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**2002 REPORT ON PHARE AND THE PRE-ACCESSION INSTRUMENTS FOR
CYPRUS, MALTA AND TURKEY**

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SUMMARY

This is the annual 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 Phare. Moreover, for the first time this report covers also the pre-accession instruments for Cyprus, Malta and Turkey.¹

The Phare Programme is one of 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 - Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. In addition, the three non-Phare countries, Cyprus, Malta and Turkey, receive pre-accession assistance either directed towards financing activities on priority operations in order to prepare the countries for accession (Cyprus and Malta), or to provide an accession-driven approach to financial assistance (Turkey).

Between 2000-2002, Phare provided some € 5 billion in co-financing for Institution Building support via 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, as well as to promote Economic and Social Cohesion (ESC).

In 2002, total Phare commitments amounted to € 1,699 million. Programming was based on the Guidelines for Phare which were further revised in 2002 in order to accompany changes to the Cross Border Co-operation (CBC) Regulation, to accommodate the unique approach required in the area of nuclear safety and to emphasise the transition to Extended Decentralisation Implementation System (EDIS).

Concerning **Cyprus, Malta and Turkey**, pre-accession assistance programmes amounted to a total of € 168 million in 2002. As regards Malta and Cyprus, this funding was largely dedicated to Institution Building aimed at preparing the two countries for accession. In the case of Turkey, pre-accession financial assistance had an accession-driven emphasis, as the procedures for programming and implementing the pre-accession financial assistance programme to Turkey now mirror those of Phare.

The European Commission has **increasingly transferred responsibility** for the management and implementation of Phare programmes to the authorities in the

¹ The present report is prepared in accordance with art. 10 of Council Regulation (EEC) No 3906/89 of 18 December 1989 ("Phare Regulation"), art. 11 of Council Regulation (EC) No 555/2000 of 13 March 2000 on the implementation of operations in the framework of the pre-accession strategy for the Republic of Cyprus and the Republic of Malta and art. 11 of Council Regulation (EC) No 2500/2001 of 17 December 2001 concerning pre-accession financial assistance for Turkey.

candidate countries, to prepare them for the decentralised approach to programme management established under the Structural Funds. 2002 saw an increased emphasis on National Programmes designed to address specific weaknesses identified in the annual Regular Reports.

A technical document which is presented as an annex to this Report contains sections on the programming and implementation of the Phare Programme in the ten beneficiary countries, and on the pre-accession instruments for Cyprus, Malta and Turkey.

ABBREVIATIONS

CARDS	Community Assistance to Reconstruction, Development and Stabilisation in the Balkans
CBC	Cross Border Co-operation
CEECs	Central and Eastern European Countries
CFSP	Common Foreign and Security Policy
DIS	Decentralised Implementation System
EAGGF	European Agricultural Guidance and Guarantee Fund
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EDIS	Extended Decentralisation Implementation System
EFTA	European Free Trade Association
EIB	European Investment Bank
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction
EMU	Economic and Monetary Union
ERDF	European Regional Development Fund
ESC	Economic and Social Cohesion
EU	European Union
GDP	Gross Domestic Product
HLWG	High Level Working Group
IFIs	International Financial Institutions
ISPA	Instrument for Structural Policies for Pre-Accession
MEDA	Mediterranean Co-operation Investment Programme
NAC	National Aid Co-ordinator
NDPs	National Development Plans
NGO	Non-Governmental Organisation
SAPARD	Special Accession Programme for Agriculture and Rural Development
SF	Structural Funds
SIGMA	Support for Improvement in Governance and Management in Central and Eastern European Countries
SMEs	Small – Medium Enterprises
TACIS	Technical Assistance for the Community of Independent States
TAIEX	Technical Assistance Information Exchange Office

1. THE YEAR IN REVIEW

1.1. Main evolutions of the Enlargement Process in 2002

Regular reports

On 9 October 2002, under the title “Towards the Enlarged Union”, the Commission adopted the 2002 enlargement package, consisting of the Strategy Paper and Report of the European Commission on the progress towards accession by each of the candidate countries, and the individual Regular Reports for each of the thirteen candidate countries.

In its Regular Reports, the Commission assesses the progress made by the candidate countries in fulfilling the accession criteria. On the basis of a detailed analysis, the Commission concluded that all candidate countries have made considerable progress over the last year in implementing the accession criteria.

In the Commission's assessment, **Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia** fulfil the political criteria. Bearing in mind the progress achieved by those countries and their track record in implementing their commitments and taking account of their preparatory work in progress, the Commission considered that these countries will have fulfilled the economic criteria and those relating to the Community *acquis* and will be ready for EU membership from the beginning of 2004. It therefore recommended concluding the accession negotiations with those countries by the end of the year, with the aim of signing the Accession Treaty in the spring of 2003.

With **Bulgaria and Romania** having set 2007 as their indicative date for accession, the Commission will strongly support the two countries in achieving that objective, which will continue to be guided by the principles of differentiation and own merits. The Commission indicated that it would propose, on the basis of the analysis of the 2002 Regular Reports, detailed roadmaps for these two countries, including increased pre-accession assistance.

As regards **Turkey**, the Commission stressed the significant headway already made, for example, vis-à-vis constitutional reform, the far-reaching reforms of August 2002 and the reform of the judiciary, but considered that substantial efforts were still necessary. In this context, and with a view to the next stage of Turkey's candidacy, the Commission recommended that the European Union enhances its support for the country's pre-accession preparations and makes significant funds available for that purpose.

The Commission further indicated that it would continue monitoring the implementation of necessary reforms up until accession, as well as all commitments in the field of the Community *acquis* by each of the acceding countries. The Commission proposed including specific safeguard clauses in

the internal market and justice and home affairs fields in the Accession Treaty, in addition to a general economic safeguard clause.

On 9 October, President Prodi and Commissioner Verheugen presented the enlargement package to the European Parliament. On 22 October, the Council expressed broad agreement with the Commission's conclusions and recommendations, and on 24-25 October, the European Council meeting in Brussels endorsed the Commission's findings and recommendations.

Accession negotiations

Ministerial conferences:

Several series of accession conferences were held during the year. The ministerial conference on 28 June, organised under the Spanish Presidency, was attended by all candidate countries with the exception of Bulgaria. The first ministerial conference on 1 October under the Danish Presidency was preceded by two preparatory conferences at deputies level on 28 June and 29/30 July. Further deputies conferences were convened with some of the candidates (on 18 October, 24 October and 8 November), and a ministerial conference with Bulgaria and Romania was held on 18 November.

At the latter date, the Chapters remaining open with the ten countries included in the first wave of accession in 2004 concerned agriculture, financial and budgetary provisions, other issues (including matters such as the creation of a Transition Facility for Institution Building, implementation and management of pre-accession funds in the new Member States, safeguards, contributions of the new Member States to the capital of EIB, etc.), institutions for three candidates (Czech Republic, Hungary and Latvia) and five left-over Chapters (Competition for Hungary and Poland, Transport for the Czech Republic, Taxation and Customs Union for Malta).

The Commission participated in four bilateral informal conferences with the candidates organised by the Presidency at deputies level (in October and November) and in one at ministerial level (in December). As a result of the preparatory work carried out, all the above Chapters were closed at the European Council at Copenhagen on 12-13 December following the agreement reached on budgetary expenditures and on other arrangements on specific pending issues. For Bulgaria and Romania, a total of 23 and 15 chapters were provisionally closed at the end of the Danish Presidency.

