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

2006 REPORT ON PHARE, PRE-ACCESSION AND TRANSITION INSTRUMENTS

COUNTRY SECTIONS & ADDITIONAL INFORMATION

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LIST OF ACRONYMS

| | |
|---------|---|
| AC | Acceding Country |
| BSP | Business Support Programme |
| BVIPs | Border Veterinary Inspection Posts |
| CAFIA | Czech Agriculture and Food Inspection Authority |
| CAP | Common Agricultural Policy |
| CARDS | Community Assistance for Reconstruction Development and Stabilisation |
| CBC | Cross Border Cooperation |
| CC | Candidate Country |
| CCTIA | Central Controlling and Testing Institute in agriculture |
| CEB | Council of Europe Development Bank |
| CEDEFOP | European centre for the development of vocational training |
| CFCA | Central Financing and Contracting Agency |
| CFCD | Central Financing and Contracting Department |
| CFCU | Central Finance and Contracts Unit |
| CFP | Common Forestry Policy |
| CI | CzechInvest |
| CISTA | Central Institute for Supervising and Testing in Agriculture |
| CMO | Common Market Organisations |
| CNSAS | Romanian national council studying the Securitate archives |
| CPER | Country Phare Evaluation Review |
| CPMA | Central Programme Management Agency |
| CRD | Centre for regional Development |
| CSER | Country Summary Evaluation Report |
| CSM | Superior Council of the Magistracy |
| CSO | Civil Society Organisation |
| CSSA | Czech Social Security Administration |
| CZSO | Czech Statistical Office |
| DA | Justice and Truth Party (RO) = PNL + PD |
| DG | Directorate General |
| DIS | Decentralised Implementation System |
| DNA | National Anti-corruption Directorate |
| DoC | Department of Contracts |
| EAG | Evaluation Advisory Group |
| EAGGF | European Agricultural Guidance and Guarantee Fund |
| EBRD | European bank for reconstruction and development |
| EC | European Communities |
| ECD | Early Childhood Development (programme) |
| ECHR | European Convention of Human Rights |
| ECR | European Commission Representation |
| EDIS | Extended Decentralised Implementation System |
| OECD | Organisation for economic and Cooperation development |
| EFTA | European Free Trade Association |
| EIB | European Investment Bank |
| ENP | European Neighbourhood |
| ENPI | European Neighbourhood and Partnerships Instrument |
| ESC | Economic and Social Cohesion |
| ESF | European Social Fund |

| | |
|---------|---|
| ESS | European Statistical System |
| EU | European Union |
| EUROPOL | European Police Office |
| EUSG | European Union Secretariat General |
| EW | Equity Window |
| FA | Financing Agreement |
| FDI | Foreign Direct Investment |
| FEMIP | Facility for the Euro-Mediterranean Investment Partnership |
| FIFG | Financial Instrument for Fisheries Guidance |
| FM | Financing Memorandum |
| FYROM | Former Yugoslavian Republic of Macedonia |
| GDP | Gross Domestic Product |
| GMO | Genetic modified Organism |
| HRD | Human Resources Development |
| HIV | Human immunodeficiency virus |
| IA | Implementing Agency |
| IA-CBC | Implementing Authority for Phare Cross-Border Cooperation programme |
| IACS | Integrated Administration and Control System |
| IB | Institution Building |
| ICTY | International Criminal Tribunal for the former Yugoslavia |
| IE | Interim Evaluation |
| IEPP | Institute for Effective Public Policy |
| IFIs | International Financial Institutions |
| IPA | Instrument for Pre-Accession |
| IPARD | Instrument for Pre-accession for Rural Development |
| IPPC | Integrated Pollution Prevention and Control |
| ISPA | Structural Instrument for pre-adhesion |
| ISO | International Standardisation Organisation |
| IT | Information and Telecommunication |
| JHA | Justice and Home Affairs |
| JMC | Joint Monitoring Committee |
| JPD | Joint Programming Document |
| KfW | Kreditanstalt für Wiederaufbau |
| KIDSF | Kozloduy international decommissioning fund |
| LCP | Large Combustion Plants |
| LGLW | Loan, Guarantee and Leasing Window |
| MAF | Ministry of Agriculture and Forestry |
| MAP | Multi Annual Programming |
| MARA | Ministry of Agricultural and Rural Affairs |
| MEDA | Euro-Mediterranean Partnership |
| MIPD | Multi-Indicative Planning Document |
| MoF | Ministry of Finance |
| MoPF | Ministry of the Public Finance |
| MSE | Micro and Small Enterprise |
| NADSME | National Agency for Development of Small and Medium size Enterprise |
| NAO | National Authorising Officer |
| NAC | National Aid Coordinator |
| NAI | National Agency for Integrity |
| NATA | National Agency for Taxation Administration |
| NDP | National Development Plan |

| | |
|--------|--|
| NDO | National Development Office |
| NF | National Fund |
| NIJ | National Institute of Justice |
| NGO | Non-Governmental Organisation |
| NPAA | National Programme for the Adoption of the Acquis |
| NP | National Programme |
| NPP | Nuclear Power Plant |
| NROS | Civil Society Development Foundation |
| NSO | National Statistical Office |
| NSRF | National Strategic Reference Framework |
| NTF | National Training Foundation |
| OLAF | European Antifraud Office |
| OMRO | Opportunity Micro-Credit Romania |
| OP | Operational Programmes |
| OPM | Office of Prime Minister |
| PA | Paying Agency |
| PAED | Polish Agency for Enterprise Development |
| PAO | Programme Authorising Officer |
| PAP | Pre-Accession Programme |
| PD | Democrat Party |
| PDO | Products and foodstuffs with registered designation of origin |
| PGI | Products and foodstuffs with registered Geographical Indication |
| PPD | Phare Programming Document |
| PHARE | Comminatory programme for central and eastern European countries |
| PIFCA | Public Internal Financial Control Agency |
| PIU | Programme Implementation Unit |
| PNL | National Liberal Party |
| PRM | "Partidul Romania Mare" – Great Romania Party |
| QSG | Quality Support Group |
| PSD | Social-democrats Party |
| RAWRA | Radioactive Waste Repository Authority |
| RDSA | Regional Development Support Agency |
| REACH | Registration, Evaluation and Authorisation of Chemicals |
| RMC | Romania Micro-Credit |
| RTA | Resident Twinning Advisor |
| SAPARD | Special Adhesion Programme for Agriculture and Rural Development |
| SAR | State Agency for Refugees |
| SEED | System of Exchange of Excise Data |
| SF | Structural Funds |
| SIGMA | Support for Improvement in Governance and Management |
| SIC | Supreme Judicial Council |
| SIS | Schengen Information System |
| SME | Small and Medium Sized Enterprises |
| SMS | Statistical Metainformation System |
| SMSC | Sector Monitoring Sub-Committee |
| SPO | Senior Project Officers |
| TA | Technical Assistance |
| TAIEX | Technical Assistance Information Exchange Unit |
| TF | Transition Facility |
| TGNA | Turkish Grand National Assembly |

| | |
|------|---|
| TNP | Turkish National Police |
| TSE | Transmissible Spongiform Encephalopathy |
| TSG | Products and foodstuffs with registered with certificates of specific character |
| TW | Twinning |
| UIBE | Unallocated Institution-Building Envelope |
| UJD | Slovak Nuclear Regulatory Authority |
| UKIE | Office of the committee for European integration |
| UNDP | United Nations Development Programme |
| VAT | Value Added Tax |
| VIES | VAT Information Exchange Scheme |
| VOC | volatile Organic Compounds |
| WFD | Water Framework Directive |
| WICU | Bulgarian Water Framework Directive Coordination Unit |
| MoEW | Ministry of Environment and Water |
| WWTP | Waste Water Treatment Plant |

PART I: COUNTRY SECTION

I.1. BULGARIA

1.1. The year in review

Political developments

In 2006, Bulgaria held presidential elections. With a reassuring 75.95% of the voters' support in a second round on 29 October, incumbent President Georgi Parvanov won a second term in office. His main contender, Ataka leader Volen Siderov, got 24.05% of the vote. Due to a low voter turnout in the first round on 22 October, a runoff was organised as required by the Bulgarian Constitution. This was the first time since 1989 that a president was re-elected for a second term in office directly by the people.

During 2006 Bulgaria continued to fulfil the political criteria for EU membership. The government continued to pursue its path of addressing outstanding issues, notably in the area of Justice and Home Affairs. Some progress was made in the reform of the justice system. Rules were introduced establishing objective procedures for the appointment and evaluation of magistrates. Pre-trial proceedings were improved by the introduction of a fast-track procedure. However, further reform of the Supreme Judicial Council is necessary, in particular as regards its accountability and capacity to effectively manage the judiciary, in order to ensure the transparency and efficiency of judicial processes. Difficulties in the implementation of penal procedures persist. Amendments to the Constitution need to be adopted. The legislative framework for the fight against corruption has been improved with the adoption of amendments to the laws on political parties and on publicity of property owned by high level officials. All ministers have published their asset declarations on the internet. However, there have been few concrete examples of investigations or prosecution or charges of high level corruption. Corruption remains a problem. The public administration, including tax collecting agencies at the border and local government remain particularly vulnerable. Moreover, the number of cases prosecuted successfully related to organised crime is still low. Reliable crime statistics are yet to be established. Law enforcement increased and successful actions have been registered against criminal networks, in some cases in cooperation with EU Member States. However, there is still insufficient cooperation between the bodies involved in the fight against organised crime and there is no systematic confiscation of assets of criminals.

Further progress is necessary in the area of judicial reform and the fight against organised crime and corruption. The Commission established a mechanism to cooperate and verify progress in these areas after Bulgaria's accession, based on Articles 37 and 38 of the Act of Accession. Bulgaria should report regularly on progress in addressing specific benchmarks, with the first report to be submitted by 31 March 2007. The Commission should provide internal and external expertise to cooperate and provide guidance in the reform process and to verify progress. It should report to the European Parliament and the Council by June 2007 on the progress made in addressing the benchmarks. The Commission's report is to assess whether the benchmarks have been met, need to be adjusted and may request further reports on progress if necessary. The mechanism is to continue until the benchmarks are met.

Macroeconomic developments and structural reforms

Bulgaria made further progress with macroeconomic stabilisation and economic reform. Its current reform path should enable it to cope with competitive pressure and market forces within the Union. Continued prudent fiscal and wage policies were warranted in view of the widening current account deficit. This was largely due to lower incomes from tourism, substantially lower current transfers and a lower surplus in the income balance. Tight macroeconomic policies therefore need to be maintained to contain the high external deficit. The privatisation process and the liberalisation and restructuring of utilities advanced well. The liberalisation of the energy market continued with a lowering of thresholds for direct contracts between larger customers and suppliers. Regarding the business environment, the functioning of the administrative and judicial systems needs to be improved further. As regards labour market flexibility, amendments to the Labour Code in May have made working time arrangements slightly more flexible. For employees working under a special contract to perform additional work, the maximum weekly working time has been raised to 48 hours. A comprehensive reform of the education system remains crucial to address bottlenecks in the labour market.

Progress in meeting the *acquis communautaire*

In the crucial area of money laundering, Bulgarian legislation is now largely in line with the *acquis*. However, implementation of legislation is limited to date and so far no successful prosecutions for money laundering can be reported. Progress has been made with regard to the setting-up of the Integrated Administration and Control System (IACS) and the Paying Agency (PA). Bulgaria has made substantial progress with regard to the collection and treatment of dead animals and animal by-products in the context of transmissible spongiform encephalopathies (TSE). The necessary measures have been adopted. However, Bulgaria needs to guarantee their effective implementation. In the area of financial control, progress has been made with regard to the Extended Decentralised Implementation System (EDIS) accreditation process for some of the structures concerned although efforts at capacity building for implementing the Structural Funds in particular need to be reinforced.

Concerning nuclear safety, in accordance with Bulgaria's obligation under article 30 of the protocol to the Act of Accession, Kozloduy nuclear power plant units 3 and 4 were closed on 31 December 2006.

As regards other areas of the *acquis*, significant progress has been made with regard to the chapters on; fisheries, consumer and health protection and social policy and employment. Overall, there has been some progress in the following areas: trafficking in human beings, child protection, and the protection and integration of minorities. Limited progress has been made in the area of detention conditions, treatment of people with disabilities and the mental healthcare and broadcasting. In addition, Bulgaria needs to ensure the sustainability of public administration reform. Far-reaching efforts have been made to adapt its legislation and administration to the laws and rules of the European Union. This has largely brought it into line with prevailing standards and practices within the European Union. Sustained support from the European Union will be available for addressing the remaining issues. Sufficient guarantees exist in the *acquis* and the Accession Treaty to ensure the proper functioning of EU policies and institutions. As a result of the progress made, Bulgaria was in a position to take on the rights and obligations of EU membership on 1 January 2007. The Commission took remedial measures, where necessary, to ensure the functioning of EU policies. Due to

persistent shortcomings in the area of aviation safety, a safeguard measure was adopted on 20 December 2006. In order to ensure the proper functioning of the EU air transport market and to guarantee the highest level of safety to EU citizens, the Commission decided that until these problems will be solved, air carriers licensed by the Bulgarian authorities will not be considered as “Community Carriers”. If necessary, the Commission may take other remedial measures, notably in the field of food safety and agricultural funds.

1.2. Phare in 2006

Programmes launched

For 2006, Phare allocations for Bulgaria amounted to a total of €208.8 million as follows:

| | |
|---|----------------|
| ▪ National Programme | €166.8 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 | €7 million |

Overview of programmes implemented

Since 1992 the Phare Programme has provided assistance to Bulgaria through National Programmes, five Cross Border Co-operation Programmes and Multi-Beneficiary Programmes. Under the special assistance for the closure and decommissioning of units 1-4 of the Kozloduy nuclear power station, €340 million of financial assistance was earmarked over the period 1999-2006. The end of 2006 saw the successful completion of most of the projects financed under the 2003 programmes, covering a variety of sectors. 93.4% of the 2004 Phare programme budget was contracted and the implementation of the relevant projects is well under way, while the procurement of some 65% of 2005 programmes was launched, which is a remarkable rate compared to previous years. For some 2005 projects, contracting has started.

In the **Agricultural** sector, the successful completion of the construction works of 6 Border Veterinary Inspection Posts marked the finalisation of implementation of a series of Phare projects which targeted the improvement of veterinary border control. Projects for institutional building aiming at the assistance to the Ministry of Agriculture and Forestry in harmonisation and implementation of the *acquis* in the implementation of the milk quota system in Bulgaria as well as on the development of procedures and mechanisms for production potential management and control on the oenological practices in the wine sector were also completed. Further technical assistance and provision of equipment were extended for the strengthening of the wine control agency for the implementation of the wine CMO measures. Phare support continued via institutional building projects (twinning), technical assistance and provision of equipment for the preparation of MAF to implement the second pillar of the CAP. More specifically, assistance was focused on the preparation of the Rural Development Programme 2007-2013 and establishment of relevant monitoring system,

where as another one project (with five different components) addressed other areas of the *acquis* in regard to CAP and CFP mechanisms. The setting up of IACS in Bulgaria and the completion of the IACS software, as well as equipment of the Paying Agency, which will manage the payments under the Agricultural Funds were also supported by Phare. Within the framework of the Phare assistance for the sector, equipment was provided for reinforcement of the administrative structures of the MAF in order to ensure the implementation of effective control in the field of fisheries and variety testing and seeds control system.

In the **Transport** Sector, support for institution building continued to support the maritime authorities in their efforts to overcome their deficiencies and to improve the quality of the inspections of vessels carried out by Bulgarian authorities. Another institution building project assisted the railway authorities with the introduction of the EU legislation in the field of railway safety and interoperability. Maritime authorities were supported with supply of equipment necessary for the efficient enforcement of the related secondary legislation, with provision of IT equipment and software for computerised quality assurance system and with supply of equipment for the second phase of the Vessel Traffic Management and Information System and by means of the provision of eight new boats for the needs of rescue operations in Bulgarian area of SAR responsibilities. Motor vehicle inspection services received 15 mobile laboratories fully equipped for on-the-spot checks related to road safety. The twinning projects were accompanied by intensive staff training. Assistance to the road and railway infrastructure also continued, with six on-going projects financed from the CBC programmes. Three new road rehabilitation projects, which will start in 2007, were contracted and tendering procedures for three more were launched.

In the **Environment** Sector, the Phare Programme continued to provide assistance to the construction of the WWTPs in Madan, Rudozem, Zlatograd and Razlog. Furthermore, twinning projects for waste shipment, fuel quality and GMOs are ongoing. The important twinning projects for air quality, Danube basin water management, chemicals and quality of drinking water were implemented and completed successfully. The big environment investment projects for the closing of Elehnsitsa uranium mines and the construction of the WWTP Sofia were finalised successfully. Implementation of cross-border cooperation projects has begun in aid of the establishment of econetworks, sustainable development grants and water management of the Mesta/Nestos River II phase with Greece and groundwater water management with Romania.

Phare assistance in the **Justice sector** in 2006 was focused on institution building to support the reform of the judiciary and the strengthening of important elements of the system including the General Directorate Security of the Ministry of Justice, the penitentiary and probation system, the Public Prosecution Office, the Supreme Judicial Council and the National Institute of Justice. In particular, two 2003 Twinning Projects were completed in 2006. They contributed to the reform of the civil and penal procedures. The Draft Civil Procedure Code elaborated with the help of this assistance is currently before second reading in Parliament. A new Penal Procedure Code elaborated and adopted in 2005, entered into force in April 2006. Training of magistrates on the new Code was conducted under the project. Institution building efforts were taken further by a 2004 project supporting the implementation of the Strategy for Reform of the Bulgarian Judiciary, dealing with remedy in the civil and penal procedures for legal aid, support for the establishment of security infrastructure for the judiciary and witness protection system in penal proceedings, judicial cooperation in civil and penal matters. In the area of judicial cooperation, where full analysis

of the legislation and draft amendments in view of the ratification by Bulgaria of relevant Conventions have been elaborated, training has been delivered to experts and the foundations for the integrated information system and integrated Bulgarian Judicial Network for Judicial Cooperation have been established. The administrative capacity of the SJC and NIJ was strengthened under other Twinning projects, which delivered inter alia proposals for amendments of the Law on Judiciary and the internal regulation of the NIJ. Further progress was made in 2006 on the introduction of IT as an important means to support the implementation of the Strategy for Reform of the Judiciary. The related 2003 project is close to completion with important outputs in the area of e-justice, system integration and IT training of judiciary specialists. Under this project, the IT Strategy for the judiciary was updated and approved by the SJC. The work in the IT area continues with a series of new projects contracted at the end of 2006.

In the field of **Public Administration Reform**, the Phare Programme supported activities that contributed to the further implementation of the Strategy for modernisation of the Public Administration. An important Phare project focused on improving public service delivery and introducing to the state administration strategies for outsourcing and public private partnership. Further to presenting a methodology for integration of services and piloting it on concrete administrative structures, the project proposed to the beneficiary Ministry of State Administration and Administrative Reform and to regional and local administrations selected quality management systems. Overall, through proposing, testing and training, the project contributed to the introduction of the latest innovative practices to the Bulgarian state administration.

In the **Social Sector**, Phare support focused on four major areas that reflect the efforts to effectively reform the systems of vocational education and training, social assistance and social dialogue. The sustained growth in the financial allocations for investment activities on the labour market marked the increasing relative importance of the policies toward generation of new employment and enhancement of the quality of the labour force. The reform in the vocational education and training system was supported through diverse measures (both institutional building and investment) that were aimed at the improvement of the quality of vocational training so as to better fit qualifications with labour market demands. The measures include refurbishment of professional schools (as a first stage of multi annual project, 7 vocational schools were chosen for refurbishment and their number is expected to grow in the subsequent phases of the project in order to form a sample of about 8% of the vocational schools in the country that will transform into centres of excellence), delivery of updated training equipment (about 13 professional schools will receive training equipments related to the vocations, while about 120 vocational schools will be equipped with modern computer labs) and provision of technical expertise for advancement in curricula reform and enhancement of teachers' ability for effective utilization of new technologies in the learning process.

