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**Evaluation of PHARE financial assistance to  
Bulgaria (BG), Cyprus (CY), Czech Republic  
(CZ), Estonia (EE), Hungary (HU), Latvia (LV),  
Lithuania (LT), Malta (MT), Poland (PL),  
Romania (RO), Slovakia (SK), Slovenia (SI)**

## **Final Report**

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**Final Evaluation Report**  
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## Glossary of Acronyms

CAP	Common Agricultural Policy
CBC	Cross Border Cooperation
CEB	Council of Europe Development Bank
CFCU	Central Finance and Contracts Unit
CVM	Cooperation and Verification Mechanism
DIS	Decentralised Implementation System
DG	Directorate General
DG ELARG	Directorate General Enlargement
DG NEAR	Directorate General Neighbourhood and Enlargement Negotiations
DG TAXUD	Directorate General Taxation and Customs Union
EBRD	European Bank for Reconstruction and Development
EDIS	Extended Decentralised Implementation System
EIB	European Investment Bank
EMS	The Independent Interim Evaluation and Monitoring Services of Phare
ENPI	European Neighbourhood and Partnership Instrument
EQUAL	Community Initiative Programme under the European Social Fund
ESA	European System of Accounts
EU	European Union
EURES	EU's Job Mobility Portal
FDI	Foreign Direct Investment
G-7	Group of Seven
G-24	Group of Twenty-Four
GATT	General Agreement on Tarrifs and Trade
GDP	Gross Domestic Product
GDR	German Democratic Republic
GERD	Gross Domestic Expenditure on Research and Development
GHG	Greenhouse Gas
GTAF	General Technical Assistance Facility
IPA	Instrument for Pre-Accession Assistance
ISPA	Instrument for Structural Policy for Pre-Accession
IT	Information Technology
JSPF	Joint Small Project Facility
NAC	National Aid Coordinator

**Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia**

NPAA	National Programme for the Adoption of the <i>Acquis</i>
NUTS	Nomenclature of Territorial Units for Statistics
OMAS	Office for Monitoring and Assessment Service
PALMIF	Pro-Active Labour Market Intervention Fund
PCM	Project Cycle Management
PHARE	Originally: "Poland Hungary Aid for the Reconstruction of the Economy" Later: "economic aid to certain countries of Central and Eastern Europe"
PHOS	PHARE Operational Service
PMU	Programme Management Unit
PPS	Purchasing Power Standards
PRAG	Practical Guide (to Contract procedures for EU external actions)
R&D	Research and Development
RTA	Resident Twinning Adviser
SAPARD	Special Accession Programme for Agriculture and Rural Development
SMART	Indicators = Specific, Measurable, Available, Relevant, Time-bound Objectives = Specific, Measurable, Achievable, Relevant, Time-bound
SMEs	Small and Medium Sized Enterprise
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange
TEMPUS	Trans-European Mobility Scheme for University Studies
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme

## Executive Summary

### Purpose of the Assignment

This *ex post* evaluation addresses the EU/EC's pre-accession assistance provided to the twelve countries that acceded to the European Union as part of the 'fifth wave' of EU enlargement, i.e. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia on 01/05/2004, and Bulgaria and Romania on 01/01/2007. It marked an unprecedented enlargement in terms of scope, of complexity and its diversity; extending EU membership from 15 to 27 countries.

Regarding the countries of Central and Eastern Europe, following the events of 1989 leading to the collapse of the communist political system, the EU/EC established the PHARE<sup>1</sup> programme as the main legal instrument for the provision of financial assistance to those countries<sup>2</sup>. Regarding the countries Cyprus and Malta, both of which secured independence from the UK in the early-1960s, the EU/EC's pre-accession assistance was provided, 2000-2003, under a specific instrument<sup>3</sup>.

Following their accession to the EU, each of the twelve countries covered under this *ex post* evaluation received limited, additional support under the Transition Facility<sup>4</sup> to consolidate their administrative capacity to implement and enforce the *acquis* and to address issues for which individual countries had negotiated a transition period – 2004-2006 for the countries acceding in 2004 and in 2007 for Bulgaria and Romania. The Transition Facility is also addressed by this *ex post* evaluation.

For the countries acceding to the EU in 2004 or 2007, the total EC grant allocated over the period 1990-2006 (plus 2007 Transition Facility funding for Bulgaria and Romania), under the three instruments outlined above, as addressed by this *ex post* evaluation, was € 18,673.1 million.

This *ex post* evaluation, almost ten years after the completion of the 'fifth wave' of enlargement, aims to provide relevant findings, conclusions and recommendations to the Commission by an overall programme evaluation of the pre-accession assistance to the twelve acceding EU Member States.

The specific objectives of this evaluation are to:

- Assess the impact and sustainability of the EU pre-accession funded interventions.
- Assess the synergies developed between the accession strategy, the on-going policy dialogue, and the financial assistance.
- Provide lessons learned and recommendations for decision-making on improvements of future financial assistance and policy setting where relevant [i.e. within the context of enlargement].

### Methodological Approach

In order to ensure that the evaluation may have a global representativeness, i.e. programme-wide, research and analysis was focused at two levels: (1) on the overall assistance and strategy and (2) on the assistance provided to the twelve countries acceding in 2004 or 2007, presented as in-depth country and inter-regional case studies focused on a sectoral basis, e.g. Justice and the Rule of Law, Agriculture, Transport, Social Policy and Employment, Private Sector, Cross-Border Cooperation, etc.

The evaluation is of summative character and takes a qualitative and quantitative approach to answer the evaluation questions agreed, in consultation with DG Enlargement, in the inception phase. The

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<sup>1</sup> Council Regulation (EEC) No. 3906/89, of 18 December 1989, on economic aid to the Republic of Hungary and the Polish People's Republic ["Poland Hungary Aid for the Reconstruction of the Economy"] – as amended – and also re-named as "on economic aid to certain countries of Central and Eastern Europe".

<sup>2</sup> In 1990 the following countries became beneficiaries of the PHARE programme: Bulgaria, Czechoslovakia (as of 1993 separately as the Czech Republic and the Slovak Republic), and Romania [as well as support for the former Yugoslavia and, for 1990 only, also the former East Germany / GDR]. In 1991 the following countries also became beneficiaries of the PHARE programme: Estonia, Latvia, and Lithuania [as well as Albania]. In 1992 Slovenia was also added as a beneficiary. [Other Western Balkan states were also partially supported]

<sup>3</sup> 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.

<sup>4</sup> For which the legal basis was a specific article in the relevant Treaty of Accession (of year 2003 or 2005).

evaluation was undertaken via a mix of 'desk-research' and 'field-research': (1) the review of relevant strategic and programme/project level documentation, and statistical data available via the EU Institutions, national and international actors; (2) interviews conducted with relevant individuals in the EC and in three of the countries (Hungary, Romania, Slovakia), and the provision of contemporary feedback from public officials of the twelve countries via the utilisation of a Questionnaire Survey.

**The Evaluation reflects the factual situation as at 30/06/2014 – the 'cut-off-date' for the Report.**

*[Unless clearly demarcated by time, i.e. during the 1990s only the PHARE programme, the evaluation report refers to the above range of EU-funded assistance instruments collectively as PHARE]*

## **Ex post Evaluation Findings**

### **Impact and Sustainability of PHARE / Pre-Accession Financial Assistance**

***Relevance of the assistance was, generally, good, but there were weaknesses in project design***

Reflecting the longevity of the PHARE instrument, the strategic focus of the financial assistance evolved over time. This was in parallel with the evolution of the EU's policy and pre-accession strategy toward the region and the evolution of the development priorities/needs of the beneficiary countries. The key development phases supported by PHARE related to: (1) in the early-1990s, the challenges of stabilisation and initial transformation by the countries; (2) by the mid-1990s, consolidation of the reforms to build the institutions necessary for a democratic system based on a market economy, as well as actions to support the development of the private sector, trade and preparations for closer integration with the EU's internal market; (3) and from 1997/1998, as an 'accession-driven' instrument focused on supporting the pre-accession preparations by the beneficiary countries, linked to the EU's criteria for EU accession (Political Criteria, Economic Criteria, and Treaty Obligations / the *Acquis*).

Programming of the assistance was undertaken by the EC on an annual basis. This was conducted in close consultation with the beneficiary countries (which each appointed a National Aid Coordinator (NAC) and Senior Programme Officer (SPO) for supported sectors), in order to ensure the assistance was targeted in response to the priorities/needs of the individual countries and of the EU's strategy. The coherency of the programming process was progressively strengthened during the 1990s, notably as the beneficiaries put in place a range of sectoral and sub-sectoral development strategies, and from the mid-/later-1990s specific European integration and EU pre-accession strategies. In order to promote coherency in the programming process for PHARE as an 'accession-driven' instrument, the EU adopted an 'Accession Partnership' with each country (initially in 1998), bringing together the EU's identification of the priorities for the country to comply with the accession criteria, including the sectoral chapters of the *acquis*. Each country prepared a corresponding multi-sectoral reform strategy to guide their pre-accession preparations: a 'National Programme for the Adoption of the *Acquis*' (NPAA).

The main weakness of the financial assistance related to the significant variability in the design of the main programming documents and the extent of preparatory analysis and planning undertaken by the beneficiary institutions, as well as variability in the application of quality control standards by the beneficiary NAC services and by the EC linked to the *ex-ante* review of programmes/projects. There were deficiencies in respect to 'SMART' intervention objectives or 'SMART' indicators of achievement, notably so in terms of the objectives and the indicators being Specific, Measurable, or Time-bound.

#### ***Efficiency***

Understandably the efficiency of the initial PHARE programmes faced certain constraints, as there was a learning process for all partners in respect to the management and operational procedures to follow, plus of the procurement and contracting processes and controls to be operated. While the efficiency of programme implementation was progressively strengthened, the efficiency of the actions commonly suffered, across the programme's lifetime, due to the insufficient staffing levels in the beneficiary institutions to support project management, technical delivery, and take-up of the results.

Too frequently there were delays in the preparation of detailed technical specifications by beneficiaries of sufficient quality for launching the procurement of actions, with final project components for more complex actions pushed close to the contracting deadline. Thereby there was limited flexibility or

contingency-time to facilitate the implementation of actions and the management of inter-linkages. The beneficiaries rarely utilised the time period from finalisation of the programming exercise with the EC so as to prepare the necessary technical documentation so as to allow for the launch of procurement immediately after the approval of the EC financing decision (up to 6-months after the exercise).

### **Effectiveness**

Overall, the effectiveness of the financial assistance in achieving the timely delivery of the desired results was mixed. While PHARE support did deliver a range of the desired results, the institutionalisation or take-up of these in terms of generating desired behavioural changes in the beneficiaries was not always fully achieved, or achieved only after delays. A common constraint for all of the countries, were the frequent delays in the decision-making process linked to the approval, the adoption, and the enactment of the delivered results and reforms. Additionally, the mixed effectiveness also reflects the, at times, over-ambitious nature of the programme objectives, due to weaknesses in needs analysis and design, and often insufficient level of beneficiary staffing for project management. In a number of the countries the effectiveness of the first phase of the assistance tackling horizontal policy areas (e.g. public administration reform, judicial reform, combating corruption), was limited to the preparation of a strategy proposal and initial training but only hesitant testing of the reforms due to the lack of political consensus/ownership/will or to opposition from stakeholder partners. The lack of ownership, and occasional substantive reorientation of reforms, reduced the effectiveness of PHARE.

Despite the overall effectiveness constraints and uneven performance of the financial assistance in achieving the timely delivery of the desired results, PHARE was, still, nevertheless successful in delivering a good range of reforms and the intended behavioural changes, notably linked to:

- Institutional, regulatory etc. reform and capacity-building of the public services (central, regional and local) so as to develop the efficiency and effectiveness of the administration of their public services and/or public benefit pursuit, in compliance with European values, standards and norms, and in accordance with the requirements of the *acquis*.
- Investment in basic, physical infrastructure (e.g. transport, environmental, energy, human resources and business-related, and social infrastructure), so as to deliver socio-economic benefits at the local, cross-border, and regional levels (e.g. improved road safety, improved drinking water quality, modernised vocational training centres, business incubators, etc.).
- Via a diverse range of pilot-tests, grant schemes and financial mechanisms support was also delivered to individual enterprises, SMEs, farmers, cooperatives, civil society groups, schools, students, trainees, entrepreneurs, job-seekers, groups at risk from social exclusion, etc.

### **Impact**

The impact of the assistance was generally good, delivering medium-term socio-economic benefits in a range of areas. However, the impact was mixed, notably in terms of the immediate impacts.

Reflecting that a major focus of the assistance from 1997/1998 was to support preparations by the countries for EU accession, including the full range of sectoral chapters of the *acquis*, the impact of the assistance is evident in regard the enactment of policy and capacity building reforms promoting efficiencies in the delivery of, and/or greater effectiveness in the targeting of, and/or the coordination of public services, programmes and regulatory functions and controls. This has delivered socio-economic benefits to the wider society via the enforcement of higher standards (e.g. food safety, occupational safety and health, environmental, border security, maritime safety, etc.), and public services more responsive to the challenges for cohesive socio-economic development (e.g. via employment and training services and programmes, social inclusion, or social protection measures). However, while the impact of the assistance was generally good, it was partially mixed in terms of the achievement of the intended immediate impacts in the period of the assistance provision, i.e. by the end of project implementation period. This was primarily due to the delays and constraints experienced, at times, in the formal approval and thereby the enactment of the policy and capacity building reforms at the institutional level in the immediate period. The intermediate impact of the assistance was also influenced by the variable level of post-project planning undertaken by the beneficiaries, e.g. key follow-up actions to be completed, investments to be undertaken, milestones,

targets to be met over the short- to medium-term. However, where these obstacles to the achievement of impact were progressively addressed in the short- to medium-term after project completion, the intermediate impacts of the assistance became more positive, as the reforms were formally enacted.

Via the infrastructure development investments a range of socio-economic and quality of life impacts of an immediate and longer-term nature were achieved at the local/regional level (e.g. improved air quality and monitoring, or energy efficiency of and reduced pollution by utilities, the promotion of business opportunities, support to start-up businesses, improved access to vocational training, etc.).

Via the pilot-testing of targeted grant schemes (e.g. for promoting energy efficiency in buildings, or for promoting business, trade and export development, or for job-seekers, specific sub-groups of job-seekers or entrepreneurs, e.g. women, youth, persons with disability, etc.), the assistance delivered a series of immediate benefits in terms of the individual target groups supported (e.g. jobs obtained as a result of the training, business obtaining registration under the Eco-Management and Audit Scheme, etc.), as well as valuable lessons for the further development and roll-out of such mechanisms. Presumably this delivered benefits to the vast majority of final users of a longer-term nature, but the evidence to confirm this is limited as grantees were rarely requested to provide relevant information on their further progress, e.g. a brief questionnaire survey 6-months or 1-year after the support.

### **Sustainability**

Overall, the sustainability of the impacts promoted by the financial assistance was satisfactory.

Despite some initial difficulties in embedding the reforms and in the full transposition of the *acquis* as EU Member States, the sustainability of the actions and the compliance of the new Member States with the *acquis* are generally good. Sustainability of the *acquis* oriented reforms was provided via the adoption and enactment of the legal and regulatory acts, internal procedures etc. developed with the support of PHARE. In addition, institutional ownership of the *acquis* driven reforms is generally good, with the majority of beneficiaries actively engaged in the further development of the EU policy agenda, to improve its targeting and to promote the cost-efficiency / cost-effectiveness of its implementation. In addition to the *acquis* driven reforms, significant elements of European policy are conducted via the 'Open Method of Coordination' of policy and strategy at the EU-level. Since their accession to the EU the sustainability of the impacts has been assured via their active participation in the coordination of policies, including via the development of a range of national strategies and action plans to guide the implementation of the common principles domestically, e.g. the National Reform Plan.

In regard to the infrastructure investments, the sustainability of the majority of projects, e.g. operational costs, repairs, is assured, usually either at the national or regional/local government level or public utility operator. For the business and the human resources-related infrastructure investments, evaluation reports indicated that the vast majority of these continued to function. However, in a minority of cases it appears that projects did not generate their estimated income-stream.

### **Socio, Economic and Institutional Impact of the Enlargement Process**

The socio-economic and institutional impact of the 'fifth wave' enlargement process is evident at a number of levels: within the twelve countries that acceded to the EU as Member States; of a cross-border and/or regional nature; plus within the then EU-15 Member States; and European-wide.

After the events of 1989, the countries of Central and Eastern Europe launched their processes to re-establish a democratic system, respecting human rights, and in building a functioning market economy. This required substantive transformation of the apparatus of the state, the public service, as well as the centralised command economy, market and trade systems. Public institutions have substantially developed in the New Member States supported by EU accession. The PHARE programme was especially instrumental in driving the development.

It is evident that the 'European model' and the countries' goal for closer links with the EU did act as an overall source of inspiration to guide the process of transformation. As their single largest source of trade, external assistance, and investment, the EU soon became the main economic partner for the countries of the region. Indeed, as early as 1994, the EU had become the most important market for exports originating in the region, absorbing more than half of the total. Trade between old and new

member states grew almost threefold in less than 10 years preceding the 2004 and 2007 enlargements and fivefold among the new members themselves. Central and Eastern Europe grew on average by 4% annually in the period 1994-2008 (EU: 10th anniversary of the 2004 enlargement; April 2014). It is estimated that the accession process itself contributed almost half to this growth e.g. 1.75 percentage points per year over the period 2000-2008. Economic dynamism of the countries generated 3 million new jobs in just six years from 2002 to 2008.

Following the application of the countries for membership of the EU, the impact of the process on the countries (including on Cyprus and on Malta) was considerable, in terms of their undertaking of pre-accession preparations in respect to the EU accession criteria, including preparations for adopting the common rules, standards, and policies that constitute EU law.

At the EU level, the impact of the 'fifth wave' enlargement is evident in terms of the increased weight of the EU as a global player (it represented an increase of the EU population by 105 million people). It is also evident in terms the expansion of the EU's Single Market, based on harmonised rules and norms, which has presented new opportunities for European businesses and citizens to enjoy their freedoms and rights across the EU (e.g. slightly over 10 million EU citizens of working age were living in an EU country other than their own in 2013). A larger single market has become more attractive to investors: Foreign direct investment from the rest of the world to the EU has doubled as a percentage of GDP since accession (from 15.2% of GDP in 2004 to 30.5% of GDP in 2012) with the enlarged EU attracting 20% of global FDI. The EU15 FDI stock in EU12 reached €564 billion in 2012, 357% up from 2007. Growth in the acceding countries contributed to growth in the old member states through increased investment opportunities and demand for their products. It contributed 0.5 percentage point to cumulative growth of EU-15 in 2000-2008. The enlargement process has also strengthened standards now applied across the wider EU in terms of environmental protection and monitoring, food safety standards, etc., both of a national nature and a trans-boundary and European-wide nature.

Of course it cannot be stated that PHARE itself has been the only reason for the development of new member states. But it has been an important part of a solid base that together with political, institutional and professional efforts, lead to many positive impacts.

### **Synergies between Accession Strategy, Policy Dialogue, and Financial Assistance**

Overall, there was a good level of synergy created between the accession strategy, policy dialogue, and the financial assistance provided to the twelve countries acceding to the EU in 2004 or 2007.

The framework provided by the criteria for EU membership, the Europe Agreements (supporting policy dialogue via regular meetings of the Association Committees and Council), the Accession Partnerships, the EC's Regular Reports etc. provided a coherent approach for the focusing of the financial assistance in line with the strategy, and in accordance with the priorities/needs subsequently identified by the beneficiaries for consultation with and review by the EC. Many of the beneficiary countries also responded positively to the EC's 1995 White Paper on 'Preparation of the Associated Countries ... for Integration into the Internal Market of the Union', to facilitate their needs prioritisation. Additionally, policy dialogue in the form of the analytical examination of the *acquis* ('screening') greatly enhanced the overall understanding of the beneficiaries as to the objectives and development of the *acquis*, while support via the Twinning and TAIEX instruments enhanced operational understanding.

The main weakness of the framework was the potential disconnect between the policy dialogue and the programming of the financial assistance, with these in many cases undertaken, at the technical level, by different units and persons within the beneficiary institutions. In order to ensure clear synergy between the two strands, so as to effectively target the assistance, information linked to the findings and recommendations of sectoral policy dialogue meetings (e.g. association sub-committees, or linked to the analytical examination of the *acquis*) should be reflected in programming documents.

### **Conclusions (Lessons Learned)**

The main lessons learned in terms of the performance of the assistance with relevance to future financial assistance (under the Instrument for Pre-accession Assistance) and the policy setting are:

### **Programming Framework**

- In all areas of support (e.g. actions promoting institution building linked to the *acquis*, including related investment support, socio-economic and/or regional development, etc.), the programming framework was clearly strengthened by the existence of a medium-term strategic or Action Plan defining the wider parameters of the reform actions being undertaken by the beneficiary. This not only demonstrated the potential level of ownership, it also facilitated the programming of the EU assistance, which formed part of the wider reform effort enacted and financed by the beneficiary, and also provided a perspective for the take-up and sustainable follow-up of actions linked to the EU projects. PHARE provided support to the beneficiaries to establish (and implement) a strategic approach to the process of development reforms and project design across the programme's lifetime. In addition to major projects, the programming process traditionally, wisely, also made support available to beneficiaries for smaller-scale sectoral project actions, or exploratory studies, financed under mechanisms such as the Project Preparation Facility, Technical Assistance Facility, Unallocated Institution Building Envelope, etc.
- The main weakness in the targeting of the financial assistance related to the initial lack of vision of most of the countries to address major cross-sectoral administrative and operational aspects of their reforms. Lacking clear ownership or political direction, the initial PHARE support in the areas frequently delivered proposed reform strategies but failed to build stakeholder consensus.

### **Preparations for the Adoption of the Acquis**

- The process of detailed analytical examination of the *acquis* ('screening') greatly facilitated the process of understanding of the beneficiaries as to the objectives and operation of the *acquis*. This was launched with all of the twelve countries in 1998 regardless of whether accession negotiations had been opened with the beneficiary at that time (they were not for five of the Central and Eastern European countries). This was essential in terms of supporting all of the beneficiaries in terms of enhancing their knowledge of the *acquis*, and thereby the further framing of the sectoral strategies and the National Programme for the Adoption of the *Acquis* (NPAA).
- Whereas the NPAA's were reasonably detailed in terms of listing assorted analyses to be undertaken, legislation to be considered for amendment or introduction etc., the initial drafts were usually far less detailed in terms of identifying the range of institution building or investment actions necessary to establish an operational capacity to administer and enforce the *acquis*.

### **Project Design**

- A further weakness of the financial assistance related to the significant variability in the design of the main programming documents and the extent of preparatory analysis and planning undertaken by the beneficiary institutions, as well as variability in the application of quality control standards by the beneficiary and the Commission linked to the *ex-ante* review of programmes.
- It would have been appropriate if projects were supported by a detailed institutional assessment of the beneficiary's capacity – management structures and staffing linked to the project – to effectively utilise the assistance. Recognising that the programming phase of the EU's financial assistance usually starts one-to-two-years prior to the delivery of the support, this would have provided beneficiaries time to address potential capacity constraints to manage projects.
- The introduction of the requirement that technical documentation dossiers should be provided within a specified time, e.g. six-months after signature of the Financing Memorandum, so as to allow for the early launch of procurement, was not entirely successful under the PHARE programme, due to the variable level of enforcement by the Commission in the different countries.
- The development of an effective partnership and communication with stakeholders as to the reform process was not always given sufficient due attention by the beneficiaries. As the reforms required the achievement of behavioural changes also of the stakeholders – be it inter-agency cooperation between governmental bodies, or sectoral cooperation between governmental bodies at the regional and local levels, or cooperation with professional, economic, social and civil partners, etc. – this initially affected the effectiveness and impact of the assistance.

### **Post-Project Planning**

- The intermediate impact of the assistance was also influenced by the variable level of post-project planning undertaken by the beneficiaries, e.g. key follow-up actions to be completed, investments to be undertaken, milestones, targets to be met over the short- to medium-term.
- The institution building actions were aided by the attention, when provided by beneficiaries, to ensure the institutionalisation of and the sustainability of the benefits provided via the training elements of the assistance via its integration within an in-house training capacity and tool-set.

### **Recommendations**

Based on the *ex post* findings and lessons learned linked to the implementation and achievements of the PHARE assistance in supporting the preparations by the beneficiaries to fulfil the conditions for and meet the criteria for EU membership, the following recommendations are provided to the Commission (DG Enlargement) linked to the implementation of the present, on-going financial assistance provided by the Commission supporting the EU's enlargement policy, including, where appropriate, the specification of the role of actors other than the Commission:

#### **Programming / Project Design**

***(Very Important)***

1. In order to strengthen the planning and programming of the financial assistance, the Commission and the beneficiaries' National IPA Coordinator should further upgrade their guidance to beneficiary partners on the standards for planning of assistance support, and further strengthen their quality assessment and quality control roles. This should address:
  - a. Deficiencies of the programmes/projects in respect to 'SMART' intervention objectives and 'SMART' indicators of achievement, notably so in terms of the objectives and the indicators being Specific, Measurable, or Time-bound.
  - b. The timeline for the chain of development effects/goals – objectives and indicators – should be strictly demarcated: i.e. Results/Outputs = achieved by the project during implementation; Immediate Objective(s) = achieved on project completion or the immediate short-term after; Wider Objective(s) = the medium- (1-year) to the longer-term (3-years) outlook post-completion.
  - c. Indicators of achievement should be set to support progress monitoring during the years provided for project implementation, plus for future evaluation, e.g. the impacts over the medium- (1-year) to the longer-term (3-years) post-completion.
  - d. The utilisation of a set of sectoral core indicators of achievement at the intervention levels of results/outputs, outcomes, and impacts, for which greater use should be made of the Commission's guidance on the range of standard sectoral indicator sets.
2. The Commission and the beneficiaries' National IPA Coordinator should also upgrade their guidance to beneficiary partners on the information to be provided regarding the beneficiary's institutional capacity to effectively manage, utilise, and absorb the support. This should address:
  - a. Project management structures and staffing specifically dedicated to the project.
  - b. Internal management structures for oversight and final decision-making linked to the approval, the adoption and enactment of the results delivered via the assistance.

- c. A clearly defined timeline for the presentation of technical documentation required to launch the procurement of the support under the programme/project.
- d. A clear statement of practical pre-conditions to be fulfilled prior to the signature of contracts for the delivery of the assistance, e.g. that inter-institutional Memoranda of Understanding between the institutions concerned are in place, a law adopted, etc.
- e. A clearly defined risk-assessment and risk-management policy.
- f. A clearly defined statement on the management of partnership with stakeholders.
- g. For projects delivering support via the provision of training actions, beneficiary partners should also: either provide information on how the project deliverables will be institutionalised (e.g. via an in-house training capacity, via e-learning tools, etc.), or information (justification) in the case that the deliverables will not be institutionalised.

### **Post-Project Planning**

***(Important)***

3. In order to ensure the successful achievement of the short-term and intermediate impacts, beneficiary partner institutions should be required to provide post-project planning information to the National IPA Coordinator, prior to the final completion of the assistance (e.g. 6-months).
4. In order to ensure the successful achievement of the short-term and intermediate impacts, post-project operational reports should also be provided by the project beneficiary (e.g. 6-months or 12-months after project completion) to the National IPA Coordinator. This should be applied for all actions: institution building and investment actions (notably so linked to the development of infrastructure, business and human resources related facilities), via post-project reports on the intermediate impact and sustainability of the support, and the follow-up of out-standing recommendations. Regarding support provided to final users via grant schemes, the assessment of the impacts etc. should be undertaken by the grant scheme implementing agency either via post-project reports (for schemes with a smaller number of final users), or via brief follow-up surveys (for schemes with larger groups of final users).
5. For key institution building projects, notably where the full-scale Twinning instrument is used, a short follow-up mission should also be undertaken (e.g. 6-months after project completion) to assess and make further recommendations as to the follow-up operation of the delivered results and final recommendations. As such follow-up would primarily relate to Twinning projects it would seem practical for it to be provided, as necessary, via the TAIEX instrument.

### **Cross-Border Cooperation**

***(Important)***

6. Regarding Cross-Border Cooperation, during the design phase the possible asymmetrical situation should be kept in mind. The Cross-Border Cooperation programmes should be supporting not only the hard infrastructure but also the soft one in terms of the language courses and people-to-people related contacts. The future economic cooperation and labour force migration issues should also be considered in each CBC programming document.

### **Integrated Approach for support of the Roma**

***(Important)***

7. Regarding assistance linked to the social inclusion and advancement of persons of Roma origin, there are four main priorities of Roma policy: Health, Housing, Education, and Employment. These priorities should be dealt with in a coordinated fashion, rather than addressing them as separate interventions, in order to increase the chances to be successful during implementation. The attempts to focus on individual priorities separately were constantly failing in a long perspective.

## Main Report

### 1. Introduction

#### Scope of the Evaluation

This *ex post* evaluation addresses the EU/EC's pre-accession assistance provided to the twelve countries that acceded to the European Union as part of the 'fifth wave' of EU enlargement, i.e. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia on 01/05/2004, and Bulgaria and Romania on 01/01/2007. It marked an unprecedented enlargement in terms of scope, of complexity and its diversity; extending EU membership from 15 to 27 countries.

Regarding the ten countries of Central and Eastern Europe (i.e. Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia), following the events of 1989 leading to the collapse of the communist political system, the EU/EC established the PHARE<sup>5</sup> programme as the main legal instrument for the provision of financial assistance to those countries<sup>6</sup>.

*[In addition to assistance provided under the PHARE programme, support was also provided over the 2000-2003 or 2000-2006 period to the countries under the pre-accession instruments ISPA (Cohesion Policy type actions) and SAPARD (Rural Development type actions). Additionally, the PHARE programme was also, in part, utilized as an EU instrument for financial support to the countries of the Western Balkans during the 1990s. Those programmes are not addressed by this ex post evaluation]*

Regarding Cyprus and Malta, over the period 2000-2003, they received EU/EC pre-accession financial assistance under a specific EU/EC instrument<sup>7</sup>. *[EU financial and technical support to the countries under a series of Financial Protocols (late-1970s to 1999) is not addressed by this ex post evaluation]*

Following their accession to the EU, each of the twelve countries covered under this *ex post* evaluation received limited, additional support under the Transition Facility<sup>8</sup> – 2004-2006 for the countries acceding in 2004 and in 2007 for Bulgaria and Romania – to consolidate their administrative capacity to implement and enforce the *acquis* and to address issues for which individual countries had negotiated a transition period. The Transition Facility is addressed by this *ex post* evaluation.

