



# FROM PRE-ACCESSION TO ACCESSION

Thematic Evaluation

Phare Support to  
Economic and Social  
Cohesion in Bulgaria  
and Romania

of European Union  
Phare Programme



European Commission  
Directorate-General Enlargement

# Phare Support to Economic and Social Cohesion in Bulgaria and Romania

*Thematic Evaluation Report of the European  
Union Phare Programme*

Thematic Evaluation Report

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This report has been prepared as a result of an independent review by the ECOTEC Research and Consulting being contracted under the Phare programme. The views expressed are those of the ECOTEC Research and Consulting and do not necessarily reflect those of the European Commission.

European Commission Directorate-General Enlargement  
Directorate E – Evaluation Unit

## EXECUTIVE SUMMARY

The objective of this Thematic Report on Phare support to Economic and Social Cohesion in Bulgaria and Romania is to analyse the extent to which Phare has been successful in preparing both countries to put in place the pre-conditions for their sustainable recourse to the Structural and Cohesion Funds after their accession to the EU.

The report takes account of evidence available up to 30 June 2005. It is accompanied by a background report which contains the detailed information and analysis on which the present report is based.

### Key Evaluation Findings

A strategic approach from the Commission and the national authorities to overall Economic and Social Cohesion planning has generally been missing. Coordination of Structural Fund preparations was weak and provision of human resources inadequate. Only during 2003 were the respective Ministries of Finance given this responsibility and only more recently did they receive assistance in any structured form to take on these tasks. The build up of human resources for Structural Funds operations was planned strategically but never adequately materialised. Consequently, Phare Economic and Social Cohesion programmes progressed slowly and unevenly towards Structural Fund-type interventions.

Phare Institution Building has had important impact, but has been too narrow in scope and weakly coordinated. There have been improvements in pilot investments but preparations are still problematic. Strategic planning and investment project preparation has been considerably stimulated by the introduction of multi-annual programming for Phare for the 2004-2006 period, though progress since 2003 has been uneven. Some acceleration in the performance of Phare Economic and Social Cohesion has resulted though not for infrastructure.

### Conclusions

While there has been some progress in the allocation of organisational responsibilities, weak coordination and late decisions have limited the effectiveness of Phare Institution Building and much of the necessary follow-up in terms of staffing, training, development of operational systems and potential beneficiary awareness, as well as coordination between the various system components, remains to be addressed in any detail. The regional dimension also continues to need more attention. Phare pilot investments are improving but are still not sharply enough focused. Overall, Phare has made key contributions to Economic and Social Cohesion preparation, but was not a tool that could have prepared candidates fully for the Structural Funds.

### Recommendations

There are 13 recommendations grouped under three action areas. The first group is designed to facilitate a proper strategic framework, allowing for a smooth transition from Phare Economic and Social Cohesion to Structural Funds. The second group proposes that more attention should be devoted to absorption capacity for Phare Economic and Social Cohesion and future Structural Funds resources. These two groups of recommendations are particularly relevant to future enlargements. The third group of recommendations, specific to Bulgaria and Romania, suggests these countries should adopt a more strategic approach to regionalisation; critically assess the probable capacity of some Managing Authorities and Intermediate Bodies; ensure close monitoring at the start of Structural Funds' operations to enable rapid fine-tuning, and that the development of Management Information Systems in Romania and Bulgaria should be more closely coordinated by the respective Ministries of Finance.

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## **PREFACE**

This Thematic Report<sup>1</sup> was prepared at the request of the Commission Services (DG Enlargement). The Kick-off meeting was held on 28 February 2005. The cut-off date for the collection of evidence for the report was 30 June 2005.

In compiling the Report, ECOTEC drew on Sectoral Interim Evaluation Reports, documentation of the Commission Services and other background information.

In addition, interviews were conducted in Brussels with the Commission Services and with the authorities in the current Phare Candidate Countries, Bulgaria and Romania.

This report is accompanied by a background report (ESC 0535 (2)), which contains the detailed information and analysis on which the present report is based.

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<sup>1</sup> The author of this Thematic Report is Short Term Technical Expert Klaas-Jan Reincke. The report has been reviewed and edited by Ecotec Deputy Project Director, Richard Thomas.