The reform in the social assistance system focused on decentralization of social services and diversification of the sources of their funding. A multi annual project aimed at deinstitutionalization and enhancement of the forms of social services provision is currently being implemented and during its first phase about 80 private and public service providers were granted funds for development of complex forms of social services provision (including a mixture of social, medical and educational services) for a varied groups of beneficiaries like children, elderly, lonely parents, etc. In addition projects related to the improvement of the educational and medical services provided to Roma are also under implementation. The

enhancement of the social dialogue was supported mainly through institutional building measures. These focused mainly on the mechanisms for conciliation and arbitration, the negotiation procedures on branch and enterprise level, partnership creation, development of good practices manuals on social dialogue and the role of social partners for effective absorption of the structural funds. A number of training seminars and exchange of best practices on the issues are being implemented through the twinning instrument.

The active labour market policy was supported both by means of institutional building and investment instruments. Focus was given to strengthening the capacity of the relevant authorities to conduct profound labour market surveys and impact assessments of social programs. Technical assistance projects are also implemented for development of strategies in the area of lifelong learning and the enhancement of the capacity of private sector training providers. The investment measures are targeted at both improvement of the quality of provided trainings to unemployed and already employed on behalf of private training centres and enhancement of job creation and qualification training within Bulgarian enterprises.

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 the five CBC Programmes between Bulgaria – Greece, Bulgaria- Romania, Bulgaria-Turkey, Bulgaria - Serbia & Montenegro and Bulgaria - Former Yugoslav Republic of Macedonia.

Phare management performance

The **PHARE 2004 (non-extended)** budget is **€181.583.710** corresponding to **247 tenders** resulting in **341 contracts** by the end of the contracting period, 30 November 2006 (**the number including all lots deriving from the 247 tenders**). **293 contracts** were endorsed by the Delegation **amounting to €155.978.260**, which in terms of the Financing Memorandum (FM) budget correspond to **€169.537.493**. Thus the **contracting rate of the PHARE 2004 FM is 93.40%**. **6.60%** corresponding to 48 contracts not contracted.

The procurement gains representing the balance between the envisaged contract budget and the actually contracted amount, amounted to **€13.565.463**, i.e. **7.47%**. There are 13 extended contracts representing an amount of €22.5 million. The contracting deadline for 11 of these contracts is 31 August 2007, and for the other 2 projects is 8 November 2007.

Extended Decentralised Implementation System (EDIS)

The Bulgarian authorities submitted the application for EDIS accreditation in August 2006. At the end of 2006, despite the recent improvements in the contracting rate and the launching of a substantial number of 2005 files, Phare management capacity in Bulgaria would still require further improvement if the relevant authorities are to assume responsibilities for the programme on a fully de-centralised basis. This would apply not only to the Implementing Agencies, but also to the beneficiary institutions. Completion of the EDIS accreditation process will take place in 2007.

NDPs – State of Play

Following its accession to the EU, Bulgaria as a Member State is eligible for the Structural and Cohesion Funds with an allocated amount of around €6.8 billion for the period 2007-2013. Within the framework of the preparation for the better use of the Structural Funds the Bulgarian Government has produced several Programming Documents addressing priorities for development of the country as a whole, and for the development of each sector in particular. The main document, which highlights these priorities, is the National Strategic Reference Framework (NSRF) which has been prepared for the period 2007-2013. The underlying vision of this document is that by 2013 Bulgaria should become a competitive EU country with a high quality of life, incomes and social awareness. The strategic priorities to achieve this are to strengthen the competitiveness of the economy so as to achieve high and sustainable growth and to develop human capital so as to ensure higher employment, income and social integration.

For the realisation of these goals the Bulgarian government has formulated **7 Operational Programmes and 2 National Strategic Plans and Programmes**:

1. Transport
2. Environment
3. Human Resources Development
4. Development of the Competitiveness of the Bulgarian Economy
5. Administrative capacity
6. Regional Development
7. Technical Assistance
8. National Strategic Plan for Rural Development
9. National Strategic Plan for Fisheries and OP Fishery

Institution Building highlights

During 2006, a total of €38.069 million was contracted for twinning assignments in Bulgaria, financed (not including horizontal and multi-country programmes and participation in Community Programmes) under the Phare programme in support of IB projects. The twinning instrument continued to be used successfully in many priority areas and helped Bulgaria prepare for the implementation of EU policies and laws. To date, a total of 150 fully-fledged twinning projects for a total amount of €153 million and 43 twinning light projects amounting to €7 million have been financed out of the Phare Programme. Currently, there are 53 running twinning projects: 38 under the 2004 Phare National Programme (NP) (41 projects overall for

2004, 3 are completed) and 15 under 2005 Phare NP (15 projects overall for 2005). The 2005 Unallocated Envelope proved to be a useful instrument for specific ad hoc needs, answering requests for 13 twinning light, 1 standard twinning and 5 technical assistance projects. In addition, a further 9 fully fledged twinning projects were programmed during 2006 and the selection process is underway for most of them.

1.3. Results and impact

State of play for JMC/SMSC development

In 2006, two JMC meetings took place in May and December 2006. At these meetings issues such as further improvement of project management and reporting were discussed and proposals for remedial actions were made.

Each monitoring sector is covered by the relevant Sectoral Monitoring Sub-Committee (SMSC). Each SMSC normally meets twice a year in accordance with the annual schedule agreed within the JMC. Two rounds of SMSC meetings took place in 2006, the first round took place from April to May, the second round was organised between October and November 2006. The ten monitoring sectors cover: Public Sector/Development of administrative capacity, Public Finance, Justice and Home Affairs, Economic Development, Agriculture, Environment, Transport, Social Development, Regional Development/CBC, Energy and Telecommunications.

Monitoring & Evaluation Reports in 2006 - Lessons Learned

On the whole the evaluation results concluded that the performance of Phare has improved over time but remains mixed. Evaluation findings and conclusions for Bulgaria show that Phare performance has been stronger for *acquis* sectors than for horizontal public administrative and judicial capacity. Environment is the sector considered to have performed the best in terms of impact. The lowest rated sectors are Economic and Social Cohesion, Social and Energy and Transport. Sustainability is strongest where there is strong political support and the assistance supports clearly defined interventions that are mandatory for the enforcement of the *acquis* such as in agriculture. Strong commitment is required by the Bulgarian government if the results of Phare assistance to Public administrative and judicial reform are to be sustained.

With respect to Interim Evaluation, the work programme of the contractor was extended until September 2006 allowing the evaluators to issue 9 Sector Interim Evaluation reports out of which 5 were rated “satisfactory”, 3 “barely satisfactory” and 1 related to the social sector “unsatisfactory”. As regards in-depth evaluations, Ecotec produced 4 in-depth report covering regional development and cross border co-operation, public finance, public administration and energy. More than 80 % of the recommendations in the sector IE reports have been accepted by the addressees. In 2006, the Bulgarian evaluation function was further strengthened, with capacity building and training of the NAC and its staff. The independent evaluator, offered training and coaching to the NAC with respect to the quality control process of managing decentralised evaluation reports. It is expected that decentralised Interim Evaluation by the Bulgarian authorities will start in the early 2007.

Positive Results in Implementation – Success Stories

BG2003/IB/EN02 Institutional strengthening of the river basin authorities in Bulgaria for implementation of the EU Water Framework Directive in the Danube river basin (pilot river basin and sub-river basin)

This project was successfully completed in 2006. The capacity of all entities involved with the Bulgarian water administration, both a national and local level, including non-state bodies, was considerably improved. With the support of the project, the established implementation unit WICU was reviewed and improved by the MoEW to integrate more effectively the WICU-members in the WFD co-ordination procedure, the Operational Manual and the Structure of the River Basin Management Plan were developed. Furthermore, as results from the project; the risk assessment on surface water bodies and on groundwater bodies is transparent and comprehensible and the register on protected areas was elaborated and the economic analysis of water use reviewed, the Environmental Objectives for surface waters, groundwater and protected areas were defined and the monitoring programmes prepared, the Artificial and Heavily Modified Water Bodies were identified and evaluated. In order to ensure publicity and awareness, consultation and participation were realised by using different instruments (workshops, seminars, Twinning project Homepage, e-Learning course, round table meetings with the stakeholders etc.) The project was implemented in a cooperative and partnership spirit.

BG0201.04 and BG2003/004-937.03.01 Improvement of Veterinary Border Control

Bulgaria is located in the South Eastern part of the European Union, along European corridors 4 and 8, which are among the main international trade routes joining the Middle East to the European continent. It is a country with three outer borders of the EU. It is essential that reliable veterinary border control systems are in place along these trade routes so as to prevent contagious diseases and other threats to livestock from entering the EU. For this reason, Phare was mobilised to secure Bulgaria's borders by means of constructing and equipping Veterinary Border Veterinary Inspection Posts (BVIPs), with the capacity to ensure inspections in full compliance with EU requirements and standards. The establishment of EU compliant BVIPs was supported by the Phare 2002 and 2003 programmes with a series of construction projects, building and equipping 6 (out of the 8) posts on the outer EU border. These BVIPs are located at Kalotina and Bregovo, at the border with Serbia, the sea ports at Bourgas and Varna, and at Gueshevo and Zlatarevo at the border with Macedonia. The construction and equipment of the 6 BVIPs was completed successfully at the end of 2006. With the implementation of these Phare projects and the establishment of effective veterinary border controls, Bulgaria should not only play an important role in the prevention of penetration of contagious diseases into the country and therefore the EU, but should also ensure food safety conditions for the intra community trade of products of animal origin.

Tasks ahead

Main tasks to be accomplished in the coming future are:

- Completion of the programming for the Transition Facility Programme 2007

- The EDIS accreditation process regarding the four Implementing Agencies to be completed in the course of 2007 resulting in full decentralisation of financial management.
- Full decentralisation of the Interim Evaluation functions to the Ministry of Finance.

I.2. CROATIA

2.1. The year in review

Political developments

EU accession negotiations began with Croatia on 3 October 2005 and are continuing. Overall, the political situation has continued to improve. Implementation of strategies for reforming the judiciary and fighting corruption has begun. Croatia has moved forward on minorities and refugee return, albeit at a slow pace. Full cooperation with ICTY has continued. The conduct of war crimes trials in Croatia has improved. Croatia continues to play a positive role in regional cooperation.

However, reform is at an early stage and there is considerable scope for improvement in the judiciary, public administration and in the fight against corruption. Further progress is essential in the protection of minorities, on refugee return, and in the conduct of war crimes trials, including witness protection. Further regional cooperation is vital, as are efforts to solve outstanding bilateral problems with neighbours, especially on border demarcation.

Macroeconomic developments and structural reforms

As regards macroeconomic developments and structural reforms, inflation is low, the exchange rate stable, fiscal consolidation has continued and growth has accelerated slightly. Private investment has risen, the banking sector has continued to grow and unemployment has declined. Road infrastructure has improved and competition enhanced in the telecommunication sector. However, significant and rising imbalances in the trade and current accounts and a high external debt imply potential risks to macroeconomic stability. The pace of structural reforms has generally been slow. Subsidies to loss making enterprises continued, state intervention in the economy remained significant.

Progress in meeting the *acquis communautaire*

As to the priorities related meeting the *acquis communautaire*, Croatia has improved its ability to take on the obligations of membership. In most areas, there has been some progress, mainly in terms of legislative alignment. Implementing capacity has also been improved. But in many cases enforcement is weak and administrative capacity remains uneven. Progress has varied considerably between chapters. As regards the overall level of alignment and administrative capacity, much remains to be done. Considerable and sustained efforts will be needed in a number of chapters such as competition policy, public procurement, justice freedom and security and judiciary and fundamental rights. Given the particular nature of obligations under the environment chapter, very significant efforts will be required in this area.

2.2. Phare in 2006

Programmes launched

In 2006, Croatia as a candidate country continued to benefit from all three pre-accession financial instruments, Phare for IB and economic and social cohesion, ISPA for environment and transport infrastructures and SAPARD for rural development. Croatia was also eligible for the CARDS Regional Programme 2006.

Croatia received a total allocation of €80 million under the Phare 2006 programme. This allocation included the NP of €61.062 million, €6 million for CBC projects, €9.438 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 2006 were the 2005 Progress Report and the Accession Partnership of February 2006 as well as the National Programme for the Integration of the Republic of Croatia into the European Union.

The year 2006 was the second year that Croatia benefited from pre-accession assistance through the Phare instrument. The Commission Decisions on the two Phare 2006 CBC programmes between Croatia, Slovenia and Hungary and Croatia and Italy (6 m€) were adopted on 22 June 2006. The Commission Decision on the PHARE 2006 annual programme (61.062 m€) was adopted on 24 July 2006. The respective Financing Agreements have been forwarded to the Croatian authorities for their signature in August 2006.

Overview of implemented programmes

National Programme objectives

The Phare National Programme 2006 concentrates on eight sectoral objectives referring to the priorities identified in the Progress Report and the Accession Partnership for Croatia:

- Objective 01 / Democracy and rule of law
- Objective 02 / Human rights, protection of minorities and civil society dialogue
- 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. Democracy and rule of law | €7.085.000 |
| 2. Human rights; protection of minorities and civil society dialogue | €4.900.000 |
| 3. Economic criteria | €3.071.250 |
| 4. Internal market and trade | €9.747.500 |
| 5. Sectoral policies | €18.837.000 |

| | |
|--|-------------|
| 6. Cooperation in justice and home affairs | €1.292.500 |
| 7. Supporting programmes | €14.128.750 |
| 8. Economic and social cohesion | €2.000.000 |

CBC Programme objectives

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 2006 are:

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

Phare management performance

The Commission decided to confer the management of PHARE and CARDS programmes to the Croatian institutions under the authority of the National Authorising Officer on 7 February 2006 while maintaining the ex-ante control requirement for tendering and contracting. This decision also allowed for the further decentralisation of elements of CARDS 2003 and 2004. The following implementation structures continue to exist 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 Central Finance and Contracting Unit as the Implementing Agency for Phare.
- 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.

Decentralised Implementation System (DIS)

The Commission decision on partial conferral of management for Phare and CARDS under the decentralised implementation system (DIS) to **Croatia** was taken on 7 February 2006.

NDPs – State of Play

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

Institution Building highlights

The Phare 2005 annual programme Financing Agreement was signed on 17 May 2006 and entered into force on 22 August 2006, after Croatia informed the Commission of the completion of the ratification process after Parliamentary approval. No contracts were signed at the end of 2006; project implementation will start in 2007, the deadline for contracting is 30 November 2007.

2.3. Results and impact

State of play for JMC/SMSC development

The first rounds of meetings in the context of the internal monitoring system in line with the Memorandum of Understanding on Establishment of the NF were held in the end of 2006. Besides ISPA and SAPARD monitoring committees, six CARDS and PHARE monitoring sub-committees took place in October to review 77 decentralised projects. The monitoring culminated in the Joint Monitoring Committee held in Zagreb on 19 December 2006.

M&IE Reports in 2006 - Lessons Learned

The Interim Evaluation Scheme for Phare in Croatia will be launched in the second half of 2007.

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. Summary

In 2006, Cyprus continued to implement successfully both pre-accession and post-accession assistance to address the remaining needs related to IB 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. A number of implementing agencies are fully responsible for daily implementation of projects.

The National Aid Coordinator (NAC) continued to exercise the programming function for the Transition Facility programmes and monitoring of both Pre-accession and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision.

Since the closure of the Phare Transition Team in the Representation in Nicosia as of end July 2005, DG Enlargement continues to exercise the residual functions related to the Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

3.2. Phare/pre-accession financial and Transition assistance in 2006

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 Cypriot authorities and the European Commission on 17 November 2004.

Programming

A total of **€3,200,000** was allocated to Cyprus under the 2006 TF budget for Cyprus.

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

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

The Phare Management Committee approved the Transition Facility 2006 National Programme for Cyprus in July 2006. The programme was then approved by the Commission through its Decision C(2006) 3391 of 1 August 2006, 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 2006 National Programme for Cyprus provides **€3,200,000** for:

ENVIRONMENT

€0.95 million

- Preparation of Management Plans for "Natura 2000" sites
- Strengthening of the Radiation Protection and Nuclear Safety Regulatory Authority of Cyprus

INTERNAL MARKET

€2 million

- Introduction, application and deployment of a total solution for the implementation of electronic procedures in conducting public procurement competitions in Cyprus

ADMINISTRATIVE CAPACITY

€0.25 million

- Interim Evaluation of EU funded projects

Implementation

- Pre-Accession 2003– finalisation of payments

At the end of the disbursement period for the 2003 pre-accession programme 98.6 % of the funding has been disbursed. The Cypriot authorities requested no extension for the 2003 programme.

- Transition Facility programme 2004 – rate of contracting

At the end of the contracting period for the 2004 National programme on 15 December 2006, 86.8% of the programmes had been contracted.

- Institution Building highlights

During the year 2006, a total of around €20 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 2003 National Pre-accession programmes and the Transition Facility (2004-2006).

Implementation of pre-accession aid in Cyprus is considered satisfactory in overall terms their results were achieved with the exception of two Projects that were terminated (Management of the Akamas region and Establishment of an Integrated Administration and Control System-IACS). The projects under TF 2004 and some of the TF 2005 were under implementation and results are satisfactory.

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*.

3.3. Results and Impact

State of play for JMC / SMSC development

In 2006, two Joint Monitoring Committee (JMC) meetings took place in March and October 2006, 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 2006, 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 SMSC.

Monitoring and Evaluation Reports in 2006

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. 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, one interim evaluation was carried out in 2006.

The 2006 interim evaluation report underlines that project implementation has improved considerably since the 2004 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.

All the projects rated as highly relevant. In terms of efficiency, while the 2003 programme was satisfactory, for the 2004 programme technical complexity of projects has led to delays in implementation with tighter time schedules for implementation and very limited time margins for corrective action between the expiry dates of contracts and the expiry of projects.

In terms of impact, most projects not only contributed to the effective adoption of the *acquis* but contributed to improve public services in important fields.

Regarding sustainability, the situation seems to be satisfactory for projects for which a firm financial commitment for a next stage has already been undertaken. For the others further efforts will be required to secure the human and material resources necessary for sustainability. A source of concern is the sustainability of many projects which rely on manpower recruited on a temporary basis.

I.4. CZECH REPUBLIC

4.1. Summary

In 2006, 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 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 fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) 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. Since the closure of the Representation's Phare Transition Team in Prague in July 2005, DG Enlargement exercises residual functions related to the Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

4.2. Phare/pre-accession financial and Transition assistance in 2006

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 TF is managed by the Memorandum of Understanding on the Implementation of the TF signed between the Czech authorities and the European Commission on 27 September 2004.

Programming

A total of **€7,160,000** was allocated to the Czech Republic under its 2006 TF NP.

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 2006 National Programme for the Czech Republic in July 2006. The programme was then approved by the Commission through its Decision C(2006) 3371 of 1 August 2006, 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 2006 National Programme for the Czech Republic provides **€7,160,000** for:

POLITICAL CRITERIA **€0.5 million**

- Promoting Roma children and youth education in out-of-school activities

AGRICULTURE **€1.09 million**

- Quality Control and Quality Assurance in the Central Institute for Supervising and Testing in Agriculture (CISTA)
- Enhancing the Food Law Enforcement by the Czech Agriculture and Food Inspection Authority (CAFIA)

INTERNAL MARKET **€1.94 million**

- Strengthening of the Czech Social Security Administration (CSSA) capacity in the field of social security coordination
- Strengthening of the Czech Social Security Administration (CSSA) capacity in the field of social security premium collection, claims and bankruptcy in international environment
- The extension of the State treasury system
- Strengthening of the general system of Recognition of Professional Qualification
- Strengthening of the Czech Statistical Office (CZSO) Administrative Capacity by the implementation of Statistical Metainformation System (SMS)

ENVIRONMENT **€1.08 million**

- Reinforcement of Environmental Data Gathering and Information Provision
- Strengthening of State Administration Efficiency in Technical Protection of the Environment
- Integrated Approach to the Regional Waste Management in the Czech Republic

JUSTICE AND HOME AFFAIRS

€0.65 million

- Improved Efficiency in the Fight against Crime by Building-up a Quality System in Police Forensic Laboratories

NUCLEAR SAFETY

€0.4 million

- Strengthening of RAWRA (Radioactive Waste Repository Authority) Corporate Management Tools on the Safety of Nuclear Waste Repositories

ADMINISTRATIVE CAPACITY

€1.5 million

- Unallocated Institution Building Envelope

Implementation

- Phare 2003 – finalisation of payments

At the end of the respective disbursement periods for the 2003 Phare programmes (Nuclear Safety, National Programme Part 1 and 2, Cross-border Cooperation Programmes), 90% of the programmes had been disbursed.

