REPORT FROM THE COMMISSION

THE PHARE PROGRAMME ANNUAL REPORT 2001

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This is the yearly report by the European Commission to the European Parliament, the Council of the European Union and the European Economic and Social Committee, assessing the progress of the Phare pre-accession instrument.

The Phare programme is one of the three pre-accession instruments financed by the European Communities to assist the applicant countries of central Europe in their preparations for joining the European Union. Originally created to assist Poland and Hungary in 1989, today the Phare programme encompasses the 10 candidate countries of central and eastern Europe, i.e. Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia and Romania.

Phare’s total "pre-accession" focus was put in place in 1997 in response to the Luxembourg European Council’s launching of the present enlargement process. Phare funds now focus entirely on the pre-accession priorities highlighted in each country’s Accession Partnership.

In 2000-2006, Phare is providing some €11 billion of cofinancing for institution building support through "twinning" and technical assistance and for investment support. The objective is to assist the candidate countries in their efforts to strengthen their public administrations and institutions to function effectively inside the Union, to promote convergence with the European Community’s extensive legislation and reduce the need for transition periods and to promote economic and social cohesion.

In 2001, total Phare commitments amounted to € 1641 million. Programming was based, as in 2000, on the revised guidelines for Phare that take account of the new ISPA and SAPARD regulations that took effect from 2000. The new guidelines also emphasise the need to use the Phare programme to ensure a smooth and effective transition towards Structural Funds, through investments in economic and social cohesion. During 2001 steps were taken in order to reinforce the programming approach used under the Structural Funds to help the candidate countries prepare to benefit from these funds after accession.

The European Commission has increasingly transferred responsibility for the management and implementation of Phare programmes to the authorities in the candidate countries. As a result, several activities previously included in multi-country programmes have been integrated into national programmes.

A technical document, which is presented as an annex to this report, contains sections on programming and implementation of the Phare Programme in each of the beneficiary countries (SEC(2003) 228).
1. **THE YEAR IN REVIEW**

1.1. **Main evolutions of the Enlargement Process in 2001**

On 13 November, the Commission adopted its 2001 Enlargement package, consisting of a Strategy Paper, the 2001 Regular Reports assessing progress made by each of the candidate countries towards meeting the accession criteria, and proposals for revised Accession Partnerships with each of the negotiating countries.

The findings of the 2001 Regular Reports were encouraging. All candidate countries, except Turkey, continued to meet the political criteria, and have made further progress in this respect. Further progress has been registered also in terms of the economic criteria and as regards the ability to take on the obligations of membership.

On the basis of progress made to date, the Commission put forward a **strategic approach** aimed at making a success of enlargement, and meeting the objectives set by the Göteborg European Council, i.e. that candidate countries that are ready should participate as Members in the European Parliament elections of 2004, and should be able to conclude the accession negotiations by the end of 2002.

The strategic approach proposed by the Commission consisted of two key elements:

- **indications on how to deal with the remaining negotiating chapters under the roadmap for the negotiations (agriculture, regional policy, financial and budgetary provisions, institutions and other) on the basis of the existing acquis, and within the financial framework set by the 1999 Berlin European Council;**

- **an action plan** to strengthen and monitor candidate countries' administrative and judicial capacity, in which the Commission takes the lead, and has as its partners the candidate countries and the Member States.

In addition, the strategy paper provided indications for the next steps with those negotiating countries that will not meet the Göteborg objectives and for launching a new phase in the pre-accession strategy for Turkey. Given that Turkey did not meet the Copenhagen political criteria, negotiations could not be opened with this country.

**State of play in the negotiations**

In accordance with the roadmap, during the Swedish presidency the Union has defined Common positions on the core internal market chapters, as well as on environment, social affairs, external relations, culture and audio-visual policy. In a considerable number of cases, this has led to provisional closure. In addition, in line with the commitment taken at the Feira European Council and confirmed at Nice, all remaining chapters were opened with several countries negotiating since 2000.

For the period of the Belgian presidency, the roadmap earmarked 9 chapters as priority chapters, i.e. competition, transport, energy, taxation, customs union, justice and home affairs, agriculture (veterinary and phyto-sanitary issues), fisheries, and financial control. Considerable work was achieved under the Belgian presidency (progress report on competition, information note on transport, information note on veterinary and phyto-sanitary
issues). Furthermore, a number of chapters were closed with almost all countries (fisheries and financial control).

The Swedish Presidency organised three Deputies Accession Conferences on 29 and 30 March, 17 May and 1 June, and a Ministerial Conference on 11 and 12 June. The Belgian Presidency organised a first Deputies Conference on 27 July, a second on 26 October and a third on 28 November. An Accession Conference at Ministerial level took place on 11 an 12 December.

**Screening/monitoring**

In line with the Helsinki and Feira conclusions on the link between progress in the negotiations and on the ground, in mid 2000 the Commission has launched a process of **monitoring of the negotiations**. Its purpose is to assess the implementation of commitments candidates have taken in the negotiations, and in general to identify any delays that may have occurred in the adoption and implementation of the *acquis* by each candidate, highlighting problems that exist or may be expected. For any new *acquis* adopted and published during a given calendar year, the Commission transmits at the beginning of the following year the relevant legal texts to the candidate countries. Analytical examination of the *acquis* or **screening** takes place in the context of the Association Committees and Sub-committees under the Association Agreements.

The Commission will undertake an enhanced monitoring of the negotiations with a view to the Seville European Council in June 2002.

**Enlargement communication strategy**

In order to accompany the enlargement process, both at home and in the candidate countries, the Commission has adopted an Enlargement Communication Strategy, which addresses the EU citizens as well as the population of the candidate countries, informing them about the costs and benefits at stake. This strategy is being implemented in a de-centralised way, through the Commission's Delegations in the respective candidate countries and its Representations in the Member States.

1.2. **The Conclusions of the Göteborg and Laeken European Councils**

After the breakthrough in the enlargement process that was achieved at Nice, with the conclusion of the IGC on internal reform and the endorsement of the enlargement strategy proposed by the Commission, the **Göteborg European Council** on 15 and 16 June brought a further step forward. In particular, the European Council confirmed that the enlargement process is irreversible and formulated the objective, for the first time, that candidates which are ready should participate as Members in the European Parliament elections of June 2004, and should be able to conclude negotiations by the end of 2002.

