technical and Vocational Education and Training (TVET)** project contributed to the assurance of quality individualised teaching and learning processes tailored to special education needs of students, to the rationalised planning of the TVET supply based labour market demand reached by the main social actors involved in the Regional Consortia and Local Development Committees for TVET Social Partnership Development, as well as to enhancement of the school capacity to deliver TVET and CVT. With the support provided by Phare to the Ministry of Education and Research, and to the regional actors, 122 TVET schools in 36 counties developed training standards validated by employers, modular curriculum, learning materials, career counselling, training of teachers, school directors and relevant social actors.

A Grant support scheme for business start-ups was designed to support young enterprises and micro-enterprises. As a result 411 grant contracts were concluded to foster investment for establishing new businesses, developing those small enterprises already established and supporting the development of regional and local businesses in

those sectors where the region has a competitive advantage. In addition, more than 400 micro or small enterprises started or developed a business, more than 400 companies were equipped with new technologies and specific equipment and more than 3000 jobs were created.

The **Human Resources Development** project supported by 2000 Phare funds was relevant in that it targeted the gap between the skills of the labour force and the existing potential market needs. Given the relatively recent concept of HRD, the Phare initiative contributed to create better awareness and understanding. The partnership approach was highly beneficial and the applicants learned that they should join their resources and capacity in order to maximise the success. The local public administration found that raising its capacity was an urgent need if the new public management should be implemented. The projects implemented by industrial organisations have contributed to promoting the ownership culture among trainees and developing a constructive competition among them. In many cases new institutions were created and, during the period following project end, they have consolidated their competitive advantage on the development and training market at regional level.

Success story

Millennium III Business Centre – Rehabilitation of the historic centre of Baia Mare Town – the ESC example of synergy and strong impact on economic and social development

- .1. Baia Mare County Council intended to develop a business centre in Baia Mare, namely “Millennium III Business Center”. This city is the County Capital of Maramures County, in North-West Romania. The purpose of Millennium III was the social and economical restoration of an urban area, namely “The Old Center” – perimeter which includes a cultural thesaurus of 22 historic monument buildings.**
- .2. A three-buildings group in the Old Center were consolidated and restored, including heating, sewerage, water and gas supply systems as well as the reconstruction and rehabilitation of the pavement, along with up-to-date communication infrastructure: intranet networking, audio and video systems, house breaking protection, simultaneous translation systems, sound systems. The project was accomplished due to the financial assistance granted by the Phare Programme of the European Commission.**

The business centre is organised in pavilions with three modules placed on the east wing of the square, so as to stimulate the area with a formerly unused potential.

The main objective of this project is the creation of a favourable business environment, endowed with updated technology within an infrastructure which is personal, specific, and holds its roots in the original times of the city. Furthermore it also represents a rescue work for the historic patrimony, while putting it to account.

Support to Roma community

Support to the Roma community consisted of a grant scheme which involved 74 pilot schools and supported training for around 1500 school inspectors, principals and teachers and 69 Roma school mediators. 55 Roma students have started and will be

supported during a 4-year Open Distance Learning programme to become Romani language teachers. In addition, the programme supported the implementation of Second chance and after school remedial programmes and summer kindergartens. As a result in the 2003-2004 school-year the following results were obtained: enrolment of Roma children in pre-school programs increased by 28%; kindergarten attendance was significantly improved – out of over 1600 Roma children enrolled in kindergarten, only 5 dropped out during the school year; school enrolment of Roma children increased by more than 11% compared to the previous school year; the number of Roma children who dropped out from primary school halved; and drop-out rate for Roma children in secondary school was reduced to 8,5% from 9,9%

Tasks ahead

With November still the most demanding month in terms of successful contracting, and in view of substantial increases in funding over the next three years, the major task ahead is the improvement of the overall administrative capacity of the relevant Romanian structures throughout the entire project management cycle. To this end, in 2005, the Commission will pay particular attention to developments relating to absorption capacities, which are to be reported in a dedicated paper on the implementation of the Single Action Plan for strengthening the administrative capacity to manage EU Funds. The final version of this paper is expected to be submitted by the Romanian authorities in July 2005 as part of an overall conditionality for Chapter 21. One of the most important issues still to be tackled over the short-term is staff levels and qualifications. It is expected that a solution to this problem, coupled with better planning of existing resources, will lead to a substantial decrease in the contracting backlog.

Closely related to the need for improving the administrative capacity are two other important tasks in the year ahead, namely: preparations for EDIS and the successful completion of the multi-annual programming exercise. As regards EDIS, efforts will focus on further gap-plugging based on the preliminary Stage III assessment, as well as on finalising Stage III and submitting an application preferably by end-December 2005. In terms of multi-annual programming, work will be steered so that Commission deadlines will be met and a satisfactory level of quality attained in all the eight sectors concerned, with the largest part of the funds available being channelled to sectors where the administrative capacity is sound and effective and projects are mature.

I.11. SLOVAKIA

11.1. Summary

In 2004, Slovakia became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of the Slovakia has submitted to the European Commission on 15 December 2003 a request to waive ex-ante controls on project selection, tendering and contracting for the management of Phare aid under Extended Decentralised Implementation System (EDIS).

Through its Decision (C(2004) 3965), adopted and notified on 19 October 2004, the European Commission decided to confer the management of Phare aid on an extended decentralised (EDIS) basis to the following Slovak authorities: the Central Finance and Contracting Unit (CFCU), the Regional Development Support Agency (RDSA) and the National Agency for Development of Small and Medium Enterprises (NADSME). Since this date, Phare procurement is carried out under the responsibility of these authorities and no longer requires the ex-ante control of the European Commission Representation (ECR) in Bratislava.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transition Facility programmes and monitoring of both Phare and Transition Facility programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

11.2. Phare/pre-accession financial and Transition assistance in 2004

i) Programming

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Slovak authorities and the European Commission on 18 August 2004.

A total of € **14,200,000** was allocated to Slovakia under the 2004 Transition Facility budget for Slovakia.

Although the most urgent needs as regards *acquis* implementation have been addressed before accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures on par with those of other Member States.

Additional assistance was also provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transition Facility 2004 National Programme for Slovakia in July 2004. The programme was then approved by the Commission through its Decision C(2004) 4229 of 29 October 2004, which was notified to the national authorities on the same day.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the acquis.

The Transition Facility 2004 National Programme for Slovakia provides for:

AGRICULTURE € 1.56 million

- Strengthening control system in the area of food safety

PUBLIC FINANCE € 3.80 million

- Strengthening Public Finance Management
- Systemic changes in tax audit
- Capacity building in the area of internal audit

JUSTICE AND HOME AFFAIRS € 1.98 million

- Strengthening the judicial system
- Support to the implementation of the National Programme for the Fight against Drugs

SOCIAL SERVICES € 1.19 million

- Strengthening administrative capacities in the field of gender mainstreaming
- Development of improved regional structures for the implementation of the anti-discrimination acquis

STATISTICS € 1.74 million

- Enhancement of the Slovak statistical system

TRANSPORT € 0.25 million

- Capacity building in the area of road transport (enforcement of social legislation)

NUCLEAR SAFETY € 0.87 million

- Improvement of the management of institutional radioactive waste

ADMINISTRATIVE CAPACITY € 2.80 million

- Strengthening the efficiency of cadastral services
- Interim evaluation of TF projects
- Unallocated Institution Building Facility

ii) Implementation

- Phare 2001 – finalisation of payments

The disbursement period for the 2001 Phare National Programme and Cross Border Co-operation Programmes expired on 30 November 2004. On 31 December 2004, 84.66%

of the programmes had been contracted, while 69.23% had been disbursed. One project on support to Roma settlements was extended by one year.

- Phare 2002 – rate of contracting

On 31 December 2004, i.e. one month after the expiry of the contracting period for the 2002 Phare National Programme and the Cross Border Co-operation Programmes, 92.44% of the programmes had been contracted. One project on Roma integration was extended.

- Institution Building highlights

During the year 2004, a total of around € 178.4 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes and participation in Community Programmes) has been deployed in Slovakia from Phare programmes (National Programmes and Cross Border Co-operation Programmes 2001-2003).

Implementation of Phare in Slovakia is considered particularly successful in areas such as environment and internal market, where Phare funds and projects provided notable added value.

Some sectors remain problematic, such as Cross Border Co-operation, Agriculture, social affairs and human resources development where remedial actions had to be taken to decrease the negative impact from excessive delays and to avoid the risk of loss of funds.

The Twinning instrument continues to be used successfully in many priority areas and helped Slovakia to prepare for the implementation of EU policies and laws.

11.3. Results and Impact

i) State of play for JMC / SMSC development

On 1 May 2004, a revised JMC Mandate came into effect in the new member states. The new JMC mandate stipulated that the JMC meetings are chaired by the NAC. It also reinforced an integrated monitoring and evaluation system. Above all, an Implementation Status Report was introduced which provides for a consolidation of the findings of sectoral monitoring, financial reporting and evaluation reports.