- Transition Facility 2004 – rate of contracting

At the end of the contracting period for the 2004 TF programme, 90% of the programme had been contracted.

- Institution Building highlights

During the year 2006, a total of around €167.4 million of pre-accession and post-accession assistance from national allocation (not including horizontal and multi-country programmes as well as nuclear safety projects outside the NP) has been deployed in the Czech Republic from Phare programmes (NP and CBC 2002-2003) and Transition Facility (2004-2006).

Implementation of Phare in the Czech Republic is considered generally successful in areas such as Environment, Agriculture and Internal Market. A sector which was evaluated as less successful in 2006 was Justice and Public Administration, where several external factors such as the coming into force of legal Acts or the commitment of responsible bodies to implement project outputs considerably diminished some of the projects' effectiveness.

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

State of play for JMC / SMSC development

In 2006, two Joint Monitoring Committee (JMC) meetings took place in June and December 2006, 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, 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 2006, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place (in April and October). There are eight sectors to be monitored in the Czech Republic: Social protection and health, Agriculture/Environment, CBC, Civil Society Development, Economic and Social Cohesion, Energy and Nuclear Safety, Justice and Public Administration/Home Affairs and Internal Market/ Finance and Banking.

Monitoring and Evaluation Reports in 2006

Overall responsibility for monitoring and evaluation of the Phare and Transition Facility 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 with the independent evaluator of Phare projects expired in October 2006. The work of the external contractor for the interim evaluation of Transition Facility projects started in September 2006.

In 2006, 7 IE reports, two Country Evaluation Summary Reports (one for Phare and one for Transition Facility) and one Final Summary Report on the Phare Programme (2000-2003) in the Czech Republic were issued.

The Phare Country Evaluation Summary report provides a consolidated country review of the findings of the Interim Evaluation Reports that were prepared between September 2004 and April 2006. It concludes that the efficiency of the use of Phare assistance continues to be threatened by high staff turnover, a resulting lack of institutional memory, and insufficient staff numbers. The Transition Facility Country Evaluation Summary report identifies projects managed by the Ministry of Health as problematic, due to their poor institutional ownership.

I.5. ESTONIA

5.1. Summary

In 2006, 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 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 (CFCD) is fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continued 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. Since the closure of the Phare Transition Team in the Representation in Tallinn as of July 2005, DG Enlargement continues to exercise the residual functions related to the Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

5.2. Phare/pre-accession financial and Transition assistance in 2006

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

Programming

A total of **€3,750,000** was allocated to Estonia under the 2006 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.

- Phare 2003 – finalisation of payments

At the end of the respective disbursement periods for the 2003 Phare programmes, 84% of the programme had been disbursed

- Transition Facility 2004 – rate of contracting

At the end of the contracting period for the 2004 programme on 15 December 2006, 89% of the programme had been contracted.

- Institution Building highlights

During the year 2006, a total of around €60 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Estonia from Phare programmes (2003) and Transition Facility (2004-2006).

Implementation of Phare in Estonia is considered satisfactory in most areas, where most projects are reaching foreseen objectives and EU assistance provide real value added to scarce public funds.

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

State of play for JMC / SMSC development

In 2006, two JMC meetings took place in January and June 2006, 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 2006, 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: Justice,

Home Affairs, Finance, Environment, Internal Market and Transport, Agricultural, Social sector, CBC and Education.

Monitoring and Evaluation Reports in 2006

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 20 April 2006. The independent evaluator prepared one Phare Evaluation Reviews (CPEP) for Estonia in March 2006.

The conclusions available from the IE 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. Efficiency varies and is mainly affected by delays in tendering, contracting and implementation in all sectors. In terms of effectiveness, the majority of projects are likely to fulfil their objectives. The contribution made by Phare/TF assistance in all sectors to the achievement of wider objectives is significant and sufficient. Finally, sustainability has been ensured.

I.6. HUNGARY

6.1. Summary

In 2006, 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 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 fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) 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. Since the closure of the Phare Transition Team in the Representation in Budapest as of July 2005, DG Enlargement continues to exercise the residual functions related to the Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

6.2. Phare/pre-accession financial and Transition assistance in 2006

For the period 2004-2006, a Transition Facility has been created by Art 34 of the Act of Accession to fund certain Institution Building actions in the new Member States to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural funds. The implementation of EU assistance available under the Transition Facility is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Hungarian authorities and the European Commission on 22 June 2004.

Programming

A total of **€6,664,400** was allocated to Hungary under the 2006 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 TF 2004 National Programme for Hungary on 7 July 2005. The programme was then approved by the Commission with Decision C(2006) 3335 of 3 July 2006, which was then notified to the national authorities.

TF funds are used to support IB through twinning, twinning light, technical assistance, and investments to provide the necessary equipment in order to implement the *acquis*.

The Transition Facility 2006 National programme for Hungary provides **€6,664,400** for:

AGRICULTURE

€2 million

- Development of e-government solutions in the CAP administration
- Preparation of the county offices of agriculture of the Ministry of Agriculture and rural Development for their tasks concerning the implementation of CAP and its current reforms in the field of IT
- Strengthening service capacities of veterinary and phyto-sanitary BIPs, and development of veterinary IT systems at country level

ENVIRONMENT

€1.1 million

- Steps towards the Monitoring and Management in line with the Birds (79/409/EEC) and the Habitats (92/43//EEC) Directives
- Institutional Development of the Hydromorphological Monitoring, Hungary

GOVERNMENT ADMINISTRATION AND CIVIL SOCIETY

€1.85 million

- Civil society organisations and the implementation of the anti-discrimination law
- Higher Education institutional capacity building in connection with the Bologna requirements

PUBLIC ADMINISTRATION

€0.6 million

- Improvement of the efficiency of risk-based selection of taxpayers for audit
- Development of Audit Documentation IT system

ADMINISTRATIVE CAPACITY

€1 million

- Unallocated IB Envelope

Implementation

- Phare 2003 – finalisation of payments

At the end of the disbursement period for the 2003 Phare national programme, 96.6% of the programme had been disbursed (including CBC).

This data takes into account the extensions granted to certain elements of the Phare National Programme for Hungary in 2003.

- Phare 2004 – rate of contracting

At the end of the contracting period for the 2004 programme on 30 November 2006, 98,5% of the programme had been contracted.

- Institution Building highlights

During the year 2006, a total of around € 256 million of pre- and post accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Hungary from Phare programmes (2003) and Transition Facility (2004-2006).

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.

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

State of play for JMC / SMSC development

In 2006, only one JMC meeting took place in June 2006, 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 meeting identified a number of problematic projects and as there was not time to discuss them in detail requested a written report from the NAC services on the impact of these problems on results and objectives as well as possible financial consequences.

In the year 2006, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place. The first round of SMSC meetings took place between January and April and second round between June and November. The following sectors to be monitored in Hungary are: Agriculture, CBC, Social and Health, Political Criteria, Environment, Internal Market/Transport and Nuclear Safety, Regional Development, European Social Fund and SME, Public Finance and Customs, Justice and Home Affairs.

Monitoring and Evaluation Reports in 2006 (lessons learned)

Overall responsibility for monitoring of the Phare programme lies with the 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 2006. The evaluator prepared the CSER for the JMC of 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 satisfactorily 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 the beneficiary for very select sectors needs to be improved. Other problems were related to late start of covenant preparation and management of co-financing funds, changing procurement rules and introduction of EDIS.

I.7. LATVIA

7.1. Summary

In 2006, Latvia continued to implement successfully both pre-accession and post-accession assistance to address remaining needs related to institution building for the implementation of the *acquis*, in line with the Extended Decentralised Implementation System (EDIS).

Since May 2004 procurement 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) and the Society Integration Foundation are fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continued 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. Since 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 2006

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 10 August 2004.

Programming

A total of **€4,025,000** was allocated under the 2006 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, etc.

The Phare Management Committee gave a favourable opinion to the Transition Facility 2005 National Programme for Latvia in May 2006. The programme was then approved by Commission Decision C(2006)3076 of 10 July 2006, which was notified to the national authorities on the same day.

The Transition Facility 2006 National Programme for Latvia provides **€4,025,000** for:

JUSTICE AND HOME AFFAIRS

€1.23 MILLION

- To further strengthen the capacity of the State Police, to strengthen the administrative capacity in the areas of visa issuance, migration and implementation of the Schengen Information System (SIS II) and to improve circulating, processing and safekeeping of immigration case files;

FINANCIAL CONTROL AND PROTECTION OF EU FUNDS €0.545 MILLION

- To further strengthen the administrative capacity of the State Audit Office in terms of introducing inter alia a quality management system;

ENVIRONMENT

€0.220 MILLION

- To build capacity of the State Hazardous Waste Management Agency;

CONSUMER PROTECTION

€ 0.730 MILLION

- To strengthen the Market Surveillance System;

OVERALL ADMINISTRATIVE CAPACITY

€1.3 MILLION

- Institution Building Facility for twinning light and technical assistance.

Implementation

- Phare 2003 – finalisation of contracting and payments

By the end of the disbursement periods in 2006, 87 % of the Phare 2003 programmes had been disbursed.

- Transition Facility 2004 – rate of contracting

By the end of the contracting period in 2006, the contracting rate for the programme was 82%.

- Institution building highlights

During the year 2006, a total of around € 68 million of pre- and post-accession assistance from national allocation (not including horizontal and multi-country or nuclear programmes) has been deployed in Latvia from Phare programmes 2003 and the TF 2004 – 2006.

Phare assistance has been particularly successful in the fields of civil society and society integration, statistics and internal market. Good results have also been achieved in the area of public finance in the field of tax control improvement.

In 2006, 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

State of play of JMC / SMSC development

In 2006, two JMC meetings took place in January and July 2006. At these meetings issues such as further improvement of project management and reporting were discussed and proposals for remedial actions were made.

Each monitoring sector is covered by the relevant Sectoral Monitoring Sub-Committee (SMSCs). Each SMSC normally meets twice a year in accordance with the annual schedule agreed within the JMC. Two rounds of SMSC meetings took place in 2006, the first round took place in April and May 2006, the second round was organised in October 2006. The 13 monitoring sectors cover: 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. For each sector a monitoring report is produced.

Monitoring and Evaluation Reports in 2006 (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 2004 Phare programme was signed in June 2006 and is valid until August 2007.

In 2006, six 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 six evaluation sectors. The evaluation reports were provided in two parts, in May and December 2006 respectively, as follows:

- Public Finance
- Justice, Interior
- Social policy, Civil Society and Society Integration, Health
- Regional Development/ESC
- Energy and Market and Anti-Trust Surveillance, Statistics
- Agriculture, Environment and Nuclear Safety

The latest Country summary report concluded that the implementation of the Phare and TF programmes for Latvia was evaluated in most sectors as “good”. Sectors relevance was assessed as “excellent”, while in effectiveness, efficiency, impact and sustainability were assessed as good.

EU programmes are considered relevant. Effectiveness problems have developed for several projects due to complications with procurement procedures, contract signing and timely implementation of the projects. Project efficiency varies according to sectors. Impact and sustainability criteria are good; however they still often depend on political will to promote development of the achieved results.

I.8. LITHUANIA

8.1. Summary

In its second year of 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 EDIS.

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

The National Aid Coordinator (NAC) continued 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. Since 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 2006

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 3 November 2004.

Programming

A total of **€3,980,000** was allocated under the 2006 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 2006 National Programme for Lithuania in July 2006. The programme was then approved by Commission Decision C/2006/3357 of 31 July 2006, which was notified to the national authorities on the same day.

The Transition Facility 2006 National Programme for Lithuania provides **€3,980,000** for:

CUSTOMS UNION

€0.59 MILLION

- Further improving intelligence and statistical information analysis of the Customs services; enhancing anti-corruption activities in the Lithuanian Customs;

VETERINARY SERVICES

€1.065 MILLION

- Strengthening of control on bacterial zoonoses and poultry viral diseases; strengthening the control system for the protection of animals in Lithuania;

NUCLEAR SAFETY

€0.825 MILLION

- Support to VATESI in safety assessment of Ignalina NPP; building of institutional capacities in the field of low and intermediate level radioactive waste

OVERALL ADMINISTRATIVE CAPACITY

€1.5 MILLION

- Unallocated institution building envelope for twinning light and technical assistance.

Implementation

- Phare 2003 – finalisation of contracting and payments

By the end of the disbursement period in 2006, 81% of the Phare 2003 programmes had been disbursed.

- Transition Facility 2004 – rate of contracting

By the end of the contracting period in 2006, the contracting rate for the programme was 90.5%.

- Institution building highlights

During 2006, a total of €95.5 million of pre and post-accession assistance from national allocation (not including horizontal and multi-country or nuclear programmes) has been deployed in Lithuania from Phare programmes 2003 and the Transition Facility 2004 – 2006.

Phare and Transition Facility assistance have contributed to strengthen the administrative and institutional capacities of many institutions to enable them to implement and enforce EU

policies more effectively at Member State level. Phare and TF assistance has been particularly successful in the field of environment and the justice and home affairs sectors.

In 2006, 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

State of play of JMC / SMSC development

In 2006, two JMC meetings took place in April and October 2006. At these meetings issues such as further improvement of project management and reporting were discussed and proposals for remedial actions were made.

Each monitoring sector is covered by the relevant Sectoral Monitoring Sub-Committee (SMSCs). Each SMSC normally meets twice a year in accordance with the annual schedule agreed within the JMC. Two rounds of SMSC meetings took place in 2006, the first round from February until May, and the second round from August until December 2006. The sectors cover Environment; Justice and Home Affairs; Public Administration, Public Finance and Customs; Economic and Social Cohesion; Nuclear Safety, Energy and Transport; Preparation for Structural Funds, Cross Border Co-operation; Internal Market and Statistics; Agriculture and Fisheries. For each sector a monitoring report is produced.

Monitoring and Evaluation Reports in 2006 (lessons learned)

Overall responsibility for monitoring and evaluation of the Phare programme in Lithuania lies with the 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. The relevant contract financed under the 2004 TF programme was signed in February 2006.

In 2006, nine sectoral evaluation reports and two country summary evaluation reports were prepared by the independent external evaluator in March and September 2006.

The evaluation reports covered the following areas: internal market, statistics and social affairs; public administration, public finance and customs; nuclear safety, energy and transport; economic and social cohesion; preparation for structural funds; environment; justice and home affairs; agriculture.

The main findings of the country summary evaluation reports confirm that overall impact of the Phare programme has been positive as it continued to contribute to strengthen institutional capacities. Sectors that were rated as good included the environment and justice and home affairs sectors. For instance in the environment sector, the Phare programme contributed to put in place necessary legislation and to enhance inter-institutional cooperation, but also raised awareness about nature protection. However, in the agriculture sector the achievements were only rated satisfactory, the results had very often been too ambitious and their achievements were constrained by the absence of the relevant governmental decisions.

I.9. MALTA

9.1. Summary

In 2006, 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 EDIS.

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

The National Aid Coordinator (NAC) continued to exercise the programming function for the Transition Facility programmes and monitoring of both Pre-accession and Transition Facility Programmes. The National Authorizing Officer (NAO) carries out the financial supervision. Since the closure of the Phare Transition Team in the Representation in Valletta as of January 2005, DG Enlargement continues to exercise the residual functions related to the Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

9.2. Pre-accession financial and Transition assistance in 2006

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 Maltese authorities and the European Commission on 22 July 2004.

Programming

A total of **€3,315,000** was allocated to Malta under the 2006 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 TF 2006 National Programme for Malta in June 2006. The programme was then approved by the Commission through its Decision C(2006)3343 of 27 July 2006, 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 2006 National Programme for Malta provides **€3,315,000** for:

INTERNAL MARKET **€1.25 million**

- Malta Customs Programme for Modernisation of IT Systems

ENVIRONMENT **€0.46 million**

- Institution Building in the Environment Sector

ADMINISTRATIVE CAPACITY **€1.6 million**

- Institution Building Facility

Implementation

- PAP 2003 – finalisation of payments

The disbursement deadline of 2003 Pre-Accession programme was 30 November 2006. At that date, 70.5% of the programme had been disbursed. An extension disbursement period was granted concerning a project involving significant amounts.

- Transition Facility 2004 – rate of contracting

At the end of the contracting period for the 2004 programme on 15 December 2006, 95% of the programme had been contracted.

- Institution Building highlights

During the year 2006, a total of around €29 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Malta from PAP (2003) and Transition Facility (2004-2006).

Overall the performance of the PAP and Transition Facility in Malta is considered as satisfactory in terms of relevance and implementation of most projects.

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

State of play for JMC / SMSC development

In 2006, two JMC meetings took place in May and November 2006, 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 2006, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings have taken place in March and September 2006. There are three monitoring sectors in Malta: Environment and Agriculture, Transport and Other sectors.

Monitoring and Evaluation Reports in 2006 (lessons learned)

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 new contract with the independent evaluator was signed on 7 August 2006, and 1 Interim Evaluation Report was completed.

Due to the small size of the Malta programmes, the interim evaluation is carried out on the overall programmes and not on a sector by sector basis.

The latest interim evaluation report concluded that the implementation of the Pre-Accession (PAP) and Transition Facility (TF) programmes for Malta is overall satisfactory.

The projects were assessed to be highly relevant to the needs of the respective beneficiaries of the assistance in terms of addressing gaps in the institutional capacity to implement the *acquis*. For many cases, project design was considered insufficient in terms of Indicators of Achievement.

While efficiency was assessed to be satisfactory overall, there was evidence of a number of weaknesses. These are mostly related to delays in implementation such as late start to the preparation of terms of reference and technical specifications. Effectiveness was rated as satisfactory overall. However, the effectiveness of some projects was affected by staff availability to attend the training envisaged, the poor timing of the related activities, which

impacted on the installation of equipment etc., and the squeezing of implementation time due to the late contracting of assistance.

Positive impacts and sustainable results were generated by many twinning and twinning light projects. Staff turnover and staff shortages continue to pose a risk to the sustainability of the assistance although efforts are made to solve this issue.

I.10. POLAND

10.1. Summary

In 2006, 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 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 fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) 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. Since the closure of the Phare Transition Team in the Representation in Warsaw as of July 2005, DG Enlargement continues to exercise the residual functions related to Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

10.2. Phare/pre-accession financial and Transition assistance in 2006

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.

