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**Annex to the**

**REPORT FROM THE COMMISSION TO THE COUNCIL  
AND THE EUROPEAN PARLIAMENT**

**2005 REPORT ON PHARE, PRE-ACCESSION AND TRANSITION INSTRUMENTS**

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**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
CFCF	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

## **PART I: COUNTRY SECTION**

## **I.1. BULGARIA**

### **1.1. The year in review**

#### **Political developments**

Bulgaria fulfils the political criteria for EU membership.

Since the October 2005 report, there has been progress in a number of areas, including the reform of the judiciary. As regards the justice system, the new penal procedure code and a legal framework for legal aid entered into force. Constitutional amendments have entrusted the prosecution service with the responsibility for leading investigations. Amendments to the Law on the Judiciary have been adopted.

Bulgaria has taken a number of measures to fight corruption. A code of ethics was adopted for the executive branch. An anti-corruption strategy for 2006-2008 was adopted. Constitutional amendments have reduced the scope of immunity of members of parliament. The prosecutor general presented requests for lifting the immunity of ten members of parliament. Five voluntarily abstained from their immunity and the immunity was lifted for a sixth one by a vote in parliament; the other cases are still being examined. This allowed investigations into high-level corruption cases to be launched.

Bulgaria has made progress in the field of public administration, in particular with the adoption of amendments to the laws on administration and on civil servants, and a new Code of Administrative Procedure. As regards ill-treatment in custody, there has been some reduction of incidents, while conditions have improved in certain detention centres. Policy initiatives were taken for the disabled and for the mental health care system. Social support for the disabled has been increased.

However, certain outstanding issues remain to be addressed. The accountability, transparency and efficiency of the justice system needs further strengthening. Further efforts are needed to consolidate implementation of the random allocation of cases throughout the country. More objective and transparent mechanisms are needed for assessing the quality of magistrates' work. Any ambiguities regarding the independence of the judiciary need to be removed. There were bottlenecks in the pre-trial process due to procedural rules and insufficient investigators. There have been few tangible results in combating organised crime.

The structures to coordinate and implement the anti-corruption policy need strengthening in order to perform their roles effectively. Indictments, prosecutions, trials, convictions and dissuasive sentences remain rare in the fight against high-level corruption. Bulgaria needs to present clear evidence of results in this area.

The strategy to decentralise the administration has not been adopted yet. Bulgaria remains a country of transit and to a lesser extent a country of origin and destination for trafficking in human beings. There continue to be cases of ill-treatment of detainees. Living conditions in many child welfare and mental health care institutions need to be improved by implementing policy initiatives, and alternative care systems created. Social inclusion of the Roma minority still requires substantial efforts. Further efforts are needed to combat all forms of intolerance,

particularly by fully applying existing legislation on broadcasting and other activities aiming to combat any form of racism, discrimination or xenophobia.

### **Macroeconomic developments and structural reforms**

Bulgaria is a functioning market economy. The continuation of the current reforms should enable it to cope with competitive pressure and market forces within the Union in the near term. Bulgaria has broadly maintained macroeconomic stability and advanced structural reforms.

Progress has continued since the October 2005 report. Useful steps were taken to contain the external deficit. The privatisation process and the liberalisation and restructuring of utilities are well advanced. Some additional progress has been made in improving the business environment and in reducing non-wage labour costs.

However, the current account deficit widened and warrants continued prudent fiscal and wage policies. Deepening of structural reforms requires improving the functioning of the judicial system and further easing the regulatory burden on businesses. The regulatory framework for the labour market needs to be made more flexible.

### **Progress in meeting the *acquis communautaire***

Bulgaria has reached a considerable degree of alignment with the *acquis*.

The October 2005 report concluded that Bulgaria would be ready by accession in a large number of areas. A number of other areas required increased efforts, and 16 areas gave rise to serious concern.

Since then, further progress has been made. Bulgaria should be ready by accession in the following additional areas if the current pace of progress is maintained: public procurement, mutual recognition of industrial product specifications; freedom to provide non-financial services; most agriculture Common Market Organisations; aviation; excise duties; taxation implementing structures; postal services liberalisation; regional policy legislation; chemicals and genetically modified organisms, noise legislation; visa policy; and customs preparations.

Progress has also been made in a number of areas, which no longer give rise to serious concern but still require increased efforts to complete preparations: the insurance sector, the protection of intellectual property rights, the paying agency for agriculture, the milk common market organisation, animal diseases control measures, veterinary border inspection posts; animal welfare, trade in live animals and animal products, veterinary aspects of public health; institutional and financial management structures for regional policy, as well as Schengen preparations and the management of the future EU external borders.

Increased efforts are also needed for: mutual recognition of professional qualifications; financial services, information society services, protection of personal data; legislation to fight money laundering; agriculture trade mechanisms; the Common market organisations on wine and alcohol and on beefmeat; legislation in the veterinary and phytosanitary sector; most aspects of fisheries; sea transport; VAT, direct taxation rules; labour law, social dialogue, social inclusion, anti-discrimination policy, the European Social Fund, public health; energy market liberalisation; nuclear energy and nuclear safety, in particular the commitments to early closure and subsequent decommissioning of the reactors of the Kozloduy plant ; steel

industry restructuring; electronic communications; programming, monitoring and procurement capacity for regional policy; horizontal environmental legislation, water quality, integrated pollution prevention and control, waste management; consumer protection; asylum, judicial co-operation; fight against drugs; protection of the EU's financial interests; and the translation of the *acquis* into Bulgarian.

There remain six areas of serious concern, which require urgent action:

- setting up a proper integrated administration and control system (IACS) in agriculture (*acquis* chapter 7);
- building-up of rendering collection and treatment facilities in line with the *acquis* on TSE and animal by-products (*acquis* chapter 7);
- clearer evidence of results in investigating and prosecuting organised crime networks (*acquis* chapter 24);
- more effective and efficient implementation of laws for the fight against fraud and corruption (*acquis* chapter 24);
- intensified enforcement of anti-money laundering provisions (*acquis* chapter 24);
- strengthened financial control for the future use of structural and cohesion funds (*acquis* chapter 28).

## 1.2. Phare in 2005

### Programmes launched

For 2005, Phare allocations for Bulgaria amounted to a total of €304.4 million

- National Programme (€174,9 million)
- Cross-border Co-operation Romania (€8 million)
- Cross-border Co-operation Greece (€20 million)
- Cross-border Co-operation FYROM (€3 million)
- Cross-border Co-operation Serbia & Montenegro (€4 million)
- Cross-border Co-operation Turkey (€5 million)
- Contribution to KIDS Fund (€50 million)  
Kozloduy International Decommissioning Fund
- Special programme for Floods (€12,3 million)
- Horizontal and multi-country Phare programmes (€27.6 million).

The overall aim of the National programme (€174.9 million) was to assist Bulgaria's preparations for EU membership, based on the priorities identified in the latest Accession Partnership, approved in May 2004.

An additional €12,3 million from the 2005 General Budget were allocated following the floods consequences on the Bulgarian territory during the summer 2005 which necessitated additional Phare financial assistance. A programme designed to give support to rehabilitation of flood-damaged infrastructure and the preparation of flood prevention strategies was financed.

### ***Overview of programmes implemented***

Since 1992 the Phare programme provides assistance to Bulgaria through the National Programmes, the five Cross Border Co-operation Programmes, the special assistance for the decommissioning of the Kozloduy nuclear power station and the multi-beneficiary programmes.

The end of 2005 saw the successful closure of most of the projects financed from the 2002 programme, covering a range of sectors. The 2003 programmes have been contracted and their implementation is under way. Contracting of 2004 programmes has started; the contracting rate, however, remained relatively low as Bulgarian authorities have focused efforts mainly on the 2003 programmes.

In the **agricultural** sector, Phare projects continued to support the improvement of veterinary border control through the execution of construction works of 6 Border Veterinary Inspection Posts designated to be the future EU outer borders, as well as project for institutional building aiming at assisting the Ministry of Agriculture and Forestry (MAF) to continue its work in harmonization and implementation of legislation following the mid-term review of the acquis in regard to CAP and CFP mechanisms.

Phare support also continued via institutional building projects (twinning) and technical assistance to the Ministry of Agriculture and Forestry. One of the projects concerned the preparation of the implementation of the second pillar of the Common Agricultural Policy – rural development. Other twinning projects (with five different components) addressed other areas of the acquis such as the setting up of IACS in Bulgaria and the completion of the IACS software, as well as the equipment of the future Paying Agency that will handle CAP funds.

The harmonisation and implementation of the Bulgarian food safety legislation continued via twinning project and provision of equipment, in order to provide a high level of food safety in Bulgaria and a Rapid Alert System for Food and Feed was also established.

Within the frame of the Phare support in the sector, the system for Animal Identification, Registration and Movement Control was upgraded in order that small ruminants and pigs are also included in the relevant database.

In **Transport** Sector support for institution building continued with the implementation of two twinning projects which aimed the support of the maritime authorities in their efforts to overcome the deficiencies mentioned in the Regular Report and for the improvement of performance of the road transport authorities in relation with the methodology and practice on their control of the vehicles. Both twinings were accompanied with pilot supplies of equipment necessary for the efficient enforcement of the related secondary legislation and with intensive training of the personnel. A new twinning helping the railway authorities in the introduction of the EU legislation in the field of railway safety and interoperability started in September. Assistance to the road infrastructure also continued with five on-going projects financed from the CBC programmes.

In the **Environment** Sector Phare Programme continued to provide assistance for the Closing of Eleshnitsa Uranium mines and construction of the WWTPs in Madan, Rudozem, Zlatograd and Razlog. Furthermore twinning projects for air quality, water management, quality of drinking water, waste shipment, fuel quality, chemicals, GMOs are ongoing. Very important

projects for cross border cooperation in the area of biodiversity conservation/ sustainable development, ambient air quality management with Romania and water management of Arda river with Greece were under implementation.

An important first phase of cross border project for water management of the Mesta/Nestos River was completed with the creation of Joint Technical Working Group and elaboration of the first elements of the river basin management plan.

In the **Justice** Sector the Phare Programme support was focused on drafting new legislation in line with the best EU practice, institution building of the main institutions like the Supreme Judicial Council, Public Prosecution Office, Ministry of Justice and Registry Agency. Important investment projects were realised in the sector during the reported period. The drafting of the three main new procedural laws was substantially assisted by Phare funded projects, these were:

- The new Administrative Procedural Code, finally drafted in mid 2005 and adopted by parliament on 29 March 2006 to be enforced as of 12 July 2006.
- The new Penal Procedural Code, finally drafted in May 2005 and adopted by parliament on 28 October 2005 in force since 29 April 2006.
- The new Civil Procedural Code finally drafted in April 2006 and submitted to parliament on 11 May 2006.

New projects were initiated in the field of judicial cooperation in civil and penal matters and with regard to remedy of civil and penal procedures.

During 2005 important institution building projects were completed which supported the National Institute of Justice, the Public Prosecution Office, the Supreme Judicial Council and the Ministry of Justice. They were related to the improvement of the legal status of magistrates and institution building of the SJC, court security, penitentiary system, including establishment of probation system. Substantial support was provided for the establishment of reliable automated information management system in the judiciary.

Within the implementation of PHARE 2002 investment projects for the IT in the Bulgarian judiciary the following results are achieved:

#### Courts' system

- 751 workstations, 90 x 32-bits servers and 40 x 64-bits servers were delivered for the courts;
- Local network infrastructure was developed in all 147 courts in Bulgaria;
- Library and office equipment was delivered to the National Institute of Justice
- Court case management system was developed and was successfully installed in the courts. Experimental real work in 5 courts in Sofia and Varna region has begun;
- Document workflow management system was developed and was installed in all courts excluding: 5 regional courts, 1 district court and two supreme courts. There are 600 licences supplied to users. Training of trainers program is completed. Experimental real work in 7 courts in Sofia, Plovdiv, Veliko Tarnovo, Yambol and Pernik courts has begun;
- Unified register system was developed and was installed in 27 district courts. Experimental real work has begun in 3 locations: Sofia and Pazardjik District court and for the MoJ register of NGO;

- Conviction status certificate system really works in 60 regional courts with data transformation from old active systems, in 20 courts the new system and the old one work simultaneously;
- Relational Data Base Management System (RDBMS) was supplied, installed and the configuration was completed; the design of Data warehouse was delivered.

#### Public Prosecution Offices (PPOs):

Within the implementation of Phare 2000 and Phare 2002 investment projects the following has been achieved:

- The following IT equipment was delivered in PPO on cite:
  - 35 servers with MS Windows 2000 server operation system;
  - 56 servers with operation system MS Windows 2003 Server/ LINUX;
  - 1 central server + ORACLE licences;
  - 2007 Work Stations with MS Windows XP operation system;
  - 870 laser printers; 126 modems; 3 multimedia projectors;
  - Local network infrastructure was developed in 73 PPO cites;
  - 255 ORACLE licences were delivered;
  - E-mail server was delivered, which allowed all prosecutors to receive a personal official e-mail address.

In the field of **Public Administration Reform and fight against corruption** the Phare project supported activities that contributed to the further implementation of the Strategy for modernisation of the Public Administration and the Anti-corruption strategy.

The project BG 0203.07 Strengthening the Human Resources Capacity in the Bulgarian Public Administration resulted in the design of a new Human Resources Strategy and a new Information System for the Management of Human Resources in the Public Administration. The outputs of the project were fully taken into account and incorporated in the design of the newly established Ministry of State Administration and Administrative Reform.

Furthermore, the project BG 2003/004-937.10.01 “Strengthening the capacity of the Bulgarian Public Administration – Implementing the Strategy for Modernisation of the Public Administration in view of the Improved Service Delivery to the Public” was launched in the end of 2005 and will further contribute to the modernisation of the public administration by introducing the concept of outsourcing, quality control and integration of services.

In the field of **fight against corruption**, under the project BG 0203.05 “Technical assistance to implement key measures of the Programme for the Implementation of the National Anti-corruption Strategy” new training modules were designed and have been already incorporated in the training programme of the Institute for Public Administration and European Integration (IPAIE), as well as, public awareness campaigns etc The forthcoming Multi-annual projects in the field of anti-corruption will build up on the outcomes of this project.

In the **Social Sector**, Phare support was both in the form of institutional building measures and investment activities. The following priority policy areas were addressed through institutional building measures: further harmonization of the vocational training system both to the socio economic developments in the country and to the broader EU reform in educational and training systems (development of vocational qualification standards, assessment of vocational training needs on national level, drafting life long learning strategy,

etc.); enhancement of the inspection activities within the General Labor inspectorate as a major body observing the enforcement of the labor law (development of guidelines for effective inspection activities, provision of trainings, etc.) and establishment of new database for monitoring of labor market developments and future ESF type of measures (upgrade and further development of the existing database). Furthermore a number of TA projects supported the enhanced capacity of national authorities to effectively implement strategies in the area of employment and life long learning and to utilize in the most efficient way Phare support (enhanced management capacity). Supply and works projects aimed to improve the training facilities within the professional schools are also under way. Investment activities were primarily focused on the creation of new employment opportunities and the enhancement of entrepreneurship. In addition an investment scheme supporting enterprises within the chemical industry was launched for the purposes of timely insurance of OSH conditions within companies from high risk industries.

In the sector of **Economic and Social Cohesion**, support continued to focus 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 function as Managing Authorities of the future Structural Funds Operational Programmes and by investment projects, mainly grant schemes. In the area of Cross-Border Cooperation, projects in Transport, Environment, Energy and grant schemes are under implementation for both CBC Programmes between Bulgaria – Greece and Bulgaria- Romania. As a continuation of the External Border Initiative Programme a new CBC Programme has been launched with Turkey and a new Neighbourhood Programmes with Serbia & Montenegro and the Former Yugoslav Republic of Macedonia is being implemented for the first time.

### **Phare management performance**

The total budget for 2003 Phare Programme was almost **€120** million. In the end of November 2005 which was the deadline for contracting ( except for the projects that received contracting extensions) **148 contracts amounting to €77.631** million, which in terms of FM budget correspond to **€83.233** million were contracted and the **contracting rate of Phare 2003 FM was 85.55%**. The budget amount of **€14.060** million i.e. **14.45%** corresponding to **48 contracts**, is reported as **non-contracted and is considered as a loss. The procurement gains** representing the balance between the contract budget and contracted amount, total **€5.601** million i.e. **5.76%**.

There are 34 extended contracts representing an amount of MEUR 22.5. The contracting deadline for the 22 contracts (overall amount €14.38 million) is 30 of May 2006. For the other 12 projects the contracting deadlines are 16 and 17 July 2006 respectively.

### **NDPs – State of Play**

On 22 December the draft National Development Plan and the six draft Operational Programmes were formally approved by the Bulgarian Cabinet. On 2 May 2006 the Commission received a draft of the Bulgarian National Strategic Reference Framework (NSRF) and five out of the six operational programmes. Formal negotiations on the NSRF and the Operational Programmes are scheduled for the second half of 2006.

### **Institution Building highlights**

During the year 2005, a total of around €58,994 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes and participation

in Community Programmes) has been deployed in the Republic of Bulgaria from Phare programme for financing Institution Building Projects.

The Twinning instrument continues to be used successfully in many priority areas and helped Bulgaria to prepare for the implementation of EU policies and laws. Up to now a total of 142 fully-fledged twinning projects for a total amount of around €139 million and 32 twinning light projects amounting to around €6 million have been financed out of the Phare Programme.

In May 2005 the common twinning manual for all twinning projects financed out of Community budget was published and its application started the following month. Consequently, most of the contracts financed under Phare 2004 were drafted and negotiated considering the new requirements. Thus, until the end of the year two thirds out of 40 projects started to be implemented.

The 2004 Unallocated Envelope proved to be a useful instrument for ad-hoc specific needs which accommodated requests for financing of 3 twinning light, 3 standard twinings and 5 technical assistance projects.

In addition, another 15 fully fledged twinning projects were programmed during year 2005 and selection process completed for all of them. Additional funds of €6,322 million were allocated to the Institution Building Envelope for further programming during 2006.

### **1.3. Results and impact**

#### **State of play for JMC/SMSC development**

During 2005, Bulgarian authorities continued with their considerable efforts in improving their self-monitoring capacities. Apart from the nine Sectoral Monitoring Sub-committees, operative since 2001, which continued to hold regular sessions twice during 2005, the regular Monthly Progress Meetings for all sectors which were initiated in 2005 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 seventh annual meeting of the Joint Monitoring Committee was held on 12 December 2005 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 2005. The Bulgarian National Aid Coordinator services also presented reports on the following issues of overall concern to pre-accession assistance management:

- Reporting by PHARE Sectoral Monitoring Sub-Committees (SMSC) and discussions
- General Discussions on the monitoring process of Phare Programme
- Extended Decentralisation – EDIS: reporting by the National Authorising Officer on state-of-play with respect to policy and implementation of PHARE/ISPA projects.
- OLAF - reporting by the National Authorising Officer on the state-of-play regarding the monitoring of irregularities and reported cases to OLAF
- Lessons learned from previous Phare contracting cycles – methodological approach of the Country Summary Review performed by ECOTEC.