The Göteborg European Council also urged candidate countries to devote particular attention to strengthening their administrative structures and to reforming their judicial systems and civil service.

The **Laeken European Council** on 14 and 15 December welcomed the Commission strategy paper and regular reports, confirmed the road map established by the Nice European Council and reiterated that the objective is to complete the accession negotiations with those countries that are ready by the end of 2002, with a view to their participation in the 2004 European Parliament elections. For Bulgaria and Romania, the objective is to open negotiations on all
Chapters by the end of 2002. The Council also asked the Commission to present a report to the Seville European Council in June 2002 on the implementation of an action plan for administrative and judicial reform in the candidate countries. The Council acknowledged that Turkey had made progress towards complying with the political criteria for accession and encouraged Turkey to continue its reforms, notably with regard to human rights.

1.3. ISPA and SAPARD and the Co-ordination of the Community Pre-accession assistance

ISPA continued its operations in all candidate countries. SAPARD started its operations in five candidate countries following the “Commission decisions on conferral of management of aid on implementing agencies” in 2001.

The Co-ordination Committee of the Commission at Directors level convened three times in 2001.

A General Assistance Document was presented at the Phare Management Committee on 26 April 2001. The Document gives an overview of the three pre-accession instruments, their priorities and implementation in 2001.

A separate annual report on co-ordination of pre-accession assistance will provide more detailed information on co-ordination between Phare, ISPA and SAPARD.

2. Implementation of the Phare Programme

2.1. General overview: implementing the Phare guidelines

The European Commission has increasingly transferred responsibility for the management and implementation of Phare programmes to the authorities in the candidate countries. As a result, there has been increasing emphasis on national programmes designed to address specific weaknesses identified in the annual Regular Reports prepared by the Commission on each candidate country. Several activities previously included in multi-country programmes have been integrated into national programmes and this process continued in 2001, with the integration of Phare support for participation in Community Programmes.

Moreover, in December 2001, the Commission prepared and circulated to candidate countries a Checklist of actions necessary to implement a fully decentralised implementation system – known as Extended Decentralisation Implementation System or EDIS.

Programming in 2001 was based, as in 2000, on the revised guidelines for Phare approved by the Commission (SEC (1999) 1596 of 13 October). These guidelines build on the changes decided in 1998 and take account of the new ISPA and SAPARD regulations that took effect from 2000. The new guidelines also emphasise the need to use the Phare programme to help the candidate countries prepare to benefit from Structural Funds after accession through investments in economic and social cohesion.

2.2. General overview: Financial and technical assistance

Under the revised guidelines (SEC (1999) 1596), approximately 30 per cent of Phare resources were earmarked for institution building, the main instrument of which is twinning or twinning light (secondment of experts from Member States to the candidate countries to help develop the capacity to implement specific aspects of the acquis). The other 70 per cent
was earmarked for investments designed to improve the regulatory framework to implement the acquis and to promote economic and social cohesion. In fact, in 2001, institution building accounted for 37 per cent of commitments within the national programmes and institution building and associated investment combined accounted for 64 per cent. Thus, investment to support economic and social cohesion accounted for 36 per cent of the national programmes.

In 2001, total Phare commitments amounted to € 1641 million, comprising:-

- **national programmes**: € 1091 million, of which:
  - Bulgaria: € 83 million
  - Czech Rep.: € 65 million
  - Estonia: € 26 million
  - Hungary: € 90 million
  - Latvia: € 31 million
  - Lithuania: € 46 million
  - Poland: € 411 million
  - Romania: € 274 million
  - Slovakia: € 44 million
  - Slovenia: € 21 million

- **cross-border co-operation**: € 163 million

- **regional and horizontal programmes**: € 219 million

- **nuclear safety**: € 168 million
Support in favour of children as an illustration of the intervention of Phare in the candidate countries

In most of the candidate countries of Central and Eastern Europe Phare supports projects in favour of children. The total for projects implemented in 2001 amounts to about €55.5 million, financed through the National Programmes as well as under several multi-beneficiary programmes such as the Access Programme and the Small Projects Programme. Moreover, new projects for the total amount €24 million were launched in 2001.

Main areas of intervention of the projects addressing the situation of children in the candidate countries regard the reform of child care services, support for socially disadvantaged children, such as street children, disabled, abused and neglected children and education, from kindergartens to secondary education. A major focus is the access to education for children from marginalised groups of society, particularly the Roma minority.

In Romania, for example, a €25 million Phare 1999 Programme on Child Protection supports the reform of child protection. Main components of this programme are

- A grant scheme “Children First” aiming at closure of large old-style residential institutions, under which 110 local child protection projects are implemented by the local Departments for Child Protection (day care centres, family type homes, foster care, re-integration projects, mother and child centres).

- A national public awareness campaign aimed at preventing abandonment of children and their re-integration into (natural, foster or national adoptive) families and informing the larger public of existing alternatives to institutionalisation of children.

- A Twinning project using EU member states’ expertise to facilitate co-operation between the Ministry of Labour and Social Protection services with Child Protection Departments (at central and local level) in order to ensure that Romania’s overall social protection policies are effective in providing support to families with children, and preventing abandonment and institutionalisation of children.

2.3. The Phare 2000 review

Following a review of the Phare programme, in October 2000 was adopted a Communication from the Commissioner responsible for Enlargement "Strengthening Preparation for Membership" (C(2000)3103/2 of 27 October). The Phare 2000 Review concluded that Phare’s current orientations continue to address the main needs of the candidate countries and should be maintained. However the review identified two additional challenges for Phare in the 2000-2006 period: (i) fully realising the 1997 reform of the Phare programme and (ii) moving to Structural Funds.

In the course of 2001 the principal developments presented in the Phare 2000 Review Communication to tackle those two additional challenges have been put steadily on track.