In 2004, one JMC meeting took place on 5 April 2004. In total seven SMSC meetings (two per each sector) and took place in spring and autumn, in the following sectors: Civil Society, Justice and Home Affairs, Economic and Social Cohesion, Internal Market Development.

ii) Monitoring & and Evaluation Reports in 2004

Overall responsibility for monitoring and interim evaluation of the Phare and Transition Facility programmes in Slovakia lies with the Aid Co-ordination Unit, as the executive body of the NAC, at the Office of the Government. Throughout 2004, the NAC prepared Action Plans on decentralisation of Monitoring and Evaluation. After a transition period, following the decentralisation of the Interim Evaluation function, the actual decentralised Interim Evaluation operation in the Slovak Republic started in May 2004.

In 2004, interim evaluation reports were prepared by an independent external evaluator in the following areas: Justice and Home Affairs and Internal Market.

A Country Phare Evaluation Review for Slovakia (CPEER) prepared by an independent external evaluator, under a centralised contract, was issued on 28 January 2004. The report provides a consolidated country review of the findings of the findings of the Interim Evaluation Reports that were prepared between August 2001 and July 2003. It concluded that on the whole Phare assistance has actively contributed with a positive impact on Slovakia's programmes for accession. Particularly successful interventions were noted in the area of justice and home affairs and internal market. Moreover, it noted that after initial difficulties, twinning had been successful in Slovakia and contributed to considerable progress in several areas of institution building. Infrastructure investments in environment, transport and border areas had been effective. However, the report noted that the enormously accelerated accession process left insufficient time to sustainably absorb the delivered results. The report pointed to the insufficient administrative capacity as a matter of concern.

I.12. SLOVENIA

12.1. Summary

In 2004, Slovenia became a full member of the European Union. Pre-accession assistance programmed since 2001 continued to be successfully implemented in order to address remaining needs related i.a. to compliance with the *acquis* requirement and improvement of the administrative capacity. In addition, for the period 2004-2006, a Transition Facility has been created to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

In order to manage this assistance, the National Authorising Officer of Slovenia submitted to the European Commission on 1 November 2003 a request to waive ex-ante controls on project selection, tendering and contracting for the management of Phare aid under Extended Decentralised Implementation System (EDIS).

Through its Decision (C (2004)3454), adopted and notified on 17 September 2004, the European Commission decided to confer the management of Phare aid on an extended decentralised (EDIS) basis to the Slovenian Authorities. From this date Phare procurement dossiers no longer require the ex-ante control of the European Commission Representation (ECR) in Ljubljana. The CFCU-Central Finance and Contract Unit is now responsible for ex-ante control and twinning and twinning light.

The National Aid Co-ordinator (NAC) exercises the programming function for the Transitional Facility programmes and monitoring of both Phare and Transitional Facility programmes. The National Authorizing Officer (NAO) carries out the financial supervision vis-à-vis the Implementing Agencies/line Ministries.

12.2. Phare/pre-accession financial and Transition assistance in 2004

i) Programming

Article 34 of the Act of Accession established the Transition Facility for the period 2004-2006, with the purpose to continue to provide assistance to the new Member States to strengthen their institutional capacity in certain areas through actions which cannot be financed by the Structural Funds.

The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Slovenian authorities and the European Commission on 22 September 2004.

A total of € **8.685.800** was allocated for Slovenia under the 2004 Transition Facility.

Although the most urgent need as regards *acquis* implementation have been addressed before Accession, the Transition Facility provides further support in order to consolidate the functioning of administrative structures of the new Member States.

Additional assistance has also been provided through Multi-country/Horizontal programmes, Sigma, TAIEX, OLAF, etc.

The Phare Management Committee approved the Transition Facility 2004 National Programme for Slovenia on 17 July 2004. The programme was then approved by the Commission with Decision C (2004) 4183 of 22 October 2004, which was then notified to the national authorities.

Transition Facility funds are used to support institution building through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the *acquis*.

The Transition Facility 2004 National programme for Slovenia provides for:

AGRICULTURE € 1.98 MILLION

- Strengthening the Food Quality System for protected agricultural products and foodstuffs
- Increase effectiveness of the phytosanitary control system
- Further enforcement of the *acquis* in the Phytosanitary Sector – Plant Protection Products
- Strengthening the Agency for Agricultural Markets and Rural Development in foreign trade measures
- Monitoring and networking in forestry
- Helping farmers and supporting institutions in adjusting to the EU supply management measures
- Increasing networking and upgrading administrative capacity in the management of food and feed safety

STATISTICS AND FINANCIAL CONTROL € 0.96 MILLION

- Setting up the Social Statistics Database for the implementation of EU SILC
- Further strengthening of Public Internal Financial Control and anti-fraud coordination

ENVIRONMENT AND INTERNAL MARKET € 1.76 MILLION

- Integrated Pollution Prevention and control (IPPC)
- Strengthening Natura 2000 implementation in Slovenia
- Improving the quality of inspections regarding the pharmaceutical, clinical trials and medical devices

JUSTICE AND HOME AFFAIRS € 2.47 MILLION

- Training of Staff for the Implementation of the EU *Acquis* and the Schengen *Acquis*
- Police peace operations
- Control of weapons and explosives
- Strengthening of Judicial Training Center
- Drug demand reduction
- Reduction of Judicial backlog

OTHER INSTITUTION BUILDING ACTIONS € 1.5 MILLION

- Unallocated Institution Building Envelope

ii) Implementation

- Phare 2001 – finalisation of payments

The disbursement deadline of 2001 Phare programme Part I was set on 15 September 2004 while Part II was set on 15 December 2004. On 9 May 2005, 93% of the programme (Part I + Part II) had been contracted successfully. On the same date, 100% of Part I of the programme and 74% regarding Part II had been disbursed, with a project extended for six months.

- Phare 2002 – rate of contracting

The contracting deadline for the 2002 programme (Part I) was 30 June 2004² while for Part II was 30 September 2004. At the date of 9 May 2005, 97.3% of the programme (Part I) and 96.7% of the programme (Part II) had been contracted.

The Slovenian authorities asked for the contracting extension of two projects (six months) of the programme part I and the extension of the contracting (six months) period of one project-with regards to the programme Part II.

- Institution Building highlights

During the year 2004, a total of around € 107 of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Slovenia from Phare programmes (2001-2003).

In the area of Justice and Home Affairs the implementation has been very efficient, but slow and inefficient in the area of External Border of the EU. Most of the projects have been or are likely to be effectively implemented, despite very long delays in the case of External Border of the EU projects

The twinning instrument continues to be used successfully in almost all priority areas and helped Slovenia to prepare for the implementation of EU policies and laws.

12.3. Results and Impact

i) State of play for JMC / SMSC development

The Joint Monitoring Committee (JMC) gathers twice a year and is the highest monitoring body overseeing the implementation of Phare and Transition Facility national programmes.

The JMC that took place on 1 June 2004 in Slovenia was the first to be held under the new JMC mandate that was brought into force following Slovenia's accession on 1 May 2004 and was chaired by National Aid Coordinator of the Slovenian authorities. The EC representative participated in the meeting. The JMC meeting was fruitful and helped to address the problems concerning implementation of the ongoing programmes. In particular the Commission noticed that for the first time the NAC had been very critical vis-à-vis of the implementing authorities and this was particularly important following the EDIS process.

In the year 2004, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in March-April 2005 and second round will be held between November and December. There are eight sectors to be monitored in Slovenia: Finance / European Integration, Social Affairs,

² The contracting deadline for certain projects was extended by 6 months

Justice and Home Affairs, Cross Border Co-operation (CBC), Environment, Education, Agriculture / Fisheries and Internal Market / Transport

ii) M&E Reports in 2004

Overall responsibility for monitoring of the Phare programme in Slovenia lies with the National Aid Coordinator (NAC) with the Government Office for European Affairs.

A synthesis report was completed by the NAC on the basis of the findings of six sectoral interim evaluations (Transport and Environment, Agriculture Justice and Home Affairs Internal Market Economic and Financial Issues and Economic and Social Cohesion) between February and April 2005.

I.13. TURKEY

13.1. The year in review

Political developments

The changes to the Turkish political and legal system over the past years are part of a longer process and it will take time before the spirit of the reforms is fully reflected in the attitudes of executive and judicial bodies, at all levels and throughout the country.

During 2004, the Turkish government has pursued with determination legislative reforms in the areas covered by the Copenhagen political criteria, and it has taken important steps to ensure their effective implementation.

Political reforms, in line with the priorities in the Accession Partnership, have been introduced by means of a series of constitutional and legislative changes adopted over a period of three years (2001-2004). A second major constitutional reform took place in 2004 and six legislative packages were adopted by Parliament in 2004. New codes have been adopted, including a Civil Code and a Penal Code. Numerous other laws, regulations, decrees and circulars outlining the application of these reforms were issued.