- Procurement of PHARE 2004 and 2005, Programming 2006 – state-of-play - reporting by NAC Services and EC
- Indicative timetable for the meetings of the PHARE SMSCs, ISPA, SAPARD Monitoring Committees and the JMC in 2006

Corrective measures were agreed on a number of sectors with specific issues of project management. The conclusions and recommendations from Phare 2003 contracting, completed in November, were highlighted with a view to ensure further improvements in implementation of all ongoing programmes and smoother contracting of Phare 2004 funds.

### **M&IE Reports in 2005 - Lessons Learned**

Of the 14 Sector Interim Evaluation reports conducted in 2005, 8 were rated “satisfactory” whereas 4 were evaluated as “barely satisfactory” and 2 as “unsatisfactory” by the external independent evaluator.

The Country Summary Evaluation Report made the following key recommendations:

- The Bulgarian institutions responsible for the implementation of works projects should take appropriate measures to prevent delays occurring in the preparation and implementation of infrastructure projects.
- A formal structure for quality control of programming, particularly for project fiches, is needed at Commission Services in Brussels and in the NAC to improve the quality of programming documents.
- Bodies responsible for the management of grant schemes should consider ways to improve monitoring project effectiveness."

### **Positive Results in Implementation – Success Stories**

#### **BG 0203.01 BG 02 JH 01B**

#### **Strengthening of the National Institution for Judicial Professional Qualifications**

This project was completed successfully in 2005. Through its implementation the National Institute of Justice was assisted to become a modern and efficient institution, responsible and capable to perform its activities on initial and continuous magistrates' training.

The initial training programme for junior magistrates was elaborated, in cooperation with other projects and donors. The first 6-month initial training of all magistrates started during the project implementation. The curricula for on-going magistrates' training were also devised mainly on EU law matters. The resource centre for the NJI was established which is available on the NJI, chat-room for the junior magistrates and their permanent trainers, CDR, available in the NJI. All sources of pedagogical materials are available electronically. The proper establishment of the NIJ is considered as one of the biggest success in the reform process of the judiciary.

**BG0102.03 Grant scheme for development of Bulgarian cultural tourism** (Total amount of grant contracts: €4 726 753; Phare co-financing: €3 545 065.75, Bulgarian national co-financing: €1 181 687.25)

The main objective of the grant scheme has been improvement of the quality and the marketability of the Bulgarian cultural tourism product. The project has been successfully completed in 2004 with assistance being provided to 19 grant beneficiaries. The following activities have been performed within the grant scheme scope:

- Creation of integrated tourist products in the sphere of cultural tourism (including marketing strategies and business plans) and stimulation of the use of all tourism-connected resources.
- Promotion of the development of private initiative and creation of new jobs.
- Provision of opportunities for extension of the tourist season, incl. marketing and improvement of the knowledge and skills of tourist services (companies and human resource).
- Better exploitation of the Bulgarian cultural heritage by investments in cultural monuments restoration and related infrastructure development.

### **Tasks ahead**

Four major tasks are to be accomplished before accession, which are as follows:

- Full closure of the PHARE 2005 and 2006 programming cycles with the signature of the corresponding Financing Agreements. In view of avoiding delays as much as possible Bulgarian beneficiaries and Implementing Agencies are stressed not to wait for the signature of the Financing Agreement in order to start with the tendering procedures.
- Completion of the programming exercise in relation to the Transition and Schengen Facilities
- Conferral of the EDIS accreditation before the date of accession, thus avoiding the triggering of the relevant 'suspensive' clause in Article 27 of the Accession Treaty. According to the preliminary schedule the final reports of the auditors under Stage III on Compliance Assessment for Phare should be received by mid July 2006 and by the end of July the official request for accreditation would be submitted to the EC
- Preparation for the closure of the Delegation.

## **I.2. CROATIA**

### **2.1. The year in review**

#### **Political developments**

Following a positive assessment on 3 October 2005 from the International Criminal Tribunal for the former Yugoslavia (ICTY) Chief Prosecutor that full cooperation with the ICTY had been achieved, the European Council concluded on the same day that Croatia had met the outstanding condition for the start of accession negotiations and a bilateral Intergovernmental Conference (IGC) opening the negotiations was held.

The Commission started the so-called screening process on 20 October 2005, through which Croatian legislation is compared in detail with EU legislation. The screening will enable the EU to decide upon the opening of individual chapters for negotiations.

On 9 November 2005, the Commission published its Croatia 2005 Progress Report. The report takes into consideration progress since the Commission Opinion of April 2004 on Croatia's application for EU membership and covers the period to 30 September 2005.

In February 2006, a revised Accession Partnership for Croatia was adopted by the Council. It covers in detail the priorities for accession preparations, in particular implementation of the *acquis*. Croatia has made progress in a number of areas, most significantly in the area of *regional cooperation*. While some progress has been made in the field of *refugee return*, such as with regard to housing repossession and reconstruction, a number of deadlines have not been met. There is a need for further significant efforts from Croatia, particularly as regards implementing housing care programmes for former tenancy rights holders and creating the economic and social conditions necessary for sustainable refugee return. As regards *minority rights*, implementation of the Constitutional Law on National Minorities has been slow and the need to improve the position of minorities, in particular the Serb minority, remains an urgent priority. Implementation of a new Roma strategy has begun, but major challenges still lie ahead.

Despite some progress in the field of the *judiciary*, the scope of the challenges faced will require continued serious attention. The comprehensive strategy for judicial reform needs to be properly implemented. There has been progress in establishing a legal framework for tackling *corruption*, but these efforts need to be followed up with real implementation on the ground including improved coordination of the government bodies and agencies involved.

#### **Macroeconomic developments and structural reforms**

Concerning macroeconomic developments and structural reforms, Croatia has made some progress, most notably in the area of land reform. Croatia needs to continue to address the present macroeconomic imbalances – mainly government deficit, current account deficit and external debt, as well as structural problems that may impair its capacity to stay on a path of strong growth. Progress also needs to continue on structural reforms and on advancing privatisation and enterprise restructuring. A number of foreseen measures need to be implemented without delay.

### **Progress in meeting the *acquis communautaire***

As to the priorities related meeting the *acquis communautaire*, Croatia has made some progress in terms of legislative alignment with the *acquis*, in particular in areas such as the free movement of goods, and public procurement, and in the field of telecommunications, including with respect to strengthening the capacity of the regulator.

Croatia needs to continue legislative alignment across the board, however, while at the same time strengthening administrative and judicial structures that are necessary for the effective enforcement of the *acquis*. In many cases enforcement is weak and administrative capacity remains uneven.

In particular, increased efforts will be needed to align legislation with the *acquis* and to effectively implement and enforce in the following fields: Free Movement of Capital, Company Law, Information Society and Media, Fisheries, Transport, Energy, Consumer and Health Protection, Customs Union and Financial Control.

Croatia will need to make considerable and sustained efforts to align legislation with the *acquis* and to effectively implement and enforce it in the following fields: Free Movement of Goods, Public Procurement, Freedom of Movement for Workers, Rights of Establishment and Free Movement of Services, Financial Services, Competition Policy, Agriculture and Rural Development, Food Safety, Taxation, Social Policy and Employment, Regional Policy, Judiciary and Fundamental Rights, and Justice, Freedom and Security.

Very significant efforts will be required in the area of Environment, including substantial investment and the strengthening of administrative capacity for the enforcement of the *acquis*.

## **2.2. Phare in 2005**

### **Programmes launched**

The pre-accession strategy for Croatia was adopted by the Commission on 6 October 2004. Croatia as a candidate country benefits from all three pre-accession financial instruments, Phare for institution-building and economic and social cohesion, ISPA for environment and transport infrastructures and SAPARD for rural development (from 2006). Croatia also remains eligible for the CARDS Regional Programme in 2005 and 2006.

Croatia received a total allocation of €87 million under the Phare 2005 programme. This allocation included the National Programme of €71.5 million, €6 million for Cross-Border Cooperation projects, €6 million for Croatia's participation in Phare multi-country/horizontal programmes, €1 million for the participation in TAIEX and €2.5 million for administrative costs.

The key programming documents for Phare 2005 were the Opinion of the Commission on the application for membership of Croatia, the European Partnership of 2004 and the proposed Accession Partnership and the Progress Report (both November 2005).

The year 2005 was the first year that Croatia benefited from pre-accession assistance through the Phare instrument. The Commission presented three financing proposals (National Programme and 2 CBC programmes) for opinion to the Phare Management Committee in October 2005; the subsequent Commission Decisions on the approved proposals were taken in December 2005 and the Financing Agreements were sent for signature to Croatia by mid-December 2005.

## Overview of implemented programmes

### *Phare National Programme 2005*

The Phare National Programme 2005 concentrates on eight sectoral objectives referring to the priorities identified in the Opinion and the European Partnership for Croatia:

Objective 01 / Democracy and rule of law

Objective 02 / Human rights and protection of minorities

Objective 03 / Economic criteria

Objective 04 / Internal market and trade

Objective 05 / Sectoral policies

Objective 06 / Cooperation in justice and home affairs

Objective 07 / Supporting programmes

Objective 08 / Economic and social cohesion

These priorities translate into the following financial allocations by priority:

1	<b>Democracy and rule of law</b>	€2.312.000
2	<b>Human rights and protection of minorities</b>	€1.300.000
3	<b>Economic criteria</b>	€5.165.000
4	<b>Internal market and trade</b>	€13.175.000
5	<b>Sectoral policies</b>	€29.415.000
6	<b>Cooperation in justice and home affairs</b>	€5.000.000
7	<b>Supporting programmes</b>	€10.133.000
8	<b>Economic and social cohesion</b>	€5.000.000

### *Phare CBC Programmes 2005*

The CBC programmes with Italy and Slovenia/Hungary concentrate on the following objectives:

- Promoting sustainable economic and social development in the border areas;
- Working together to address common challenges, in fields such as environment, public health, and the prevention of and fight against organised crime;
- Ensuring efficient and secure borders;
- Promoting local, 'people-to-people' type of actions.

The budget allocations in 2005 are:

1. CBC with Italy	€3.000.000
2. CBC with Slovenia/Hungary	€3.000.000

### **Phare management performance**

The following implementation structure exists in Croatia for the implementation of pre-accession assistance:

- A National Fund (NF) located within the Ministry of Finance to administer the funds allocated under the responsibility of a National Authorising Officer (NAO). The NF will also be responsible for the national accreditation of the SAPARD Agency.
- The Central Finance and Contracting Unit as the Implementing Agency for Phare and ISPA.
- The Memorandum of Understanding on the Establishment of the National Fund, which provides a legal basis for the introduction of a decentralised implementation system for EU pre-accession assistance, was signed in May 2005.
- Croatia submitted a request to the Commission for accreditation of its decentralised implementation system on 25 May 2005 (Phare) and 18 July 2005 (ISPA). Subsequently, the Commission services have assessed the national and sectoral programme/project management capacity, financial control procedures and structures regarding public finance in Croatia.
- Based on these assessments, the Commission decided to confer the management of aid on a decentralised basis to the CFCU of Croatia, while maintaining the ex-ante control requirement. **This decision was taken on 07 February 2006.**
- The technical, legal, and administrative framework within which the Phare programme continues to be implemented is set out in the General Conditions annexed to the Framework Agreement signed between the Commission and Croatia.

### **NDPs – State of Play**

The Croatian Government is in the process of adopting a national development strategy entitled Strategic Development Framework 2006-2013, which identifies a series of priorities that should promote Croatia's social and economic development.

### **Institution Building highlights**

NA

## **2.3. Results and impact**

### **State of play for JMC/SMSC development**

The Monitoring Sub-committee under the “Memorandum of Understanding on the Establishment of the CFCU” took place on 24 March and 05 October 2005. The 7 monitoring reports on the decentralised CARDS 2002 projects were drafted by the beneficiaries (with help of technical assistance) and were substantially better than the ones drafted for the

previous Monitoring Subcommittee (June 2004). The Monitoring Sub-Committee agreed on a number of recommendations and remedial actions to be taken.

In order to avoid the parallel running of two monitoring systems it was agreed at the Joint Monitoring Committee of 05 December 2005 to set-up one Joint Monitoring Committee with a number of sub-committees. Under the “Memorandum of Understanding on the Establishment of the National Fund”, one annual Joint Monitoring Committee will be held, with 6 Sectoral Monitoring Sub-committees meeting twice annually each. The 7 already decentralised CARDS 2002 projects will be dispersed across the Sectoral Monitoring Sub-Committees, thereby integrating the old monitoring system into the new one.

### **Tasks ahead**

***Implementation of Phare 2005 will start with the signature of the Financing Agreement by the Croatian National Aid Coordinator (signed on 17 May 2006).***

## **I.3 CYPRUS**

### **3.1. Extended Decentralised Implementation System (EDIS)**

In its first year after accession, Cyprus continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since July 2004 implementation is carried out under the entire responsibility of the Cyprus authorities applying national procurement rules. 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 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).

Following the EDIS decision, the Cypriot authorities decided to designate the following additional implementing agencies for the purpose of implementing the Transition Facility programme: the Public procurement directorate of the Treasury of the Republic; the Environment service (Ministry of Agriculture, Natural Resources and Environment); Asylum service (Ministry of Interior); Ministry of Health; the Public Works Department (Ministry of Communication and Works); and the Public Administration and Personnel Department (Ministry of Finance). Assurance has been received from the National Authorising Officer (NAO) that adequate procedures have been put in place and all of the additional Implementing Agencies (IAs) are subject to the same management and control systems as those IAs accredited for the extended implementation of pre-accession aid and will, hence, comply with the criteria as set out in Art 164 FR.

All the above mentioned implementing agencies are now fully responsible for daily implementation of projects.

The National Aid Coordinator continues to exercise the programming function for the Transition Facility programmes and monitoring of both Phare and Transition Facility Programmes. The NAO carries out the financial supervision. Due to the closure of the Phare Transition Team in the Representation in Nicosia as of end July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been transferred to the Commission headquarters.



**ADMINISTRATIVE CAPACITY                      €2.072 million**

- Training of Cyprus Civil Service organisations on specialised EU issues
- Unallocated Institution Building Facility

**ii) Implementation**

- Pre-Accession 2001 and 2002 – finalisation of payments in 2005

At the end of the respective disbursement periods for the 2001 and 2002 pre-accession programmes, respectively 66% and 69.7% of the funding has been disbursed. These rates apply only to the projects managed by the Cypriot under EDIS. The Cypriot authorities requested no extension for the 2002 programme. An extension has been already granted for the 2001 programme.

- Pre-accession programme 2003 – rate of contracting

At the end of the contracting period for the 2003 National Pre-Accession programme on 31 July 2005, 100% of the programmes had been contracted. The programme was subject to a modification in July 2003 involving reallocation between a project managed under EDIS and a bi-communal project managed centrally by the Commission.

No extensions of contracting period were possible for the projects from pre-accession 2003 programme.

- Institution Building highlights

During the year 2005, a total of around €4,520 million of pre-accession assistance from national allocation (not including horizontal, multi-country programmes, participation in Community Programmes and bi-communal projects implemented on a centralised basis) has been disbursed from the Commission to Cyprus from the 2002-2003 National Pre-accession programmes and the 2004 Transition Facility.

Implementation of pre-accession aid in Cyprus is considered satisfactory in overall terms 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 taken advantage to a limited extent of the Twinning Light instrument, 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.

### **3.3. Results and Impact**

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

In 2005, two Joint Monitoring Committee (JMC) meetings took place in March and September 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establishes an integrated monitoring and evaluation system over the programmes under implementation.

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 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place just ahead of the Joint Monitoring Committee. Due to the small size of the Cyprus pre-accession programme, there is only one SMCS. There are three sub sectors monitored in Cyprus (Sub-sector 1: Internal Market; sub-sector 2: Economic and Social Development; and sub-sector 3: Rural and Environmental Development).

#### **ii) - Monitoring and Evaluation Reports in 2005**

Overall responsibility for monitoring and evaluation of the pre-accession and Transition Facility programme in Cyprus lies with the Planning Bureau, as the executive body of the NAC. The second and last interim evaluation report undertaken through a contract centrally managed by the Commission services was undertaken in 2005.

Following decentralisation of the evaluation activities, the Cypriot authorities have signed a contract with the independent evaluator in February 2006. Within the framework of this contract, two interim evaluations and one country evaluation summary will be carried out starting in 2006.

The 2005 interim evaluation report underlines that project implementation has improved considerably since the 2004 interim evaluation report which can be attributed to the experience gained by the stakeholders in project management, as well as to the effect of accession on the country's generally favourable environment.

Relevance is rated highly satisfactory. Projects with substantial technical components (e.g.: design, tender documentation and terms of reference or procurement and installation of equipment) tend to be subject to management problems. Hence, in most cases, their rating of efficiency is unsatisfactory to barely satisfactory. The non-technical projects are well managed and consequently rate satisfactory to highly satisfactory. In all projects there has been strong monitoring and budgetary control contributing to efficiency of implementation. Overall, effectiveness is rated satisfactory; the immediate objectives of most projects have been achieved at a satisfactory to highly satisfactory degree. The effectiveness of technical projects is barely satisfactory to satisfactory. Overall, project impact is rated highly satisfactory, reflecting the degree of achievement of the wider objectives and the influence of the conducive environment. The generally good quality and design of projects had enhanced impact. Overall, sustainability is highly satisfactory.

## **I.4. Czech Republic**

### **4.1. Summary**

In its first year after accession, the Czech Republic continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since December 2004 implementation is carried out under the entire responsibility of Czech authorities applying national procurement rules. 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) are now fully responsible for the daily implementation of the projects.

The National Aid Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Prague as of July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **4.2. Phare/pre-accession financial and Transition assistance in 2005**

#### **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 Czech authorities and the European Commission on 27 September 2004.

A total of **€11,800,000** was allocated to the Czech Republic under its 2005 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 2005 National Programme for the Czech Republic in July 2005. The programme was then approved by the Commission through its Decision C(2005)2830 of 26 July 2005, 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 2005 National Programme for the Czech Republic provides for:

**POLITICAL CRITERIA** **€0.85 million**

- Support to the Implementation of the Anti-discrimination Act and Anti-discrimination Acquis by Civil Society Organisations (CSOs)

**INTERNAL MARKET AND ECONOMIC CRITERIA** **€4.5 million**

- Strengthening the Role of Public Internal Financial Control (PIFC)
- Reinforcement of implementation of regulatory and supervisory functions in areas of financial markets
- The Construction of the State Treasury System (2nd Phase)
- Implementation of Public Private Partnership (PPP) concept in the Czech Republic
- Strengthening of expert capacity in the State Institute for Drug Control
- Support to Enforcement of Intellectual Property Rights

**ENVIRONMENT** **€0.22 million**

- Improvement of soil protection by strengthening laboratory control of sewage sludge

**JUSTICE AND HOME AFFAIRS** **€2.53 million**

- Strengthening the Capacity of the Financial Police
- Reinforcement of the Czech Police capacity in combating Corruption and Economic Crime

**EMPLOYMENT, SOCIAL AFFAIRS AND HEALTH** **€2.2 million**

- Audit on Functionality and Security of Social Insurance Information Systems
- Strengthening of Labour Inspection Administration
- Development of national coding standards within the Czech DRG system

**ADMINISTRATIVE CAPACITY** **€1.5 million**

- Unallocated Institution Building Envelope

**ii) Implementation**

- Phare 2002 – finalisation of payments

At the end of the respective disbursement periods for the 2002 Phare programmes, 76% of the programmes (not including participation in Community Programmes) had been disbursed.