For the countries acceding to the EU in 2004 or 2007, the total EC grant allocated over the period 1990-2006 (plus 2007 Transition Facility funding for Bulgaria and Romania), under the three instruments outlined above, as addressed by this *ex post* evaluation, was € 18,673.1 million.

#### Objectives of the Evaluation

The *ex post* PHARE evaluation, almost ten years after the completion of the fifth wave of enlargement, aims to provide relevant findings, conclusions and recommendations to the Commission by an overall programme evaluation of the pre-accession assistance to the twelve acceding EU Member States.

Moreover, this evaluation should provide a broader assessment of the effectiveness and efficiency of the whole policy, looking at the overall socio-economic and institutional impact, at the sequencing of

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<sup>5</sup> Council Regulation (EEC) No. 3906/89, of 18 December 1989, on economic aid to the Republic of Hungary and the Polish People's Republic ["Poland Hungary Aid for the Reconstruction of the Economy"] – as amended – and also re-named as "on economic aid to certain countries of Central and Eastern Europe".

<sup>6</sup> In 1990 the following countries became beneficiaries of the PHARE programme: Bulgaria, Czechoslovakia (as of 1993 separately as the Czech Republic and the Slovak Republic), and Romania *[as well as support for the former Yugoslavia and, for 1990 only, also the former East Germany / GDR]*. In 1991 the following countries also became beneficiaries of the PHARE programme: Estonia, Latvia, and Lithuania *[as well as Albania]*. In 1992 Slovenia was also added as a beneficiary. *[Other Western Balkan states were also partially supported]*

<sup>7</sup> 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.

<sup>8</sup> For which the legal basis was a specific article in the relevant Treaty of Accession (of year 2003 or 2005).

reforms, at the effectiveness and efficiency of interventions and the degree to which the pre-accession reform process was well accompanied by the financial assistance, and at the comprehensiveness of the change achieved, having regard to the full integration of European values and standards and the successful economic integration of the states in the European economy and institutional framework.

The purpose of the *ex post* evaluation is to provide:

- a) Accountability with respect to the value for money and the use of funds (by reporting the findings and conclusions of the evaluation to the institutions of the European Union and to the relevant interest groups of the public at large in all Member States (summative evaluation)), and
- b) Lessons learned on the financial assistance and the enlargement strategy where relevant to the sound setting of the policy and the process and the implementation of the on-going EU assistance provided in the present pre-accession context, i.e. under the EU/EC's Instrument for Pre-Accession Assistance.

The specific objectives of this evaluation are to:

1. Assess the impact and sustainability of PHARE funded interventions.
2. Assess the synergies developed between the accession strategy, the on-going policy dialogue, and the financial assistance.
3. Provide lessons learned and recommendations for decision-making on improvements of future financial assistance and policy setting where relevant.

**The Evaluation reflects the factual situation as at 30/06/2014 – the ‘cut-off-date’ for the Report.**

## **Methodology**

The evaluation has been conducted in adherence to standard methodology based on the OECD-DAC evaluation criteria, as well as guided by the EC's good practice on evaluation e.g. DG Enlargement "Evaluation Guide" and DG Budget "Evaluating EU activities – a practical guide for the Commission Services", and is fully consistent with the EC's Joint Evaluation Unit's Methodology and Guidelines.

In accordance with the Terms of Reference (ToR) the goal of this *ex post* evaluation is to undertake an overall programme evaluation, i.e. addressing the overall effectiveness, impacts, and strengths and weaknesses of the assistance programme and strategy supporting the fifth wave of enlargement. In order to ensure that the evaluation may have a global representativeness, i.e. programme-wide, research and analysis was therefore focused at two levels: (1) on the overall assistance and strategy and (2) on the assistance provided directly to the twelve countries acceding in 2004 or 2007, plus that provided via the Multi-Beneficiary components of the assistance. The ToR proposed that the analysis also be based, more specifically, in detail on a sample of countries, one of the 2004 wave and one of the 2007 wave. During the inception phase it was agreed that analysis of the strategy and the assistance provided be presented via background individual country and inter-regional case studies, focused on a sectoral basis, for which detailed analysis of the enlargement process and the assistance provided to three (Hungary, Romania, and Slovakia) of the twelve countries should be addressed via detailed analysis covering three sectors. On this basis programme-wide analysis should be derived. The evaluation is of summative character and takes a qualitative and quantitative approach to answer the ten specific evaluation questions agreed, in consultation with DG Enlargement, in the inception phase.

Accordingly, the methodological approach for the evaluation was structured so as to ensure that:

- Initial data-collection and research was undertaken at the strategic and the programme level based on the review of relevant documentation, e.g.:
  - The EU's cooperation policy toward the beneficiaries and EU Enlargement Strategy as defined by the European Council, the Council of Ministers, and the Commission.

- Commission reports linked to the management of the assistance programmes evaluated, such as Annual Reports, periodic PHARE Reviews, and 1997 New PHARE Orientations.
- Plus assessments of the assistance addressing the group of beneficiaries conducted at the programme level or sectoral level, such as Special Reports issued by the European Court of Auditors, or evaluation reports conducted by external, independent evaluators.
- Initial data-collection and research was undertaken linked to the twelve individual beneficiary countries, plus the Multi-Beneficiary components based on the review of documentation, e.g.:
  - Strategic documentation: such as the Accession Partnership per country adopted by the Council of Ministers (defining the priorities the country needs to address to achieve full compliance with the criteria for EU membership), and the Commission's Opinion on the application per country for membership, the subsequent annual Regular Reports on progress and the Comprehensive Monitoring Report issued in the year prior to accession.
  - Programme documentation: such as the Financing Memoranda and project fiches.
  - Plus evaluations of the assistance conducted by external, independent evaluators addressing the individual countries conducted at the programme level or sectoral level.
- Based on the sectoral focus of the range of case studies (per country, Multi-Beneficiary, plus Cross Border Cooperation), further detailed research and analysis was undertaken based on:
  - The review of documentation issued by relevant bodies in the individual countries, e.g. ministries, plus via international and multi-national donors and actors, plus reports and information available via the Commission's sectoral Directorate-Generals and Services.
- The above data-collection, research, and analysis were complemented via:
  - Semi-structured interviews with programme actors: at the Commission, as feasible with the states' Permanent Representation to the EU, and interviews in the focus countries.
  - A Questionnaire Survey targeted to a wider body of experts in all of the twelve countries.
  - Statistical data available via the EU (notably Eurostat), national and international actors.

Whereas the methodological approach assured that the *ex post* evaluation addresses and is informed by the accession process and the performance of the financial assistance at the level of each of the beneficiary countries, the main constraint in terms of the approach related to variable level to which the full range of country-specific sectoral evaluations linked to the assistance were available. Although these were often financed by the assistance programme, e.g. from the mid-1990s by the OMAS Consortium, from the early-2000s by the EMS Consortium, covering all of the Central and Eastern European countries, and from 2004 funded by the assistance programme via contracts managed by the beneficiaries at the country-level, there is no central source at the Commission via which these could be accessed. For the majority of the case studies this was remedied via the team's gathering of such materials from the internet but more often via network contacts between experts.

Recognising that 'field-research' via interviews was only conducted in three of the twelve countries contemporary feedback from the other countries was provided via the Questionnaire Survey. However, a key constraint in this regard related to the identification of persons with relevant knowledge as to the operation of the EU-accession financial assistance in their country; reflecting that, 5 to 10 years after the completion of the most intense period of support, a number of staff have either redeployed to other posts or have retired from the public service. This was partially remedied via the provision of support from the Commission in the identification of EU Member State officials presently working on the EU's enlargement policy and assistance, plus a letter of introduction to the goals of the evaluation and its relevance for the Commission, after which the Survey was sent by the team to the sectoral experts at the Member States' Permanent Representation to the EU, Twinning National Contact Points, etc. However, the response rate to the survey was not sufficient (in total only 32 surveys, were received), nor representative (11 survey responses were from a single country, 5 were from another, with zero responses from two of the twelve countries). As such, the responses that were received were utilised so as to further inform the analysis relating to the specific country case studies.

## Performance Rating Scoring Criteria

In terms of the terminological definition of the different evaluation findings presented in the report, the following 'performance ratings' scale of ranking was utilised:

<b>Very Good</b>	The programmes/projects achieved or exceeded all the intended objectives; no major shortcomings identified ( <i>succeeded beyond the original scope of expectation</i> )
<b>Good</b>	The programmes/projects mostly achieved all the intended objectives; although certain improvements would have been possible ( <i>largely succeeded</i> )
<b>Satisfactory</b>	The programmes/projects achieved acceptable progress toward most of the intended objectives, but faced some constraints/delays; improvements would have been possible ( <i>mostly succeeded but with deficiencies</i> )
<b>Sufficient / Adequate</b>	The programmes/projects achieved acceptable progress toward the majority of the intended objectives, but faced major constraints/delays; improvements would have been necessary ( <i>adequately succeeded but with deficiencies</i> )
<b>Limited</b>	The programmes/projects made some progress toward a minority of intended results, but did not achieve a large part of the intended objectives; serious inherent weaknesses and risks were identified ( <i>to a significant degree failed to achieve expected achievements</i> )
<b>Poor</b>	The programmes/projects achieved minimal acceptable progress to any of the intended objectives; serious shortcomings were identified ( <i>largely failed</i> )
<b>Mixed</b>	The programmes/projects performance rating covers a diverse range of the above

## Structure of the Evaluation Report

The main text of the *ex post* Evaluation Report presents a synthesis report at the programme level.

This Section outlines the scope and the objectives of the evaluation and methodological matters.

Section 2 provides background information on the assistance programmes covered by the evaluation, and how the programming framework for these evolved over the lifetime of the programmes.

Section 3 is devoted to analysis of the evaluation questions and presentation of the evaluation findings in respect to (1) the relevance, efficiency, effectiveness, impact, and sustainability of the PHARE financial assistance, (2) the socio, economic and institutional impact of the enlargement process, and (3) the synergies between the accession strategy, policy dialogue and the financial assistance.

Section 4 presents the main conclusions at the programme level and identifies lessons learned with relevance to improving on-going and future financial assistance and the enlargement policy setting, based on which Section 5 provides a series of recommendations to the Commission to that end.

The main text is backed by a series of Annexes, including a more detailed presentation of the analysis and findings or providing additional background information linked to the *ex post* evaluation.

- Annex 1 provides background information and the description of the assignment from the Terms of Reference for this evaluation.
- Annex 2 provides a detailed overview of the EC's financial assistance to the countries under the programmes covered by this evaluation.
- Annex 3 provides a brief overview of the EU acquis based on the present 35 Chapters that constitute the *acquis communautaire*.
- Annex 4 provides a range of statistical data linked to the socio-economic and institutional impacts of the accession process and EU enlargement.
- Annex 5 presents a series of fourteen case studies, addressing each of the twelve countries, plus the Multi-Beneficiary and the Cross Border Cooperation components of the assistance. The case studies are structured to reflect Sections 3 and 4 of the main report.

- Annex 6 provides a list of the stakeholders and beneficiaries interviewed during the fieldwork / responding to the Questionnaire Survey.
- Annex 7 provides a list of documents consulted in the course of this evaluation.

## **2. PHARE Programme**

This *ex post* evaluation addresses the EU/EC's pre-accession assistance provided to the twelve countries that acceded to the European Union as part of the 'fifth wave' of EU enlargement, i.e. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia on 01/05/2004, and Bulgaria and Romania on 01/01/2007. It marked an unprecedented enlargement in terms of scope, of complexity and its diversity; extending EU membership from 15 to 27 countries.

The specific EU/EC pre-accession assistance instruments addressed by the evaluation are:

- PHARE<sup>9</sup> (for the countries of Central and Eastern Europe)
- Pre-accession Assistance for Cyprus and for Malta<sup>10</sup>
- Transition Facility<sup>11</sup> (provided to all twelve countries in the immediate post-accession period)

Background information on the origin and evolution of the assistance instruments is provided below.

### **The origins of the PHARE programme**

In 1989 the European landscape was fundamentally re-transformed by the collapse of the communist political system in Central and Eastern Europe – as most visibly symbolized by the fall of the Berlin Wall – culminating in 1991 in the break-up of the former Soviet Union and of the former Yugoslavia. After more than half-a-century of political and military division, Europe was provided an historic opportunity to reunite based on formally shared values of democracy and liberty, which most of the countries of Central and Eastern Europe had initially enjoyed as independent countries post-1918.

The developing policy of the EU toward the re-emerging countries was defined by the European Council in December 1989 (Strasbourg) reflecting that: "The [EU's] dynamism and influence make it the European entity to which the countries of Central and Eastern Europe now refer, seeking to establish close links. The [EU] has taken and will take the necessary decisions to strengthen its cooperation with peoples aspiring to freedom, democracy, and progress and with States which intend their founding principles to be democracy, pluralism and the rule of law. It will encourage the necessary economic reforms by all the means at its disposal, and will continue its examination of the appropriate forms of association with the countries which are pursuing the path of economic and political reform. The [EU's] readiness and its commitment to cooperation are central to the policy which it is pursuing and which is defined in the declaration adopted today; the objective remains as stated in the Rhodes Declaration [December 1988] that of overcoming the divisions of Europe."

In light of the events in Central Europe, the Group of Seven (G-7) leaders of the major industrialised, democratic states, meeting in Paris in July 1989, decided to extend the hand of friendship and support to the economically and politically reforming states of Poland and Hungary. The wider group of aid donors (the G-24 and multi-lateral agencies) later extended the offer of support to the full range of states in transition. The assistance of the G-24 was comprised of a myriad of different elements.

Most prevalent among these was assistance of a macro-financial nature, e.g. balance of payments assistance, plus official export credits, provided in the form of soft loans, plus debt relief. In order to guide the provision of such assistance an economic stabilisation and reform programme was agreed by each country with the IMF, and reform programmes agreed with other multilateral institutions (e.g. the World Bank), including the EU's provision of exceptional macro-financial assistance to the countries in the early 1990s. The G-24 also committed to providing financial and technical assistance to the countries, in the form of grants, via their individual bilateral aid programmes.

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<sup>9</sup> Council Regulation (EEC) No. 3906/89, of 18 December 1989, on economic aid to the Republic of Hungary and the Polish People's Republic ["Poland Hungary Aid for the Reconstruction of the Economy"] – as amended – and also re-named as "on economic aid to certain countries of Central and Eastern Europe".

<sup>10</sup> 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.

<sup>11</sup> For which the legal basis was a specific article in the relevant Treaty of Accession (of year 2003 or 2005).

In order to provide financial and technical grant support to the countries the EU/EC responded via the establishment of the PHARE programme, in December 1989, as the EC's main legal instrument to support the re-emerging democracies of Central and Eastern Europe in their reform efforts. Initially supporting Poland and Hungary, the PHARE programme was progressively extended to cover the range of Central and Eastern European countries that acceded to the EU in 2004 (i.e. Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia), and 2007 (i.e. Bulgaria, Romania)<sup>12</sup>.

The objective of the PHARE programme, as stated in article 3 of the PHARE Regulation, was:

- “To support the process of reform [in the beneficiary countries] in particular by financing or participating in the financing of projects aimed at economic restructuring. Such projects or cooperation measures should be undertaken in particular in the areas of agriculture, industry, investment, energy, training, environmental protection, trade and services; they should be aimed in particular at the private sector [in the beneficiary countries].”

The PHARE programme was the key tool of the EU/EC's pre-accession strategy toward the countries of Central and Eastern Europe: the first PHARE assistance programmes were developed in 1990, with the final programmes adopted (in terms of financing commitment by the EC) the year prior to accession, i.e. ultimately in 2006 (for Bulgaria and Romania). Reflecting the longevity of the instrument, the focus of the PHARE programme evolved over time: starting from its inception as an essentially 'demand-driven' support to the process of transformation, progressively developing during the period, in parallel with EU pre-accession strategy, into an 'accession-driven' instrument.

*[In addition to assistance provided under the PHARE programme, EU/EC pre-accession support was also allocated to the countries of Central and Eastern Europe, over the 2000-2003 or 2000-2006 period under the pre-accession instruments ISPA (Cohesion Policy type actions) and SAPARD (Rural Development type actions). Those programmes are not addressed by this ex post evaluation]*

### **PHARE support for the initial transformation process**

The PHARE programme developed initially as an immediate response to challenges facing the countries of Central and Eastern Europe as they sought, at different speeds, to undertake a series of sweeping, systemic transformation measures to replace the inherited system of centralised and hierarchical economic and political decision-making, with a system of democracy based on a market economy, the rule of law, respect for human and minority rights, and a functional civil society.

PHARE programme support was provided to the countries on a 'demand-driven' basis, so as to reflect the challenges each country faced and the priorities/needs identified by each in their individual plans for pursuing transformation. PHARE support to the beneficiaries was provided via broad-based sectoral assistance (e.g. Transport, Energy, Telecommunications, Agriculture, Environment, Private Sector Development, Privatisation and Restructuring, Employment, Social Development, Education Reform, etc.), designed to put in place the necessary structures and strategic approach for undertaking sectoral reforms. PHARE support was primarily delivered via technical assistance (e.g. to finance preliminary studies, actions plans or as outside expertise and policy advice, to provide professional training), or for the purchase of essential equipment of supplies, or as start-up capital.

### **Support for the consolidation of reforms, and to facilitate economic and trade development**

Following the initial, major systemic transformations and the launch of reforms (plus the progressive stabilisation of macro-economic conditions that most of the countries of Central and Eastern Europe experienced by the mid-1990s), the development needs of the countries increasingly moved to the consolidation and further focusing of the reform actions, plus to the facilitation of economic and trade

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<sup>12</sup> In 1990 the following countries became beneficiaries of the PHARE programme: Bulgaria, Czechoslovakia (as of 1993 separately as the Czech Republic and the Slovak Republic), and Romania [as well as support for the former Yugoslavia and, for 1990 only, also the former East Germany / GDR]. In 1991 the following countries also became beneficiaries of the PHARE programme: Estonia, Latvia, and Lithuania [as well as Albania]. In 1992 Slovenia was also added as a beneficiary. [Other Western Balkan states were also partially supported]

development. This was also reflective of the developments in EU policy toward the region. Most notably, at the European Council in June 1993 (Copenhagen) it was: “agreed that the associated countries in Central and Eastern Europe that so desire shall become members of the European Union [and that] accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required” (for which the criteria<sup>13</sup> were defined in terms of Political Criteria, Economic Criteria, and Treaty Obligations / the *Acquis*).

In order to support and encourage political stability and economic growth in Central and Eastern Europe, EU policy already foresaw the negotiation of an ‘Association [Europe] Agreement’ with each of the countries, including an institutional framework for political dialogue and the gradual and asymmetric establishment of a free trade area over a period of up to ten years (plus the identification of areas where technical cooperation linked to the trade provisions of the Agreements might be focused). These were progressively signed with each of the countries over the period 1991 to 1996, with an increased focus of PHARE support given in such areas as, e.g. customs, statistics, standards, conformity assessment, metrology, industrial and intellectual property rights, etc., as well initial support specifically targeted to assist the countries in the approximation of their legislation with the EU *acquis*.

To guide EU policy and the targeting of EU support for further reforms in the countries, the European Council in December 1994 (Essen) adopted a comprehensive strategy for preparing the accession of the associated countries to the EU. In addition to continued support provided for the consolidation of the reform process and the development of institutional capacity, the strategy also emphasised the need to provide or attract investment in order to maintain the momentum of economic development. Notably, this extended the range of investment support provided to the countries under the PHARE programme to include the promotion of integration through the development of economic and physical infrastructure, cooperation in the framework of the trans-European networks, and increased intra-regional cooperation in the areas of economic, private sector and trade development.

#### **PHARE as an ‘accession-driven’ support mechanism**

Reflecting the further evolution of EU policy in regard to enlargement – e.g. as requested by the European Council in December 1995 (Madrid), the Commission prepared an ‘Opinion’ (issued July 1997) on the individual countries application for membership of the EU – the PHARE instrument was reoriented in 1997/1998 to become an ‘accession-driven’ programme, rather than ‘demand-driven’. This was based on the need to address the two main challenges facing the countries of Central and Eastern Europe in preparing themselves for membership of the EU:

- Strengthening of their democratic institutions and public administrations, in order to facilitate their introduction of the *acquis* and to help them to fulfil the economic and political criteria for accession, including strengthening their abilities in the areas of Justice and Home Affairs.
- Supporting investments improving their enterprises and infrastructure, aimed especially at helping countries to meet the requirements of the *acquis*, the promotion of investments in economic and human capital, large infrastructural projects, plus intra-regional cooperation.

In order to provide a clear strategic framework for an ‘accession-driven’ approach, the Council of Ministers adopted an ‘Accession Partnership’ for each of the countries establishing the range of sectoral priorities/needs related to EU accession. The priorities were based on the findings presented in the ‘Opinion’ and subsequently in the ‘Progress Reports’ issued, on an annual basis, by the Commission on each country. Each beneficiary country was also requested to prepare a ‘National Programme for the Adoption of the *Acquis*’ (NPAA) to provide an overview of the range of short- and medium-term priorities that they sought to address linked to meeting the criteria for EU membership.

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<sup>13</sup> Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate’s ability to take on the obligations of membership including adherence to the aims of political, economic, and monetary union.

The objective of the PHARE instrument was formally extended in 1999 (via Regulation (EC) No. 1266/1999) to reflect the clear ‘accession-driven’ approach of the assistance programme:

- “For applicant countries with accession partnerships with the European Union, funding under the PHARE programme shall focus on the main priorities for the adoption of the *acquis communautaire*, i.e. building up the administrative and institutional capacities of the applicant States and investment, except for the type of investments financed in accordance with Regulations (EC) No. 1267/1999 (ISPA) and (EC) No. 1268/1999 (SAPARD). PHARE funding may also be used to finance the measures in the fields of environment, transport, and agricultural and rural development which form an incidental but indispensable part of integrated industrial reconstruction or regional development programmes.”

### **Pre-accession assistance for Cyprus and for Malta**

Relations between the EU and the countries Cyprus and Malta (both democratic states operating a market economy, gaining their independence from the UK, respectively, in 1960 and 1964), were initially formalised via the conclusion of an ‘Association Agreement’ with each; entering into force in 1971 with Malta and 1973 with Cyprus. Each country formally submitted its application for membership of the EU in 1990; for which the Commission issued its ‘Opinion’ on each country in June 1993. [Malta froze its application for membership in late 1996, but reactivated it in late 1998]

Both countries were provided guidance and financial assistance to facilitate their preparations for EU membership, in accordance with the ‘accession-driven’ approach and the overall pre-accession framework created under the PHARE programme, i.e. an ‘Accession Partnership’, the institutional framework for political dialogue under the Association Agreement, request to each for an NPAA.

Over the period 2000-2003 (in terms of financing commitment by the EC) these countries received EU/EC pre-accession assistance under a specific instrument<sup>14</sup>. Implementation of the assistance, as with the latter phases of the PHARE programme, traditionally operated in line with the ‘N+2+1’ rule: i.e. after the financing commitment (year ‘N’) two-years for contracting, plus one-year for completion.

The programme’s objective was to provide: “Support for priority operations to prepare for accession, as defined within the accession partnerships with Cyprus and Malta on the basis of analyses of their economic situations, taking account of the political and economic criteria and the obligations incumbent upon a Member State of the EU as defined by the European Council.”

### **Transition Facility**

While recognising that the assorted countries had achieved significant progress in the transposition of the *acquis*, as a pre-requisite for accession to the EU, in the process of finalising accession negotiations certain outstanding issues and risks, and thereby areas for remedial action, were identified in terms of the robustness of the administrative and institutional systems in the countries.

Additionally, the acceding countries each negotiated a limited number of country-specific ‘transitional measures’ linked to the date for final, full enforcement of certain specific directives under the *acquis*.

Accordingly the 2003 and 2005 Accession Treaties established a temporary, small-scale Transition Facility, to provide assistance to the new Member States to complete the process of strengthening their institutional and administrative capacities to implement and enforce EC legislation and to develop ‘good practice’ in areas where their administrative and institutional capacity still showed some weaknesses in comparison with the other Member States in the management of the *acquis*.

Assistance programmes (in terms of financing commitment by the EC) were undertaken over the period 2004-2006 for the ten countries acceding in 2004, and for year 2007 for Bulgaria and Romania.

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<sup>14</sup> 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.

*[Unless clearly demarcated by time, i.e. during the 1990s only the PHARE programme, the evaluation report refers to the above range of EU-funded assistance instruments collectively as PHARE]*

**Financial assistance allocated to the twelve countries was € 18,673 million**

For the countries acceding to the EU in 2004 or 2007 the total EC grant allocated over the period 1990-2006 (plus 2007 for Bulgaria and Romania) under the PHARE programme – i.e. the three instruments outlined above, as addressed by this *ex post* evaluation – was € 18,673.1 million. Approximately 82.5% was directly allocated to the countries (via National Programmes, Cross-Border Cooperation, or as national allocations under Horizontal Programmes, e.g. TEMPUS, Nuclear Safety).

This is summarised in Table 1 below – a more detailed overview of the EC’s assistance to the countries under the programmes, over the period of assistance provision, is provided in Annex 2.

**Table 1: EU Pre-Accession Financial Assistance, 1990-2006 (€ million) <sup>(1)</sup>**

<b>Beneficiary</b>	<b>EC Assistance</b>	<b>Beneficiary</b>	<b>EC Assistance</b>
<b>Bulgaria</b>	2358.1	<b>Malta</b>	57.0
<b>Cyprus</b>	61.7	<b>Poland</b>	3994.1
<b>Czech Republic</b>	1062.2	<b>Romania</b>	3671.6
<b>Estonia</b>	346.0	<b>Slovakia</b>	805.2
<b>Hungary</b>	1478.9	<b>Slovenia</b>	358.4
<b>Latvia</b>	422.7	<b>Multi-Beneficiary</b>	3248.7
<b>Lithuania</b>	808.5	<b>TOTAL</b>	<b>18673.1</b>

<sup>(1)</sup> Under the PHARE Programme, Assistance to Cyprus and to Malta, and the Transition Facility (figures for Bulgaria and Romania include the 2007 Transition Facility assistance allocated)

*Data Source: EC (DG ELARG) Annual Reports on Assistance Programmes*

As a general rule, the indicative allocation of EC assistance per beneficiary country was based on a series of valid statistical variables, such as population size, geographical size, GDP per capita, etc., while also taking into account and based on the specific challenges facing the individual countries (and thereby needs), the past performance of the assistance, the absorption capacity, and progress of the beneficiaries in implementing the reforms and priorities of the ‘Accession Partnership’. In this regard the total PHARE funding per beneficiary is notably skewed by the specific challenges that the individual countries faced in regard of the safety of their nuclear power plants and/or of their radioactive waste management facilities (notably so Bulgaria, Lithuania, Slovakia, and Slovenia).

In addition to the specific programmes and allocations provided per country, assistance was also provided to the Central and Eastern European countries under a range of different Multi-Beneficiary / Horizontal programmes, the sectoral nature and focus of which evolved over time, addressing priorities/needs as perceived at a regional-level or to be of a regional-nature, e.g. programmes and mechanisms such as Environment, Transport, Democracy and Human Rights, Statistics, Private Sector Development, Justice and Home Affairs, TEMPUS, TAIEX, etc.. Cyprus and Malta partially participated in the Multi-Beneficiary programmes, notably the TAIEX instrument, over the period 2000-2003 via allocations in their National Programmes, and fully under the 2004-2006 Transition Facility.

## **Management of PHARE assistance – the Key Actors**

In order to understand the basic management environment linked to the programming and implementation of the PHARE assistance, a brief overview of the key actors is initially provided.

Overall responsibility for management of the assistance rested with the European Commission: for which a PHARE Operational Service (PHOS) was established at Headquarters within DG External Relations in 1990, and later a specific DG Enlargement (DG ELARG) was created, in 1997. At the local level, 'in-country', Commission Delegations were, progressively, established during the 1990s to support in the management of the PHARE assistance (and in the development of 'policy dialogue').

The Commission Delegations played a key role in the oversight of programmes managed under the Decentralised Implementation System (DIS), notably in terms of exercising *ex-ante* control and approval at key steps throughout the procurement, contracting and implementation phases. For actions implemented based on 'centralised management' Headquarters provided control/approval.

In order to ensure sufficient targeting of the financial assistance, and in accordance with the PHARE Regulation<sup>15</sup>, management of the assistance was undertaken by the Commission in close consultation with the partner countries. Each was requested to appoint a senior-level National Aid Coordinator (NAC), plus, in the supported sectors, a Senior Programme Officer (SPO), with responsibility for the identification of priorities/needs, the design and the subsequent implementation of programmes.

In line with the 'accession-driven' reorientation of the PHARE instrument in 1997/1998, which also foresaw the gradual transfer of greater management responsibility to the beneficiary countries, each country was requested to establish a National Fund, to oversee financial management and control, as well as a Central Finance and Contracts Unit (CFCU), responsible for the procurement, contracting, payment and control aspects at the level of the individual contracts/grants under management. Prior to the CFCU, responsibility for the tasks (procurement etc.), for programmes managed under DIS, rested with the SPO as the head of the Programme Management Unit (PMU); with EC *ex-ante* control.

Progressively, the process of transferring management responsibility to the beneficiary countries also led, via the Decentralised Management System (DMS), to the countries taking formal responsibility (early 2000s) for the function of programme/project monitoring; entrusted to the NAC, and undertaken in coordination with the SPOs, CFCU etc. Responsibility for the function of evaluation (notably interim) was also subsequently transferred to the NAC, as part of the transition to the Extended DIS (EDIS).