Agriculture:

In line with the roadmap endorsed at the Laeken European Council, all remaining negotiating issues (direct payments, production quotas, rural development, etc.) arising under this Chapter were addressed by the EU during the first half of the year. To that end, the Commission adopted an Issues Paper on 30 January 2002, to offer the Member States a basis for the discussion of the issues concerned, with a view to formulating new common positions. Rejecting in particular the idea of a two-speed common agricultural policy in the long-term, the Commission underlined the need to

strive to restructure agriculture and the agri-food industries in the candidate countries, and to improve competitiveness in these areas. On 13 June, the European Parliament welcomed the Commission's document. The accession negotiations were concluded in December 2002 at the Copenhagen Summit. An agreement on Chapter 7, including agreement on direct payments and on reference quantities, was reached. This agreement is reflected in the Accession Treaty.

Financial framework for the accession negotiations:

On 30 January, from the start of the Spanish Presidency, in order to enable the Council to assess within a common framework the financial issues connected with the negotiations in a number of sensitive areas, the Commission presented a communication on the expenditure linked with enlargement over the period 2004-2006. The financial framework envisaged provisions for commitment appropriations totalling € 40.16 billion, and payment appropriations totalling € 28.019 billion, reflecting the adjustments to the scenario agreed at the Berlin European Council in 1999 under Agenda 2000. The areas covered were agriculture, structural measures and the budget allocation for internal policies and funds specific to the settlement of the Cypriot question. A provisional compensation regime was also recommended so that no new Member State finds itself in a significantly less favourable budgetary situation than in the year preceding enlargement.

This approach by the Commission was endorsed by the Committee of the Regions in an own-initiative opinion of 16 May. Parliament also gave its opinion on this communication in a resolution of 13 June. The Brussels European Council on 24-25 October highlighted certain elements of this financial framework, namely direct payments, the overall level of allocations for structural measures, own resources and possible budget imbalances. It also stated that the Union's expenditure should continue to respect the imperatives of budgetary discipline and effectiveness and stressed that the enlarged Union should have sufficient resources to ensure the smooth functioning of its policies to the benefit of all its citizens. Further to what had been agreed at the Brussels European Council and subsequent adaptations resulting from the negotiations, the Copenhagen European Council Heads of State and Government made a final financial offer, which was accepted by the candidate countries. The offer put the total cost of the enlargement package at € 40.8 billion, very near the figure initially proposed by the Commission (see above).

Updating the accession partnerships:

On 28 January, following the political agreement it reached in December 2001, the Council formally adopted a series of decisions updating the principles, priorities, intermediate objectives and terms of the accession partnerships with all the candidate countries other than Turkey.

Administrative and judicial capacity:

On the basis of its Strategy Paper “Making a success of enlargement”, and in line with the Laeken European Council conclusions, in early 2002 the Commission launched an Action Plan for each of the countries participating in the negotiations to strengthen their administrative and judicial capacities. The point of departure for these Action Plans was the revised Accession Partnerships. On 5 June, the Commission reported on progress in this regard. This initiative was welcomed by the Brussels European Council, and the Justice and Home Affairs Ministers of the EU Member States met their counterparts from the candidate countries.

1.2. The Conclusions of the 2002 European Councils

The **Seville European Council** on 21-22 June welcomed the decisive breakthroughs made in the negotiations during the first half of the year and considered that the process was entering its final phase.

On 24-25 October, the **European Council in Brussels** endorsed the findings and recommendations of the Commission’s enlargement package adopted on 9 October. In **Copenhagen** on 28 October, the leaders of the candidate countries met Mr Anders Fogh Rasmussen, Danish Prime Minister and President of the European Council, Mr Javier Solana, High Representative for the CFSP, Mr Romano Prodi, President of the European Commission, and Mr Günter Verheugen, Member of the Commission responsible for Enlargement. At the meeting, the EU representatives presented the details of the financial framework for accession and the negotiating positions adopted at the Brussels European Council.

As recommended by the Commission, on 12-13 December, the **European Council at Copenhagen** concluded the accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. The Copenhagen European Council endorsed the Commission’s communication on roadmaps for Bulgaria and Romania, including the proposals for a significant increase in pre-accession assistance. It also confirmed that, depending on further progress in complying with the membership criteria, the objective is to welcome Bulgaria and Romania as members of the European Union in 2007. With regard to Turkey, the European Council at Copenhagen indicated that if, on the basis of a report and a recommendation from the Commission, the European Council in December 2004 decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay.

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

Together with Phare², Agenda 2000 proposed structural aid for the applicant countries (under the ISPA instrument), as well as aid for agricultural

² Phare funding finances projects in all policy sectors except in the field of Development.

development (under the SAPARD instrument). Both ISPA and SAPARD came into effect on 1 January 2000, and are budgeted until the end of 2006.

ISPA (Instrument for Structural Policies for Pre-Accession) is directed mainly towards aligning the applicant countries on Community infrastructure standards, and finances major environmental and transport infrastructure.

ISPA is managed on a similar basis as Phare, has a current annual budget of **€ 1.040 million** and comes under the responsibility of the Regional Policy Directorate General.

Together with the 80 projects decided in 2002, the Commission has approved a total of 249 ISPA projects for the period 2000 to 2002, amounting to € 8.753 million, of which the EU finances € 5.648 million (64.5 %), with the remainder being co-financed by the beneficiary states and international financial institutions. As in 2001, the amounts committed in 2002 were divided fairly equally between the environmental and transport sectors.

SAPARD (Special Accession Programme for Agriculture and Rural Development) aims to help candidate countries deal with the problems of the structural adjustment in their agricultural sectors and rural areas, as well as in the implementation of the *acquis communautaire* concerning the CAP (Common Agricultural Policy) and related legislation. In short:

SAPARD finances agricultural and rural development projects through a Structural Funds-type programme, and is managed on a fully decentralised basis at the level of candidate countries with no ex-ante involvement by the Commission

SAPARD has an annual budget of **€ 520 million** (at 1999 prices)

SAPARD comes under the responsibility of DG Agriculture.

With 5 countries having started their operations in 2001, the SAPARD Programme now operates in 10 candidate countries following the “Commission decisions on conferral of management of aid on implementing agencies” in 2002 to Slovakia, the Czech Republic, Poland, Romania and Hungary.

The **Co-ordination Committee** of the Commission at Directors level convened three times in 2002. A **General Assistance Document** was presented at the Phare Management Committee on 29 April 2002. The document gives an overview of the three pre-accession instruments, their priorities and implementation in 2002. A separate annual report on co-ordination of pre-accession assistance will provide more detailed information on co-ordination between Phare, ISPA and SAPARD.

1.4. Bridging towards Structural Funds

The Communication from Mr Verheugen ‘Phare 2000 Review – Strengthening Preparations for Membership’, still provides the strategic

focus for Phare programming, emphasising, *inter alia*, the need to bridge to Structural Funds through Economic and Social Cohesion support.

In 2002, Phare continued to deepen its support for ESC as a means of moving towards the programmatic approach of the Structural Funds. ESC investment, based on the preliminary National Development Plans (pNDPs) is being used to pilot-test the type of activities which will be financed from Structural Funds on accession.

In 2002, ESC investments were implemented more and more in the format of grant schemes (similar to the ‘measures’ in Structural Funds terminology) in the field of Human Resource Development, productive investments and business related infrastructure. The wider use of schemes constitutes an important step towards Structural Funds approaches.

In this framework, Phare is increasingly providing assistance (through Twinning – including Twinning ‘Light’-and short-term Technical Assistance), to help the countries to put in place the necessary administrative and budgetary structures for the Structural Funds. These concern programming (finalising a Development Plan and preparing a Single Programming Document or a Community Support Framework), preparing a project pipeline, management, evaluation and control.

In 2002, Commission services (DGs Regional Policy and Enlargement) pursued the roadmap in three phases, covering the period 2001-2003, for moving from pNDPs to Structural Funds programming documents. In particular, by early 2002, all candidate countries had finalised their revised pNDPs. These were jointly assessed by DG Enlargement and DG Regional Policy (in co-ordination with the other Structural Funds DGs), with the aim of providing the candidate countries with useful recommendations for the forthcoming preparation of the Structural Funds programming documents.