This data does not take into account the extensions granted to certain elements of the 2002 Phare programmes. A total of 10 projects received extensions and were ongoing.

- Phare 2003 – rate of contracting

At the end of the contracting period for the 2003 programmes, 98% of the programmes had been contracted.

No extensions of contracting period were possible for the projects from Phare 2003 programme.

- Institution Building highlights

During the year 2005, a total of around €246.9 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes and participation in Community Programmes) has been deployed in the Czech Republic from Phare programmes (National Programmes and Cross Border Co-operation Programmes 2002-2003) and Transition Facility (2004-2005).

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.

### **4.3. Results and Impact**

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

In 2005, one Joint Monitoring Committee (JMC) meeting took place in June 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establish an integrated monitoring and evaluation system over the programmes under implementation.

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 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. There are twelve sectors to be monitored in the Czech Republic: 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 2005**

Overall responsibility for monitoring and evaluation of the Phare programme in the Czech Republic lies with the Ministry of Finance (MoF). Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and Evaluation, which was endorsed by the EC in May 2005. The contract for carrying out the Interim Evaluation was signed in April 2004.

In 2005, 13 interim evaluation reports were prepared by an independent external evaluator and were issued by the NAC covering all monitoring sectors. Two Country Summary Evaluation Reports for the Czech Republic, prepared by the independent external evaluator, were issued in May and November 2005.

The reports provide a consolidated country review of the findings of the Interim Evaluation Reports that were prepared between September 2004 and November 2005. The November Report concluded that the efficiency of the management of the Phare Programme had improved as a result of raised awareness for risk assessment and the need to take decisions on corrective actions as soon as possible. Effectiveness and sustainability were mostly considered satisfactory. However, with respect to sustainability the report noted that high staff turnover in government institutions remained the single biggest threat.

## **I.5. Estonia**

### **5.1. Summary**

In its first year after accession, Estonia continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since November 2004 implementation is carried out under the entire responsibility of Estonian authorities applying national procurement rules. 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 Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Tallinn as of July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **5.2. Phare/pre-accession financial and Transition assistance in 2005**

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 16 August 2004.

#### **i) Programming**

A total of **€5,590,000** was allocated to Estonia under the 2005 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 Estonia in June 2005. The programme was then approved by the Commission through its Decision C(2005)2035 of 6 July 2005, 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 2005 National Programme for Estonia provides for:

**TRADE-INTERNAL MARKET                      €0.20 million**

- Development of Market Surveillance activities in New Approach and other connected areas through improved IT solutions

**SOCIAL POLICIES AND EMPLOYMENT      €0.49 million**

- Managing occupational risks related to asbestos

**AGRICULTURE                                      €2.23 million**

- Development of GMO chain management for co-existence of genetically modified, conventional and organic crops
- Institutional Building for the Design and Implementation of the Financial Instrument for Fisheries Guidance (2007 – 2013)
- Minimalisation of the number of rabies cases among wild and domestic animals in Estonia

**ENVIRONMENT                                      €0.67 million**

- Enhancing the capacity to reduce the emissions of fluorinated gases in Estonia

**ADMINISTRATIVE CAPACITY                      €2 million**

- Enhancing the capacity to reduce the emissions of fluorinated gases in Estonia
- Twinning light facility

**ii) Implementation**

- Phare 2002 – finalisation of payments

At the end of the respective disbursement periods for the 2002 Phare programmes, 72% of the programme had been disbursed

This data does not take into account the extensions granted to certain elements of the Phare National Programme for Estonia 2002 – Part II. A total of nine projects received extension and were ongoing.

- Phare 2003 – rate of contracting

At the end of the contracting period for the 2003 programme on 30 November 2004, 87% of the programme had been contracted.

No extensions of contracting period were possible for the projects from Phare 2003 programme and many of the projects faced the end of the commitment period in addition to Phare 2002 disbursement deadline in the end of November 2005. Approximately 10-11% (€4.2 million) from the allocated funds of the Phare 2003 programme remained unused. The main reasons for this were lower tender prices than initially planned and in case of the Twinning Light Facility the main reason was lack of interest from potential applicants.

- Institution Building highlights

During the year 2005, a total of around €88 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Estonia from Phare programmes (2002-2003) and Transition Facility (2004-2005).

Implementation of Phare in Estonia is considered successful in most areas, where most projects are reaching foreseen objectives and Phare assistance provide real value added to scarce public funds. One sector (Environment) is considered unsuccessful, mainly due to delays in implementation and other shortfalls in implementation management.

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.

### **5.3. Results and Impact**

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

In 2005, two Joint Monitoring Committee (JMC) meetings took place in January and June 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establish an integrated monitoring and evaluation system over the programmes under implementation.

The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes. In particular, issues such as further improvement of project management, sectoral and financial monitoring and reporting were discussed and proposals for remedial actions were made.

In the year 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in March-April and second round between October and November. There are nine sectors to be monitored in Estonia: Agriculture, CBC, Education, Environment, Finance, Home Affairs, Internal Market/Transport, Justice and Social sector.

## **ii) - Monitoring and Evaluation Reports in 2005**

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. Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and Evaluation, which was endorsed by EC in February 2005. The contract for carrying out the Interim Evaluation was signed on 29 April 2005.

The independent evaluator prepared two Interim Evaluation reports in December 2005 and March 2006, and is expected to deliver a Country Phare Evaluation Review (CPEER) for Estonia by mid 2006.

The conclusions available from the Interim Evaluation reports are that, on the whole, Estonia has performed well in the implementation of Phare assistance, and this assistance has successfully supported the institution building related to the accession process.

The efficiency which was considered as unsatisfactory had improved. Flexibility and strong commitment of stakeholders to projects' implementation was a positive aspect. High staff turnover remained a problem. Other problems were related to late start of tendering processes, the management of co-financing funds, changing procurement rules and introduction of EDIS. Positive impact was noted in terms of improvement of inter-ministerial cooperation.

## **I.6. Hungary**

### **6.1. Summary**

In its first year after accession, Hungary continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since June 2004 implementation is carried out under the entire responsibility of Hungarian authorities applying national procurement rules. The CFCU-Central Finance and Contract Unit, the ESF-European Social Fund Agency and the VATI-Hungarian Public Company for Regional Town Planning are 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 Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Budapest as of July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **6.2. Phare/pre-accession financial and Transition assistance in 2005**

#### **i) Programming**

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. A total of **€10,768,000** was allocated to Hungary under the 2005 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 2005 National Programme for Hungary in July 2005. The programme was then approved by the Commission with Decision C(2005)2913 of 26 July 2005, 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 2005 National programme for Hungary provides for:

**AGRICULTURE** **€4.31 million**

- Strengthening Institutional Capacities of Food Safety in Hungary

**JUSTICE AND HOME AFFAIRS** **€1.78 million**

- Establishment of a sustainable training facility for the Hungarian judiciary based on the School of Judges.

**PUBLIC GOVERNMENT ADMINISTRATION AND CIVIL SOCIETY** **€3.17 million**

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

**OTHER INSTITUTION BUILDING ACTIONS** **€1.5 million**

- Unallocated IB Envelope

**ii) Implementation**

- Phare 2002 – finalisation of payments

At the end of the respective disbursement periods for the 2002 Phare programmes, 90% of the programme had been disbursed

This data does takes into account the extensions granted to certain elements of the Phare National Programme for the grant schemes, for three projects from the Part I and two projects from Part II of the programme.

- Phare 2003 – rate of contracting

At the end of the contracting period for the 2003 programme on 30 November 2005, 98% of the programme had been contracted.

No extensions of contracting period were possible for the projects from Phare 2003 programme and many of the projects faced the end of the commitment period in addition to Phare 2002 disbursement deadline in the end of November 2005.

- Institution Building highlights

During the year 2005, a total of around €68 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Estonia from Phare programmes (2002-2003) and Transition Facility (2004-2005).

Implementation of Phare in Hungary is considered successful in most areas, where most projects are reaching foreseen objectives and Phare assistance provide real value added to scarce public funds. In particular, with regard to the Internal Market area, an excellent

twinning cooperation has provided the support to the implementation of the New Approach Directive. Other specific institution-building actions were funded in the fields of Agriculture, Social Policy / Employment, Customs and Public Finance.

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

### **6.3. Results and Impact**

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

In 2005, two Joint Monitoring Committee (JMC) meetings took place in May and in November 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which established an integrated monitoring and evaluation system over the programmes under implementation.

The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes. In particular, issues such as further improvement of project management, sectoral and financial monitoring and reporting were discussed and proposals for remedial actions were made.

In the year 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place. The first round of SMSC meetings took place in February-June and second round between June and December. The following sectors to be monitored in Hungary are: Agriculture, CBC, Social and Health, Environment, Internal Market/Transport and Nuclear Safety, Regional Development, European Social Fund and SME, Public Finance and Customs, Justice and Home Affairs.

#### **ii) - Monitoring and Evaluation Reports in 2005 (lessons learned)**

Overall responsibility for monitoring of the Phare programme in Hungary lies with the National Aid Coordinator (NAC) in the National Development Office. Activities in this area were carried out on the basis of the Evaluation Plan on decentralisation of monitoring and Evaluation contracted by the NDO on the ground of the requirements of the European Commission.

The independent evaluator prepared Interim Evaluation reports in order to evaluate all Phare sectors in 2005. The evaluator prepared the Country Phare Evaluation Review (CPE) for Hungary in November 2005 and is expected to deliver the first 2006 CPE in June 2006.

The conclusions available from the Interim Evaluation reports are that, on the whole, Hungary has performed well in the implementation of Phare assistance, and this assistance has successfully supported the institution building related to the accession process.

Depending on the sector, the effectiveness was considered satisfactory and management efficiency to overcome delays adequate or unsatisfactory at least for seven sectors. There is a strong need for different training activities in various sectors. The absorption capacity of beneficiary for few sectors needs to be improved. Other problems were related to late start of slow covenant preparation, the management of co-financing funds, changing procurement rules and introduction of EDIS.

## **I.7. LATVIA**

### **7.1. Summary**

In its first year after accession, Latvia continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since May 2004 implementation is carried out under the entire responsibility of the Latvian authorities applying national procurement rules. The Ministry of Finance, Central Financing and Contracting Agency (CFCA) is now responsible for ex-ante control and twinning.

The National Aid Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Riga as of July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **7.2. Phare/pre-accession and Transition Facility assistance in 2005**

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 **€8,768,050** was allocated under the 2005 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 gave a favourable opinion to the Transition Facility 2005 National Programme for Latvia in July 2005. The programme was then approved by Commission Decision C(2005)2914 of 2 August 2005, which was notified to the national authorities on the same day.

The Transition Facility 2005 National Programme for Latvia provides for:

- **AGRICULTURE AND FOOD SAFETY €1.52 million**

To take account of new developments regarding the CAP as well as underlying statistics; and to further adjust control capacities in the field of products of animal origin for human consumption;

- **ENVIRONMENT AND PUBLIC HEALTH €1.81 million**

To further strengthen the monitoring capability to help enforcing EC water legislation; and to further develop the public health monitoring and reporting system;

- **JUSTICE AND HOME AFFAIRS €2.65 million**

To assist Latvia in its efforts to integrate the non-Latvian speaking population of different origin; to develop a concept for processing of biometric data;

- **INTERNAL MARKET AND STATISTICS €1.19 million**

Implementation of Eurocode in structural design practice; to strengthen the capacity of human resources in the Latvian Statistical Bureau;

- **OVERALL ADMINISTRATIVE CAPACITY €1.6 million**

Institution Building Facility for twinning light and technical assistance; and evaluation of EU funded programmes.

## **ii) Implementation**

- Phare 2002 – finalisation of contracting and payments

By the end of the disbursement period in beginning 2006, 87% of the 2002 programmes had been disbursed.

The financial data does take into account of extensions granted in 2004 of the contracting and disbursement periods of some projects until April 2005 and April 2006 respectively.

- Phare 2003 – rate of contracting

By the end of the contracting period in 2005, the contracting rates for the Phare programmes are 90%.

- Institution building highlights

During the year 2005, a total of around €98 million of pre-accession assistance from national allocation (not including horizontal and multi-country or nuclear programmes) has been deployed in Latvia from Phare programmes (2002-2003) and Transition Facility (2004-2005).

Phare assistance has been particularly successful in the fields of statistics, civil society and society integration. Good results have also been achieved in the area of public finance and health.

In 2005, Twinning continued to be the main implementing instrument in many areas of the *acquis* in Latvia and has helped the Latvian administration to further strengthen its capacities to implement and enforce EC legislation. On the whole Latvia has made good use of Phare and Transition Facility assistance. Institution building with the support of Phare and the Transition Facility and investment with Phare assistance progressed well.

### **7.3 Results and impact**

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

In 2005, two Joint Monitoring Committee (JMC) meetings took place in January and June 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establish an integrated monitoring and evaluation system over the programmes under implementation.

The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes. In particular, issues such as further improvement of project management, sectoral and financial monitoring and reporting were discussed and proposals for remedial actions were made.

In the year 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in April and second round between October and November. There are 13 sectors to be monitored in Latvia: Civil Society; Society Integration; Justice; Home affairs; CBC; Agriculture; Environment and nuclear safety; Energy and Market and Anti-trust surveillance; Public Finance; Statistics; Regional development; Social matters; Health sector.

#### **ii) Monitoring and Evaluation Reports in 2005 (lessons learned)**

Overall responsibility for monitoring and evaluation of the Phare programme in Latvia lies with the Ministry of Finance (MoF). The contract with the independent evaluator financed under the 2003 Phare programme was signed in February 2005.

In 2005, eight evaluation reports and one country summary evaluation report were prepared by the independent external evaluator. The reports covered all the monitoring sectors which had been regrouped with the agreement of the Commission into eight evaluation sectors. The evaluation reports were provided in two parts, in May and December 2005 respectively.

The conclusions available from the Evaluation Reports are that, on the whole, the national Phare programme 2002 has achieved its results and has helped to upgrade and consolidate the Latvian administration and institutions in areas such as justice and home affairs, internal market, statistics and public finance, agriculture and food safety.

Overall, Phare assistance has brought benefits to the beneficiaries in terms of investment and increased skills and knowledge under service/twinning contracts. It allowed developing new IT systems or upgrading existing ones, introducing market surveillance systems in the food and non food sectors, including the health sector and helped strengthening the capacity of the tax administration as well as the border control and management.

## **I.8. LITHUANIA**

### **8.1. Summary**

In its first year after accession, Lithuania continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since May 2004 implementation is carried out under the entire responsibility of the Lithuanian authorities applying national procurement rules. The Ministry of Finance, Central Programme Management Agency (CPMA) is now fully responsible for the daily implementation of the projects.

The National Aid Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Vilnius as of July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **8.2. Phare/pre-accession financial and Transition assistance in 2005**

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 **€9,280,000** was allocated under the 2005 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 gave a favourable opinion to the Transition Facility 2005 National Programme for Lithuania in July 2005. The programme was then approved by Commission Decision C(2005)2918 of 2 August 2005, 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 2005 National Programme for Lithuania provides for:

- **JUSTICE AND HOME AFFAIRS** **€2.1 million**  
Further enhancement of anti-corruption efforts, strengthening prosecution of fraud, and strengthening the capacities of the police in view of crimes related to counterfeit money and other payment instruments;
- **PUBLIC FINANCE** **€2.31 million**  
Protection of the Communities' financial interests and fight against fraud, and modernisation of the public sector accounting system;
- **AGRICULTURE** **€1.96 million**  
Administration of import/export, market information system, farm accountancy data network (FADN) and organic agriculture, administration and control of intervention measures in agriculture, strengthening animal health control and contingency planning capacities;
- **INTERNAL MARKET INCLUDING CUSTOMS UNION** **€1.41 million**  
Full integration of the Lithuanian national standards body into the European standards system, implementation of export control system and improvement of quality of customs services provided to traders;
- **OVERALL ADMINISTRATIVE CAPACITY** **€1.5 million**  
Unallocated institution building envelope for twinning light and technical assistance.

## **ii) Implementation**

- Phare 2002 – finalisation of contracting and payments

By the end of the contracting and disbursement periods in 2005/beginning 2006, 83% of the 2002 programmes had been disbursed.

The financial data does take into account of some extensions granted in 2004 of the contracting and disbursement periods until the end of January 2005/2006, and of the project "Development of the Pilot Western Cycling Circuit" until the end of March 2005/end of June/2006 respectively. The Lithuanian authorities asked for extensions of the disbursement periods regarding the projects "Support to business development" and "Promotion of adaptability, skills and social inclusion" until May 2006, and of the CBC programme until February 2006.

#### - Phare 2003 – rate of contracting

By the end of the contracting period in 2005, the contracting rate of the Phare 2003 programmes amounts to 90%

However, in 2005 the Lithuanian authorities requested an extension of the disbursement period of the project "Strengthening of control on infectious animal diseases in Lithuania" of the national Phare programme until November 2007.

#### - Institution building highlights

During the year 2005, a total of around €151 million of pre-accession assistance from national allocation (not including horizontal and multi-country, nuclear or Kaliningrad programmes) has been deployed in Lithuania from Phare programmes (2002-2003) and Transition Facility (2004-2005).

Implementation of Phare in Lithuania is considered successful in most areas such as justice and home affairs and internal market, where Phare funds and projects provided notable added value. However, it is likely that some results related to the sector "preparation for structural funds" will not be achieved or only be achieved with a delay.

In 2005, Twinning continued to be the main implementing instrument in many areas in Lithuania and has helped the Lithuanian administration to further strengthen its capacities to implement and enforce EC legislation. On the whole Lithuania has made good use of Phare and Transition Facility assistance. Institution building with the support of Phare and the Transition Facility and investment with Phare assistance progressed well.

### **8.3 Results and impact**

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

In 2005, two Joint Monitoring Committee (JMC) meetings took place in February and October 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establish an integrated monitoring and evaluation system over the programmes under implementation.

The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes. In particular, issues such as further improvement of project management, sectoral and financial monitoring and reporting were discussed and proposals for remedial actions were made.

For the year 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in August and December 2004 and second round between February and May 2005. There are ten sectors to be monitored in Lithuania: Environment; Justice and Home Affairs; Public Administration, Public Finance and Customs; Economic and Social Cohesion; Preparation for Structural Funds, Cross Border Co-operation; Nuclear Safety; Energy, Transport; Social Affairs; Internal market and Statistics; Agriculture and Fisheries.

## **ii) Monitoring and Evaluation Reports in 2005 (lessons learned)**

Overall responsibility for monitoring and evaluation of the Phare programme in Lithuania lies with the Ministry of Finance (MoF). Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and Evaluation, which was endorsed by the EC in March 2005. In 2005, eleven sectoral evaluation reports and two country summary evaluation reports were prepared by the independent external evaluator in January and September 2005. The relevant contract financed under the 2003 Phare programme was signed in October 2004.

According to the Country Summary Evaluation Report, parts I and II of the national Phare programme 2002 have on the whole achieved their results and have helped to upgrade and consolidate the Lithuanian administration and institutions in areas such as internal market and statistics, public administration and public finance, customs, CBC, justice and home affairs, agriculture and food safety.