## MAIN REPORT

### 1 INTRODUCTION

#### 1.1 Objective of the report

1 The objective of this report is to analyse the extent to which Phare has been successful in preparing Bulgaria and Romania to put in place the pre-conditions for their sustainable recourse to the Structural and Cohesion Funds after their accession to the EU.

#### 1.2 Context of the evaluation

2 The second most important EU policy in terms of budgetary spending, Economic and Social Cohesion, aims to reduce disparities among the regions of the EU. Support is channelled to the regions by means of the Structural and Cohesion Funds, a key feature of which is the delivery of measures within the framework of synergetic, multi-annual programmes. The Structural and Cohesion Funds should be a key source of budgetary benefit to acceding Member States.

3 Preparation for ESC is more problematic for Bulgaria and Romania than it was for the Member States which acceded in 2004. Whereas the current New Member States are now experiencing a 3-year period for their first Structural Funds programmes which allows them to build stronger and more successful programmes for the 2007-2013 period, Bulgaria and Romania, acceding later, will not have the benefit of that 'trial period'.

4 Phare has been targeting the policy area of Economic and Social Cohesion and the preparations for the Structural Funds since the year 2000, through institution building and pilot investments.

#### 1.3 Methodology

5 This report builds on two foundations. The first is a Consolidated Summary Report of Phare Support issued in 2004<sup>2</sup> which concluded, with regard to Phare support to ESC, that: early programmes were over-ambitious; there had been a weak strategy framework; twinnings had made limited contributions; pilot investments had not been well focused; immediate impact was limited and, overall, Phare had had little success in preparing candidates for the Structural and Cohesion Funds. These key findings were generally well received by operational stakeholders and by the EU25 Member States. However, in subsequent discussions with DG Enlargement Operations, it was argued, *inter alia*, that the evaluation had only captured an early stage of the ESC programmes; as a result, it did not reflect acceleration in ESC performance, and the assessment of impact was premature. These points were disputed by the evaluators. It was finally agreed that a brief evaluation update would be carried out about a year later and would constitute the second evidence base for the present report.

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<sup>2</sup> 'From Pre-Accession to Accession - Interim Evaluation of Phare Support Allocated in 1999-2002 and Implemented until November 2003' published by the Evaluation Unit of DG Enlargement in April 2004. See [http://ec.europa.eu/comm/enlargement/phare\\_evaluation\\_pdf/zz\\_pier\\_03020\\_e3\\_290304.pdf](http://ec.europa.eu/comm/enlargement/phare_evaluation_pdf/zz_pier_03020_e3_290304.pdf)

6 That Update Report<sup>3</sup>, covering support to ESC in the ten Phare countries, identified five critical areas where lessons derived from experience with Phare support to ESC needed to be taken into account in Bulgaria and Romania. Firstly, the Update noted that national responsibilities and organisational structures should be so arranged as to secure the overall coherence and coordination of the various preparations for access to the Structural and Cohesion Funds. Secondly, procedures for managing these Funds should be as simple and flexible as is consistent with conforming to the EU rules. Thirdly, more attention needs to be paid to strengthening regional bodies and systems. Fourthly, all those responsible for programming should focus more on the quality of programmes and their close relevance to proper Structural and Cohesion Fund objectives, and less on the disbursement of allocated funds. Fifthly, in the light of the New Member States' experience, Bulgaria and Romania should put in place adequate monitoring machinery to ensure that the lessons learned from their early experience of 'live' SF implementation are fully and quickly taken into account in fine-tuning the later years of Phare and Transition Facility support.

7 The main analytical tools used for this evaluation report include a desk study of Phare programme and project documentation (project fiches, twinning contracts) and European Commission and sectoral background documents (including national legislation) as well as Ecotec sectoral Interim Evaluation reports. In addition, key stakeholders were interviewed and field missions were conducted in both Bulgaria and Romania.

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<sup>3</sup> 'Update on Phare Support to ESC' (ZZ/ESC/0538).

## 2 KEY EVALUATION FINDINGS

### ***Finding 1: National policies existed for Structural Fund preparation but strategies for Economic and Social Cohesion were largely absent.***

8 The accession negotiations have stimulated development of Bulgarian and Romanian **policies** for the Structural Funds, but the emphasis has been more on form and structure (i.e. institutions and laws) than on content. A **strategic** approach from the Commission and the national authorities to overall Economic and Social Cohesion planning has generally been missing. The only area in Bulgaria and Romania where existing strategies were able to make useful contributions is that of the labour market.