In 2002 a Phare phasing-out strategy was established in order to ensure a smooth transition for the countries acceding on 1st May 2004.

The 2003 Phare programming exercise will be the last one for the countries acceding in May 2004. While ISPA and SAPARD will be replaced, upon accession, by the Cohesion Fund and the EAGGF (rural development), Phare does not have a unique and direct successor. In order to address this unprecedented transition from pre-accession aid to structural support, an ad-hoc phasing-out strategy for Phare was adopted by the Commission on 6 September 2002 [C(2002)3303-1].

The “bridging Phare to Structural Funds” added value of this strategy is, *inter alia*, strengthened by an early programming of Phare 2003 ESC and CBC actions, and a closer association of the Structural Funds DGs to the Phare 2003 programming, with the aim of aligning as far as possible the operations to the strategies of the forthcoming Structural Funds programmes. Moreover, from an administrative viewpoint, the candidate countries may be interested in having the Phare ESC and CBC operations under the

responsibility of the future Structural Funds implementing authorities, thus streamlining the number of structures managing Community instruments.

Malta and Cyprus do not receive ESC (nor ISPA and SAPARD) investment and they have not been asked to prepare pNDPs. However, pre-accession assistance has been given to help develop the documents and structures required to programme and implement Structural Funds on accession.

Turkey does not receive ESC (nor ISPA and SAPARD) investment as such, but similar investments are financed within its National Programme, as provided for in the Turkey Regulation. A NDP was requested, in March 2003, to form the basis for further developing these investments along Structural Funds lines.

2. IMPLEMENTATION OF THE PROGRAMMES

2.1. General overview: implementing the Phare guidelines

Programming in 2002 was based on the **revised guidelines for Phare (SEC (1999) 1596)**, and approved by the Commission on 13 October 1999. These guidelines built on the changes decided in 1998 and took account of the new ISPA and SAPARD regulations that took effect from 2000. These Guidelines were **further revised** on 6 September 2002 [C(2002) 3303-2] to:

- accompany changes to the CBC Regulation
- accommodate the unique approach required in the field of nuclear safety
- emphasise the transition to EDIS

Besides the amendment to the Phare CBC Regulation (EC) No. 2760/98 (see 2.4.), the revised Phare Guidelines convey **two important messages** related to co-operation with non-EU, non-candidate countries and transnational and inter-regional co-operation. Namely, candidate countries have been encouraged to make use of their Phare National Programme funds to support actions of a cross-border nature at their external borders, thus addressing potential new dividing lines on the future border of the Union. Moreover, candidate countries have also been invited to continue to use their Phare National Programme funds in order to fund their participation in Interreg III B (transnational) or Interreg III C (inter-regional) programmes.

Building on the Checklist of Actions necessary to implement a fully decentralised implementation system - known as Extended Decentralisation Implementation System, or EDIS - circulated at the end of 2001, the Commission, in 2002, prepared a roadmap for EDIS, setting out the four stages required to achieve EDIS. In addition, High Level Working Groups were established in each Phare country to oversee the transition to EDIS and a new Phare multi-annual programme was put in place to help countries finance the necessary changes.

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. In 2002, however, a number of new **multi-country or horizontal programmes** was introduced to address emerging high priority accession issues that could be better tackled through the economies of scale of such programmes. These programmes covered municipal infrastructure, municipal finance, environmental protection, public administration reform through SIGMA, anti-fraud measures, participation of Phare countries in Community Agencies, steel restructuring and preparations for EDIS.

Pre-accession assistance to Malta and Cyprus is governed by a separate regulation (EC) No 555/2000, adopted on 13 March 2000. In general, these programmes broadly follow Phare methodology and comitology.

A new regulation on pre-accession assistance to Turkey – (EC) No 2500/2001 – entered into force on 30 December 2001, and in 2002, for the first time, governed the annual programming exercise. This was the first year that a Turkey Financing Proposal was submitted to the Phare Management Committee, followed, in November 2002, by a planning document covering assistance in 2003. The Commission adopted programming and implementation guidelines – C(2002)5146 – on 20 December 2002, which are closely based on similar guidelines already adopted for the Phare candidate countries.

2.2. General overview: Financial and technical assistance

Under the guidelines (SEC (1999) 1596 and C (2002) 3303-2), approximately 30 % of Phare resources are 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 % is earmarked for investments designed to improve the regulatory framework to implement the *acquis* and to promote ESC.

Following the Strategy Paper in November 2001, **Action Plans** were developed in early 2002 with each negotiating country to establish the priority actions related to administrative and judicial capacity that need to be addressed before accession. Supplementary national allocations were made available (within the overall Phare Envelope) to support this enhanced focus on Institution Building and associated investment. Accordingly, in 2002, Institution Building accounted for 40 % of commitments within the national programmes and Institution Building and associated investment combined accounted for 71 %. Thus, investment to support ESC fell to 29 % of the national programmes.

In 2002, total Phare commitments amounted to € 1,699 million, comprising:

- **National Programmes:** € 1,168 million, of which:

Bulgaria: € 95 million

Czech Rep: € 85 million

Estonia: € 30 million

Hungary: € 112 million

Latvia: € 32 million

Lithuania: € 62 million

Poland: € 394 million

Romania: € 266 million

Slovakia: € 57 million

Slovenia: € 35 million

- **cross border co-operation: € 163 million**
- **regional and horizontal programmes: € 260 million**
- **nuclear safety: € 108 million**

In addition, pre-accession assistance programmes were agreed for **Malta, Cyprus and Turkey:**

Malta € 10 million

Cyprus € 12 million

Turkey € 146 million

Support in the area of Gender Equality

In the course of 2002, most candidate countries received support for projects in the area of Gender Equality. These have been financed through the Phare National Programmes and through MEDA for Cyprus, Malta and Turkey, as well as through several Phare civil society programmes such as the Access Programme. In Romania, for example, Access 2000 supports five Gender Equality programmes amounting to an EC contribution of € 174,448. Moreover, new projects in this field worth € 4,795,212 were launched in the candidate countries in 2002.

The main areas Phare funding is aimed at are:

- increasing the general knowledge and skills of the public administration in order to integrate the principal of gender equality into their activities;
- the promotion of more equal access to educational opportunities;
- raising awareness about domestic violence, and
- raising the role of women in business and political governance.

For the period 1999 – 2002, projects financed under Phare National Programmes for the CEECs and under MEDA for Cyprus, Malta and Turkey, totalled € 10,624,230. In the same period, projects financed under Phare multi-beneficiary programmes amounted to € 1.57 million. Moreover, the participation the candidate countries in several Community programmes in this field has been co-financed with € 0.94 million.

In Poland, for example, a € 2.067 million Phare 2002 Twinning project, “Enhancement of policies on the equal treatment of women and men” received € 2 million in Phare support. The key aims of this project are:

- the enhancement of the capacity of public administration, in order to strengthen and enforce gender equality policies and gender mainstreaming;
- to improve the understanding of issues related to gender equality and gender mainstreaming through establishing monitoring and policy evaluation systems, and
- awareness-raising, by promoting the values, principles and practices underlying gender equality in Polish society.

2.3. Support to Institution Building

Twinning

Twinning was launched in May 1998 as the main instrument for Institution Building. It aims at helping 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 the current 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 693 Twinning projects have already been funded by the Community between 1998 and 2002.

The 2002 programming exercise encompassed 191 Twinning projects across all candidate countries including, for the first time, Turkey. The distribution of Twinning projects in candidate countries for 2002 is as follows:

- Bulgaria - 16
- Cyprus - 1
- Czech Republic - 19
- Estonia - 11
- Hungary - 14
- Latvia - 12
- Lithuania - 14
- Malta - 6
- Poland - 32
- Romania - 30
- Slovakia - 13
- Slovenia - 11
- Turkey - 12

Overall the highest number of projects for 2002 relates to Justice and Home Affairs, Public Finance and Internal market and Agriculture and Fisheries.