The main findings of the Country Summary Evaluation Reports focused on the lack of coordination and lack of exchange of experience among various beneficiaries to manage Phare assistance, which had an impact on the efficiency of implementation. This concerns in particular the sectors of agriculture, environment and nuclear safety. The close involvement of senior officials seems often to be linked to the successful implementation of the project, as for instance the 2003 Kaliningrad transit project, where all results and project purposes have been achieved within a relatively short timeframe. The report also drew the attention on the importance of clear and comprehensive strategies which are crucial in sectors such as economic and social cohesion and the preparation of structural funds as well as the establishment of proper steering committees.

## **I.9. Malta**

### **9.1. Summary**

In its first year after accession, Malta continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since June 2004 implementation is carried out under the entire responsibility of Maltese authorities applying national procurement rules. The Department of Contracts within the Ministry of Finance is now fully responsible for the daily implementation of the projects.

The National Aid Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Valletta as of January 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **9.2. Pre-accession financial and Transition assistance in 2005**

#### **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 Estonian authorities and the European Commission on 22 July 2004.

A total of **€5,830,000** was allocated to Malta under the 2005 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 2005 National Programme for Malta in July 2005. The programme was then approved by the Commission through its Decision C(2005)2852 of 29 July 2005, 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 2005 National Programme for Malta provides for:

**SOCIAL AFFAIRS** **€0.55 million**

- Strengthening the Administrative Capacity of the National Labour Inspectorate
- Reinforcement of the Drugs National Focal Point in Malta

**JUSTICE AND HOME AFFAIRS** **€1.62 million**

- Integration of National Systems in accordance with the Schengen Acquis

**AGRICULTURE** **€1.8 million**

- Support to the IACS Unit for the implementation of the CAP reform

**ENVIRONMENT** **€0.67 million**

- Management of specific Waste Streams (Construction and Demolition and certain Non-inert waste)

**ADMINISTRATIVE CAPACITY** **€1.19 million**

- Institution building facility

**ii) Implementation**

- PAP 2002 – finalisation of payments

The disbursement deadline of 2002 Pre-Accession programme was 30 April 2005. At that date, 90% of the programme had been disbursed. The Maltese authorities requested no extensions for the 2002 programme.

- PAP 2003 – rate of contracting

At the end of the contracting period for the 2003 programme on 30 November 2005, 84% of the programme had been contracted.

- Institution Building highlights

During the year 2005, a total of around €38 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Malta from PAP (2002-2003) and Transition Facility (2004-2005).

According to the latest Country Summary Report, overall the performance of the PAP and Transition Facility in Malta is considered as 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.

### **9.3. Results and Impact**

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

In 2005, two Joint Monitoring Committee (JMC) meetings took place in February and December 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establish an integrated monitoring and evaluation system over the programmes under implementation.

The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes. In particular, issues such as further improvement of project management, sectoral and financial monitoring and reporting were discussed and proposals for remedial actions were made.

For the year 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in December 2004 and second round in October 2005. There are three monitoring sectors in Malta: Environment and Agriculture, Transport and Other sectors.

#### **ii) - Monitoring and Evaluation Reports in 2005**

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). Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and Evaluation, which was endorsed by EC in February 2005. The contract with the independent evaluator was signed on 30 September 2005. In 2005, one Interim Evaluation Report had been delivered.

Due to the small size of the Malta programmes, the analyses looked at the overall programme and not sector by sector.

The Country Summary Report concluded that the Pre-Accession (PAP) and Transition Facility (TF) programmes for Malta have achieved overall a "satisfactory" rating. However, while Relevance, Efficiency, Impact and Sustainability were considered as satisfactory, effectiveness was considered "barely satisfactory". A number of projects experienced delays due to certain management shortcomings, mostly at project leader level, notably concerning implementation process and capacity to monitor the progress of the project.

## **I.10. Poland**

### **10.1. Summary**

In its first year after accession, Poland continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since February 2005 implementation is carried out under the entire responsibility of Polish authorities applying national procurement rules. 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) are now fully responsible for the daily implementation of the projects.

The National Aid Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Warsaw as of July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **10.2. 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 Polish authorities and the European Commission on 5 November 2004.

A total of **€42,931,690** was allocated to Poland under the 2005 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 2005 National Programme for Poland on 7 July 2005. The programme was then adopted by the Commission through its Decision C(2005)2891 of 2 August 2005, 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 2005 National Programme for Poland provides for:

**ADMINISTRATIVE CAPACITY**

**€13.6 million**

- Raising social awareness and strengthening NGOs
- Multi-sector project for strengthening administrative capacity
- Improving the quality of operation of Tax Administration units
- Building knowledge in the area of budget revenue analysis
- Strengthening of occupational safety and health services
- Strengthening of State supervision and monitoring system of exposure to electromagnetic fields
- Enhanced implementation of EU law regarding asbestos and materials containing asbestos
- Flexible reserve of unallocated institution building activities

**INTERNAL MARKET**

**€13.2 million**

- Transparency of the National Health System drug reimbursement decisions
- Support to SMEs for the implementation of the New and Global Approach Directives
- Expanding the administrative capacity to implement EU rail market regulations
- Reinforcing the regulatory supervision of the energy sector
- Monitoring and stimulating the development of the telecommunication market
- Promoting consumer safety
- Strengthening the Polish Customs Service
- Building the analytical potential of the customs authorities

**ENVIRONMENT AND NUCLEAR SAFETY**

**€7.96 million**

- Evaluation of existing active substances and registration and surveillance of biocidal products
- Capacity building in the field of environment health
- Extension of the sanitary supervision system in the area of water quality.
- Enhanced monitoring of noise and ozone depleting substances
- Strengthening the environment administration through information technology system
- Nuclear safety and radiological protection

**AGRICULTURE, VETERINARY AND FOOD SAFETY**

**€4.7 million**

- Improving the control of food safety in the production of plant crops
- Strengthened food safety control of irradiated foodstuffs
- Strengthening of the veterinary administration, phase II

**JUSTICE AND HOME AFFAIRS AND FIGHT AGAINST FRAUD**

**€3.47 million**

- Enhancing anticorruption activities in Poland
- Strengthening of the protection of the EU financial interests

## ii) Implementation

### - Phare 2002 – finalisation of payments

At the end of the respective disbursement periods for the 2002 Phare programmes, 73% of the programme had been disbursed, while 54 projects of the 2002 Programmes have been extended and were ongoing.

### - Phare 2003 – rate of contracting

At the end of the contracting period for the 2003 programme on 30 November 2005, 87% of the programme had been contracted. No extensions of contracting period were possible for the projects from Phare 2003 programme.

### - Institution Building highlights

During the year 2005, a total of around €976 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Poland from Phare programmes (2002-2003) and Transition Facility (2004-2005).

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.

### **10.3. Results and Impact**

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

In 2005, two Joint Monitoring Committee (JMC) meetings took place in June and December 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establish an integrated monitoring and evaluation system over the programmes under implementation.

The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes. In particular, issues such as further improvement of project management, sectoral and financial monitoring and reporting were discussed and proposals for remedial actions were made.

In the year 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place. The first round of SMSC meetings took place in March-April and second round in October. 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) - Monitoring and Evaluation Reports in 2005**

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). Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and Evaluation, which was endorsed by EC in February 2005. By 31 December 2005 twelve reports have been delivered: 11 sectoral evaluations and one thematic evaluation. A new contract for carrying out the Interim Evaluation was signed on 21 December 2005.

In 2005, two Consolidated Monitoring Reports were issued - one for the JMC in June and another one for the JMC in December. The report provides a consolidated country review of the findings of the Interim Evaluation reports. The contract was signed in December 2004, so two consolidated reports covered the evaluations finalized in 2005. The Reports 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.

## **I.11. Romania**

### **11.1. The year in review**

#### **Political developments**

Since its swearing in on 28 December 2004, the new Government has made EU integration its top priority and has expressed, in many EU fora, its determination to comply with all the requirements of EU accession by 1 January 2007. There is broad consensus in Romania on EU accession which is considered as a national priority. Romania continues to be the country with the highest confidence in the EU, but the trend is that this confidence is decreasing every year: from 74% in end 2004, 68% in spring 2005 down to 64% in end 2005. Trust is higher in urban, well educated population and lower in rural population, with low education.

The main opposition party, the PSD, remains divided and its president, Mircea Geoana, is weakened by corruption accusations against some of the PSD members and in particular the former Prime Minister and PSD Chairman, Adrian Nastase. The PSD leadership has accused its political opponents of orchestrating attacks against the party. According to the PSD, the fight against corruption is over-politicized which undermines real anti-corruption efforts. It is worth noting that the PSD has first voted against the emergency ordinance on the National Anticorruption Department which was interpreted by many as an attempt to obstruct on-going investigations. It therefore appears that the PSD is currently not in a position to offer an alternative to the present government.

#### **Macroeconomic developments**

Romania continues to be a functioning market economy. Vigorous implementation of its structural reform programme should enable it to fully meet the economic criteria in the near term. Romania has broadly maintained macroeconomic stability and advanced structural reforms. Progress has continued. More appropriate fiscal, monetary and wage policies have been adopted. Tax compliance was enhanced. However, public expenditure reform must be advanced and tax revenues should be strengthened. Deepening of structural reforms notably requires the continued restructuring of the energy, mining and transport sectors and progress in implementing the privatisation programme. New arrears are still accumulating and the bankruptcy framework still suffers from shortcomings.

#### **Progress in meeting the *acquis communautaire* – Main findings of the May 2006 Monitoring Report**

The Report focused on the progress in those issues which were identified as requiring further improvement in the former report presented in October 2005. The report shows that since October 2005, Romania has continued to make progress in completing its preparations for accession.

Romania continues to fulfil the political criteria. Romania has taken significant steps in the reform of the judiciary. It has established solid structures for the fight against corruption. The quantity and quality of non-partisan investigations into allegations of high-level corruption have substantially increased. 14 cases from the opposition and the ruling coalition parties have been investigated by the National Anti-Corruption Directorate, concerning persons of Cabinet rank or

members of parliament. These investigations led to two criminal indictments so far. The same department has indicted 89 other persons, including judges, lawyers, police officers, a number of public officials with executive positions in national and regional administrations as well as directors in private enterprises. However, Romania needs to continue its efforts and demonstrate further results in the fight against corruption. It also needs to consolidate the implementation of the ongoing justice reform and further enhance the transparency, efficiency and impartiality of the judiciary. Fight against trafficking of human beings, the situation of the disabled, living conditions in psychiatric institutions and the social inclusion of the Roma minority need to be improved.

Romania continues to be a functioning market economy. Vigorous implementation of its structural reform programme should enable it to fully meet the economic criteria in the near term. Romania has broadly maintained macroeconomic stability and advanced structural reforms. However, public expenditure reform must be advanced and tax revenue should be strengthened.

Romania has overall reached a considerable level of alignment and further progress has been achieved. Romania should be able to meet the obligations of membership at the envisaged date of accession, provided that it steps up its efforts to that end in a number of areas, and that it focuses on strengthening its overall administrative capacity. Since October 2005 the number of areas which raise serious concern in the preparation of Romania for EU accession has significantly decreased from 14 to four areas:

- fully operational paying agencies accredited for handling direct payments to farmers and operators under the common agricultural policy and
- setting up proper integrated administration and control systems in agriculture – agricultural payments represent a significant part of the EU budget. Any member state must guarantee the proper spending of such funds. Any shortcoming in this respect may delay the disbursement of funds or give rise to correction or recovery of the EU taxpayers money;
- building-up of rendering collection and treatment facilities in line with the EU acquis on TSE and animal by-products – food safety is a main concern for all EU citizens, food products must fully respect all EU requirements;
- tax administration IT systems ready for inter-operability with those of the rest of the Union, to enable a correct collection of VAT throughout the EU internal market – the resource based on VAT is part of the revenue of the EU budget, therefore the proper collection of VAT is key for the financial interest of the Union;

Besides the areas that are raising serious concern, there are a number of other areas where increased efforts are necessary in Romania's preparation for EU membership. As a way of example, Romania still needs to take decisive action in the area of the traceability and control of genetically modified organisms (GMOs) and in the area of motor vehicle insurance.

This overall progress led the Commission to conclude that Romania should be prepared for membership by 1 January 2007, provided that it addressed the shortcomings mentioned above. The Commission, in its role as guardian of the Treaties, will continue to examine progress made. If needed, the Commission will propose corrective actions, such as safeguards, as from accession in order to ensure that all obligations of membership are fulfilled. The next progress report is expected on 26 September.

Since the publication of the May report, the Romanian authorities have established an Action Plan on the measures foreseen to address, by the time of the September report, the key shortcomings identified in the conclusions of the May report.

## **11.2. Phare/pre-accession financial assistance in 2005**

### **Programmes launched**

For 2005, Phare allocations for Romania amounted to a total of €430.9 million plus additional €24.6 million for floods

- National Programme (€396.9 million)
- Cross-border Co-operation Bulgaria (€8 million)
- Cross-border Co-operation Hungary (€5 million)
- Cross-border Co-operation Moldova (7 million)
- Cross-border Co-operation Serbia & Montenegro (€5 million)
- Cross-border Co-operation Ukraine (€9 million)

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

The overall aim of the National programme (€396.7 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.

An additional €24.6 million from the 2005 General Budget were allocated following the flood catastrophe in vast areas of Romania during spring and summer 2005 which necessitated additional Phare financial assistance. A programme designed to give support to rehabilitation of flood-damaged infrastructure and the preparation of flood prevention strategies was financed.

### **Overview of programmes implemented**

#### **Agriculture:**

As many as 15 twinning projects were launched for the agricultural sector in 2005. Some of those started in the same year while others were close to the starting date of the period of implementation. The projects covered almost all the sectors of the Common Agricultural Policy (direct payments, IACS, rural development, sanitary-veterinary, phytosanitary and common market organisations for meat, wine, fruits and vegetables and fishery).

2004 on-going projects for the Sapard programme implementation ended successfully. Sapard Agency and ANCA staff were trained in different aspects so as to increase Sapard-related absorption capacity. A new IT system for the Sapard Agency was developed. The IACS 2003 project continued to be implemented successfully. Supply projects were completed (IACS, etc), as were the works for the disposal of pesticides over two thirds of Romania. New laboratory facilities were provided and installed successfully in the phytosanitary field.

**Transport:**

Investment support continued with particular emphasis on traffic safety infrastructure, including the commissioning of a video surveillance system on the most congested road section in Romania, as well as advanced works on a traffic management and information system on the Danube and on the rehabilitation of a railway testing centre. Preparatory work advanced for a substantial road safety scheme aiming at the elimination of blackspots within and outside localities. A contract was signed for the construction of 26 roadside inspection platforms and installation of related control equipment. Support for institution building also continued, with the finalisation of a horizontal twinning project aimed at improving the efficiency of the transport ministry and its dependant bodies, as well as of technical assistance assignments in areas related to the development of inland-water transport and road user charging.

**Environment:**

The programmes developed during 2005 focused on institutional building, namely support for legislative and administrative aspects, and the delivery of equipment. The chemicals and industrial pollution sectors (LCP, SEVESO II and VOC) were thus provided with complete sets of procedures, manuals, guidelines for implementation, and the legislation is now approximated to EU relevant provisions. The municipalities of Cluj-Napoca, Iasi and Craiova were provided with state-of-the-art equipment for air quality monitoring and the national reference laboratory for air quality belonging to the National Environmental Protection Agency was also equipped. A database for a water management system was created and an IT system developed. Twinning projects started aiming at supporting institutional development at national and regional levels. Contracts were signed for a radioactivity monitoring system and for training specialists in the radioactivity domain.

**Public Finance:**

Phare projects in 2005 covered both institution building and investment activities. 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 the legal framework and reinforce the institutional capacity to collect taxes and duties. In addition, budgetary procedures and the management of public expenditure were improved. The twinning project on fiscal control took steps forward on the development of the fiscal control function and the strengthening of its role in diminishing tax evasion. Moreover, a technical assistance project addressed the issue of building an internal capacity within the Ministry to develop information and communication campaigns and ensure modern taxpayer assistance.

Another achievement in 2005 was related to the improvement of the legal framework in the field of Treasury and Public Debt management. Furthermore, the management system of the State's Treasury and Public Debt functions was enhanced and the implementation of a medium-term prognosis system providing information necessary for decision-making on the financing of the deficit started.

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 the area of public accounting focused 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.

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

The twinning project for the National Fund – the future Paying Authority/ Certifying body for Structural and Cohesion Funds - contributed to the development of the institutional structure for sound financial management, control and audit of post-accession funding.

The effectiveness and efficiency of the Romanian Financial Guard, which is responsible for the fight against economic crime, was slightly enhanced, through the adoption of suitable methods and tools, as well as the development of staff skills. The project aimed to improve the Financial Guard's ability, both at central and local level, to perform unexpected and operative controls in order to discover, combat and suppress tax evasion and smuggling.

In 2005, the assessment and enhancement of the management structure and administrative capacity of the CFCU started. Improvements could be noted 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 processed documents.

The administrative capacity of the School of Public Finance was also reinforced at central and territorial levels.

The development and implementation of the integrated solution for the IT system, in order to support the Ministry of Public Finance functions (IT Strategy and Action Plan – phase 2003) continued.

In terms of investment, the procurement was focused on hardware and software for the migration of the decentralised Oracle databases to the centralised database and for the transformation of the Oracle client-server applications into web-enabled applications. Moreover, workstations, printers, scanners, as well as bandwidth, were procured in order to support thousands of simultaneous accesses through Internet.

In the external audit area, the Romanian Court of Accounts was strengthened as an independent external audit institution. The quality of audit engagements was also enhanced. IT equipment and related software for the Court of Accounts was designed to improve and extend the IT infrastructure as technical support for the efficient implementation of its activity and for the sound management of its own financial and human resources.

### **Home Affairs:**

The general process of reform and modernization of law enforcement capabilities continued with the completion of three twinings having as main goals the demilitarization and decentralization of the policing system, the improvement of the training structure and preventing and combating corruption within the ranks of law enforcement agencies. Money laundering, organised crime and drugs trafficking and abuse were areas that continued to

benefit of PHARE assistance in 2005. In the area of organised crime, the assistance focused on 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, and strengthening the institutional and operational capacity of the Romanian Police and Antidrug National Agency in preventing and fighting against drugs trafficking and abuse, and the setting up a EUROPOL Unit in line with EU standards. The phenomenon of migration was addressed in a PHARE 2004 project meant for strengthening the institutional and operational capacity of migration and asylum management. PHARE assistance in the area of border management focused in 2005 on the extension of the communication system along the Northern and Eastern borders, the improvement of the readiness of the Romanian Border Police (RBP) for the implementation of the integrated system for surveillance and control of the Black Sea Coast, institutional support for training, institutional and procedural compatibility with similar EU agencies and the purchase of additional equipment to assist the RBP in guarding the Romanian borders effectively.