9 By mid-2003 Bulgaria managed to simulate a Structural Funds **programming environment**, by introducing the National Economic Development Plan which included many features of a Structural Funds programme, such as a socio-economic analysis, strategic objectives, priorities and measures. Unfortunately, the incompatibility of Phare and Structural Funds arrangements inhibited implementation of these plans. Until early 2004, Romania lacked decisions on institutional responsibility for the future management of the Structural Funds. However, the year 2004 saw significant progress.

10 In the past, national **regional development policies** were non-existent or had low status. Both countries have now drafted revised regional development laws, and have established their planning regions, while Romania has also introduced Regional Development Agencies and Regional Development Boards, both crucial for the further development of sound Structural Funds institutions. Only recently, however, has consensus emerged on the way to address regional development issues in a coherent and strategic fashion, based on input from Regional Development Plans.

### ***Finding 2: Coordination of Structural Fund preparations was weak and provision of human resources inadequate.***

11 The main **coordinating function** for Structural Funds shifted to new players late in the process. Only during the year 2003 were the respective Ministries of Finance given this responsibility and only recently did they receive assistance in any structured form to take on these tasks. Both have needed time to grasp the full extent of what is required. Not surprisingly, these Ministries have been struggling to lead the other players in coordinated preparations. Currently, they are trying hard to increase their grip on the whole future Structural Funds management system. Without the support of Phare Twinning projects, which have started late, the Ministries have been experiencing serious difficulties in trying to put inter-ministerial co-operation into operation.

12 The build up of **human resources** for Structural Funds operations was planned strategically but never adequately materialised. The Romanian ministry of Finance made a Training Needs Assessment for the years 2004-2005, and more recently a Draft Action Plan on the Implementation of Structural Funds which provided a useful overview, but the main gaps identified do not appear to have been structurally addressed by Phare programming. Similarly, Bulgaria produced a Strategy for participation in the Structural Funds and the Cohesion Fund which clearly analysed the bigger picture comprehensively but did not prove to be a trigger for consistent and full-scale institution building for the Structural Funds.



***Finding 3: Phare Economic and Social Cohesion programmes progressed slowly and unevenly towards Structural Fund-type interventions.***

13 Early Phare **institution building** for Economic and Social Cohesion focused on general capacity building in terms of project cycle management and monitoring and evaluation skills for a limited number of ministries, first as a preparation for Phare implementation, later with a view to Structural Funds' management tasks. Support to Romania raised awareness in the regional dimension of the Funds and assisted the emerging Regional Development Agencies, which had been absent in Bulgaria. Romanian Twinning became more specifically targeted on Structural Funds' issues earlier than in Bulgaria. The latest institution building projects which have started in both countries are fully relevant for a large part of the future Managing Authorities, albeit starting late. The Intermediate Body level (except for the Regional Development Agencies in Romania) has been supported only weakly by Phare.

14 The Economic and Social Cohesion **investments** programmed in both countries varied widely in terms of content and have been increasing in size. Despite the clear integrated approach in Romania, the fact that there was little consistency in servicing the priorities identified meant that there was little coherence and synergy between the sub-programmes and only partial resemblance to a Structural Funds' environment. Bulgarian ESC investments have been less well focused and structured. Multi-Annual Programming has brought a clear improvement. Both countries have experimented with regional targeting, both without much success due to complicated criteria and a less than fully consistent approach and insufficient attention paid to weak administrative capacity in the regions.

***Finding 4: Phare Institution Building has important impact, but too narrow in scope and weakly coordinated.***

15 Both in Bulgaria and Romania, Phare has funded many **training** initiatives (and under multi-annual programming their scale will increase because all Structural Funds' staff are being targeted at the same time). Training has only been partly successful, as it has mostly taken a 'broad brush' approach, and has been uncoordinated in character; too little attention being given to the identification of specific needs and the selection processes of participants. In consequence, the relevance of training courses often depends on the ability of the receiving parties to articulate clearly their training needs.