Significant progress also took place on the ground; however, the implementation of reforms remains uneven. A clear framework for guaranteeing political, civil, economic, social and cultural rights is not fully established, and more efforts are needed to enhance the coherence of legal provisions and practice.

These efforts have permitted the Commission to conclude that Turkey sufficiently fulfils the political criteria to recommend the opening of accession negotiations.

The European Council, on December 17, 2004, accepted the recommendation of the Commission and decided to start negotiations with Turkey on October 3, 2005, providing the Protocol adapting the Ankara Agreement to the current membership of the EU is signed before that date. The signature took place on 29 July 2005. EU-Turkish relations have entered a new phase.

Macroeconomic developments and structural reforms

Turkey has made further considerable progress towards being a functioning market economy, in particular by reducing its macroeconomic imbalances. Turkey should also be able to cope with competitive pressure and market forces within the Union, provided that it firmly maintains its stabilisation policy and takes further decisive steps towards structural reforms.

Economic stability and predictability have been substantially improved since the 2001 economic crisis. Previously high inflation has come down to historic lows, political interference has been reduced and the institutional and regulatory framework has been brought closer to international standards. Thus, an important change towards a stable and rule-based economy has taken place. Key economic vulnerabilities, such as financial sector imbalances, have been tackled. Financial sector supervision has been strengthened. As a result, the shock resilience of the Turkish economy has significantly increased. Important progress has been achieved in increasing the

transparency and efficiency of public administration, including public finances. Furthermore, important steps have been taken in facilitating the inflow of FDI and in improving the legal framework for privatisation.

In order to transform the current positive dynamics into sustained growth and stability, it is of crucial importance to continue the ongoing reform process. Maintaining a stability-oriented economic policy is a key element in this respect. In particular, fiscal imbalances have to be reduced and the disinflation process has to be maintained. The business climate would be improved by streamlining administrative procedures and strengthening the rule of law. Improving the efficiency of the commercial judiciary is of particular importance in this context. The banking sector's surveillance and prudential rules should continue to be aligned with international standards. The privatisation of state-owned banks and enterprises should be accelerated. Sufficient public and private investment and devoting particular attention to education are important to increase the competitiveness and the growth potential of the economy. The inflow of foreign direct investment has to be encouraged by removing remaining barriers.

Progress in meeting the *acquis communautaire*

Turkey's alignment with the *acquis* has progressed in many areas but remains at an early stage for most chapters. Administrative capacity needs to be reinforced, in order to ensure effective implementation.

On the free movement of goods, overall transposition of the *acquis* is advancing steadily, but is not complete, while implementation remains uneven. No progress has taken place concerning the free movement of persons, and overall legislative alignment is still at a very early stage. The same can be said for the free movement of capital and the area of company law. Concerning competition policy, the alignment with the *acquis* on anti-trust legislation is significant and progress continues in a satisfactory manner. On the contrary, alignment with state aid *acquis* is very limited, in spite of its inclusion in the Customs Union. Little progress can be recorded in the area of agriculture and fisheries. Some progress could be recorded in all transport modes, excepted air transport, but overall alignment remains limited and all modes present problematic issues. As regards taxation, the Turkish fiscal regime remains partly aligned with the *acquis*, and important efforts remain necessary on all areas under this chapter. No progress can be recorded concerning economic and monetary union and the overall level of alignment is limited. In the area of statistics, there has been steady progress, but the alignment remains still limited. Turkey has made some progress in the energy chapter and on social policy and employment however the degree of alignment remains incomplete and implementation uneven.

In the area of industrial policy, there is a large alignment with the EC principles. Some progress has been made in the area of science and research, as well as education and training. The participation of Turkey to the EC programmes is satisfactory. Turkey's alignment with the *acquis* regarding audiovisual policy remains very limited. In the telecommunications sector, progress has been made, although much work still needs to be done. The *acquis* concerning regional policy is relevant for the implementation of Structural and Cohesion Funds. Very limited development has been made and the overall level of alignment with the *acquis* is limited. Some progress has taken place concerning the environment, and the administrative capacity has been reinforced. In the area of consumers and health protection, efforts to align with the *acquis* have

continued, in particular concerning market surveillance. Turkey has continued to make efforts to align with the acquis in the area of justice and home affairs. Concerning the acquis in the area of customs union, there has been some progress, the administrative capacity has been further strengthened and the overall level alignment is high, with exceptions in specific areas. As regards, common foreign and security policy, Turkey's foreign policy continues to be broadly in line with that of the EU, though less so when Turkey's neighbouring countries are concerned. Some progress can be reported regarding financial control, as well as national budget formulation and execution.

13.2. Pre-Accession in 2004

Programmes launched

2004 was an active year: while implementation of the 2002 Financing Memorandum begun (total EC support 126 million Euros), the 2003 Financing Memorandum was signed (allocated budget of 145.1 million euros). The 2004 pre-accession financial assistance programme for Turkey was presented to the Phare Management Committee in July 2004 and adopted by the Commission in September. The 2004 NP consists of an allocation of 236.7 million Euros and focuses mainly on: addressing the Copenhagen political criteria, approximation to the acquis, strengthening the public administration, justice and home affairs, and economic and social cohesion. The programme also includes capacity building for the National Aid Coordinator secretariat and co-financing for Turkey's contribution for participation in the 6th Framework Programme and the Community education programmes. In addition the country's participation in Phare multi-country programmes, such as TAIEX, has significantly increased in 2004.

Overview of programmes implemented

Overall, the impact of Community assistance to Turkey is increasingly positive. The EU has provided significant resources in a number of important areas such as basic education, training, environmental infrastructure, reproductive health and macro-economic adjustment. These highly visible pre-2002 activities are now complemented by a wide range of activities supported under the pre-accession financial assistance programme. The Joint Monitoring Committee, which met for the first time in December 2003, considered an independent evaluation report which concluded that the pre-accession programmes generally displayed adequate effectiveness (i.e. ability to meet their intended purpose). Their efficiency, on the other hand, could be improved with better organisation of responsibilities among ministries and increased availability of staff in the respective beneficiaries. Furthermore, the impact and sustainability of the programmes is often reliant on action by the Turkish government, either to develop strategies or enact legislation.

In addition, tender procedures for the main part of all technical assistance contracts under the 2003 programme were launched. A total of 7 TA contracts under the 2003 programme were already signed by the end of 2004, with a value of 9.3 M€.

Pre-Accession management performance

Deconcentration of the management of pre-2002 programmes to the EC Delegation in Ankara has continued to bear fruit. 2004 built on the excellent performance seen in 2002 in terms of implementation of the assistance programmes in Turkey when a large portion of the Technical Assistance contracts necessary for subsequent implementation

of the large-scale MEDA projects were concluded. While in 2003, the total contract volume was lesser, in 2004 contracts of a significant volume has been signed and the preparation for an ever bigger volume has been initiated and/or tendered. This has led to a continuing reduction in the backlog of assistance which had built up over the period 1996-2001.

As of end of 2004, a total of 1.106,6 M€ EC funds are under active management in Turkey. This includes a total of 553, 4 M€ under the decentralized implementation system and 553, 2 M€ under de-concentrated management.

In 2004, a total of 527 contracts were signed amounting to 135, 9 M€, compared to 158 contracts for a total value of 36 M€ in 2003. This includes 50.6 M€ contracted under MEDA and other de-concentrated programmes (as compared to 18 M€ in 2003) and 85, 3 M€ under DIS (as compared to 18 M€ in 2003).

The total backlog under the MEDA programmes was reduced by 47, 7 M€. The contracting rate for MEDA stands at 65.4% as of 1 Jan 2005.

A contracting rate of 83% was achieved for the 2002 programme under DIS management. (The Community Programmes in the amount of 18.775 M€ were excluded in the calculation). As the contracting deadline for the Active Employment Measures Programme was extended by three months to February 28, 2005, the contracting will further increase by an expected 6.5 M€, thus reaching a contracting rate of 89.1%.

The contracting ratio can be considered a success, considering the fact that the DIS system has been introduced in Turkey only in October 2003. It falls however short of the targeted 90% contracting rate. Main factors affecting the overall contracting ratio was the late accreditation of CFCU for grants (in June 2004), savings under tender procedures which were realized too late to allow for reallocations, as well as weaknesses in the preparation of technical specifications combined with insufficient time for the re-launching of failed supply tender procedures.

NDPs – State of Play

Objective of the pNDP

Turkey's first pNDP was prepared to form the basis for the use of the financial assistance towards economic and social cohesion to be provided by the EU within the framework of Turkey-EU relations, during the 2004-2006 period. The pNDP attempts to set out a strategic framework towards formulating an economic and social cohesion policy for the country and achieving convergence to the EU, taking into account, inter alia, the issues put forward in Regular Reports on Turkey's Progress towards Accession and Accession Partnerships.