Programming

A total of **€22,126,800** was allocated to Poland under the 2006 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 TF 2006 National Programme for Poland on 3 July 2006. The programme was then adopted by the Commission through its Decision C(2006)3342 of 27 July 2006, 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 2006 National Programme for Poland provides **€22,126,800** for:

Administrative Capacity **€5.4 million**

- Implementation and control of application of European standards for data communications systems in healthcare
- Training in the field of phone services for the tax payers
- Advanced training for tax auditors in the field of computer audit
- Local budget management system
- Comprehensive system for secondment of national experts
- Mobile telephony and new technologies in electronic communications
- Extension of institutional and organizational capabilities of the office for railway transport in the area of supervision of the railway market in Poland
- Institutional Building unallocated envelope

INTERNAL MARKET **€5.1 million**

- Strengthening communicable diseases epidemiological surveillance in Poland
- Competition and Consumer Policy
- Further strengthening of the Polish Customs service
- Implementation of competitive energy market

ENVIRONMENT AND HEALTH **€4.1 million**

- Training of water quality monitoring for State Sanitary Inspection
- Communication, public awareness and capacity building for the EU Natura 2000 ecological network
- Development of national procedures concerning the placing of biocidal products on the market
- Strengthening capabilities and capacities of the interdisciplinary laboratory at the national centre of tissue and cell banking for the safety and quality control of human tissues used for transplantation
- Development of institutional control over the safety and quality of human blood and blood component

AGRICULTURE, VETERINARY AND FOOD SAFETY **€3 million**

- Improvement of implementation of food safety surveillance
- Development of integrated advisory system for farm management
- Strengthening of the Polish veterinary administration in the scope of veterinary public health
- Preparation of agency for restructuring and modernization of agriculture for the implementation of new CAP reform
- Development of supervision and control system of agricultural products and foodstuffs with registered geographical indications (PGI), designations of origin (PDO) and certificates of specific character (TSG)

JHA AND FIGHT AGAINST CRIME

€4.45 million

- Improvement of anticorruption activities in Poland
- Strengthening of the Polish justice system
- Fight against crime
- Support for regional and local communities to prevent drug addiction on the local-continuation

Implementation

- Phare 2003 – finalisation of payments

At the end of the respective disbursement periods for the 2003 Phare programmes, 79% of the programme had been disbursed, while 7 projects of the 2003 Programmes have been extended and were ongoing.

- Transition Facility 2004 – rate of contracting

At the end of the contracting period for the 2004 programme on 15 December 2006, 89% of the programme had been contracted.

- Institution Building highlights

During the year 2006, a total of around €287 million of pre-accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Poland from Phare programme 2003 and Transition Facility (2004-2006).

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

State of play for JMC / SMSC development

In 2006, two JMC meetings took place on 9 June and 18 December 2006, 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 2006, 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 six sectors to be monitored in Poland: Environment and Transport; Agriculture; Internal Market; Justice and Home Affairs; Public Administration; Regional Development (Cross-Border Co-operation, and Economic and Social Cohesion).

Monitoring and Evaluation Reports in 2006 (lessons learned)

Overall responsibility for monitoring of the Phare programme in Poland lies with the NAC department within the Office of the Committee for European Integration (UKIE). 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 in the year 2006 was signed on 21 December 2004. A new contract for carrying out the Interim Evaluation from October 2006 onwards was signed in August 2006.

In 2006, three Consolidated Monitoring Reports were issued - one for the JMC in June and two for the JMC in December (one by each contractor covering different time periods). The reports provide a consolidated country review of the findings of the Interim Evaluations and Thematic/Ad Hoc evaluations finalized in 2006. Three consolidated reports concluded that Phare and TF assistance has successfully supported Poland's accession process. The reports included also recommendations concerning improvement of implementation system.

The conclusions available from the IE and Thematic/Ad Hoc reports are that on the whole Poland has performed well in the implementation of Phare assistance. The efficiency is affected mainly by insufficient time devoted by the beneficiaries for implementation of Twinning projects and by delays in tendering, contracting and implementation in all sectors. The evaluated projects are relevant to Poland's current needs. Moreover, impact of evaluated projects in all sectors is rather good, and sustainability is expected to be maintained. In terms of effectiveness, the majority of projects reach objectives fully or to a large extent.

I.11. ROMANIA

11.1. The year in review

Political developments

The political year 2006 can be described as the year of: accession, political turmoil, revealing Securitate files and corruption cases and the confrontation between “palaces” (the Government and the Presidency).

The conclusion of the EC Monitoring Report in September 2006 was “*As a result of the progress made, Bulgaria and Romania will be in a position to take on the rights and obligations of EU membership on 1 January 2007. The Commission looks forward to welcoming Bulgaria and Romania as fully-fledged members of the European Union on this date.*” This phrase marked Romania’s biggest success story in 2006 as well as a historic moment.

Along with this event, came the rejection by the European Commission of the first nomination for the position of European Commissioner of Varujan Vosganian. Eventually, Leonard Orban was appointed as Romanian Commissioner in charge with Multilingualism.

Transparency International 2006 corruption index ranked Romania in the 84 place, lagging behind all European states. Despite this ranking, 2006 was the year of the disappearance of the PSD barons, and mainly of the corruption case that attracted the media attention and not only, that of the former PSD leader Adrian Nastase. DNA (National Department against corruption) started the investigation of the “Zambaccian file” in which Nasatase is prosecuted for bribery and unlawful gains. This investigation pushed Nastase close to the exclusion from PSD, and had him suddenly lose all party and public functions.

A much awaited moment was the common meeting of both Chambers in which the Presidential Committee for the analysis of the communist dictatorship in Romania presented what is commonly known as the “Tismaneanu report” that condemns communism. President Basescu fully agreed in his opening speech with the conclusions of the report whereas PRM members protested in an “unconventional” way. With this report Romania became the first country from the former soviet block to condemn communism.

CNSAS also drew a lot of attention in 2006 by revealing the files of important parliamentarians, thus leading to a cleaning process of the Romanian political life. The most famous names were Dan Voiculescu, Mona Musca and Rodica Stanoiu.

One of the failures in 2006 was the lack of consensus as regards the setting up of the National Agency for Integrity (NAI). Until the creation of the agency, the local public authorities have the competence to solve the conflict of interests or the incompatibilities, and to check the income. A report issued by the Centre for Legal Resources in 2006 shows that there is little concern of local leaders on corruption issues, a lack of control and sanctioning mechanisms, as well as lack of a coherent legal framework that lead to few notifications. The law has

undergone various amendments that have raised serious concerns amongst politicians as well as civil society, mainly related to the diminishing powers of NAI that from an income controller became a mere controller of the financial interests. The initial proposal of the law was an objective assumed by Romania before joining EU, and the legislative initiative proposed by the Ministry of Justice was agreed by Brussels. The project suffered modifications in the Chamber of Deputies, but still needs to pass in the Senate.

In 2006 PNL emphasized its liberal identity within the DA Alliance and took distance from the Presidency. Theodor Stolojan's return on the political scene had the effect of an earthquake in PNL: C P Tariceanu managed to maintain his position as a Prime Minister and as PNL President but could not avoid the split in the party. As a consequence, Valeriu Stoica, Gheorghe Flutur, Mona Musca, Cristian Boureanu, Raluca Turcanu regrouped around Stolojan in a new political party of liberal origin PLD (Liberal Democrat Party).

Despite this political turmoil, the public polls done in 2006 by the Office of Social Research indicated that Traian Basescu and the DA Alliance were in the top of preferences whereas the EU accession was the top choice as far as Romania's external policy is concerned.

The autumn 2006 Eurobarometer indicated that Romania remained with 67% in the group of countries with the highest level of trust in EU.

Macroeconomic developments

The EC May 2006 Monitoring Report reconfirmed that Romania is a functioning market economy. Since that report, there has been progress in the following areas: the general government budget exhibited a surplus of 1.5% of GDP for the first six months of 2006. The disinflation process continued. The central bank tightened minimum reserve requirements and moderately increased the policy interest rate in view of inflationary pressures and risks. Real wage growth was largely covered by productivity growth. This pro-cyclical policy deviates from the medium-term fiscal policy earlier presented by Romania.

As regards privatisation and industrial restructuring, the total number of companies with a state share diminished slightly. Four majority state-owned companies in the portfolio of the privatisation agency (AVAS) were privatised or went into liquidation. The adjustment of energy prices in line with cost developments continued. Mine closures and adjustment of employment continued under the mining restructuring programme. However, privatisation achievements continued to fall short of government targets and the process was generally slow across the banking, energy and defence sectors.

On Business environment, the total amount of tax arrears fell and new arrears accumulated more slowly. Large tax debtors were increasingly faced with bankruptcy or forced execution procedures. Bill collection rates in the energy sector slightly improved. A high number of new insolvency cases were registered, the number of solved cases rose and more cases were solved quickly. Large tax debtors were increasingly faced with bankruptcy or forced execution procedures. Bill collection rates in the energy sector slightly increased. However, total and new tax arrears remain substantial, incurred in particular by state-owned companies. The government resumed its practice of large debt cancellations by deciding to erase debts of more than 1% of GDP of a main energy supplier without presenting convincing restructuring measures. Unpaid bills remain endemic in the energy sector.

It is worth mentioning that south-eastern Europe, and in particular Romania and Bulgaria, were the most headway in progress reforms, a fact driven by their aspiration to join the European Union. The pressure from the European Commission gave a particular boost to reform in Romania in order to fulfil the requirements for EU accession. Romania's competition authority has tightened the application of its anti-monopoly laws. It is important to underline that governance has improved through firmer implementation of bankruptcy legislation as well as judicial and administrative reforms.

Romania was among the top reforming countries in the World Bank's Doing Business survey. Likewise, the EBRD Transition report 2006 indicated the changes in transition scores, and Romania has two upgrades, in the governance and enterprise restructuring and competition policy sectors.

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

Further progress was made in reforming the justice system. The Superior Council of the Magistracy (CSM) started to address fundamental challenges such as unifying the interpretation and application of the law, staffing levels and workloads.

Progress continued in the fight against corruption. The criminal liability for legal persons was introduced and new legislation was adopted tightening the rules on the financing of political parties. The quantity and quality of non-partisan investigations by the National Anti-Corruption Directorate (DNA) into allegations of high-level corruption continued to increase. However, there needs to be a clear political will to demonstrate the sustainability and irreversibility of the recent positive progress in fighting corruption. In the Parliament there were some attempts to substantially reduce the effectiveness of such efforts. Corruption remains a concern in particular within the local government.

Progress was made with regard to the setting-up of the paying agencies and the IACS. However, a number of issues remain to be addressed relating to the implementation in due time of a proper IT system, the adequacy of staffing, equipment and office premises as well as the incompleteness of the majority of management and control procedures.

Romania made good progress with regard to the collection and treatment of dead animals and animal by-products (TSE). However, the detailed programme to set up a compliant system is still ongoing. Substantial progress was made with regard to the interconnectivity of IT taxation systems. Romania successfully completed the required performance tests for the major IT systems and is well on track to meet its obligations in this area.

The abovementioned areas were explicitly mentioned in the conclusion of the May report as needing further progress. The monitoring findings for the other issues, which were still outstanding in May 2006, are as follows:

As regards the other *acquis* areas, significant progress was made in several fields such as regional policy although efforts at capacity building for implementing the Structural Funds in particular need to be reinforced, environment and justice and home affairs, as well as in the area of intellectual property rights. This leads to a situation where Romania's preparations are

now on track in most areas of the *acquis*. However, further progress is still needed in a number of areas such as social policies and employment including public health, genetically modified organisms, motor insurance, capital requirements for credit institutions and investment firms, money laundering and the fight against fraud and corruption, financial management and control of future structural funds and animal diseases.

Romania made further progress with macroeconomic stabilisation and economic reform. Its current reform path should enable it to cope with competitive pressure and market forces within the Union.

Overall, there was some progress in the following areas: trafficking in human beings, detention conditions, restitution of property and child protection. Limited progress was made with the treatment of people with disabilities, mental healthcare and the protection and integration of minorities. Further action is needed. In addition, Romania needs to ensure the sustainability of public administration reform, and to fully align with EU external positions, such as on the International Criminal Court.

Upon accession, the Commission will, as for any other Member State, monitor the implementation of the *acquis*. Like for any other Member State, it will apply all the tools available within the EU legislation (*acquis*) where necessary. In addition, there are specific tools which only apply to Bulgaria and Romania. They are laid down in the Accession Treaty.

Accompanying measures foreseen for the accession of Bulgaria and Romania:

Based on the findings of the relevant report, the Commission will take remedial measures, where necessary, to ensure the functioning of EU policies. This concerns cases in the areas of food safety, air safety, EU agricultural funds and the judiciary and fight against corruption (will be monitored through a cooperation and verification mechanism). In case other shortcomings are identified before or after accession, appropriate measures will equally be taken to ensure the proper functioning of EU policies.

11.2. Phare/pre-accession financial assistance in 2006

Programmes launched

For 2006, Phare allocations for Romania amounted to a total of €444.6 million/

- National Programme (€408.63 million)
- Cross-border Co-operation Bulgaria (€8 million)
- Cross-border Co-operation Hungary (€5 million)
- Cross-border Co-operation Moldova (€8.996 million)
- Cross-border Co-operation Serbia (€7 million)
- Cross-border Co-operation Ukraine (€7 million)

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

The overall aim of the National programme (€408.63 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.

Within the frame of the CBC programme (€35.996 million) Romania cooperating with its five neighbour countries Hungary, Bulgaria, Moldova, Ukraine and Serbia. The programme was based on the Joint Programming Document of 2004 (JPD) setting out common objectives.

Overview of programmes implemented

Agriculture

The ambitious programme of support to the agriculture sector continued in 2006. No less than 14 Phare 2004 Twinning projects are under implementation. A coordination mechanism was established to exchange information and to avoid overlapping of activities. There is a supporting programme of Supply and Technical Assistance contracts. Most of the supply contracts stipulate a short period of equipment delivery to ensure proper operation of important post accession obligations. Implementation of this complex programme of support is ensured through the dedicated efforts of the MAFRD PIU team.

Phare 2003 on-going projects ended successfully. MAFRD staff, as well as those of the two Paying Agencies and the advisory service ANCA, received relevant training as well as significant supplies of equipment. New IT systems for both Paying Agencies were developed. The follow up of Phare 2002 support for the disposal of pesticides throughout Romania achieved particularly significant results.

Transport

The Phare transport programme in the year 2006 focused mainly on road safety and railway restructuring, as a continuation and follow-up of previous years' activities in these sectors.

Further harmonization of road safety legislation and strengthening of the related institutions (Romanian Road Transport Authority, Romanian Automobile Registrar, National Company of Motorways and National Roads etc) was the subject matter of a twinning project. Substantial technical assistance contracts were put in place for road safety measures on National Roads and in Bucharest to decrease the number of serious accidents, especially with regard to pedestrians, improving the norms of road construction, and the development of stated preferences surveys for tolled motorways. Equipment was contracted to support

combating drug abuse while driving and improving the quality of accident investigation. The municipalities of Bucharest, Sibiu and Ploiesti are the beneficiaries of an urban transport development project.

The actions undertaken in 2006 for the consolidation of the restructuring process for the Romanian Railways consist mainly of the continuation of improvement of the Financial Management System for all three railway companies CFR, CFR Passengers and CFR Freight, development of a timetable and strategic plan for CFR Passengers, technical assistance for infrastructure access change for CFR, technical assistance for railway stations rehabilitation.

Environment

During 2006 EU PHARE assistance in the environment sector continued to provide valuable support, in terms of technical assistance to the national, regional and local institutions, grant investments and endowment with quality monitoring equipment.

For the radioactivity monitoring system, the existing Early Warning System at national level was extended in over 60 locations and several Radioactivity Monitoring Laboratories were equipped with radiological surveillance components. Also training continued for the experts of the National Environmental Radioactivity Surveillance Network and of the National Reference Laboratory.

Financed under the Phare 2003 ESC programme, the small-scale waste management investment scheme was successfully developed. Originally a pilot project that included 14 beneficiaries in the central region, it evolved to a grant scheme at national level financed under 2004-2005 Phare. By the end of 2006, 76 public local authorities were able to place grant contracts that are expected to absorb more than double than the budget originally considered. Also a similar grant scheme was placed for the private sector.

Nine twinning projects are under implementation supporting the development at national and regional levels for all the environment protection agencies (NEPA, REPAs and LEPAs). The aim is to implement, monitor and enforce the transposed environmental legislation. Strong cooperation was developed between regions in order to exchange various expertise and results concerning: air quality, nature protection, IPPC, domestic waste management, industrial waste management, VOC and noise issues.

Public Finance

Phare projects in 2006 covered both institution building and investment activities. Strategic priorities in the area of public finance, external audit, and public procurement are addressed.

The 2004 twinning project on taxation is concentrated on the needs for further transposition of EU legislation and continuing the reform of the tax administration by developing key functions of NATA such as the automated exchange of information regarding taxpayers, procedures for fiscal control including staff training; also it is expected to contribute to the further developing of strategic framework of the institution and better definition of its management functions.

As far as public finance is concerned, a complex of twinning, technical assistance and investments projects was concentrated on further consolidation of the financial statements and reports regarding budget implementation, the consolidation of the financial management and control system, further automation of state treasury, to allow risk analysis.

Given the accreditation for EDIS, the assistance focused on the CFCU was concentrated on human resources and training strategy, which could alleviate the staff turnover within the CFCU.

The IT supporting all functions of the MoPF is addressed by a comprehensive TA and investment. Key areas included the communication infrastructure. 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.

On IT interconnectivity, progress was registered in developing the VIES and SEED systems (Phare 2004). The advance in the implementation of the IT inter-operability system appears to confirm the commitment and the ownership taken by the National Agency for Fiscal Administration and the projects teams in order to meet the tight deadlines.

The conformance tests were successfully performed.

External audit

In the external audit area, the Romanian Court of Accounts was strengthened as an independent external audit institution. The audit quality and reporting 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.

It is essential for the Romanian Court of Accounts, as a supreme audit institution, to be further strengthened, making sure that the institution's structure, leadership and activity are not politically influenced. Such requirements would make it possible for the Court to exercise its audit and control functions in full independence, neutrality and at the highest professional standards. Phare support will continue with MAP 2005-2006.

Public Procurement

Positive achievements were recorded in the public procurement area with support of SIGMA. However, further priority should be given to the implementation and enforcement of legislation. The administrative capacity at all levels needs to be enhanced, coordination improved, and staff continuity, recruitment, and training ensured with the support of Phare 2004 TA project.

Progress was noticed in the area of ex ante control with the assistance of a framework contract (Phare 2004). Attention should be given to the flexibility of the ex ante control system at the local and central level. Intensive training still needs to be organized for the staff at the central and local level.

The success of the ex ante control depends strongly on the expertise and competences of the staff and therefore the possibility to recruit, train and keep them in the future.

Professional training courses on the public procurement procedures were organized with the support of the School of Public Finance, with trainers from the National Authority for Regulating and Monitoring of the Public Procurement. The professional training continued for the personnel recruited in the recent competitions during September- October 2006, for both central and local staff.

Home Affairs

Fighting against organised crime, drugs trafficking and abuse, police cooperation and trafficking of human beings were areas that continued to benefit of PHARE assistance in 2006. In the area of fighting against organised crime, the assistance focused on the finalisation of a Resource Centre for countering Trafficking in Human Beings and developing the Police laboratories for DNA profiling.

Two new twinings were launched for improving the institutional capacity in the drug demand reduction, involving National Anti-drugs Agency, Forensic Institute and Ministry of Health. Also, the Police anti-drugs laboratory received significant endowments.

Investments were made in the police cooperation area, with two twinings aimed at improving the operational capacity of Police and Gendarmerie, as well as the cooperation between them. New IT and communication equipments were purchased for the EUROPOL Unit, part of the Centre for International Police Cooperation.

In January 2006 a new twinning started aiming to improve the migration and asylum management; also, the project addresses the social integration of refugees, better detection of illegal aliens and handling of crisis situations.

PHARE assistance in the area of border management focused in 2006 on the following:

- Extension of communication system along the Eastern Northern Borders (Phare 2003), contract was signed on 30 March 2006 with Siemens AG Austria, with implementation now in progress
- SCOMAR, contract signed 8 March 2006 with Selex Italy, with implementation now in progress
- Extension of the Communication System (Phare 2004), contract signed 16 October 2006 with Siemens AG Austria
- Design and Implementation of RBP Mobile Communication system, contract signed on 21 December 2006 with Motorola Romania
- Spectrographs for detection and identification of drugs and explosives (10) and drug-kits (15) (Phare 2003) delivered at respective border crossing points and in use
- Twinning on “institutional support for training, institutional and procedural compatibility with similar EU agencies” finalized in July 2006
- Twinning on “Improvement of the RBP readiness for the implementation of SCOMAR” finalized in February 2006

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 2006.