16 **Programming** of Operational Programmes started early in 2005 and will have to deliver drafts by the end of that year, supported by several Twinning. The general context for programming seems to be more favourable in Romania where much has been done to foster the necessary bottom-up regional approach. However, overall coordination is probably better secured in Bulgaria where a monthly Steering Committee has been co-ordinated with the transitional help of Dutch bilateral assistance (to be superseded by a Twinning). The quality of Structural Fund programmes depends largely on the pre-existence and quality of sectoral policies and strategies. In terms of partnership, strategic approach and regionalisation, Romania is somewhat more advanced than Bulgaria, even though the former also still has quite some distance to travel. Coordination of programming processes for regional and sectoral operational programmes is weak in both countries.

17 As to **management**, both countries have relatively strong future Managing Authorities for their **regional** programmes. The main difference is at the regional level: the Ministry of European Integration in Romania is strongly supported by the Regional Development Agencies in implementation issues, whereas there is virtually nothing comparable at regional level in

Bulgaria. The Managing Authorities for **sectoral** programmes are generally much less well prepared in both countries. The delegation of tasks started late in both countries: at specialist and lower management levels some people have detailed knowledge about the requirements and responsibilities of Managing Authorities. A key problem is the lack of clarity at decision-making level about who is responsible for key decisions. There is a need to engage the higher echelons, for example by bringing in peers from old or new Member States.

18 Regionalisation of the traditionally much centralised administrations in both Bulgaria and Romania is correctly seen as an important step towards enabling both countries' municipalities, counties, businesses and non-governmental organisations to generate a sufficient number of well-prepared Structural Funds' projects. However, national decentralisation processes have been largely uncoordinated and, partly in consequence, support to **implementation** structures for Economic and Social Cohesion priority policy areas is also taking place in an uncoordinated fashion, which reduces its likely effect on future Structural Funds' absorption capacity.

19 Structural Fund **financial management and control** structures are generally being prepared satisfactorily in both Bulgaria and Romania. However, the contribution of potentially very useful Phare assistance was reduced by late key decisions in both countries, notably on plans and resources for the 'migration' from National Funds to Paying Authority.

20 **Monitoring** and, even more, **evaluation systems** are still embryonic in both countries. Despite the fact that National Aid Coordination services in the ministries of Finance of both Bulgaria and Romania, as well as staff in some of the Implementing Agencies, have built up experience with monitoring – and to a lesser extent evaluation – a clear commitment to monitoring and evaluating for Structural Funds programmes is largely lacking.

***Finding 5: Improvements in pilot investments but preparations still problematic.***

21 The way in which Bulgaria and Romania are managing Economic and Social Cohesion-type **pilot investments** is an important indicator of how well both countries would be able to plan, prepare and implement similar, but most likely larger-scale, investments under the Structural Funds.

22 **Strategic planning and investment project preparation** has been considerably stimulated by the introduction in 2003 of multi-annual programming for Phare for the 2004-2006 period, though progress since 2003 has been uneven. Planning for Romanian infrastructure projects is progressively becoming more systematic, with Regional Development Agencies producing a more demand-driven, bottom-up approach. In both Bulgaria and Romania local capacity and expertise in Feasibility and Supporting studies for infrastructure projects is still weak, notably with regard to socio-economic aspects. Environmental Impact Assessments and Cost-Benefit Analyses are generally beyond the capacity of local firms and consultants.

23 In both Bulgaria, and in Romania where the Regional Development Agencies have again played a valuable role, there is increased technical capacity for **implementation** in the responsible Ministries, though there are too few people to run such a large number of infrastructure projects and programmes.

24 **Financial management** of pilot investments is still highly centralised compared to the Structural Funds' systems in many new Member States. Beneficiaries under the Bulgarian and Romanian Regional Operational Programmes are likely to have to take on the role of contracting party, requiring them to make payments: it is unclear whether they will have the opportunity to gain experience in this role before projects start.

25 Weak **procurement** expertise has struggled to improve, and the continued deployment of the sound but complicated Phare rules for international tenders under multi-annual programming has meant that there will not be opportunities to practice Structural Funds' procedures before accession.

26 The quality of **works** performed in infrastructure projects is variable, with part of the problem being caused by a lack of experience with standard international rules among Bulgarian and Romanian companies. This has necessitated the inclusion of international supervision in such projects. With the Bulgarian and Romanian procurement laws still not harmonised, this level of external supervision may have to continue in the early years of Structural Funds.