The 1997 reform of Phare moved the programme to an accession-driven basis. In 2001 Phare provided increased support to build and strengthen the institutions that candidate countries need to implement the acquis upon accession. Such assistance was channelled through support to institution building, the main instrument of which is twinning or twinning light, and through support to investments in the regulatory structures to implement the acquis. Steps were taken to further decentralise Phare implementation responsibility to the candidate
countries (Extended Decentralised Implementation System) aiming at waiving the ex-ante approval of the projects by the Commission.

A smooth and effective transition towards Structural Funds requires strengthening candidate countries' programming and administrative capacity. During 2001 steps were taken in order to reinforce the programming approach used under Structural Funds. To this aim, the candidate countries were requested to submit a revised version of their (preliminary) National Development Plan. The NDPs map out the candidate countries' strategy, priorities and measures for promoting economic and social cohesion (ESC) in their territories. Thus the NDPs constitute the key steering documents for programming Phare ESC investments. While having this pre-accession role, at the same time NDPs represent the forerunner of the future Development Plans/Draft Single Programming Documents required by the Structural Funds Regulation. The use of "grant schemes" (i.e. measures as defined in Article 9(j) of the Structural Funds Regulation) become widely used as a mean to support ESC investments in one of the areas of human resource development, productive sector investments and business related infrastructure. This allows for a more decentralised implementation of Phare projects, which are similar in size and nature as for Structural Funds operations, provided candidate countries are capable of running "schemes" instead of stand alone projects.

As concerns candidate countries' administrative capacity, in 2001 Phare intensified its support to the candidate countries' structures deemed to manage the Structural Funds upon accession. This was done mainly through Institution Building instruments, like twinning. Moreover, with the support of TAIEX, starting in 2001 the Commission organised seminars on Structural Funds and Accession in all candidate countries with the exception of Bulgaria and Romania, to explain how Community Assistance is managed in the EU Member States and to present Commission's view on what needs to be done by future Member States to prepare for implementing Structural Funds from Accession up to 2006.

2.4. Phare National Programmes

- Support to Institution building
  
  - Twinning

Twinning was launched in May 1998 as the principal instrument for Institution Building. It aims to help the candidate countries in their development of modern and efficient administrations, with the structures, human resources and management skills needed to implement the acquis communautaire to the same standards as Member States.

Twinning's targeted pre-accession assistance is based on the long-term secondment of civil servants and accompanying short-term expert missions and training.

A total of 503 twinning projects have already been funded by the Community between 1998 and 2001. Between 1998 and 2000, 373 of these projects were primarily targeted towards agriculture, environment, public finance, justice and home affairs and preparation for the management of Structural Funds. These represented the principal priority sectors that were identified in the Accession Partnerships. Since 2000, other important sectors of the acquis have also been addressed through twinning for example, social policy, fight against drugs, transport and telecommunications regulation.

Twinning therefore now covers all sectors pursuant to the acquis. Thanks to the strong support and response from EU Member States, 103 twinning partnerships, funded by Phare
1998 and involving all candidate countries and almost all Member States, have already been concluded. Under Phare 1999 a further 123 projects are being implemented and the programming exercise for Phare 2000 included a further 146 twinning projects. The 2001 programming exercise encompasses 130 twinning projects across all Phare beneficiary countries, as well as Cyprus and Malta.

It is estimated that around 250 twinning projects are operational throughout the candidate countries at any one time. Furthermore, the candidate countries are being offered the possibility of drawing on Member States' expertise through "Twinning light", in order to address well-circumscribed projects of limited scope which emerge during the negotiation process as requiring adaptation.

An independent assessment of the design of Twinning was conducted in the spring and reported in July 2000. The Commission has taken on board most of the recommendations of this assessment for improvement of the procedural and financial rules for Twinning, as reflected in the Twinning Manual. Steps were also taken to speed up implementation of the programme.

– TAIEX

The establishment of the TAIEX Unit within DG Enlargement became a reality in Spring 2001. In parallel, a new tendering process was undertaken to replace the Bureau Assistance Technique with a new contractor to provide commercial services to the Unit through a framework contract operating a Special Fund.

2001 was a year of increases in both the range of services and the number of Candidate Countries receiving support from TAIEX. A total of 492 events were held in 2001, ranging from seminars and workshops with the participation of all Candidate Countries, to expert exchange programs and study visits of administrative staff to Member State administrations.

A large proportion of events dealt with issues related to agriculture, financial and institutional matters and environmental, consumer and health protection. In total 2,048 experts were mobilised from the Member States and 11,257 participants attended TAIEX events from the candidate countries.

New services were started leading to a number of new initiatives. Amongst these were:

**The Regional Training Programme** whereby selected candidates from regional administrations are being trained to develop local training arrangements to support the implementation of important sectors of the acquis at the local level.

**A Ports and Border Management Programme** to support the application of border related acquis through training and co-operation between the concerned services, starting with sea and river ports, this followed the conclusions of the very successful TAIEX Ports Conference held in co-operation with the Bremen Land in December 2000.

**Business weeks for the private sector**, to allow an increased opportunity for the business community and social partners to discuss the implications of the application of the EC acquis in individual Candidate Countries.

**The Parliament Programme** which is providing “question and answer” sessions in Brussels for the Candidate Countries’ National Parliamentary Committees as well as an exchange scheme for officials with Member States National Parliaments.
Introduction of the TAIEX Expert Stock Exchange allowing a more transparent and effective system for notifying requests for experts and study visits to Member State administrations and posting their offers back to Candidate Countries.

- Support to investment

The 1999 guidelines called for investment support to be re-oriented to take account of the launching of ISPA and SAPARD. Investments accounted for 63 per cent of the resources committed within the national programmes in 2001 – 27 per cent of which was for investments in the regulatory structures to implement the acquis.

Moreover, the Phare Review underlined the need to assist candidate countries prepare for Structural Funds. The Commission continued to expand its support for economic and social cohesion in 2001 (accounting for 36 per cent of total national programme commitments) and to move towards the approaches required for Structural Funds as quickly as is sustainable and feasible, taking into account the specific features of each candidate country.