Each country needed to achieve compliance for EDIS, under which the *ex-ante* control/approval of the Commission during programme implementation is waived, as a vital step in the development of its capacity to manage EC-funds in accordance with the requirements of the EU's Financial Regulation. This required substantial strengthening of the procedural, the technical and staffing capacity of the key actors on the beneficiary side – the National Fund, NAC, CFCU (and other Implementing Agencies), and SPOs at the sectoral level – in order to satisfactorily meet the requirements for EDIS.

Technical assistance was provided via PHARE to support the countries develop their capacities linked to the management of the programme; initially via the provision of NAC and PMU advisers, later more specific and tailored advice linked to the establishment and the independent testing and verification of the capacity to manage PHARE under DIS/EDIS, for which final accreditation by the EC was required.

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<sup>15</sup> "Account shall be taken, *inter alia*, of the preferences and wishes expressed by the recipient countries concerned in the choice of measures to be financed pursuant to this Regulation".

### 3. Evaluation Findings

#### 3.1. Impact and Sustainability of PHARE / Pre-Accession Financial Assistance

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

##### **The PHARE programming process**

Following the entry into force of the PHARE Regulation, in the final days of 1989, the process of programming the EU/EC's support was launched in 1990; an annual process extended, by 1992, to all of the Central and Eastern European countries acceding in 2004 or 2007; and in the case of Cyprus and of Malta an annual pre-accession assistance programming process that was established in 2000. Final programmes (in terms of financing commitment by the EC) were agreed (under the Transition Facility) in 2006 for the countries acceding to the EU in 2004, and in 2007 for Bulgaria and Romania.

The programming process was undertaken on an annual basis, launched by the formal notification by the European Commission (EC) to the National Aid Coordinator (NAC) of the indicative programme budget allocation for the country, requesting the NAC to present a prioritisation of the country's needs and the potential programmes/projects to be further developed as detailed proposals for financing.

Prioritisation and detailed design was conducted by the NAC in consultation with the sectoral SPOs and other, potential beneficiaries (sectors). During the programming process regular consultations were conducted between the beneficiary and the EC, to facilitate programme selection/design. The final assessment and review of programme/project suitability was undertaken by the EC, prior to the EC's submission to the PHARE Management Committee (including representatives of the EU Member States) of a Financing Proposal, for the opinion of the committee, prior to commitment of EC grant.

This was fully in accordance with the PHARE Regulation<sup>16</sup> and ensured that the programming process was suitably 'demand-driven', in response to the priorities/needs of the individual countries, to the extent that these could be identified by the countries at the time, in line with their transformation, reform, development and pre-accession plans as these progressively evolved over the period.

##### **Coherency and effectiveness of the programming process was mixed**

As outlined in Section 2, reflecting the longevity of the instrument, the focus of the PHARE programme evolved over time: starting from its inception as an essentially 'demand-driven' programme supporting (1) the initial transformation process, (2) progressively support for the consolidation of the reforms and to facilitate economic and trade development, and (3) ultimately into an 'accession-driven' programme.

The coherency and effectiveness of the programming process in terms of its addressing the priorities/needs of the beneficiary countries as identified in country strategy and programming documents is reviewed below; reflective of the programme's evolution over time, the coherency and effectiveness of the programming process, strengths and weaknesses, is analysed reflecting the chronological evolution of the programme and programming process, followed by a presentation of evaluation findings as to the overall strengths and weaknesses of the process.

##### 1990-1993

Regarding the strategy and programming documents of the EU toward the countries, and its evolution over the period since 1989, this was defined by the European Council and the Council of Ministers, plus by the EC in assorted Communications (e.g. on Industrial Cooperation with Central and Eastern

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<sup>16</sup> "Account shall be taken, *inter alia*, of the preferences and wishes expressed by the recipient countries concerned in the choice of measures to be financed pursuant to this Regulation".

Europe<sup>17</sup>). In the early-1990s, reflective of the substantial nature of the transformation challenges facing the Central and Eastern European countries, the EU's strategy was to support stabilisation and initial transformation.

Regarding the strategy and programming documents of the individual countries, apart from the countries' initial government Work Programmes post-1989, to guide the re-establishment of a democratic system based on a market economy, the countries largely lacked clearly defined and coherent sectoral development strategies (other than those of a central command economy system); the countries' strategies were initially guided by economic stabilisation and reform programmes each had agreed with the IMF.

Recognising that detailed sectoral development strategies would be required to guide and support the transformation and longer-term reform process, a significant, early, focus for the PHARE assistance was therefore justifiably provided to support the process of policy analysis, the preparation of options papers and reform plans (for subsequent implementation) by the beneficiaries in priority sectors.

To this end PHARE support was programmed on the basis of individual, broad-based sectoral assistance programmes (traditionally addressing a series of related sub-sectors, with a single ministry and its subordinated agencies the main beneficiary) – e.g. Transport, Energy, Telecommunications, Agriculture, Environment, Private Sector Development, Privatisation and Restructuring, Employment and Social Development, Education Reform, etc.. The countries were also encouraged to establish a General Technical Assistance Facility (GTAF), which provided the overall programme with a partially flexible support facility, and allowed for less intensive support to core areas and specialised agencies – e.g. Customs, Statistics – so as to develop appropriate sectoral reforms and market-oriented policies and operational capacity, and to undertake limited exploratory studies in other sectors.

For each PHARE programme (including Multi-Beneficiary programmes), a summary description of the action was prepared, providing a clear indication of the sub-areas to be supported. For each sub-area a brief overview of the objectives, delivery instruments, and basic outputs to be delivered was provided. However, on the whole limited attempt was made, as part of the programming exercise, to establish target indicators of achievement linked to the delivery of the outputs (e.g. number of SMEs to receive support under a financing scheme, or number of staff to receive training, or number of pilot-tests to be conducted), or to measure the achievement of the specific results and impacts of the assistance. Additionally, during the initial PHARE period, programme summary descriptions provided no details as to an indicative implementation schedule, merely the assumed duration for implementation of actions, which was variable across the individual country programmes, ranging from less than 2-years up to 4-years, most commonly of 3-years. These were major design weaknesses in terms of measuring the performance of the assistance in accordance with that which was intended.

Additionally, due to the initial lack of multi-sectoral country reform strategies, other than a government Work Programme, it is not feasible to ascertain the extent to which the initial series of PHARE programmes were collectively coherent and effective in addressing the countries' priorities/needs.

#### 1994-1996

Regarding the strategy and programming documents of the EU toward the countries, in 1993-1994 the EU's strategy significantly evolved in terms of the EU's recognition of the EU membership ambitions of the countries (June 1993), and the subsequent adoption by the EU of a comprehensive strategy for preparing the accession of the associated countries (December 1994), and the EC's White Paper on 'Preparation of the Associated Countries for Integration into the Internal Market of the Union' (May 1995).

Regarding the strategy and programming documents of the individual countries, and encouraged by the EC, each country (coordinated by the NAC), progressively undertook the preparation of an indicative Country Development Strategy and/or Public Investment Programme to guide the provision

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<sup>17</sup> SEC (90) 1213, of 12<sup>th</sup> July 1990

of external assistance (from the EU/EC and the wider body of donors), and as a basis for achieving greater coherency at the overall programme-level over the medium-term.

These were utilised to guide the programming of larger-scale investments facilitating economic and trade development, infrastructure development, intra-regional cooperation and integration into Trans-European Networks, toward which PHARE funding was progressively also focused from 1994/1995.

In addition, reflecting the clear interest of the countries to support private sector and trade development and closer integration with the EU's internal market, there was also an increased focus of the PHARE support in such areas as, e.g. customs, statistics, standards, conformity assessment, metrology, industrial and intellectual property rights, etc., as well initial support specifically targeted to assist the countries in the approximation of their legislation with the EU sectoral *acquis*.

As with the previous period, PHARE support was programmed on the basis of individual, broad-based sectoral assistance programmes. Building on lessons learned during the initial PHARE programmes, and reflective that most countries had completed the basics of the transformation process and were moving to the consolidation of the reforms, the quality of programme design and planning generally improved from 1994/1995, e.g. greater detail of the intervention goals, the delivery instruments, plus the partial inclusion of target indicators for outputs, results etc. (although this was not consistently applied by the beneficiaries across all programmes). As the majority of sectoral reform programmes received assistance under more than one annual programme, the design of second-wave actions could (and largely did) coherently and effectively build on the results and lessons of the earlier actions.

The effectiveness of the PHARE programming process was also strengthened via the progressive introduction of a Project Cycle Management (PCM) approach from 1992, although use of the Logical Framework Approach (and Matrix) as part of the programming process was only consistently achieved from the mid-1990s, and the quality of the programmes (and Matrix) was variable in terms of providing 'SMART' intervention objectives and objectively verifiable indicators of achievement. The coherency of the programming process was also strengthened via the introduction of Multi-annual Indicative PHARE Programmes in 1994, in line with the EU's multi-annual financial perspective, plus an overarching Country Operational Programme, covering all sectoral programmes, from 1995/1996.

#### 1997-2006

Regarding the strategy and programming documents of the EU toward the countries, this again substantially evolved, in 1997-1998, in light of the EU's 'Agenda 2000', the EC's 'Opinion' on the individual countries application for membership, and the formal launch of the accession process on 30/03/1998 (leading to the initial process of analytical examination of the EU sectoral *acquis* ('screening') with the individual countries).

In line with the EU's strategy, the PHARE programme was rightly reoriented to an 'accession-driven' approach, initially rolled-out in the period 1997/1998. This principally impacted on the programming process in terms of the identification and prioritisation of needs: these were to be 'accession-driven', linked to the criteria for EU accession (Political Criteria, Economic Criteria, and Treaty Obligations / the *Acquis*), rather than more general development programmes. The EU also introduced the 'Accession Partnership' as a key instrument of the pre-accession strategy (bringing together the EU's identification of the priorities for each country to comply with the accession criteria, including in the range of sectoral chapters of the *acquis*). These were adopted based on the findings presented in the EC's 'Opinion' and subsequent, annual 'Progress Reports'. The first partnerships were adopted by the Council of Ministers in 1998, and were updated in 1999, 2001 and (for Bulgaria and Romania) in 2003.

Regarding the strategy and programming documents of the individual countries, and in line with the reorientation of PHARE, each country was requested to prepare a multi-sectoral reform strategy to guide their pre-accession preparations: a 'National Programme for the Adoption of the *Acquis*' (NPAA). This was to provide an overview of the range of short- and medium-term priorities and measures that the beneficiary country sought to undertake (be it via national funding, or external

support) linked to their meeting the criteria for EU membership; addressing the accession criteria and the range of sectoral chapters of the *acquis*. The first draft NPAs were presented by the beneficiaries in early-1998 for consultation with the Commission. The NPAs were traditionally updated by the beneficiaries on an annual basis, in light of the Commission's Regular Report and the findings arising from the detailed examination of the *acquis* ('screening'). As with the Accession Partnerships, the NPAs were key instrument of the pre-accession strategy. However, reflecting the 'learning-curve' in terms of developing such multi-sectoral reform strategy, and that 'screening' started after the preparation of the first NPAs, the quality of those was partially hindered by the variable level of information and strategy presented at the level of the sectoral and sub-sectoral *acquis*. Whereas the NPAs were reasonably detailed in terms of listing assorted analyses to be undertaken, legislation to be considered for amendment or introduction etc., in the initial years the quality was variable, at the sectoral level, in terms of identifying institution building actions necessary to establish an operational capacity to administer and enforce the *acquis*.

Over the period 1998-2006, PHARE assistance was programmed on the basis of a project-based approach, rather than via broad-based sectoral assistance programmes; for Bulgaria and Romania, over the period 2004-2006, via a blend of a multi-annual sectoral and annual projects approach. The project-based approach allowed for the better targeting of actions to address the diverse range of technical issues linked to the reforms required of the beneficiaries, as well as the targeting of actions to a wider body of beneficiary bodies linked to the *acquis*; the broad-based sectoral programmes had traditionally supported larger sized institutions/ministries and investment projects. While positive in diversifying the range of beneficiary bodies requesting PHARE support, a number of the institutions had previously only limited (or no) experience in the design or management of PHARE actions (notably so actors working in the different areas of Justice and Home Affairs and smaller sized/staffed agencies linked to the *acquis*), which initially affected the effectiveness of the programming process.

The project-based approach also significantly increased the work-load required to complete the programming process: for countries operating under the Decentralised Implementation System (DIS) the average number of sectoral programmes agreed per country during 1991-1995 was ten per year<sup>18</sup>, while the average number of project fiches for those same countries in year 2000 was thirty-five (35)<sup>19</sup>. While a standard format project fiche template was utilised from 1998, the extent of planning assumed to be provided, per project, was far greater than for that required of the previous programming period. While positive in terms of progressively enhancing the quality of programming documentation prepared by the beneficiaries, the EC's requirements as to the format of the project fiche template were frequently revised over the period 1998-2006. Equally, the EC's expectations of the length of detail to be provided in project fiches was variable per country and per year, with fiches (main text) ranging from 6-pages to 20-pages even if not for notably variable financial allocation. As previously, the quality of the projects (and Logical Framework Matrix) remained to be variable in terms of providing 'SMART' intervention objectives and objectively verifiable indicators of achievement.

#### 2004-2006 (Bulgaria and Romania)

For the final period, 2004-2006, the PHARE programming process was further refined via the introduction of a multi-annual approach to the planning of project support: in agreed priority sectors, for which existing pre-accession and reform strategies already existed or enhanced sectoral analyses (multi-annual plans and/or indicative programmes) were required to be prepared by the beneficiaries. This allowed for the return of a sectoral or sub-sectoral approach where this was suitable, alongside the programming of annual assistance to relevant stand-alone projects. *[The 2007 Transition Facility programmes for the two countries were programmed on a standard project-based approach]*

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<sup>18</sup> European Court of Auditors Special Report No. 3/97. While ten is the average, Poland averaged 14 sectoral programmes per year 1991-1995, while the record number was 21 sectoral programmes for Slovakia in 1995.

<sup>19</sup> 2000 National and CBC programmes: approximately 30-35 project fiches for Bulgaria, Czech Republic, Hungary, Romania, 70-75 for Poland, but less than 20 for Slovakia. For Estonia, Latvia, Lithuania, and Slovenia, which did not operate under DIS until 1997/1998, there was an average of 15 projects in year 2000.

The return of a partially multi-annual approach provided opportunity for programmers to establish greater clarity in the setting of objectives and clear targets or milestones to be progressively achieved in the agreed priority sectors, supported via a medium-term approach, as well as the opportunity to improve the synergy, coherence, coordination, and sequencing of the assistance. While the process of programming the PHARE assistance was still undertaken on an annual basis, in order to ensure the relevance of actions or to fine-tune actions and their justification in light of progress achieved against the schedule of the multi-annual plans, the approach provided greater certainty that funding to complete strategic reforms required prior to accession to the EU would be available, when justified.

Overall, the coherency and effectiveness of the programming process was mixed

As outlined above, the coherency and effectiveness of the programming process was, overall, mixed.

Key strengths of the programming process in terms of achieving coherency and effectiveness were:

- It is evident that the development and pre-accession strategies, priorities/needs of the EU and of the individual countries, as identified in country strategy and programming documents, were broadly evolved in a coordinated and coherent way, over the period from 1990 to accession.
- The coherency of the PHARE programming process was clearly enhanced by the introduction of the 'Accession Partnership' and NPAA. These served as key instruments of the pre-accession strategy, ensuring that the full range of issues to be completed by the individual countries to comply with the requirements linked to the accession-criteria were specified: the full range of issues were to be addressed prior to or on the point of accession, rather than just a selection of the issues. Thereby the countries were required to plan their accession preparations measures to ensure that full range of issues should be suitably considered.
- It is evident that the programming process and detailed programme/project formulation was undertaken in a consultative process between the EC and the countries. This ensured a basic level of commitment and ownership of the intended programme/project actions; on the side of the beneficiary countries, at the senior-level of the NAC and of the sectoral SPO / line ministry.
- Equally, reflective of the 'learning-curve' for the programme partners, it is evident that the coherency and effectiveness of the PHARE programming process was, slowly, improved over the period of time, as reflected in the progressive enhancement of the quality of PHARE programmes/project design; although the *ex-ante* quality standards and control conducted by the NACs and by the EC were far from consistently applied or sufficiently robust.
- It is also evident that the vast majority of independent monitoring and evaluation reports produced linked to the PHARE programme have, most clearly, rated the assistance's relevance as the strongest performing of the five standard OECD-DAC evaluation criteria. However, this in part reflects the reality that the assistance, largely, sought to address evidently real socio-economic development challenges that the countries faced, despite certain weaknesses in the detailed programme/project designs, e.g. the target indicators.

However, reflective of a series of common constraints, the overall coherency and effectiveness of the PHARE programming process was mixed – overall merely adequate rather than satisfactory.

- Most notably, across the programme period the effectiveness of the PHARE programming process was constrained by the lack of a rigorous approach in the formulation of 'SMART' intervention objectives and objectively verifiable indicators of achievement. The effectiveness of the programming process was also affected by the frequently over-ambitious nature of the planned projects, under-estimating the full extent of the undertakings necessary to deliver the intended outcomes, e.g. to process legal transposition and develop appropriate administrative and institutional capacity and systems, or to deliver physical investment projects on budget.
- Additionally, while some consideration was given as to the technical and human resources capacity of the beneficiaries to manage, to utilise and absorb the PHARE assistance, such considerations were often, at best, partial and not undertaken in a consistent manner; equally so in regard to the consideration given as to the level of ownership of the beneficiaries. The

lack of a consistent approach to assessing institutional capacity to manage and to effectively absorb the benefits of the assistance was a weakness across the programme period.

- In this respect, a more rigorous approach to institutional capacity analysis would, presumably, have identified capacity weaknesses in advance, allowing the beneficiary to: (1) either address these issues prior to the start-up of the implementation phase of the programme (at times six-months or longer after the completion of the programming exercise), and/or prior to the start-up of the initial delivery of the support (i.e. after the subsequent time taken for the procurement and contracting of funds prior to the delivery of support), (2) or to re-design or to re-consider the scale and ambition of the planned intervention.
- While programming of the assistance was generally relevant in addressing the sectoral priorities of the beneficiaries, in accordance with their priorities/needs, all of the countries, at least initially, experienced constraints in terms of the development of inter-agency cooperation (at the national level and/or between the regional and local levels). This was more noticeable in the ex-communist countries, for which a 'silo-mentality' approach to governance was, to varying degrees, a partial remnant. Equally, the countries experienced constraints in terms of the development of widespread ownership of programmes/projects addressing cross-cutting governance issues that the individual countries faced, notably so linked to public administration reform, judicial reform, combating corruption, inclusion of the Roma, etc. These issues were traditionally only, substantially, supported from the mid/late-1990s onward.

#### **The selection of relevant and efficient delivery instruments for programme implementation**

As a general rule, the PHARE assistance was provided to the beneficiary countries as a grant to provide: (1) technical assistance services, e.g. to provide outside expertise, policy advice and professional training, or to prepare preliminary studies, reform plans, information systems, etc., or (2) the purchase of essential equipment or supplies, or (3) priority infrastructure investments / works, or (4) the award of grant to target group stakeholders via grant scheme mechanisms.

In addition to grant support, PHARE assistance was partially provided to the countries as soft-loans for the start-up of revolving fund mechanisms in the countries, or via funding mechanisms under the Multi-Beneficiary programmes (in association with the EIB, EBRD, CEB, and other donors), e.g. via support for SMEs, regional and municipal finance and municipal infrastructure in different policy areas.

Overall, the programming of the PHARE assistance traditionally ensured a suitable mix of delivery instruments was utilised to meet the intended objectives. During the initial years of the programme emphasis was given to the provision of technical assistance provided via private sector consultancies and experts, plus via grant for the procurement of urgent equipment supplies for the country administrations, supporting the initial transformation planning and implementation. Progressively support was extended to include grants, e.g. for SMEs, farmers, schools, vocational training centres, municipalities, civil society groups, etc., and for investments, e.g. promoting private sector, agricultural and regional development, and environmental, energy, and transport initiatives and infrastructure, as well as investment for the supply of equipment and support in the development of IT management systems for a range of beneficiary institutions, e.g. linking central and regional offices.

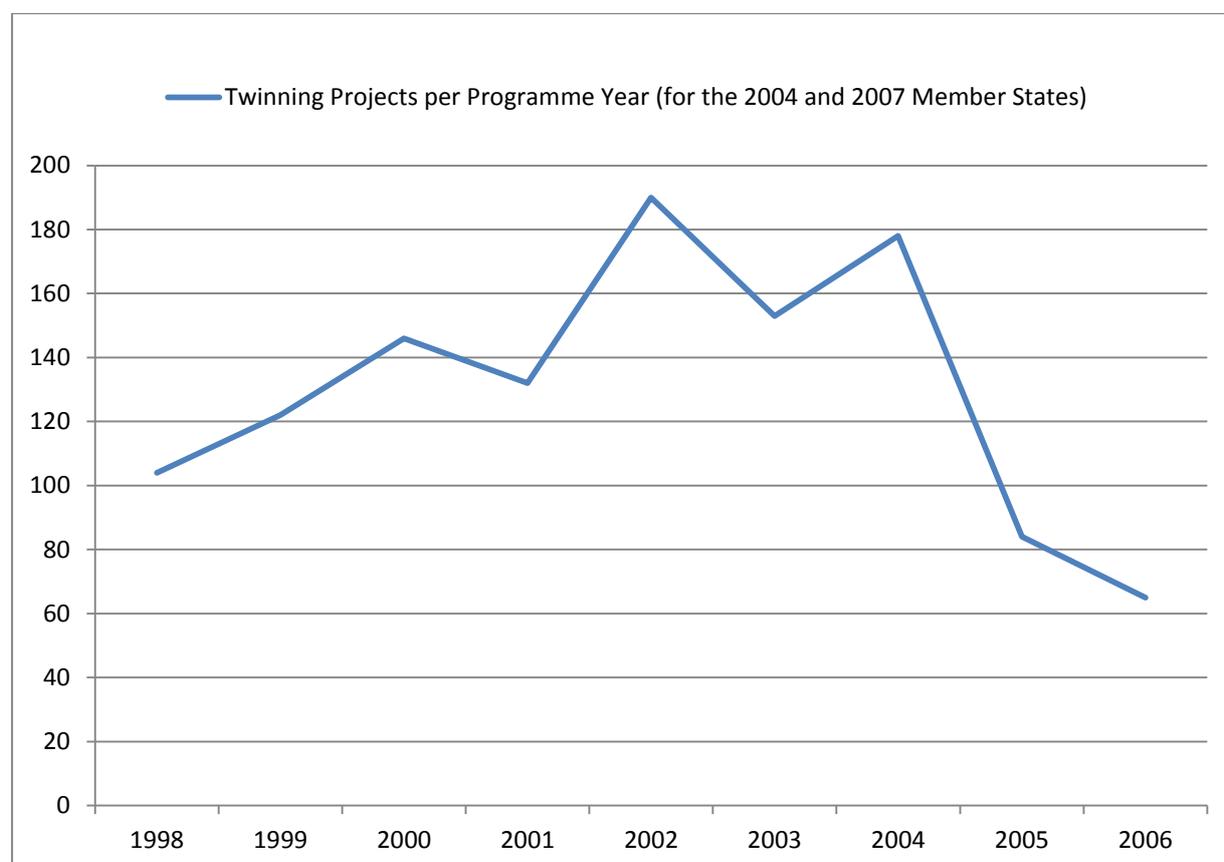
Recognising that the PHARE assistance was provided over a period of almost two decades, initially to meet the challenges of transformation and subsequently the path of preparations for EU accession, the programming process also led to the creation of additional EC delivery instruments for the provision of external assistance, to cover clear gaps in respect to public sector reform and integration.

In 1996, following the publication of the EC's White Paper (1995) on the 'Preparation of the Associated Countries ... for Integration into the Internal Market of the Union', the TAIEX (Technical Assistance and Information Exchange) instrument was introduced for the provision of short-term assistance and advice to beneficiaries (traditionally up to five days) for targeted events in the field of their preparations for the alignment with, and the future application, implementation, and enforcement of the EU *acquis*.

In 1998, in line with the 'accession-driven' reorientation of the PHARE programme, the Twinning instrument was subsequently introduced: via which a government-to-government partnership relationship was formed between EU Member State(s) and the beneficiary administrations at the sectoral level, including the secondment of a full-time Resident Twinning Adviser (RTA) to the beneficiary institution for a minimum period of 12 months, often a period of between 12-24 months and for more complex projects more than one RTA, plus via the provision of short- to medium-term administrative and technical experts provided by the Member State(s). In 2001 the set of tools was further extended via the introduction of the Twinning Light mechanism to deliver support of a more limited scope than under Twinning (via shorter-term missions of EU experts spread over a period of up to 6 months), notably to tackle self-contained institutional issues where structures to implement the *acquis* are not too complex or existing systems need limited adjustment/verification. These mechanisms proved clearly relevant and appropriate in targeting support linked to the *acquis*, with assistance primarily delivered via EU Member State public officials and technical experts, providing peer-experience on the drafting of legal texts and preparation of implementation processes.

With the move from transformation to pre-accession preparations, the provision of policy and technical advice and support was increasingly undertaken via the Twinning instrument, which was extended from 1999/2000 beyond the initial priority sectors so as to cover the whole of the EU *acquis*. Under the 1998-2006 programmes<sup>20</sup> there were 1174 full-scale Twinning projects for the twelve countries, for which the 2002-2004 programmes provided the most intense support. Approximately 22% of the Twinning projects undertaken were in the area Justice and Home Affairs, 17% Public Finance / Internal Market, 15% Agriculture / Fisheries, 11% Environment, 9% Social Policy, 7% Structural Funds, and 5% Transport / Energy / Telecoms. The average value of a Twinning project was € 0.91 million.

**Figure 1: Number of Twinning Projects per PHARE Programme Year**

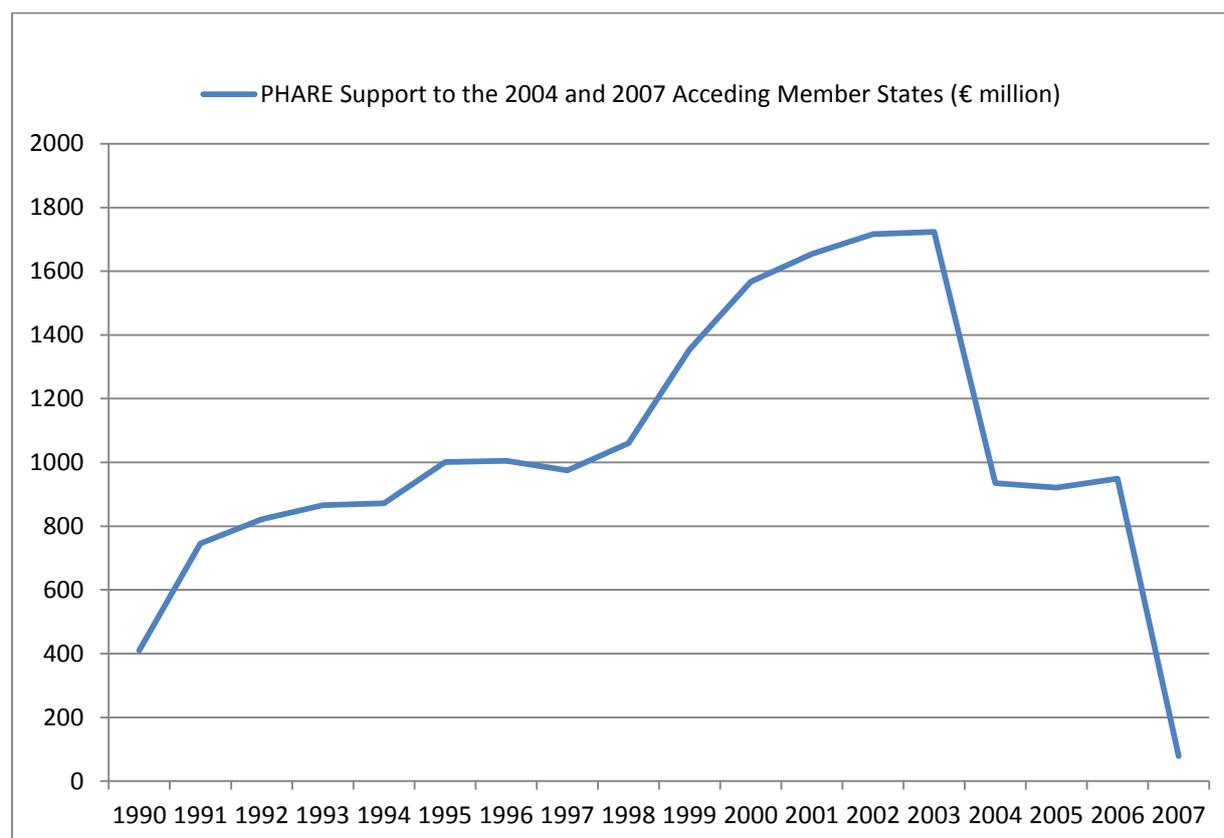


<sup>20</sup> DG Enlargement: Twinning – Key Facts and Figures (2006)

### The allocation of EC funding for PHARE programmes peaked in 2002-2003

As presented in Figure 2 below, following the launch of the PHARE programme in 1990 the level of EC grant allocated was progressively increased during the early-1990s; this represented increased funding provision, rather than purely the inclusion of additional countries (Estonia, Latvia, Lithuania, and Slovenia) to the programme in 1991-1992. PHARE funding was further extended in 1994/1995 (following the adoption of the EU's comprehensive strategy on accession) and substantially increased again from 1998/1999 (the reorientation of PHARE to an 'accession-driven' approach), with funding peaking in 2003, the year prior to accession of ten of the twelve states, after which the focus was to support the further preparations of Bulgaria and Romania, plus the limited Transition Facility funds.

**Figure 2: Annual PHARE Programme Support, 1990-2007 (€ million) <sup>(1)</sup>**



(1) Under the PHARE Programme, Assistance to Cyprus and to Malta, and the Transition Facility

Data Source: EC (DG ELARG) Annual Reports on Assistance Programmes

The level of EC grant under the programme was thereby suitably adjusted over the period of time to reflect the evolution of the EU's and the countries' strategies, and the deepening of the relationship. The level of EC grant was also broadly sufficient in terms of the beneficiaries' capacity to establish a coherent strategic framework for their reforms and for effectively targeting the PHARE assistance: the development of inter-ministerial coordination, a multi-annual perspective and of the necessary programming skills and tools, including a pipeline of adequate projects, by the beneficiaries were progressively built-up by the beneficiaries and further strengthened across the programme's lifetime.