Twining or technical assistance projects, which aimed primarily at preparing the justice sector for meeting the demands and expectations of European Union membership status, focused on the administrative capacity of the Superior Council of Magistracy, the improvement of the juvenile justice system and the development of a functioning victims' assistance scheme for the Romanian probation services. Assistance provided under these projects facilitated the establishment of coherent and functioning working methodologies for the institutions involved, the approximation of legislation and internal regulatory frameworks, as well as the design and implementation of training curricula for magistrates, judicial clerks, probation personnel, and other categories of civil servants employed in the judicial system. An important assistance package was also allotted to the anticorruption sector; one twining project implemented in the course of 2006 aimed at improving the National Anticorruption Department's investigation techniques and training of prosecutors, police officers and experts in a multi-disciplinary environment.

Significant PHARE funds were also channelled towards the endowment of various institutions in the justice sector with training materials, new communications and IT equipment, better working and/or studying facilities. Other supply contracts ensured mobility for probation personnel and increased efficacy of the occupational/vocational therapy programmes implemented by the Romanian penitentiary administration.

Public administration

The assistance for public administration reform process in Romania continued to be focused on the three main pillars as defined in the Romanian Government, 'Strategy concerning the acceleration of the Public Administration Reform', namely: the civil service reform, the policy formulation process, decentralisation and deconcentration and informatisation.

The three priorities combine a significant investment in a sustainable public administration training and development initiative with the creation of new structures for decentralisation and deconcentration and the development of a new policy making process.

Thus, good progress was made as concerns the preparation of strategies, procedures and monitoring mechanisms of the decentralisation process, improvement of the system and

methods of planning, formulation and impact assessment of public policy at central level and on modifying the legislative technique to be used for drafting normative acts. Moreover, twinning and technical assistance arrangements contributed to the strengthening of the capacity of the Chamber of Deputies mainly through the development of a modern personnel policy, review of parliamentary procedures and the creation of a Code of Ethical Conduct, which provides the legal and institutional framework for ensuring parliamentary probity.

Roma

Access to education for disadvantaged children continued to be a key area of collaboration between school inspectorates, county council, schools, local town halls and other community actors. This project was part of a multi-annual programme and continued to support improving access to and quality of education in 12 new counties (Alba, Bacau, Bihor, Braila, Covasna, Harghita, Ialomita, Iasi, Maramures, Mures, Sibiu, Valcea). 3300 teachers and 243 school inspectors and school principals participated in training programmes for promoting inclusive education in schools. Educational materials were developed to support the teaching process and after school and second chance programmes were implemented for ensuring better quality education and preventing school drop-out rates. Also 108 Roma participated in training programmes and were qualified as school mediators for supporting Roma children participation in the 112 pilot schools involved in the project.

Children

Educational campaign on children's rights supported the implementation of a new approach in child protection in Romania putting in the centre the family and the child, according to the new legislation which entered into force in 2005. The project has two components: an awareness campaign addressed to the general public and a training component addressed to professional groups. The awareness campaign focused on promoting children's participation and supporting Children's Council to elaborate a report on Children's rights in Romania. The training component contributed to the development of the capacity of different institutions to implement the legislation and to enhancing their collaboration through the development of 6 practical manuals for the following professional groups: teachers, priests, policemen, magistrates, social workers and medical staff. Also two trainers manuals were developed, 30 national trainers and 188 local trainers completed their training programmes.

Social Assistance

The *public awareness campaign on the protection of persons with disabilities* had a twofold objective: one was to inform people with disabilities on their rights and the services they can access and second, to combat discrimination and stigmatisation. The overall slogan of the campaign "*Put yourself in my shoes! Learn to understand*" is displayed on all campaign items. The campaign has two major components: an advertising campaign and an events campaign.

The advertising campaign has been supported by three TV spots and 2 radio spots broadcasted at respectively national public television and radio. In addition, there is a leaflet for the general public on the rights of disabled persons that will also be translated in Braille, and also a brochure for social workers and medical staff. Two print ads were published in national and local newspapers and magazines, while a supplementary outdoor campaign with two posters has been prepared. All materials are available on a fully accessible campaign website, in compliance with W3C standards, which also features articles of a monthly campaign newsletter.

The events campaign comprises communication workshops for General County Directorates for Social Assistance and Child Protection staff and NGOs, workshops for parents and family of disabled persons and workshops to inform citizens' advice bureaus staff about the campaign, the information materials to be produced therein, as well as to explore together possibilities for them to act as information multipliers. By the end of 2006 almost thirty of such workshops had been organised throughout the Romanian territory.

Economic and Social Cohesion

This is a very large and complex multi-annual programme providing assistance according to the National Development Plan 2004-2006 for the implementation of the national and regional policies in the fields of human resources and social services, education, local and regional infrastructure, environmental protection at regional level and SMEs development. 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 IB 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.

In 2006, all the projects foreseen under Phare 2004 ESC programme were contracted with a contracting rate of more than 98%. The institutions responsible for the management of the programmes/projects at central and regional level increased their overall management capacity but nevertheless more experience is still needed in the management of the infrastructure projects located all over the country.

Phare management performance

The volume of PHARE pre-accession assistance implemented in Romania in 2006 significantly increased compared to the previous year. While Phare 2003 FM comprised a budget of €266.5 million, the Phare FM 2004 sharply increased to €434.259 million. By end-November 2006 Romania had contracted 96% (€381 million) of the PHARE 2004 FM allocation (€397.459 million - excluding the projects relating to nuclear safety and border management that made up the remainder of the annual allocation up to €434.259 million and for which a contracting deadline extension was granted till 2007). This improvement of 2005 performance, considering the steep increase of allocation compared to FM 2004, was mainly achieved thanks to tight benchmarking throughout the year 2006. Thanks to this rigid benchmarking system, Romania also began the implementation of the 2005 FM ahead compared to previous years. Although the effective contracting performance of 5.8% was similar to the performance in 2005 (when 5% of the PHARE 2004 allocation had been contracted by end-December), the tendering rate at 58% was very high compared to the previous year with 26%.

Although similarly to the previous year the bulk (more than 60%) of the contracting work was done in the two or three months before the expiry of the contracting deadline, it is important to recognise that almost double of the funding had been contracted. Further more important is the timely preparation of tender documents for FM 2005, permitting contracting ahead of previous years. 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 2006 with a view to analysing statistical rejection trends and identifying still systemic technical and/or procedural errors. A continuous decreasing trend of rejection rates was noticed.

Key issue in 2006 was the benchmarking scheme, which had been initiated in 2005 for the first time linking tendering, contracting and quality control performance to the availability of PHARE allocations in the to-be-signed Financing Agreements 2005 and 2006. As a result of this scheme, significant achievements towards a better contracting and document quality performance were made.

Following its application for accreditation of EDIS for two Implementing Agencies (CFCU and Ministry for European Integration) in December 2005 and a continuing audit and monitoring process during the year, Romania was granted accreditation on 14 December 2006 for these Agencies. For the last Implementing Agency, the Ministry of Labour, a positive final audit report for EDIS accreditation was issued on 21 December 2006.

Extended Decentralised Implementation System (EDIS)

Following its application for accreditation of EDIS for two Implementing Agencies (CFCU and Ministry for European Integration) in December 2005 and a continuing audit and monitoring process during the year, Romania was granted accreditation on 14 December 2006 for these Agencies. For the last Implementing Agency, the Ministry of Labour, a positive final audit report for EDIS accreditation was issued on 21 December 2006.

Following the accreditation for EDIS granted on 14 December 2006, the responsibilities and the tasks related to twinning have been officially taken over by the Administrative Office, the twinning team within CFCU.

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 finalized and adopted by the Government in December 2005. The drafting of the National Strategic Reference Framework and the operational programmes for 2007-2013 advanced very well in 2006. Romania will implement EU structural instruments through seven operational programmes for Convergence objective: environment, transport, human resource development, increase of economic competitiveness, administrative capacity development, regional development and technical assistance. In addition to these 7 operational programmes, Romania will manage programmes under rural development funds and for European Territorial Cooperation Objective.

Institution Building highlights

The Ministry of Finance consolidated its role of coordinator of the overall exercise of EU Funds management, both at Pre-Accession and at Structural and Cohesion funds level.

The new recruitment carried out in 2006 and the full implementation of the 2005 law that allows the public administration to increase the salary of the public servants involved in the management of EU funds contributed substantially to an overall strengthening of the management and administrative capacity of the Country. As regards the progress registered on the beneficiaries' side, the main gap, reported also by the Resident Twinning Advisers, remained the lack of communication inside and between ministries or public agencies which leads to low level of coordination.

Managing Authority departments or Directions were established in all the Ministries and Institutions that will be involved in the management of EU Structural, Cohesion and Agricultural/rural funds, benefiting of twinning and technical assistance's team made available by Phare in 2006.

Following the accreditation for EDIS granted on 14 December 2006, the responsibilities and the tasks related to twinning have been officially taken over by the Administrative Office, the twinning team within CFCU.

11.3. Results and impact

State of play for JMC/SMSC development

The JMC played an active role in 2006 considering the challenges the Romanian administration had to cope with in the last accession preparatory phase. The JMC met in plenary sessions on 12-13 April 2006, 18 October 2006 and 13 December 2006 addressing horizontal issues concerning: benchmarking system and the administrative capacity of the Romanian authorities to meet its requirement, concerted efforts to get EDIS accreditation before accession and early preparation for the new mandate and implicitly higher responsibility on the Romanian side after accession. Additionally 4 ad-hoc re-allocation meetings were held amounting at 3.8% reallocated funds out of the total Phare budget earmarked in 2004 for the Phare National Programme in Romania. All these efforts turned into successful results (e.g. fulfilment of benchmarks and release of the second tranche of the 2005 Financing Agreement for the Phare National Programme, EDIS granting on 14 December 2006, signature of Financing Agreement for the Phare National Programme in 2006 etc) that contributed to Romania's accession into the EU on 1 January 2007.

The monthly Phare Coordination Meetings remained the most appropriate follow-up mechanism for monitoring the progress in implementing the JMC recommendations. In the early post-accession period the JMC will continue to rely on this instrument that proved its usefulness at the operational level.

At the SMSCs level the structure agreed in 2005 continued to be applied in 2006 following the multi-annual approach. In accordance with their mandate the 10 SMSCs met twice a year and tried to combine the monitoring activity with the results of the Interim Evaluation (IE) reports by organising, to the extent possible, the debriefing meetings together with the SMSC meetings. Consequently, the meetings had a greater impact on projects implementation without, however, reaching in all cases the relevant decision makers. If not solved in the shortest delay possible, the problem of the seniority of the people attending the SMSC meetings could affect the SMSC mandate after accession.

Monitoring and Evaluation Reports in 2006 - Lessons Learned

The monitoring reporting shifted from the project approach to the sector approach. Helped by foreign technical assistance financed by Phare funds, the co-ordination monitoring structures with the NAC elaborated the templates for the sector and project monitoring reports on the basis of the models provided by the Commission services. Thus the training sessions organised with the PIUs in this respect paved the way towards a smooth transition to the new monitoring approach. A recurrent problem is that of the involvement of the IA in elaborating the sectoral monitoring reports which, unfortunately, continued to be weak in 2006.

On the whole the evaluation results concluded that the performance of Phare has improved over time but remains mixed. Evaluation findings and conclusions for Romania show that Phare performance has been stronger for *acquis* sectors than for horizontal public administrative and judicial capacity. There was a strong performance in sectors related to the economic criteria, and some good performance in the social affairs sector. The performance of Cross Border Co-operation assistance is mixed. Generally positive immediate impact on beneficiaries could be noted, but socio-economic impact was limited. Sustainability of Phare assistance is building up as Phare has strengthened the legal, organisational and administrative systems in many sectors. Ex post support to meet the requirements of the *acquis* has generally been provided by Phare, but more assistance should have been given, earlier, to embedding a strategic approach to national and sectoral policy making. The recent acceleration in preparations for Structural Funds owes most to national activity and the imminence of accession.

With respect to Interim Evaluation, the work programme of the contractor, was extended until September 2006 allowing the evaluators to issue 9 Sector Interim Evaluation reports out of which 4 were rated “satisfactory”, 4 “barely satisfactory” and 1 related to the transport sector “unsatisfactory”. As regards in-depth evaluations, the contractor produced 4 in-depth reports covering several sectors such as Justice, ESC, Social and Agriculture. More than 90% of the recommendations in the sector IE reports have been accepted by the addressees. In 2006, significant strengthening took place of the Romanian evaluation function, with capacity building and training of the NAC and its staff. The independent evaluator offered training and coaching to the NAC with respect to the quality control process of managing decentralised evaluation reports. It is expected that decentralised Interim Evaluation by the Romanian authorities will start in the first quarter of 2007.

Positive results in implementation – Success Stories

SECTOR: ECONOMIC AND SOCIAL COHESION

TYPE OF CONTRACT: INVESTMENT & TECHNICAL ASSISTANCE

“On-lending Finance Facility for Start-Ups and Micro-Enterprises in Romania (Romania Micro-Credit Facility – RMC)” (PHARE 2005-2006 - ESC, Priority C, Measure A, Sub-project 3 – Improving the access to finance of SME start-ups, and micro-enterprises)

The project aims to address the lack of Micro and Small Enterprises funding in Romania where, even though credit is available on the market, the credit criteria used by the banking sector often work against MSEs and start-ups find it even more difficult to find suitable finance. The RMC Facility and the Support Action will assist in the creation of new job opportunities, sustain the existing workplaces and diversify economic production bases.

The facility is jointly financed with €13.6 million from the EU Phare Programmes 2005 and 2006, €4.42 million Romanian co-financing and €40 million from the EBRD, plus €30 million from the commercial syndication market. It is managed by EBRD as Fund Manager.

The PHARE/Romanian Contribution is made available in respect of the three key pillars of the RMC Facility: i) on-lending funds (€12.52 million), ii) risk sharing facility (€3 million) and iii) Technical Assistance (€2.5 million).

The EBRD Contribution and the syndicate funds are allotted for the on-lending component (first pillar).

The overall contribution is provided from the 2005 and 2006 Phare Programmes through two separate contribution agreements, respectively. The first Contribution Agreement financed entirely from PHARE 2005 (€5.22 million) was signed at the beginning of December 2006 at the same time with the first loan agreement.

Opportunity Micro-Credit Romania (OMRO), a dedicated micro-finance institution based in Targu Mures, was the first to receive funding under the facility. The RON 9.85 million (€2.8 million) loan has enabled OMRO to build on its existing portfolio of micro-business clients

and develop it further. **The first micro-loans were already granted to micro-entreprises of the County of Mures during the month of December 2006.**

The second Contribution Agreement (for the remaining 12.8 M€ from PHARE 2006) is in an advanced stage of preparation and will be signed most likely during the first quarter of 2007.

SECTOR: ENVIRONMENT

TYPE OF CONTRACT: TWINNING

RO03/IB/ EN 01 ‘Support to the Ministry of Environment and Water Management in preparation of the multi-annual programming scheme under Phare Economic and Social Cohesion’

This twinning project represented the starting point for a grant scheme especially dedicated to local and regional environmental authorities and beneficiaries under Phare Economical and Social Cohesion, whose financial resources allocated to Romania support the process of reducing economic and social disparities by decreasing inter-regional and intra-regional differences. For the environment sector this represented a new approach and a new opportunity. The local and regional Environmental Protection Agencies hold the leading role in the complicated and costly process of enforcement of the *acquis* while an important role is played by the final beneficiaries.

The common work of both Romanian and German experts during two years of intense activities was translated into the administrative and procedural framework for the grant scheme, guidelines and application forms, awareness packages, and last but not least training plans and trained advisors.

By successfully achieving its objectives, the twinning project contributed substantially to the implementation of the *acquis* in the environment sector by providing valuable expertise for the preparation and implementation of concrete projects in the waste, water, air, IPPC and nature protection sectors.

Tasks ahead

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

- Completion of the programming exercise in relation to the Transition Facility
- Conferral of the EDIS accreditation to the Ministry of Labour at the beginning of 2007
- Smooth transition of ex-ante control to ex-post control after accession and EDIS accreditation. This involves particularly the continuous support of the Phare Transition Team and the transition to EU PPD-compliant national procurement rules applicable as of the date of accession

I.12. SLOVAKIA

12.1. Summary

In 2006, 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 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 fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) continues to exercise the programming function for the TF programmes and monitoring of both Phare and TF Programmes. The National Authorizing Officer (NAO) carries out the financial supervision. Since the closure of the Representation's Phare Transition Team in Bratislava in July 2005, DG Enlargement exercises residual functions related to the Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

12.2. Phare/pre-accession financial and Transition assistance in 2006

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 7 July 2004.

Programming

A total of €5,170,000 was allocated to Slovakia under the 2006 TF 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 2006 National Programme for Slovakia in July 2006. The programme was then approved by the Commission through its Decision C(2006) 3344 of 27 July 2006, 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 2006 National Programme for Slovakia provides **€5,170,000** for:

AGRICULTURE **€0.2 million**

- Strengthening the capacities and quality of the control services of the Central Controlling and Testing Institute in Agriculture (CCTIA)

INTERNAL MARKET **€0.2 million**

- Reinforcement of administrative structures for the coordination of social security schemes in light of rulings of the European Court of Justice (ECJ)

FINANCIAL CONTROL **€0.55 million**

- Strengthening the Internal Auditors' Independence in the Public Sector by Creating Audit Committee(s)
- Audit and Ex-post Financial Control of the EU Own Resources

NUCLEAR SAFETY **€0.4 million**

- Strengthening human resources management at the Slovak Nuclear Regulatory Authority (UJD)

HEALTH **€1.7 million**

- Strengthening the Occupational Health and Safety Structure
- Improving and broadening the care for the re-socialisation and rehabilitation of persons addicted to psychoactive substances
- Improving analyses and risk assessments regarding residue pesticides

ADMINISTRATIVE CAPACITY €2.12 million

- Unallocated IB Facility
- Interim Evaluation of Transition Facility Projects

Implementation

- Phare 2003 – finalisation of payments

At the end of the respective disbursement periods for the 2003 Phare programmes (Nuclear Safety, National Programme, Cross-border Cooperation Programmes), 85% of the programmes had been disbursed.

This data does not take into account the extensions granted to certain elements of the 2003 Phare National Programme for Slovakia. Three projects received an extension and were ongoing.

- Transition Facility 2004 – rate of contracting

At the end of the contracting period for the 2004 TF programmes, 94% of the programmes (National Programme, Anti-fraud) had been contracted.

- Institution Building highlights

During the year 2006, a total of around €99.5 million of pre-accession and post-accession assistance from national allocation (not including horizontal and multi-country programmes as well as nuclear safety projects outside the National Programmes) has been deployed in Slovakia from Phare programmes (2002-2003) and Transition Facility (2004-2006).

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 Economic and Social Cohesion where efficiency is often affected by the late start of projects as well as by unresolved high staff turnover.

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

State of play for JMC / SMSC development

In 2006, one JMC meeting took place in June 2006, 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 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 2006, two rounds of Sector Monitoring Sub-Committee (SMSC) meetings took place (in May and 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).

Monitoring and Evaluation Reports in 2006 (lessons learned)

Overall responsibility for monitoring and evaluation of the Phare and Transition Facility 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 contract with the independent evaluator of Phare projects expired in October 2006. The work of the external contractor for the interim evaluation of Transition Facility projects started in April 2006.

In 2006, four Interim Evaluation reports and three Country Evaluation Summary Reports (two for Phare and one for Transition Facility) were issued.

The conclusions available from the Phare Country Evaluation Summary reports are that, to a large extent, Phare has been an effective instrument for influencing change in Slovakia and has, at the same time, provided the means to modernise infrastructure, equipment, practices and procedures in all sectors. Despite some improvements over the years, staff fluctuations still represent a major threat for the efficient and effective delivery of Phare assistance. Also the Transition Facility Country Evaluation Summary report identifies staff changes as a real threat for the sustainability of some Transition Facility projects.

I.13. SLOVENIA

13.1. Summary

In 2006, 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 *acquis*, in line with the EDIS).

Since 17 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 responsible for ex-ante control and twinning. The Ministry of Finance, Central Financing and Contracting Department (CFCD) is fully responsible for the daily implementation of the projects.