The Development Axes forming the basis of the pNDP Strategy

Four development axes, first three of which are of sectoral type, forming the basis of the pNDP Strategy are derived from the medium-term objectives and priorities of Turkey. Priorities within the scope of development axes are the following:

- (i) Enhancing the competitiveness of enterprises

- (ii) Developing the Human Resources and Increasing the Employment
- (iii) Improvement of Infrastructure Services and Environmental Protection
- (iv) Increasing the Economic Power of Regions, Reducing the Interregional Development Disparities and Accelerating Rural Development

Financial Framework of the pNDP and Implementation

Within the scope of the Pre-accession Financial Assistance, it is envisaged that, a total of 1,050 million Euros will be allocated to Turkey for the period of 2004-2006, and the implementation will be carried out in the framework of PHARE rules. The sources to be used through the pNDP in the field of economic and social cohesion are 35 per cent.

Within this scope, financial framework of the pNDP has been determined as a total budget of 528 million Euros. 371.5 million Euro of the total budget is EU contribution, while the rest is comprised of public and private national contributions in line with the co-financing principle applied to the utilisation of the EU funds.

The programmes and projects included in the pNDP are subject to the rules and principles of the Decentralised Implementation System in Turkey (DIS-Turkey) as already applied to other programmes and projects supported under pre-accession financial assistance for Turkey.

Preparations for the National Development Plan

As the pNDP (2004-2006) ends in 2006, Turkey will prepare a new NDP for the period of 2007-2013. Under the 2004 programme, a project with a budget of 2.500.000 Euros was supported by the EC. The objective of the project is to build capacity within central, regional and local administrations to prepare to implement economic and social cohesion measures in line with the preliminary National Development Plan. In addition support for the preparation of the second NDP and related studies will be provided. Finally the first steps will be taken to improve the capacity of Turkey to adopt Structural Fund type approaches to economic and social cohesion through, inter alia, an assessment of the existing capacity of the relevant stakeholders and the development of a human resources strategy in the field of economic and social cohesion in Turkey. The project will be implemented through a technical assistance contract. No contract will be signed under this project prior to the adoption of the law on development agencies

Institution Building highlights

One of the main challenges facing the candidate countries is the need to strengthen their administrative and judicial capacity to implement and enforce the *acquis*. As of 1998, the European Commission began to mobilise significant human and financial resources to help them with this process, using the mechanism of twinning administrations and agencies.

For Turkey, 30 projects have been delivered over the period 2002-2003. Twinning was again an important element under the 2004 programme, contributing to the results of 22 projects. These span a broad range of sectors, the most numerous being in the area of justice and home affairs. In addition, twinning projects are planned in the fields of

the internal market, agriculture, environment, transport, the financial sector (including financial control) and customs.

Among the success stories that may be mentioned are three Twinning projects, particularly relevant for the Institution Building activities:

“Support to Turkey’s alignment to the EU acquis in the phytosanitary sector”

The objective of this project is to align the Turkish system to the EU Phytosanitary legislation and practices with regard to plant health, quarantine, pesticide registration and residues so as to improve the overall quality standards and safety of plant and plant protection products in Turkey.

In order to standardize the diagnostic protocols, the group of experts prepared draft protocols that will be used by the laboratories countrywide. This protocols will be transparent and importers, inspectors and other relevant parties will therefore get to know the duration and methods used.

Training program and training documents for follow up training of 400 inspectors were prepared by senior inspectors and the training will be delivered until the end of 2005.

As a result of this project, the technical infrastructure of the Ministry of Agriculture of Rural Affairs and its services will be upgraded and the legal and institutional capacity of MARA and its services will be strengthened in order to implement the rules and practices of EU phytosanitary sector. The project is expected to be very successful; all results will be fully achieved due to the strong commitment of the Turkish beneficiary.

“Support to the development of an action plan to implement Turkey’s asylum and migration strategy”

The asylum and migration project was the first project to start in the field of Justice and Home Affairs supported through the EU-pre-accession funds in Turkey and the first one to be concluded after one year of implementation in March 2005. The aim of the project was to prepare a national action plan with a view to align Turkey’s asylum and migration policies with the EU legislation and to improve the operational capacity of the agencies responsible for asylum and migration management. Asylum and immigration constitute one of the most difficult and sensitive questions in the relations between the EU and Turkey. With this challenge in mind, the twinning project sought to build up Turkey’s capacity to manage asylum and migration issues effectively while aligning with the EU policies and practices. In total, more than 300 decision-making and operational staff was trained on the EU acquis and its practices. The Action Plan sets out a comprehensive programme for the alignment process in terms of legislation, institution building and physical infrastructure. In many areas it adopts a humanitarian and protectionist approach, which will inevitably change a lot of the existing practices in Turkey.

“Customs modernisation”

The Customs Modernisation twinning project is the first project financed through the EU-pre-accession funds in the field of customs. This project will also ensure strategic basis for up-coming supply projects in this field which will provide hi-tech equipment support for the strengthening of the Customs Authority capacity to implement the

acquis. The twinning project is the very initial, but the most crucial step of this thorough restructuring package in Turkey. Through the technical assistance to be provided by the twin (Finance Ministry of the Federal Republic of Germany), the overall capacity of the Turkish Customs Administration will be strengthened. At the end of this twinning project the Turkish Customs is expected to be ready to enforce properly the harmonized legislation. To reach this aim, the twin will assist the Turkish Customs Administration to identify legislative areas which need to be aligned with the EU acquis. This assistance will also include the establishment of intensive training programs for Turkish customs officials in order to help them to better understand and implement EU customs legislation and procedures. A series of workshops will be organized for the elaboration of a National Strategy and Action Plan.

13.3. Results and impact

State of play for JMC/SMSC development

The EC Delegation assisted to the preparation of the agenda, as well to the logistical and technical preparations of a large number of missions and visits, from Commission Services to Turkey.

Seven interim evaluations (one for each sector) were carried out in 2004, covering 75 programmes/ projects. Task managers provided comments to the IET in the framework of the reporting exercise on a regular basis.

For each sector one monitoring kick-off, two SMSC meetings, and an IE debriefing meeting were held. HoSs and the TMs participated in all meetings and assisted in the assessment of recommendations. JMC meeting was held on 25 January 2005.

M&IE Reports in 2004-Lessons Learned

Regarding the monitoring reports, IE Team, during their interviews, will give some feedback to the implementing institutions on the areas need improving.

Monitoring report numbers should be given. Beneficiaries can get the numbers from EUSG.

Training should be ensured by EUSG within 2004. Various training activities were conducted in 2004 on the basis of the “2004 Integrated Training Programme for DIS Related Structures”.

MRs should be submitted on time.

The institutions, which have more than one project in the same sector, should prepare one consolidated monitoring report for all these projects and should present them together.

Sectoral monitoring reports should be prepared rather than project monitoring reports and there should be one presentation under each sector, which makes cooperation of different institutions essential.

The Institutions, which present the monitoring reports, should participate to the whole part of the meeting since the sectoral monitoring sub-committee meetings are sectoral basis not project basis.

A thematic report about the problems encountered with technical assistance teams and framework contractors shall be prepared if this proposal is also seen convenient by Unit E3.

Sectors with positive results

75 projects and programmes were evaluated during 2004. 44 of them were pre-accession related projects. 30 of them were MEDA projects. One of the projects was Marmara Earthquake Rehabilitation Programme, which was financed from a different budget line. 245 recommendations were taken during the SMSCs. 170 of the recommendations were accomplished in general. Only 4% of the recommendations (10 out of 245) were unresolved. Some of the recommendations are ongoing in nature, which is 20% of the recommendations.

The following sectors achieved the expected positive results:

Regional Development and Cross Border Cooperation: In this sector, there are 5 projects and programmes: 2 of these projects were under MEDA and 3 of them were pre-accession related. There are no unresolved issues in this sector. 57% of the recommendations were accomplished. 9 out of 21 are underway or continuous in nature. Out of 19 recommendations, 12 accomplished 2 underway and 6 unresolved recommendations.

Social Policy, Education, Training and Health: There are 9 projects in this group and only 2 of them are pre-accession related projects. In this sector Mechatronics project was dropped out since the contracting deadline has passed. A number of the projects under this sector are coming to a conclusion so they will no longer be in 2005 project list. 77% of the recommendations are fulfilled. 1 out of 39 recommendations is unresolved and the rest are underway.

Economic and Business Development: There are seven projects and programmes, in this sector. Six of them are under MEDA Convention. Some of them are coming to a conclusion in 2005. There is only one pre-accession project about investment promotion agency. 43% of the recommendations are accomplished. There is an unresolved issue about investment promotion agency project.

Internal Market, Customs Union, Agriculture and Fisheries: There are eleven projects and programmes in SMSC 4. Three of them are programmed according to the MEDA Convention. Most of them are pre-accession projects. 82% of the recommendations were fulfilled.

Strengthening the Administrative Capacity: There are fourteen projects and programmes in SMSC 5. The majority are programmes in nature rather than projects. Some of them are coming to an end this year. 7 of them are accession related. 54% of the recommendations were accomplished. There are some unresolved and ongoing issues.