The level of EC grant was also broadly sufficient in terms of the realistic administrative and institutional absorption capacity of the beneficiaries; naturally, this also took time to develop. Whereas the total EC grant for the countries acceding to the EU in 2004 or 2007 over the period 1990-2006 (plus 2007 for Bulgaria and Romania) under PHARE was € 18,673.1 million, the rate of contracting of the funds actually achieved varied from 79.4% in Bulgaria to 92.9% in Lithuania, as shown in Table 2 below.

**Table 2: Rate of PHARE Contracting and Disbursement per Beneficiary**

Partner Country	EC Grant – Contracted (%) <sup>(1)</sup>	EC Grant – Disbursed (%) <sup>(2)</sup>
Bulgaria	79.4	76.3
Cyprus	90.1	88.3
Czech Republic	91.1	90.9
Estonia	90.1	90.1
Hungary	92.2	92.1
Latvia	90.9	90.6
Lithuania	92.9	92.8
Malta	85.4	82.1
Poland	91.0	90.5
Romania	87.8	80.6
Slovakia	91.1	88.2
Slovenia	92.6	
Multi-Beneficiary	82.8	78.7

(1) Total Contracted at the end of 2009: i.e. after the expiry of the final deadline for contracting

(2) Total Disbursed at the end of 2009: for the countries acceding in 2004, the execution of contracts under the 2006 Transition Facility programmes was finalised, but final payments may also have been completed in early 2010; for the countries acceding in 2007, the execution of contracts under the 2006 PHARE programmes was finalised (with final payments thereby in early 2010), and the 2007 Transition Facility programmes were on-going until late 2010 for the execution of contracts / subsequent payments

*Data Source: EC (DG ELARG) 2009 Annual Report on Assistance Programmes*

Recognising that the programming of the EU's financial assistance starts minimally one up to two years prior to the delivery of the support (i.e. following necessary processes of EU consultation via Management Committee and subsequent procurement/contracting), the principal deficiency in terms of the sufficiency of the level of grant and the absorption capacity of the beneficiaries was that funding only peaked so close to the presumed date of accession. Equally, the number of full-scale Twinning projects programmed per PHARE year of funding allocation (presented in Figure 1) only peaked in programming years 2002-2004. As such, for many of the 2002-2003 projects the initial delivery of their intended results was only partially achieved at the point of or, on the whole, post accession to the EU.

#### **The selection of relevant and efficient programme implementation modalities**

With regard to the implementation modalities available to the EC, as an EU programme financed by the EU's budget the PHARE programme was governed by the EU's 'Financial Regulation'.

This provides three methods for the EC to implement the EU's budget:

- Centralised management: budget/programme implementation tasks are performed either directly by the EC's departments or indirectly via the EC's delegation of implementing tasks to an EU agency, or a national public sector body or private body with a public-service mission.
- Shared or decentralised management: whereby implementation tasks are delegated to Member States (shared management) or a third country (decentralised management).

- Joint management: whereby implementation tasks are entrusted to international organisations.

The EC utilised all three methods linked to management implementation of the PHARE programme, although predominantly the chosen implementation modality was decentralised management. The relevance and efficiency, strengths and weaknesses of each modality is analysed below.

#### Decentralised Management

Decentralised management (also referred to as the Decentralised Implementation System (DIS)) was the main implementation modality, with the beneficiary countries taking the lead and primary responsibility, in consultation with the EC, for the detailed design, procurement, contracting, implementation, financial payments and control functions linked to PHARE implementation.

Under the DIS this was undertaken on the basis of the EC's *ex-ante* control and authorisation of project and contract dossiers at key milestones across the project life-cycle and management process; under the Extended DIS (EDIS), which each beneficiary country had to achieve (preferably prior to or by accession to the EU), the EC's *ex-ante* control function linked to the programmes was waived.

In all circumstances, while partially, also progressively decentralised, the EC always retained clear responsibilities for overseeing programme management functions linked to: monitoring, assessment / interim evaluation, *ex post* evaluation, financial control and audit of the EU's assistance; the European Court of Auditors also retains a clear remit to undertake its investigations.

The DIS was utilised as the main implementation modality for PHARE programmes, from the early-1990s, in Bulgaria, Czechoslovakia (Czech Republic / Slovakia), Hungary, Poland, and Romania; for Estonia, Latvia, Lithuania, and Slovenia, the DIS was only introduced during the period 1997/1998 (due to the delayed decision on the establishment of an EC Delegation in-country and on the deployment of sufficient staffing so as to support the EC's *ex-ante* control functions); while for Cyprus and for Malta, the DIS was the main implementation modality (with their first programmes in 2000).

Throughout the period of the PHARE programme the principal relevance of the decentralised management modality and the DIS was to ensure that the beneficiaries took (and demonstrated) their ultimate ownership of the programmes and thereby PHARE's contribution to their own reform efforts.

In the early-1990s this approach was clearly relevant, in the context of the substantial transformations that the individual Central and Eastern Europe countries were undertaking, and the political uncertainties on both sides (the EU and the individual countries) as to the evolution of future relations. For the individual countries, while clearly supportive of their "return to Europe" after the enforced Cold War period of European division, and while clearly interested to ensure their closer integration and association with the EU, notably in terms of trade and investment opportunities so as to support their economic integration and development, it was only in March 1994 that the one of the Central and Eastern Europe country (Hungary) officially applied for EU membership, and in 1996 when the final two applied (Czech Republic, and Slovenia). For the EU, while encouraging and financially supportive of the process of stabilisation and of the reform efforts the countries were undertaking, it only clearly recognised the countries had potential EU membership ambitions in June 1993, and a comprehensive strategy for preparing the accession of the countries to the EU thereafter adopted in December 1994.

The value of utilising the decentralised management (DIS) approach was clearly also relevant in the context of the countries' accession-driven reforms, and the reorientation of PHARE in 1997/1998: it was necessary for the individual countries to demonstrate (and to suitably strengthen, including via PHARE support), their capacity to effectively operate, after the conclusion of the PHARE support, as would be traditionally anticipated of any EU Member State, e.g. (1) to manage EU-funds, and (2) or their capacity to appropriately manage the *acquis* and undertake further sectoral reforms (e.g. of legal and regulatory systems as the *acquis* is updated), and (3) to cooperate within the EU as an EU Member State (e.g. in the promotion of socio-economic development and territorial integration).

However, the efficiency of the initial PHARE programmes under the DIS faced certain constraints, as there was clearly a learning process for all partners – the EC and the beneficiary countries – in respect to the management and operational procedures to follow, plus the procurement and contracting processes and controls to be operated. Additionally, the efficiency of the assistance implemented via DIS also suffered from the insufficient levels of staffing – both on the side of the EC and the beneficiary countries – in order to efficiently manage and implement programmes.

For the 1990-1997 programmes under the DIS it was necessary, following the approval of the specific financing decisions, for the sectoral beneficiary per programme – e.g. under PHARE 1993 there were 58 sectoral programmes under DIS – to prepare a detailed Work Programme (usually for a six-month period) setting-out how the programme would be implemented; building on the more general description of actions prepared during the programming exercise. Over the lifetime of the programmes updated Work Programmes were required covering the subsequent period, plus to provide detail on the previous period(s). However, due to delays in the submission of Work Programmes and delays in the EC's assessment of these, via its processes of control through to final authorisation of the advance payment of funds to the Programme Management Units (PMUs) set-up in the beneficiary countries to manage the programmes, the interval of time between approval of the programme financing decision and the transfer of the first advance averaged 11.7 months<sup>21</sup> for the 1990-1995 programmes. This clearly had implications for the subsequent efficient procurement, contracting, and then implementation and delivery of the programmes' actions; although too rarely did the beneficiaries utilise the time period to ensure the finalisation of all necessary technical documentation, and its consultation with the EC on the basis of its *ex-ante* control and approval, for the immediate launch of procurement. The delays frequently required that the initial PHARE programmes were extended in terms of their duration for execution, further compounding the workload for those PMUs managing a series of programmes under different annual PHARE allocations. Too often the PMUs were focused on contracting older programmes prior to the commitment deadline, rather than starting-up operation of the more recently programmed assistance.

Additionally, while initial procedural guidance was issued by the EC in 1990 (Provisions for Implementation of the Advance Payments System for projects financed under the EC Phare Programme), including basic tendering and contracting document templates, the Commission did not provide sufficient training support to the beneficiary countries linked to the management or procurement procedures – it was assumed that the Technical Assistance contracted to support the PMUs would provide such training as part of the transfer of knowledge. The guidance itself was also only partially detailed as to procedures and level of transparency required, e.g. the procedures for drawing-up a short-list for restricted tender, the preparation of evaluation committee minutes/reports, or procedures for administrative and financial inspection. It was only in 1994 that a more substantive Manual of Procedures and standard templates for the different procurement and contracting phases under the PHARE Decentralised Implementation System (DIS) was issued by the Commission, for which limited DIS training was provided in the countries operating PHARE under DIS. The Manual of Procedures for DIS was frequently updated by the EC over the subsequent years (later becoming the more commonly referred to 'Practical Guide' or PRAG), to reflect changes in the EU's Financial Regulation, plus the further strengthening of administrative and financial procedures.

The move to concentrate procurement, contracting, and financial administration and control of the assistance, as from PHARE 1998, via the establishment by the countries of a Central Finance and Contracts Unit (CFCU) and a National Fund, significantly streamlined the management and control of the funds, which was now undertaken on the basis of a single National Programme rather than a diverse range of individual sectoral programmes, thereby also simplifying the process for advance payment request. Additionally, since programmes from PHARE 1998 were also project-based, for which a project fiche detailing the actions had been prepared already during the programming

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<sup>21</sup> European Court of Auditors Special Report No. 3/97 concerning the decentralized system for the implementation of the PHARE programme (period 1990-1995).

exercise, it was no longer necessary to prepare Work Programmes. However, again, too rarely did the beneficiaries utilise the time period from finalisation of the programming exercise with the EC to prepare the necessary technical documentation so as to allow for the launch of procurement immediately after the approval of the programme financing decision. This habitual constraint was only partially successfully addressed during the lifetime of the PHARE programme, when the EC introduced the requirement that such dossiers should be provided within a specified time, e.g. six-months after signature of the Financing Memorandum, although it was not always consistently applied.

A number of the countries also experienced delays in the development of their systems and capacity linked to the transition from operating PHARE under the DIS to operating under Extended DIS (EDIS), under which the EC's *ex-ante* control linked to programme management was waived. The decision on the conferral of EDIS was notably delayed in regard to the adequacy of the systems in Bulgaria, Czech Republic, Estonia, and Poland, for whom granting of EDIS authority was achieved minimally six-months after EU accession; for Poland conferral of EDIS was only in February 2005. This therefore significantly delayed the implementation of programmes as, in the post-accession period (01/05/2004 or 01/01/2007) and prior to the conferral of EDIS authority, contracting was on hold – as it was no longer appropriate the EC continue its *ex-ante* control of implementation by the Member States.

### Centralised Management

Centralised management was selected for the implementation of PHARE programmes:

- In countries for which the EC had not yet established and sufficiently staffed an 'in-country' EC Delegation to oversee management of programmes under the DIS; for Estonia, Latvia, Lithuania, and Slovenia the transition to DIS was only introduced during the period 1997/1998.
- The vast majority of Multi-Beneficiary programmes.
- For certain components of programmes in the countries where the DIS was operated, most notably for tenders/contracts with a significant estimated value, or of strategic importance to the success of PHARE, such as the initial series of long-term Technical Assistance contracts to provide policy advice to beneficiary institutions or support operations of the range of PMUs.

The rate for contracts under centralised management was understandably higher than for countries primarily operating the DIS<sup>22</sup>: at the end of 1995, the rate for contracts in countries using the DIS was 59% of the 1990-1995 funds, compared to 70% for countries primarily under centralised management. However, in part the lower rate for contracts under the DIS was also a reflection of the sizeable delays experienced in terms of the processing of six-monthly Work Programmes by the EC. Additionally, while centralised management was generally satisfactory, a weakness of the assistance to the countries under centralised management (notably in the early-1990s) was the relatively slower pace of communication and feedback between the beneficiary and the EC that this afforded, e.g. linked to the exchange of draft technical specifications. This was partially remedied by the establishment of EC Delegations in Estonia, Latvia, Lithuania, and Slovenia from the mid-1990s, which facilitated dialogue on the ground. However, initially limited staffing levels did not allow for the immediate deconcentration of EC responsibility for programme implementation from Headquarters to the EC Delegations. The transition to the DIS in these countries only started in 1997/1998, via the establishment of the necessary structures and operational systems on the side of the beneficiaries (e.g. CFCU), and the deployment of full staff at the EC Delegations to support management of the assistance and undertake the required *ex-ante* control of project dossiers. While not immune to efficiency delays, it is evident that the transition to the DIS "helped to speed up contracting", e.g. in Lithuania (1999 Phare Report).

Regarding the Multi-Beneficiary programmes, the selection of centralised management was clearly logical in view of the nature of the programmes, i.e. targeted to all of the countries or of a trans-regional nature. A number of Multi-Beneficiary programmes were implemented via the modality of

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<sup>22</sup> European Court of Auditors Special Report No. 3/97

indirect centralised management, thereby allowing for the EC to call upon the services of specialised EU agencies to undertake the implementation of actions, e.g. the European Training Foundation.

#### Joint Management

Joint management was predominantly selected linked to undertaking larger-scale investment actions and in the establishment of financial mechanisms, where PHARE funds could be effectively utilised to leverage significant additional donor investment (e.g. EBRD, CEB, World Bank and other donors), e.g. via support for SMEs, energy efficiency, regional and municipal finance, municipal infrastructure. Recognising the investment needs of the beneficiaries (public and private sector actors), it is evident that these could only be addressed by the countries via longer-term access to international donor support and via the attraction of private sector and foreign investment. In order to facilitate increasing investments in the countries of Central and Eastern Europe, from 1998 the EC sought to deepen its cooperation with the international financial institutions via the conclusion of 'Memorandum of Understanding on Accession' with individual institutions (e.g. the EBRD, Nordic Investment Bank, etc.).

Joint management was also utilised in relation to cooperation in the countries between the EU and the UN (primarily the UNDP), usually in the context of socio-economic development, e.g. in Cyprus, the UNDP was tasked to implement certain of the actions financed under the bi-communal projects; this was clearly relevant given the UNDP's significant local experience and mediation support in Cyprus.

#### Implementation Modalities – Summary

Overall, the EC generally achieved a suitable selection of implementation modalities in terms of relevance, if not always also in terms of eventual efficiency achieved.

The efficiency of the actions frequently suffered due to the limited staffing levels – in the beneficiary institutions and for much of the 1990s also at the EC (including EC Delegations) – to undertake and support operational activities (e.g. in the preparation of detailed technical specifications by beneficiaries of sufficient quality for launching the procurement of actions, in the monitoring of technical delivery, or to promote take-up of the results). For many countries the transition from the DIS based on PMUs to the DIS based on the CFCU was also hampered by the slow pace of deployment for sufficient staffing to ensure the efficient operation of their CFCU (or Implementing Agencies).

### **To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

#### **Effectiveness in the delivery and utilisation of PHARE support was mixed**

Overall, the effectiveness of the financial assistance in achieving the timely delivery of the desired results was mixed. While PHARE support did deliver a range of the desired results, the institutionalisation or take-up of these in terms of generating desired behavioural changes in the beneficiaries was not always fully achieved, or achieved only after delays. A common constraint for all of the countries, were the frequent delays in the decision-making process linked to the approval, the adoption, and the enactment of the delivered results and reforms (e.g. in the adoption of laws, or of regulatory instruments, or strategic reform plans, or standard operational procedures, in the establishment of units, in the deployment of full staffing, etc.), which delayed full utilisation of the results to progress reforms, and the risk of these becoming partially out-dated by the time of their enactment and roll-out. The common nature of the failure to adequately estimate the time required for the processes of decision-making was a serious weakness in the design of the assistance. Additionally, the mixed effectiveness of the financial assistance also reflects the, at times, over-ambitious nature of the programme/project objectives, due to weaknesses in needs analysis and design, and the often insufficient level of beneficiary staffing provided for project management.

**Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia**

The 2004 PHARE Annual Report<sup>23</sup> presented a concise statement of the EC's assessment of the overall effectiveness of the assistance for eight of the ten countries acceding in 2004 as follows:

<b>Cyprus</b>	Implementation of pre-accession aid in Cyprus is considered overall satisfactory though in some sectors delays in tendering and contracting have been experienced and remedial actions had to be taken to decrease the risk of loss of EU funding.
<b>Czech Republic</b>	Implementation of Phare in the Czech Republic is considered generally successful in areas such as Environment and Justice and Home Affairs. A sector which remains problematic is Cross Border Co-operation, where remedial actions had to be taken to decrease the negative impact from excessive delays and avoid the risk of loss of funds.
<b>Estonia</b>	Implementation of Phare in Estonia is considered particularly successful in the areas of Environment, Public Finance and Education, where Phare funds and projects provide real value added to scarce public funds. Two sectors remain problematic: Cross Border Co-operation and Agriculture, and remedial actions had to be taken to decrease the negative impact from excessive delays, to avoid the risk of loss of funds and support Estonia's ability to fulfil the acquis in these areas.
<b>Lithuania</b>	On the whole Lithuania has made good use of Phare assistance to support the accession process. Harmonisation of legislation, institution building and investment with the support of the Phare assistance progressed well.
<b>Malta</b>	Implementation of Pre-Accession Programme in Malta is considered overall satisfactory in the area of Environment, Agriculture and others sectors like JHA, Internal market, etc.
<b>Poland</b>	Implementation of Phare in Poland is considered generally successful in the areas such as environment and internal market, where Phare funds and projects provide notable value added. In some limited cases remedial actions had to be taken. Some sectors remain problematic, such as transport, and agriculture, where several remedial actions had to be taken to decrease the negative impact from excessive delays, avoid the risk of loss of funds and support Poland's ability to fulfil the acquis in these areas.
<b>Slovakia</b>	Implementation of Phare in Slovakia is considered particularly successful in areas such as environment and internal market, where Phare funds and projects provided notable added value. Some sectors remain problematic, such as Cross Border Co-operation, Agriculture, social affairs and human resources development where remedial actions had to be taken to decrease the negative impact from excessive delays and to avoid the risk of loss of funds.
<b>Slovenia</b>	In the area of Justice and Home Affairs the implementation has been very efficient, but slow and inefficient in the area of External Border of the EU. Most of the projects have been or are likely to be effectively implemented, despite very long delays in the case of External Border of the EU projects.

Based on the findings presented in the individual sectoral case studies (see Annex 5) linked to each of the countries plus the Cross-Border Cooperation and Multi-Beneficiary programmes, it is evident that the effectiveness of the financial assistance in achieving the desired results was indeed mixed.

A diverse range of results were delivered linked to the undertaking of sectoral reforms and in the preparation of the capacity of the beneficiaries linked to the countries achieving compliance with the

<sup>23</sup> 2004 Report on PHARE, Pre-Accession and Transition Instruments, Commission Staff Working Document

criteria<sup>24</sup> for EU membership and for the successful functioning and integration of the countries within the EU. The assistance was utilised to establish or to develop existing institutions and capacity in a diverse range of sectors in the countries, at the national, regional, and local levels, as well as of a trans-national nature, supporting governmental and non-governmental partners (economic, social, and civil). But the case studies demonstrate that the effectiveness of the support was, to varying degrees constrained, and the achievement of desired behavioural changes in the beneficiaries (socio-economic and institutional and regulatory) faced delays, or the extent of change was under-achieved.

To demonstrate the mixed achievement of the results, a few example cases are presented below.

#### **Bulgaria – Justice and the Rule of Law**

In the justice area Phare enhanced the administrative, institutional, and expert capacity in the field of enforcement and implementation of the *acquis*. Twinning projects in the most cases positively contributed to improving organisational structures and capacity to understand and implement the *acquis*. Assistance for the drafting of civil, administrative, and penal procedural codes was especially effective. However, decision-making processes linked to translating the recommendations agreed during implementation into organisational and legislative changes were often slow. Phare support was also effective in the development of professional training of magistrates and administrative staff through institution building of the judiciary training body (the National Institute of Justice). New units for judicial security and witness protection were created. The judiciary system also received considerable investment support, notably for the computerisation of the justice system (covering all 147 courts in Bulgaria) and the introduction of a new court case management system. However, Phare support for the computerisation of the Public Prosecutors Office (central, regional, and local levels) faced significant obstacles and delays, due to design weaknesses: 18 months after the target date for completion the new system was still in the testing phase and could not yet serve as an important tool in the fight against organised crime and corruption. The complexity, technical feasibility, and compatibility with existing systems had been underestimated when designing the project. The effectiveness and impact of PHARE in respect to the fight against organised crime was unsatisfactory due to the inconsistent levels of strong ownership at a high level to guide effective follow-up.

#### **Czech Republic – Free Movement of Persons / Freedom to Provide Services**

Phare successfully support to test the robustness of the systems for the coordination of social security administration and to further develop the methodologies and schemes utilised in accordance with the *acquis* and international good practice, as well as in the further development of a centralised information system for effective coordination of data (in-country and with European partners). Central to each action was the further development of staff skills and the further strengthening of the in-house training and e-learning capacities of the beneficiaries in a range of specific, technical aspects of social security management. However, Phare support to the mutual recognition of professional qualifications faced serious problems in the delivery of the intended results, and the effectiveness of the financial assistance allocated in that area was poor. The key constraint was the uncertainty linked to ownership of the goals, due to institutional and policy changes, and the absorption of the results by the beneficiary was only partially effective. One of the recognition units for healthcare professionals suffered the loss of two of the three staff trained under the project in the short-term of its completion. While the support did deliver manuals and operational procedures, there was no mechanism to

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<sup>24</sup> As agreed by the European Council (Copenhagen Summit of June 1993): (1) 'Political Criteria': stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; (2) 'Economic Criteria': the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; (3) 'Treaty Obligations / *Acquis*': the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union and the conditions for integration through the adjustment of administrative structures, so that European Community legislation transposed into national legislation is implemented effectively through appropriate administrative and judicial structures. The latter prerequisite was underlined by the European Council in December 1997.

provide the new staff with comprehensive training in the area or the operation of the new systems.

#### **Lithuania – Social Policy and Employment**

Phare successfully delivered change in areas such as Occupational Safety and Health: e.g. strategy, legal acts and regulations according to EU norms, the training of the staff of OSH institutions and of social partners, including via the development of IT distant-learning systems for the training of labour inspectors on inspection procedures, an Evaluation and Management Manual of Occupational Risk to provide guidance for OSH practitioners, for employee and trade partners and the wider public. In the area of social protection and social inclusion, reforms to realign benefits and better target resources to combat poverty, and to strengthen the local administrative system were pilot-tested at the municipal level. The process was well communicated to the wider group of municipalities, generating strong interest in the reforms. However, in regard social dialogue, while training for social partners (employer and employee groups) at the level of the branch of the economy and enterprise was provided, initially the partners were hesitant to actively engage in the development of non-formalistic approaches to bilateral dialogue, preferring to conduct trilateral dialogue (also with the government).

#### **Romania – Public Administration Reform**

Phare successfully supported the creation of new, adequate institutions to manage PAR, such as the National Agency of Public Servants, the National Institute of Administration with 8 regional training centres, and the Central Unit for Public Administration Reform. All institutions benefited from effective training programmes (as well as senior civil servants targeted by a tailored one-year training programme on public management topics). And NAI's capacity was particularly targeted in terms of training of trainers and a curriculum for delivery of training courses at central and local level. Two courses for senior civil servants (Strategic Management, and Evaluation of Public Policies) were produced using the eLearning platform developed under Phare and remain available. However, a number of laws prepared with Phare support are only partially implemented, e.g. legislation regulating policy-formulation and Regulatory Impact Assessment were, in most cases, not implemented by central and local level public institutions, while the civil servant law, which includes a performance management system for civil servants, was adopted but it is only implemented in a formal manner due to the still fragmented system of public administration. The effectiveness of Phare interventions in the sector was particularly affected by decision-making delays and limited senior support.

#### **PHARE Cross-Border Cooperation**

The objectives of PHARE CBC were twofold: (1) to overcome specific socio-economic development problems resulting from the isolation of the border areas (as regards investment in transport, environment, business, tourism, and social infrastructure) and (2) to establish and develop cross-border cooperative networks (via the Joint Small Project Fund / People to People grant schemes). Effectiveness of the CBC programmes/projects was uneven. Overall the objectives of the individual investment projects were achieved (e.g. transport infrastructure constructed/rehabilitated, and routes connected to Trans-European Networks and branches, actions to enhance environmental protection such as upgrades of regional water and wastewater networks, treatment plants, or actions to promote business and human resources development, such as business incubators, cultural heritage actions, etc.). However, this often happened with delays and, at times, projects completed over-cost due to poor project design, which often necessitated changes during implementation, and the insufficient capacity on the part of local beneficiaries to efficiently and effectively implement the projects. The various Joint Small Project Funds stimulated local initiatives and people-to-people cross-border exchange and networking in fields such as economic, cultural, and social life of the border areas. Overall the support seems to have engaged a wider audience in the accession process, promoting cross-border initiatives and the underlying mentality of interrelating with neighbours. The Fund was

positively assessed by the target groups (e.g. authorities at the local and regional levels as well as civil society organisations) for support in building networks to promote socio-economic development and for building local capacity via the transfer of experiences in development between partners.

### **Despite effectiveness constraints PHARE delivered and promoted a good range of reforms**

Despite the overall effectiveness constraints and uneven performance of the financial assistance in achieving the timely delivery of the desired results, PHARE was, still, nevertheless successful in delivering a good range of reforms and the intended behavioural changes:

- While uneven, overall, PHARE achieved satisfactory results in the delivery of substantial institutional, regulatory etc. reform and capacity-building of the public services (central, regional and local) e.g. legal and regulatory texts, standard operational procedures and manuals, analytical, investigative and risk-assessment tools, integrated IT management systems, including for suitable connectivity and data exchange within the EU framework, information campaigns and tools, in-house, vocational, and e-learning training programmes, plus the substantial provision of training for immediate target group beneficiaries, etc.
- To that end PHARE institution building support was provided to the countries primarily via technical assistance (including Twinning etc.), plus investment support linked to the operation and enforcement of the *acquis* via the supply of technical equipment plus in part via works.
- While timely delivery of the desired results was uneven, often due to the delayed formal adoption of measures at the institutional or political decision-making level, the clear majority of the intended results were finally achieved and institutionalised. Over the medium and longer-term this has delivered progressive improvements in the efficiency and effectiveness of the administration of the public services and/or public benefit pursuit, in compliance with European values, standards and norms, and with the specific requirements of the sectoral *acquis*.
- The assistance also delivered vital investment in basic, physical infrastructure, e.g. transport, environmental, energy, communications, human resources and business-related, and social infrastructure, primarily implemented via larger-scale works and supplies, but also via local, small- or medium-sized investment projects selected via grant schemes. These investments effectively delivered a series of benefits to the immediate locality or region, e.g. improved road safety, improved drinking water quality, modernised vocational training centres, business incubators, or parks. Investment was also targeted to develop physical infrastructure linked to an integrated approach for border management, covering issues of border security and control, customs control and inspection, trade facilitation and transit, etc., which effectively delivered benefits of national and European importance.
- Recognising that the investment needs of the countries linked to the development of physical infrastructure and the achievement of EU standards, plus in terms of private sector development were clearly significant, PHARE funds were also effectively utilised to leverage significant additional donor investment linked to undertaking larger-scale investment actions and financial mechanisms, e.g. in 1998-1999 over €900 million were mobilised (€150 million from Phare and €750 million from the IFIs) for investment projects in the areas of transport and the environment, while co-financing within national PHARE programmes included a small municipalities water and wastewater investment project in Estonia with the Nordic Investment Bank and the Nordic Environment Finance Corporation (PHARE € 3.0 million, NIB/NEFCO € 3.4 million), and an electricity and gas markets projects in Romania with the EIB and EBRD (PHARE € 28.9 million, EIB € 96 million, EBRD € 60 million)<sup>25</sup>.
- Via a diverse range of pilot-tests, grant schemes and financial mechanisms support was also delivered to individual enterprises, SMEs, farmers, cooperatives, civil society groups, schools, trainees, teachers, students, entrepreneurs, job-seekers, groups at risk from social exclusion,

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<sup>25</sup> Phare Programme Annual Report (2000)

etc., e.g. in Lithuania the Promotion of Adaptability, Skills and Social Inclusion grant scheme (2002) targeted to persons at risk of dismissal due to enterprise restructuring, the disabled, ex-prisoners, and national and ethnic minorities; approximately 2250 people received training under the scheme, approx. 500 were disabled and 260 were ex-prisoners; and the immediate impact of the assistance was that 225 people, 10% of the final users, secured employment.

- However, a weakness in terms of assessing the effectiveness of the local investment projects and of many of the grant schemes was often the lack of precise information as to the results delivered to the final users (e.g. an entrepreneur, a trainee) in terms of behavioural change achieved. The level of detail outlined above linked to the grant scheme in Lithuania, i.e. results/outputs and the immediate impact, was not consistently provided (by the grant operator(s) to the contracting authority), or was not consistently collated for the grant scheme as a whole (by the contracting authority). Additionally, there is limited evidence that any great attention was provided to post-project follow-up reporting (by the grant operator(s)) as to the further progress achieved by the final users in the immediate period after the support received, e.g. persons whom secured employment three or six-months after the support, or post-project follow-up reporting as to the further impacts of the benefits of physical infrastructure projects, e.g. the number of users of the service, such as a business incubator, 1-year or 3-years later.

Reflecting the significant challenges facing the ten Central and Eastern European countries in 1990, and that PHARE was the main EU/EC instrument to provide financial and technical cooperation for these countries in their transition to eventual EU membership over a period of twenty years (with the 2006 programmes implemented, on the basis of the 'N+2+1' rule, through to the end of 2009), the instrument was also notably effective in terms of the suitable orientation of the assistance and the range of delivery instruments to meet the changing nature of the challenges the countries faced.