To this end, in 2001, € 57 million of institution building resources were targeted at authorities or bodies responsible for the preparation and implementation of Structural Funds assistance on accession and investment funds amounting to € 394 million were devoted to investment in economic and social cohesion to pilot test approaches for Objective 1 actions, relying to a larger extend on a programme oriented approach. Moreover, the process of preparing National Development Plans, to underpin programming of investment in economic and social cohesion and to prepare for Structural Funds, has been accelerated and programming for CBC has been more closely aligned with the National Development Plans and moved towards Interreg.

2.5. Phare Cross-border co-operation

The Phare CBC Regulation of December 1998 has introduced substantial changes in the way cross-border co-operation programmes operate, aimed at aligning Phare CBC with Interreg practices. In this context, the introduction of Joint Programming Documents and the set up of joint structures (i.e. the Joint Co-ordination Committees) represented a quantum leap in moving towards Interreg.

Further improvements in better aligning the Phare CBC programme with Interreg were introduced at the end of 2000, in the context of the Communication "Phare 2000 Review – Strengthening preparation for enlargement". These are currently put into practice in the context of the Joint programmes for 2000-2006.

Improvements include multi-annual indicative financial allocations per border, and a programme oriented approach for Phare through the introduction of "grant schemes". The latter allows for a more decentralised implementation of Phare projects, which would be similar in size and nature as for Interreg, provided candidate countries are capable of running "schemes" instead of stand alone projects.

Two types of "schemes" co-exist: Small Project Funds for grants below 50,000 €, and Economic and Social Cohesion schemes for grants between 50,000 € and € 2 million.

On all borders, Small Project Funds (SPF) continued to operate or were established, using between 10 and 20 percent of the total programme's appropriation. "People to People" actions in areas such as culture, education, information, local economic development and
employment, supported under the SPF, further enhanced the involvement of local and regional authorities in cross-border co-operation.

Schemes for grants between 50.000 € and € 2 million are implemented in the framework of Economic and Social Cohesion support in one of the areas of human resources development, support to productive sector and business related infrastructure.

In the year 2000-2002, Phare-CBC has an annual budget of € 151 million, allocated between the different candidate countries taking objective criteria into account (population, GDP per capita and surface of the border regions concerned). Another element to be taken into account was the need for a balance on both sides of the border, and a two third/one third repartition between EU-CC and CC-CC borders, as provided in the budgetary comment. In 2001 Phare-CBC programmes are operational at 14 borders. Moreover, a further € 12 million is allocated to the Baltic-CBC programme (Poland, Latvia, Lithuania, Estonia) where, given the peculiarity of the Baltic Sea area, a transnational approach in conjunction with the Interreg III B programme must be followed.

Joint Programming Documents covering the 2000-2006 period, were established for each EU-CC border (here in the form of joint Phare CBC/Interreg programming documents) and each CC-CC border (except the Baltic Sea areas). In the Baltic Sea area, the joint CBC/Interreg III B programming document was approved by the Commission in June 2001. The implementation of the Joint Programming Documents reached the cruising speed in the course of 2001.

2.6. Multi-beneficiary programmes

SME Finance Facility

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

Facility Projects are set up under two co-ordinated Windows: the Loan, Guarantee and Leasing Window and the Equity Window, and take the form of loan or equity finance for the FIs, combined with tailored packages of financial incentives. The financial intermediaries on-lend or lease to individual micro-enterprises or SMEs, or provide them with equity finance. In certain cases, the financial intermediaries also channel additional funds from their own resources to the recipient businesses.

Following a start-up Phase I launched by the Commission and the EBRD in April 1999, the Facility entered into its Phase II in 2001, with € 30 million each allocated to the EBRD and CEB/KfW. In addition, the Commission decided to include the EIB amongst the Sponsors equally for an amount of € 30 million and to extend the reach of the Facility to Turkey through a € 4 million co-operation with CEB/KfW.
As per the end of 2001 the financial status of the programme was the following:

<table>
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<th>BUDGET</th>
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<th>EW</th>
<th>TOTAL</th>
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<td>EU/EIB</td>
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<tr>
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<td>Phare</td>
<td>CEB/KfW</td>
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<td>2001</td>
<td>30</td>
<td>150</td>
<td>30</td>
</tr>
<tr>
<td>TOTAL</td>
<td>85</td>
<td>425</td>
<td>51</td>
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</table>

**BUSINESS SUPPORT PROGRAMME**

The programme was set up to strengthen the role of business representative organisations in the central European candidate countries so that they could assist business operators in these countries to adapt to the challenges of accession to the EU, and in particular to the changes arising at company level as a result of the need to adapt to the Community acquis. To this end, support was given to the development of partnerships and twinning operations with sectoral and horizontal business representative organisations in the existing Member States.

17 projects - supported through grants amounting to a total of € 22 million - covered a wide range of business sectors and activities including chambers of commerce; small and medium sized craft enterprises; the furniture and wood industry; producers co-operatives, social enterprises and participative enterprises; the chemical industry; the food and drink industry; the iron and steel industry; the textile and clothing industry; animal production; and the information and communication technology industry.

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

The Business Support Programme also provided support for 2 special projects – the first in the area of industrial property, and the second for the benefit of representative organisations in the agricultural sector.

In most cases, the projects have supported the development of a practical approach on how to adopt the acquis; conferences, seminars, workshops, training and consulting missions represent the main types of project activities undertaken. In addition, almost all projects organised internships and secondments of representatives from business support organisations in the candidate countries to similar organisations in the EU or to the European umbrella organisation. Other activities that have been carried out – or that are planned – include needs assessment surveys, development of platforms for statistical data exchange, development of
extranet/intranet sites, making available on-line specific information on the acquis, and the preparation of tenders to other EU programmes.

Results and outcomes achieved to date suggest a general improvement in the level of knowledge and awareness on subjects related to EU accession as well as an understanding of the role and responsibility of business support organisations in the EU.