27 Monitoring of grant projects is at an early stage and still focuses too much on absorption of funds. While the Extended Decentralised Implementation System and the Joint Monitoring Committee / Sectoral Monitoring Sub-Committee system are providing useful lessons to help improve **monitoring and evaluation**, no evaluation is yet made of the impact achieved by programmes and projects. The most effective monitoring tool in both Romania and Bulgaria seems to be the various monthly meetings on ongoing Phare programmes, chaired in Bulgaria by the Sectoral Monitoring Sub-Committee secretariats, and in Romania at more senior political and official levels. However, neither country has a separate committee for monitoring Economic and Social Cohesion activities in an integrated manner.

***Finding 6: Some acceleration in the performance of Phare ESC but not for infrastructure***

28 Multi-annual programming has had a beneficial effect on efficiency, especially through speeding up the start of ESC interventions. The management of **institution building** programmes is generally unproblematic. By contrast, **grant schemes** still experience delays in launching; contracting takes place just before commitment deadlines with consequent pressures on implementation time. Disbursement rates are under pressure because of problems with EU contracting rules and complicated financial arrangements (escrow, late payments, VAT reimbursement). In some cases, it is only by using national funds that beneficiaries can still implement their projects fully. However, there are also examples of improvements in grant scheme management in Bulgaria.

29 Late contracting remains the key factor undermining the efficiency of **infrastructure** projects. For Romanian infrastructure projects, commitment rates appear to be going down and programmes face problems in completing the work in time, with potential risks of a loss of funds by the disbursement deadlines.

### 3 CONCLUSIONS AND RECOMMENDATIONS

#### 3.1 Conclusions

30 The findings of the present report, focusing solely on Bulgaria and Romania, confirm the analysis made in the Update report (see paragraph 6 above). For example, while there has been some progress in the allocation of organisational responsibilities, much of the necessary follow-up in terms of staffing, training, development of operational systems and potential beneficiary awareness, as well as coordination between the various system components, remains to be addressed in any detail. The regional dimension also continues to need more attention.

***Conclusion 1: Weak coordination and late decisions limited the effectiveness of Phare Institution Building.***

31 Bulgaria's National Economic Development Plan provided a Structural Fund-type context for Phare Economic and Social Cohesion programming. Romania would have benefited from formulating a similar "master-plan" earlier on.

32 The absence of sectoral strategies for most sectors has constrained Phare programming. Although regional development plans have been written, a comprehensive national regional development policy was lacking in both countries. Twinning is providing useful contributions to enhance strategic awareness and has promoted inter-ministerial co-operation during programming.

33 There has been some deepening of knowledge at central level about the Structural Funds. However, the main coordinating function for the Funds has shifted to new players (the Ministries of Finance) rather late in the process, resulting in weak coordination of the institutions responsible for preparations.

34 The build up of human resources was planned strategically but not implemented accordingly. Training on Structural Funds topics has not generally been targeted to the specific needs of different target groups. There is some good capacity available, but it is too concentrated within a handful of relatively experienced players, leaving a large number of essential players far behind and unlikely to be ready upon accession.

35 There is concern over the lack of awareness or of a sense of urgency at political and senior official level about the need to prepare a system which will allow for the transparent and objective allocation of funds.

***Conclusion 2: Phare pilot investments are improving but are still not sharply enough focused.***

36 Multi-Annual Programming has introduced the possibility of programming Phare Economic and Social Cohesion in terms of Structural Funds priorities and measures.

37 Phare ESC is not being used to provide future Intermediate Bodies in Bulgaria and Romania with enough opportunities to test their systems and their recently acquired knowledge and skills. The regional level in Bulgaria has a particularly long way to go, both at beneficiary and Intermediate Body level and would benefit from more opportunities to gain experience.

38 Planning and preparation of pilot investments still face problems of relevance and design. Needs' assessments and estimates of potential uptake of grant schemes are also not yet well developed.

39 Recent Phare Economic and Social Cohesion investments benefit from the continuously increasing experience in key Implementing Agencies and Authorities. However, a number of new Phare Implementing Agencies in both countries have to start climbing the learning curve all over again. Despite increasing experience, contracting and disbursement rates do not yet show significant improvements, especially for infrastructure investments.