#### **Delivery of the intended results faced a number of challenges**

However, the programmes faced a number of challenges in terms of the successful utilisation of the assistance so as to achieve the intended results and benefits of the actions. The extent of constraint was variable between the countries, variable over time, and variable per sector. The following issues are highlighted as the main constraints to effectiveness, commonly experienced:

- The level of staffing within the beneficiary institutions to manage the assistance and to ensure communication with the wider group of project stakeholders during the design, implementation, and follow-up of the actions was often limited or barely sufficient. This was notably a constraint for the ten Central and Eastern European countries in many areas for a large part of the 1990s, and was still an issue in a number of areas also into the 2000s. Cyprus and Malta also faced similar constraints in some areas, prior to their progressive redeployment of staff to support the management of the EU-agenda and the reform process.
- All of the Central and Eastern European countries also experienced a high level of staff turnover, most notably in the earlier period of the assistance, but in a number of areas of a more persistent nature. This clearly affected the absorption of the assistance be it in terms of the turnover of PHARE project managers, of staff trained via the support, or of management to oversee the appropriate delivery and institutionalisation of the results. In addition to the loss of staff, notably in the earlier period, to higher-paid positions in the private sector, the other factors influencing turnover included the political change of government, or of the minister resulting in the change of policy and/or senior management and decision-makers, periodic organisational restructuring, merging or demerging units and the corresponding flow of staff redeployments, including the transfer of trained staff to completely different policy areas.
- The insufficient level of staffing to manage the assistance, combined with late contracting of the final support components, also affected the effectiveness of the assistance in terms of the appropriate development of the inter-connectivity and sequencing of project(s) actions, and/or in terms of the full delivery and achievement of all of the intended project results.

- Many of the beneficiaries, initially, also substantially under-estimated the extent of technical and management involvement that was required of them in order to make the most effective utilisation of the peer-to-peer support provided, as a partnership, via the Twinning instrument.
- Delays in the decision-making process linked to the approval, the adoption, and the enactment of the delivered results and reforms, e.g. in the adoption of laws, or of regulatory instruments, or strategic reform plans, or standard operational procedures, in the establishment of units, in the deployment of full staffing, etc., which affected the utilisation of the results to progress reforms or of these becoming partially out-dated by the time of their enactment and roll-out.
- Delays in the provision of co-financing, most notably at times when countries had suffered significant budget shocks, e.g. as a number did following assorted domestic or external currency crises in the 1990s, or delays in the provision of necessary permits, e.g. building or environmental, resulted in the modification or the cancellation of a number of planned actions.
- In a range of sectors requiring the establishment of inter-agency cooperation between institutions, or of partnership with and/or between economic, social, and civil stakeholders, this often proved difficult to establish during the first phase of the assistance to the sectors, due to the hesitancy of certain actors to engage in the process or to share competence or data. This was progressively addressed via increased communication to the range of actors as to the policy and administrative benefits of the cooperation and the development of common tools.
- Most of the Central and Eastern European countries took some years to agree on the direction of the reforms they would take in a number of horizontal policy areas, e.g. public administration reform, decentralisation, regional and local government, judicial reform, combating corruption, healthcare reform, public finance management and control, combating discrimination against and the social exclusion of minority groups, notably the Roma, etc.. In a number of the countries the effectiveness of the first phase of the assistance was limited to the preparation of a strategy proposal and initial training but not the adoption of the reforms, due to the lack of political consensus/ownership/will or to opposition from stakeholder partners, or, at best, only the hesitant testing of reform where it was considered appropriate due to external pressures. The lack of ownership, plus occasional substantive reorientation of the direction of reforms, affected the effectiveness of the assistance, e.g. a number of civil service or judicial training institutions targeted by PHARE support struggled to deliver their services when civil service or judicial professional qualification standards and/or ethics codes had not been adopted, while a number of regional bodies were supported to promote economic and social cohesion and for the future management of the Structural Funds, but decisions were later taken that other bodies would instead undertake the management of the Structural Funds.
- Beyond the horizontal policy areas, a number of countries experienced difficulties in individual sectors in regard to reaching agreement on the demarcation of competence between regional and local bodies, e.g. healthcare surveillance, while a number of countries experienced problems regarding reforms linked to the mutual recognition of professional qualifications.

**What have been the impacts of PHARE in qualitative and quantitative terms?**

**Impacts of the assistance in selected sectors per country and other programmes**

Based on the findings presented in the individual sectoral case studies (see Annex 5) linked to each of the countries (for which Hungary, Romania, and Slovakia were focus countries for research), plus the Cross-Border Cooperation and Multi-Beneficiary programmes, the impacts are summarised below:

Beneficiary	Impacts
<p><b>Bulgaria</b></p> <p><b>Justice and</b></p>	<p>Impact on the achievement of Judiciary Reform objectives was good in terms of establishment capacity for strategic policy formulation (actualisation of the Judiciary Reform Strategy after the EU accession) and for application of <i>acquis</i> in civil, administrative and penal proceedings. PHARE contributed substantially to improved</p>

Beneficiary	Impacts
<p><b>the Rule of Law</b></p>	<p>quality of legislation, equal application of laws and unification of court practice (case law). Progress in the implementation of Judiciary Reform has enhanced the efficiency of justice systems. According to the 'EU Justice Scoreboard' (2013) under the indicators "time needed to resolve non-criminal cases" and "time needed to resolve administrative cases" Bulgaria is ranked on 5<sup>th</sup> and 2<sup>nd</sup> respectively among the EU Member States. In terms of the "rate of resolving non-criminal cases", Bulgaria is ranked close to the EU average. Bulgaria has good score in respect to the number of non-criminal and administrative pending cases, which places it 3<sup>rd</sup> and 5<sup>th</sup> respectively among the EU member states. Problematic is the "processing of insolvency cases" (24<sup>th</sup> place) and "impossibility for electronic submission of claims" (there is no possibility for electronic submission) and "electronic processing of small claims" (there is no possibility for electronic submission or processing of small claims). However, the system to regularly evaluate and benchmark the efficiency and effectiveness of courts' activities in Bulgaria should be further developed, notably in terms of standardised systems and tools. Alternative dispute resolution methods are not well developed as well. The system for the registration and management of cases is a well-developed like the majority of EU states. According to number of judges (30) per 100 000 inhabitants Bulgaria is ranked at 8<sup>th</sup> place among EU members. The perceptions for judicial independence are rather negative – Bulgaria is ranked at 102 among 144 countries; from EU members only Romania and Slovakia have a lower ranking (source World Economic Forum).</p>
<p><b>Cyprus</b>  <b>Agriculture</b></p>	<p>Impact of the assistance was positive, supporting modernisation of administrative structures, policies, and liberalisation of management operations in the sector in line with the requirements for implementation of the Common Agricultural Policy (CAP), food safety, veterinary, phytosanitary policies, and standards. In regard the CAP, the reforms required further trade liberalisation of the Cypriot market to ensure the free movement of goods, plus liberalisation of the management systems and market measures for specific products via common market organisations, alongside the strengthening of minimum quality and marketing standards, the inspection and control regimes, etc. at product-level. The reforms also required the strengthening of horizontal management systems for the implementation and control of support measures and schemes, including via the introduction of computerised IT systems. This allowed for Cyprus to draw upon EU/EC funding under the CAP post-accession, supporting the livelihood of farmers including in their adoption of environmentally sustainable farming methods, and further modernisation and diversification of the agriculture sector in Cyprus, plus support for initiatives to promote an integrated approach to rural development and quality of life: e.g. under the 2004-2006 Rural Development Programme, € 162 million EU co-financing, over the period 2007-2013 CAP provided support to 15,000 holdings (67,000 hectares) in mountainous areas and areas with natural handicaps for implementing sustainable land management. While the further transition post-accession has resulted in a decline of gross output for the agriculture sector in Cyprus (as measured in constant prices), since 2009 value-added by the sector has recorded annual increases (as measured in constant prices), accounting for 2% of GDP in 2011. While now lower than the pre-accession trend (of 20-25%) as a percentage of total Cypriot exports, the agriculture and food sector still provides 15% of total Cypriot exports (2010).</p>
<p><b>Czech Republic</b></p>	<p>Impact of the assistance was positive in regard Free Movement of Persons, with Czech systems for the coordination of social security and participation in EU employment and social protection systems fully operational with the EU. Post-</p>

Beneficiary	Impacts
<p><b>Free Movement of Persons / Right to Provide Services</b></p>	<p>accession, reflecting the right of EU citizens to choose to live, work and study anywhere in the EU, the share of (non-Czech) EU citizens resident in the Czech Republic increased as a percentage of the total population, from 0.7% in 2003 to 1.1% in 2007, while the mobility rate for Czech citizens living in another Member State in 2007 was 1.2%. With regard the coordination of social security between the Member States, at the end of 2008 the Czech Republic had issued residency permits to 146,542 EU citizens for whom the country undertakes the management (collection and payment) and coordination of social and health insurance schemes with EU partners. In May 2014 the EU's Job Mobility Portal (EURES) contained details on 37,000 vacancies in the country. However, impact was limited in regard the right to provide services/recognition of professional qualifications, due to many implementation constraints, and full transposition of the <i>acquis</i> was initially delayed. The systems are now compliant with the <i>acquis</i>; with 500-600 recognition decisions issued yearly by the Czech authority to European citizens. However, while the country does administer the <i>acquis</i>, and is thus integrated into the EU, it has been slower than most Member States in terms of the liberalisation of its professional services sectors. This was recently highlighted in the 'European map of regulated professions', issued by the Commission in May 2014: the Czech Republic regulates 398 professions and professional activities, making it the most demanding Member State in terms of the regulation for entry and conditions for professional practice; the vast majority of Member States regulate approximately 130-160 professions, while five Member States regulate fewer than 100 professions, Estonia for 45 professions.</p>
<p><b>Estonia</b></p> <p><b>Social Policy and Employment</b></p>	<p>The overall impact of the PHARE assistance in the social sector was manifested in two directions: increased expertise of broad social groups and improved public awareness of the social policy areas (pension, health care, employment, gender equality, social inclusion, social dialogue, free movement of people and right of establishment, coordination of social security systems) and participation in policy making process was also improved. The support played a positive role in NGO organizational development. However, while the gender equality perspective was successfully integrated into national and local policies (the Gender Equality Act of 2004 created the Gender Equality and Equal Treatment Commissioner as an independent and impartial expert who monitors compliance with the requirements of equality legislation, makes proposals to the Government and other agencies, gives advice and dealt with personal applications), but the rate of change produced by gender equality policies is slow: Estonia has the largest gender pay gap in the EU (in 2011 in Estonia 27.3% while the EU average was 16.2%). Additionally, in terms of social protection and inclusion, a clear gap remains in terms of the employment of persons with disabilities: 41% lower than for people without disabilities (2012). In respect to Europe 2020 commitments Estonia is closer to its targets than the EU average for employment. In the period 2008 – 2103 Estonia had higher employment rate (age group 20-64) than EU 27: from 76.9% against 69.9% for EU 27 (2007) to 73.3% against 68.4% in 2013, respectively. The country has lower than EU 28 (9.5%) unemployment rate, amounting to 7.6% (2013). In regard to occupational safety and health, the enhanced standards are evident in terms of the progressive decline in the number of fatal accidents at work: in 2012, 14 persons were killed in accidents at work, while there were often nearly 30 such deaths per year in the early 2000s and as many as 50 deaths per year in the 1990s.</p>
<p><b>Hungary</b></p>	<p>PHARE deeply transformed and reformed the governance of agricultural affairs in Hungary. The sector has long been important for the country, and trade of</p>

Beneficiary	Impacts
<p><b>Agriculture</b></p>	<p>agricultural goods with the EU was traditionally intensive, but institutional organisation and governance of the sector was highly fragmented and outdated. PHARE was instrumental in the introduction of new regulations and structures consistent with the EU Common Agricultural Policy (CAP). Assistance extended to all sub-sectors and functions of agricultural governance, with CAP regulations translated and detailed local regulations elaborated for aspects where the <i>acquis</i> grants detailed regulation right to the national authority. PHARE support substantially contributed to the development of suitable institutional structures, staff skills, administrative capacity, procedural and IT systems. As a result, Hungary has successfully implemented the CAP, including provisions on food safety, veterinary and phytosanitary policies and standards. Phare support facilitated the development of an integrated organisational structure and improved the accessibility of public information. The institutional framework for rural development programming was defined. The institution for the administration and control of agricultural payments was set up, accredited and integrated with formerly existing administrative structures. The respective IT system was established, which included animal identification and registration, national animal holder register, farm registration system of cattle, sheep, goat, and pig keepers, farmer registration system, land parcel information system and many others. Food safety institutions have undergone reorganisations in order to meet the most recent food safety requirements of the EU. A wide range of PHARE projects have mainstreamed environmental concerns into agricultural activities. The state control of veterinary activities, of plant and soil protection and forestry was supported by institution development and the associated software development projects. Altogether PHARE supported the modernization of Hungarian agricultural governance approximately by € 37 million directly, in form of 12 institution development projects on behalf of the “Agriculture” sector. Additionally, PHARE support given to other sectors, such as “Environment” has indirectly, but significantly contributed to agricultural modernization. Projects in the sector were evaluated by independent evaluators several times during the life-cycle, with impact was assessed as highly satisfactory.</p>
<p><b>Hungary</b></p> <p><b>Customs Union</b></p>	<p>The long succession of PHARE support deeply transformed and reformed the governance of customs affairs in Hungary. PHARE supported the preparation for the implementation of the Customs <i>acquis</i> and significantly strengthened the administrative capacity of customs organisations in Hungary. The control and audit capacity of the Hungarian Tax and Financial Control Administration was strengthened, in order to improve tax collection and to decrease the risk of tax fraud, counterfeit and offences against accounting rules. The projects on behalf of the customs sector focused on the modernization of border crossing points, and on the preparation of the Hungarian customs organisation to the single market, including the fight against tax fraud and against the smuggling of excise goods. Phare contributed to the efficiency of the customs clearance processes, including speed, simplicity, and predictability of formalities as performed by border control agencies and logistical operators. PHARE support promoted improved reporting by the Hungarian authorities to the European Anti-Fraud Office, developing the administrative procedures of risk analysis in case of inspection of goods transited through Hungary. Since DG TAXUD requires using IT system in the whole customs community to register goods transited through the member countries. PHARE assistance developed the customs registration IT system of Hungary which has been integrated with that of the EU. Altogether, between 1998 and 2003 the PHARE programme supported Hungarian customs modernization by approximately € 15</p>

Beneficiary	Impacts
	<p>million directly, in form of 16 institution development projects. Additionally, PHARE support given to other sectors, such as “Agriculture” and “Justice and Home Affaires”, have indirectly, but significantly contributed to customs modernization. The “Finance and Customs” sector was evaluated by independent evaluators several times during the life-cycle, with impact assessed as highly satisfactory.</p>
<p><b>Hungary</b></p> <p><b>Health Protection</b></p>	<p>PHARE assistance in the Health sector of Hungary, if compared to other supported sectors, was less intensive. Support was fragmented into various isolated projects, all of them having a significant, deep and sustained impact on the particular beneficiary institution. However the impact of these projects was not deep enough to exercise a synergic effect on the whole of health policy and medical services. Immediately before Hungary’s accession the main issue was to develop the full participation of Hungarian public health institutions in the activities of the respective Community networks of epidemiological safety. The epidemiological situation of communicable diseases in Hungary was regarded as favourable pre-accession, but there was a great need to modernise the central and regional diagnostic capacities of the country in order to develop a rapid reaction capacity in surveillance, strengthening emergency response within epidemiological services. PHARE positively supported the modernization of training for epidemiologists, continuous professional training, the strengthening of the county public health institutes and close integration of parallel surveillance programmes for specific diseases, in a comprehensive health monitoring system. At the time of implementing the epidemiological project, Hungary had 20 epidemiological laboratories, of which Phare provided support to upgrade 7 laboratories to satisfy the requirements needed to implement EU regulations. Following a needs assessment, an expert group was created (mathematicians, doctors, IT people) in order to create an IT supported information management and surveillance system. Altogether, between 1998 and 2003 PHARE supported the Hungarian public health care system by approximately by € 9 million directly, in form of 3 institution development projects. Additionally, PHARE support given to other sectors, such as to food safety have indirectly, but significantly contributed to the modernization of public organisations responsible for public health. The major projects of the “Health and Social Affairs” sector were frequently evaluated and impact was assessed as highly satisfactory.</p>
<p><b>Latvia</b></p> <p><b>Migration and Asylum Policy</b></p>	<p>A clear sign of the PHARE contribution is the developed and strengthened policy making, administrative and operational capacity of the authorities to effectively deal with migration, asylum and visa issues, and improved capacity for stakeholder consultation. In 2004, the Immigration Services of the State Border Guard were reorganized and the former 10 services and departments of the State Border Guard were replaced by 40 immigration units with a slight increase in personnel and at least two immigration officers being placed in each of the regions. During the PHARE era, inter-country migration was on a steady decline and interesting movement trends were noted. As evidenced, 2004 was a transition year for Latvia with added responsibility to control the processes in legal and illegal migration and asylum. Post-accession, data collected on long-term migration of residents in Latvia shows that 2004 saw a slight increase in inter-country migration, compared to year 2003, when it was at its lowest in the last decade. In 2004, 1,665 individuals from other countries came to live in Latvia while 2,744 individuals left Latvia to live elsewhere. Immigration from other countries increased by 22% in 2004, compared to 2003, while emigration from Latvia increased by 24%.While in 2003 the number of emigrants over immigrants caused the number of residents of Latvia to drop by</p>

Beneficiary	Impacts
	<p>846 individuals, in 2004 the number of residents decreased by 1,079 individuals (source: European Migration Network). A similar tendency directly linked to the accession was evidenced in 2004 when temporary residence permits were mainly issued to foreign nationals wishing to reside in Latvia due to family reunification, employment, entrepreneurial activities and studies. In 2004, decisions to issue a residence permit to 9,702 individuals were made. A total of 31 individuals (0.3%) were denied a residence permit. Compared to previous years, the number of work permits issued in 2004 increased. A significant pointer also displays the importance and benefits from the readmission agreements with the EU member states which has seen a decreasing trend in the numbers of expelled persons from 237 in 2000 to less than half in 2001 and 2002, respectively.</p>
<p><b>Lithuania</b></p> <p><b>Social Policy and Employment</b></p>	<p>Impact of the assistance was very positive, with considerable reform of labour market and social policy systems and institutional capacity in the administration and targeting of policies, support and assistance programmes, e.g. via realignment and more effective targeting of social assistance and discretionary benefits, introduction of a single personal identity number for social insurance/health. Measured by standard employment and social protection statistics, e.g. participation of the population in the labour market, rates of employment, unemployment, long-term unemployment, the population at risk of poverty or social exclusion, etc., on which Lithuania was usually (notably) negatively at variance with the EU average, it is now close to average for most such statistics. But, while the population at risk poverty/exclusion has been clearly reduced (from 41% in 2005 to 32.5% in 2012) this is still well above the EU average. Post-accession, reflecting the right of EU citizens to choose to live, work and study anywhere in the EU (subject to transitional measures imposed by some of the Member States regarding access to the labour market), the mobility rate for Lithuanian citizens living in another Member State in 2007 was 4.4% of the country's working-age population; of whom 3.1% were resident 4-years or less, i.e. resident since 2004 or later. As of 2013, the mobility rate for Lithuanian citizens living in another Member State had increased to 10.7%. This has delivered a range of benefits, e.g. workers moving to fill labour market openings in the wider EU market, setting-up businesses, returnees bringing back skills, languages, and experience, as well as workers sending remittances, etc.</p>
<p><b>Malta</b></p> <p><b>Maritime Transport / Maritime Policy</b></p>	<p>Impact of the assistance was very positive, leading to a significant improvement in the administration and enforcement of maritime safety standards in line with the <i>acquis</i>, international norms, and targets, including in the communication of policy and norms to stakeholders. Since July 2006 Malta has been a full member of the Paris Memorandum of Understanding on Port State Control, conducting inspections of vessels calling at, in the anchorage areas around, or passing through Malta's territorial waters in accordance the standards of the Paris MoU, and the introduction of the New Inspection Regime adopted in line with the EU's '3<sup>rd</sup> Maritime Safety Package'. Since 2006 Malta has exceeded the target set for Paris MoU members to conduct the inspection of vessels visiting its ports, ensuring maritime safety thus for the regional waters: traditionally achieving an inspection rate of 30-35%, compared to the minimum target of 25%. Deficiencies discovered via the inspections are judged serious enough for Malta to enforce the detention of 4-7% of the vessels that it inspects via Port State Control. In regard the safety standards of Malta 'Flag' vessels, Malta has significantly climbed in the listing measured by the Paris MoU: moving from the Black List to the Grey List (in 2004) and to the White List (in 2005). By 2012 the 'detention-rate' for Malta vessels had dropped to 3.18%, compared to a</p>

Beneficiary	Impacts
	<p>rate of 4.75% in 2005, and up to 2000 a detention-rate in excess of 10%. In addition, a significant impact of the financial assistance has been the further development of the capability to provide accredited maritime training courses in Malta for seafarers and maritime professionals, notably via the Maritime Institute, thereby ensuring that the maritime courses developed through the assistance be further utilised and further developed by the Maltese side to provide continuity in skill transfer in a more cost effective manner over the long-term. The Institute currently offers 40 training courses for professionals as well as small craft owners.</p>
<p><b>Poland</b></p> <p><b>Transport Policy</b></p>	<p>The main PHARE focus was placed on the improvement/development of road and rail infrastructure. The total of co-financing granted for investment projects in this period amounted to 502.55 million EUR. In the years 2000-2002 twenty projects were accepted for ISPA transport co-financing including 7 road investment projects and 7 rail investment projects. Investment projects had a strong impact on decreasing population marginalisation and increasing the quality of life on the border areas. These projects had a significant impact on reduction of barriers in socio-cultural integration of societies on different sides of the border (an increase in knowledge on societies and areas abroad, increase of common trust, combating prejudice, knowledge of the language). In practical terms, support to capacity development activities was directed towards institutional development. It must be added that based on available data the impact can be measured through improvement of transport policies and the transport sector share in economic activity that underwent major changes. More specifically this concerns the structure of transportation business in Poland and the increased passenger volumes e.g. road passenger transport, rail transport etc. The growing role of road transport in Poland is attributed to the increasing share of services delivered under transnational support owing to EU accession. This way the Polish firms were also able to provide transport services with foreign countries and cabotage. Two indicators are supportive of this: increase of international transport services as a share of total transport and increase in transport services with foreign countries (cabotage as a share of international transport). Another case in point is the cargo transport. From an ex-post perspective comparable data with EU average shows that Poland's cargo transport volumes grew much faster than GDP in the post-accession period while in the EU the same indicator rose at a similar rate.</p>
<p><b>Romania</b></p> <p><b>Cross Border Cooperation</b></p>	<p>Impact of the assistance was good in terms of institution building, of the bodies in charge of programme management and implementation, and in terms of the development of local capacity, depth and intensity of cross-border cooperation. An indicator of the former is the very limited decommitment CBC programmes managed by Romanian institutions faced in the 2007-2013 period (e.g. roughly 4 million € in 2011 in the case of the Romania-Bulgaria Programme). Grant schemes notably provided high visibility thereby promoting the core objective of 'good neighbourliness', fostering behavioural change of beneficiaries as it induced a project management and strategic planning approach in cooperation with cross-border counterparts. Impacts in terms of sustained partnership were stronger at the Romania-Bulgaria and Romania-Hungary borders, where CBC cooperation was initiated earlier. A number of the partnerships prepared the way for further cooperation post-accession. CBC infrastructure projects had some economic impact at a local level, but funding for CBC programmes were too limited for significant economic impact to be registered. Local authorities do not seem capable to produce and deliver data on economic impact indicators for investments, overall, including</p>

Beneficiary	Impacts
	<p>PHARE investments, as their evaluative thinking is rather limited. At local level CBC changed institutional and policy behaviour among beneficiaries as it induced an approach to project management, as well as to strategic planning, done in cooperation with cross-border counterparts e.g. the two municipalities in partnership prepared the investment profile of the Ruse-Giurgiu region (Romania-Bulgaria border). Likewise “people-to-people” projects prepared the way for further cooperation and initiation of larger projects both under Phare and 2007-2013 CBC programmes. Impacts in terms of sustained partnership seem to be stronger at the Romania-Bulgaria and Romania-Hungary borders, where CBC cooperation was initiated earlier. “Cooperation led to more cooperation” also under Phare CBC, although its depth and intensity is still to be developed in comparison with regions in Western Europe e.g. at the borders of Germany, Belgium and the Netherlands. At least 10% of partnerships built and consolidated under Phare CBC remained in place after 2008, mostly public institutions and NGOs and Chambers of Commerce.</p>
<p><b>Romania</b></p> <p><b>Justice and the Rule of Law</b></p>	<p>Impact of the assistance was good, contributing to improvements in the legislative framework (including new Criminal and Penal Codes) and in the strengthening of the administrative and institutional capacity of the range of institutions directly involved. While concerns existed in 2009 as to the legacy of some of the systems and structures in place, and the direction and timeliness of reform, sustainability and wider impact of the reforms was supported by the adoption of a multi-annual strategy in 2010 for further enhancing the efficiency and the effectiveness of systems, e.g. the justice system has expanded to cater for new branches of the law, while the delivery of justice has undergone further innovation, e.g. through the role of the delegated judge (developed with Phare), clear roles of Court Managers and Court Clerks, new IT strategy set up, etc.. In accordance with the DNA report synthesising its results from 2005 to 2012, in the first 9 months of 2012 615 defendants (almost double in comparison with 2011 and 3 times more as in 2010) were brought to courts, out of which 552 were convicted (similar proportions in comparison with 2011 and 2010), apparently more than registered in Italy in the 80’s during the famous anti-mafia operation “Mani Pulite”. Trend constantly rose since 2005 for these two indicators. About half of the finally convicted persons held important positions (dignitaries, among which 1 prime minister, mayors, vice-mayors, under prefects, magistrates etc.). According to the 2013 Report on the state of Justice in Romania, the number of solved cases increased with 52.454 cases in 2013 in comparison with 2013, the increase being in 2013 of 38,51% in comparison with 2009. In 2013 the number of cases solved in 6-12 months increased with 29.9%, ECRIS, the electronic case-tracking and management system covering 100% the judicial system. At a macro level, the Regulatory Quality, Rule of Law and Control of Corruption, sub-indices of the WB Good Governance index, have slowly, but positively evolved particularly since 2004-2005.</p>
<p><b>Romania</b></p> <p><b>Public Administration Reform</b></p>	<p>Impact and sustainability of the assistance was largely limited, due to the insufficient commitment for continuation of the reform strategy and the economic crisis of 2008-2009 resulting in strict measures to limit budgetary spending. Many of the results achieved, e.g. a unified system for remuneration of civil servants, improvement of the policy formulation process at central level, modernisation of the management of decentralised services in local administrations, were not rolled-out in follow-up to the assistance. The key impact of the PHARE support was the development of the capacity of the National Agency for Civil Servants, which has continued to provide advocacy for promoting reforms. Furthermore, post-accession Romania’s National</p>

Beneficiary	Impacts
	<p>Reform Plan 2007-2011 failed to take account of the 2004-2007 PHARE projects under implementation in the period 2007-2010 as PAR instruments, providing clear evidence of the fragmentation between PHARE and subsequent developments in the sector. Judging by the challenges identified in the 2014 Partnership Agreement between Romania and the EU as regards public administration i.e. politicization of the public administration, misallocation of public funds, fragmented public administration, lack of trust, resistance to change and lack of initiative, excessive bureaucracy, lack of transparency, de-professionalization, the results achieved under PHARE (and the limited SFs implemented until 2013) have had limited impact at sector level. Only in 2012 did the government start taking appropriate measures, as a result of external pressure of the EU and World Bank, starting to use tools developed under PHARE (e.g. strategic planning). This is obvious also in the values of the Government effectiveness sub-indicator of the WB Good Governance index, which started increasing initially in 1998 and in 2012, in the last case from 43.5 to 52.6. Annual Reports produced by the National Agency for Civil Servants on the management of public function and civil servants do not contain explicit performance indicators to be used for monitoring and evaluation purposes.</p>
<p><b>Slovakia</b></p> <p><b>Agriculture</b></p>	<p>The Policy Advisory Unit assisted the Ministry of Agriculture in reviewing and formulating agricultural policy and in the establishment of working groups looking at the adoption of the full <i>acquis</i> (structural issues, veterinary and phytosanitary matters, forestry, water management, etc.). PHARE also provided assistance to the continued modernisation and reconstruction of land registration and integrated cadastral information services in support of the restitution and land consolidation process, land market development, privatisation of rural and urban areas, thus meeting the socio-economic and environmental needs of the country. PHARE also improved the availability of geographic information systems to develop digital and similar products (aerial photography of 6.000 km<sup>2</sup> of Slovak territory) for users such as public, governmental and private sector, local authorities, regional authorities (physical planning, environmental protection), banks (land market, mortgaging), etc. Labour productivity in the agricultural sector increased from € 3999 in 2002 to € 4552 in 2005. Slovakia actively participates in pesticides risk assessment peer reviews at the European Food Safety Authority. The Slovak representatives started to participate in pesticides risk assessment peer reviews at the European Food Safety Authority. Also chances existed for the CCTIA to perform the co-rapporteur role (together with France) on the chemical active substance dossier in 2008-09, thus Slovakia seemed to be more pro-active in participation at the EU system of PPP compared to the past. The CCTIA labs now better comply with quality standards and the GLP. The delivered equipment for the labs and the WRI among others helped to achieve the EU standards in safety of food supervision.</p>
<p><b>Slovakia</b></p> <p><b>Civil Society Development</b></p>	<p>There was at least local impact of support for community development of Roma settlements via functioning of 10 community centres though these pilot activities did not have a countrywide replication. However, for a broader impact, the assistance called for more concrete outputs of all the key areas covered: housing, health, unemployment, education. The unemployment strand of the assistance brought some impact notably on the employment of adult Roma in the selected regions – about 600 Roma trained and 150 placed in companies for on-the job experience. For the education strand, to bring broader impact the country-wide distribution of project results was not assured, such as working materials for primary schools (as now only 70 schools are included) and curricula for vocational training (only 4 are</p>