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. In 2002, this instrument has been increasingly used by the candidate countries.

The Court of Auditors has analysed Twinning as the main instrument to support Institution Building in candidate countries; the report, together with the Commission's response was published on the European Court of Auditors website in May 2003.

TAIEX

2002 was a year of expansion for TAIEX (Technical Assistance Information Exchange Office) in terms of the number of events, whether seminars and workshops, expert exchange programmes or study visits of government officials to Member State administrations, with the total rising to 802 from 492 a year earlier. This reflected a growth in requests in 2002 to 1,158 from 818 in 2001. The number of experts mobilised also rose correspondingly from 11,257 in 2001 to 18,600 in 2002.

Over and above the usual areas of assistance, namely agriculture, financial and institutional matters, justice and home affairs, ports and border management, private sector, and others, new services were started leading to a number of important initiatives. Amongst these were:

A series of Peer Reviews for all 12 negotiating countries from spring 2002 contributing to the on-going monitoring process. During 2002, 205 peer reviews were completed in 17 sectors and involving the mobilisation of over 800 experts.

Two new publicly accessible databases were added to the various database tools already offered by TAIEX to help facilitate and monitor the approximation progress. The Law Approximation Database gives an up-to-date overview of the legislation adopted by each candidate country in their transposition of the *acquis communautaire*, while CCVista is an electronic database of over 63,000 translations of binding acts in all candidate country languages.

Expansion of the Regional Training Programme, whereby regional administrations receive tailored training to support the implementation of the *acquis* at the local level, extending its scope of activities to cover ten candidate countries. In 2002, 148 local government officials were enrolled in training programmes covering the key sectors of the *acquis* relevant to local government. In Poland, the country chosen for a pilot version of the scheme, nearly 2000 local officials received training in their own language in 2002.

In addition, 2002 saw the extension of TAIEX into Turkey.

Support to investment

Investments accounted for 60 % of the resources committed within the National Programmes in 2002, 31 % of which was for investment in the regulatory structures to implement the *acquis*.

The 1999 guidelines called for investment support to be re-oriented to take account of the launching of ISPA and SAPARD. Moreover, the Phare Review of 2000 underlined the need to assist candidate countries in their preparation for Structural Funds. In 2002, the Commission continued to promote moves towards the approaches required for Structural Funds as quickly as was sustainable and feasible, taking into account the specific features of each candidate country. Substantial investments were made to support ESC in 2002, though the actual percentage fell to 29 % of total National Programme commitments, given the need to place priority, in 2002, on the needs identified in the Action Plans.

However, Institution Building to support ESC, targeted at authorities or bodies responsible for the preparation and implementation of Structural Funds assistance on accession, almost doubled in 2002.

Moreover, the process of preparing **National Development Plans**, to underpin the programming of investment in ESC and to prepare for Structural Funds, was completed in 2002 and programming for CBC has been more closely aligned with the National Development Plans and **moved towards Interreg**.

2.4. Phare Cross-Border Co-operation

In 2002, all Phare Cross-Border Co-operation (CBC) programmes were implemented on the basis of Joint Programming Documents (JPDs), jointly established in 2000-2001 by the authorities on both sides of the border. The Phare CBC Regulation of December 1998 introduced substantial changes in the way cross-border co-operation programmes operate, and was 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.

Joint Programming Documents covering the 2000-2006 period, were established for each EU-CC (candidate country) border (here in the form of joint Phare CBC/Interreg III A 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.

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". 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 to Interreg. These are currently put into practice in the context of the Joint Programmes for 2000-2006.

Two types of “schemes” co-exist - Small Project Funds for grants up to € 50,000 and ESC schemes for grants between € 50,000 and € 2 million. On all borders, **Small Project Funds (SPF)** continued to operate, using between 10 % and 20 % of the total programme's appropriation. Schemes for grants between € 50,000 and € 2 million are implemented in the framework of **ESC** support in one of the areas of human resources development, support to productive sector and business related infrastructure. Moreover, Phare CBC is supporting larger stand-alone projects of a cross border value.

For the years 2000-2003, Phare-CBC has an **annual budget of € 151 million**, allocated between the different candidate countries and taking objective criteria into account (population, GDP per capita and surface of the border regions concerned). In 2002 Phare-CBC programmes were operational at fourteen borders. Moreover, a further € 12 million is allocated to the Baltic-CBC programme (Poland, Latvia, Lithuania and Estonia) where, given the peculiarity of the Baltic Sea area, a transnational approach in conjunction with the Interreg III B programme must be followed.

Finally, in keeping with the continued effort being made to ensure consistency with the Interreg approach, the Phare CBC Regulation (EC) No 2760/98 was amended by Regulation (EC) No 1596/2002 of 6 September 2002, in order to further align the eligible actions with the Interreg III A practice.

The Phare CBC Regulation is not applicable to Malta, Cyprus and Turkey. While in Malta and Cyprus no specific CBC-type activities have been financed through the pre-accession assistance, in Turkey it is planned to initiate actions of a cross-border nature with Bulgaria in the framework of the 2003 National Programme.

2.5. Multi-beneficiary Programmes

All multi-beneficiary programmes are financed under Phare and cover the ten central and eastern European candidate countries. Unless otherwise indicated, Cyprus, Malta and Turkey do not participate in these programmes.

Phare Networking Programme

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

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

The Networking Programme is composed of 4 components:

- *eEurope+*

This component supports monitoring and benchmarking the impact of eEurope+, the candidate countries' initiative to join the Union's efforts to turn Europe into the most competitive and dynamic knowledge-based economy in the world. It will thus allow the Phare candidate countries to become actively involved in the eEurope initiative launched by EU Heads of State and Government as part of the Lisbon Strategy. In 2002, a tender procedure was launched to award a service contract to assist the candidate countries' statistical offices in gathering and interpreting the data required for benchmarking. Work under this contract should start in spring 2003. Several supporting contracts (mainly for travel and accommodation) were also awarded in 2002.

- *Internal Market*

This component supports beneficiary administrations and bodies in the candidate countries relying on efficient communication and co-operation with partner organisations in the Member States and in other candidate countries. A contract of more than € 1.6 million (with 5 % EFTA contribution) was concluded to assist the candidate countries in creating a quality infrastructure (metrology, accreditation, testing-certification-inspection, market surveillance), capable of operating to the same high standards as equivalent structures in the EU and EFTA. In addition, 2 contracts (total value close to € 3.2 million) were signed aiming to improve the interconnectivity of taxation and customs IT systems in the candidate countries with similar systems in the Member States.

- *Civil Society*

This component addresses the reduction of drug demand and the participation of disabled people in the social and economic spheres, i.e. 2 areas in which the implementation of the acquis is to a large extent in the hands of civil society actors. In this context, networking with Civil Society organisations in the existing Member States is an important factor for the strengthening of Civil Society organisations in the candidate countries. A € 1 million "spontaneous grant" was awarded to the European Disability Forum for a project aimed at strengthening the national organisations of disabled people in the candidate countries, and at promoting the creation of these umbrella bodies where these do not yet exist. Furthermore, the project will

provide information on how disability organisations can use the accession process and accession itself to improve the situation of disabled people in their countries, while contributing to the action plans on the European Year for the Disabled in each country. As for the reduction in the demand for drugs, a call for proposals addressed to non-governmental organisations (NGOs) of the EU and candidate countries resulted in the award of grants for a total value of around € 1.7 million.