Justice and Home Affairs: There are twelve projects and programmes in SMSC 6. Only one (Judicial Modernization and Penal Reform Programme) of them was programmed under the MEDA Convention. There are no unresolved issues. 3 out of 31 recommendations are continuous in nature. There are no major problems.

Infrastructure, Energy, Transportation, Telecommunications and Environment: There are thirteen projects and programmes in SMSC 7. Three of them are under MEDA Convention. 37 out of 49 recommendations were accomplished. There are still pending issues.

Success story

Maritime safety

One of the success stories which deserve mentioning is the “Support to Enhancement of Maritime Safety in Turkey” project.

This project was successful considering the objectives and the indicators of achievement. The project fiche foresaw different but mutually supportive components which in the end contributed to the wide ranging as well as intensive results. The Project drafted the legislative basis regarding the maritime safety in Turkey and substantially strengthened the administrative capability to implement the drafted legislation. The framework maritime safety law and 18 implementing legislations (transposing 31 directives and regulations) were drafted during the Project and these are at the final stage of approval. Once approved the acquis alignment as well as the implementing capacity regarding the maritime safety will reach substantial levels. The institutional strengthening and training aspects of the Project were complemented by the supply component which made sufficient and appropriate equipment available to design and operate databases and helped in carrying out effective inspections.

Statistics confirm the downward trend in the detention rates of the Turkish flagged vessels. Turkey is now targeting the white list (representing quality flags with a consistently low detention record) by the end of 2007.

Vocational Training in the Clothing Sector

Another project worth mentioning is the “Vocational Training in the Clothing Sector). The objective of the project was increasing competitiveness of the SMEs operating in clothing sector. The implementation started in April 2002. An addendum to the service contract signed and the expiry date of the contract extended until 30 June 2005.

Project activities have been completed. Some 11,000 trainees trained within the framework of the project. Two quality control laboratories (one in Istanbul and another in Adana) are established as well. The beneficiary, KOSGEB, is finalising the accreditation process. A new memorandum of understanding was signed between KOSGEB and the Ministry of National Education ensuring the sustainability of the training activities during the next three years.

Tasks ahead

Aligning the 2005 National Programme with the EC pre-accession strategy for Turkey

Discussions between the European Commission and the Turkish authorities on 2005 programming started in September. The priorities, reflecting the Commission’s pre-

accession strategy for Turkey set out in its recommendation of October 6, 2004³ and the conclusions of the December 17, 2004 European Council, are:

- The political criteria, including some closely-related subjects in the sector of Justice, Liberty and Security;
- Economic and Social Cohesion, targeted on the poorest regions in Turkey, and focussing on strategic planning, support for the establishment of Regional Development Agencies in the priority NUTS II regions, and project preparation
- Implementation of the acquis, with projects being developed in the following sectors: Customs Union and related areas of the Internal Market acquis; Agriculture (veterinary controls); Environment; the ‘network’ sectors (Energy, Transport and Telecommunications); Social policy; and Statistics
- EU-Turkey Civil Society Dialogue

Regarding **Civil Society Dialogue**, the Commission’s recommendation on Turkey’s progress towards accession, proposed the development of a dialogue between EU Member States and Turkey, “*where concerns and perceptions can be discussed in a frank and open manner*. It noted that “*Civil society should play the most important role in this dialogue, which should be facilitated by the EU.*”

The Commission recognised that in the case of Turkey, a dialogue aiming at improving mutual knowledge and encouraging a debate on perceptions regarding society and political issues on both sides is particularly necessary. The dialogue will encourage a discussion on perceptions regarding everyday culture and values expressed by the society and the State on both sides.

Finally, a revised **accession partnership** will be discussed with the Turkish government and presented to the Council in late 2005. Once adopted, this will serve as the basis for programming in future years. The content of the programme and the conditions that will be formulated in respect of its implementation will also need to be tightly linked to the negotiations, once these have begun.

Progress on DIS-EDIS

Strengthening the sustainability of the DIS system is an important goal in 2005 and further. Project implementation under DIS suffered from a continuing shortage of staff at the CFCU. While the number of staff at the CFCU was gradually increased, it still falls far short of the required number to ensure a timely contracting of the 2003 programme and a forceful start of the implementation of the 2004 programme.

Although a significant improvement can still be achieved there are still concerns about the potential consequences for future programming in the case that DIS system appears incapable of managing increasing levels of pre-accession assistance.

In this respect, Turkey should also take the necessary steps to obtain accreditation for the extended implementation of the programmes (EDIS).

³

Communication from the Commission to the Council and the European Parliament, Recommendation of the European Commission on Turkey’s progress towards accession, COM(2004) 656 final. As concluded by the 17 December 2004 European Council, accession negotiations with Turkey will start on 3 October 2005, once it has signed the protocol on the adaptation of the Ankara agreement and provided that it brings into force six pieces of legislation identified by the Commission ([Brussels European Council, 16/17 December 2004. Presidency Conclusions](#) 17/12/2004 Nr: 16238/1/04 Rev1).

PART II: ADDITIONAL INFORMATION ON IMPLEMENTATION AND PROGRAMME MANAGEMENT ISSUE

II.1 TECHNICAL AND FINANCIAL ASSISTANCE:

II.1.1 INFORMATION ON TWINNING AND TAIEX ACTIVITIES IN 2004

Twinning was launched by the Commission in May 1998 as the main instrument for Institution Building. It aims at helping Candidate Countries (through PHARE) as well as new Member States (funded through the Transition Facility) in their development of modern and efficient administrations, with the structures, human resources and management skills needed to implement the *acquis communautaire* so as to reach the same standards throughout the Union.

Twinning projects are based the secondment of EU public sector experts (Member state officials or mandated body experts), known as Resident Twinning Advisors (RTAs) who are made available to the beneficiary country administrations for a period of at least one-year in order to assist these administrations to obtain the mandatory result defined for each and any twinning project. To that effect, the Resident Twinning Advisors provide technical advice and are in charge of the day-to-day implementation of the twinning projects.

They are supported by a senior Project Leader in their home administration, who is responsible for ensuring the overall thrust of the twinning project implementation and for co-ordinating all other inputs from the Member State administration or mandated body which provides the twinning expertise. In order to achieve the aforementioned mandatory results, it is indeed necessary to combine different means of assistance, including short-term expertise, training, and other services (such as translation and interpreting) in addition to the Resident Twinning Advisor.

More than 1.000 twinning projects have already been funded by the Community since twinning was launched in 1998. Each twinning project has an average budget of 1 million €.

Between 1998 and 2004, 808 of these twinning projects were primarily targeted towards agriculture, environment, public finance, justice and home affairs and preparation for the management of Structural Funds. These areas represented the principal priority sectors that were identified in the Accession Partnerships. Since 2000, however, other important sectors of the *acquis* have also been addressed through Twinning, for example, social policy, fight against drugs, transport and telecommunications. Twinning projects now cover all sectors of the *acquis*.

The 2004 programming exercise encompassed 177 Twinning projects across Candidate Countries and new Member States. The distribution of Twinning projects in Candidate Countries for 2004 is the following: Bulgaria: 37 / Romania: 45 and Turkey 22. In new Member States the following distribution applies : Cyprus: 0 / Czech Republic: 6 / Estonia: 9 / Hungary: 4 / Latvia: 6 / Lithuania: 12 / Malta: 6 / Poland: 19 / Slovakia: 5 / Slovenia: 6.

Overall the highest number of 2004 twinning projects relate to Justice and Home affairs (48), Agriculture and fisheries (33) and Public Finance and Internal market (31).

Furthermore, the Candidate Countries and new Member States are being offered the possibility of drawing on twinning expertise through “Twinning Light”, in order to address well-circumscribed projects of limited scope. In 2004, this instrument has continuously been used by the Candidate Countries and new Member States.

TAIEX activities increased further in 2004 with the opening up to the Western Balkan countries and Kosovo, as well as to the Turkish Cypriot Community.

During 2004, the TAIEX instrument covered 18 beneficiaries. These included the 10 new Member States (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia), the Candidate Countries (Bulgaria, Romania, Turkey and Croatia), the remaining Western Balkan countries (Albania, Bosnia, Former Yugoslav Republic of Macedonia, Serbia-Montenegro), as well as Kosovo and the Turkish Cypriot Community of the northern part of Cyprus.

During 2004, the main target group remained the 10 **acceding** and the 3 **candidate countries**, which continued their efforts in progressing, completing and up-dating legislative alignment and strengthening their administrative capacity for implementation and enforcement. Some 852 events had been organised for their benefit.

TAIEX activities in the **Western Balkans** started smoothly with the organisation of 34 multi-country seminars covering various areas such as Agriculture, JHA, Internal Market, Transport, Energy and Environment. These seminars took place in Brussels and brought together more than 1300 officials from the Western Balkans administrations.