The National Aid Coordinator (NAC) 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. Since the closure of the Phare Transition Team in the Representation in Ljubljana as of July 2005, DG Enlargement continues to exercise the residual functions related to the Commission responsibilities (monitoring, payments, closure, etc.) in line with the Financial Regulation.

13.2. Phare/pre-accession financial and Transition assistance in 2006

For the period 2004-2006, a TF has been created by Art 34 of the Act of Accession to fund certain IB actions in the new Member States to address the continued need for strengthening institutional capacity in certain areas through actions which cannot be financed by the Structural funds. The implementation of EU assistance available under the TF is managed by the Memorandum of Understanding on the Implementation of the Transition Facility signed between the Slovenian authorities and the European Commission on 22 September 2004.

Programming

A total of **€3,675,000** was allocated to Slovenia under the 2006 Transition Facility budget.

Although the most urgent need as regards *acquis* implementation were 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 TF 2006 National Programme for Slovenia on 3 July 2006. The programme was then approved by the Commission with Decision C(2006) 3360 of 31 July 2006, 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 2006 National programme for Slovenia provides **€3,675,000** for:

JUSTICE AND HOME AFFAIRS

€0.25 million

- Evaluation of the Methadone Programme in Slovenia

STATISTICS

€0.825 million

- Setting up the Demographics Statistics production and content management system

INTERNAL MARKET

€1.1 million

- Traceability of foodstuffs in trade sector
- Advanced chemical Safety – Stage III

ENVIRONMENT

€0.8 million

- Development of financial instruments for water management based on Water Framework Directive 2000/60/EC

ADMINISTRATIVE CAPACITY

€0.7 million

- Unallocated Institution Building Envelope

Implementation

- Phare 2003 – finalisation of payments

At the end of the disbursement period for the 2003 Phare programmes on 15 December 2006, 97% of the National programme (including CBC) had been disbursed.

- Phare 2004 – rate of contracting

At the end of the contracting period for the 2004 programme on 31 December 2006, 94% of the programme had been contracted.

- Institution Building highlights

During the year 2006, a total of around €66 million of pre- and post accession assistance from national allocation (not including horizontal and multi-country programmes) has been deployed in Slovenia from Phare programmes (2003) and Transition Facility (2004-2006).

In 2006 the implementation of PHARE and Transition Facility projects in Slovenia proceeds reasonably well. The main problem regarding the Agricultural sector was the availability of national co-financing. However, following the NAC's suggestion, the Government adopted necessary decision to speed-up the contracting and to assure national co-financing.

Implementation of 2003 programme suffered delays due to late contracting in several sectors. In the Justice and Home Affairs sector, the implementation regarding two twinning projects was quite successful while for Phare 2003 projects implementation in the area of external border of the EU was quite slow.

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

13.3. Results and Impact

State of play for JMC / SMSC development

In 2006, two JMC meetings took place in June and in December 2006, 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, 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 2006, 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.

Monitoring and Evaluation Reports in 2006 (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 2006.

The Government Office for European Affairs signed a contract with an external evaluator on 25 October 2005 to perform interim evaluation in 2006 and 2007. The independent evaluator prepared four Interim evaluation reports regarding Transport and Economic and Social cohesion sector from end of October 2005 and May 2006 and Agriculture and Justice and Home affairs sectors from the end of May 2006 to November 2006.

The independent evaluator prepared two "Evaluation Summary Reports" (CSER) in April and November 2006.

The conclusions available from the Interim Evaluation reports are that, overall the implementation of the evaluated Phare assistance was rated satisfactory and there were no major problems or critical situations. However, the implementation of some of the evaluated projects was rated as unsatisfactory or highly unsatisfactory while 4 were rated highly satisfactory.

I.14. TURKEY

14.1. Political developments

Turkey continues to sufficiently fulfil the Copenhagen political criteria and has continued political reforms. However the pace has slowed during the past year. Significant further efforts are needed in particular on freedom of expression. Further improvements are also needed on the rights of non-Muslim religious communities, women's rights, trade union rights and on civilian control of the military.

As regards democracy and the rule of law, in the area of public administration a law establishing an Ombudsman was adopted. No progress is reported with regard to civil service reform.

In the area of civil-military relations the parliament passed revised procedures for military courts enhancing guarantees for defendants. However, senior members of the armed forces have continued making public statements to influence areas beyond their responsibilities.

There was progress in the area of judicial reform. However, implementation of the new legislation by the judiciary presents a mixed picture so far and the independence of the judiciary needs to be further established.

There was some limited progress on legislative reforms in the fight against corruption. Corruption remains widespread. Anti-corruption policies are weak and the authorities responsible for the fight against corruption need to be strengthened.

Concerning human rights and the protection of minorities, there has been a further decrease in reports of torture and ill-treatment. However, allegations of torture and ill-treatment outside detention centres and in the South-East give cause for concern. Impunity for perpetrators of torture also remains a problem. The impact on fundamental freedoms of the amendments to the anti-terror law needs to be followed closely. Such amendments introduced a wide list of terrorism offences and weakened guarantees for defendants.

In general, open debate has increased in Turkish society on a wide range of issues, including traditionally sensitive subjects. Notwithstanding this trend, freedom of expression in line with European standards is not yet guaranteed by the present legal framework. A recent ruling of the Court of Cassation establishes jurisprudence on Article 301 of the Penal Code which restricts free speech. Moreover, a significant number of persons have been prosecuted for expressing non-violent opinions. Article 301 and other provisions of the Turkish Penal Code that restrict freedom of expression need to be brought in line with the European Convention of Human Rights (ECHR).

Restrictions on freedom of assembly and freedom of association have eased, with improved implementation of measures taken in recent years. However, in some cases security forces made use of excessive force during demonstrations. Difficulties in establishing associations promoting a specific cultural identity remain.

With regard to freedom of religion, the adoption of a law that was expected to improve the situation of religious minorities has been postponed several times, and there has been no change in the difficulties faced by the non-Muslim communities on the ground. There has been no change in the situation of the Alevi community. A legal framework should be established in line with the ECHR so that all religious communities can function without undue constraints.

Women's rights receive growing public attention in Turkey, and civil society is increasingly able to play a positive role in this area. The legal framework is broadly satisfactory. However, in practice women's rights are not always protected, in particular in the poorest areas of the country. 'Honour crimes' need to be investigated more systematically and where appropriate followed-up with prosecution and convictions.

There has been little change in the situation as regards children's rights. Implementation of legal provisions, concerning education and employment for persons under the age of fifteen, needs to be improved.

On trade unions' rights there was no legislative progress. Turkey does not yet meet EU and ILO (International Labour Organisation) standards, in particular as regards the right to strike and the right of collective bargaining.

Turkey's approach to minority rights remains restrictive. Turkey did not ratify the international legal instruments on minority rights. As regards cultural rights, limited broadcasting is allowed in languages other than Turkish. Restrictions on learning such languages are maintained for the public schooling system. All private establishments offering courses in Kurdish language closed down in August 2005. General restrictions on the use of languages other than Turkish remain tight both in political life and when accessing public services.

Turkey has been the subject of increased terrorist attacks, in particular from the PKK, which is on the EU list of terrorist organisations. The EU has strongly condemned these terrorist acts.

There is a need for Turkey to address the serious economic and social problems of the South East and ensure full enjoyment of rights and freedoms by the Kurdish population. The large numbers of internally displaced persons continues to cause concern.

14.2. Macroeconomic developments and structural reforms

With regard to the economic criteria, Turkey continues to 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. Turkey overcame financial market turbulence in spring 2006, which proved that the vulnerability of the Turkish economy has been reduced significantly. Turkey's macroeconomic stabilisation improved over the last year due to a balanced policy mix. As a result fiscal consolidation continued, debt dynamics improved and inflation further decreased, while economic growth remained robust. Furthermore, considerable progress was achieved on improving public financial management and control, which also led to better transparency in fiscal matters. After several years of success in fighting inflation, the 2006 target of 5% was missed with an end year figure close to 10%. Expectations for 2007 are that a further substantial reduction will be achieved.

Turkey has initiated a reform of its social security and health systems. The country aims at curbing public deficits in the long run, and providing universal health insurance for all. 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, albeit from a low level. To build upon this progress, macroeconomic stabilisation, based on budgetary restraint, could be further pursued. The current account deficit requires careful monitoring and a readiness to take prompt actions. Further structural reforms should underpin and strengthen the stabilisation process. The reforms should be particularly aimed at strengthening the rule of law, enhancing privatisation, enterprise restructuring, and reducing the informal economy. Appropriate measures are needed to address the social aspects of these reforms, such as correcting labour market imbalances. The low female labour force participation requires attention. Commitments to restrict the total wage bill should be respected. The reform of public expenditures budgetary procedures should be continued. A full implementation of improved regulatory and legal frameworks needs to be ensured.

14.3. Progress in meeting the *Acquis Communautaire*

As regards Turkey's ability to adopt and implement the EU legal order, there has been some progress in most areas.

Progress has taken place in the area of free circulation of goods, including the possibility for Turkey to notify conformity assessment bodies, as well as market surveillance. Very limited progress has been made as regards the right of establishment and freedom to provide services. There has been some progress in provisions relating to free movement of capital. Certain restrictions have been lifted, but foreigners continue to face some restrictions in purchasing real estate and in the possibilities to engage in some economic sectors. There has been very limited progress in the area of public procurement. A narrower scope of application of the Turkish procurement legislation weakened progress. Some progress took place concerning company law, in particular as regards accounting standards and auditing. Alignment concerning intellectual property rights is advanced, and has further improved. In the area of competition policy, provisions concerning anti-trust are satisfactorily aligned and implemented by the competition authority. As regards state aids, no progress can be reported in adopting the state aid law, or on the setting up of a state aid authority. Good progress has been made concerning financial services, and in particular in the banking sector. Progress in the insurance sector has been limited. In the area of information society and media, progress was made.

Regarding agriculture, actions concerning rural development need to be considerably fastened so that the pre-accession programme for rural development, to be set up in 2007, can be implemented on time. Alignment in the areas of food safety, veterinary and phytosanitary policy is limited. The setting up of a system for registration of bovines and identification of their movements constitutes progress. On transport some progress has been made. Alignment is relatively advanced in the area of road transport, but uneven in the other sectors. On energy, some progress has been achieved. However, overall alignment is uneven. Turkey is invited to become a full member of the Energy Community. Progress in the area of taxation is limited. The Turkish fiscal regime is partly in line with the *acquis*. All discriminatory elements on the taxation of alcoholic and tobacco products need to be abolished. Some progress has been achieved in statistics, and in particular in the use of uniform classifications and the availability of sector statistics. Some progress was also made in the area of employment and social policy. Alignment is relatively advanced on health and safety at work. Turkey's enterprise and industrial policy largely meets the EU's policy principles in this area. Turkey remains at an early stage with regard to preparations for regional policy and coordination of structural instruments. As regards financial control, Turkey made progress. Some of the relevant administrative structures as well as the implementing legislation are in place.

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. However, further efforts are needed to ensure an independent and efficient judiciary. Although some progress can be reported on corruption, the latter remains a serious problem. Matters such as parliamentary immunity and the financing of political parties need attention. Turkey continued to align its legislation in the area of justice, freedom and security,

which is partly in line with the *acquis*. The EU attaches importance to a readmission agreement. In the areas of education and culture, and science and research, alignment is fairly complete and Turkey is well prepared for accession. The chapter on science and research was provisionally closed in the negotiations.

As regards environment, Turkey's alignment in the areas of waste management and noise is on track. However, lack of progress on horizontal legislation, in particular on trans-boundary issues, public consultation and the water framework Directive, is noted. Turkey made no progress in transposing GMOs- IPC-legislation (IPPC, Seveso and LCP in particular). Alignment in the area of consumers and health protection is advancing gradually. Provisions concerning the customs union are aligned to a large extent, also to comply with the EC-Turkey customs union. 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.

14.4. Pre-accession in 2006

Programmes launched

The 2005 Financing Agreement (FA) was finally signed on 11 July 2006 after positive developments in the functioning of the DIS institutions had been acknowledged by the Joint Monitoring Committee in May and the conditionality included in the FA had been met.

After the adoption of the Turkey 2006 NP, Part I (€105.4 million) by the Commission on 9 June, the Turkey 2006 NP, Part II (€336.2 million) was also adopted on 23 November, after it had been agreed on with Member States in the Phare Management Committee on 20 October. The sum of the two programmes amount to €441.6 million and together with the separate measure on Avian Influenza (€8.4 million), which was adopted through an accelerated Commission decision procedure on February 17, represents a full commitment of available funds managed by decentralised implementation in 2006 (€450 million).

The signing of the two main Financing Agreements (FA) for the Turkey 2006 NP Part I and II is subject to the conditionality regarding the existence of adequate administrative structures for programme implementation, including a level of 100 staff at the CFCU. A separate FA for the project on the Promotion of the Civil Society Dialogue EU-Turkey over €21.5 million was signed on 25 August 2006.

As in 2005, the 2006 Programmes closely reflects the priorities of the pre-accession process as defined in the Accession Partnership for Turkey, the Commission's Progress 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).

The 2007 programming was initiated through the elaboration of a strategic planning document called the Multi-Annual Indicative Planning Document as basis for further programming of

separate components under the 2007 IPA funds. Furthermore, a programming process document was elaborated and agreed at the December JMC, which outlines the roles, steps and timelines for all parties involved in programming. As a first step in the programming process, the Turkish authorities have submitted at the end of 2006 a selection of project ideas for consideration under component I Institution Building.

Overview of programmes implemented

Programming and implementation of financial assistance to Turkey in 2006 took place while priority attention was given in most concerned Ministries to the negotiations process including screening and the opening of chapters.

At the end of 2006, a total of €1.824 billion of EU funds were under active management in Turkey. This includes a total of €1.282 billion under the decentralised implementation system (including funds for participation in Community Programmes and EADP) and €523.7 million under ECD deconcentrated management inclusive of MEDA and EIDHR/Gender/Environment programmes. The balance of €18 million is implemented by DG ELARG/HQ (TAIEX, SME Facility, FEMIP, IEPP).

During 2006, a total of 1743 contracts were signed amounting to €384.5 million, compared to 489 contracts totalling €184.8 million in 2005. This includes:

- €105.2 million contracted by the ECD under MEDA and other deconcentrated programmes (as compared to €98.5 million in 2005)
- €279.3 million under DIS (as compared to €86.3 million in 2005)

The bulk of the contracts signed during 2006 was due to the contracting of the large grant programmes Regional Development NUTSII- NP 2003 (393 grants), EADP (309 grants) as well as the Konya Kayseri programme (519 grants) under NP 2004.

With the expiry of the contracting deadline for MEDA programmes at the end of 2006, €102 million MEDA funds were contracted during 2006, resulting in an overall contracting rate of 95.3% when compared to 77.4% at the end of 2005.

By the end of May 2006, the overall contracting rate for FM 2003 was 84.5% (including Community Programmes), following the expiry of the contracting deadline for the Project TR 0305.02 (Regional development in Samsun, Kastamonu and Erzurum NUTS II regions). The overall contracting for the FM 2003 programme is slightly lower when compared to that for FM 2002 (87.1%). The disbursement rate for FM 2003 was 68.3% as of December 2006.

However, this “relatively satisfactory” contracting rate for FM 2003 was achieved at the expense of a slow start in the contracting for FM 2004 which at the end of June was only 30% accelerating to 82.4% by the end of November, the actual contracting deadline of the FM 2004.

The same pattern can be noted for FM 2005. Although FM 2005 was signed on 11 July 2006 following the go-ahead of the JMC in May 2005, at the end of December 2006, the contracting rate for FM 2005 stood at 24.5%, (including Community Programmes) even with the launch of two major works tenders with suspension clause. This figure represents 9 contracts with a value of €29.2 million.

With regard to the FM 2006, no progress with regards to contracting can be reported for Part I A of the FM 2006 (referring to Civil Society Dialogue) signed on 25 August 2006. Contracting can be reported for the Avian Influenza which was the subject of a separate Commission Decision.

Pre-Accession Management performance

The first part of 2006 has been dominated by efforts to avoid a suspension of the DIS in Turkey. A post-accreditation follow-up audit of the DIS institutions was finalised in March 2006. It not only concluded that there was not sufficient staff to handle the workload resulting from increased levels of assistance but also identified several other blocking findings calling into question the basis for the Commission's DIS accreditation decision, e.g. no clear segregation of responsibilities between the services of the National Aid Coordinator and those of the National Authorizing Officer, status of the CFCU (administratively attached to the EU Secretariat General) is detrimental to the adequacy and stability of its staffing, and The CFCU is unable to exercise a sufficient control of the Senior Project Officers (SPOs) to ensure the quality and timeliness of project implementation, notably at the stage of procurement.

In order to remedy this, an amendment of the Memorandum of Understanding on the Establishment of the CFCU was signed with the Turkish authorities. In addition, the Commission services indicated that the ex-ante visa of the Delegation would be suspended unless the ratification of the amendment to the MoU was ensured by the date of May JMC meeting and a credible plan to fully address the audit findings was prepared.

The Turkish authorities belatedly took notice of the gravity of the situation, and the suspension of the DIS in Turkey was narrowly averted. The JMC took stock of the fulfilment of the above conditions. The amendment of the MoU was ratified in early May. The Action Plan that was prepared and discussed at the JMC in May, following some revision, should provide a basis for addressing rigorously the audit findings. In addition, by the time of the JMC, some progress was noted with regard to staffing and hence the condition for the signature of the 2005 Financing Agreement was judged as being fulfilled.

However, staffing levels especially with regard to the CFCU but also the EUSG were estimated not being sufficient in view of the further increasing levels of financial assistance under the 2006 programmes. Therefore, in both part of the National Programmes (NP) I and the NP II, conditionality for the signing of the Financing Agreement was built in including reaching the level of 100 staff at the CFCU.

While by the end of 2006 both programmes NP I + II had been adopted by Commission decision, progress with regard to staffing notably at the CFCU but also at the EUSG as presented to the Commission at the JMC in December was not fully satisfactory. The CFCU had not reached the required level of staff of 100 (the conditionality for the signing of the NP 2006 Financing Agreements) and the secondary legislation to provide it with institutional and financial autonomy had not yet been adopted. Equally, the specific legislation for the EUSG which would entail a significant and needed reinforcement of its staffing levels was prepared in the course of 2006 but not transmitted to the TGNA for adoption yet. This issue was taken up at high level by the Commission with the Turkish authorities including at the Joint

Monitoring Committee (JMC) meeting in December. The Commission will need to continue to underline at the political level both the importance of pre-accession assistance for the accession process and the need for efficient DIS institutions that should be strengthened to take account of DIS follow-up audit results, increasing financial assistance allocations in the future and new requirements under the IPA instrument.

During the JMC of December, for the first time, absolute deadlines were agreed for the submission of procurement files under NP 2005 for the ex-ante visa of the EC Delegation and the launch of procurement procedures. Furthermore, target dates were agreed for the submission of procurement files to the EC Delegation under NP 2006 and for the submission of terms of references and specifications from the beneficiary to the CFCU under NP 2007. If respected, the above deadlines and target dates will ensure a parallel procurement of NP 2005 and 2006, as well as a timely start of procurement under NP 2007.

NDP's state of play

Objective of the pNDP

During the first half of 2006, Turkey has finalised the preparation of its 9th National Development Plan for the 2007-2013 period, which was adopted by the Turkish Grand National Assembly on 1 July 2006 and published in the Official Gazette (to be in force as of 1 January 2007). This document was prepared by the State Planning Organisation on the basis of findings of the ad-hoc committees formed by representatives of academia, public institutions, private sector and NGO's. It is Turkey's main strategic policy document which guides all macroeconomic, sectoral and regional policies and implementations. It also is a key reference document for the programming of pre-accession financial assistance under the IPA instrument to Turkey from 2007.

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 2006, a total of 16 twinning contracts were signed: 14 (including 1 TW Light) of which are part of the 2004 Turkey National Programme and the remaining 2 of the 2005 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.