40 Procurement expertise among beneficiaries and inexperienced local contractors is weak. The quality of works carried out varies in quality and is often only satisfactory when (local branches of) international contractors are involved.

41 Monitoring of pilot investments is largely focused on financial indicators. Content monitoring benefits from efficient monthly meetings involving the EC Delegation.

42 The colossal scale of the socio-economic needs in both countries as well as the lack of a strategic and coherent approach to them makes the impact of Phare Economic and Social Cohesion rather limited. However, there are many examples<sup>4</sup> of locally very significant and visible effects of this support.

***Conclusion 3: Phare has made key contributions but was not a tool that could have prepared candidates fully for the Structural Funds.***

43 Overall, Phare has been able to make important positive, but partial contributions to the Structural Funds' system in Bulgaria and Romania. Institution building has provided crucial assistance to a limited number of key players but has left others weakly supported, and essential institutions will not be ready by accession. Phare has improved awareness of the need for strategic planning but earlier years were partly characterised by inconsistent programming of pilot investments; loss of funds; failure to reach objectives, and frustration among beneficiaries and implementers alike. However, lessons have been learned by beneficiaries, local contractors and implementing agencies, some of which have improved remarkably recently. On the other hand, unstable institutional arrangements and late key decisions by the Bulgarian and Romanian authorities regarding responsibilities for Structural Funds have left part of the potential of both Phare institution building and pilot investments unused.

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<sup>4</sup> For example, a theatre in Braila in Romania took the initiative to organise artistic training for mentally challenged children during the after-school hours. As a result, the children were given a chance to overcome part of the problem of being socially excluded, while their parents were given a better chance to take part in the labour process, knowing their children were receiving special care.

### 3.2 Recommendations

44 To address the key findings and conclusions of the report, there are three key areas where action is recommended. These recommendations concern the responsibilities of candidate countries to prepare adequately for the management of the Structural Funds and the support which Phare can provide to assist them in that process.

#### **Action 1: Facilitate a proper strategic framework allowing for a smooth transition from Phare ESC to Structural Funds.**

##### *Recommendation 1: Design SF master plans.*

45 DG Enlargement should oblige all candidate countries to draft two key multi-annual strategies in preparation for the Structural Funds: an Economic and Social Cohesion pilot investment programme along the lines of a Structural Funds Operational Programme, and an institution building strategy indicating the sequencing of key decisions, the creation of structures, the building of human resources and the selection of implementation tools.

##### *Recommendation 2: Make sectoral policies before Phare programming.*

46 Early Phare Economic and Social Cohesion interventions should focus on supporting the creation of sectoral strategies and policies before the candidate countries are asked to programme Phare or Structural Funds interventions.

##### *Recommendation 3: Allow more flexibility in SF programming for new Member States.*

47 DG REGIO should consider the possibility of giving those candidate countries that make the step from Phare Economic and Social Cohesion to Structural Funds at the same time as the start of a new financial perspective the opportunity to programme shorter-term first-time Structural Funds programmes (e.g. for 3 years), using the experiences thus gained for programming more mature “second-stage” programmes for the remainder of the financial perspective (3 to 4 years).

##### *Recommendation 4: Phare should support early SF targeting at the top end of political and administrative hierarchies.*

48 Phare should support ‘awareness raising’ at both political level and among the higher echelons in ministries about the needs, challenges and opportunities of the Structural Funds in order to speed up key decisions and the definitive assignment of main responsibilities for the management and coordination of Structural Funds’ preparations.

#### **Action 2: Devote more attention to absorption capacity for Phare Economic and Social Cohesion and future Structural Funds resources.**

##### *Recommendation 5: Match pilot investments to absorption capacity.*

49 DG Enlargement should continue with and expand their approach of demanding a strategic vision for planned pilot investments by candidate countries, including evidence of sufficient potential uptake of grant schemes and identified needs of the target groups for the investments. Where relevant, this should still be applied to Bulgaria and Romania while finalising the programming for Phare 2006.

***Recommendation 6: Train local contractors and beneficiaries.***

50 DG Enlargement and the National Aid Coordinators in candidate countries should consider introducing a compulsory training and awareness programme for local contractors and beneficiaries in technical aspects of Phare support.