**ENVIRONMENTAL PROGRAMME**

2001 saw the closing of 3 accession-driven initiatives which had started in 1999:

- the sustainable nature protection project (€ 1.9 million);
- ad hoc assistance to the central European candidate countries in preparation for membership of the European Environment Agency (€1.6 million);
- Black Triangle inventory of situations non-compliant with selected EU Directives (€ 0.5 million)

and the implementation of the € 6.25 million Regional Environmental Accession Project (REAP). REAP activities aimed to enhance compliance with EU environmental legislation in a number of sensitive areas such as air quality, water quality, waste management, etc. and in particular at improving levels of implementation capacity. In addition, an award scheme and guidance were provided to municipalities in the central European candidate countries, to whom the responsibility of implementing many of the directives has been devolved. Furthermore, REAP helped to build the networks needed to ensure that NGOs and the general public are better informed and integrated in the approximation process.

**PHARE HORIZONTAL PROGRAMME JUSTICE AND HOME AFFAIRS**

In order to strengthen the administrative capacity of the judiciary and law enforcement bodies in the central European candidate countries, the programme financed assistance in the fields of

- “judicial co-operation in criminal matters” (€ 1.5 million). The project addressed issues such as extradition, mutual legal assistance and confiscation;

- “rule of law” (€ 3.1 million). The project focused on four aspects of the functioning of the judicial systems in the 10 central European candidate countries: an independent judicial system; the status and role of the public prosecutor; court procedures and execution of judgements; safety of victims, judges, prosecutors, defence lawyers and jurors;

- “migration, visa, and external border management” (€ 3.0 million). The project dealt with issues related to the functioning of an immigration service, detention, expulsion and return; with visa policy and practises; and with the Schengen acquis and combating illegal immigration networks.

It also supported the “training of judges in EC law” (€ 1.3 million).

The projects were implemented by the European Institute of Public Administration (training of judges) and consortia of Member States who made available professional staff and practitioners from their own governmental departments as well as project management teams.
The project on the training of judges aimed at establishing a training scheme and methodology for each central European candidate country and to provide a common practical manual for judges on EC law.

All other projects were built according to a common structure: a desk research phase was followed by fact-finding and assistance missions by Member State officials to the beneficiary countries. The joint work of experts from the beneficiary countries and the Member States was intended to lead to “Recommendations” or “National Action Plans” with clear indications of practical steps that the candidate countries agreed to take after the end of the projects. In addition, these projects also included a number of training seminars based on the “train the trainers” concept.

The implementation of the Phare Horizontal Programme Justice and Home Affairs continued into 2002.

**FIGHT AGAINST DRUGS PROGRAMME**

The EU Action Plan on Drugs 2000-2004 adopted at the Feira European Council called on the Commission and the Council to ensure that the candidate countries adopt the Community acquis and best practice in the field of the fight against drugs, and that their implementation is satisfactory.

In view of this objective, projects under the Fight Against Drugs Programme were constructed along similar lines as those under the Phare Horizontal Programme Justice and Home Affairs, with Member States providing expertise and project management resources.

Phase V of the *Phare Precursors Project* (€ 1.3 million) brought assistance in drafting compatible legislation and provided training and equipment aiming at strengthening the administration and enforcement of precursor controls. The *Phare Synthetic Drugs Project* (€ 2 million) started to strengthen the candidate countries’ capacities to reduce the illegal manufacturing and trafficking of synthetic drugs through awareness raising, training on analysing synthetic drugs and exercises on dismantling illicit laboratories. Its major outcome were the National Synthetic Drugs Plans of Activities, which set the framework for actions needed in the near and mid-term future in the area of supply reduction of synthetic drugs. Both projects ended in December 2001.

The Joint *UNDCP-Phare Drug Law Enforcement Project for South-Eastern Europe* (€ 4.5 million) implemented by UNDCP ended in December 2001. It enhanced regional and sub-regional networking of national capacities for dismantling drug trafficking organisations, disrupting drug supply channels and detecting illicit drugs at border crossing points and in transit. In addition to Bulgaria and Romania, the former Yugoslav Republic of Macedonia also participated in this project.

Finally, the € 2 million project *EMCDDA – CEEC co-operation* started in February 2001. The project aims at integrating the 12 candidate countries in the activities of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and establishing structural links with the REITOX network (Réseau européen d’information sur les drogues et les toxicomanies). The National Focal Points are being further strengthened, institutionalised and further prepared to participate in such activities through a strong institution and capacity building component.
ECOS-OUVERTURE PROGRAMME

The programme’s aim is to strengthen local authorities in Central and Eastern Europe through co-operation with EU counterparts, particularly those in the less-favoured areas of the Union. This interregional support measure encourages co-operation between relevant authorities through joint projects for the exchange of experience and know-how. Originating in 1990 it has been financed by Phare and ERDF since 1994.

2001 was the first full year for the implementation of 32 projects financed under the Phare 1998 budget for a total amount of € 7.35 million. The main themes of co-operation are economic development (18) and environment (7) while the remaining projects focus on cultural (4) or administrative (3) aspects. With an average budget of € 244,440 the Phare partners play a more significant role in the projects than in the earlier generations of the programme. One third of all projects have two or more partners from the Phare beneficiary countries. Romanian authorities are best represented in the programme and involved in 11 different project. This is closely followed by Hungarian (7) and Slovenian (6) partners.

The projects last between 24 and 36 months; project activities end in the second half of 2002.

STATISTICS

The wider objective of the Phare Multi-Beneficiary Programme for statistical co-operation is to improve the provision of official statistics from Phare candidate countries, especially in the context of pre-accession. Substantial allocations from the Phare budget were given to this programme and its objectives over the period 1991-1999. In 2000 a strategic document was developed in order to define a strategy on how to work towards the objective of achieving compliance with the acquis in statistics with the support of the Phare programme. Based on this strategy, which was developed in close co-operation and with the participation of Eurostat, the candidate countries themselves, member states, international organisations and other donors and covers the years 2000-2002, the 2001 Multi-Beneficiary Phare programme was elaborated by Eurostat and endorsed by the Phare Management Committee in September 2001.

The 2001 programme is oriented towards strengthening the institutions of the National Statistical Institutes (NSI) of the candidate countries to enable them to better meet the needs of their customers, to provide reliable, accurate and timely data compliant with the acquis, to improve the quality of available statistics and to reinforce the confidence into statistics. The programme also contains a part on measuring the degree of compliance in the area of statistics in the candidate countries. The total budget provided for this programme is Euro 7.39 million.