Beneficiary	Impacts
	<p>now participating), pending on the missed approval of the Ministry of Education (such as basic pedagogical documentation for secondary schools). Impact of the assistance was not broad enough. Although PHARE was a pilot in the area of Roma projects there are still issues to be solved in the future. According to the Atlas of Roma Communities (2013), 16.73% of them have not finished elementary schools; 28.05% have finished elementary schools; 4.98% have finished special schools. 5.74% have finished secondary schools; 2.80% attend secondary schools. Inhabitants that graduated from universities make up 0.18%; universities are attended by 0.36%. According to research issued in 2011-2012 by the World Bank, UNDP and EC: in selected communities with a high percentage of the Roma: kindergartens were attended by 28% of children aged 3-6; on average, less than one third of the Roma is employed, with one third of Roma respondents saying they were unemployed, 20% have no health insurance, and 90% are in risk of poverty.</p>
<p><b>Slovakia</b></p> <p><b>Private Sector Development</b></p>	<p>PHARE played a substantial role to support the change of approach to FDI sector development, and in supporting establish the 'one-stop-shop' institution idea that has worked well, facilitating hundreds of successful FDI cases and the creation of associated jobs, economic activity etc. During the period before joining the EU, SARIO successfully closed around FDI 20 cases a year (in 2002 SARIO concluded 25 investment projects with the total amount of 311 MEUR). In the following years the situation has much improved (in 2007 SARIO concluded 67 FDI projects with the total amount of 1.3 billion EUR, creating almost 15 000 jobs). What is more, the need and motivation to attract the FDI led to further Phare support to building industrial parks (almost 20 established), regional development projects and to cross-institutional dialogue as for example communication on FDI among universities, municipalities and ministries. Like everywhere in the world, in Slovakia also there was a decline of foreign direct investment after 2008 due to the economic recession. This was reflected by a continuous increase in FDI, which had lasted since 2002. This situation was relieved by stagnation at around \$50 billion in 2008. Current stock of FDI is \$51.3 billion. The greatest interest in investing in Slovakia, have the investors from the Netherlands, Hungary, Austria, Germany, Italy, France, Sweden and South Korea. By 2006, FDI flows were mainly in traditional sectors. Important investment flowed in Slovakia in the area of banking as a result of the restructuring of the banking sector. At present, FDI is focused primarily in electrical, engineering, automotive, rubber, metal, wood, furniture, and paper industries as well as wholesale. There is expected further investment in the energetics. Positive feature of FDI enterprises is the development of production with higher added value.</p>
<p><b>Slovenia</b></p> <p><b>Environment Policy</b></p>	<p>Overall, the impact of PHARE assistance in the sector of environment was positive. Effective transfer of know-how and specialised equipment and establishing important institutional and financial mechanisms contributed to capacity development within the public administration for application and enforcement of the environment <i>acquis</i> and within business for compliance with the <i>acquis</i>. In its Communication on accession strategies for environment in 1998 the Commission underlined that compliance with the EU environmental <i>acquis</i> was justified both for environmental and economic reasons. The accession, respectively alignment with the <i>acquis</i> had a long-term positive impact on nature and human health. Thus, assisting environmental sustainability, PHARE indirectly contributed to the sustainable development of Slovenia, e.g. the reduced carbon (CO<sub>2</sub>) intensity of energy use (Index year 2000 = 100; declining to 95.2 in 2011); and the reduced level of municipal waste (600 kg per capita in 1995; declining to 410 kg in 2011).</p>

Beneficiary	Impacts
	<p>However, in terms of greenhouse gas (GHG) emissions the decline is less marked. Slovenia's share in EU (28) GHG emissions is 2.55% (2012) and in 2012 the emissions are still over those ones in 1990 (Index 1990 = 100). By reducing its GHG emissions by 2% between 2005 and 2010 Slovenia remains below its target of limiting the increase in GHG emissions to 4% in 2020. Slovenia has good progress in respect to the share of renewable energy in gross final energy consumption. In 2012 the country surpassed the EU 28 target of 20% by 2 points (22.2%). Slovenia has environmental protection expenditure amounting to 2.05% of GDP, which is slightly below the average per EU 27 (2.26%).</p>
<p><b>Cross-Border Cooperation</b></p>	<p>The impact of the assistance was mixed, reflective of the diversity of the border regions supported via CBC programmes, and the initial lack of joint strategies for cross border development. The upgrade of infrastructure delivered impacts of a regional/local nature, e.g. the improved quality of drinking water, sewage treatment, productive infrastructure, border management, emergency services, road safety, etc. In promoting cross-border cooperation, the impact of the Joint Small Project Funds was judged to be a highly successful mechanism for 'people-to-people' contacts of a cultural, economic, social nature, contributing to networking and partnership at the border area, at the civil and municipal level. The extent to which CBC triggered socio-economic development in the border regions is challenging to quantify. The 2007 Phare CBC <i>ex post</i> evaluation concluded for programmes up to 2003 that "intermediate impacts" were achieved in terms of drinking water, wastewater, sewage treatment, emergency services, border management, productive infrastructure and road safety. However, some of the interventions had limited cross-border impact (particularly in the environmental sector). Impact in terms of regional socio-economic development at the border was limited particularly due to the small size of funding distributed over a wide geographical area but also to more sectors. This is valid also for 2004-2006 CBC programmes, with increased budgetary allocations, but also for programmes up to 2003 with larger budgets (e.g. Germany-Poland and Germany-Czech Republic). Most programmes with a physical performance rate between 50% and 100% were Phare CBC followers (i.e. 9 programmes, respectively Italy-Adriatics, Austria-Czech Rep, Hungary-Slovakia-Ukraine, Greece-Bulgaria, Austria-Slovakia, Poland-Slovakia, Poland-Ukraine-Belarus, Greece-Italy, Hungary-Romania-Serbia&amp;Montenegro), while this group counts for 1/3 of the programmes with physical performance rate between 100% and 150% (5 out of 13 programmes, respectively Lithuania-Poland-Russia, Italy-Slovenia, Austria-Slovenia, Bavaria-Czech Republic, Karelia. A limited number of programmes have a performance under 50% (Italy-Albania, Austria-Hungary, Greece-FYROM, Greece-Albania) or more than 150% (Saxony-Czech Republic, Saxony-Poland and Slovakia-Czech Republic).</p>
<p><b>Multi-Beneficiary Programme</b></p> <p><b>Private Sector Development</b></p>	<p>Phare contributed to accelerating activities that alternatively would have occurred much later and at a much lower scale. The support was clearly more influential (additional) in the countries that lagged behind in the accession process. Most often, projects could not have been launched without the Phare support as national institutions did not have sufficient capacity. Phare delivered a number of impacts, e.g. it helped in Bridging the gaps in knowledge of EU policies in the partner country administrations; the Growth of entrepreneurship; the Simplification and improvement of the administrative and regulatory framework; Improvement of the financial environment for business, especially SME. A study by the EC's DG for Economic and Financial Affairs (2001) estimated additional growth of 1.3/2.1 % per</p>

Beneficiary	Impacts
	<p>year for the new Member States in 1994-2009, while in the old Member States growth would be a cumulative 0.5/0.7 % higher. Similar orders of magnitude are provided by Baldwin et al. (1997) who saw steady state real income 0.2 % higher in the old and 1.5/18.8 % in the new Member States compared to control. A favourable impact is also found by Breuss (2002) for most of the old Member States who see their real GDP increase by 0.5 % over a six year period, while the Czech Republic could gain 5-6 % after 10 years and Hungary and Poland 8-9 %. The long-run welfare GDP equivalent estimates of Maliszewska (2003) are somewhat lower – a negligible impact on EU-15, Hungary gains 7 % and Poland 3.4 % but, importantly, the new Member States would lose 0.1 % if enlargement were not to happen.</p>

**Partially mixed evidence of immediate impact, but clearer medium-term benefits**

The impact of the assistance was generally good, delivering medium-term benefits in a range of areas:

- Policy and capacity building reforms promoting efficiencies in the delivery of and/or greater effectiveness in the targeting of and/or the coordination of public services, programmes and regulatory functions and controls, for which a range of strategic plans and action plans, administrative mechanisms, standard operational procedures and analytical tools, integrated IT systems, etc., were introduced to enhance policy and operations, and training provided to a significant number of officials so as to utilise them. Over the lifetime of the PHARE programme the assistance successfully delivered such impacts through the processes of transformation, consolidation, accession-orientation, through to the, generally, successful preparations for the transposition of the *acquis* and its enactment by the countries as EU Member States, and for full participation in the range of EU coordinated policies, strategies and EU Programmes.
- The increased awareness of the wider body of target group stakeholders, and more broadly the wider citizenry, of the European standards, norms and values for the range of public policy issues, e.g. gender equality, food safety, occupational safety and health, environmental quality, public participation in policy-making, etc., including of their rights in the areas.
- Policy and capacity building reforms promoting the efficiency and/or the effectiveness of the operations of social partners (employees and employers) and of civil society partners and organisations to fulfil their essential roles linked to advocacy, monitoring, and engagement in the development of and the implementation of public policies and social dialogue.
- Via the pilot-testing of national administrative reforms at the local level, e.g. the modernisation of social protection monitoring systems, forecasting models and the targeting of assistance to the vulnerable and at need, valuable lessons were learnt for the further development and roll-out of the reforms nationally, beyond the PHARE assistance, to further enhance the impacts.
- Via the pilot-testing of targeted public support grant scheme mechanisms, e.g. for promoting energy efficiency in buildings, hospitals, and schools, or for business, SME, trade and export development, or for job-seekers, specific sub-groups of job-seekers or entrepreneurs, e.g. women, youth, persons with disability, etc., the assistance delivered a series of immediate benefits in terms of the individual target groups supported, e.g. jobs obtained as a result of the training, business obtaining registration under the Eco-Management and Audit Scheme, etc., as well as valuable lessons for the further development and roll-out of such mechanisms.
- Via the infrastructure development investments, e.g. transport, environmental, energy, business and human resources-related, etc., a range of socio-economic and quality of life impacts of an immediate nature were achieved at the local/regional level, e.g. improved air quality and monitoring, or energy efficiency of and reduced pollution by utilities, etc., which were operational beyond the PHARE assistance, as too the further provision of support to, e.g. start-up businesses via incubators, vocational trainees, etc., delivered via the facilities, the lessons of which were available to undertake further developments and in other localities.

- In addition, a significant impact of the financial assistance was achieved due to the focus of many beneficiary institutions to the development of their in-house training capacity and methods to ensure the institutionalisation of and the sustainability of the benefits provided in terms of training provision, via the further utilisation and further development of training materials to provide continuity in skill transfer in a cost effective manner over the long-term.
- Via the Twinning instrument a number of the partnerships formed were maintained on a bilateral basis post-project, allowing both partners to continue to exchange lessons and good practice experience. Similarly, a number of the supported institutions and trained personnel in the new EU Member States have provided their expertise, post-accession, via participation in the Twinning, Twinning Light and/or TAIEX instruments providing *acquis* and capacity building oriented support to the present beneficiaries of the instruments (under the IPA and the ENPI).

However, while the impact of the assistance was generally good, it was partially mixed in terms of the achievement of the intended immediate impacts in the period of the assistance provision, i.e. by the end of project implementation period. This was primarily due to the delays and constraints experienced, at times, in the formal approval and thereby the enactment of the policy and capacity building reforms at the institutional level in the immediate period. Whereas it is understandable that primary legal texts delivered as a result of the support had to go through standard legislative and parliamentary approval, and thus the full impact of the assistance would be achieved over the intermediate period, there were also less understandable delays in the approval and enactment of procedural and other capacity building reforms within the full control of individual beneficiary institutions, e.g. of strategic plans, of operational manuals and procedures, training curricula, etc., due to the, at times, slow pace of decision-making processes at the corporate level. However, where these issues were progressively addressed in the short- to medium-term after project completion, the intermediate impacts of the assistance became more positive, as the reforms were formally enacted.

In regard to the socio-economic impacts of the assistance, as indicated above, the support delivered a range of immediate impacts via the provision of small-scale grant to individual operators (economic, social, and civil) and persons (e.g. students, youth, trainees). Presumably this also delivered benefits to the vast majority of grantees of a longer-term nature, but the evidence to confirm this is limited as too rarely were grantees requested to provide relevant information on their further progress, e.g. via a brief questionnaire survey 6-months or 1-year after the completion of the PHARE support. In addition, socio-economic impacts of an immediate and longer-term nature were delivered via the development of physical infrastructure, notably at the local/regional level. Again, however, relevant information was not systematically collected post-project. This was clearly a weakness in terms of assessing the longer-term socio-economic impact of the business and the human resources-related infrastructure support, e.g. in terms of the number of students subsequently attending vocational training centres, the survival rate of businesses after departing from an SME incubator, etc. Ultimately, in regard to the longer-term socio-economic impacts of the assistance, the most important impact was the contribution to the development of administrative capacity in the countries for the delivery and targeting of higher quality public services and the application of standards and norms in compliance with the *acquis*. This has progressively delivered further socio-economic and quality of life benefits, post-accession, as the countries have continued along the path of socio-economic development, national reform, and convergence with the EU, e.g. six of the countries have progressed already to the adoption of the euro (Slovenia, Cyprus, Malta, Slovakia, Estonia, and Latvia), and Lithuania will do so at the start of 2015.

#### **Key limitations to the achievement of impacts**

While overall successful in achieving positive impacts, each of the countries experienced difficulties in doing so consistently across the programme of assistance. The key limitations in this regard were:

- From the initial period of the PHARE programme through to the end of the accession-oriented assistance to the twelve countries, the most significant constraint to the successful achievement of impact was the variable level of policy ownership of the beneficiaries of the reform process. Recognising that the ten Central and Eastern European countries undertook

significant structural reforms in the 1990s, and not always with clear political consensus on the pace or necessarily the direction of the reforms, the level of ownership of certain major reforms was, at times, subject to the political change of governmental priorities, e.g. public administration, regional/local government, anti-corruption, judiciary, police, healthcare, etc., thereby the initial impact of the assistance in these areas, in some countries, was often limited. While most of the countries did, progressively, build consensus on such reforms, for some the lack of consensus or strong ownership in certain areas continued to be a constraint over the longer-term, e.g. anti-corruption in Bulgaria, healthcare reform in the Czech Republic, regional development / decentralisation in Hungary, public administration reform in Romania.

- The variable levels of partnership with and/or ownership of target group stakeholders: The development of an effective partnership and communication with stakeholders as to the reform process was not always given sufficient due attention by the beneficiaries. As the reforms required the achievement of behavioural changes also of the stakeholders – be it inter-agency cooperation between governmental bodies, or sectoral cooperation between governmental bodies at the regional and local levels, or cooperation with professional, economic, social and civil partners, etc. – this initially affected the effectiveness and impact of the assistance.
- As indicated above, the immediate impact of the assistance was also somewhat mixed due to the delays and constraints experienced, at times, at the institutional as well as the national level, in the formal approval and the enactment of the policy and capacity building reforms.
- The intermediate impact of the assistance was also influenced by the variable level of post-project planning undertaken by the beneficiaries, e.g. key follow-up actions to be completed, investments to be undertaken, milestones, targets to be met over the short- to medium-term.
- The achievement of impacts has, at times (most recently following the 2008 global financial crisis), also faced constraints in terms of the availability of national financing, including for the provision of sufficient staffing, to undertake the roll-out or further extension of the reforms.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

#### **Sustainability of the reforms and benefits is, broadly, satisfactory**

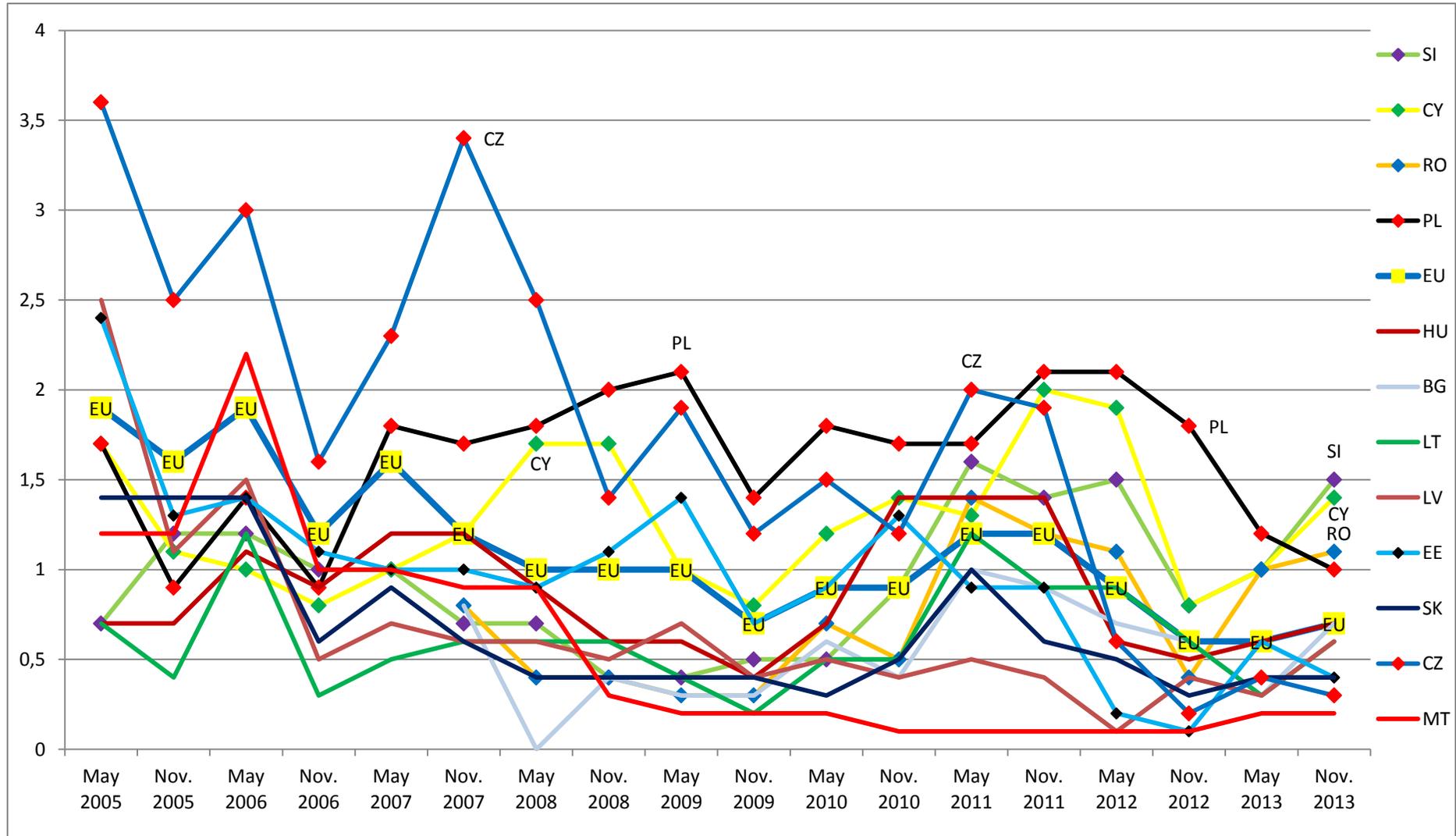
Overall, the sustainability of the impacts promoted by the financial assistance was satisfactory.

Reflecting that the most significant impacts of the assistance were achieved in respect to the development of the regulatory, institutional, and administrative capacity of the countries linked to the management of the EU *acquis*, the sustainability of these reforms is initially provided via the adoption and enactment of the legal and regulatory acts, internal procedures etc. developed with the support of the assistance. In addition, institutional ownership of the EU *acquis* driven reforms is generally good, with the majority of beneficiaries actively engaged in the further development of the EU policy agenda, to improve its targeting and to promote the cost-efficiency / cost-effectiveness of its implementation. For the majority of beneficiaries the EU-agenda is clearly linked into their ministry/institution's corporate structures and plans, and is guided by the regular update of multi-annual action plans to reflect current challenges and priorities for the different areas of policy, e.g. food safety.

Despite some initial difficulties in embedding the reforms and in the full transposition of the *acquis* as EU Member States, the sustainability of the actions and the compliance of the new Member States with the *acquis* are generally good. As indicated in the Commission's Single Market Scoreboard – see Figure 3 to Figure 5 on the following pages – the majority of the countries have a transposition deficit and the number of infringement cases pending against them below the EU-27 average. The main exception in this regard is the record of Poland in both areas, which have been above the EU-27 average since May 2007. Additionally, the transposition deficits of Slovenia, Cyprus, and Romania have often been (and were in late 2013) in excess the EU-27 average, while the track record of the Czech Republic has been somewhat erratic, but has now been below the average since May 2012.

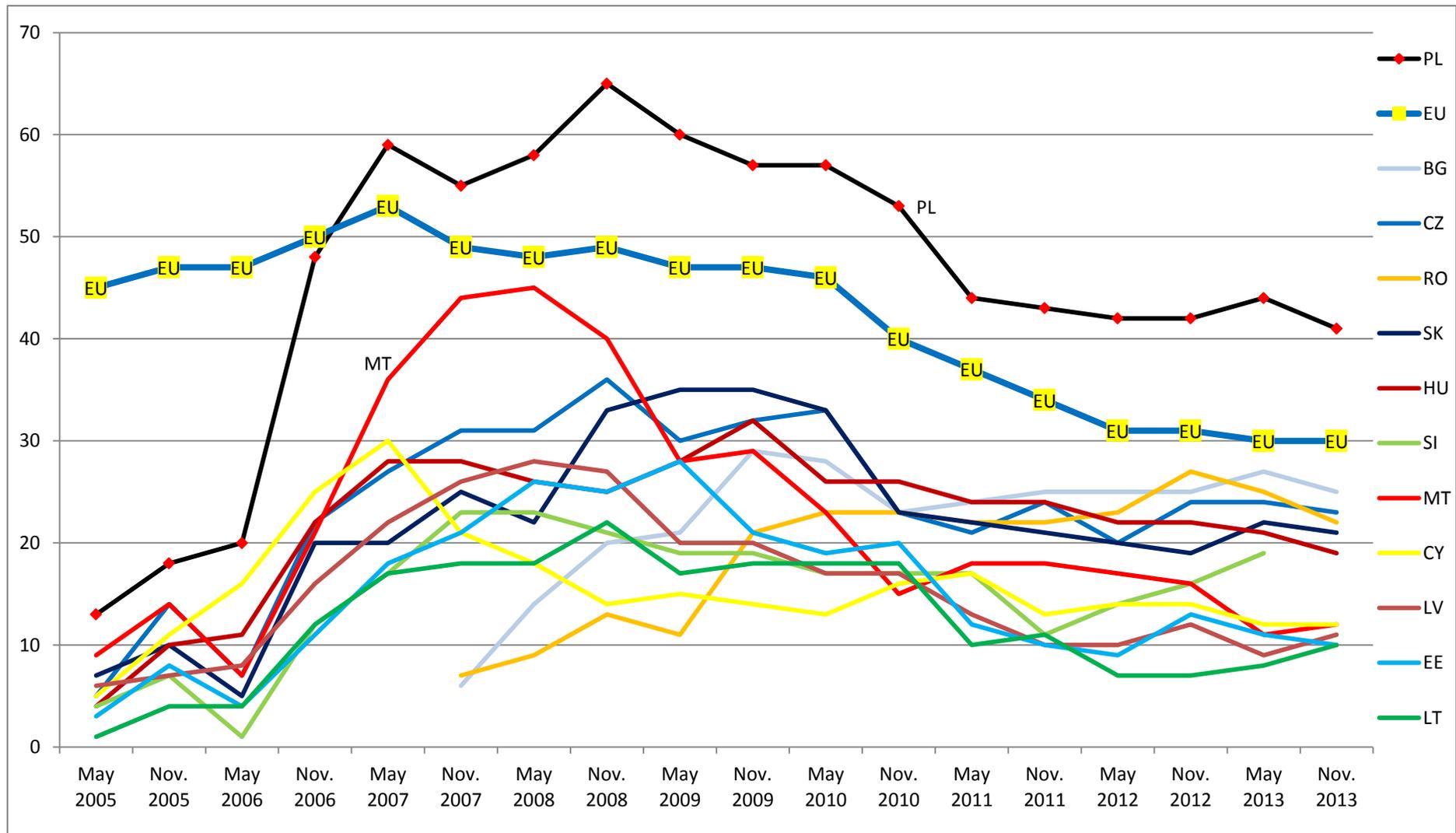
Overall, the performance of the new Member States compares favourably with the EU-27 – as represented in Figure 5 – although there are still areas for further improvement in their performance.

Figure 3: Single Market Scoreboard – Evolution of the Transposition Deficit



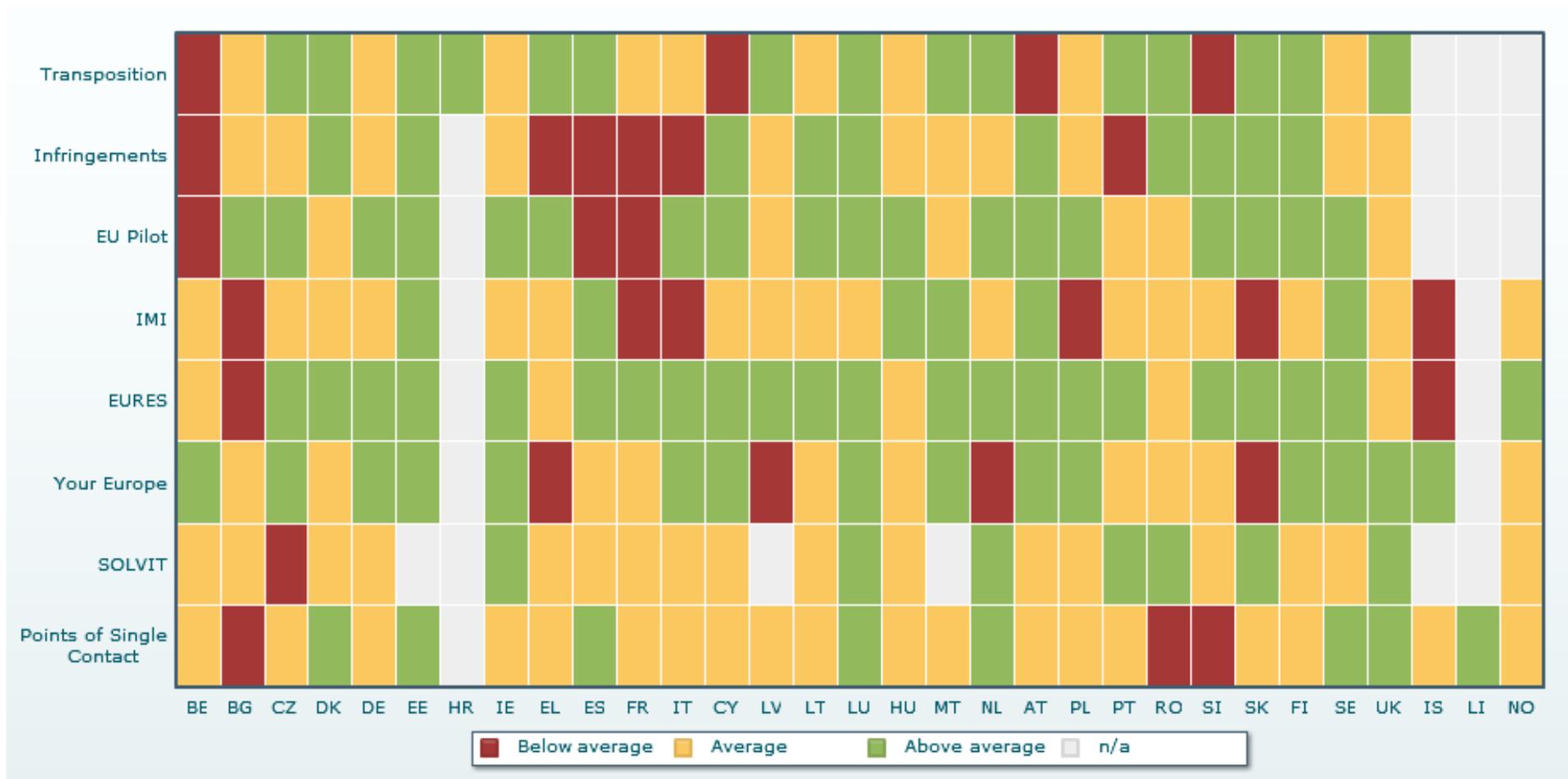
*Data Source: European Commission – Single Market Scoreboard (Performance by Member State; issued February 2014)*

Figure 4: Single Market Scoreboard – Evolution of Infringement Cases Pending



Data Source: European Commission – Single Market Scoreboard (Performance by Member State; issued February 2014)

Figure 5: Single Market Scoreboard – Performance Overview (2012-2013)



BE = Belgium; BG = Bulgaria; CZ = Czech Republic; DK = Denmark; DE = Germany; EE = Estonia; HR = Croatia; IE = Ireland; EL = Greece; ES = Spain; FR = France; IT = Italy; CY = Cyprus; LV = Latvia; LT = Lithuania; LU = Luxembourg; HU = Hungary; MT = Malta; NL = Netherlands; AT = Austria; PL = Poland; PT = Portugal; RO = Romania; SI = Slovenia; SK = Slovakia; FI = Finland; SE = Sweden; UK = United Kingdom; IS = Iceland; LI = Lichtenstein; NO = Norway

Data Source: European Commission – Single Market Scoreboard (Performance Overview; issued February 2014)

### **Transposition**

Single Market rules can only have their intended effects if they are completely and correctly transposed into Member States' national law by the agreed deadline. Transposition monitoring helps to provide an overview of Member States' enforcement performance. On the one hand, it shows the transposition deficit (the gap between the number of Single Market directives adopted at EU level and those in force in Member States) and the compliance deficit (number of incorrectly transposed directives). On the other hand, it highlights Member States' efforts to ensure effective implementation of Single Market law and encourages them to improve their performance. In this way transposition monitoring helps to ensure the functioning of the Single Market.