- *Dialogue and information dissemination*

This component will enable beneficiaries and aid co-ordinators to provide feedback about pre-accession assistance e.g. through a Networking website, the publication of a quarterly newsletter and the publication of Phare 'Highlights' brochures. The contract also supports the networking between the participants of projects under the Programme's Civil Society component, as well as between the beneficiaries of projects in favour of Roma communities set up under the National Phare Programmes. A service contract worth close to € 1.5 million was concluded to this end.

SME Finance Facility

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

The 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 local financial intermediary, combined with tailored packages of non-reimbursable financial incentives. The financial intermediaries 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 and KfW joined the Facility, followed by the EIB in 2001.

The year 2002 was characterised by:

- a strong expansion of Facility projects supporting local financial intermediaries in financing leasing operations with SMEs;

- an increased focus on reducing regional disparities concerning local intermediaries' experience and capacity to provide SMEs finance;
- Commission Decisions about new Phare contributions totalling € 50 million to EBRD, CEB/KfW and EIB to meet the continued demand for support under the Loan, Guarantee and Leasing Window.

As per end of 2002 the financial status of the Programme was the following (amounts in € million):

BUDGET	LGLW						EW		TOTAL
	EU/EBRD		EU/CEB/KfW		EU/EIB		EU/EBRD		
	Phare	EBRD	Phare	CEB/KfW	Phare	EIB	Phare	EBRD	
1999	25	125	0	0	0	0	25	25	200
2000	30	150	21	113	0	0	0	0	314
2001	30	150	30	150	30	300	0	0	690
2002	20	100	15	75	15	150	0	0	375
TOTAL	105	525	66	338	45	450	25	25	1,579

Municipal Finance Facility

The Commission launched a new Multi-Beneficiary Programme, the Municipal Finance Facility in co-operation with the EBRD, the Council of Europe Development Bank/Kreditanstalt für Wiederaufbau (CEB/KfW) and the EIB. A total of € 44 million has been allocated to this Programme in 2002 for the ten central and eastern European candidate countries.

The depth and strength of the municipal credit markets in the candidate countries is an important aspect of the functioning of their financial sector. 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.

By tailoring financial packages to the needs of local banks, the new Facility aims to assist the financial sectors in the candidate countries to expand lending to municipalities for the financing of *small infrastructure investments*, to extend loans over longer maturities, and to enhance the capacity to assess and monitor the related risks and to manage loans.

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

EIB Special Programme for Border Regions

Municipal Infrastructure Facility

In 2002, the Commission and the EIB launched a special Multi-Beneficiary Programme for candidate countries with EU border regions - the Municipal Infrastructure Facility. A total of € 35 million was allocated to this Programme in 2002.

The Programme comes 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.

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 Regions³: Estonia; Zachodniopomorskie, Lubuskie, Dolnoslaskie (Poland); Severovychod, Severozapad, Jihozapad, Jihovychod (Czech Republic); Zapadné Slovensko, Bratislavsky (Slovak Republic); Nyugat Dunantúl (Hungary); Slovenia; Yuzhen Tsentralen, Yugozapaden (Bulgaria).

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

³ COM (2001) 437

sectoral and horizontal business representative organisations in the existing Member States.

During a first phase of the programme (BSP 1), grants amounting to a total of € 22 million were awarded to 17 projects. The projects covered a wide range of business sectors and activities, including chambers of commerce, small and medium sized craft enterprises, the furniture and wood industry; producer's 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 to understand the Internal Market and to adapt themselves to the related Community *acquis*, and on providing know-how about corporate development.

In addition, support for two special projects was also provided – the first in the area of industrial property, and the second for the benefit of representative organisations in the agricultural sector.

In most cases, 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 include needs assessment surveys, development of platforms for statistical data exchange and extranet/intranet sites, making specific information available on-line 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. Partnerships have also been established between business support organisations in the candidate countries and the EU.

In 2002, a Call for Proposals was launched for the second phase of the Business Support Programme (BSP 2). From a total budget of € 15 million, 10 projects have been awarded grants to address the needs of business representative organisations in the industrial sector only. The aim of the BSP 2 programme is to assist the business representative organisations by strengthening their understanding, implementation and enforcement of their sectorally relevant *acquis*.

Environmental programme

2002 saw the closing down 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 and waste management, and in particular at improving levels of implementation capacity. In addition, information and guidance was provided to municipalities 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.

REAP was succeeded by a new € 1.5 million Multi-Beneficiary Programme in 2002 for the environment whose main focus is on:

- developing financing and implementation strategies, and assessing the compliance of investments with the environmental *acquis*;
- assisting the candidate countries in central and eastern Europe to monitor progress in the transposition and implementation of the environmental *acquis*, and monitoring specific commitments made during negotiations;
- promoting improved implementation and enforcement, exchange of experience and information at national and regional level, scoping to determine key problem areas;
- promoting partnership between the local authorities, building capacity in order to carry out the obligations of the *acquis*.

Malta, Cyprus and Turkey have been invited to participate in most of these activities at their own expense. The Turkish National Pre-accession Assistance Programme for 2002 includes possibilities to finance Turkish participation in the activities related to the implementation of environmental legislation.

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:

- “*training of judges in EC law*” (€ 1.3 million). The project aimed at establishing a training scheme and methodology for each participating candidate country and to provide a common practical manual for judges on EC law. The project ended in March 2002;
- “*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. The project ended in May 2002;

- “*judicial co-operation in criminal matters*” (€ 1.5 million). The project addressed issues such as extradition, mutual legal assistance and confiscation. The project ended in November 2002;
- “*rule of law*” (€ 3.1 million). The project focused on 4 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. The implementation of this project continues into 2003.

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. With the exception of the project on the training of judges, the 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 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.

Fight against drugs

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 drugs, and that their implementation is satisfactory.

A € 2 million *EMCDDA - CEEC Co-operation Project* started in February 2001 and was implemented by EMCDDA. The project aimed at integrating the 12 negotiating countries into the activities of the EMCDDA and establishing structural links with the REITOX network (Réseau européen d’information sur les drogues et les toxicomanies). Co-financing for Turkey’s membership of the EMCDDA was provided in its 2002 National Programme.

The National Focal Points were further strengthened, institutionalised and prepared to participate in such activities through a strong institution and capacity building component. A specific website offering expert advice and know-how to the National Focal Points of the candidate countries has subsequently been created at EMCDDA, and is regularly up-dated.

This project ended on 20 September 2002 with positive results (further political awareness-raising, however, is needed in such a soft *acquis* area). It was followed at the end of November 2002 by an Agency project of 18

months (€ 0.5 million). This project has already resulted in more political commitment in the drugs field expressed by the CEECs at a High Level Conference held in Athens on 5-6 March 2003.

Experts from the non-Phare candidate countries, Cyprus, Malta and Turkey, were and are being invited to participate, at their own cost, in the selected regional or horizontal activities of common interest.

Phare 2000 Multi-Beneficiary Drugs Programme

In 2001, the Commission began preparations for projects in the framework of the Phare Multi-Beneficiary Drugs Programme 2000, which addresses the transnational drug problem through enhanced and co-ordinated action in line with the EU Drug Strategy and Action Plan 2000-2004.

The EU Drug Strategy calls for a multi-disciplinary and integrated approach to drugs. Its aims include reinforcing the fight against drug trafficking and stepping up police co-operation between states, encouraging multi-agency co-operation, progressively integrating the candidate countries and intensifying international co-operation.

The Strategy identifies preparation of enlargement as one of the main challenges for the European Union, and the Phare programme as the main instrument for pre-accession support to develop institutional capacity in the candidate countries for adopting and implementing the EU *acquis* in the field of drugs.

The Joint Declaration on Drugs by the Member States, Commission and the candidate countries, signed at the Ministerial level on 28 February 2002, emphasises the importance of the EU Drug Strategy and Action Plan as a model for national, global, balanced and integrated drug policies in the candidate countries. The Declaration also emphasises the importance of developing sufficient administrative capacity and co-ordination between relevant authorities to tackle the drug problem.