In the summer of 2004, the TAIEX instrument was charged with the programming and implementation of capacity building support to the **Turkish Cypriot community**. Assistance has taken mainly the form of medium term experts to support the ‘green line’ regulation (customs, phytosanitary inspections) assessment missions, experts on legislative matters and participation in seminars.

The need for the development of technical skills at the regional and local level resulted in a further significant growth of activities under the **Regional Training Programme** in the participating countries. The programme provided training for regional and local authorities in those key areas of the acquis, where they will have an important role to play, i.e. mainly: environment, food safety, public procurement, consumer protection, intellectual property rights, social policy and transport. A total of 204 such events were organised in the course of 2004 with over 8 600 participants attending, representing an increase of 40% compared with 2003.

TAIEX co-ordinated the **Peer Reviews** for Romania and Bulgaria, where some 50 reviews were completed. These reviews covered around 10 acquis chapters, of which the most important were agriculture (including food safety), justice and home affairs, environment, transport and general product safety. A total of 404 experts were mobilised, representing the expertise of all the Member States, for these reviews. The respective reports were submitted to the Enlargement Group of the Council in autumn 2004.

The beneficiaries of TAIEX assistance included those sectors, both public and private, which have a role to play in the alignment with the acquis in their countries. The main target groups were: civil servants, members and staff of Parliaments, professional and commercial associations representing social partners, as well as representatives of trade unions and

employers' associations, the judiciary and law enforcement authorities, interpreters, revisers and translators of legislative texts.

Taking together all the activities for the 18 beneficiary countries, TAIEX organised a total of 1,103 events in 2004, an increase of 10% over 2003, using some 4,800 experts and involving around 29,000 participants.

TAIEX also continued to provide information through a variety of databases, which included the Law Approximation Database, giving an up-to-date overview of the legislation adapted by each candidate country containing translations of binding legal acts in all candidate country languages.

II.1.2 INFORMATION ON MULTI-COUNTRY AND HORIZONTAL PROGRAMMES

Phare Networking Programme

The Networking Programme provides acquis-related assistance in priority areas where it is in the nature of the problems that country-specific action cannot cover the needs and meet the objectives. This is the case in particular where the targeted result itself implies communication and networking between the candidate countries or between these and the Member States.

In addition, the programme also reflects the idea that enlargement is a social project involving all citizens and proposes support to co-ordinators and beneficiaries of pre-accession assistance to publicise its impact. The output generated will be complementary to the Communication Strategy for Enlargement and can be fed into its dissemination channels. It will also enhance the effectiveness of assistance by providing project participants with the opportunity to learn from the successes (and failures) of their peers in other candidate countries. The Networking Programme is composed of 4 components:

- *eEurope+*

This component supported monitoring and benchmarking the impact of eEurope+, the candidate countries' initiative to join the Union's efforts to turn Europe into the most competitive and dynamic knowledge-based economy in the world. It allowed the Phare candidate countries to become actively involved in the eEurope initiative launched by EU Heads of State and Government as part of the Lisbon Strategy. Since spring 2003, the statistical offices in the central European candidate countries received assistance with gathering and interpreting the data required for benchmarking. Eventually, the information collected was included in the final report of the eEurope initiative and work on this component ended in May 2004.

- *Internal Market*

This component supported beneficiary administrations and bodies in the candidate countries relying on efficient communication and co-operation with partner organisations in the old and new Member States.

Under a contract of more than €1.6 million (with 5% EFTA contribution) assistance was provided to Bulgaria, Romania and the new Member States to improve their quality infrastructure (metrology, accreditation, testing-certification-inspection, market surveillance), and to render it capable of operating to the same high standards as equivalent structures in the old Member States and EFTA. In addition, two contracts

(total value close to €3.2 million) aimed at improving the interconnectivity of taxation and customs IT systems with similar systems in the old Member States. All these contracts ended in 2004.

- *Civil Society*

This component addressed the reduction of drug demand and the participation of disabled persons in the social and economic life, i.e. in areas in which the implementation of the *acquis* is to a large extent in the hands of civil society actors. In this context, networking with Civil Society organisations in the existing Member States is an important factor for the strengthening of Civil Society organisations in the candidate countries.

With the support of a €1 million grant, the European Disability Forum implemented a project aimed at strengthening the national organisations of disabled people in the candidate countries and at promoting the creation of these umbrella bodies. As a result, all participating countries now have national councils representing disabled people and their organisations. The project also provided information on how disability organisations could use the accession process and accession itself to improve the situation of disabled people in their countries. The project came to an end in 2004.

As to the reduction of demand for drugs, 8 projects are being supported through grants for a total value of around €1.7 million. The projects involve over 50 organisations with a strong track record in dealing with drug misuse and drug demand reduction, and target a wide audience. Their focus is on the exchange of experiences, training and the design of new actions, and they have led, amongst other things to the launch of awareness campaigns, improved assistance and care for drug addicts or the opening of new treatment centres. All projects will be finalised in mid-2005.

SME FINANCE FACILITY

The SME Finance Facility's objective is to persuade financial intermediaries, i.e. banks, leasing companies or investment funds in the Central and Eastern European candidate countries to expand and sustain their financing operations to SMEs. In order to help financial intermediaries overcome their lack of experience and to cover the special administrative costs and risks involved, the Facility provides them with access to finance and with specific incentives. The Facility is co-financed by International Financial Institutions (IFIs) namely the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) in co-operation with Kreditanstalt für Wiederaufbau (KfW).

The Facility projects are set up under 2 co-ordinated Windows: the Loan, Guarantee and Leasing Window (LGLW) and the Equity Window (EW), and take the form of loan or equity finance for the local financial intermediary, combined with tailored packages of non re-imbursable financial incentives. The financial intermediaries on-lend or lease to individual micro-enterprises or SMEs, or provide them with equity capital. In certain cases, the financial intermediaries also channel additional funds from their own resources to the recipient businesses.

The SME Facility was launched by the Commission and the EBRD in April 1999. In 2000 CEB/KfW joined the Facility, followed by the EIB in 2001.

A continuous expansion of Facility projects took place in 2004, supporting local financial intermediaries in financing leasing operations with SMEs.

In view of the overall amounts available (see table below), no additional funding was made available to the Facility in 2004, and as per end of 2004, the financial status of the Programme was the following (amounts in € million):

BUDGET	LGLW						EW		TOTAL
	EU/EBRD		EU/CEB/KfW		EU/EIB		EU/EBRD		
	Phare	EBRD	Phare	CEB/KfW	Phare	EIB	Phare	EBRD	
1999	33.75	125	0	0	0	0	16.25	16.25	191.25
2000	30	150	21	113	0	0	0	0	314
2001	30	150	30	150	30	300	0	0	690
2002	20	275	15	75	15	150	0	0	550
2003	25	125	15	75	10	100			350
TOTAL	138.75	825	81	413	55	550	16.25	16.25	2095.25

MUNICIPAL FINANCE FACILITY

There are numerous municipalities in the candidate countries, which have investment needs in areas such as water supply, sewerage, roads, public transport, solid waste, heating etc. At the same time, smaller municipalities in particular have still limited access to long term credits needed for infrastructure investment. Market-based municipal lending broadens the range of finance available to municipal authorities for ensuring sustainable living conditions to their populations.

The Municipal Finance Facility, operated in co-operation with the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank/Kreditanstalt für Wiederaufbau (CEB/KfW) and the European Investment Bank (EIB), aims at the deepening and strengthening of the municipal credit markets in the candidate countries. By tailoring financial packages to the needs of local banks, the Facility assists the financial sectors in the candidate countries to expand lending to municipalities for the financing of *small infrastructure investments*, to extend loans over longer maturities, and to enhance the capacity to assess and monitor the related risks and to manage loans.

The mechanism of the Municipal Finance Facility is similar to the SME Finance Facility mechanism. Loan and risk-sharing instruments from resources of the EBRD, CEB/KfW and the EIB will be combined with non-reimbursable financial incentives for local financial intermediaries. It is also foreseen that a limited amount of technical assistance for municipalities will be funded by Phare to strengthen the demand side of the municipal credit market.

With a total of 15 Facility projects, the operational implementation of the Facility gained momentum in 2004 after a slow start in the preceding year.

In view of the overall amounts available (see table below), no additional funding was made available to the Facility in 2004, and as per end of 2004 the financial status of the Programme was the following (amounts in € million):

	EU/EBRD		EU/CEB/KfW		EU/EIB	
BUDGET	Phare	EBRD	Phare	CEB/KfW	Phare	EIB
2002	15	75	14	70	15	75
2003	15	75	5	25	15	75
TOTAL	30	150	19	95	30	150

EIB SPECIAL PROGRAMME FOR BORDER REGIONS MUNICIPAL INFRASTRUCTURE FACILITY

The Municipal Infrastructure Facility was developed in 2002 in response to the Nice European Council, which had called upon the Commission to propose a programme to strengthen the border regions' overall competitiveness in the view of enlargement. An analysis revealed that the lack of adequate transport and environmental infrastructure in the candidate countries' border regions with the EU is a persisting problem to regional development.