**Justice:**

EU PHARE assistance in the justice sector continued to provide essential support, both in terms of expertise and financial/logistical resources, for the judicial reform process. Important measures contained in the Action Plan for the Reform of the Judiciary, as adopted by the Romanian Government in March 2005, relied on the financial aid and the institutional building efforts of the PHARE projects that were under implementation in 2005. Twinning arrangements strengthened the capacity of institutions such as the Ministry of Justice, the National Anticorruption Directorate of the General Prosecutor's Office, the National Administration of Penitentiaries, the Superior Council of Magistracy, the National Institute of Magistracy and the National School of Clerks. These twinning projects facilitated more efficient administration of central judicial authorities, professional training and specialization for magistrates and administrative staff, demilitarization and a visible improvement of policies and practices in the penitentiary system, better organisation of courts, awareness to and improved standards of juvenile justice, and increased efficiency of anticorruption prosecutions. Significant PHARE assistance was also allocated to the endowment of various institutions whose activity and output depended on the supply of new communications and IT equipment, better working and/or studying facilities, or better conditions for people in detention.

**Public administration:**

Assistance for supporting the public administration reform continued to focus on institution building and on strengthening capacity of both the central and local administration. Reasonable progress was made on: the reform of the civil service, including support for the Young Professionals Scheme (a programme training fast-track civil servants), the decentralisation process (a legislative programme accompanied by a decentralisation of budgetary resources, both revenue raising and spending), reform of the central government functioning and last but not least strengthening the capacity of the Chamber of Deputies.

**Roma:**

65 community development projects were implemented in order to support social inclusion measures for Roma communities. 17 projects to promote access to health services, 34 projects for vocational training and income generation and 14 small infrastructure and housing projects were implemented in partnership by local authorities and Roma community

representatives. Consequently, improved medical facilities and the trained and newly employed health mediators contributed to increased access to better quality medical services. Income generation activities were developed in the field of brick making, flower arrangements, tailor workshops or green houses. These were accompanied by vocational training and contributed to creation of new job opportunities. Also 5 access roads were rehabilitated allowing better access of Roma villages and neighborhood to education, employment, health facilities. Water supply was ensured in three communities and one is benefiting now of electric power.

#### **Children:**

The Phare programme to reform the child protection sector continued with the implementation of the Children First grant-scheme (Phare 2001 and Phare 2002) creating family-type services leading to the closure of 35 large child care institutions in the country. In addition to this, the public awareness campaign and training programme "Children Rights Are Law" was implemented. As part of this project, 2800 staff working in professions related to children and 1800 social workers at the local level, benefited from training in the new legislation on child protection in adoption. A twinning project to assess the administrative capacity to implement the new legislation in child protection was implemented by the French Ministry of Social Affairs in cooperation with the National Authority for the Protection of Children Rights. In October 2005, another twinning light project started aiming to assess the foster care network in Romania.

#### **Social assistance:**

A number of 32 contracts were signed with the local authorities for the restructuring of large institutions for disabled people in the country. In addition, a public awareness campaign on the rights of disabled people was contracted before the end of the year.

#### **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 were prepared as an exercise for the management of the future Structural Funds. There is also a consistent component for institutional building for all the institutions involved at central and regional level in order to strengthen the administrative capacity for the management of future structural funds and to prepare the pipeline of projects.

#### **Phare management performance**

The volume of PHARE pre-accession assistance implemented in Romania in 2005 was similar to the one of 2004, but performance improved in percentage terms. Thus, by end-November 2005 Romania had **contracted 98.3% (€239 million)** of the **PHARE 2003 FM** allocation (€243 million - excluding those projects relating to floods, border management and nuclear safety that made up the remainder of the annual allocation up to €285.9 million and for which a contracting deadline extension was granted till early 2006). This amounted to a **considerable improvement on 2004 performance when only 89.6% of the 2002 FM allocation was contracted**. Also in 2005, Romania began the **implementation of the 2004 FM** allocation that is significantly higher on preceding yearly allocations (**€435.2 million**),

with a 5% contracting performance by the end of the year and thus similar to performance in 2004 (when 5.7% of the PHARE 2003 allocation had been contracted by end-December).

In terms of sound financial management, however, the same yearly risk was evident in 2005, when the bulk (more than 60%) of the contracting work was done in the two or three months before the expiry of the contracting deadline. As far as the quality of tender documents submitted for ex-ante control was concerned, the regular meetings of the Joint Quality Monitoring Group continued in 2005 with a view to analysing statistical rejection trends and identifying still systemic technical and/or procedural errors.

Against this background, a benchmarking scheme was initiated in 2005 for the first time linking tendering, contracting and quality control performance to the availability of PHARE allocations in to-be-signed Financing Agreements. As a result of this scheme, preliminary steps towards a better contracting and document quality performance were taken, particularly with respect to staff retention (Salary Act increasing wages for civil servants working on EU fund management started to be implemented in 2005). It was in this context that Romania submitted its EDIS application to the Commission in December 2005, one year before the target accession date.

### **National Development Plan – State of Play**

The NDP 2004-2006, designed as the base for EU support under Phare ESC is under implementation. The NDP for the period 2007-13 was finalised and adopted by the Government in December 2005. The drafting of the National Strategic Reference Framework and the operational programmes advanced well in 2005. Romania will implement Structural Funds through seven operational programmes: environment, transport, human resource development, increase of economic competitiveness, administrative capacity development, technical assistance and territorial cooperation.

### **Institution Building highlights**

The implementation of the twinning projects financed under Phare 2003 continued in 2005 (36 projects).

In May 2005 the common twinning manual for all twinning projects financed out of Community budget was published and its application started the following month. Consequently, most of the contracts financed under Phare 2004 were drafted and negotiated considering the new requirements. Thus, in the second quarter of the year, one third out of 47 projects started to be implemented. The contracting process took longer than expected in some cases. The main fields covered were agriculture, environment, finance and justice and home affairs. It is worth mentioning that only one fiche was transformed into Technical Assistance as no proposal had been received from Member States (MS).

The Unallocated envelope 2004 proved to be a useful instrument for ad-hoc specific needs, transposed in requests for 4 twinning light and 3 fully fledged twinning projects.

During the 2005 programming exercise, nine fully fledged twinning projects were defined and proposed for circulation.

Preparing and contracting twinning light projects usually took more than 6 months. Monitoring the implementation of these projects was rather difficult as the MS presence is not permanent and the follow up on the activities is not always ensured properly by either partner. Solutions for speeding up the contracting process and for closer monitoring are to be found. The EC Delegation considered developing a training package and having an inception training also with the Team Leader for Twinning light projects.

As regards the progress registered on the beneficiaries' side, the administrative capacity is still very uneven and subject to further improvements, with a main gap identified in the lack of communication inside and between ministries or public agencies.

### **11.3. Results and impact**

#### **State of play for JMC/SMSC development**

In 2005 the Joint Monitoring Committee (JMC) met twice – on 15 April and on 12 October – with a view to establishing and closely monitoring the benchmarking system, which should allow as of 2006 an appropriate implementation of increased Phare funding. The main purpose of the first JMC meeting was to agree on the benchmarking scheme and its two-fold approach: (i) to monitor the performance of the implementation of the 2003 and 2004 funds (in order to assess if requirements from volume and timing of further allocations in 2005 and 2006 are met) and (ii) to provide a quantitative tool to the JMC as a basis to come to conclusions on the management system and its necessary features for the years to come. At the JMC meeting in October, the Commission expressed concerns that performance in relation to the benchmarking exercise was mixed and proposed to release the funds covering the 2005 pre-accession assistance in two different Financing Agreements to be signed separately, one at the end of 2005 and another one at the beginning of 2006 (conditional upon a positive achievement of the benchmarking system). Other issues addressed at the two JMC meetings were closely related to the benchmarking system and referred to EDIS accreditation, the Single Action Plan, monitoring and evaluation and programming.

The Phare Coordination Meetings took place regularly and proved to be an appropriate follow-up mechanism for monitoring progress in the implementation of JMC recommendations.

The SMSC structure was changed so as to correspond to the priority sectors identified under the Multi Annual Programming (MAP). Consequently the 10 SMSCs were better clustered, more operational and focused on important issues that needed SMSC decision.

#### **Monitoring and Interim Evaluation Reports in 2005 - Lessons Learned**

The quality of the monitoring reports improved considerably in 2005 with the introduction of the sector monitoring reports into the SMSC reporting system. The monitoring structures at the NAC level were adequately staffed so as to ensure proper quality control for the monitoring reports and streamline the co-operation between implementation and co-ordination structures. Unfortunately the involvement of the Implementing Agencies in elaborating the sectoral monitoring reports continued to be as weak as in 2004.

Of the 14 Sector Interim Evaluation reports issued in 2005, 7 were rated “satisfactory” whereas 7 were evaluated as “barely satisfactory” by the external independent evaluator. As regards the in-depth evaluation, the evaluator produced 7 in-depth reports covering several sectors such as: justice, public administration, ESC, social, environment and internal market.

The main recommendations focused *inter alia* on the need for: the Romanian administration to develop its PCM training capacity; continuous dialogue between all parties to ensure speedy preparation of documents necessary for approval of implementation; the Romanian authorities to ensure that all legislation developed with Phare programme support is implemented so that necessary pre-conditions for accession can be met; the on-going Phare programming to place greater emphasis on providing assistance at regional and local levels for future potential applicants for Structural Funds.

The Country Summary Evaluation Report made the following key recommendations:

- The Romanian government should take continuing steps to ensure adequate levels of staff and resources in contracting authorities and other key Phare institutions. As part of the enhancement of internal training capacity, introductory and refresher training in core project skills should be provided for all those involved in project design and management.
- To expedite implementation, all key stakeholders should consider reducing the contracting period across all Phare programmes to one year for Twinning and TA contracts and to eighteen months for all grant and investment schemes not depending on preparatory TA.
- The relevant implementing authorities should organise regular informal information sharing meetings of PAA/RTAs and experts involved in Twinning and TA projects across their sector and any other sectors affected by horizontal issues.
- Institutions benefiting from Phare programmes that will also involve their local/regional entities should clearly explain from the very beginning, to all beneficiaries, the purpose of the programme, the objectives to be achieved, as well as the general context within which the support is granted.
- Romanian beneficiaries should place greater emphasis, in on-going Phare programming, on providing assistance at regional and local levels for future potential applicants for Structural Funds. Local beneficiaries should become more involved in project applications, preparation, and management.

Positive results in implementation – Success Stories

**SECTOR: PUBLIC ADMINISTRATION**  
**TYPE OF CONTRACT: GRANTS**

**'Public administration Reform – Local Government Modernisation Fund'**

The project provided financial support to the local authorities through the Local Government Development and Modernisation Fund as an instrument supporting the priorities for local government development in a multi-annual perspective. The overall objective was the achievement of a swift and smooth modernisation process so that the public administration adapts itself to the economic and social realities of the Romanian society, while further preparing the administrative structures for accession to the European Union. The technical assistance support for the implementation of this grant was provided by VNG International, as part of RO 2002/000-586.03.02 – component 3 – technical assistance. The total budget of the scheme was 6.4 Meuro (of which initial budget - 2.93 Meuro and reallocation to this scheme - 3.47 Meuro). Out of 1079 applications, a number of 374 projects were approved and financed.

The three priorities of the project were:

**Priority 1** The improvement of specialised personnel qualification from the local collectivities in the administration of public funds;

**Priority 2** The introduction of new instruments, procedures and mechanisms that lead to the improvement of the administration of public funds at local level;

**Priority 3** Development of partnerships at the local communities' level

Priorities 1 and 2 were the most effective in absorbing support, with 69% pursuing priority 1, 98% priority 2 and a more modest 33% pursuing Priority 3. From the total of the contracted grants, 88.56% of the funds were efficiently used and out of the implemented grants (discounting 6 beneficiaries that returned the money) 88.99% of the funds were efficiently used and all project objectives were achieved. Through these very well implemented projects, 7196 persons were trained (approximately 20 persons/project) and 4035 items of equipment were purchased (approximately 11 items/project).

The experience of this Grant scheme demonstrated that the sector has significant absorption potential and that the priorities selected were justified by the outturn. This outcome represents an encouraging sign for the future of Structural Funds and for the Operational Programme for Administrative Capacity Development.

**Regional distribution of submitted and awarded projects**

<b>Region</b>	<b>1. North East</b>	<b>2. South East</b>	<b>3.</b>					
<b>South Muntenia</b>		<b>4.</b>						
<b>South West Oltenia</b>		<b>5.</b>						
<b>West</b>		<b>6.</b>						
<b>North West</b>	<b>7. Centre</b>		<b>8 Bucuresti Ilfov</b>			<b>TOTAL</b>		

<b>Submitted projects</b>	<b>170</b>	<b>109</b>	<b>226</b>	<b>179</b>	<b>109</b>	<b>110</b>	<b>148</b>	<b>28</b>	<b>1079</b>
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<b>Awarded projects</b>	<b>68</b>	<b>45</b>	<b>55</b>	<b>66</b>	<b>31</b>	<b>44</b>	<b>62</b>	<b>3</b>	<b>374</b>
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Following the implementation of this grant scheme, a sizable investment has been made in the Local Administrative system in Romania; significant elements of skill improvement and a technology infrastructure for the delivery of services and for carrying out administrative functions have been developed. These could lead to considerable improvement in local administration when the skills and technology are properly used and engaged in the everyday processes of local administration.

<b>SECTOR: SOCIAL SERVICES</b>
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<b>TYPE OF CONTRACT: TECHNICAL ASSISTANCE</b>
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**'Social Services Institution Building'**

This was an extremely complex and challenging project which, through its four components, aimed at increasing the institutional capacity of the Romanian Ministry of Labour Social Solidarity and Family to develop a coherent social assistance system.

The main results were linked to the four major axes of a system development:

- building on the existing *institutional capacity* of the Ministry of Labour Social Solidarity and Family and of its subordinated authorities and de-concentrated county structures in order to eliminate responsibility and decision-making overlaps. More concrete results were related to assistance with drafting an important number of legislative acts (including the new framework law on social assistance) and several proposals/scenarios for institutional development
- *training* in partnership with four Universities and part of the staff of the Ministry of Labour Social Solidarity and Family structures. As a result 190 staff completed a 'reconversion programme- Bachelor in social work', whilst 100 staff got a 'master in social policy and public administration'. In addition, 1500 staff from county structures, participated in training programmes on basic skills in social assistance
- developing a *communication strategy* within the ministry's structures (both horizontally and vertically) and undertaking a national *public awareness and information campaign* on the rights of vulnerable groups, types of services provided, types of cash benefits, eligibility criteria etc

developing a *national strategy for the development of social services* in order to better target the financial, but also human, resources available and create the much needed 'safety net' for persons in vulnerable situations

<b>SECTOR: AGRICULTURE</b>
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<b>TYPE OF CONTRACT: TWINNING</b>
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**'Design of an integrated administration and control system – IACS in Romania'**

This twinning project was designed to bring all theoretical elements in relation to the elaboration of IACS in Romania. Although very few developments existed in the field when implementation started (July 2004), the project constantly managed to deliver the guaranteed results and went even beyond. As such, a crucial document "Master Plan for the Implementation of IACS in Romania" was elaborated and finalized at the specific request of the administration 6 months in advance and was consequently approved by the Ministry in August 2005. Important contributions were also brought to other elements, like the Master Plan for the Paying and Intervention Agency for Agriculture (GAECs, IT). Constant

consultations took place with the SAPARD Agency, once the government decided the operation of two paying agencies in Romania.

The project had a very positive impact on preparations for IACS application, especially in preparing the implementation of the Land Parcel Identification System. The implementation of the recommendations issued by the project will continue (and will consequently build upon the results achieved so far) through a new IACS twinning project, fully dedicated to putting into practice the Master Plan.

### **Tasks ahead**

Four major tasks are to be accomplished in the last lap before the target date for accession, as follows:

- Full closure of the PHARE 2005 and 2006 programming cycles with the signature of the corresponding Financing Agreements function of benchmarking performance in relation to tendering, contracting and document quality control indicators
- Completion of the programming exercise in relation to the Transition and Schengen Facilities
- Conferral of the EDIS accreditation before the date of accession, thus avoiding the triggering of the relevant 'suspensive' clause in Article 27 of the Accession Treaty. To this end, close monitoring of pending remedial actions and of rejection trends is crucial, so as to enable a comprehensive EDIS decision that couples satisfactory system arrangements with effective operation in practice. Also, attention must be given to preparations for EDIS at the Ministry of Labour, the only Implementing Agency in the PHARE system without an application sent to the Commission. Tentative estimates indicate September/October 2006 as a potentially realistic date for submitting an application
- Preparations for the closure of the Delegation. In this context, the role of the Delegation under EDIS must be thought up in view of a smooth transition from operations under DIS to operations under EDIS on the one hand, and from PHARE to Structural Funds on the other hand, with due care for transition to EU PPD-compliant national procurement rules applicable as of the date of accession.

## **I.12. Slovakia**

### **12.1. Summary**

In its first year after accession, Slovakia continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since October 2004 implementation is carried out under the entire responsibility of Slovak authorities applying national procurement rules. 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) are now fully responsible for the daily implementation of the projects.

The National Aid Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Bratislava as of July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **12.2. Phare/pre-accession financial and Transition assistance in 2005**

#### **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 **€10,000,000** was allocated to Slovakia under the 2005 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 2005 National Programme for Slovakia in June 2005. The programme was then approved by the Commission through its Decision C(2005) 2768 of 28 July 2005, 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** **€1.22 million**

- Reinforcement of the Agricultural Paying Agency's administrative capacity in the field of market organisation
- Strengthening of the administrative capacity of the Central Agricultural Control and Testing Institute in the field of organic farming
- Enhancement of the Agricultural Paying Agency and implementation of the Single Payment Scheme according to the reformed Common Agricultural Policy (CAP);
- Reinforcement of the national control system for forest reproductive material

**INTERNAL MARKET** **€1.1 million**

- Reinforcement of administrative capacity as regards measuring instruments
- Enforcement of Intellectual Property Rights
- Enhancement of co-ordination between the Slovak customs administration and Slovak market surveillance bodies in the field of consumer protection

**JUSTICE AND HOME AFFAIRS** **€2.44 million**

- Finalisation of the implementation of the Schengen Action Plan and setting up of the integrated model of border security
- Support to the finalisation of the setting up of the Judicial Academy
- Continued support to the fight against corruption
- Reinforcement of capacities to fight corruption among police officers

**HEALTH** **€1.4 million**

- Strengthening of the administrative capacity of the State Institute for Drug Control as regards medicinal products for human use
- Improvement of the safety, quality and availability of organs, tissues and cells for transplantation
- Strengthening national monitoring of drugs and drug abuse

**SOCIAL SERVICES** **€0.45 million**

- Creation of National Indicators in the field of poverty and social exclusion
- Improvement of working time organisation in the health sector

**ENVIRONMENT** **€1.6 million**

- Establishment of Environmental Quality Standards for water and strengthening of Regional and District Environmental Offices for implementation of water controls and monitoring

**ENERGY AND NUCLEAR SAFETY      €1.15 million**

- Preparations for the opening of the market in electricity and gas to households
- Development of an information and tracking system for radioactive waste and spent fuel

**ADMINISTRATIVE CAPACITY      €0.64 million**

- Unallocated IB Facility

**ii) Implementation**

- Phare 2002 – finalisation of payments

At the end of the respective disbursement periods for the 2002 Phare programmes, 88.49% of the programmes (not including participation in Community Programmes) had been disbursed.

This data does not take into account the extensions granted to certain elements of the Phare National Programme for Slovakia 2002. One project received an extension and was ongoing.