The programme contains various types of projects. The most important ones are the sectoral projects covering gaps still existing in the acquis implementation or coping with new acquis requirements. In this programme several projects on macro-economic statistics, business statistics, social statistics, agriculture statistics and external trade statistics were included and their implementation started in February 2002. The total budget for these projects is around € 3.4 million.

Another important part of the programme contains all the statistical assistance activities like participation in Eurostat’s working groups, seminars, training courses, seconding trainees to Eurostat or a Member State statistical office and implementing study visits and consultations. This part of the programme has a budget of € 3.5 million.
The third part of the programme covers the aspect of compliance monitoring via a tool called the compliance database and has a budget of €0.5 million.

The implementation of this programme has started in February with contracting for the sectoral projects whereas the budget for statistical assistance activities will be given as grants to both the Member States’ and candidate countries’ statistical offices. Compliance monitoring will start in September 2002. All the various projects will be accomplished in spring 2004.

It is expected that they will contribute to the further alignment of the statistical systems of the candidate countries to European standards. Projects will result in a better capacity of the statistical offices to provide data in full compliance with the acquis in the selected areas of co-operation.

**LIEN Programme**

The LIEN (Link Inter European NGOs) Programme wants to stimulate the activity of and encourage the co-operation between non-profit making non-governmental organisations that are active in the social field and to assist the disadvantaged groups of the population. Since 1992 216 projects have been selected and received Phare grants totalling about €31 million.

40 projects that had been selected during the last LIEN Call for Proposals in 1999 were implemented in 2001. These projects covered all Phare beneficiary countries as well as Albania, Bosnia-Herzegovina and the former Yugoslav Republic of Macedonia.

A large part of the projects (14) were implemented by NGOs working for the benefit of women with limited access to health and employment, youngsters and elderly as well as ethnic minorities (14 projects). Another 15 projects were related to help for the disabled (blind, physically and mentally disabled), the sick (HIV) and addicts (drugs). The remaining funds were used to support employment-projects (5) or other projects (6) such as mine awareness training camps in Bosnia-Herzegovina.

**Partnership Programme**

The Partnership Programme has been endowed with Phare funds since 1993 to promote dialogue and co-operation on matters of local development between private and public non-profit organisations in the countries of central and eastern Europe. It provides grant-finance for local development projects initiated by at least two non-profit organisations that wish to build a sustainable partnership with a view to mutually exchange skills, knowledge and experience.

The majority of the 52 projects funded under the 1997 Partnership programme for a total of €9.75 million closed in 2001. The projects of this last Partnership generation showed a particular focus on:

- local and regional development (improvement of local and regional services, regional planning, rural and agricultural development, tourism);
- business and enterprise development;
– socio-economic development (promotion of workers rights and social dialogue, promotion of consumer interests, strengthening of associations representing co-operatives and other).

Many of the projects will continue to carry out their activities under funding from other sources such as the European Commission’s ACCESS programme or national sources.

**ACCESS Programme**

The Access Programme aims at strengthening civil society in the candidate countries by promoting the implementation of the *acquis communautaire* in policy areas in which governmental activities are absent or are complementary to those of the third sector as well as by raising popular awareness and acceptance in these areas. Moreover, the inclusion and participation of individuals and groups who risk being economically, socially or politically marginalised in the transformation process shall be encouraged through the activities financed under Access. The programme may support activities in the following sectors: environmental protection, socio-economic development and social activities.

ACCESS provides co-financing grants to support projects carried out by non-governmental organisations (NGOs) and non-profit organisations (NPO). Macroprojects are carried out in partnership with organisations from at least two different countries (Phare accession countries and the EU countries), whereas microprojects can be carried out by a single organisation based in one of the candidate countries. Furthermore, the programme includes a Networking Facility, which provides support for NGOs/NPOs in the candidate countries to participate in activities organised at EU level.

During the year 2001, 463 projects for a total of € 16.77 million (out of a total of € 19 million available for grants) started to be implemented under Access 1999 in the ten countries of Central and Eastern Europe. The implementation of activities financed by the remaining funds as well as of Access 2000 takes place in 2002.

### 2.7. Participation in Community programmes and Agencies

In the Agenda 2000, the European Commission proposed the progressive opening-up to the candidate countries of a broad range of Community programmes, as one of the intermediate objectives of accession, without waiting for the accession date. It was also proposed active participation in certain Community agencies or bodies in order to prepare these countries better for adoption of the *acquis*.

As the Community programmes encompass most Community policies, they provide a useful preparation for accession by familiarising the candidate countries and their citizens with the Union’s policies and working methods. Since 1998, candidate countries in Central and Eastern Europe have participated fully in Community programmes, in particular in *education, vocational training, youth, research, energy, the environment, small and medium-sized enterprises*. The participation of candidate countries in Community programmes is a key feature of the pre-accession strategy.

- Concerning programmes

Following the new legal instruments proposed by the Commission to the Council in November 2000 in order to streamline Community legal procedures and consequently
facilitate candidate countries’ participation in Community programmes, substantive progress has been made towards the implementation of these new procedures in 2001.

In most cases and at the candidate countries’ request, the cost of this participation is co-financed by Phare. In 2001, Phare committed € 111.6 million for the participation of the 10 central and eastern European countries in Community programmes, amounting to 46% of their total financial contribution. The majority of these funds are made available on the basis of “frontloading”, i.e. for the participation of candidate countries in Community programmes in the year 2002.

- Concerning Agencies

Similar participation of candidate countries in Community agencies is taking place.

In this context, bilateral agreements were negotiated with all 13 candidate countries for their participation in the European Environment Agency. Bulgaria, Slovakia, Malta, Cyprus, Latvia, Slovenia, Hungary, Lithuania, Romania, Estonia and the Czech Republic have successively ratified their respective membership agreement. In 2001, Phare contributed € 2.15 million for the participation of the CEECs in the European Environment Agency in 2002, i.e. 58% of their total financial contribution.

On 2001 the Commission has proposed to open negotiations on the participation of candidate countries in the European Monitoring Centre for Drugs and Drug-Addiction.