The objective of the Facility is to contribute to the social and economic development of border regions in the candidate countries and the integration with their neighbouring regions in the current EU Member States. To this end, the Facility combines loans from EIB resources with non-reimbursable Phare support to accelerate the completion of small local infrastructure investments, and to increase the related funding sources available to municipalities via local banks. Support will mainly focus on the funding of small local transport and environmental infrastructure investments.

The eligible border regions are based on the Communication of the Commission on the Impact of Enlargement in Border Regions⁴: Estonia; Zachodniopomorskie, Lubuskie, Dolnoslaskie (Poland); Severovychod, Severozapad, Jihozapad, Jihovychod (Czech Republic); Zapadné Slovensko, Bratislavsky (Slovak Republic); Nyugat Dunantùl (Hungary); Slovenia; Yuzhen Tsentralen, Yugozapaden (Bulgaria).

Ten Facility projects in five countries (Bulgaria, Czech Republic, Hungary, Poland and Slovakia) were financed during the period under review.

As per end of 2004, the financial status of the Programme was the following (amounts in € million):

	EU/EIB	
BUDGET	Phare	EIB
2002	35	175

⁴ COM (2001) 437

2003	15	75
TOTAL	50	250

PROTECTION OF THE FINANCIAL INTERESTS OF THE COMMUNITY

The programme's main objective is to help the beneficiary countries meet the obligations ensuing from the Treaty and other legislative acts on the protection of the financial interests of the Community by putting into place effective protection mechanisms based on experience gained by the Member States and the Commission. The programme is composed of three components:

- *Anti-Fraud Structures*

This component assists the beneficiary countries with the creation of central structures able to respond without delay to indications of fraud and irregularities or to requests emanating from the Commission to carry out in an independent manner, co-ordinate or assist with the conduct of investigations into cases of suspected fraud and irregularities affecting the Community budget

- *Communication links and databases*

Assistance aims at:

- (i) Enabling the central structures to participate in secure and efficient exchanges of information concerning fraudulent and irregular operations with all competent national authorities as well as with the Commission (OLAF) and the competent authorities of the Member States
- (ii) Developing anti-fraud databases

- *Operational know-how*

This component focuses on increasing the effectiveness of the controls and enquiries conducted by the central structures and the law enforcement and prosecution services with which they co-operate, in particular at the future external border of the Union.

Related activities in 2004 included training internships in OLAF and in Member State administrations as well as training seminars in areas such as:

- Prevention of economic crime and detection of money laundry
- Training in AFIS
- Irregularity Reporting
- Training in investigation techniques
- Training in risk analysis for agricultural, structural and cohesion funds
- Detection of fraud in specific customs regimes

Furthermore beneficiary countries Delegations were invited to OLAF in the framework of a study visit and one technical assistance expert was seconded in the area of anti-fraud and media relations.

BUSINESS SUPPORT PROGRAMME

The programme intends to strengthen the role of business representative organisations in the central European candidate countries so that they could assist business operators in these

countries to adapt to the challenges of accession to the EU, and in particular to the changes arising at company level as a result of the need to adapt to the Community *acquis*. To this end, support was given to the development of partnerships and twinning operations with sectoral and horizontal business representative organisations in the existing Member States.

Under the BSP I programme, which ended in 2002, 17 grants amounting to a total of €22 million had permitted organisations spanning a wide range of business sectors and activities to improve their level of knowledge and awareness on subjects related to EU accession as well as their understanding of the role and responsibility of business support organisations in the EU.

The aim of the second-phase BSP 2 programme is to assist the business representative organisations in the industrial sector only by strengthening the understanding, implementation and enforcement of their sectorally relevant *acquis*. A corresponding Call for Proposals was launched in 2002 and resulted in the award of grants worth in total €13.8 million to 10 projects addressing the needs of business representative organisations. These projects will be finalised in mid-2005.

ENVIRONMENTAL PROGRAMME

The Phare 2003 Multi-Country Programme on Environment and Enlargement came to an end in the course of 2004. This programme, whose total budget was €5 million, aimed at

- promoting improved implementation and enforcement of the environmental *acquis*, and the exchange of experience and information at national and regional level, through permitting the beneficiary countries to participate in the activities of the IMPEL network
- assisting the beneficiary countries with capacity building for the implementation of the environmental *acquis* at the local and regional level, with a particular focus on the directives on Integrated Pollution Prevention and Control (IPPC) and Environmental Impact Assessment (EIA); in central and eastern Europe to monitor progress in transposition and implementation of the environmental *acquis* and monitoring specific commitments made during negotiations. This activity included a facility for checking national legislation for compliance with EU *acquis*, at the request of the countries concerned. An update to the 1999 Handbook for Implementation of the Environment *Acquis* was also produced
- developing the capacity of environmental NGOs, through transfer of best practice from NGOs in the EU15, especially through twinning and exchange activities

STATISTICAL CO-OPERATION PROGRAMME ROMANIA-BULGARIA

The €3 million programme has been set up against the background of the “Strategy for statistical co-operation with the acceding and remaining candidate countries for the period 2003-2006”, which was developed in close co-operation between Eurostat, the candidate countries, Member States, international organisations and other donors.

The Programme’s objectives are to

- take forward the process of integrating the beneficiary countries' National Statistical Offices (NSOs) into the European Statistical System (ESS) by strengthening the NSOs and their co-ordination role in the statistical systems of the countries concerned
- continue to support sustainable capacity building of the NSOs for enabling them to better meet the needs of their customers by providing data that is accurate, reliable, timely and compiled in full compliance with the new *acquis communautaire*
- intensify efforts to improve the quality of statistical information and to reinforce confidence in methods and professionalism, and thus to facilitate the provision of policy makers and the international Community with reliable statistical data

2004 saw also the successful closing down of the Multi-country programme on statistical co-operation amounting to €7.39 million, the full implementation of the 2002 Multi-country programme amounting to €9 million and the launching of the 2003 Multi-country programme amounting to €12 million. All the programmes cover similar objectives in different areas of statistics and will contribute significantly to providing good quality statistical information for the enlargement process for 12 candidate countries. For Turkey, the integration into the co-operation mechanism is running supported by a special programme called "Upgrading the Statistical System for Turkey (USST)" and in a reasonable period of time it should provide similar results as for the other countries.

SMALL PROJECTS PROGRAMME

The programme supports small-scale activities related to the enlargement and accession process with the intention to create more visibility of the European Union and facilitate integration between citizens of the current and future Member States. The objectives of the programme are:

1. to raise awareness in the Phare countries on European integration, the Enlargement process and the impact of accession
2. to contribute directly to closer European integration in the Phare countries
3. to increase the visibility of the European Union in the "Phare countries"

The programme includes in particular:

A Traineeship scheme for officials of the Phare candidate countries. In the context of institution building and assistance for integration and approximation of legislation, the programme finances the costs of placing officials from the Phare countries on traineeships within the European Commission for periods of up to 3 months. Between 1999 and 2004, approximately 400 Phare stagiaires were recruited. All of these trainees had been pre-selected by the countries involved in the programme and proposed to the European Commission. They are public administrators, young civil servants, local authorities administrators, etc. Despite limited available infrastructure and places almost all of the Commission services have taken officials for 3-month internships.

A Small Projects Facility. Activities from this facility comprise a wide variety of actions such as seminars and conferences, public information and dissemination campaigns, documentation materials, initiated by third parties from the civil society. The Facility is managed both locally by the Commission Delegations in the Phare beneficiary countries and centrally by the

Commission in Brussels. The budget for in-country management increased from €3.2 million in 2001 to €3.9 million in 2002 and €4.35 million in 2003 but was reduced to €3 million in 2004, as most of the former beneficiary countries became new Member States. Similarly, the budget for the centralised component of the Facility was a lower €0.75 million compared to the budgets for 2001, 2002, and 2003 in the amounts of respectively of €1.2, €2.1 and 2.95 million. A total of 152 projects have been funded under the 2001 2002 and 2003 budgets with the maximum grant amount limited to €50,000.

II.2 PROGRAMME MANAGEMENT ISSUES-MONITORING AND EVALUATION

The ex-ante evaluation exercise in 2004 revealed the need for a greater strategic programming approach, the increase of resources for project design and the introduction of a more systematic quality control.

In reaction to those findings, guidelines for multi-annual programming were prepared in 2003, and project fiches as well as application of Logframes were improved. Multi-annual programming was introduced for the remaining Candidate Countries, Romania, Bulgaria and Turkey. An action plan to address the outstanding recommendations of the ex ante evaluation report was prepared. Only one out of the three sets of evaluation recommendations (indeed only one recommendation out of 27) was still pending in March 2004– the introduction of a more systematic and formal quality control. On that ground, a preliminary proposal for establishing a Quality Support Group (QSG) in DG ELARG for Phare/Turkey programming, similar to the RELEX one, was completed. This proposal now needs further discussion at directors' level.