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

“Strengthening Police Forensic Capacity”

The project was carried out with the Federal Criminal Police Office of Wiesbaden, Germany which assisted the Turkish National Police (TNP) of the Turkish Ministry of Interior, in its efforts to improve skills in the area of forensic science and support the integration of modern scientific methods into daily police investigations. As such, the project addressed the Copenhagen political criteria as it added extra safeguards for human rights and the rule of law through supporting evidence based prosecutions and eliminating prosecutions based on extracted confessions.

The project established standards for a quality management system for the Criminal Police Laboratories of the Turkish National Police meeting ISO 17025 standards and set up a Performance Monitoring Unit for Forensic Laboratories. The project also focused on the legal, technical and procedural framework for the establishment of a national DNA database by bringing together experts from the UK and Germany as well as the Police, Gendarmerie, Forensic Medicine Institute etc. Apart from that the project set the foundations for a Disaster Victim Identification Unit to be established by the police. Equipment totalling €3.7 million was also purchased under the project.

Another major achievement of the project was the development of a comprehensive training and awareness raising programme for officers directly involved in forensic investigations as well as the delivery of practical training in the field of forensics.

“Support to Turkey in the field of air quality, chemicals and waste management: Twinning Project on Component: Waste”

This twinning project between Turkey and Germany has been concluded with significant positive results especially concerning the alignment with the *acquis* in the environmental sector.

The main purpose of this project was to improve the environmental conditions in Turkey by implementation and enforcement of the EU environmental *acquis* through establishing the necessary capacity within Ministry of Environment and Forestry to transpose and implement 6 EU Directives namely; (94/62/EC) Packaging and Packaging Waste Directive, (75/442/EEC) Waste Framework Directive, (91/689/EC) Hazardous Waste Directive, (2000/76/EC) Incineration Directive, (99/31/EC) Landfill Directive and (93/259/EC) Shipment of Waste Directive. Draft legislation covering the 6 EU directives, as well as the guidelines for implementation were elaborated during the project implementation. The expected timeframe for adoption of the legislation are 2nd and 3rd quarter of 2007. The twinning project also helped drafting of the new Environment Law that was adopted in May 2006, in terms of polluter pays principle as well as the requirements for permits and monitoring.

Strengthening the Administrative Capacity for the Effective Implementation of Rural Development Plan

The new Instrument for Pre-accession Assistance (IPA) has five components including one for rural development (known as IPARD). IPARD will be based on a fully decentralised implementation structure and Turkey needs accordingly to establish an IPARD Agency. As known from SAPARD experience, the establishment and accreditation of a fully decentralised implementation structure is lengthy and costly. Therefore, the EC assisted Turkey for the establishment of the IPARD Agency through this Twinning project.

The Twinning project was implemented by a consortium - Netherlands and Austria – with a total budget of €549.945,00. The mandatory results were achieved through 20 activities during 12 months in order to strengthen the institutional capacity in Turkey for the implementation of the rural development component within IPA.

The following results were achieved during the project:

- The existing institutional structures were examined and the necessary structures for effective and sound implementation of the IPA rural development plan were defined.
- In terms of staffing and investments (IT and office equipment etc), the needs of relevant institutions were defined.
- Reports were prepared on the legislative and institutional framework required for the implementation of IPA rural development support.
- Guidelines for the implementation of rural development measures were prepared.

Moreover,

- Long and short-term training needs have been assessed. A relevant training plan and training programmes have been facilitated.
- 50 staff from MARA and relevant institutions have been trained on the implementation of IPA rural development measures.
- A communication strategy was designed; a web site and e-newspaper prepared for the public awareness.

14.5. Results and impacts

State of play for JMC/SMSC Development

Two JMC meetings were held in the course of 2006. The first JMC meeting was held in May 16, mainly focusing on the review of the DIS audit recommendations and the possible suspension of the DIS. Although Turkey closely missed having DIS suspended in the first half of 2006, during the JMC, it was agreed not to suspend the system however the importance of the continuous need to implement the blocking and system findings identified in the DIS audit report was highlighted. The second JMC meeting was held on December 18, covering activities in 2006 including monitoring and evaluation of the EC financial assistance, the preparations for IPA, status of implementation and programming 2007, in addition to the need for the Turkish authorities to address weak capacity of the key DIS institutions.

Furthermore, the JMC of December 2006 adopted a new structure for monitoring during 2007, as this will be the transition year in the move towards IPA. The proposed monitoring structure will be a mix of the present SMSC format and the introduction of shadow committee meetings inline with the IPA Implementing Rules.

M&IE Reports: Lessons Learned

The country summary evaluation of Turkey showed that EU financial assistance is relevant to the Accession Partnership and the NPAA. However objectives are in many cases poorly defined, the need for specific interventions is not well justified suggesting inadequate ex-ante analysis of the issues to be addressed. Efficiency continues to be undermined by understaffing by understaffing of the CFCU and project management staff as well as by a poor co-ordination between key institutions. Additionally, in spite of significant steps taken to improve monitoring there has been a consistent lack of effective monitoring. Whilst EU assistance has become more effective over time overall effectiveness has been undermined by late contracting and inefficient implementation. The overall impact of the EU financial assistance is improving but likely to be limited. Social Development and Administrative and Judicial Capacity are the sectors considered to have performed the best in terms of impact. By contrast, the impact in the sector covering Infrastructure, Internal Market, Customs and Agriculture has been limited. Sustainability, often overlooked during the project design phase and addressed too late during implementation, is generally considered to be modest although improving. Moreover, the slow progress in public administration reform undermines sustainability.

With respect to Interim Evaluation, the evaluators issued 6 Sector Interim Evaluation reports out of which 3 were rated “barely satisfactory” and 3 “unsatisfactory” related to internal market, public administration and infrastructure. More than 80 % of the recommendations in the sector IE reports have been accepted by the addressees.

Sectors with positive results

Positive results in 2006 have been achieved notably in the Business Development, Social Development and in the Justice, Liberty and Security sectors.

Financial assistance for the Business Development sector has been generally effective. Most Business Development programmes have had a significant impact. However, sustainability of assistance in this sector is only partly assured.

Also in the Social Development sector assistance has been generally effective over the past year, and numerous activities have been implemented, and outputs delivered. However, contracting delays have, in some cases, limited activities and outputs, and the over-ambitious nature of several programmes, combined with accumulated delays, means that, several programmes (primarily MEDA) are likely to fall short of the envisaged achievements. While the immediate impact of measures is often limited in this sector, the capacity and the public perception of various institutions has been enhanced to varying degrees, most notably the

Turkish Employment Agency. The grant schemes have promoted the role of civil society organisations, and have stimulated cooperation between non-governmental organisations and the public sector.

While overall implementation of assistance in the Justice, Liberty and Security sectors is undermined by inefficient preparatory activities, implementation of ongoing twinning and technical assistance activities has in most cases been efficient, and a good level of commitment and cooperation is evident amongst beneficiary institutions, member state twinning partners, and technical assistance providers. Overall, the delivery of EU funded activities and outputs have been delayed due to the late start of implementation for much of the assistance. However, once started, the support, with a few exceptions (mainly equipment procurement), is effective and is delivering the envisaged draft legislation, strategies, action plans, training, situational analysis, needs analysis, procedural and guidance manuals, and other outputs. There is limited evidence of impact to date. There is more evidence of immediate impact from assistance addressing more limited, specific, and clearly defined objectives such as in the Protecting People sub-sector. The high level of commitment generally evident at the project level suggests that benefits are likely to be sustained, at least in the near future.

Success stories

Şanlıurfa Drinking Water Project

Until the completion of this project, Şanlıurfa, with its population of around 500,000, has had severe water shortages, both in quantitative and qualitative terms, due to the lack of adequate water supply system. High rates of occurrence of waterborne diseases have been indicators for an inadequate water supply system.

The project funded the construction of over 35 kilometres of large diameter water transmission pipelines, water reservoirs with a total capacity of more than 100,000 m³, and three pumping stations through a grant of €21.3 million. The facilities are able to provide water for almost 1.5 million people – i.e. the projected population of the city in 2020. The significant improvements in water delivery and quality in the city bring substantial health and environmental benefits, as cleaner water means not only less disease but also better protection of the environment.

Strengthening the Accountability, Efficiency and Effectiveness of the Turkish National Police

The strengthening the accountability, efficiency and effectiveness of the Turkish National Police Twinning project which started its implementation in February 2005 addresses the needs for improvement of quality of police services to the public and respect for human rights in the discharge of police tasks, pre-service and in-service training, community police facilities and personnel system including promotions and appointments and working conditions of the Police.

The project, with duration of 24 months, is carried out with the Spanish Ministry of Interior, General Directorate of Security and the Turkish Ministry of Interior, General Directorate of Security. About 3000 police officers have been trained on issues such as human rights and community policing within the framework of the project. A code of ethics for police officers was developed.

Maternal Mortality Study under the Reproductive Health Programme in Turkey

This programme provides €55 million EU funding to the Ministry of Health for a 5 years period to end in 2007. The programme covers training, supply, research/studies components and a composite Civil Society strand which serves as a shelter for the areas of reproductive health issues.

The project “Maternal Mortality Study” financed under the Research & Study component of the Reproductive Health Programme in Turkey provided an opportunity to fill information gaps on maternal mortality by providing accurate data on the current situation in Turkey, with a focus on differences by regions and between urban and rural areas. The study presents the

levels of maternal mortality and major causes of maternal mortality in Turkey. It examines the avoidable factors which contributed to these deaths and identifies risk factors, so that existing programs can be improved. As a result of the project maternal mortality ratio for Turkey is found to be 28.5 per 100,000 live births, with the lowest level in West Anatolia (7.4) and the highest in Northeast Anatolia and East Black Sea (68.3). Maternal Mortality for Southeast Anatolia is 38.9, lower than West Marmara Region (42.1).

Tasks ahead

Programming of IPA

With the introduction of the new Instrument for Pre-accession Assistance, IPA, programming of financial assistance to Turkey has become multi-annual and is separate for each of the five components of IPA. The strategic reference document for all IPA components, the Multi-Annual Indicative Planning Document (MIPD), is planned to be adopted by the Commission in the first half of 2007.

Under component I (Institution Building), a single Financing Decision including a national Programme of projects in the areas of the political criteria, civil society dialogue and alignment with the *acquis* is foreseen to be presented to the IPA in October. Component II (Cross-border Co-operation) will comprise of several cross-border and transnational cooperation programmes to be adopted by Commission decision between July and August. Components III (Regional Development) and IV (Human Resources Development) will be based on a further reference document ownership of the Turkish authorities, the Strategic Coherence Framework, as well as 4 multi-annual Operational Programmes in the areas of Regional Competitiveness, Environment, Transport and HRD, which are to be adopted by the Commission in 2007. Component V (Rural development) will include the preparation of a Rural Development Programme by Turkish authorities, which is to be adopted by the Commission in the course of 2007.

Progress on DIS-EDIS

Further strengthening the sustainability of the DIS system remains an important goal in 2007. This includes increasing staff numbers in key DIS institutions, notably the CFCU, to meet the conditionality for signing two Financing Agreements of 2006. Strengthening the DIS and its institutions will be crucial in improving contracting rates and project implementation.

2007 will be an important year in the process of accreditation for all IPA components. A number of new institutions will have to be accredited under the DIS for IPA components I-IV (Institution Building, Cross-border cooperation, Regional Development, HRD). This includes conferral of management by the European Commission while maintaining ex-ante control on

procurement. In the case of component V, Rural Development, Turkey is foreseen to go a long way in 2007 towards meeting the requirements stemming from the EDIS accreditation, i.e. conferral of management by the European Commission while waiving ex-ante control on procurement.

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

II.1. TECHNICAL AND FINANCIAL ASSISTANCE

1.1. TWINNING

One of the great challenges for new Member States, Candidate or potential candidate countries is to reform, adapt and strengthen their public institutions in order to adequately implement the EU rules and procedures, the so-called *acquis communautaire*, and to benefit fully from membership of the Union. The need to bring assistance with real added value in this context has also been a challenge to the Union. The Twinning programme is one such response where the European Commission, the EU Member States and the partner beneficiary countries have mobilised significant human and financial resources to meet this challenge.

Launched in May 1998, Twinning is now one of the principal tools of 'Institution Building' assistance. Twinning aims to help beneficiary countries in the development of modern and efficient administrations, with the structures, human resources and management skills needed to implement the *acquis communautaire*. Twinning provides the framework for administrations and semi-public organisations in the beneficiary countries to work with their counterparts within the EU. Together they develop and implement a targeted project aimed at supporting the transposition, enforcement and implementation of a specific part of EU *acquis*.

Since 1998 the European Commission has committed over €1 billion to Twinning involving the implementation of more than 1,200 projects. Almost one half of these projects concerns Justice, Freedom and Security issues, and Public Finance and Internal Market matters. Other areas prioritised include Agriculture and Fisheries, Environment policy and Social policy.

The 2006 programming exercise encompassed 71 Twinning projects across New member States, Acceding Countries, Candidate Countries and potential Candidate Countries (Twinning projects in the Western Balkans countries are funded through the CARDS programme).

The 2006 PHARE exercise (including Transition Facility) financed **65** Twinning projects:

The distribution of Twinning projects in new Member States (funded through the Transition Facility: 2006 last year of programming) is the following:

| COUNTRY | N° of Twinning Projects |
|----------------|-------------------------|
| CYPRUS | 0 |
| CZECH REPUBLIC | 2 |
| ESTONIA | 4 |
| HUNGARY | 0 |
| LATVIA | 5 |
| LITHUANIA | 2 |
| MALTA | 1 |
| POLAND | 11 |
| SLOVAKIA | 3 |
| SLOVENIA | 2 |
| BULGARIA | 9 |
| ROMANIA | 14 |
| CROATIA | 0 |
| TURKEY | 12 |

Due to the change of programme from CARDS to PHARE, the launching of the 2006 Twinning projects for Croatia has been delayed to the first months of 2007.

Furthermore, the new Member States and the Candidate Countries are being offered the possibility of drawing on Twinning expertise through "Twinning light", in order too address well-circumscribed projects of limited scope. In 2006, this instrument has been continuously used by the new Member States and Candidate Countries.

1.2. TAIEX

As one of the institution building instruments of the pre-accession strategy, the TAIEX instrument had seen in 2006 a quite successful tenth year of operation.

The instrument had originally been set up in 1996 as a follow-up to the Commission's White Paper on the preparation of the associated countries for integration into the internal market. Its mission has since been broadened to provide short term institution building assistance in all areas of the EU *acquis* to support the alignment, application, and enforcement of the *acquis* in the 10 new Member States, the acceding and Candidate Countries, the Western Balkans and the Turkish Cypriot Community in the northern part of Cyprus. Moreover, in 2006 the TAIEX instrument became available to the European Neighbourhood Policy partner countries (Morocco, Algeria, Tunisia, Libya, Syria, Lebanon, Egypt, Jordan, Israel, the Palestinian Authority, Moldova, Ukraine, Belarus, Armenia, Azerbaijan and Georgia) and Russia.

As a horizontal instrument, complementary to the Commission's country programmes, TAIEX is managed centrally. Assistance is delivered through a variety of means including short term expert missions, workshops, seminars, study tours and peer assessments. TAIEX is also used to support the Commission monitoring process in the Enlargement context by way of peer reviews.

TAIEX is driven by both internal demand (Commission services) and external demand (final beneficiaries). It is flexible and can respond to needs with very short notice. The experts used are primarily officials from the Member States administrations and when possible the Commission and other relevant EU institutions/bodies.

In 2006, the TAIEX instrument mobilised more than 3900 experts from all Member States to participate in more than 1,000 events attended by some 35,000 participants from all beneficiary countries. Its activities facilitated an exchange of best practices and experiences across the entire spectrum of the *acquis communautaire*.

Bulgaria and Romania received a large share of TAIEX assistance in the year before their accession to the European Union – in these two countries a total number of 255 events was organised and around 10,000 participants were trained. The Member States of the fifth enlargement were also large beneficiaries. While more specialised requests were received by their administrations, the new Member State officials also participated in the TAIEX events organised for the Western Balkans and ENP countries as experts and speakers. Assistance to the potential candidate countries and territories reached 75 events, including assistance to newly-independent Montenegro. From the side of the ENP countries TAIEX has received more than 50 requests since September 2006 from all countries. In the same period more than 800 participants from the administrations of the ENP partner countries and Russia have been trained. Following the trend of previous years, the policy areas with the largest number of activities are Justice, Freedom and Security (183), Internal Market (143) and Agriculture (130).

In the context of support to the Turkish Cypriot community, a total budget of €11 million has been allocated for TAIEX, aiming at aligning with the *acquis communautaire* for the purpose of these being immediately applicable upon the entry into force of a comprehensive settlement of the Cyprus problem. The delivery of assistance is also now supported through the EU Programme Support Office which was opened in the northern part of Cyprus in September 2006. This will allow the preparation and implementation of a much more comprehensive approach to technical assistance delivery as well as enhanced monitoring of needs and progress.

Between January and March 2006 TAIEX conducted a total of 36 peer reviews in Bulgaria and Romania. 19 Peer reviews were conducted in Bulgaria and 17 in conducted in Romania. These reviews concentrated on the areas that were highlighted in the 2005 Comprehensive Monitoring Reports for both countries. The peer review reports served as key contributions to the monitoring reports that were published in May 2006 for both Bulgaria and Romania. Based on the conclusion of the May reports a further 7 peer reviews (4 for Bulgaria and 3 for Romania) were organised in the areas of key concern highlighted in the May reports. These final peer reviews contributed to the conclusions of the final monitoring reports for Bulgaria and Romania that were published in September 2006.

The TAIEX expert database registers public sector experts with experience in the field of the EU *acquis* coming from the 25 Member States. In 2006 around 2600 experts covering all the fields of the EU legislation could be found in the database. The Expert Database has largely contributed to increase TAIEX capacity to identify quickly the experts needed for assistance.

An important evolution of the TAIEX expert database was to give free access to the representatives of the 25 Member States in compliance with the EU regulation 45/2001 on protection of personal data. Since June 2006 each TAIEX national contact point has access into a list of public experts registered in the TAIEX expert database and also gets information on the spread of experts by field of the EU *acquis*.

1.3 SIGMA – Support for Improvement in Governance and Management

Since 1992, this Institution building instrument for assistance in horizontal areas of public management (Public administrative reform, public procurement, public sector ethics, external and internal financial control) is implemented by the OECD through a contribution agreement with the Commission.

In 2006, SIGMA was fully active in the following groups of countries: 1. New Member States, 2. Western Balkans, 3. Bulgaria, Romania and Turkey, and 4. Croatia. Within this context a total of 50 concrete assistance assignments have been approved by the Commission and carried out by OECD: 5 in New Member States, 16 in Bulgaria, Romania and Turkey, 6 in Croatia and 23 in the Western Balkans.

II.2. INFORMATION ON MULTI-COUNTRY AND HORIZONTAL PROGRAMMES

2004 NETWORKING PROGRAMME

The Networking Programme provides *acquis*-related assistance in priority areas where it is in the nature of the problems that country-specific action cannot cover the needs and meet the objectives. This was particularly the case where the targeted result itself implied communication and networking between the two Acceding Countries Bulgaria and Romania, and was focused on:

Civil Society

- This component aimed at assisting Civil Society Organisations (CSOs) provides assistance to and/or deal with disadvantaged, discriminated and marginalised groups such as drug addicts, HIV patients, (ethnic) minorities and the elderly. Areas in which the implementation of the *acquis* took place were to a large extent in the hands of civil society actors.
- In this context, networking with Civil Society organisations in the existing Member States was 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 CSOs from Bulgaria and Romania.

Internal Market

- This component supports beneficiary administrations and bodies in Bulgaria and Romania relying on efficient communication and cooperation with partner organisations in old Member States as well as in the new Member states.
- Under a contract of €0.75 million (with 5% EFTA contribution) assistance has been 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. This project will end in June 2007.

Protection of the financial interests of the Community

- The year 2006 saw the continuation of the multi-country programme (value €1.5 million) to assist 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. Main activities were internships in OLAF and the Member States and training seminars in areas such VAT fraud, Customs fraud. This programme will end in June 2007.