Under the 2000 Drug Programme, three intervention areas have been prepared:

- (1) *Strengthening Cross Border Co-operation in Drug Law Enforcement, aimed at the disruption of major drug trafficking channels and dismantling international criminal organisations in drug trafficking* - In December 2001, Eurocustoms was entrusted with the implementation of a preparatory phase for a Phare Regional Drug Law Enforcement Project (€ 0.5 million), with the objective of identifying the candidate countries' needs and preparing a programming document. A multi-volume final report has been produced. The implementation phase of 18 months (€ 4.9 million) began at the end of October 2002. It will cover detailed work programmes for national and regional activities which reflect comments received from EC Delegations, Country Teams and DG

Justice and Home Affairs. This project is going on well with good collaboration from the beneficiary countries.

- (2) *Transposing the Anti-Money Laundering acquis in the candidate countries to provide a European framework to combat money laundering with a view to enhancing co-operation and working relationships between the institutions of the anti-money laundering chain at a national, regional and international level* - In February 2002, the Dutch Ministry of Justice was entrusted with the implementation of the Phare anti-money laundering project, worth € 2 million. A half-year report from December 2002 gives a good overview of the activities carried out in each module of the project. This project produces good results.
- (3) *Transposing the acquis and EU standards in the candidate countries in the field of synthetic drugs and their precursor chemicals, with a specific focus on strengthening the institutions responsible for enforcing the legislation, on improving co-ordination amongst them, regional inter-agency co-operation and the information exchange to monitor precursor chemicals and reduce their diversion* - In February 2002, the Dutch Ministry of Justice was entrusted with the implementation of this Phare project worth € 1.5 million. This project is progressing well.

ECOS-Ouverture Programme

The programme's aim is to strengthen local authorities in central and eastern Europe through co-operation with their 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 expertise. Originating in 1990, it has been financed by Phare and ERDF since 1994 to the tune of nearly € 50 million.

2002 was the last year during which the 32 projects financed under the Phare 1998 budget for a total amount of € 7.35 million were implemented. The main themes of co-operation were economic development (18) and environment (7) while the remaining projects focused on cultural (4) or administrative (3) aspects. With an average budget of nearly € 245,000, the Phare partners played a more significant role in these projects than in earlier generations of the programme. Romania was particularly interested in the programme and Romanian partners were present in one-third of all selected projects. This is closely followed by Hungarian (7) and Slovenian (6) partners. One third of all projects had 2 or more Phare partners.

Regarding project management, in general there was smooth interaction between project promoters and the European Commission. Almost 20 % of the projects were visited by the Commission staff on the spot, and another 30 % were met in Brussels. As a result, it was felt that the quality of reports improved during the lifetime of the projects.

It has been noted that in many cases the local authorities involved in the projects have started to develop follow-up actions and to look into the possibility of applying for Community funding under other programmes. In order to bridge the processing of funding applications, candidate country and Member State partnerships have often declared their intention to continue their co-operation on a self-financed basis.

LIEN Programme

The LIEN (Link Inter European NGOs) Programme seeks 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, about 350 projects have been selected and received Phare grants totalling about € 48 million.

The 40 projects that had been selected during the last LIEN Call for Proposals in 1999 ended in 2002. 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. Many of the Phare-partners adopted new methodological and management concepts.

The majority of the project promoters have applied for funding from other sources to carry on with their activities; some 20 % secured further EU-support (e.g. within the frame of the Access programme).

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 provided grant-finance for local development projects initiated by at least 2 non-profit organisations that wish to build a sustainable partnership with a view to mutually exchange skills, knowledge and experience. 2002 was the Programme's final year, with around 30 % of the projects funded under the 1997 Partnership programme finishing their activities.

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 through other sources of support.

Phare Access Programme

The Phare 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 (NPOs). 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 2002, the majority of projects under the Access Programme 1999 (total budget: € 20 million) came to an end. Furthermore, calls for proposals under the Access Programme 2000 (total budget: € 20 million) have been launched and the implementation of most projects began. Contrary to Access 1999, which was managed by the Delegations of the European Commission in the ten countries of Central and Eastern Europe (“deconcentrated”), the implementation of Access 2000 is under the responsibility of the candidate countries’ authorities, under the supervision of the European Commission (“decentralised”).

As for the Phare Programming 2001, civil society programmes have been part of the Phare National Programmes. For 2001, this is the case for Bulgaria, the Czech Republic, Hungary, Latvia, Poland and Romania (total Phare contribution: € 20.5 million) and for 2002 for Bulgaria, the Czech Republic, Estonia, Hungary and Latvia (total Phare contribution: € 9.6 million). The objectives of these programmes and the activities financed under them are similar to those supported previously by the Access Programme.

Nuclear safety

During 2002, the Commission services established a further nuclear safety programme funded from the Phare pre-accession financial instrument. As in the previous year, the design of the programme took guidance from the recommendations of the June 2001 Council Report on Nuclear Safety in the Context of Enlargement. Thus, it aimed to support the Phare beneficiary countries in taking measures to implement these recommendations, to which the Commission's Regular Reports on the progress of candidate countries towards EU accession, as well as the Accession Partnerships, had made reference. The programme allocated financial assistance to 22 projects with a total budget amounting to € 18.098 million. Both the strategy and the detailed projects are described in the Financing Proposal that is available on the web-site of DG Enlargement ⁴.

During the last year, the services of the Commission dedicated particular efforts to putting into place the 1998 Phare Nuclear Safety Programme that had been extended twice. After careful scrutiny of the validity of the projects funded under this programme, and the decentralisation of the implementation of certain elements of the programme, all projects were contracted at the central and decentralised levels by the end of 2002. Of particular importance was the contracting of a technically challenging investment project to support the instrumentation and control elements related to the installation of a Second Diverse Shutdown System at the Ignalina Nuclear Power Plant in Lithuania. Furthermore, the nuclear safety-critical support provided by EU Technical Support Organisations to various candidate countries' nuclear safety regulatory authorities in their review of the VVER 440/213 Bubbler Condenser capabilities should be highlighted as another important project put into place. Finally, the services of the Commission cancelled the implementation of a very limited number of projects of which the usefulness had been overcome by events. Accordingly, the technically challenging 1998 programme could be undertaken during the year 2002.

2002 also saw the results of bringing the Nuclear Safety Programmes into line with the Decentralised Implementation System established for delivering the Phare financial instrument since the Phare mid-term review. The implementation of projects funded from the 1999 and 2001 Nuclear Safety Programmes saw good progress. By following the method of programme design that also determines other segments of the Phare programme, the design quality of the above-mentioned 2002 Nuclear Safety Programme benefited from the enhanced involvement of the National Aid Co-ordinators and the national stakeholders of the beneficiary countries. This augmented the involvement of national actors, ahead of the introduction of the EDIS system, as well as their actual ownership of the project results.

Finally, the Commission services continued to programme three special programmes to support decommissioning activities and other measures related to the early closure of certain nuclear power reactors in Lithuania,

⁴ <http://europa.eu.int/comm/enlargement/>

Slovakia, and Bulgaria. The total allocations decided under these three programmes amounted, in 2002, to € 90 million and brought the sum of Community funding for this purpose since 1999 to over € 340 million. The bulk of this assistance is delivered to the beneficiary countries via three International Decommissioning Support Funds, managed by the EBRD. The European Community is the largest single contributor to these funds. The European Commission not only decides upon the allocation of Community means to these Funds, it also chairs their Assemblies of Contributors and co-decides as a key member of these guiding bodies on the individual grant agreements established between the Fund Manager and the beneficiary countries in support of individual projects. The three Funds, established in 2000, made notable progress during 2002 and put a series of projects into place.