### **Infringements**

The infringement statistics highlight the number of infringements opened against Member States, point out potential structural problems, commend any efforts undertaken to improve the resolution of cases and encourage improved performances by Member States. As guardian of the Treaties, it is the Commission's task to ensure that both Treaty provisions and acts adopted by EU institutions are correctly implemented and applied by Member States. If, after preliminary consultations in EU Pilot, the Commission considers that EU rules are not being properly applied, it may open infringement proceedings against the Member States in question. The Single Market Scoreboard therefore reflects the position of the Commission as regards alleged infringements. It has to be born in mind, however, that Member States may not agree with the Commission's position as regards the alleged infringement and that only the Court of Justice can rule definitively that a breach of EU law has occurred.

### **EU Pilot**

"EU Pilot" is an online platform which Member States and Commission's services use to communicate and clarify the factual and legal background of problems arising in relation to the conformity of national law with EU law or the correct application of EU law. As a general rule, EU Pilot is used as a first step to try to resolve problems, so that, if possible, formal infringement proceedings are avoided.

### **IMI**

The Internal Market Information system (IMI) is an IT-based information network that links up national, regional and local authorities across borders. It enables them to communicate quickly and easily with their counterparts abroad. IMI contains, most importantly: (1) a multilingual search function that helps competent authorities to identify their counterparts in another country; (2) pre-translated questions and answers for all cases where they are likely to need information from abroad; and (3) a tracking mechanism that allows users to follow the progress of their information requests and that allows IMI coordinators at national or regional level to intervene if there are problems.

### **EURES**

The purpose of EURES is to provide information, advice and recruitment/placement (job-matching) services for the benefit of workers and employers as well as any citizen wishing to benefit from the principle of the free movement of workers. Launched in 1994, EURES is a co-operation network between the European Commission and the Public Employment Services of the EEA Member States (the EU countries plus Norway, Iceland and Liechtenstein) and other partner organisations. Switzerland also takes part in EURES co-operation. EURES provides its services to jobseekers and employers through its human network of around 900 EURES advisers and other staff in the EURES host organisations as well as via online service-tools available on the EURES portal.

### **Your Europe**

To get the most out of the Single Market, it has to be made sure that citizens and enterprises intending to carry out cross-border activities within the European Union find the information they need easily. This is the declared goal of Your Europe, a multilingual public information service portal which acts as a single gateway to all further sources of information and help, at both EU and national level. In order to better serve its users, it is structured into two sections, one for citizens and one for businesses. The content is supplied by both the European institutions and national governments - is clear, straightforward and jargon-free. By actively contributing to the portal, promoting the tool and closing the information gap, Member States help remove barriers to mobility and integration in Europe.

### **SOLVIT**

SOLVIT was created in 2002 by the Commission and the EU Member States (plus Iceland, Liechtenstein and Norway) for citizens who move or travel abroad and for businesses that are active across borders. It provides them with fast and pragmatic solutions to problems caused by the breach of EU law by a public authority. SOLVIT is an informal alternative to other problem-solving mechanisms, such as national court procedures, formal complaints to the Commission and petitions. There is a SOLVIT centre in each Member State as part of the national administration. To resolve problems, SOLVIT centres cooperate directly with each other via an online database.

### **Points of Single Contact**

PSCs allow service providers to: (1) obtain all information about the procedures they need to complete to provide their services at home or in another EU country (e.g. company registration, business licences, recognition of professional qualifications); (2) deal with all formalities via one single contact point; and (3) complete the necessary steps remotely by electronic means. PSCs have to make it possible for users to complete administrative procedures both for national situations (a travel agency in Rome that wants to open a branch in Palermo) and for cross-border situations (an architect in Warsaw who wants to take on a building project in Berlin). They are encouraged to provide their services in several

languages and to offer personalised advice to users.

In addition to the EU *acquis* driven reforms, significant elements of European policy are conducted via the 'Open Method of Coordination' of policy and strategy at the EU-level, to agree on the common principles to guide the autonomous application of policy according to the different national situation and needs of each Member State. Since their accession to the EU the sustainability of the impacts in terms of preparation of the countries has been assured via their active participation in the coordination of policies, including via the development of a range of national strategies and action plans to guide the implementation of the common principles domestically, e.g. the National Reform Plan.

In many policy areas the sustainability of the impacts has also been assured via the further roll-out of actions or of further enhancement measures utilising financing available within the context of the EU/EC Structural Funds post-accession – addressing issues of economic and social cohesion, as well as issues of administrative capacity – or via the provision of soft-loan support via the World Bank.

For a good number of the beneficiaries, the sustainability of the impacts has also been assured via their in-house training and communication capacity and strategies where this was supported. However, not all of the beneficiaries considered how to maintain and further utilise such results and products, and it is evident that the sustainability of these results and impacts was thereby in part troubled, notably so in the case of institutions with higher rates of staff turnover.

In regard to the infrastructure investments, the sustainability of the majority of projects, e.g. operational costs, repairs, is assured, usually either at the national or regional/local government level or public utility operator. For the business and the human resources-related infrastructure investments, evaluation reports indicated that the vast majority of these continued to function. However, in a minority of cases it appears that projects did not generate their estimated income-stream.

In regard to the sustainability of the impacts linked to support for civil society organisations, the picture is mixed, although for those working in areas addressed within the countries by their Structural Funds programmes these have been useful avenues for obtaining project grants. In addition, via a range of EU strategies, action plans, or EU Programmes, opportunities also exist to assist civil society groups. However, it clear that some of the smaller, less focused organisations supported are no longer in existence, although in some cases the benefits of the projects have been sustained in terms of the adoption and utilisation of their proposed tools and methodologies by the relevant governmental agency, e.g. opportunities for consumers to access alternative dispute resolution mechanisms.

In regard to Bulgaria and Romania, the sustainability of actions is also, in part, reinforced by the Commission's annual Cooperation and Verification mechanism (CVM) reports; although it is evident that risks remain, notably linked to further progress in regard public administration and justice reform.

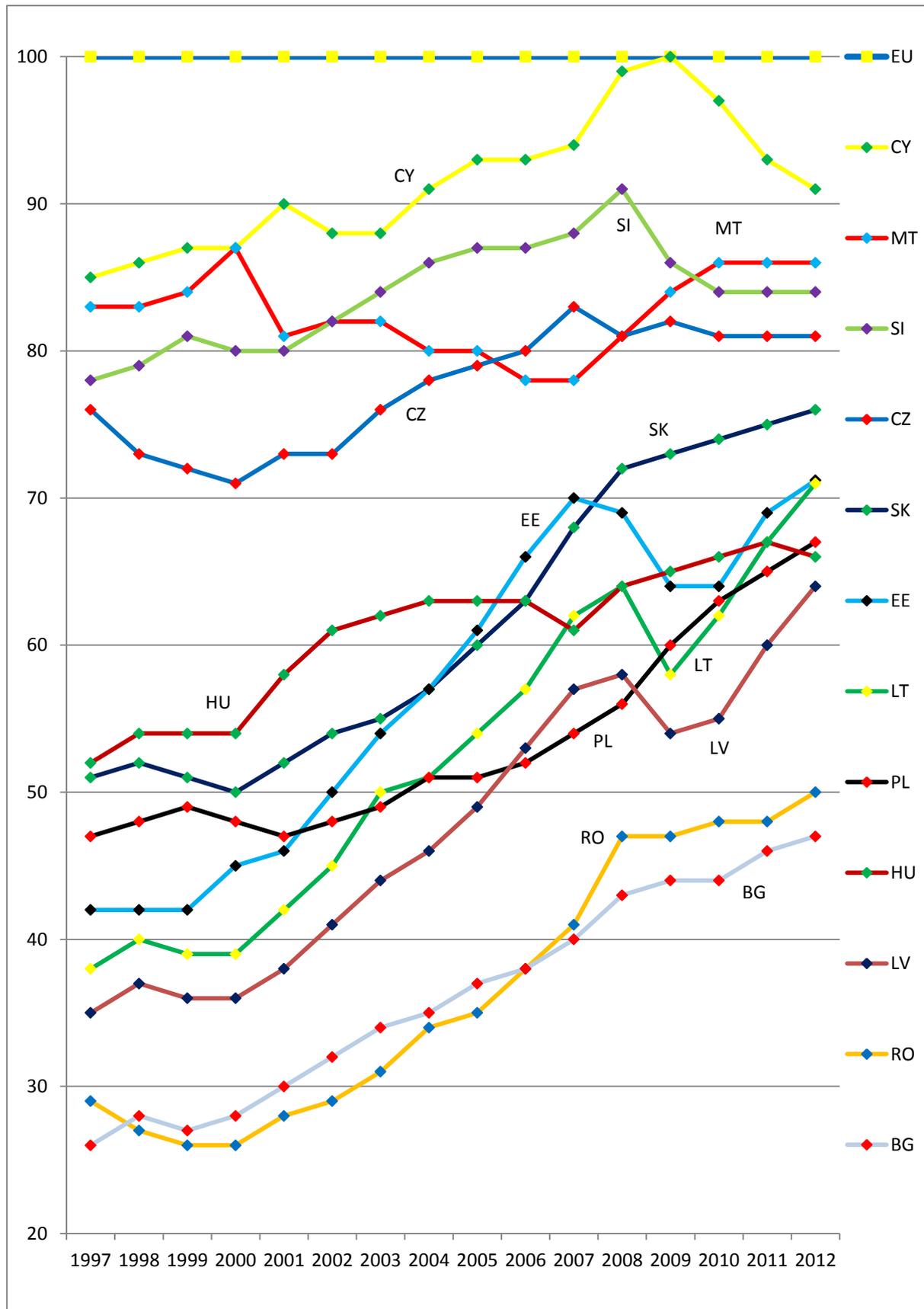
**But risks to the sustainability of the reforms and benefits exist.**

The following risks to the sustainability of the impacts remain:

- For some countries, the lack of political ownership or will to complete the reforms is a threat to the sustainable achievement and delivery of impacts, notably so in the areas: public administration reform, justice, anti-corruption, social inclusion of minorities (notably the Roma).
- For some countries the unfinished nature of public administration reform is also a contributory factor in terms of the level of staff turnover, and thus a threat to long-term sustainability.
- For some countries the risks have arisen due to the periodic processes of reorganisation undertaken, which have also, for some, included the recentralisation of formally decentralised powers, and the abolition of institutions supported over the period of the programme. This was most evident in regard the cancellation of Regional Development Councils in Hungary (2010).
- While the countries have each made economic progress during their pre-accession and post-accession period, each does still remain below the EU-27 average for GDP per capita. In this regard the availability of public financing to process the reforms remains a constraint for some.

**Integration of the Countries into the EU has been, overall, Successfully Developed**

Figure 6: Evolution of GDP per capita (PPS) as a % of EU-27



Data Source: Eurostat – <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

### 3.2. Socio, Economic and Institutional Impact of the Enlargement Process

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

At the turn of the millennium, the politics of EU enlargement aimed at creating a pre-accession strategy for applicant countries. Candidate countries had to satisfy the economic and political conditions known as the “Copenhagen criteria” in order to become Member States. This included the requirement of establishing a stable democracy, respecting human rights, building a functioning market economy and adopting the common rules, standards and policies that make up the body of EU law, i.e. harmonising their legal systems with that of the *Acquis Communautaire*.

The financial funds supporting these aims were the following<sup>26</sup>:

- Phare (since 1989), aimed originally at institution building / capacity-building and investment financing, which in 2000 was extended to preparing the candidate countries for accession, meeting the so Copenhagen criteria. Phare disbursed 6.8 billion EUR between 1990-1999 and 9 billion EUR between 2000-2006.
- ISPA (since 2000) financed investments in environment and transport. ISPA disbursed 2,9 billion EUR between 2000-2006.
- SAPARD (since 2000) targeted the long-term adjustment of the agricultural sector and rural areas, prepared candidate countries for the conditions of receiving support from the Common Agricultural Policy. SAPARD disbursed 2 billion EUR between 2000-2006.
- Transition Facility (between 2004-2006) was an additional fund financing the strengthening of administrative capacity of new Member States to implement and enforce Community legislation and to use EU funding more efficiently.

Phare without any doubt influenced the development of new member states. It must be necessary to keep in mind that each country that tried to join the EU had a unique starting position and used individual approach and in many cases a lot of additional national sources. Therefore it is very difficult to construct a clear causality between Phare interventions and impacts achieved. The financial crisis put new member states in a fiscal constraint and their administrative capacity was also influenced in a negative way.

- According to Mr. Barroso there are four strategic benefits of enlargement<sup>27</sup>:
  - „Makes us more prosperous. A bigger Europe is a stronger Europe. In 2012, EU GDP was 23% of world GDP, amounting to €13 trillion. Accession benefited both those countries joining the EU and the established member states. As the EU expands so do opportunities for our companies, financial investors, consumers, tourists, students and property owners.
  - Helps improve the quality of people's lives through integration and cooperation in areas like energy, transport, rule of law, migration, food safety, environmental protection and climate change. Enlargement helps us ensure that our own high standards are applied beyond our borders, which reduces the risks of EU citizens being affected for example by imported pollution.
  - Makes Europe a safer place. Through the accession process, the EU promotes democracy and fundamental freedoms and consolidates the rule of law across the

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<sup>26</sup> Source: “From Estonia to Romania - the biggest enlargement in EU history.” [http://ec.europa.eu/budget/library/explained/faq/fiche\\_cost\\_enlargement\\_en.pdf](http://ec.europa.eu/budget/library/explained/faq/fiche_cost_enlargement_en.pdf)

<sup>27</sup> 10th anniversary of the 2004 enlargement – strategic benefits, impact and the current enlargement agenda, Brussels, April 2014

aspirant countries, reducing the impact of cross-border crime. Current enlargement policy is reinforcing peace and stability in South East Europe and promoting recovery and reconciliation after the wars of the 1990s.

- Gives the EU more influence in today's multi-polar world: we need to continue projecting our values and interests - beyond our borders. An enlarged Union enhances the soft power needed to shape the world around us."

It is impossible to cover all sectors (for more details and additional data see the case studies and annexes) and therefore relevant four indicators were selected to be analysed as following:

- Economic Development
- Innovation
- Labour
- Government

### **Economic Development**

This part focuses among others (for more see Annex 4) on the GDP development (Table 3) and regional disparities (Table 4).

While regional discrepancies exist, European firms benefit from a bigger and more diversified market. Enterprises in the new member states have become part of the pan-European supply chain, helping them restructure their production systems and increase their exports.

In the boom years leading up to the financial crisis of 2008/, Western European banks moved aggressively into emerging Europe. Austrian, Italian, and Swedish banks were especially active; Belgian, French, and Greek banks a little less. Almost 80 percent of the banking sector in some countries that looked to Europe for trade and finance, such as Bulgaria, Croatia and the Czech Republic —were foreign-owned. It was big business. In 2007, Austria's big business of the bank's had, directly or through their subsidiaries, about \$300 billion in assets in emerging Europe, equivalent to almost 80 percent of the country in gross domestic product (GDP). A fifth of the loans of Swedenduct are to customers in the Baltics. Italy customers in the Bt Group had the biggest stake in the banking systems of Central and South-eastern Europe, spanning 17 countries.

Today, Eastern Europe accounts for about a tenth of the portfolios and profits of Unicredit, Raiffeisen, Erste, Swedbank, and SEB. The head of Raiffeisen Bank International expects Western European banks to stay and grow in Eastern Europe: The region still has a lot of catching up to do to reach the economic level of Western Europe. We will continue to benefit from this process at least in the next one and a half to two generations".<sup>28</sup>

Immediately after accession GDP growth was recorded in the New Member States (see Annex 4, Table 1) like especially Slovakia and Baltic States. Growth was the highest in the services sector (including telecommunication and banking), followed by industry (including construction). Export growth provided much of the momentum in the catching-up process in Central European countries. Due to FDI and subcontracting relations (some parts of products were produced in new member state, the car industry is a good example, e.g. Porsche Cayenne after few years of subcontracting in Slovakia will be the first Porsche completely produced outside Germany in 2015), this growth had a spill-over effect and fostered growth in the original Member States.

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<sup>28</sup> Golden Growth, Restoring the lustre of the European economic model, World Bank, 2011

**Table 3: Real GDP per capita (€ per inhabitant) <sup>29</sup>**

Country	2004	2013	Progress	Rank
<i>EU (27 countries)</i>	22200	23300	+4.85%	
<i>Luxembourg</i>	62700	62400	-0.5%	<i>1 in EU</i>
<b>Bulgaria</b>	2800	3800	+35.71%	12
<b>Cyprus</b>	18000	16400	-8.9%	1
<b>Czech Republic</b>	9600	11300	+17.71%	4
<b>Estonia</b>	7600	9600	+26.32%	5
<b>Hungary</b>	8400	9000	+7.14%	7
<b>Latvia</b>	5200	7100	+36.54%	10
<b>Lithuania</b>	5800	8500	+46.55%	9
<b>Malta</b>	11900	13800	+15.97%	3
<b>Poland</b>	6200	8600	+38.71%	8
<b>Romania</b>	3600	4600	+27.78%	11
<b>Slovakia</b>	6700	9500	+41.79%	6
<b>Slovenia</b>	13800	14800	+7.26%	2

Source: Eurostat

The table above shows the progress made by new member states since 2004. EU made a progress and during the period 2004-2013 increased this indicator by 4.85%. Luxembourg is the EU leader in this category in spite of being more-or-less stagnating during the period.

The comparison of the amount of EU pre-accession funds coming to new member states with the amount of financial loans shows the importance of the EU aid during the pre-accession period.

<sup>29</sup> GDP includes goods and services that have markets (or which could have markets) and products which are produced by general government and non-profit institutions. For measuring the growth rate of real GDP, the GDP at current prices are valued in prices of the previous year and the thus computed volume changes are imposed on the level of a reference year; this is called a chain-linked series. Accordingly, price movements will not inflate the growth rate. Real GDP per capita is calculated as the ratio of real GDP to the average population of a specific year. It is often used as an indicator of how well off a country is, since it is a measure of average real income in that country. However, it is not a complete measure of economic welfare. For example, GDP does not include most unpaid household work. Neither does GDP take account of negative effects of economic activity, like environmental degradation. Real GDP per capita is based on rounded figures. Discrepancies in tables between totals and percentages are due to rounding

The pre-accession funds were in size fully comparable with commercial loans in new member states. According to the EC Publication on Enlargement in 2001, ten new member states (except of Malta and Cyprus) received in total 2759 MEUR of EU support (PHARE 1380 MEUR, SAPARD 520 MEUR, ISPA 859 MEUR) compared to total loans of 5025 MEUR (EIB 2938 MEUR, EBRD 1376 MEUR, World Bank 711 MEUR).

The figures in the box above are an indicator that could be related to the PHARE impact on the economic growth of the new member states.

Regarding individual countries except of Cyprus all new member states were doing better than the average of EU-27. The best progress during the period was done by Lithuania, Slovakia, and Poland. The three best countries in absolute numbers are Cyprus, Slovenia, and Malta. Hungary due to smaller progress has fallen from the place 5 to the place 7. Together, with figures mentioned above, it's possible to state that the EU membership positively influenced new member states performance in this category. Without the integration and a relevant and quite substantial EU support it is possible to conclude (although hypothetically) the economic growth of the new member states would be much slower.

As described above the PHARE support was even from the size point of view comparable with for example loans from IFIs. Additional to that PHARE contributed to the transformation of the institutional culture (according to all interviewed persons) and logically the impact of the money invested was therefore multiplied by more developed social capital. PHARE supported the development in this area among others by strengthening relevant institutions, like for example FDI agencies, SME agencies, Export Development agencies etc. These agencies are still existing and adapting to the new challenges.

For example the Euro Info Point in Hungary under the umbrella of the Ministry of Economic Development has promoted massively the Private sector and since 2009 it took part into the Enterprise Europe Network

It must be noticed there was no SME sector in the former socialist countries and the transition period and PHARE especially provided a huge support to its development. The network of Business and Innovation Centres and Regional Advisory and Information Centres covered all territory, provided counselling, training, and financial services. Many business study visits were organised, trade fairs supported, many commercial contacts established. Industrial parks were built to offer modern and adequate possibilities to perspective investors. The legislation became in line with the relevant acquis chapters and providing the framework for the further economic development. In Hungary for example the offshore legislation had to be abolished in 2004, and although there is no exact report about what happened with experienced professionals, most probably they found new positions in either private or state sector. After the accession the corporate strategy of investors reacted on the new situation but did not change dramatically that is proved by many specific examples.

Some foreign companies moved from Slovakia to Romania (like Japanese Yazaki ) but the exodus of investors was not dramatic at all. The Eurozone was a good reason to vast majority of companies investing in Slovakia to stay in the country and even to expand the production. Regarding other countries the gap between the business environment in Slovakia and for example the Ukraine showed to be bigger than expected and therefore not influencing negatively the situation related to FDI in Slovakia.

**Table 4: Dispersion of Regional GDP per inhabitant<sup>30</sup>**

Country	2004	2011	Progress	Rank
<i>EU (27 countries)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	
<i>Malta</i>	<i>4.7</i>	<i>4.3</i>	<i>-0.4</i>	<i>1 in EU</i>
<b>Bulgaria</b>	30.9	45.5	+14.6	11
<b>Cyprus</b>	n.a.	n.a.	n.a.	n.a.
<b>Czech Republic</b>	24.8	26.2	+1.4	4
<b>Estonia</b>	44.3	42.1	-2.2	9
<b>Hungary</b>	37.8	44.0	+2.2	10
<b>Latvia</b>	45.4	36.9	-5.5	7
<b>Lithuania</b>	23.4	24.8	+1.4	3
<b>Malta</b>	4.7	4.3	-0.4	1
<b>Poland</b>	32.4	34.9	+2.5	5
<b>Romania</b>	30.3	40.0	+9.7	8
<b>Slovakia</b>	29.2	35.2	+6.0	6
<b>Slovenia</b>	21.3	21.6	+0.3	2

Source: Eurostat

With EU accession the new Member States have obliged themselves to implement the principle of the free movement of goods within the Union. Consequently the regulatory framework of product legislation needed to be transposed. A wide range of PHARE projects have facilitated the development of Government administrative capacity in the policy areas of standardization, conformity assessment, accreditation, metrology, market surveillance and customs. In particular, PHARE projects on behalf of customs organisations facilitated the fight against smuggling of excise goods, and the training of criminal services in their fight against VAT frauds.

In the sector “Internal Market”, PHARE support was extended to various types of projects, such as

- Technical Assistance (e.g. the facilitation of introducing a particular piece of European product legislation),

<sup>30</sup> The dispersion of regional GDP (at NUTS level 3) per inhabitant is measured by the sum of the absolute differences between regional and national GDP per inhabitant, weighted with the share of population and expressed in percent of the national GDP per inhabitant. The indicator is calculated from regional GDP figures based on the European System of Accounts (ESA95). The dispersion of regional GDP is zero when the GDP per inhabitant in all regions of a country is identical, and it rises if there is an increase in the distance between a region's GDP per inhabitant and the country mean

- Twinning (the transfer of know how between analogous Government agencies – e.g. laboratory accreditation boards- of various countries) and
- Supply (i.e. the financing the procurement of certain infrastructures and hardware for Government agencies, e.g. the furnishing of market surveillance institutions with the necessary measurement instruments).

Regional disparities are an issue in new member states. In 2011 only Latvia, Estonia, and Malta succeeded in decreasing them compared to the situation in 2004. Bad situation remains in Bulgaria, Hungary, and Estonia. Malta is the best performer probably due to the small size of the country. Slovenia and Lithuania are doing also quite well.

PHARE supported the establishment of network of Regional Development Agencies, equipped them, and trained their staff. Plus PHARE financed operational costs of the Agencies for quite a few years. Among other the industrial parks must be mentioned as a support of regional development.

The achievements in the economic development in new member states having a base in the pre-accession times are illustrated by many success stories.

An excellent enlargement success example is Škoda Auto. The automaker from the former Czechoslovakia, began as a bicycle manufacturer. The collapse of communism left Škoda in a difficult position. Its products were based on obsolete Soviet-era technologies and faced a wide technological, design, and quality gap with Western competitors. Lada-AutoVaz, an automaker in the Russian Federation, was in a similar state. Škoda was acquired by the Volkswagen Group, which revamped its product range. Škoda is now the entry brand of a global group. It produces five times as many cars as in 1990, generating profits for its parent, and employs nearly 25,000 workers. Lada, on the other hand, still produces cars that are not competitive in the bigger European market.

Emerging Europe has a unique feature: a large share of its net debt positions originate in parent banks and firms extending credit lines to their subsidiary operations, due to the tax and regulatory advantages of such credit lines. When subsidiaries in emerging Europe are confronted with financial difficulties, however, not only is the capital base of their subsidiaries able to provide a buffer against negative shocks, but also parent banks and firms have been willing to convert these credit lines into capital (World Bank 2011).

In Eastern Europe, enterprises recovered from the transition and in many cases generated employment rapidly. Productivity patterns show that Western Europe has largely succeeded in keeping pace with other advanced economies. Eastern Europe impressively increased in its productivity, while the EU15 North and Continental countries also benefited from eastward outsourcing of labour-intensive activities.

The enlargement of the EU has involved the accession of countries whose per capita GDP was substantially lower than the EU average. However, the dynamics of their growth immediately before and after accession was higher than that of old Member States. The regional disparities are still very problematic. In two thirds of new member states the regional disparities are growing.

PHARE has had two main priorities, namely institutional and capacity building and investment financing. The scale of investments has increased all over the Enlargement countries and productivity growth, in terms of innovation and enterprises, has been also affected by PHARE<sup>31</sup>.

Under the Europe Agreements, trade between the EU and the countries of central Europe grew rapidly, not least because these countries reoriented their trade away from the markets of the former

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<sup>31</sup> World Development Indicators

Soviet Union's Council for Mutual Economic Assistance (CMEA). As their single largest source of trade, assistance and investment, the EU soon became the main economic partner for the countries of the region. Indeed, as early as 1994, the EU had become the most important market for exports originating in the region, absorbing more than half of the total.

In most new Member States, EU accession gave an impetus to their export activity. During the investigated decade, Hungary, Estonia, Slovakia and Poland were more export-oriented than the countries of the Euro area. The financial crisis of 2008 has clearly reduced this type of export, but immediately afterwards all new Member States have dynamically increased their exports (see Annex 4, Figure 5).

During the decade preceding the accession, foreign direct investment (FDI) has arrived to Central and Eastern European countries dynamically, but unevenly. There was a clear concentration of FDI in the three largest economies (Poland, Hungary and Czech Republic), which in 2004 absorbed almost 80 % of the total accumulated inward foreign direct investment stocks.

FDI has significantly contributed to the fact that between the years 1997 and 2005 the stability of the economies of the newly acceding countries has substantially improved, and converged to those of the old Member States. In particular, the enlargement countries have significantly reduced their inflation rate, interest rates and budget deficit, while somewhat increasing their indebtedness.

Regarding the FDI there was a stable and dynamic progress in all new member states during 2001-2012. Investors appreciate very much stable political situation and therefore they were motivated to come to relevant countries already before the EU accession. This together with the PHARE supporting among others FDI structures and incentives based upon individual national priorities went to increase substantially FDI in the new member states. All of them reached higher Inward FDI stocks in % of GDP than EU-27 average that was 31 in 2012 (see Annex 4, Table 2 Inward FDI stocks in % of GDP).

The study of the World Bank has done a comparison of emerging Europe within itself and with other regions:<sup>32</sup>

„Why is emerging Europe different from other regions such as East Asia and Latin America? The evidence presented in this chapter points to institutional anchoring as the unique strength of the European model of finance for countries that begin their entry into this club. This is related to the European Union. The expectation that institutions will converge to the structures that can already be seen in Western Europe appears to be enough to spur growth. This link between foreign savings and growth has been found to be weak in other parts of the world—it has been difficult to prosper with someone else's money. But emerging Europe is for the most part different. Foreign savings have made possible the pursuit of investment opportunities.

What helped some European economies get more out of such large international financial flows than other countries in the region? The crisis shows that this convergence is an opportunity, not a guarantee. It should be noted, excesses and resource misallocation also took place. Thus, to benefit from the institutional-anchoring aspects of EU membership, structural reforms are needed to persuade markets that the vision will become a reality. “

## **Innovation**

This part focuses among others (see more in Annex 4) on the expenditures on research and development (Table 5), the turnover from innovation (Table 6) and the energy intensity of the economy (Table 7).

There was no relevant statistics on young entrepreneurs during the pre-accession period. The reason could be that after a non existence of the private sector in Eastern Europe there was a need to

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<sup>32</sup> Golden Growth, Restoring the lustre of the European economic model, World Bank, 2011

motivate all age groups to consider starting private businesses. The establishment of many new SMEs fits together with a need to innovate and to be successful in a relevant competitive market.

According to statistics from 2011, there is a high correlation between the overall share of companies innovating and the share of SMEs innovating (0.85). The EU country with the largest share of companies innovating overall is Germany (close to 80 percent). The lowest proportion of innovating companies, as well as innovating SMEs, is in the transition economies of Eastern Europe: Latvia, Poland, Hungary, Lithuania, Bulgaria, and Romania.

The share of companies collaborating with others is also consistent across all firms and the subpopulation of SMEs (correlation of 0.81). Top EU performers are the United Kingdom, Denmark, Belgium, Estonia, and Slovenia. The least cooperation takes place in Romania, Latvia, and Bulgaria.

**Table 5: Total R&D Expenditure <sup>33</sup>**

Country	2004	2012	Progress	Rank
<i>EU (27 countries)</i>	1.83	2.08	+0.25	
<i>Denmark</i>	2.48	2.98	+0.50	1 in EU
<b>Bulgaria</b>	0.49	0.64	+0.15	10
<b>Cyprus</b>	0.37	0.46	+0.09	12
<b>Czech Republic</b>	1.2	1.88	+0.68	3
<b>Estonia</b>	0.85	2.18	+1.33	2
<b>Hungary</b>	0.88	1.3	+0.42	4
<b>Latvia</b>	0.42	0.66	+0.24	9
<b>Lithuania</b>	0.75	0.9	+0.15	5-6
<b>Malta</b>	0.51	0.84	+0.33	7
<b>Poland</b>	0.56	0.9	+0.34	5-6
<b>Romania</b>	0.39	0.49	+0.1	11
<b>Slovakia</b>	0.51	0.82	+0.31	8
<b>Slovenia</b>	1.39	2.8	+1.41	1

Source: Eurostat

R&D investments and patent counts are the measures of innovation used most in enterprise-level studies linking innovation with productivity. The leading countries in business investment in R&D are also the leading countries in patent counts.