The general lessons of the ex ante evaluation exercise, clearly demonstrated the need for a systematic review of the issues and related actions to improve the performance of the Phare programming mechanisms. A review of issues was carried out in close co-operation with all the stakeholders by means of questionnaires.

II.2.1 MONITORING AND INTERIM EVALUATION

The interim evaluation schemes for Phare programmes as well as for pre-accession financial instruments for Malta, Cyprus, Bulgaria, Romania and Turkey are essentially management tools which provide programme managers with a regular performance assessment of the activities at the level of ongoing projects, presented in regular sector IE reports. Recommendations are systematically put forward in the reports for improving management and delivery of evaluated projects. The monitoring and interim evaluation system also provides for the feedback of evaluation results to decision-making through the Implementation Status Reports that are discussed for corrective actions at the Joint Monitoring Committee meetings.

The external interim evaluation schemes generated some 45 individual country, sectoral, ad-hoc or thematic evaluation reports covering Phare and other pre-accession financial instruments measures, as well as a Consolidated Summary Report of Phare support allocated in 1999-2002 and implemented until November 2003. An overview of these reports reveals the following main evaluation findings:

- Overall, Phare performance was rather mixed, with only two thirds of evaluated funds rated at least as “satisfactory”. Nevertheless, given the complexity of the pre-accession objectives and the constraint of the very limited implementation period, this is certainly a

positive achievement. Three shortfalls in performance account for a large part of those findings. First, there were substantial weaknesses in needs analysis and design. Second, achievement of programme/project objectives was only adequate. Third, although improving, implementation suffered from pervasive efficiency problems.

- Building administrative and judicial capacity was adversely affected by limited support to and progress on horizontal reforms and governance. The absence of a comprehensive support strategy for building Administrative and Judicial Capacity, including the requirements for horizontal reforms, risks undermining the achievements on the acquis.
- The capacity to coordinate and deliver pre-accession assistance is improving, but is not yet sustainable, because of understaffing, low salary levels and institutional stability in the National Aid Coordination structures, as well as weaknesses in the line Ministries.
- As a key delivery mechanism, twinning has proved itself an essential instrument for the pre-accession process. Another key delivery mechanism of Phare support is grant schemes, the performance of which has, on the whole, been satisfactory; however the capacity to manage complex schemes has been weak. Experience suggests that it is important that grant scheme rules enable a smoother transition to the measures and institutions required under the Structural Funds. Moreover a multi-annual planning approach is essential to underpin effective use of grant schemes. It would also be beneficial to introduce simpler rules and less bureaucracy for small grant schemes.
- The Phare projects in the Agriculture sector have had a powerful impact in assisting the Candidate Countries to apply the agricultural accession requirement, including in the veterinary, phytosanitary and food safety areas, as well as to be in a position to benefit from the funding available under the Common Agriculture Policy. The major problem has been that the size and complexity of the task of meeting the requirement has not been fully appreciated by most of the senior politicians and officials in the CCs. This has meant that too often not enough beneficiary resource was invested in most of the Phare projects in the sector at a sufficiently early date.
- The overall results of Phare Economic & Social Cohesion programmes have been less satisfactory than expected. Insufficient support was provided to develop adequate strategies for economic and social development and public investments, and the instruments for delivering them. Consequently, the pilot investments were generally not made on the basis of proper needs assessments. The Phare ESC assistance should adopt a sequential approach, focusing first on regional policy development and institution building for the ESC implementation system, and then on regulation-based institution building and pilot investments. Phare ESC should be designed as closely as possible like the Structural Funds, in terms of eligibility, programming, project preparation, implementation, monitoring and evaluation.
- Phare assistance in the Cross-Border Cooperation sector has strongly helped beneficiary regions to build their capacity to access funding under INTERREG and the Structural Funds. However, this was limited by the comparatively small amount of funding dispersed over a large area, the M€2 guideline (minimum amount for a project) which has resulted in a focus on infrastructure projects, as well as the annual Phare programme which makes it difficult to address development issues over a multi-annual perspective. In general, the Joint Small Project Funds were highly effective mechanisms. While they were always oversubscribed, Phare has not had the flexibility to respond with additional finance.
- Phare has funded the participation of Candidate Countries in Community Programmes, which has had a number of very positive impacts including: impacts at the policy, regulatory and institutional levels; new ways of working; increased access of CCs to specialised networks; exposure to the practical business of EU policy formation; increased

visibility of the EU. However there are a number of areas where attention should be paid to, including: targeting of information; supporting implementation structures; reducing administrative burdens; increased transparency in selection procedures for grant and cost-recovery based programmes; and improved dissemination of results.

As concrete actions in this area, programme/project design workshops have been completed in most CCs to address the design weaknesses; as to twinning, a special seminar was arranged with all the stakeholders to identify actions to further strengthen the twinning instrument.

An overview of the interim evaluation scheme has shown that following through on regular interim evaluation reports' findings and recommendations have a cascade of beneficial effects. These include institutional changes within implementing agencies; better coordination within and between ministries and donors; improvements in project design; re-allocation of resources; gaining of additional co-financing; and more attention paid to sustaining the results of projects after completion. Following up recommendations is also leading to the diffusion of an evaluation culture.

In addition, the findings and recommendations of thematic and consolidated reports contributed to the reflections on the design of the future European Neighbourhood and Partnerships Instruments (ENPI) and Instrument for Pre-Accession Assistance (IPA).

The Cross-Border Cooperation component of the ENPI builds on the experience of promoting CBC within Phare programmes inter alia. The reflection leading to the proposed regulation drew heavily upon the lessons learnt from these programmes.

As recommended by the evaluation results on Phare Economic and Social Cohesion, the IPA components were designed "to follow the Structural [...] Funds' rules including their institutional framework (e.g. Comitology) as closely as possible" (explanatory memorandum of the proposal for a Council Regulation establishing the IPA). "Candidate Countries will thus be given the opportunity to "practise" the Community's [...] cohesion policies by applying rules as closely as possible to the Structural [...] Funds before accession". Moreover, the proposed IPA regulation is building on the main lessons learned in the context of the current pre-accession process, in particular through "further enhancing emphasis on institution building".

II.2.2 EX-POST EVALUATION

The Evaluation Unit launched the tendering process for a major external ex post evaluation exercise of Phare national programmes allocated in 1999-2001, with a view to starting the evaluation work in the first quarter of 2005. The exercise will conclude at the end of 2006, after a planned duration of 20 months.

II.2.3 OTHER ACTIVITIES OF MONITORING AND EVALUATION FUNCTION

In the beginning of 2004, the evaluation unit prepared the smooth functioning of the decentralised monitoring and interim evaluation system in the new Member States, by issuing a revised Joint Monitoring Committee mandate including the requirements for the new Implementation Status Report.

The unit successfully organised the last plenary meeting of the Evaluation Advisory Group (EAG) of Member State and Candidate Country representatives. The EAG had been set up as

a forum for discussing and proposing ways of translating Chapter 28 (Financial Control) *acquis* requirements and EDIS guidelines into best-practice monitoring and evaluation models and local capacity-building strategies. A final report and a guide to good practice for evaluation capacity building were issued as end-outputs.

The unit provided advisory support to the EDIS (Extended Decentralised Implementation System) accreditation process of new MS, through examination of their Action Plans on Decentralisation of Monitoring and Evaluation based on ad-hoc prepared checklists.

The unit also carried out regular quality checks of all draft project fiches and attached Logframes with a view to improving the quality of projects at the design stage of the programming cycle.

PART III: FINANCIAL DATA

III.1 PHARE FUNDS BY YEAR 1990 – 2004

Financial Overview and Performance

In 2004, the Phare pre-accession assistance and the Transition Facility programme committed a total of 1.206,1 million. The following chart shows the breakdown year by year of the funds committed in the period 1990-2004 (€ million):

1990: 475,3

1991: 769,7

1992: 979,6

1993: 966,

1994: 946,

1995: 1114,0

1996: 1207,8

1997: 1135,

1998: 1153,9

1999: 1481,7

2000: 1651,5

2001: 1635,4

2002: 1695,

2003: 1698,

2004: 1206,

III.2 PHARE FUNDS BY COUNTRY 1990 – 2004

Phare funding by country, 1990-2004

Total Phare commitments, contracts and payments, 1990-2004, in million EUR

Partner country	Commitments (1)	Contracts (2)	Payments (2)
Bulgaria	1792,15	1313,36	1120,22
Czech Republic	898,24	730,86	674,87
Estonia	337,44	268,96	254,42
Hungary	1462,59	1341,13	1174,57
Latvia	410,84	330,82	313,30
Lithuania	797,00	750,53	654,92
Poland	3930,96	3292,59	2856,95
Romania	2723,40	1860,11	1559,37
Slovakia	702,39	585,70	491,40
Slovenia	351,64	278,49	255,64
Czechoslovakia	230,49	231,82	228,88
East Germany	34,49	28,86	28,86
Multi-country programmes	3005,90	2382,52	1959,91
Total	16677,50	13395,73	11573,29