Statistics

The wider objective of the various Phare Multi-Beneficiary Programmes for statistical co-operation is to improve the provision and the quality of official statistics from the candidate countries, especially in the context of pre-accession. For the currently running programmes, a strategic document was developed covering the years 2000-2002. 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, the 2002 Multi-Beneficiary Phare programme was elaborated by Eurostat and endorsed by the Phare Management Committee in September 2002. Although not part of the Phare programme, the other three candidate countries – Cyprus, Malta and Turkey – are integrated into these programmes as far as possible but with different funding sources.

The 2002 programme is oriented towards strengthening the institutions of the National Statistics Institute (NSI) of the candidate countries in order 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 confidence in the field of statistics. The total budget provided for this programme is € 9 million.

The programme contains various types of projects, the most important ones being sectoral projects covering gaps which still exist in the implementation of the *acquis* or coping with new *acquis* requirements. In this programme, several projects on macro-economic statistics, social statistics, agriculture statistics and external trade statistics were included, and their implementation will start in September 2003. The total budget for these projects is around € 5 million. Depending on the amount of funding available, Cyprus, Malta and Turkey are included in some of these projects, so that the transfer of knowledge and production of data is done in the same way as for the Phare candidate countries.

Another important part of the programme concerns all the statistical assistance activities, like participation in Eurostat's working groups, seminars, training courses, seconding trainees to Eurostat or to a Member State statistical office and implementing study visits and consultations. This

part of the programme has a budget of € 4 million. This budget for statistical assistance activities is given as grants to statistical offices in both the Member States and in the candidate countries. Here again, Cyprus, Malta and Turkey are integrated into the programme elements, based on either their own funding or other pre-accession instruments.

2002 also saw the successful closing down of the 1999 multi-country programme on statistical co-operation amounting to € 15 million, the full implementation of the 2001 multi-country programme amounting to € 8 million and the launch of the 2001 multi-country programme amounting to € 7.39 million. All the programmes cover similar objectives in different areas of statistics, and have contributed significantly to providing good quality statistical information for the enlargement process for the 10 accession countries and Cyprus and Malta. For Turkey, the integration into the co-operation mechanism has just recently started, but within a reasonable period of time, it is expected to provide results similar to those seen in the other countries.

2.6. Participation in Community Programmes and Agencies

In 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 also proposed active participation in certain Community Agencies or bodies, in order to better prepare these countries for the 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 1997, the candidate countries have participated fully in almost all Community programmes open to them, in particular in education, vocational training, youth, research, energy, the environment, and small and medium-sized enterprises. The participation of candidate countries in Community programmes is a key feature of the pre-accession strategy.

2002 saw the full implementation of the new procedures, which streamline the adoption of measures in order to facilitate the participation of the candidate countries in Community programmes.

Candidate countries are requested to make a financial contribution to each programme in which they participate. In most cases and at the candidate countries' request, the cost of this participation is co-financed by Phare and the relevant pre-accession funds for Cyprus, Malta and Turkey. In 2002, some € 116 million was committed for the participation of the 13 candidate countries in Community programmes, amounting to about 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 2003.

Agencies

A similar participation of candidate countries in Community Agencies is taking place.

On the basis of full participation, Bilateral Agreements were negotiated with all 13 candidate countries to become members of the European Environment Agency. On 18 June 2001, for the EU's part, the Council adopted the 13 Decisions in order to proceed to the formal conclusion of these Agreements. As for the candidate countries, by the end of 2002 only the Turkish ratification was pending. In 2002, some € 2.8 million was committed in order to co-finance the participation of 11 countries that had made the respective request.

As proposed by the Commission in 2001, negotiations on the participation of candidate countries in the European Monitoring Centre for Drugs and Drug-Addiction (EMCDDA) were launched on 7 March 2002 in Brussels, on the basis of a negotiating mandate by the EU Council. By the end of 2002, the negotiations had not been concluded for any country.

With respect to other Agencies, it has been decided to prepare the 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 broadest 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.

As a continuation of a 2000 Phare programme to implement preparatory measures in 2000-2001 as regards the 10 CEEC's participation in five Community agencies, a further € 6 million Phare support was decided by the Commission on 24 July 2002 for the period 2002-2003. Under this programme the following eight Agencies will receive Phare support for such preparatory measures:

- European Centre for the Development of Vocational Training
- European Agency for the Evaluation of Medicinal Products
- Office for Harmonisation in the Internal Market
- European Agency for Safety and Health at Work
- European Monitoring Centre on Racism and Xenophobia
- Translation Centre for Bodies of the European Union
- The European Foundation for the Improvement of Living and Working Conditions

- The European Monitoring Centre for Drugs and Drug Addiction

2.7. Co-operation with the EIB and International Financial Institutions

Co-operation with the EIB and other IFIs continued in 2002 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 is, however, exploring ways to co-finance the ESC component of the Phare programme with the IFIs.

The main co-financing instrument in 2002 was again the SME Facility in which the EIB, the EBRD and the Council of Europe Development Bank / KfW are participating. In 2002, the Commission also finalised 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)

During 2002, the candidate countries and the Commission continued the efforts to move towards extended decentralisation in the management of Phare funds, and of the pre-accession funds for Cyprus and Malta⁵. The implementation of the stages towards EDIS as indicated in the document “Roadmap to EDIS for ISPA and Phare” (sent to candidate countries in 2001) and the Commission Working document “Preparing for Extended Decentralisation” (sent to candidate countries in 2000) was pursued in all twelve countries.

The Commission provided € 5.9 million for a horizontal Technical Assistance programme to support the national administrations of the Phare countries in this process. An allocation per country was made out the global amount of € 5.9 million according to estimated needs. The funds were earmarked for support to stages 2 and 3 of the Roadmap, namely the filling of gaps (stage 2) identified in the system through the gap assessment (stage 1) and the compliance assessment of the filled gaps of the system (stage 3). During the second half of 2002, the Financing Memoranda were signed with each of the countries.

As an additional support structure, High Level Working Groups were set up in each of the Phare countries. The purpose of those HLWGs is to address the whole range of issues covering the management of pre-accession aid in the run up to accession. More specifically, the HLWGs oversee the progress towards EDIS in each country. It is foreseen that the HLWGs will convene

⁵ Turkey is preparing to move to Decentralised Implementation System (DIS) in 2003

three times during their lifetime. In 2002, a first round of HLWG meetings was held in all countries.

Through discussions at the HLWGs and in other contacts between the Commission and the negotiating countries, the proposal to hold a horizontal seminar with all candidate countries was raised. Such a seminar was successfully organised jointly by DG Enlargement and DG Regional Policy in Brussels in November with a wide participation from 12 candidate countries' administrations. The topics covered a range of subjects including co-ordination between Phare and ISPA in relation to EDIS, legal aspects of EDIS, Twinning and EDIS, procurement and EDIS, the processing of the EDIS application by the Commission and the transition from SAPARD and ISPA to Structural funds.

At the end of 2002, the EDIS state of play for the twelve countries concerned was the following:

- Cyprus and Malta had reached stage 4 of the Roadmap (Preparation for Commission decision to waive ex-ante control on management of pre-accession funds).
- Hungary had initiated stage 2 of the Roadmap (Gap plugging).
- Estonia and Slovakia had completed stage 1 of the Roadmap (Gap assessment).
- The remaining countries had well advanced in stage 1 with an expected completion date early 2003.

3.2. Monitoring and Evaluation

Phare's monitoring and evaluation function is designed to deliver independent, timely ex ante, intermediate and ex post evaluation findings to candidate countries, Commission delegations and the country teams in DG Enlargement. Its aim is to help improve the efficiency and effectiveness with which Phare pre-accession funds are used.