- Phare 2003 – rate of contracting

At the end of the contracting period for the 2003 programmes, 93.93% of the programmes had been contracted.

No extensions of contracting period were possible for the projects from Phare 2003 programme.

- Institution Building highlights

During the year 2005, a total of around €154.4 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 (2002-2003) and Transition Facility (2004-2005).

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

Some sectors remain problematic, such as Cross Border Co-operation and 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.

### **12.3. Results and Impact**

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

In 2005, two Joint Monitoring Committee (JMC) meetings took place in March and December 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which establishes an integrated monitoring and evaluation system over the programmes under implementation.

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 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place (in June and October/ November). There are three sectors and seven sub-sectors to be monitored in Slovakia: Justice and Home Affairs (sub-sector 1: Justice and Home Affairs), Economic and Social Cohesion (sub-sector 2: Regional Development, sub-sector 3: Cross-border Cooperation, sub-sector 4: Human Resources Development and Health Care) Internal Market Development (sub-sector 5: Internal Market, sub-sector 6: Agriculture, Cadastre and Statistics, sub-sector 7: Environment).

#### **ii) - Monitoring and Evaluation Reports in 2005**

Overall responsibility for monitoring and evaluation of the Phare programme in Slovakia lies with the Aid Co-ordination Unit, as the executive body of the NAC, at the Office of the Government. Activities in this area were carried out on the basis of the Action Plan on decentralisation of monitoring and Evaluation, which was endorsed by the EC in March 2005. The Interim Evaluation contract of the previous external evaluator having ended in June 2005, a new contract for carrying out the Interim Evaluation was signed on 28 October 2005.

In 2005 two Interim Evaluation reports were issued in April and one Country Interim Evaluation Summary Report for Slovakia was delivered in November.

The conclusions available from the Country Interim Evaluation Summary Report are that, to a large extent, Phare has been an effective instrument for influencing change and has, at the same time, provided the means to modernise infrastructure, equipment, practices and procedures in all sectors.

Efficiency was mostly considered adequate; however staff turnover remained a problem. Other problems were related to the late start of tendering processes, changing procurement rules and the EDIS block.

## **I.13. Slovenia**

### **13.1. Summary**

In its first year after accession, Slovenia continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the *aquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since September 2004 implementation is carried out under the entire responsibility of Slovenian authorities applying national procurement rules. 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 Coordinator continues to exercise 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. Due to the closure of the Phare Transition Team in the Representation in Ljubljana as of July 2005, residual functions related to the exercising of Commission responsibilities (monitoring, payments, closure, etc.) have been fully exercised by the Commission headquarters.

### **13.2. Phare/pre-accession financial and Transition assistance in 2005**

#### **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. A total of **€5,080,000** was allocated to Slovenia under the 2005 Transition Facility budget.

Although the most urgent need as regards *aquis* 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 2005 National Programme for Slovenia in July 2005. The programme was then approved by the Commission with Decision (C(05)2919 of 26 July 2005, 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 *aquis*.

The Transition Facility 2005 National programme for Slovenia provides for:

**AGRICULTURE**

**€1.79 million**

- Strengthening food safety in primary production
- Inspection of quality control of fruit and vegetables
- Strengthening the disease notification and control system in Slovenia
- Strengthening zoonoses, zoonotic agents and antimicrobial resistance monitoring in Republic of Slovenia
- New hygiene Regulations for food of animal origin
- Specific rules on the hygiene of feed and official feed control
- Actions of informing and promotion of agricultural products on the internal market and in third countries
- Increasing networking and upgrading administrative capacity in the management of food and feed safety

**STATISTICS AND FINANCIAL CONTROL**

**€1.29 million**

- Setting up the Information System for Integrated Statistical Processing for Business Statistics
- Strengthening the institutional capacity in the Court of Audit of the Republic of Slovenia in the areas of strategic importance 2005-2006

**INTERNAL MARKET**

**€0.70 million**

- Consumer protection
- Further reinforcement of the Post and Electronic Communications Agency of the Republic of Slovenia (PECA)

**SOCIAL SERVICE**

**€0.25 million**

- Strengthening the national institutional structure for the fight against discrimination

**JUSTICE AND HOME AFFAIRS**

**€0.15 million**

- Real estate Records management harmonisation

**NUCLEAR SAFETY**

**€0.4 million**

- Improvement of the management of institutional radioactive waste in Slovenia

**OTHER INSTITUTION BUILDING ACTIONS**

**€0.5 million**

- Unallocated Institution Building Envelope

## **ii) Implementation**

- Phare 2002 – finalisation of payments

At the end of the respective disbursement periods for the 2002 Phare programmes, 97% of the programme had been disbursed.

This data takes into account the extension granted to certain elements of the Phare National programme for Slovenia 2002 regarding 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.

- Phare 2003– rate of contracting

At the end of the contracting period for the 2003 programme on 30 November 2005, 99% of the programme had been contracted.

- Institution Building highlights

During the year 2005, a total of around €54 million of pre-accession assistance from national allocation (including horizontal and multi-country programmes) has been deployed in Slovenia from Phare programmes (2002-2003) and Transition Facility (2004-2005).

Implementation of Phare in Slovenia is overall satisfactory and there were no major problems or critical situations. However, the implementation of nearly half the evaluated projects was rated as inefficient or highly inefficient. In particular, 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.

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.

### **13.3. 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.

In 2005, two Joint Monitoring Committee (JMC) meetings took place in June and in November 2005, in line with the revised JMC Mandate introduced in the new Member States in May 2004, which established an integrated monitoring and evaluation system over the programmes under implementation.

The JMC meetings were fruitful and helped to address the problems concerning implementation of the ongoing programmes. In particular, issues such as further improvement of project management, sectoral and financial monitoring and reporting were discussed and proposals for remedial actions were made.

In the year 2005, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place. The first round of SMSC meetings took place in March-April and second round between September and October. There are six sectors to be monitored in Slovenia: Agriculture, Economic and Financial Issues, Economic and Social Cohesion, Internal Market, Justice and Home Affairs, Environment & Energy, Transport and CBC.

## **ii) - Monitoring and Evaluation Reports in 2005 (lessons learned)**

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

All Phare projects within the six monitoring sectors were subject to interim evaluation in 2005. The six IE reports covered Phare assistance of more than €89 million.

The independent evaluator prepared only one Interim Evaluation report in June 2005 as his contract ended before the December JMC. The government Office for European Affairs signed a contract with an external evaluator to perform interim evaluation in years 2006 and 2007. Therefore, the new contractor is expected to deliver a Country Phare Evaluation Review (CPE) for Slovenia by mid 2006.

The main findings of the Interim Evaluation reports are that in 2005 the programmes' implementation has been affected by changes in the government institutional set up with new and inexperienced staff involved in the implementation of projects but finally the implementation was accelerated. The implementation of Phare 2003 Economic and Social Cohesion ESC projects was seriously affected by the institutional changes following the parliamentary elections in Slovenia in October 2004. While the situation in the ESC sector improved, problems remained related implementation delays and staff shortages.

## **I.14. Turkey**

### **14.1 Political developments**

Political transition is ongoing in Turkey and the country continues to sufficiently fulfil the Copenhagen political criteria. Important legislative reforms have now entered into force and should lead to structural changes in the legal system, particularly in the judiciary. However, the pace of change has slowed in 2005 and implementation of the reforms remains uneven. Although human rights violations are diminishing, they continue to occur and there is an urgent need both to implement legislation already in force and, with respect to certain areas, to take further legislative initiatives. Significant further efforts are required as regards fundamental freedoms and human rights, particularly freedom of expression, women's rights, religious freedoms, trade union rights, cultural rights and the further strengthening of the fight against torture and ill-treatment. As regards democracy and the rule of law, important structural reforms have been put in place, particularly in the area of the functioning of the judiciary. The six pieces of legislation mentioned in the Commission's 2004 recommendation entered into force. However, implementation on the ground remains uneven. Reforms concerning civil-military relations have continued, but the armed forces still exert significant influence by issuing public statements on political developments and government policies.

Concerning the protection of human rights and minorities, despite some progress, the picture remains mixed. As regards the fight against torture and ill-treatment further provisions have entered into force, adding to the comprehensive legislative framework already in place, and the incidence of such practice is diminishing. Legislative progress has been achieved with regard to the exercise of fundamental freedoms, notably through the entry into force of a new Penal Code and a new Law on Associations, and in practice both individuals and civil society organisations enjoy greater freedom than in the past. Nevertheless, individuals continue to be prosecuted and convicted for the expression of non-violent opinion and certain associations continue to face constraints on their activities. There are still reports of the security forces using disproportionate force in the context of demonstrations. As regards freedom of religion, despite some ad hoc measures, religious minorities and communities still lack legal personality. There is an urgent need to address their problems through the adoption of a comprehensive legislative framework in line with European standards. Greater attention is being paid to women's rights, but violence against women remains a matter of serious concern.

Notwithstanding a greater tolerance for the use of languages other than Turkish, the exercise of cultural rights is still precarious. Turkey continues to adopt a restrictive approach to minorities and cultural rights.

Although there is a growing consensus on the need to address the economic, cultural and social development of the Southeast, little concrete progress has been made and the security situation has worsened since the resumption of PKK violence. Internally displaced persons continue to face a number of difficulties.

### **14.2 Macroeconomic developments and structural reforms**

As regards the economic criteria, Turkey can be regarded as a functioning market economy, as long as it firmly maintains its recent stabilisation and reform achievements. Turkey should also be able to cope with competitive pressure and market forces within the Union in the

medium term, provided that it firmly maintains its stabilisation policy and takes further decisive steps towards structural reforms.

Further significant gains on macroeconomic stabilisation have been achieved over the last year. Due to a rigorous and cautious policy mix, fiscal consolidation continued, debt dynamics improved and inflation further decreased, while economic growth has remained robust. Considerable progress has been made on improving public financial management and control, and as a result fiscal transparency has increased. A significant overhaul of the social security and health systems is ongoing. The successive improvements in the supervisory and regulatory framework of the banking sector and the advances in privatisation are progressively tightening economic agents' financial discipline and improving Turkey's business and investment climate. Foreign direct investment has picked up.

To build upon this progress, macroeconomic stabilisation, based on budgetary restraint, should be further pursued. The recent sharp increase in the current account deficit requires careful monitoring and a readiness to take prompt actions. Further structural reforms, in particular aimed at strengthening the rule of law, enhancing privatisation and enterprise restructuring, correcting labour market imbalances and reducing the informal economy should underpin and strengthen the stabilisation process. Resources should be more efficiently allocated, in particular by a reform of key factor markets. Commitments to restrict the total wage bill should be respected. The reform of public expenditures budgetary procedures should be continued and a full implementation of improved regulatory and legal frameworks should be ensured.

### **14.3 Progress in meeting the Acquis Communautaire**

As regards Turkey's ability to adopt and implement the EU acquis, there has been some, though uneven, progress since 2004. Progress has taken place in the area of free circulation of goods. Free movement of capital has slightly improved. Certain restrictions have been lifted, but foreigners are not allowed to acquire real estate and to engage in certain economic sectors. Some progress took place concerning company law, in particular as regards accounting standards and auditing. Overall alignment remains limited for this chapter.

Alignment concerning intellectual property rights is advanced, and has further improved. In the area of competition policy, provisions concerning undertakings (anti trust, and merger control) are satisfactorily aligned and implemented by the competition authority. On the other hand, on state aids, no progress can be reported as regards alignment or enforcement. Some progress has been made concerning financial services, and in particular insurance and supplementary pension sector. Progress in the banking sector needs to be consolidated. In the area of information society and media, some progress can be recorded concerning electronic communication and information technologies. Concerning agriculture and fisheries, progress was very limited. Alignment in the areas of food safety, veterinary and phytosanitary policy is also fairly limited. Alignment is higher in certain specific sub-sectors of general foodstuff policy, but still incomplete, and implementation appears difficult. The general framework for veterinary policy is not in place. Progress concerning transport is uneven among the various modes of transport. Some progress took place concerning road transport, but implementation remains incomplete. Substantial legislative and institutional reforms are needed in the rail sector. In maritime transport some progress can be reported on legislative alignment and strengthening of administrative capacity. With regard to air transport some progress can be noted although overall alignment remains limited. On energy, overall some progress has been

achieved, notably as regards security of supply and renewable energies. Progress in the area of taxation is limited, as concerns both indirect taxation, and direct taxation. Some progress has been recorded concerning statistics, and in particular as regards classifications, sector statistics. Some progress was made in the area of employment and social policy. However, while alignment is relatively advanced on health and safety at work, substantial efforts are still required in areas such as social dialogue, gender equality and antidiscrimination. The Turkish strategy concerning industrial policy is already largely in line with the basic principles of the EU. Progress is uneven on regional policy and coordination of structural instruments. Considerable efforts remain necessary to set up the institutional structures. In the areas covered by the judiciary and fundamental rights, Turkey has made progress in aligning with EU standards and practices concerning the judiciary and anti-corruption measures. On corruption, further action is necessary to improve the efficiency of the relevant bodies. Turkey continued to align its legislation with the *acquis* in the area of justice freedom and security. Overall, the Turkish legislation is partly in line with the *acquis*. Concerning environment, Turkey has made limited progress. The overall level of transposition of the *acquis* remains low, with the exception of waste management and noise, where transposition is advanced. Alignment in the area of consumers and health protection is advancing steadily. Provisions concerning customs union are aligned to a large extent, also to comply with bilateral EC-Turkey agreements. However, further alignment of the Turkish Customs Code with that of the EC is still needed. The commercial aspects of EU policy on external relations are largely followed by Turkey, as a commitment deriving from the EC-Turkey customs union. Turkey has a large degree of alignment with EU common foreign and security policy. Bilateral relations with neighbouring countries, including Greece, have further improved. The border with Armenia is still closed. Turkey and the EU have a different interpretation of the “Berlin Plus” agreements between EU and NATO which hampers EU-NATO strategic co-operation in crisis management.

## **14.2 PRE-ACCESSION IN 2005**

### **14.2.1 Programmes launched**

The 2004 Financing Agreement was signed on the 12 of January 2005.

The 2005 pre-accession financial assistance programme for Turkey was presented to the Phare Management Committee on October 14, 2005 and adopted by the Commission in November.

The Programme 2005 with a total budget of €277.7 million was endorsed by the Phare Committee on 14 October 2005 and approved by the Commission on 16 November 2005. This excludes the benefits to Turkey from horizontal and multi-country programmes.

The Programme closely reflects the priorities of the pre-accession process as defined in the Accession Partnership for Turkey, the Commission’s Regular Report and the National Programme for the Adoption of the *Acquis Communautaire*. Assistance is provided for projects in support of four objectives: Addressing the Copenhagen Political Criteria (1), Economic and Social Cohesion (2), Approximation to the *Acquis Communautaire* (3), Promotion of the EU-Turkey Civil Society Dialogue and Support for the European Integration Process (4).

To initiate first activities under the Civil Society Dialogue, the EC Delegation already launched one specific call for proposals in July 2005 ("Small Projects Programme") and

selected 19 projects, bringing together Turkish civil society with their European partners. Further calls for proposals under the Civil Society Dialogue are scheduled to be published in early 2006.

The signature of the Financing Memorandum on the pre-accession assistance 2005 is however subject to meeting the stated conditionality regarding the existence of adequate administrative structures for programme implementation, including a level of eighty staff at the CFCU. The Turkish government has declared its intention to reinforce the staffing of the CFCU, which at the end of 2005 was still below fifty.

The 2006 programming was initiated in 2005 and is proceeding in two rounds. Each round consists of four phases (orientation; identification; appraisal; approval). The first and second phases have been completed with the adoption of an orientation document in September 2005 and the screening of project identification fiches at the first programming mission led by DG Enlargement on 4-5 October 2005. As a result of the second programming mission on 8-9 December 2005, the appraisal of projects under the first programming round is close to completion, and on-going for the second programming round.

#### **14.2.2 Overview of programmes implemented**

The programming and implementation of financial assistance to Turkey in 2005 took place against the background of the EU's decision to open accession negotiations, and numerous activities connected with this, such as the adoption of the Commission's communication on the Civil Society Dialogue and the preparation of a revised Accession Partnership. These developments brought into sharper focus the need for Turkey to accelerate its preparations for membership and to make good use of EU assistance for this purpose.

Implementation of the 2002 National Programme was successfully concluded. And despite a slow start, the implementation of the 2003 Programme got also under way. The implementation of the 2004 National Programme, instead, is significantly delayed – as a consequence of the shortcomings of the DIS in Turkey. Under the National Programme 2004 (excluding Community Programmes), the procurement and implementation has progressed as follows: the tendered and/or contracted amount is 69%, while the amount still in tendering/evaluation phase is of 50%.

The overall impact of the Community assistance to Turkey remains, however, positive.

#### **14.2.3 Pre-Accession Management performance**

Some €1,108 million EU funds are under active management in Turkey. This includes a total of €553.4 million under the decentralised implementation system (including funds for participation in Community Programmes) and €532.7 million under centralised management devolved to the Delegation (deconcentrated management). The remainder is implemented by DG ELARG.

In 2005, a total of 500 contracts were signed amounting to €186.4 million, compared to 527 contracts for a total value of €135.9 million in 2004. This includes €100.1 million contracted by the Delegation under MEDA and other deconcentrated programmes (as compared to €50.6 million in 2004) and €86.3 million under DIS (as compared to €79.5 million in 2004).

The backlog in the contracting of de-concentrated programmes, built up over the period 1996-2001, has been largely eliminated in the course of 2005, as €95.1 million were contracted and contracts in the value of more than €80 million are at the stage of contract award or tender.

As of 31 December 2005, not taking into account the on-going procedures for award, the overall contracting rate was about 77.4% for the MEDA programmes, compared to 65.4% at the end of 2004.

A contracting rate of 79 % was achieved for the parts of the 2003 programme under DIS management which had a contracting deadline of November 2005. For the Regional Development Component of the National Programme of Pre-Accession Assistance to Turkey 2003 (NP 2003), the European Commission approved an extension of the contracting deadline by six months to May 2006. It is expected that the funds under this component will be fully contracted, thus lifting the overall contracting rate for the NP 2003 to around 85%.

The potential overall contracting rate of 85% cannot be considered as satisfactory for two reasons: (1) The contracting rate under the NP 2003 will be lower than the rate of 88% realized for the NP 2002, the first programme generation implemented under DIS. (2) The contracting rate for the NP 2003 was achieved at the expense of progress in the start of the implementation of the NP 2004 as all existing human resources at the CFCU concentrated on the contracting of the former. At the end of December 2005, the contracting rate under the NP 2004 stood at only 24.7%.

The Decentralised Implementation System in Turkey (DIS) suffered in the course of 2005 from a lack of human resources at its key institutions, in particular at the CFCU. Focused on the negotiation process, the Turkish government failed to take decisions in due time to reinforce the DIS in a way that would have allowed to fully manage the increased funds.