***Recommendation 7: Use international supervisors to coach local contractors.***

51 Phare Implementing Agencies in candidate countries should try to secure international supervision in complicated infrastructure projects to be financed under the Structural Funds. This requires taking international rules into account so far as possible when finalising local procurement legislation.

***Recommendation 8: Make beneficiaries the contracting party before the start of Structural Funds.***

52 DG Enlargement and Phare Implementing Agencies should consider giving beneficiaries of pilot investments the possibility to make payments and to be responsible, as contracting party, for the financial management of their infrastructure projects.

***Recommendation 9: Embed impact assessment in the learning cycle to provide input to Structural Funds programmes.***

53 Phare Implementing Agencies should be required to satisfy the Commission that the impact assessments for infrastructure projects are carried out professionally, so that they learn from this process, and that the results will be used to fine-tune Structural Funds' programmes. JMCs should also emphasise this issue of learning ex-post from earlier interventions and use it as a tool to apply mid-course correction to ongoing programmes.

**Action 3: Recommendations specific to Phare support in Bulgaria and Romania*****Recommendation 10: Bulgaria and Romania should adopt a more strategic approach to regionalisation to be supported by Phare.***

54 Regionalisation and decentralisation, if chosen as a model to be pursued, should be carried out in a coordinated fashion by candidate countries: the Structural Funds master plan (recommendation 1) should make a conscious choice for decentralisation to regional levels in preparation for a future division of labour between Sectoral Operational Programmes and Regional Operational Programmes. In Bulgaria and Romania, the respective ministries should take the initiative to coordinate closer cooperation between the different bodies at regional level. The ongoing Structural Funds' programming processes should take into account this discussion on coordinated and balanced regionalisation. This discussion could and should be supported where possible from Unallocated Institution Building Envelopes. Examples from current Member States with strong regionalisation traditions on how to coordinate such processes would provide particularly useful precedents and their involvement could also be funded from bilateral assistance, where available.

***Recommendation 11: Romania and Bulgaria should critically assess the probable capacity of some Managing Authorities and Intermediate Bodies.***

55 In both countries, some future Managing Authorities and several future Intermediate Bodies are likely to have too little capacity to perform their future tasks. The Ministry of Finance in both countries needs to initiate the drawing-up of a clear analysis of the capacity of these institutions in the light of evidence six months before accession and, depending on the outcome, formulate alternative plans for reallocating the responsibilities. This could lead to assigning some of the responsibilities to a more experienced body. Allocations from the Unallocated Institution Building Envelopes in both countries should be considered for those future Managing Authorities which have not been supported during the last 18 months. Phare 2006 programming should be used to support heavily all Intermediate Bodies, not with general institution building, but with a very concrete "measure-building" approach, including eligibility rules, application forms, preparation of calls for proposal, selection criteria and feedback procedures to support applicants.

***Recommendation 12: The development of Management Information Systems in Romania and Bulgaria should be more closely coordinated by the respective Ministries of Finance.***

56 In both countries, several parallel initiatives in the field of creating Management Information Systems, at different levels, run the risk of creating a system which is not capable of communicating properly and exchanging the necessary management information. The Ministries of Finance in both countries should take the initiative to analyse the different systems planned (including the timing of their completion) and the actions needed to improve inter-operability. While programming Phare 2006 Economic and Social Cohesion-related institution building, it should be ensured that all future Managing Authorities are sufficiently assisted and that approaches are closely coordinated in order to ensure that the various Management Information Systems will be able to exchange data. As this is a cross-sectoral issue, this point should be coordinated by the Ministries of Finance in Bulgaria and Romania, facilitated by the National Aid Coordinators where it addresses Phare support to this point, and the issue should be closely monitored by the Joint Monitoring Committees.

***Recommendation 13: Romania and Bulgaria should ensure close monitoring at the start of SF operations.***

57 In the light of the New Member States' experience, Bulgaria and Romania should put in place adequate specific monitoring machinery to ensure that the lessons learned from the their early experience of 'live' Structural Funds' implementation are fully and quickly taken into account in fine-tuning the later years of Phare and Transition Facility support.



This interim evaluation has been launched  
by the European Commission,  
Directorate-General for Enlargement,  
and carried out by Ecotec.  
Ecotec bears the full responsibility for the  
report and its conclusions.