Main activities in 2002

During 2002, the following main activities were accomplished:

- (1) An ***internal ex ante evaluation*** was launched of programming mechanisms for Phare in 2004 and beyond, based on a questionnaire and interview-based survey of stakeholder opinions and a comparison of Phare's programming mechanisms with those in comparable interventions, such as CARDS, ISPA, SAPARD and TACIS. This will continue into the first quarter of 2003.
- (2) The ***external interim evaluation scheme*** generated some 110 individual country, sectoral or thematic intermediate evaluation reports. A comprehensive revision of the new scheme was carried out

in July 2002, involving improvements in methodology and formats, and a faster, more differentiated reporting system, with clearer targeting of specific audiences. A state-of-the-art-monitoring template was also introduced. This enables a more user-friendly synoptic and analytic presentation of relevant information.

- (3) An *external ex post evaluation* was undertaken of Phare national programmes launched in 1997/98. This will continue into the first quarter of 2003. The exercise also involves the development of local evaluation capacity.

Ex ante evaluation

2002 saw the launch of an ex ante evaluation of programming mechanisms for Phare in 2004 and beyond. The evaluation will aim to do this based on an assessment of lessons learned from the current method of Phare programming and an examination of programming mechanisms in comparable interventions.

An important input to this evaluation is an independent report on programming and project design prepared in 2001 that covers projects financed from 1990 to 1999. The contractor concluded that these projects had often had poorly specified objectives, technically weak logical frameworks (logframes), and inadequate indicators.

Remedial measures involving the systematic checking of these features at the project formulation stage were introduced in 2002.

Monitoring and Interim Evaluation

The Phare Monitoring and Interim Evaluation scheme adopts a participatory approach to providing the parties involved in programme management with a regular, reliable assessment of the implementation of all on-going measures. Two means are used: first, monitoring reports drafted by the implementing agencies providing the stakeholders' view; and second, interim evaluation reports giving the independent view of the external evaluators. Based on these findings, the Sectoral Monitoring Subcommittees and Joint Monitoring Committee for each Candidate Country discuss and decide on remedial actions to improve programme implementation.

In 2002, this scheme generated some 130 individual country, sectoral and thematic reports. Thematic reports covered nuclear issues, civil society, public administration, justice and home affairs, objective setting, Twinning, and SMEs. The main sectors covered were agriculture, ESC, environment, internal market, justice and home affairs, public administration/finance, regional policy, SMEs, civil society, and transport.

Findings indicate that Phare programming, on the whole, generates projects whose priorities are in line with those of the Accession Partnerships and take into account Regular Reports and Action Plans. However, although over two-thirds of the projects evaluated in 2002 were rated as at least satisfactory, an

appreciable number are poorly designed or prepared, with vague aims, imprecise indicators, poor take-up of lessons learnt, and no feasibility studies. The evaluators' view is that Phare's achievements owe more to the management skills of those implementing the programme “to get something done” than to good project design.

From a sectoral angle, the Interim Evaluation reports show that generally good progress was made during 2002 in meeting objectives in agriculture, environment, justice and home affairs, public administration/finance and the social sector. Outcomes were more mixed in internal market, ESC, regional policy and transport. The results in the SME sector have also been uneven, with significant effects on business support services but very limited impact in improving the business and financial environment.

In addition, evaluation findings confirmed that while Twinning is an essential instrument of the accession process, it needs to be accompanied by widespread reforms in public administration in order to be effective.

Interim Evaluation itself is now accepted by almost all candidate country beneficiaries as an integral part of the project management cycle. Reports receive serious attention, generate healthy debate among stakeholders, and lead to sustained consideration of the recommendations they contain. Following through on evaluation findings and recommendations generates a cascade of beneficial effects. These include institutional changes within implementing agencies; better co-ordination between municipal, regional and national levels in the candidate countries, and between donors; improvements in project design; re-allocation of resources; gaining of additional co-financing; and more attention paid to sustaining the results of projects after completion.

Following up recommendations is also leading to the diffusion of an evaluation culture that promotes accountability and, in turn, sound financial management, to improvements in monitoring and thus management capacity and the development of a real participatory approach to evaluation on the part of all stakeholders. In this regard, the strong involvement of Commission delegations has a considerable impact on the quality of the outcome of interim evaluations.

The Interim Evaluation system will be further adapted in 2003:

- Following on from the decentralisation of monitoring in 2000, and in the context of EDIS (see section 3.1. earlier in this Report), the interim evaluation function itself will be fully decentralised to the authorities of the ten candidate countries due to accede in 2004.
- The Monitoring and Interim Evaluation Scheme will be introduced in Cyprus, Malta and Turkey.

Ex post evaluation

The ex post evaluation of a € 1 billion sample of Phare support to 10 countries was completed in May 2003. This report consists of ten country reports, each with case studies annexed, an overall consolidated report and a summary report. The sample selected for evaluation covers projects due for completion at the end of 2001 and stemming from the 1997/98 national programmes of Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia. The exercise is effectively ten separate country-level ex post evaluations within the same envelope.

Organisational aspects included the formal nomination of a country evaluator by the National Aid Co-ordinator (NAC); the approval of each country's terms of reference by this national evaluation representative; and the appointment of local independent evaluators in each country to provide country-level evaluation reporting under the supervision of the overall evaluation contractor. There is a built-in component of local evaluation capacity-building based on learning-by-doing supported by training workshops and a distance-learning package.

Other activities

During 2002, a number of measures were taken by the Commission services in order to improve the quality of projects at the design stage of the 2003 programming cycle:

- *Reinforcing the application of the project formulation methodology* - The 2003 Programming Guide places a stronger emphasis than hitherto on the requirement to specify appropriate indicators and to incorporate lessons learned.
- *Training of key actors in the candidate countries* - External experts delivered two-day training workshops on programme and project design to officials in ministries, co-ordination offices and Commission delegations in Slovakia, Bulgaria and Latvia (workshops in Romania and Turkey are planned for early 2003). Training in monitoring was delivered in eight candidate countries.
- *Quality checks* - The evaluation unit of DG Enlargement systematically checked early drafts of project fiches and logframes for the 2003 programming cycle and provided feedback to country teams.

In addition, the groundwork was laid for the first meeting, in early 2003, of the Evaluation Advisory Group (EAG) of Member State and candidate country representatives. In the context of the financial *acquis* of Chapter 28 and related principles of sound financial management, the EAG is designed to serve as a forum for exchanging good practices on monitoring and evaluation models and local capacity-building strategies.

4. FINANCIAL OVERVIEW AND PERFORMANCE

In 2002, the Phare programme committed a total of € 1,695.1 million⁶ to its partner countries. The following chart shows the breakdown year by year of the Phare funds committed in the period 1990 – 2002 (€ million):

- 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

⁶ The Phare contribution to the European Training Foundation (€ 4 million) is not included in this figure

Total Phare funding by country, 1990-2002, in € million

Partner country	Commitments⁷	Contracts⁸	Payments⁸
Bulgaria	1,309.70	1,004.15	827.62
Czech Republic	766.96	587.80	490.48
Estonia	285.80	215.66	195.00
Hungary	1,316.95	1,060.64	968.68
Latvia	354.56	266.34	249.00
Lithuania	672.71	380.09	330.36
Poland	3,420.43	2,477.37	2,099.49
Romania	2,007.04	1,426.40	1,084.56
Slovakia	593.71	430.81	343.57
Slovenia	295.95	215.43	195.73
Czechoslovakia	230.49	231.82	228.88
East Germany	34.49	28.86	28.86
Multi-country programmes	2,711.18	2,164.11	1,706.64
Total	13,999.97	10,489.48	8,748.87

⁷ Amounts committed or pre-committed in Brussels headquarters

⁸ Amounts contracted or paid by Brussels headquarters and as reported by the Local Authorities via Perseus