At the end of December 2005, the CFCU had a total of 45 staff, well short of the level of 80 staff needed to ensure an earlier start of contracting for the NPs 2004 and 2005. As of 2 November 2005, the NAO and the NAC committed themselves to a reinforcement of the staff of the CFCU to a level of 100, to be reached in the first few months of 2006. Furthermore, the Turkish government proposed a change in the Memorandum of Understanding on the establishment of the CFCU and a subsequent Government Decree aiming at relocating the CFCU to the Undersecretariat of the Treasury and ensuring competitive and attractive conditions for its staff. The proposals made by the Turkish government were welcomed by the Joint Monitoring Committee in its meeting on December 15 and are expected to ensure the sustainability of the CFCU as a key component of the DIS in the future. The Commission's agreement to a revised Memorandum of Understanding was communicated to the NAO and NAC by letter dated 23 December 2005.

The proposed change in the assignment of NAO and NAC to the Undersecretary of the Treasury and the EU Secretary General is expected to allow for a closer personal oversight of DIS through NAO and NAC, than what could have been realistically expected when these functions were assigned to the respective Ministers. The Turkish government has in particular acknowledged the need for the NAO to more effectively assume his responsibility in overseeing DIS implementation. As a recent development Turkish authorities appointed a new PAO and Director of CFCU on 19 December 2005.

#### **14.2.4 NDP's 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 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%.

Within this scope, financial framework of the pNDP has been determined as a total budget of €528 million. €371.5 million 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 has started preparing a new NDP for the period of 2007-2013. The Turkish State Planning Organisation is leading the preparation of this important NDP, which will be a key reference point in the framework of the preparations for the new Instrument for Pre-Accession. A project, aiming 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 was supported by the EC. It started in 2004 and was further developed in 2005. The first steps were 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.

#### **14.2.5. Institution Building**

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.

During 2005, a total of 22 twinning contracts were signed: 15 of which are part of the 2003 Turkey National Programme and the remaining 7 of the 2004 Programme.

The positive experience of the Turkish beneficiaries with a number of successful twinning projects, such as the ones in the veterinary, phytosanitary and maritime field, has led several beneficiaries to apply for other projects. In addition the Turkish beneficiaries get a better understanding of the need of such an instrument for the strengthening of the institution building capacity. This is accordingly reflected in the project fiche design.

A natural impact of the twinning has been to encourage the Turkish side to work jointly with their member state partner, instead of accepting a one side delivered service. The positive effect of such a process can be observed on the preparation for the selection meetings, which has greatly improved compared to previous years.

Among the success stories that may be mentioned are three Twinning projects, namely in the agriculture, environment and transport sectors, particularly relevant for the Institution Building activities:

##### **"Support to Turkey's alignment to the EU *acquis* in the veterinary sector"**

A number of important results have been achieved thank to this project: the veterinary services have received intensive trainings on epidemiology, diagnostic methods etc, which has enabled them to improve their technical capacity; eradication programs for Food and Mouth Disease, Sheep and goat pox, Brucellosis and Tuberculosis have been drafted as well as the position paper for the control of rabies; contingency plans for Avian Influenza and Food and Mouth Disease have been drafted and Implementation plans has been prepared; four veterinary institutes have been assisted for accreditation where one of them accredited within the lifetime of the project.

##### **"Capacity-Building in the field of environment"**

This twining project has been concluded with significant results especially concerning the adoption of the *acquis* in the environmental sector.

The main purpose of this programme was to accelerate the adoption of the EU environmental *acquis* in Turkey through the design, development and implementation of effective environmental policy measures. The infrastructure projects, institutional and procedural arrangements for financing heavy environmental investment have been developed and have now become operational. An investment project pipeline and finance strategy for the implementation of the EU environmental heavy cost directives has been developed as well. The programme also supported the development of Turkey's capacity for Implementing and enforcing environmental legislation through the Associated Countries Implementation and

Enforcement of Environmental Law network, including a new environmental management model for Turkey. Thank to this programme a Regional Environmental Centre (REC) was established in Turkey, the Birds and Habitats directives and the International Trade of Endangered Species (CITES) Convention was implemented, as well as the access to environmental information was facilitated.

### **"Support to enhancing the maritime transport safety"**

This project has achieved its main goal of improving maritime safety and preventing sea pollution in Turkey. As a result of this project the necessary primary and secondary legislation on maritime safety and sea pollution was adopted, improving the alignment of Turkish legislation with the EU Acquis Communautaire. The administrative structure and capacity have been upgraded, especially the functioning of the Maritime Safety Investigation Board and ship databases.

## **14.3 RESULTS AND IMPACTS**

### **14.3.1 State of play for JMC/SMSC Development**

Two JMC meetings were held in the course of 2005. The first JMC meeting was held on January 2005, covering activities in 2004 and the second meeting was held on December 15, covering activities in 2005.

Both meetings reviewed recommendations resulting from the Country Summary Report of the Interim Evaluation Team as well as the monitoring reports. The meetings focused furthermore on the general functioning of the DIS in Turkey as well as preparations for IPA. In order to strengthen management oversight, it was agreed that the JMC would be held biannually in 2006 (spring and autumn).

### **14.3.2 M&IE Reports: lessons learned**

Six interim evaluations (one for each sector) were carried out in 2005. The Interim evaluation covered 104 programmes/ projects with a total budget of €1 billion (€900 million from EU funds – €99 million Turkish co-financing). 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 (Sectoral Monitoring Sub-Committees) meetings, and an IE debriefing meeting were held. Heads of Section and the Task Managers of the EC Delegation in Turkey participated in all meetings and assisted in the assessment of recommendations.

The format of SMSC meetings was streamlined in order to focus the discussion on decision and action points. The JMC of December 2005 furthermore adopted a new format for monitoring reports with the same objective.

Regular trilateral meetings took place between the Delegation, the Interim Evaluation Team and EUSG to discuss process and quality improvements related to monitoring and interim evaluation.

For all programmes, both under DIS and devolved management, Task Managers participated regularly in the monthly monitoring meetings and carried out frequent site visits.

### **14.3.3 Sectors with positive results**

A good number of projects have been successfully implemented in 2005, mainly in the Agriculture, Business Development, Education, Environment, Justice and Home Affairs, Internal Market, Labour Market, Regional Development and Transport sectors.

A twinning project, related to the adoption to the *acquis communautaire* in the field of phytosanitary was successfully concluded in 2005 and another one is currently being implemented in the veterinary field. Another twinning project aiming at capacity building in the field of environment has been concluded with very positive results.

In the Justice and Home Affairs sector a project related to the improvement of statement taking methods and statement taking rooms of the Turkish National Police was completed at the very beginning of 2006 and all benchmarks were achieved.

The successful project in internal market sector is financed under MEDA programme and relates to supporting the quality infrastructure in Turkey. It is one of the important projects providing a direction to the alignment with the EU *acquis* in the field of free movement of goods.

Two projects in the social policy field were successfully completed. One aimed at upgrading occupational health and safety and the other one to the development of an active labour market strategy. Thank to the twinning project on safety of maritime transport the alignment of Turkish legislation has been achieved in this field. Two project related to the business development sector are being developed, one concerns the establishment of European-Turkish Business Development Centres and the other one a Small Enterprises Loan Programme.

In the education sector, the two highly budgeted projects aiming at Strengthening Vocational Education and Training and Supporting the Basic Education System have had a significant impact on the Turkish education and Vocational Education System and as all benchmarks are achieved until today. Finally the GAP Regional Development Programme, with an overall budget of 47 million Euros, is working to improve the socio-economic situation in the Southeast Anatolia region of Turkey and is composed of three components. The details of some of these programmes can be read on the following section.

### **14.3.4 SUCCESS STORIES**

#### *Social Policy*

Two success stories related to the social policy sector are worth mentioning:

#### **"Upgrading Occupational Health and Safety"**

This project had a significant impact on the transposition and implementation of the OHS related *acquis*. Intensive training has been delivered to beneficiary and to social partners on OHS issues. A strategic business plan was adopted by the beneficiary, which is currently under implementation. The National OHS Council has been established as a permanent

platform. OHS has become a more "visible" issue during the project implementation phase. The interest and commitment of social partners to OHS issues has increased. Positive and sustainable relations between the beneficiary and their counterparts in the EU, including the OSHA Agency in Bilbao have been established.

### **"Active Labour Market Strategy"**

Specifically, the programme is working with the Turkish Employment Agency (İŞKUR) in designing, developing and implementing effective employment policy measures in accordance with the European Employment Strategy. The capacity of the İŞKUR has been increased for activities such as raising awareness about human resource development, labour market research, and information gathering. Local communities have promoted programmes meeting local and regional needs aimed at those most affected by unemployment. Seven provincial labour market supply-and-demand studies were also completed.

Jobseekers are now better informed about employment, training and other opportunities, and their skills are being upgraded to help them compete more effectively on the job market. In addition, an increasing number of private sector employers and jobseekers have become aware of İŞKUR and its activities. The programme is also establishing and refurbishing 20 İŞKUR public employment offices around the country to become models in the provision of services.

#### **○ Business Development**

### **"Establishment of European-Turkish Business Development Centres"**

Three business development centres (BDCs) were set-up in Gaziantep, Kocaeli and İzmir under this programme. The centres provide advisory and training activities in general business management, as well as more specialised business topics, and provide assistance in the efforts of small- and medium-sized enterprises (SMEs) to internationalise, facilitating their entry into European and Mediterranean markets. The three EU-Turkish Business Centres are already operational and a cumulative total of nearly 11,000 companies and individuals are serviced and a total of 682 business advisory assignments have been undertaken. 3,300 SMEs have been provided with the necessary strategy and tools to promote and implement environmental sustainability in their own operations and in the services they provide. In addition, the Centres have implemented nearly 500 training programmes. Furthermore, a strategy and the tools necessary to facilitate the use of the Centres and their services by women have been developed. As a conclusion, 9,500 entrepreneurs have participated in various start-up programmes. The established web site for the project purpose received more than 4,100,000 hits from 33,000 visitors. The Centres have become fully integrated with the network of existing Business Centres in EU Member States.

## ○ **Regional Development**

### **"GAP Regional Development Programme"**

With an overall budget of 47 million Euros the GAP programme is working to improve the socio-economic situation in the Southeast Anatolia region of Turkey and is composed of three components. The details of the programme is as follows: The first, which began in May 2002 and will last five years, is designed to develop small- and medium-sized enterprises by upgrading the physical and organisational capacity of the GAP Entrepreneur Support Centres (GIDEMs), which provide business development services. The component is also assisting local partners and developing sector capacities so that sustainability can be maintained. Furthermore, the component foresees financing selected projects through competitive grant schemes. The budget for the first component is 7.59 million Euros. The second component is rural development and micro credit, aiming to develop training programmes and support services that will aid the agricultural sector. This component also supports investments to improve the income of farmers and to increase the competitiveness of agricultural products. Furthermore, it plans to improve infrastructure directly related with the development of agriculture. This part of the programme began in May 2004 and is planned to last four years with a budget of 24.2 million Euros. The third component will develop cultural heritage and intends to increase national and regional capacity in the implementation of the Cultural Heritage Development strategy in accordance with EU standards. This component will launch 37 projects that have been selected via a call for proposals. An Integrated Cultural Heritage Development Action Plan is also to be developed. The third component began in March 2003 and will last four years. The budget allocated for the third component is 15 million Euros

### **14.3.5 Tasks ahead**

#### ○ *Aligning the 2006 National Programme with the EC pre-accession strategy for Turkey*

Discussions between the European Commission and the Turkish authorities on 2006 programming started in June, 2005. Given the considerable amount of pre-accession funds for 2006, there will be 2 Financing Decisions: one will be presented to the Management Committee in March 2006 (mainly taking up the projects deferred from 2005 programme and recurring programme needs) and the other in October.

The preparation of the 2006 pre-accession financial assistance programme will take into account several developments in EU-Turkey relations, including the opening of accession negotiations, the assessment provided by the 2005 Progress Report, the adoption of the revised Accession Partnership, the Commission's Communication on the Civil Society Dialogue, and the planned introduction – as of 2007 -- of the Instrument for Pre-accession Assistance (IPA).

The priorities, reflecting the Commission's pre-accession strategy for Turkey set out in its recommendation of October 6, 2004, and unchanged with respect to the 2005 programme, 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 emphasising strategic planning, capacity building and project preparation;

- Implementation of the acquis, with projects being developed in 2006 in the sectors such as Customs Union, Internal Market Agriculture Environment, Energy, Transport, Social policy and Statistics;
- EU-Turkey Civil Society Dialogue, targeting, in this first year of implementation, youth, universities, professional organisations, municipalities, and NGOs.

In addition, a number of cross cutting themes will be addressed by the 2006 programme:

- Gender issues;
- The specific problems of South Eastern Turkey, the plight of Internally Displaced Persons and the challenges to economic and social cohesion posed by rapid urbanisation;
- Civil Society development.
- Strategic planning and project preparation, in order to ensure adequate absorption in future programmes when assistance budgets may have increased;

### **Developing the Civil Society Dialogue**

In June 2005, the Commission adopted a Communication on the **civil society dialogue** between the EU and Candidate Countries. This should help to promote dialogue between civil society, in a broad sense, in the EU and Turkey, in order to address issues and concerns relating to enlargement. The dialogue will have a special focus on Turkey, as the state of mutual knowledge is particularly weak with that country and misconceptions and concerns more widespread.

Bilateral exchange projects, aimed at improving mutual knowledge and ensuring collaboration and exchange of expertise, will be a common pattern of projects to be funded. Targets will include NGOs - including women's rights and equal opportunities organisations - professional organisations and business associations, youth, university, culture and the media. About EUR 70 million will be earmarked for civil society dialogue projects and Community programmes in 2006 for Turkey. The Commission also expects that the communication will encourage public and private institutions and civil society organisations both in the EU and in candidate countries to contribute to the dialogue and increase mutual links in the future. The activities to be financed under the 2006 programme will tend to have a pilot character: depending on the results, more ambitious actions may be considered under future programmes, on the basis of the experience gained.

A revised **Accession Partnership** was presented to the Council in November 2005 and once adopted it will now serve as the basis for programming in future years.

#### ○ ***Introduction of IPA***

As of 2007, Turkey will be beneficiary of the new pre-accession instrument (IPA). In July 2005, a meeting was held in Ankara, where the new financing instrument was presented to the Turkish authorities and there were a number of discussions regarding the necessary preparations to be undertaken. The discussion permitted a number of issues to be clarified. Principally the coordination and the expected budgetary allocations of the 5 IPA components, as well as the content and structure of the different programming documents and the frequency of their revision; the status of the NPAA in the programming hierarchy; integration of sectoral strategies in the hierarchy of programming documents; However, institutional set-up remains to be clarified and programme and project preparation to be accelerated.

○ ***Progress on DIS-EDIS***

Strengthening the sustainability of the DIS system is an important goal in 2006 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. The sustainability of the current DIS in Turkey remains thus a very important task ahead, given that it is the basis for a successful start under IPA.

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

**PART 2: ADDITIONAL INFORMATION ON IMPLEMENTATION AND  
PROGRAMME MANAGEMENT ISSUE**

## II.1 Technical and Financial assistance

### II.1.1 TWINNING

Twinning has been designed and developed by the Commission as the main instrument for Institution Building. It aims at helping Candidate Countries (funded 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 coordinating 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 1.100 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 €.

The 2005 programming exercise encompassed 80 Twinning projects across Candidate Countries and new Member States. The distribution of Twinning projects in Candidate Countries for 2005 is the following: Bulgaria: 14 / Romania: 9 and Turkey 6. In new Member States the following distribution applies : Cyprus: 0 / Czech Republic: 9 / Estonia: 5 / Hungary: 1 / Latvia: 7 / Lithuania: 7 / Malta: 2 / Poland: 14 / Slovakia: 4 / Slovenia: 2.

(In 2005 Twinning projects have also been launched and implemented in the Western Balkans including Croatia under the CARDS programme).

Overall the highest number of 2005 twinning projects IN PHARE and Transition Facility relate to Justice and Home affairs (20), Public Finance and Internal market (16) and Agriculture and fisheries (14).

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 2005, this instrument has been continuously used by the Candidate Countries and new Member States.

## **II.1.2 TAIEX:**

The Technical Assistance and Information Exchange instrument (TAIEX) provides centrally managed short-term technical assistance in the field of approximation, application and enforcement of EU legislation. TAIEX services include seminars, workshops, expert and study visits; training, Peer Review and Assessment type assistance, database and translation services. The beneficiaries of TAIEX assistance includes those sectors, both public and private, involved in transposing, implementing or enforcing EU legislation.

Beneficiaries remained the new Member States through the transition facility, the acceding countries, the candidate countries and the remaining Western Balkan countries including Kosovo (under UNSCR 1244), and the Turkish Cypriot community of the northern part of Cyprus.

TAIEX activities grew substantively in 2005 with the number of technical assistance actions rising 20% to 1,322 compared to 1,105 events in 2004. This growth was matched by the number of Member State experts at 5,225, also up 20%. The number of people who received some form of training through the TAIEX instrument rose over 45% with 41,802 officials from the beneficiary countries benefiting at least once from TAIEX assistance.

The ten new Member States and the acceding countries accounted for the lion share of activities. By sector, the most substantial growth in the number of events was registered in Freedom, Security & Justice (+98%), in Infrastructure (+73%) and Internal Market (+25%). As a format, expert and study visits also increased its service (+49%). With 222 events organised in 2005, the Regional Training Programme made up a significant part of overall activities.

Following developments in Cyprus and the Commission's proposals aiming to put an end to the isolation of the Turkish Cypriot community, TAIEX became the instrument responsible for all technical capacity building assistance. In 2005, 45 technical assistance events were organised in 2005 reaching 276 Turkish Cypriot community representatives with efforts focusing on establishing key co-ordination structures within the community aimed at preparing the future harmonisation with the EU acquis. Particular attention was also given to supporting the implementation of the 'Green Line' regulation.

Concerning assistance to the Western Balkans, an initial phase in 2004 of multi-country seminars in Brussels gave way to a more demand-driven approach reaching a wider audience in the region. Over the year, TAIEX trained some 5,000 officials through more than 200 events, more than half of which took place in the region itself. The greatest focus was on agricultural, transport and energy issues, and freedom, security and justice issues.

TAIEX co-ordinated the Peer Reviews for Romania and Bulgaria, where some 50 reviews were completed covering 12 different areas of EU legislation. These exercises were an integral part of the enhanced monitoring applied to Bulgaria and Romania, the final reports from which contributed to the 2005 Comprehensive Monitoring Reports published in the autumn of 2005.

Other accession related services in 2005 included the assumption of the logistical aspects supporting screening meetings for Croatia and Turkey, assistance to beneficiary countries to finalise translations of the acquis within the time frame leading up to accession, and the

provision of information on EU legislation by IT means and a variety of database tools, particularly for facilitating and monitoring progress in legislative approximation.

### II.1.3 SIGMA – Support for Improvement in Governance and Management

The SIGMA programme is a joint operation of the EU and OECD, principally financed by the EU. It was started in 1992, and has built up recognised reputation in its field of expertise, in particular public administration reform and the efficient management of public funds. Currently, the EC co-ordinates the implementation of the following contracts:

Contract	Timing	Value	Status/Notes
Transition Facility (TF)	Sep 04 – Dec 06	€5m	Ongoing
Phare (BuRT)	May 04 – Nov 06	€4m	Ongoing
Phare (Croatia)	Sep 05 – Nov 06	€0.6m	Ongoing
CARDS (Western Balkans)	Dec 05 – Dec 07	€4m	Ongoing

Preparation of a new contract with the OECD began in 2005 and will cover Bulgaria, Croatia, Romania and Turkey in the period December 2006 – December 2008 with the amount of €5 million.