ENVIRONMENTAL PROGRAMME

The Phare 2005 Multi-Country Programme on Environment and Enlargement started in 2006. The objectives of this programme are designed to strengthen the institutional capacity of the candidate countries to ensure compliance with the EU environmental acquis, with a particular focus on regional and local level authorities, to help reinforce the ability of these stakeholders to play their full role. This programme, the total budget of which is €3.6 million, included the following components:

- Promoting improved implementation and enforcement, exchange of experience and information at national and regional level, scoping to determine key problem areas, through the participation of Bulgaria, Romania, Croatia and Turkey in the IMPEL and BERCEN networks.
- Developing the capacity of environmental authorities, through transfer of best practice and training to support effective use of financial resources.
- Strengthening the capacity of local and regional environmental authorities to implement the environmental *acquis*.

STATISTICAL COOPERATION PROGRAMME FOR BULGARIA, CROATIA, ROMANIA, TURKEY

In 2006 the multi-beneficiary statistical co-operation programme 2005 started for which grants and contracts worth €5.4 million had been awarded. The €12 million multi-beneficiary statistical cooperation programme 2006 was set-up against the background of the "Strategy for statistical co-operation with the acceding and 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.

The programmes cover a large number of projects in areas such as national accounts, price statistics, business statistics, agriculture and environment statistics, social, transport and education statistics.

MULTI-BENEFICIARY STEEL RESTRUCTURING PROGRAMME

The Commission has been involved in the restructuring of the steel sector that is taking place simultaneously in e.g. 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 so that they might 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 continue until 2011.

TEMPUS PROGRAMME

The European Commission's main instrument to promote higher education cooperation with the Western Balkans is the Tempus programme. Tempus supports the structural development of higher education systems in the EC's neighbouring countries, including Croatia, through cooperation projects of EU universities with institutions in the partner countries. The overall objective of the Tempus programme is to contribute to an area of cooperation in the field of higher education involving the European Union and partner countries. In particular, the programme helps promote voluntary convergence with EU developments in the field of higher education linked to the Lisbon agenda and the Bologna process.

The European Commission has been successfully implementing the Tempus programme in Croatia since 2000. The programme has generated a high demand in Croatia so far. The absorption capacity of the higher education sector has been consistently high in Croatia which has the highest number of Joint European Projects and Structural Measures in the region. So far, 71 co-operation projects with a total EC contribution of some € 14 million have been funded. The Tempus EC funding for 2006 amounted to € 4.5 million for projects which will be selected in 2007.

The Tempus programme has provided valuable support to the reform and modernisation of the Croatian higher education system. According to an impact study which was recently concluded, Tempus has been highly effective in developing human resources and building capacity in public administration, civil society and industry and has led to further cooperation at national level. Tempus has improved cooperation between the university and the economic sector. Tempus has also influenced the university sector, in particular in the areas of

governance, international relations services, libraries, student services and modernisation and teaching.

TRANSITION FACILITY PROGRAMME STATISTICAL INTEGRATION

In 2006 the 2005 transition facility programme on statistical integration started. In total, grants and contracts worth €2.7 million had been awarded under this programme. This was the last statistics programme under the Transition Facility for the 10 Member States that joined in 2004.

The programme addresses the implementation of common pilot projects corresponding to data production for new and/or evolving *acquis*, and improving data quality through specific small - scale projects.

The principal activities are common pilot projects in areas such as innovation statistics, business statistics, social and environmental statistics. The emphasis for the beneficiary countries is on the compliance with new *acquis* requirements and on further improving the quality of statistical data.

Pilot project work encompasses activities such as workshops and meetings for the transfer of methodology, specific statistical advice, pilot/test data collection, drafting of inventories and reports and dissemination of statistical data.

The common projects address common issues mainly relating to new and changing *acquis* requirements and be implemented by a majority of countries whereas the specific small-scale projects address particular issues in a given statistical area in individual countries.

2.1. PARTICIPATION IN COMMUNITY PROGRAMMES, AGENCIES AND COMMITTEES

This programme, launched in 2005 as a continuation of previous initiatives and completed by December 2006, aimed at providing support to the two candidate countries, Romania and Bulgaria, in view of their participation upon accession in selected 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

The aim of the programme was to allow the alignment of Romania and Bulgaria with European Union's standards and practices and the creation of a solid network at the European level, while reducing the gap between the EU Members and Candidate Countries. Contribution agreements with these agencies were signed in order to implement specific preparatory actions which were all completed by December 2006.

PARTICIPATION OF CROATIA AND TURKEY IN CERTAIN COMMUNITY AGENCIES

Being the sister programme of that for Romania and Bulgaria, this programme aims at preparing Croatia and Turkey for their future participation in selected Community 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

This was pursued by establishing networks with the relevant National Authorities and counterparts as well as with other relevant stakeholders, organising information activities (seminars, workshops and conferences), organising training activities and encouraging participation in official meetings as observers.

In the course of 2006 contribution agreements with these Agencies were signed for projects the duration of which is expected to last until the end of 2007.

SMALL PROJECTS PROGRAMME

Under this programme, eighteen grants were awarded to support small-scale activities relating to the enlargement and accession process with the object of creating more visibility of the EU and facilitating integration between citizens of the current Member States and Bulgaria, Romania and Turkey. The activities supported under this programme were complementary to the activities supported under the Enlargement Communication Strategy.

The programme also has a traineeship scheme to allow officials of the beneficiary countries to gain practical experience by working within the European Commission for periods of up to three months.

The final beneficiaries are *non-profit* organisations, including local or regional authorities (national authorities only in the framework of the Traineeship scheme), 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 EU-25 and the three Beneficiary countries.

All projects were completed in 2006.

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 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) which also include a Rural Sub-Window focused on farming business, 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 reimbursable 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.

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 Turkey¹.

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 launched in 2006 covers for the last time Romania and Bulgaria.

| BUDGET (€ million) | LGLW | | | | | | EW | | TOTAL |
|-----------------------|---------------|------|------------|-------------|-----------|-----|--------------|-------|--------------|
| | EU/EBRD | | EU/CEB/KfW | | EU/EIB | | EU/EBRD | | |
| | Phare | EBRD | Phare | CEB/ KfW | Phare | EIB | Phare | EBRD | |
| 1999 | 33.75 | 177 | 0 | 0 | 0 | 0 | 16.25 | 16.25 | 243.25 |
| 2000 | 30 | 150 | 21 | 113 | 0 | 0 | 0 | 0 | 314 |
| 2001 | 30 | 150 | 30 | 150 | 30 | 300 | 0 | 0 | 690 |
| 2002 | 20 | 223 | 15 | 75 | 15 | 150 | 0 | 0 | 498 |
| 2003 | 25 | 200 | 15 | 75 | 10 | 100 | 0 | 0 | 425 |
| 2005 | 18 | 90 | 9 | 45 | 5 | 25 | 0 | 0 | 192 |
| 2006 | 24 | 144 | 20 | 100 | 9 | 45 | 0 | 0 | 342 |
| TOTAL | 180.75 | 1134 | 110 | 558 | 69 | 620 | 16.25 | 16.25 | 2,704.2 5 |

As at mid-February 2007, the total amount of EU incentives committed into projects is €287.6 million.

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.

¹ Turkey is financed through the Pre-accession financial assistance for Turkey

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 € 17.8 million launched in 2006 will be implemented with two sponsors only, and covers for the last time Romania and Bulgaria.

| (€ million) | EU/EBRD | | EU/CEB/KfW | | EU/EIB | |
|--------------|-----------|------|------------|---------|-------------|-----|
| | 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 |
| 2006 | 0 | 0 | 5 | 25 | 12.8 | 64 |
| TOTAL | 33 | 165 | 29 | 145 | 55.8 | 279 |

As at mid-February 2007, the total amount of EU incentives committed into projects is €41.3 million.

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 Regions²: Estonia; Zachodniopomorskie, Lubuskie, Dolnoslaskie (Poland); Severovychod, Severozapad, Jihozapad, Jihovychod (Czech Republic); Zapadné Slovensko, Bratislavsky (Slovak Republic); Nyugat Dunantùl (Hungary); Slovenia; Yuzhen Tsentralen, Yugozapaden (Bulgaria).

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

As per end of 2005 the financial status of the Programme was the following:

| € million | EU/EIB | |
|---------------|-----------|------------|
| | Phare | EIB |
| BUDGET | | |
| 2002 | 35* | 175 |
| 2003 | 15 | 75 |
| TOTAL | 50 | 250 |

* Amount before de-commitment.

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. Subsequently, €10 million was de-committed in 2006.

As at mid-February 2007, the total amount of EU incentives committed into projects is €28 million.

ENERGY EFFICIENCY FINANCE FACILITY

The Energy Efficiency Facility was launched in 2006 in response to the Energy Efficiency Green Paper and the Directive on Energy Performance of buildings. It aims at stimulating the energy efficiency investments in all kind of buildings and in the industry sector by making appropriate financing available to the end-borrowers. The overall results of the programme will be saving in energy and a significant reduction of CO2 emissions contributing to meeting the Kyoto targets.

In order to promote energy saving, the programme includes an investment incentive to improve the cost effectiveness of the equipment and make the energy investment more attractive. More than half of EU incentives shall be distributed to the end-borrowers. Similarly to the other IFI Facilities, this programme includes an incentive to the benefit of the local financial intermediaries in order to encourage them to lend for the purpose of sustainable energy and energy efficiency financing. The 3 IFIs involved in the implementation, the EBRD, the CEB in association with KfW and the EIB will provide credit lines to the local financial intermediaries which in turn will extend loans to end-borrowers.

² COM (2001) 437

| € million | EU/EBRD | | EU/CEB/KfW | | EU/EIB | |
|-------------|---------|------|------------|-------------|--------|-----|
| | Phare | EBRD | Phare | CEB/ KfW | Phare | EIB |
| 2006 | 24 | 0 | 23 | | 6 | |

The implementation of the programme shall start on 1 April 2007

II.3. PROGRAMME MANAGEMENT ISSUES - MONITORING AND EVALUATION

3.1. MONITORING AND INTERIM EVALUATION

The sectoral interim evaluations of Phare programmes as well as of pre-accession financial instrument for Turkey are essentially programme 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 JMC 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 both Bulgaria and Romania the JMC played an active role in 2006 considering the challenges that their respective administrations had to cope with in the final preparatory phase before accession. In Croatia, the system of JMC/SMSC pilot-tested in 2005 was set up during 2006. The meetings covered Phare programmes as well as decentralised CARDS projects.

The interim evaluation schemes for Turkey, Bulgaria and Romania generated 23 sectoral evaluation reports covering Phare and pre-accession assistance.

The key messages derived from the Bulgaria and Romania evaluations are the following:

- On the whole the evaluation results concluded that the performance of Phare has improved over time but remains mixed;
- The implementation of Phare remains a challenge with widespread contracting delays;
- Outputs have generally been delivered adequately, if later than planned;
- Twinning has been particularly effective for institution building, increasing absorption capacity of beneficiaries;

- Sectoral performance of Phare displayed great variation. In Romania Environment and Internal Market are sectors with the highest rating. By contrast the lowest rated sectors are Economic and Social Cohesion and Energy and Transport. In Bulgaria Environment is the sector with the highest rating. The lowest rated sectors are Economic and Social Cohesion, Social and Energy and Transport.;
- Phare support was crucially needed to initiate reforms to public administration and the judiciary but only inadequate progress has been made;
- Phare has had limited effect in preparing beneficiaries to the Structural Funds. The acceleration in preparations for Structural Funds was mainly due to the own efforts by the authorities in the view of the imminence of accession.;
- Phare did not contribute enough to ensuring that national co-ordinating structures and procedures were in place;
- Sustainability of Phare assistance is building up as Phare has strengthened the legal, organisational and administrative systems in many sectors.

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

- The country summary evaluation of Turkey showed that EU financial assistance is relevant to the Accession Partnership and the NPAA. However objectives remain in many cases poorly defined, the need for specific interventions is not well justified, and there is a lack of baseline information, suggesting inadequate ex-ante analysis of the issues to be addressed.
- Efficiency continues to be undermined by understaffing of the CFCU and project management staff as well as by a poor co-ordination between key institutions.
- Whilst EU assistance has become more effective over time overall effectiveness has been undermined by late contracting and inefficient implementation.
- The overall impact of the EU financial assistance is improving but likely to be limited. Social Development and Administrative and Judicial Capacity are the sectors considered to have performed the best in terms of impact. By contrast, the impact in the sectors covering Infrastructure, Internal Market, Customs and Agriculture has been limited.
- Sustainability, often overlooked during the project design phase and addressed too late during implementation, is generally considered to be modest although improving. Moreover, the slow progress in public administration reform undermines sustainability.

3.2. EX-POST EVALUATION

The evaluation unit of DG ELARG managed a major ex post evaluation of Phare covering national programmes, multi-country programmes and thematic evaluations.

The main findings and conclusion of this report show that overall outputs of Phare were satisfactory but with mixed impacts. Most interventions delivered the planned outputs especially through the use of twinning. A broad range of effects has been produced, particularly the medium-term effects on the direct and indirect beneficiaries. Intermediate and socio-economic impacts, that is the spreading of benefits progressively beyond direct beneficiaries, are positive but not universal and, overall, are less than originally expected.

Sustainability of Phare interventions face, and continue to face, a number of challenges such as a lack of political commitment and low absorption capacity exacerbated by high staff turnover. Satisfactory progress on institutional reforms (primarily related to transposition of the *acquis*) which were enhanced through the intensive efforts in the final preparations for accession, run the risk of being undermined by weaknesses in administrative capacity. Such risks are particularly high in the areas of administrative capacity outside EU integration management.

Outputs and results were affected by many inefficiencies. There was a tendency for interventions to be extensively delayed, consequently shortening the time available before the expiry date for disbursement. As a result the scale of some outputs was reduced, particularly in the area of institution-building.

Building administrative and judicial capacity was adversely affected by limited progress on horizontal reforms and governance. Specifically, Phare support to horizontal public administrative and judicial capacity started too late to engender enough progress by the time of accession. The absence of a comprehensive support strategy for building Administrative and Judicial Capacity, including the requirements for horizontal reforms, risks undermining the achievements on the *acquis*.

There were significant differences in the performance of sectors. The *acquis* for the sector with the highest rating (Environment) had legislation which is reasonably well defined, coupled with well developed sector strategy and implementation experience. The lowest rated sectors, notably Economic and Social Cohesion, Cross Border Co-operation and the justice aspects of Justice and Home Affairs are those where the *acquis* requires the introduction of complex systems with a high degree of strategic or policy development. Moreover progress in these sectors depended on a high degree of political commitment and ability to push through, implement and enforce reforming legislation.

1. 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.

All the new Member States had their decentralised monitoring IE functions set up since 2005. It is expected that decentralised interim evaluation will be set up by the Bulgarian and Romanian Authorities in early 2007. Croatia was granted DIS on February 2006 including their responsibility to set up a monitoring function. The centralised IE function should be established in the second half of 2007, and will build on the present IE function for Romania and Bulgaria.

PART III: FINANCIAL PERFORMANCE & OVERVIEW

III.1. PHARE FUNDS BY YEAR 1990 – 2006

Financial Overview and Performance

In 2006, the Phare pre-accession assistance and the Transition Facility programme committed a total of euro 1.772,2 million. The following chart shows the breakdown year by year of the funds committed in the period 1990-2006 (million euro):

| Year | Funds Committed |
|------|-----------------|
| 1990 | 475,3 |
| 1991 | 769,7 |
| 1992 | 979,6 |
| 1993 | 966,1 |
| 1994 | 946,1 |
| 1995 | 1.114,0 |
| 1996 | 1.207,8 |
| 1997 | 1.135,1 |
| 1998 | 1.153,9 |
| 1999 | 1.481,7 |
| 2000 | 1.651,5 |
| 2001 | 1.635,4 |
| 2002 | 1.695,1 |
| 2003 | 1.698,1 |
| 2004 | 1.240,5 |
| 2005 | 1.353,9 |
| 2006 | 1.772,2 |

In 2006, **Total Phare and Transition Facility commitments** amounted to €1.772,2 million thus 99% of available commitment appropriations were used.

In 2006, total Phare and Transition Facility commitments amounted to 1.772,2 million euro, comprising:

Phare National Programmes: 1.086,5 million euro, of which

| | |
|----------|---------------|
| Bulgaria | 166,8 million |
| Croatia | 61,1 million |
| Romania | 408,6 million |
| Turkey | 450,0 million |

Cross-Border Cooperation: €84 million, of which

| | |
|----------|--------------|
| Bulgaria | 42,0 million |
| Croatia | 6,0 million |
| Romania | 36,0 million |

Transition Facility Programmes: €63,1 million, of which

| | |
|----------------|--------------|
| Cyprus | 3,2 million |
| Czech Republic | 7,2 million |
| Estonia | 3,8 million |
| Hungary | 6,7 million |
| Latvia | 4,0 million |
| Lithuania | 4,0 million |
| Malta | 3,3 million |
| Poland | 22,1 million |
| Slovakia | 5,2 million |
| Slovenia | 3,6 million |

| | |
|----------------------------------|-------|
| Nuclear safety | 63,2 |
| Turkish Cypriot Community | 258,8 |
| Horizontal programmes and others | 216,6 |

III.2. PHARE FUNDS BY COUNTRY 1990 – 2006

Total Phare commitments, contracts and payments, 1990-2006, in million EUR

| Partner country | Commitments(1) | Contracts(2) | Payments(2) |
|--------------------------|------------------|------------------|------------------|
| Bulgaria | 2.328,15 | 1.722,25 | 1.405,90 |
| Czech republic | 917,24 | 833,96 | 817,43 |
| Croatia | 144,60 | 0,00 | 0,00 |
| Cyprus ^(*) | 338,01 | 77,73 | 55,73 |
| Czechoslovakia | 230,49 | 231,82 | 228,88 |
| East Germany | 34,49 | 28,86 | 28,86 |
| Estonia | 346,84 | 308,70 | 302,29 |
| Hungary | 1.480,06 | 1.380,36 | 1.344,04 |
| Latvia | 423,61 | 383,74 | 371,67 |
| Lithuania | 810,27 | 812,85 | 733,16 |
| Malta | 57,11 | 44,68 | 34,84 |
| Multi-country programmes | 3.356,82 | 2.498,74 | 1.993,96 |
| Poland | 3.995,99 | 3.657,13 | 3.552,54 |
| Romania | 3.623,50 | 2.537,71 | 2.104,05 |
| Slovakia | 717,59 | 655,81 | 613,18 |
| Slovenia | 360,33 | 326,05 | 314,93 |
| Turkey | 1.861,95 | 1.036,43 | 664,37 |
| Total | 21.027,05 | 16.536,82 | 14.565,83 |

(*) includes assistance to the Turkish Cypriot Community

(1) Committed by the European Commission (EC)

(2) EC headquarters and Local Authorities (as reported to the EC)

In cumulative terms, as €21.027,05 million have been committed (by the European Commission) and €16.536,82 million have been contracted (jointly by EC Headquarters and local authorities), there is an amount remaining to be contracted of €4.490,23 million. This amount is higher than in previous years (3.847,7 million euro in 2005 and €3.281,8 million in 2004). However, with the introduction of the new Instrument for Pre-Accession (IPA) and the accession of Romania and Bulgaria, the amount left to be contracted will decrease in the coming years.

In cumulative terms, as €16.536,82 million have been contracted (jointly by EC Headquarters and local authorities) and €14.565,83 million have been paid (jointly by EC Headquarters and local authorities), there is an amount remaining to be paid of €1.970,99 million. This amount is lower than in previous years (€2.347,4 million in 2005 and €1.822,4 million in 2004), and is going to decrease in the coming years (for the same reasons indicated in the previous paragraph) for the reduction of the amount left to be contracted.

As regards the budgetary execution in year 2006 at the level of the European Commission only, payment appropriations totalled €1.535 million, and actual payments (to the Local Authorities and contractors/beneficiaries) totalled €1.508 million (execution rate of 98%).