With respect to other Agencies, it has been decided to prepare now future participation of candidate countries. Preparation for full participation in Community Agencies is a fundamental step towards familiarising these countries with the Community acquis in the broad sense of the term. It could serve the interests of both the Union and the candidate countries. This involvement will take the form of participation of representatives of these countries in some ad hoc meetings, groups of experts and other specific work of mutual interest being carried out by the Agencies.

To this purpose, € 5 million had been allocated in 2000 as Phare support to implement preparatory measures in 2000-2001 as regards the 10 CEECs’ participation in five Community agencies.

2.8. Co-operation with the EIB and international financial institutions

Co-operation with the EIB and IFIs continued in 2001 under the framework of the Memorandum of Understanding on co-operation in the pre-accession assistance. Given the fact that large infrastructure projects that commonly are subject to international co-financing are now financed under ISPA, co-financing under Phare was very limited. The Commission was, however, exploring ways to co-finance the Economic and Social Cohesion component of the Phare programme with the IFIs.

The main co-financing instrument in 2001 was again the SME Facility which the EIB was about to join, in addition to the EBRD and Council of Europe Development Bank / KfW. In 2001, the Commission also started discussions with the EIB on a Facility to finance local municipalities in border regions, as outlined in the Commission Communication on Border Regions (of 25 July 2001, COM(2001)437final).
3. **PROGRAMME MANAGEMENT**

3.1. **Moving towards extended decentralisation (EDIS)**

Since 2000, the Commission initiated the process of extending PHARE decentralisation in order to reinforce the capacity of the candidate countries to manage pre-accession assistance and to familiarise themselves with the joint responsibility principles that underpin the implementation of the Structural Funds.1

In order to guide the preparatory work of the candidate countries a Commission Working Document “Preparing for Extended Decentralisation” has been drawn up. This document indicates in more detail how the European Commission interprets the criteria and conditions in the Co-ordination Regulation No. 1266/99 and provides checklists for use by the relevant bodies. Respect for the EDIS checklist is a key step for candidate countries' structures in showing capacity to manage the future Structural and Cohesion Funds;

A further document entitled "Road map to EDIS for ISPA and Phare", transmitted to candidate countries in 2001, outlined the procedural stages to be undertaken by implementing structures to meet EDIS requirements, thus to receive formal Commission accreditation to operate in *ex-post* mode. This document is a guide to the four stages to be accomplished: Gap assessment of the target institutions, and national procurement procedures, preparation for EDIS, compliance assessment and the work to be carried out for the preparation for Commission decision. With the acceleration of the negotiation process, it appeared crucial to speed up the efforts made. Extended decentralisation of management responsibilities to the national authorities was considered by the European Commission as a high priority and the Candidate Countries are strongly encouraged to move toward EDIS and are supported in this process.

The objective of the Commission is that Candidate Countries likely to join the EU in 2004 will have the Extended Decentralisation Implementation System (EDIS) in place at the latest on the first day of accession. The Candidate Countries concerned have in general initiated the first steps of the first stage of the implementation of EDIS, the ‘gap assessment’.

The Commission made available funds in order to support and guidance the Candidate countries to identify the areas in which the structures and procedures are not yet capable of fulfilling the requirements for EDIS, to assist in the necessary developments to remedy such shortcomings, and to assess that the necessary improvements have been completed prior to the submission to the European Commission of a formal request for EDIS.

3.2. **Monitoring, Assessment and Ex-post Evaluation**

The objectives of Phare Monitoring and assessment/scheme (introduced in 1996) are twofold: (1) to provide an independent analysis of the effectiveness of on-going programmes, describing the success of the programmes in achieving their objectives, the performance of the parties involved and the capacity of Candidate Countries to absorb the *acquis communautaire*; and (2) to disseminate the lessons of experience with a view to improving the implementation of current programmes and the design of future programmes.

The Scheme is essentially a **management tool** which provides Phare programme managers with facts on the implementation of on-going programmes and an evaluation of the progress

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1 SAPARD is from the beginning implemented on a decentralised basis.
and likelihood of a programme’s success in achieving the objectives set. Recommendations are put forward for improving management and delivery, as well as the design of similar future programmes. The reports are also used when an Ex-post Evaluation is carried out on a particular sector. By the end of 2001, some 600 reports had been produced, covering all sectors in all Phare Programme recipient countries.

The M&A (a) adopts an inclusive approach in which all parties involved in the programming and implementation of Phare programmes/projects participate, (b) Operates on an integrated approach which links in particular with programme preparation, contracting and implementation, and (c) follows a result-oriented methodology in line with the Commission Reform White Paper.

The findings from the M&A feed into the Phare programming system by way of the improved and uniform progress reporting across all programmes and countries, more rapid introduction of corrective measures if required and the exchange of the lessons of experience between the Commission and the Candidate Countries. The increased flow of feedback information improves the design of subsequent programmes and assist decision-makers at the approval stage.

M&A remains an essential component of the Phare Decentralised Implementation System providing all parties involved in programme management and implementation with sound information on how the various programmes are progressing, on whether the programmes are achieving their objectives and on their relevance to the Phare objectives and accession priorities defined in the AP and NPAA.

M&A reports of national on-going programmes are produced by independent assessment/evaluation cells established in each country (external contractor) while multi-country programmes are carried out by a central unit based in Brussels. Each evaluation cell must also submit a half-yearly report to ELARG, detailing activities over the past six months and drawing attention to overall trends in the implementation of Phare sectoral programmes.

The procedure of producing M&A reports is an entirely participatory process which can only properly function with the active participation of the stakeholders in the management of programmes being reviewed. The evaluators work on the basis of the relevant monitoring data and carry out interviews and field visits to evaluate the information contained in the monitoring reports and other sources. M&A reports contain management and design recommendations, in line with the accession priorities defined in the AP and NPAA.

A follow-up process of recommendations and feedback within the Phare management system completes the Evaluation cycle. Once a report is issued, a debriefing meetings organised by the Commission’s delegation in each country, when interested parties agree on the ways and means of applying recommendations made, as well as an appropriate timetable.