Moreover, it is foreseen that SIGMA assistance for Bulgaria and Romania will be financed under the Transition Facility (€1 million).

In the course of 2005, 71 PDSs (Project Definition Sheets) were approved.

	2005
Transition Facility	36
Bulgaria/Romania/Turkey	21
Croatia	2
CARDS III	12
<b>SUM</b>	<b>71</b>

## **II.2 Information on multi-country and horizontal programmes**

### **PHARE NETWORKING PROGRAMME 2003**

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 Central and East European candidate countries (at that time: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) 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 four 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. The project was completed in 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 Member States and in other candidate countries. The projects under this component were all completed in 2005.

- Civil Society

This component addressed the reduction of drug demand and the participation of disabled persons in the social and economic life, i.e. two 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. This project ended already in 2004.

As to the reduction of demand for drugs, eight projects were supported through grants for a total value of around €1.7 million. The projects involved over 50 organisations with a strong track record in dealing with drug misuse and drug demand reduction, and targeted a wide audience. All projects were finalised by mid 2005.

- Dialogue and information dissemination

This €1.5 million component has enabled beneficiaries and aid co-ordinators to provide feedback about pre-accession assistance e.g. through the publication of two new issues of the Phare 'Highlights' brochure as well as newsletters reporting about drug demand reduction projects and the projects supporting disabled people and their organisations. Moreover, the component has also supported the conference networking between the beneficiaries of the Programme's Civil Society projects.

## **2004 NETWORKING PROGRAMME**

This follow-up to the Networking Programme, continued by focussing on the following components, but only for the two Acceding Countries Bulgaria and Romania:

- Civil Society

This component aims at assisting Civil Society Organisations providing assistance to and/or dealing with disadvantaged, discriminated and marginalised groups such as drug addicts, HIV patients, (ethnic) minorities and elderly. All in all 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.

Following a call for proposals launched in 2005, eight grant contracts were signed with CSOs. Furthermore, one technical assistance contract was awarded following a tender procedure to train Civil Society Organisations from Bulgaria and Romania.

- Internal Market

This component supports beneficiary administrations and bodies in Bulgaria and Romania relying on efficient communication and co-operation with partner organisations in the old Member States and in the new Member states.

Under a contract of €0.75 million (with 5% EFTA contribution) assistance is provided to improve the quality infrastructure (testing-certification-inspection, market surveillance), capable of operating to the same high standards as equivalent structures in the EU and EFTA.

- Protection of the financial interests of the Community

2005 saw the completion of the 2002 multi-country programme (value €15 million) to assist 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 in place effective protection mechanisms based on experience gained by the Member States and the Commission.

In 2005 a follow-up programme (value €1.5 million) for Bulgaria and Romania started. Main activities are internships in OLAF and Member States and training seminars in areas such VAT fraud, Customs fraud.

## **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. The projects covered a wide range of business sectors and activities, including chambers of commerce; small and medium sized craft enterprises; the furniture and wood industry; producers co-operatives, social enterprises and participative enterprises; the chemical industry; the food and drink industry; the iron and steel industry; the textile and clothing industry; animal production; and the information and communication technology industry.

The projects focused on topics such as reinforcing the democratic and independent operation of business representative organisations; developing the efficiency of these organisations as interest groups at national and international level; assisting businesses in the central European candidate countries understand the Internal Market and adapt themselves to the related Community acquis; and on providing know-how about corporate development.

Results and outcomes achieved suggest a general improvement in the level of knowledge and awareness on subjects related to EU accession as well as an understanding of the role and responsibility of business support organisations in the EU. Partnerships have also been established between business support organisations in the candidate countries and the EU.

In total grants worth €13.8 million were awarded to 10 projects addressing the needs of business representative organisations. These projects all ended in 2005.

## **ENVIRONMENTAL PROGRAMME**

The Phare 2003 Multi-Country Programme on Environment and Enlargement came to an end in the course of 2005. This programme, whose total budget was €5 million, included the following components:

- further improvement of the implementation and enforcement of environmental acquis, and the exchange of experience and information at national and regional level, through beneficiary country participation in the IMPEL network.
- Assistance to the capacity building in implementation of the environmental acquis at the local and regional level, with a particular focus on the IPPC and EIA directives;
- Development of 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 BULGARIA - ROMANIA**

In 2005 the €3 million 2004 multi-country programme on statistical co-operation programme started. The €5.75 million 2005 multi-country programme on statistical cooperation was set-up against the background of the "Strategy for statistical co-operation with the acceding and remaining candidate countries for the period 2003-2006".

The programme 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 acquis
- 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.

2005 saw the successful closing down of the 2003 multi-country programme on statistical co-operation amounting up to €8.9 million.

### **MULTI-BENEFICIARY STEEL RESTRUCTURING PROGRAMME**

The Commission is involved in the restructuring of the steel sector that is taking place simultaneously in a/o Bulgaria, Croatia, Romania and Turkey, in order to allow the smooth integration of this sector into the highly competitive steel European industry.

The overall objective of the programme is to support the restructuring of the steel sector of these beneficiary countries in order for these countries to be able to meet their obligations deriving from the Treaty of Accession, the accession negotiation commitments with the EU, as well as from the relevant association and trade agreements.

Following a call for tender a contract was awarded to carry out an independent assessment of National Steel Restructuring Programmes and Individual Business Plans for steel companies and for monitoring/auditing the proper implementation of these plans. This project will run up to 2007.

### **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 candidate countries on European integration, the Enlargement process and the impact of accession;
2. to contribute directly to closer European integration in the candidate countries;
3. to increase the visibility of the European Union in the candidate countries.

The programme includes in particular:

*A Traineeship scheme for officials of 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 candidate countries on traineeships within the European Commission for periods of up to 3 months. Between 1999 and 2005, more than 430 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 final beneficiaries are *non-profit* organisations including local or regional authorities, inter-governmental organisations, universities, research institutes, chambers of commerce, NGOs, regional development agencies and other non-profit institutions or associations of a social, economic or cultural character in the beneficiary countries.

The Facility is managed both locally by the Commission Delegations in the beneficiary countries and centrally by the Commission in Brussels. The budget for the programme increased from €4.4 million in 2001 to €6.0 million in 2002 and €7.3 million in 2003 but was reduced to €3.75 million in 2004 and €2.5 million in 2005, as most of the former beneficiary countries became new Member States. A total of 170 projects have been funded under the 2001, 2002, 2003 and 2004 budgets with the maximum grant amount limited to €50.000.

In 2005, under the umbrella of the 2004 Small Projects Programme, 18 grants were centrally awarded to support small scale activities related to the enlargement and accession process with the objective to create more visibility of the EU and facilitate integration between citizens of the current Members and Bulgaria, Romania and Turkey. The activities supported under this programme are complementary to the activities supported under the Enlargement Communication Strategy. All projects will have been completed in 2006.

A new Small Projects Programme was adopted in 2005. The only component that has been included is the Facility implemented by the Delegations in Bulgaria, Croatia and Romania.

## **TRANSITION FACILITY PROGRAMME STATISTICAL INTEGRATION**

In 2005 the 2004 transition facility programme statistical integration started. The total value of this programme is €6.7 million. Also, the €3.5 million 2005 allocation was set-up against the background of the "Strategy for statistical co-operation with the acceding and remaining candidate countries for the period 2003-2006".

The principal activities consist of the implementation of common sectoral pilot projects in several key areas. The entire emphasis for the beneficiary countries is on the compliance with new acquis requirements and on improving considerably the quality of statistical data. In particular the programme addresses the following items:

- Implementation of common sectoral projects corresponding to data production for new and/or evolving acquis communautaire;
- Improving the data quality through a set of appropriate specific small - scale projects.

Project work encompasses activities such as workshops and meetings for transfer of methodology, specific statistical advice, pilot/test data collection, assessments, drafting of inventories and reports, training, traineeships and dissemination of statistical data. Common projects address common weaknesses mainly relating to new and changing acquis requirements and be implemented by a majority of countries whereas the specific small-scale projects will address particular weaknesses in a given statistical area in only a few countries. After the implementation of these projects the beneficiary countries will have an improved capacity to implement new acquis requirements in selected key areas and confidence in the statistical output of the NSOs will have increased.

### **TRANSITION FACILITY PROGRAMME: "STRENGTHENING OF THE ANTI-FRAUD TRAFFIC CONTROL SYSTEMS AT THE EU EXTERNAL BORDER"**

Beneficiary countries of this programme are Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia.

The main purpose of this programme is the procurement of specialised equipment capable of monitoring suspicious traffic entering and departing the EU in the project beneficiary countries.

The total value of this facility is €9.375 million. In total 62 border crossings will be equipped.

## **II.2.1 Participation in Community Programmes, Agencies and Committees**

### **Participation of Romania and Bulgaria in certain Community Agencies**

The objective of this programme is to prepare Bulgaria and Romania for participation in the following Community Agencies:

- European Centre for the Development of Vocational Training, CEDEFOP
- European Monitoring Centre on Racism and Xenophobia
- European Agency for Safety and Health at Work
- European Foundation for the Improvement of Living and Working Conditions
- European Monitoring Centre for Drugs and Drug Addiction
- European Agency for the Evaluation of Medicinal Products
- European Food Safety Authority
- European Maritime Safety Agency

Contribution agreements with these agencies have been signed to implement specific preparatory actions which will be completed by December 2006.

### **Participation of Croatia and Turkey in certain Community Agencies**

This programme, being the sister programme of the one for Romania and Bulgaria, aims to prepare Croatia and Turkey for a future participation in activities carried out by the following agencies:

- CEDEFOP, European Centre for the Development of Vocational Training
- Community Plant Variety Office
- European Agency for Safety and Health at Work
- European Medicines Agency
- European Food Safety Authority
- European Foundation for the Improvement of Living and Working Conditions
- European Maritime Safety Agency
- European Monitoring Centre for Drugs and Drug Addiction
- European Monitoring Centre on Racism and Xenophobia
- Translation Centre for the Bodies of the EU

In the course of 2006 contribution agreements with these agencies are expected to be signed for projects with duration of up to end 2007.

## **II.2.2 Information on Multicountry Programmes in co-operation with IFIs**

### **SME FINANCE FACILITY**

The SME Finance Facility's objective is to persuade financial intermediaries, i.e. banks, leasing companies or investment in the beneficiary 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. In 2003, the LGLW window comprised a Rural Sub-Window for a total amount of €15 million, from which €12.5 million have been earmarked into approved projects.

Until 2003, there were ten eligible countries: the Czech Republic, Slovakia, Poland, the 3 Baltic States, Slovenia, Hungary, Romania and Bulgaria. Since 2005, the eligible countries are restricted to Romania, Bulgaria, Croatia and Turkey.

For the 1999-2002 budget years, the programmes were fully implemented. The 2003 budget will be fully committed by end-November 2006 and the implementation of the 2005 budget only starts.

A new SME programme amounting to €53 million is launched in 2006 and covers for the last time Romania and Bulgaria. This programme includes a Rural Sub-Window to be committed for a maximum amount of €11 million.

BUDGET	LGLW						EW		TOTAL
	EU/EBRD		EU/CEB/KfW		EU/EIB		EU/EBRD		
	Phare	EBRD	Phare	CEB/KfW	Phare	EIB	Phare	EBRD	
<b>1999</b>	33.75	177	0	0	0	0	16.25	16.25	243.25
<b>2000</b>	30	150	21	113	0	0	0	0	314
<b>2001</b>	30	150	30	150	30	300	0	0	690
<b>2002</b>	20	223	15	75	15	150	0	0	498
<b>2003</b>	25	200	15	75	10	100	0	0	425
<b>2005</b>	18	90	9	45	5	25	0	0	192
<b>TOTAL</b>	<b>156.75</b>	990	<b>90</b>	458	<b>60</b>	575	<b>16.25</b>	16.25	2,362.25

### 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.

The overall pace of developing and signing new projects has been slower than anticipated for many reasons: high administrative costs, delays in regulatory reforms in some countries, frequent changes in commercial bank strategy, inexperience of the municipalities to prepare credit file.

A new MFF programme amounting to €14 million is launched in 2006 with only two sponsors, and covers for the last time Romania and Bulgaria.

	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
2005	3	15	5	25	13	65
<b>TOTAL</b>	<b>33</b>	165	<b>24</b>	120	<b>43</b>	215

### **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 Regions<sup>1</sup>: Estonia; Zachodniopomorskie, Lubuskie, Dolnoslaskie (Poland); Severovychod, Severozapad, Jihozapad, Jihovychod (Czech Republic); Zapadne Slovensko, Bratislavsky (Slovak Republic); Nyugat Dunantul (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.

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<sup>1</sup> COM (2001) 437

As per end of 2005 the financial status of the Programme was the following (amounts in € million):

	<b>EU/EIB</b>	
<b>BUDGET</b>	<b>Phare</b>	<b>EIB</b>
<b>2002</b>	35	175
<b>2003</b>	15	75
<b>TOTAL</b>	<b>50</b>	250

The 2002 budget was oversized and only €25 million out of €35 million were committed into projects together with an amount of €125 million of EIB loans.

## **II.3 Programme Management Issues - Monitoring and Evaluation**

### **II.3.1 Monitoring and Interim Evaluation**

The sectoral interim evaluations of Phare programmes as well as of pre-accession financial instruments for Malta, Cyprus and Turkey are essentially management tools which provide programme managers with a regular performance assessment of the activities in all sectors. Recommendations are systematically put forward in the reports for improving management and delivery of evaluated programmes/projects and discussed at debriefing and Joint Monitoring Committee meetings for follow-up actions. The monitoring and interim evaluation system in the new Member States also provides for the feedback of monitoring and evaluation results to decision-making through the Implementation Status Reports that are discussed for corrective actions at the JMC meetings. Moreover, thematic, country and consolidated interim evaluations provide recommendations on the design of future programmes.

In Bulgaria and Romania, the system of JMC/SMSC has been well established since 2001. In Croatia, the system of JMC/SMSC was pilot-tested in 2005 and the meetings covered decentralised CARDS projects. It is planned to set up a structure of one JMC meeting per year and six SMSC meetings twice a year in 2006, covering Phare programmes as well as decentralised CARDS projects.

The interim evaluation schemes generated 34 individual country, sectoral, ad-hoc or thematic evaluation reports covering Phare and pre-accession assistance. An overview of these reports reveals the following main evaluation findings.

The outputs of the centralised IE function for Bulgaria, Romania and Turkey in 2005 included country summary reports and sectoral IE reports covering all the monitoring sectors.

The key messages derived from the country summary evaluations of Bulgaria and Romania were:

- Objectives are too ambitious/vague/unclear, and require subsequent reformulation to become operational;
- There is insufficient capacity for, and preparation of, multi-annual programming/project fiche design;
- Effectiveness of multi-annual programming is reduced as a result of cumulative implementation delays;
- Sustainability is at risk due to limited institutional absorption capacity as well as lack of progress with public administration reform;
- Phare has had limited effect to date in preparing beneficiaries to the Structural Funds;
- On the whole, effectiveness of Twinnings is satisfactory;
- Achievements in the sector of Justice and Home Affairs and Internal Market are satisfactory.

The key messages derived from the country summary evaluation of Turkey was:

- While overall assistance is relevant, objectives remain in many cases poorly defined, and the need for specific interventions is not well justified.
- Efficiency continues to be undermined by understaffing and by poor coordination within beneficiary institutions
- The assessment of effectiveness remains highly problematic as few beneficiaries provide data to enable such an assessment. The evidence suggests that projects are more likely to be effective where objectives are clearly defined and realistic, the beneficiary assigns sufficient staff exclusively for the purpose of managing projects, beneficiary staff are available to participate fully in project activities, and where the necessary legal basis exists to enable prompt utilisation of project outputs.
- The impact of several large grant schemes is likely to be limited, but some small and well focused projects can be expected to have considerable impact.
- Sustainability is generally considered to be doubtful, as it is often overlooked during project design and is addressed too late during implementation
- Examples of good practice, lessons learnt, and success stories have not been effectively disseminated, especially between monitoring sectors.

### **II.3.2 Ex-post evaluation**

In 2005, the external ex post evaluation exercise of Phare programmes, comprised of national, cross-border and multi-beneficiary programmes, started. The exercise is scheduled to be completed by the end of 2006.

### **II.3.3 Other activities of the monitoring and evaluation function**

The monitoring and interim evaluation system involves successive decentralisation of the responsibilities for monitoring and interim evaluation to the Candidate Countries. In conjunction with DIS accreditation, the responsibility for monitoring is decentralised to the Candidate Country (but the Commission remains ultimately responsible for monitoring), whereas the interim evaluation (IE) function remains centralised until the Candidate Country has developed satisfactory monitoring and evaluation capacities.

Whilst the responsibility for monitoring was decentralised to Bulgaria and Romania in 2001, the IE function remains centralised. However, as a preparation for decentralising the IE function, both countries have started to prepare their Action Plans on decentralised monitoring and interim evaluation. Specific budget allocations have been earmarked to provide for their decentralised IE functions and related evaluation contracts expected to start by the end of 2006. In Croatia, monitoring responsibilities is planned to be decentralised in early 2006. The centralised IE function should be established in the second half of 2006, and will build on the present IE function for Bulgaria and Romania.

## **PART III: FINANCIAL DATA**

### III.1 PHARE FUNDS BY YEAR 1990 – 2005

#### Financial Overview and Performance

In 2005, the Phare pre-accession assistance and the Transition Facility programme committed a total of €1.353,9 million. The following chart shows the breakdown year by year of the funds committed in the period 1990-2005 (€ million):

<b>Year</b>	<b>Funds Committed</b>
1990	475.3
1991	769.7
1992	979.6
1993	966.1
1994	946.1
1995	1114.0
1996	1207.8
1997	1135.1
1998	1153.9
1999	1481.7
2000	1651.5
2001	1635.4
2002	1695.1
2003	1698.1
2004	1240.5
2005	1353.9

### III.2 Phare funds by country 1990 – 2005

Total Phare commitments, contracts and payments, 1990-2005, in million EUR

<b>Partner Country</b>	<b>Commitments (1)</b>	<b>Contracts (2)</b>	<b>Payments (3)</b>
Bulgaria	2069.35	1501.10	1244.42
Croatia	77.50	NA	NA
Cyprus	76.10	55.13	36.48
Czech Republic	910.04	829.64	749.35
Czechoslovakia	230.49	231.82	228.88
East Germany	34.49	28.86	28.86
Estonia	343.04	304.24	277.99
Hungary	1473.36	1385.73	1265.84
Latvia	419.61	364.89	331.12
Lithuania	806.27	797.38	692.87
Malta	53.81	35.98	24.94
Multi-country programmes	3127.02	2398.94	1971.32
Poland	3973.89	3639.11	3211.08
Romania	3178.90	2179,03	1847.89
Slovakia	712.39	643.30	560.34
Slovenia	356.73	318.53	292.71
Turkey	1411.95	693.46	295.65
<b>TOTAL</b>	<b>19254.83</b>	<b>15407.14</b>	<b>13059.74</b>

(1) COMMITTED BY THE EUROPEAN COMMISSION (EC)

(2) EC HEADQUARTERS AND LOCAL AUTHORITIES (AS REPORTED)