M&A reports together with SMSC and debriefing meetings’ minutes are handed over to the JMC which is responsible for reviewing the progress of all Phare programmes implemented in the respective country, once a year (as well as ISPA and SAPARD programmes through annual reports submitted to the JMC by the respective Monitoring Committees).

Based on the M&A reports, the JMC proposes remedial actions to improve the programme management and design of future projects and puts forward measures to facilitate the progress of Candidate Countries in absorbing the **acquis communautaire**.
In order to be in line with the Structural Funds system, the Assessment function was renamed as **Interim Evaluation**. The revised Interim Evaluation Scheme became effective in the 3rd quarter of 2001. The revision was based on the Candidate Countries assuming entire responsibility for reporting on facts by issuing Monitoring Reports twice a year for all sectors, as a bridging step towards the management of Structural Funds. The interim Evaluation function will remain under the responsibility of the Commission.

During the year 2001, **85 Monitoring and assessment/Interim Evaluation reports** have been issued covering all sectors of Phare assistance. These reports have been produced by an **independent external contractor**, the OMAS and EMS Consortium. The EMS Consortium operates offices staffed with EU and local evaluators in Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia. The EMS central office in Brussels is responsible for evaluating multi-country/multi-beneficiary programmes.

DG Elarg Directorate D operates a quality support function for the Country Teams providing programming guidance, peer review and comments on financing proposals. To ensure that this support adds value to the programming authorities, a greater emphasis was placed in 2001 in preparing Horizontal and Thematic reports presenting lessons learned on key areas such as twinning, Transition towards Structural Funds, Justice and Home Affairs, SMEs, Public Administration Reforms. These reports should assist programmers to learn of current best practices, lesson learned from past Phare support and Structural Funds approaches. In addition, Country Assessment Reviews were prepared for all the Phare Candidate Countries that consolidated the findings of all the monitoring and assessment reports on a sector by sector basis for the period 1996-2001.

**Ex-post Evaluation**

Ex-Post evaluation delivers an “external” view on the achievements of the Phare programme or of its components. The reports are, at present, particularly concerned with reporting the use of Community funds and focus on the impacts achieved and the sustainability of such impacts.

From the Commission’s point of view the ex-post evaluation reports are important instruments for reporting to other Institutions such as Council and Parliament the results achieved as a result of spending the Community budget. The exercise of ex-post reporting, with emphasis on the impacts and the sustainability of programmes is a Commission responsibility which has recently been reinforced. It brings an important “results oriented” dimension to reporting the use of Community funds.

Before 2000, under AidCo, the ex-post evaluation of Phare was mainly sector oriented. The most recent ex-post evaluation, that was launched by Dg-Elarg in 2001 concentrates on evaluating the impacts and the sustainability of the results achieved using € 1,000 million of Community funds programmed during the 1997 and 1998 period. This funding represents the major EC commitment to the Candidate Countries during the period under the Accession Partnership in support of their implementation of National Programmes for Adoption of the Acquis.

**Tasks ahead**

The Interim Evaluation Scheme will be extended to Cyprus, Malta and Turkey in 2002.
A revision of the Interim Evaluation Scheme, and templates for monitoring reports is also foreseen as a major task during 2002. The key purpose of the revision will be to further strengthen the value added of the system supported by a number of quality enhancing and streamlining measures. The following key measures are under consideration:

– Revision of the evaluation methodology;

– A substantial revision of the format/presentation of the evaluation reports;

– Further quality enhancement of the evaluation system/reporting by establishing a quality assurance group;

– Establishment of local focal points for interim and ex-post evaluation will help to strengthen the current system in particular but also to serve as a focal point to help to develop local capacity of monitoring and evaluation in general;

– Strengthening of dissemination including early warning, in-depth reports, country summary reports, thematic reports and project drafting workshops.

In view of the requirements to further strengthen the CCs capacity of monitoring in general and the Phare programme and Structural Funds in particular, a set of monitoring reporting guidelines of basic requirements accompanied by good practice templates will be prepared. Thus in providing good practice examples we try to respond to the need of adjusting the monitoring reporting system to local requirements in the Candidate Countries through a more flexible approach.

**Results** from the current ex post exercise will be available in early 2003. It is also foreseen that the Evaluation Unit will launch an ex-post evaluation of the “twinning” mechanism which supports partners in developing acquis related administrative capacity by placing Member State administrators in their administrations for fixed periods with identified programmes of co-operation. Taking into account current priorities it is foreseen that there will be further ex-post evaluation of the “Institution Building “ components of Phare support.

**Evaluation web site** will be created with the purpose of improving the dissemination of the reports’ findings and of increasing internal and external communication. Subsequently, the outputs of the ex ante, interim and ex post evaluations will be made electronically available for integration into the Management Information System under development in DG ELARG.
4. **FINANCIAL OVERVIEW AND PERFORMANCE**

In 2001, the Phare Programme committed a total of €1,635.41 million to its partner countries. The following chart shows the breakdown year by year of the Phare funds committed in the period 1990-2001\(^2\) (€ million):

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<tr>
<td></td>
<td>475.3</td>
<td>769.7</td>
<td>979.6</td>
<td>966.1</td>
<td>946.1</td>
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<td>1,135.1</td>
<td>1,153.9</td>
<td>1,481.7</td>
<td>1,651.5</td>
<td>1,635.4</td>
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The situation with regard to implementation may be summarised as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (€ million)</th>
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<tr>
<td>Total commitments 1990-2001:</td>
<td>€13,516.2</td>
</tr>
<tr>
<td>Total value of contracts signed 1990-2001:</td>
<td>€10,155.1 (75.1% of all commitments have been contracted)</td>
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<tr>
<td>Total payments under signed contracts 1990-2001:</td>
<td>€8,687.3 (64.3% of all committed funds have been paid and 85.5% of all contracted funds have been paid)</td>
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\(^2\) In year 2001, Albania, Bosnia-Herzegovina and the Former Yugoslav Republic of Macedonia did not receive funds from Phare programmes as in the previous years.

\(^3\) The Phare contribution to the European Training Foundation (€7.6 million) and accounting adjustments of €7.7 million are not included in this figure.