<sup>33</sup> The indicator provided is GERD (Gross domestic expenditure on R&D) as a percentage of GDP. "Research and experimental development (R&D) comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications" (Frascati Manual, 2002 edition §63)

Compared to the old member states the new ones spend rather smaller amounts on the research and development. The exceptions are Slovenia, Estonia and the Czech Republic that are comparable with the EU-27 average.

PHARE support in this area was not so significant. For example grant schemes for innovative SMEs can be mentioned as one of few focused tools in this aspect. PHARE heritage in the area of innovations is broader and relates to the social capital built with the help of EU financial assistance. Huge numbers of people were trained and offered possibilities to gain experiences from abroad and therefore the base for “change agents” was established and a source of innovations secured. Unfortunately the governments in the relevant countries due to financial constraints did not increase budgets for innovations sufficiently enough. Since there is no data available on the total number of people that received training, there is just estimation possible. Based upon the experiences of the Slovak Evaluation Society there were about 30 000 people in Slovakia trained, coached or otherwise educated during the PHARE period (the average of 100 such people estimated per 1 MEUR). In all new member states the estimation is at least 500 000 people who received training. Innovative schemes were introduced to promote new thinking at local level on local employment problems. PHARE in such a way impacted on the early transformation of the labour markets. The living standards in new member states increased.

**Table 6: Turnover from Innovation** <sup>34</sup>

Country	2004	2010	Progress	Rank
<i>EU (27 countries)</i>	13.7	13.4	-0.3	
<b>Slovakia</b>	19.2	23.4	+4.2	1 in EU
<b>Bulgaria</b>	12.5	7.6	-4.9	9
<b>Cyprus</b>	5.6	14.7	+9.1	3
<b>Czech Republic</b>	15.5	15.3	-0.2	2
<b>Estonia</b>	11.9	12.3	+0.4	6
<b>Hungary</b>	7.0	13.7	+6.7	5
<b>Latvia</b>	5.1	3.1	-2.0	12
<b>Lithuania</b>	9.7	6.6	-3.1	11
<b>Malta</b>	22.2	7.4	-14.8	10
<b>Poland</b>	13.5	8.0	-5.5	8
<b>Romania</b>	16.6	14.3	-2.3	4
<b>Slovakia</b>	19.2	23.4	+4.2	1

<sup>34</sup> This indicator is defined as the ratio of turnover from products new to the enterprise and new to the market as a % of total turnover. It is based on the Community innovation survey and covers at least all enterprises with 10 or more employees. An innovation is a new or significantly improved product (good or service) introduced to the market or the introduction within an enterprise of a new or significantly improved process

<b>Slovenia</b>	14.3	10.7	-3.6	7
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Source: Eurostat

This indicator relates to the flexibility of companies to react quickly on market demands, Slovakia and Czech Republic are leaders in this aspect. Both countries are world leaders in car production per capita and it can be one of reasons why their businesses have to perform innovations very fast.

The areas of education, training, youth and culture are primarily the competence of the Member States. However, during EU accession the new Member States have obliged themselves to participate in the cooperation framework on education and training policies in order to approximate national policies. This includes the preservation and promotion of cultural diversity, and the establishment of the legal, administrative and financial framework which is necessary to implement youth Community programmes (e.g. Leonardo da Vinci Programme). PHARE funds were instrumental in achieving the above goals and there are many success stories as an evidence.

Some examples:

- The PHARE programme subsidized the Tempus programme in the 1990s which after 2006 was instrumental in supporting the process of higher education reform in the countries of Central and Eastern Europe. In particular the introduction of the Bologna Process in new Member States was implemented by the Tempus institutions that have been set up by PHARE.
- The PHARE Programme has supported the reform of higher education and science by various measures. PHARE programmes such as the "Multi-Country Phare in Higher Education Program " were instrumental in introducing and improving quality assurance activities in various universities (e.g. in Hungary).
- Centers of Strategic Competence were established at various universities subsidized from PHARE funds (e.g. in Estonia). The activities of such Centers focus on gene technologies, information technology, environmental technologies, and materials sciences.
- PHARE projects provided grants for the attaining professional training courses at universities and other educational institutions of Government Agencies (e.g. in Malta).
- Universities in all PHARE countries have been repeatedly the beneficiaries of various Cross-Border projects.
- A wide range of elementary schools were beneficiaries of PHARE supported Information Society development programmes and obtained access to ICT networks. (e.g. in Hungary)

This indicator benefits from the social capital gained also from PHARE support. Only people prepared and open to changes can come with new ideas and solutions. During the PHARE period about 500 000 people were trained and many of them logically became involved in innovations in different sectors of the society.

During the pre-accession period and even later, the relevant decision makers (and logically out of them many that were well trained by PHARE) prepared and managed a number of important sectoral reforms.

Poland's education reforms as another example of a side effect are considered a great success supporting the innovations. By restructuring schooling, deferring tracking in secondary education, launching curriculum reform, and boosting school autonomy, between 2000 and 2009, Poland rose from below to above the OECD average in the OECD Programme for International Student Assessment reading scores.

**Table 7: Energy Intensity of the Economy**<sup>35</sup>

Country	2004	2012	Progress	Rank
<i>EU (28 countries)</i>	166.9	143.2	-23.7	
<i>Ireland</i>	98.4	82.8	-15.6	<i>1 in EU</i>
<b>Bulgaria</b>	866.2	669.9	-196.3	12
<b>Cyprus</b>	190.1	167.0	-23.1	2
<b>Czech Republic</b>	465.5	355.4	-110.1	9
<b>Estonia</b>	551.6	481.0	-70.6	11
<b>Hungary</b>	306.6	268.7	-37.9	4
<b>Latvia</b>	382.2	328.6	-53.6	7
<b>Lithuania</b>	474.6	291.6	-183	5
<b>Malta</b>	196.2	147.7	-48.5	1
<b>Poland</b>	388.6	298.7	-89.9	6
<b>Romania</b>	515.9	378.8	-137.1	10
<b>Slovakia</b>	512.7	329.3	-183.4	8
<b>Slovenia</b>	259.2	227.7	-31.5	3

Source: Eurostat

New member states are still very much energy demanding compared to the rest of the EU. It probably relates to the character of economy that in many cases is energy intensive.

Leaders in this indicator are Malta and Slovenia (Cyprus is kept out since its economy is not very energy-intensive). Bulgaria is still facing some challenges in spite of the significant improvement during the period 2004-2012.

With EU accession, candidate countries have obliged themselves to apply EU environment policy which aims to promote sustainable development and protect the environment for present and future generations. PHARE projects have helped these countries to implement preventive actions, to apply

<sup>35</sup> This indicator is the ratio between the gross inland consumption of energy and the gross domestic product (GDP) for a given calendar year. It measures the energy consumption of an economy and its overall energy efficiency. The gross inland consumption of energy is calculated as the sum of the gross inland consumption of five energy types: coal, electricity, oil, natural gas, and renewable energy sources. The GDP figures are taken at chain linked volumes with reference year 2005. The energy intensity ratio is determined by dividing the gross inland consumption by the GDP. Since gross inland consumption is measured in kgoe (kilogram of oil equivalent) and GDP in 1 000 EUR, this ratio is measured in kgoe per 1 000 EUR.

the polluter pays principle, to fight environmental damage at source, to share responsibility with a wide range of stakeholders, and to integrate environmental protection into other policies. The new Member States have harmonized their legislation with over 200 major legal acts of the Acquis, covering horizontal legislation, water and air quality, waste management, nature protection, industrial pollution control and risk management, chemicals and genetically modified organisms (GMOs), noise and forestry. A wide range of the above regulatory fields were accompanied and facilitated by PHARE.

Compliance with the Acquis required significant investment. PHARE was instrumental in launching Supply projects in order to meet the needs of enforcing organisations.

PHARE also supported energy efficiency (e.g. of buildings) by various measures e.g. by setting up loan funds for this purpose (e.g. in the Czech Republic and in Slovakia).

Examples of PHARE supported projects in the environmental field are as follows:

- Protecting the habitats of birds
- Developing the institutional framework of hydromorphological monitoring
- Developing an information system for nature conservation
- Facilitating the implementation of the Water Framework Directive

PHARE supported various Energy Saving Funds (for example in Slovakia in the cooperation with the EBRD) and many related programmes and projects within the sector of Environment. However, it must be said that due to economic transformation many of former socialistic factories collapsed and the decrease of the energy demanding production happened naturally.

New member states are fairly behind the rest of the EU in the expenditures on research and development and in energy saving production.

As the Google success story unfolded, another was in the making in tiny Estonia. In 2003, four Estonian programmers, along with a Swedish and a Danish entrepreneur, founded Skype. A U.S. venture capital firm, Draper and Company, provided seed capital and further investments before eBay took over the company in 2005. Despite ups and downs and disputes among the founders and subsequent owners, the company was sold for \$8.5 billion to Microsoft in 2011. Skype's success demonstrates that Europe can produce young, innovative companies.

Greenhouse gases constitute a group of gases contributing to global warming and climate change. The EU is signatory of the Kyoto Protocol, an environmental agreement adopted by many of the parties to the United Nations Framework Convention on Climate Change (UNFCCC) in 1997 to curb global warming, which covers greenhouse gases.

During the investigated decade, greenhouse gas emissions of new Member States have either stagnated or moderately decreased. The total emission of PHARE countries has decreased by 7%, while emission of the total of EU28 has decreased by 13%. The observed decrease of greenhouse gases was partly attributable to measure of environmental policies, and partly to autonomous market processes leading to deindustrialisation.

During the investigated decade, the biggest polluter of greenhouse gases was and remained Poland, where the economy relies to a large extent on coal (see Annex 4, Figure 10).

Most EU countries motivate the production of electricity from renewable sources by contractual guarantees of purchasing electricity at a guaranteed price. The use of renewable energy for heating and cooling is promoted through various subsidies, loan schemes and through exemptions for building owners from property tax.

During the investigated decade, the share of energy from renewable sources has gradually and significantly increased in the new Member States.

Regarding the share of renewable energies, the performance of Baltic countries, Romania and Malta is significantly better than the EU average (see Annex 4, Figure 11).

The Baltic States have narrowed the gap with the United States in access to venture capital and in the quality of science and universities. But even they still depend on decisions in Brussels to address the weaknesses in the single market for modern services. Constraints are exacerbated by Europe's sluggish labour markets, which slow the adoption of new technologies and the shift in effort from old and stagnant to new and growing sectors.<sup>36</sup>

## Labour

This part focuses among others (see more in Annex 4) on the total employment rate (Table 8), unemployment of young people (Table 9) and the risk of poverty (Table 10). The basic question is whether new member states provide sufficient amount of jobs in general and especially to young people and whether the risk of social exclusion is growing.

An important fact is that the decrease in labour force participation varies considerably across European countries. The main reason is that fertility rates in Europe range from around 1.2 to 1.5 in the Eastern, Central, and Southern European countries, to 1.6 to 2.0 in the Benelux and Northern European countries. This is lower than the demographic replacement rate of 2.1 required to keep the size of the population stable.

Given the low participation rates in many European countries, there is room to improve and to stem some of the decline of the European labour force. To encourage people to participate, incentives for work must be aligned to ensure that work pays for both the employee and the employer. This could require, among other policy reforms, significant changes on labour taxation and social benefit design.

Women constitute 50 percent of the working-age population, and they are increasingly more educated—more than men among younger cohorts—than men. Even if their entry into the market in larger numbers does not produce the payoff in additional workers that increasing the retirement age does, it could have a large productivity payoff. Increasing female labour force participation would require interventions that allow women to better juggle multiple roles by providing, for example, child care facilities and flexible work arrangements.<sup>37</sup>

**Table 8: Total Employment rate (in %) <sup>38</sup>**

Country	2004	2013	Progress	Rank
<i>EU (27 countries)</i>	67.4	68.5	+1.1	
<i>Netherlands</i>	74.9	76.5	+1.6	<i>1 in EU</i>
<b>Bulgaria</b>	60.1	63.5	+3.4	11

<sup>36</sup> Golden Growth, [Restoring the lustre of the European economic model](#), World Bank, 2011

<sup>37</sup> Golden Growth, [Restoring the lustre of the European economic model](#), World Bank, 2011

<sup>38</sup> The employment rate is calculated by dividing the number of persons aged 20 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey. The survey covers the entire population living in private households and excludes those in collective households such as boarding houses, halls of residence and hospitals. Employed population consists of those persons who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent

**Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia**

<b>Cyprus</b>	74.9	67.1	-7.8	6
<b>Czech Republic</b>	70.1	72.5	+2.4	2
<b>Estonia</b>	70.6	73.3	+2.7	1
<b>Hungary</b>	62.1	63.2	+0.9	12
<b>Latvia</b>	69.3	69.7	+0.4	4
<b>Lithuania</b>	69.0	69.9	+0.9	3
<b>Malta</b>	57.9	64.9	+7.0	8-9
<b>Poland</b>	57.3	64.9	+7.6	8-9
<b>Romania</b>	63.5	63.9	+0.4	10
<b>Slovakia</b>	63.7	65.0	+1.3	7
<b>Slovenia</b>	70.4	67.2	-3.2	5

Source: Eurostat

Just the Baltic States and the Czech Republic are above the EU-27 average. Poland made the most significant progress during the period 2004-2013. Hungary is the worst in this category.

Under the Labour Market sector many related PHARE projects were implemented. PALMIF (Pro-Active Labour Market Intervention Fund) supported pilot projects in the area of employment of vulnerable and marginalised groups. For example in Slovakia PALMIF supported in three rounds about 50 projects focused on improvement of the Roma community living conditions, women entrepreneurs, former alcoholics employment, prisoners, former drug addicts etc. Each round finished with a closing discussion forum in which participants presented their projects in front of ministerial staff and decision makers, EU Delegation representatives, media representatives, evaluators etc. This instrument helped to prepare relevant institutions and professional staff for EQUAL initiative. Also the development patterns related to incomes varies in different enlargement countries. The GINI index is a suitable tool to compare EU member states<sup>39</sup>. According to the table, the GINI index in EU-28 was 30.6 in 2012. In the same year Slovenia had the lowest (23.7) and Latvia highest (35.7) GINI index. For an illustration among OECD countries, Iceland had the lowest (24) and Chile highest (50) GINI index.

All new members of the European Union decided to introduce legislated minimum wages compared to several older members that do not have legally binding minimum wages. An effective minimum wage is secured through the collective bargaining process in Austria, Denmark, France, Germany, Italy, and Sweden. Generally, legislated minimum wages in the European Union's new members are considerably lower than the legislated or effective minimum wages in the older member states. Over the past decade, however, these have been on a clear upward trend. Since 2000, the minimum wage as a percentage of average wages has risen fastest in Bulgaria and the Czech Republic.

Using the OECD's measure of the strictness of employment protection the least restrictive conditions for employers are in Denmark, Hungary, Ireland, and the Slovak Republic.

<sup>39</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tessi190>

**Table 9: Unemployment Rate by age group – less than 25 years (in %) <sup>40</sup>**

Country	2004	2013	Change	Rank
<i>EU (27 countries)</i>	19.0	23.3	+4.3	
<i>Austria</i>	9.7	9,2	-0.5	<i>1 in EU</i>
<b>Bulgaria</b>	24.3	28.4	+4.1	10
<b>Cyprus</b>	10.2	38.9	+28.7	12
<b>Czech Republic</b>	20.4	18.9	-1.5	3
<b>Estonia</b>	23.9	18.7	-5.2	2
<b>Hungary</b>	15.5	27.2	+11.7	8
<b>Latvia</b>	20	23.2	+3.2	6
<b>Lithuania</b>	23.1	21.9	-1.2	5
<b>Malta</b>	16.6	13	-3.6	1
<b>Poland</b>	39.6	27.3	-12.3	9
<b>Romania</b>	21.0	23.6	+2.6	7
<b>Slovakia</b>	33.4	33.7	+0.3	11
<b>Slovenia</b>	16.1	21.6	+5.5	4

Source: Eurostat

For an explanation, the table above contains in the “Change” titled column positive figures when the youth unemployment goes up and negative ones when it goes down and therefore the situation improves. Poland improved the most during the period 2004-2013. Malta, Estonia, and the Czech Republic are the leaders in this category. Cyprus worsened by almost 30 percentage points and together with Slovakia ranked the last. In both countries the unemployment of young people seems to be an issue.

PHARE covered in some cases also the employment of young people. A good example is the PHARE project in Hungary aiming at the integration of the Roma youth. Young people were targeted for example by few projects motivating them to participate in parliamentary elections. The important systematic measures on the national level were also not supported and therefore the issue was somehow forgotten as it was in the EU itself.

<sup>40</sup> Unemployment rates represent unemployed persons as a percentage of the labour force. The labour force is the total number of people employed and unemployed. Unemployed persons comprise persons aged 15 to 74 who were: a. without work during the reference week, b. currently available for work, i.e. were available for paid employment or self-employment before the end of the two weeks following the reference week, c. actively seeking work, i.e. had taken specific steps in the four weeks period ending with the reference week to seek paid employment or self-employment or who found a job to start later, i.e. within a period of, at most, three months.

Despite overall success in increasing student enrolment, the quality of education needs to be improved. The picture of education quality in Europe is diverse. For some countries (Bulgaria and the Czech Republic), the performance in cognitive tests worsened between 2006 and 2009. Worrisome for labour market outcomes, upper secondary and tertiary education students may be graduating with the wrong skill sets<sup>41</sup>. There is evidence that after the transition, the obsolescence of technical skills was not addressed and that vocational education systems have not performed well. As a result, employers today often assert that it is difficult to find graduates with adequate technical skills.

The movement of people within the European Union is one of the Four Freedoms, and probably the one that comes most immediately to the average European and when asked why the European Union is important. The Eurobarometer survey in 2005 showed that European citizens view geographical mobility positively. Yet, a large majority (almost 70 percent) had no intention of moving in the near future. However, this may be changing. The same survey showed that mobile Europeans are younger and have higher levels of education than those who have no intention of moving. In these respects, they are similar to mobile people in many countries, both wealthy and poor. Students in Europe are among the most mobile, enthusiastically taking advantage of such cross-border education programs as Erasmus. For many, these programs lead to longer-term resettlement

**Table 10: People at Risk of Poverty or Social Exclusion (in %) <sup>42</sup>**

Country	2005	2012	Progress	Rank
<i>EU (27 countries)</i>	25.7	24.8	-0.9	
<i>Netherlands</i>	16.7	15.0	-1.7	1 in EU
<b>Bulgaria</b>	n.a.	49.3	n.a.	12
<b>Cyprus</b>	25.3	27.1	+1.8	7
<b>Czech Republic</b>	19.6	15.4	-4.2	1
<b>Estonia</b>	25.9	23.4	-2.5	5
<b>Hungary</b>	32.1	32.4	+0.3	8
<b>Latvia</b>	46.3	36.2	-10.1	10
<b>Lithuania</b>	41.0	32.5	-8.6	9

<sup>41</sup> Golden Growth, Restoring the lustre of the European economic model, World Bank, 2011

<sup>42</sup> The Europe 2020 strategy promotes social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and social exclusion. This indicator corresponds to the sum of persons who are: at risk of poverty or severely materially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. At risk-of-poverty are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). Material deprivation covers indicators relating to economic strain and durables. Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone. People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year.

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<b>Malta</b>	20.5	23.1	+2.6	4
<b>Poland</b>	45.3	26.7	-18.6	6
<b>Romania</b>	n.a.	41.7	n.a.	11
<b>Slovakia</b>	32.0	20.5	-11.5	3
<b>Slovenia</b>	18.5	19.6	+1.1	2

Source: Eurostat

The Czech Republic is the leader in this category and its performance is fully comparable with the Netherlands that is the best EU country in this aspect. Slovenia and Slovakia are also doing quite well and Poland is the country with the best progress. In Romania and Bulgaria almost half of their inhabitants are at the edge of poverty or worse.

The Czech Republic is also leading in all three analysed categories in the tables above and therefore is the best performer in the respective field. Poland made substantial progress and deserves attention. Romania, Bulgaria, and Slovakia are the countries that, based upon the results mentioned in the tables above, should focus more on future improvements.

PHARE did a good job in supporting the Civil Society in the countries during their accession process. Foundations for Civil Society were established and together with other big donors supported various projects relevant to the issue. PHARE was one of instrumental tools to educate first social workers, managers of social projects and to promote social work in the public.

For the future European labour market, potential labour sources are immigrants, women and Roma population. For example, in Bulgaria and Romania, the share of the Roma working-age population with at least some secondary education is 60 percentage points lower than that of the non-Roma. Not surprisingly, there are also significant gaps in the labour force participation of the two groups, especially among women. In some countries, the Roma could be a quarter of labour market entrants in the near future. Helping them become more productive is not only a matter of social inclusion, it could also increase economic growth.<sup>43</sup>

During the 1990s, the Central and Eastern European countries were faced with sharp decline in employment and a rapid increase in unemployment. These dramatic changes were mostly the result of structural adjustments associated with the transition to a market economy and the loss of the export markets of the former socialist countries. Fast transformation of economy leading to problems related to a high unemployment challenged a lot also the pre-accession funds including PHARE. PHARE reacted by a design of relevant interventions such as a support to preparation of proper strategies and legislation for relevant ministries, support (both in the terms of equipment and technical assistance) to networks of labour offices and support to specific projects trying to improve the labour market situation (in the form of grant schemes).

There are still many challenges related to the European labour market. Undoubtedly, the European Union is the most integrated region in the world, and migration between EU countries is higher than in other world regions. The European ambitious aim is a fully integrated labour market with no borders. Against this yardstick, Europe still falls short. Significant challenges to improving labour mobility, even within European countries, remain. The social costs supporting the mobility should be increased. But the costs related to education, housing, and health care can and should be reduced.

However, according to the World Bank the average retirement age in some EU countries is lower than what would be economically efficient. Long-term unemployment of some groups could also be

<sup>43</sup> Golden Growth, Restoring the lustre of the European economic model, World Bank, 2011

a problem from the long-term perspective. Pro-active behaviour of unemployed people should be motivated. Even in the case of optimistic scenario of the labour market development, Europe would not be able to prevent its labour force from aging and future EC policies should reflect it.

## **Government**

This part focuses among others (see more in Annex 4) on the ease of doing business (Table 11), economic freedom (Table 12), and corruption perception (Table 13). Enlargement has significantly contributed to the improvement of the business climate and enhanced economic freedom, however, the impacts on the level and the perception of corruption are controversial. Even more important is the need and a capacity to reform.

**Table 11: Ease of doing business**

<b>Country</b>	<b>2013 Rank in the world</b>	<b>Rank</b>
<b>Bulgaria</b>	58	9
<b>Cyprus</b>	39	5
<b>Czech Republic</b>	75	11
<b>Estonia</b>	22	2
<b>Hungary</b>	54	8
<b>Latvia</b>	24	3
<b>Lithuania</b>	17	1
<b>Malta</b>	103	12
<b>Poland</b>	45	6
<b>Romania</b>	73	10
<b>Slovakia</b>	49	7
<b>Slovenia</b>	33	4

Source: World Bank

EU top countries in the ranking are: 5<sup>th</sup> Denmark, 10<sup>th</sup> United Kingdom, and 12<sup>th</sup> Finland; 189 countries were analysed in total. The Baltic States are leading in institutional framework of doing business. The Czech Republic and Malta are the worst.

As mentioned before, PHARE was instrumental in supporting relevant institutions. It financed many studies and analytical works, its experts came up with proposals for legislative improvements. From the comparative table above it is obvious that some countries lost momentum and the development of their businesses to be more competitive became slower.

Another characteristic of the business development, which facilitates the adoption of existing technologies from abroad, is the distance from the frontier. As we get further from the frontier, the business climate is likely to worsen and the private sector become less sophisticated, such that even the best of ideas will yield limited fruit. The table above shows an interesting trend, that the Baltic States are leaders in the respective indicator most probably because of their taking-on and being

closely influenced by good business ideas from Scandinavian countries and using even the advantage of a close cooperation with their businesses.

**Table 12: Index of Economic Freedom**

Country	Rank in the world	2014	Progress	Rank
Bulgaria	61	65.7	+0.7	10
Cyprus	47	67.6	-1.4	5
Czech Republic	25	72.2	+1.3	3
Estonia	11	75.9	+0.6	1
Hungary	51	67	-0.3	7
Latvia	42	68.7	+2.2	4
Lithuania	21	73	+0.9	2
Malta	58	66.4	-1.1	9
Poland	50	67	+1.0	6
Romania	62	65.5	+0.4	11
Slovakia	57	66.4	-2.3	8
Slovenia	74	62.7	+1.0	12

Source: Heritage Foundation

EU top countries in the rank are: 9<sup>th</sup> Ireland, 10<sup>th</sup> Denmark, and 11<sup>th</sup> Estonia; 178 countries were analysed in total. Estonia, Lithuania, and the Czech Republic are leading this category. Slovenia, Romania, and Bulgaria are the worst. Slovenia ranking 74<sup>th</sup> in the world is surprising.

PHARE financial support helped in a strategic transition towards a market economy in new member states (except of Malta and Cyprus). It supported all relevant institutions and covered geographically all related regions. Different institutions and their networks were established and new important legislation drafted and approved. PHARE helped new member states in positive developing of all indicators covered by the Index of Economic Freedom, from property rights to entrepreneurship. The functioning market economy was established and the new member states rank quite high among 186 analysed economies in 2014.

**Table 13: Corruption Perception Index**

Country	2004	2013	Progress	Rank
Bulgaria	54	77	+23	12
Cyprus	36	32	-4	2

**Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia**

<b>Czech Republic</b>	51	59	+8	9
<b>Estonia</b>	32	28	-4	1
<b>Hungary</b>	42	47	+5	7
<b>Latvia</b>	57	50	-7	8
<b>Lithuania</b>	45	43	-2	4
<b>Malta</b>	25	45	+20	6
<b>Poland</b>	69	39	-30	3
<b>Romania</b>	89	71	-18	11
<b>Slovakia</b>	58	61	+3	10
<b>Slovenia</b>	33	44	+11	5

Source: Transparency International

The transition to the market economy has profoundly changed the relationship between public and private stakeholders, which in many post-socialist countries has contributed to the spreading of new forms of corruption. The issue of corruption is regularly reported by Transparency International and therefore is a useful tool to monitor the progress (for example in the ranking 2014 there were 177 countries analysed, while 146 countries were analysed in 2004)

EU top countries in the rank in 2014 are: 1. Denmark, 3. Finland and 4. Sweden, showing a clear leadership of Scandinavian countries in this respect.

From the new member states, Estonia, Cyprus, and Poland ranked on first three places. Poland has significantly improved, jumping from 69<sup>th</sup> to 39<sup>th</sup> place in the world ranking during the period 2004-2013.

The fight against corruption relates with a good governance, that means a successful management of public institutions and funds. Public procurement, government size and red tape costs, and a capacity to reform are important and relevant issues.

PHARE was very helpful in former socialist states to come up with a transparent and systematic public procurement. In spite of some criticism PRAG as a public procurement tool was considered as useful help in increasing the transparency.

Red tape cost is another interesting, relevant indicator worth of further studying. The methodology of the estimation also varies but without any doubt the costs on administrative burden are understood as a serious issue for the future. For example, in March 2014 George Psyllides published an article on the red tape cost in Cyprus which was estimated 1 billion EUR a year. The electronic governance seems to be one option how to reduce the high red tape costs in Cyprus. Issues related to red tape must be addressed with caution, but in many countries the Commission services have entered into a constructive dialogue with the Member State to increase the efficiency of the calls and programmes. A somewhat related matter is the fact that a great deal of the legislation with which the Managing Authorities have to work was put in place only recently. This new legislation was transformed to be compatible with the *acquis*, but it has not yet been tested against reality. The gradual adaptation of

this legislation to be in phase with not only the *acquis* but also the overall national context and the need for efficient absorption is a lengthy process.<sup>44</sup>

The differences among Eastern European countries are according to the World Bank less striking than the ones for Western Europe. Nevertheless, taking the EU New Member States as an example, the need for substantial reform is evident.

Although the EU New Member States are according to the World Bank poorer than the EU12 countries, their government size (measured as government spending as a share of GDP) is about the same. The government size declined in the EU12 from the mid-1990s to the late 2000s, but increased in the candidate countries. Spending on pensions, health, and education as a share of GDP is higher in the EU New Member States than in the EU12 and eastern partnership countries.

However, governments of New Member States have repeatedly shown a capacity to reform in areas like pension, public debt ratios, health etc.

### **Socio, Economic and Institutional Impact of the Enlargement Process – Conclusions**

The proportion of EU population living in the New Member States of the enlarged EU was 16.1%.

Public institutions have substantially developed in the New Member States supported by EU accession. The PHARE programme was especially instrumental in driving the development. This laid the basis for attracting sizeable capital inflows (in particular FDI), which in turn fostered additional institutional and policy advancement.

The 2004-2007 enlargement of the EU made the European Union a bigger and more competitive trade bloc in global comparison. In 2007 the EU was the world's largest trader in 2007, with the amount of import of 18.0% and export of 16.8% of the world's total amount.

Trade between old and new member states grew almost threefold in less than 10 years preceding the 2004 and 2007 enlargements and fivefold among the new members themselves.

Central and Eastern Europe grew on average by 4% annually in the period 1994-2008. It is estimated that the accession process itself contributed almost half to this growth e.g. 1.75 percentage points per year over the period 2000-2008. The economic dynamism of these countries generated three million new jobs in just six years from 2002 to 2008.

Growth in the acceding countries contributed to growth in the old member states through increased investment opportunities and demand for their products. It contributed 0.5 percentage point to cumulative growth of EU-15 in 2000-2008.

A larger single market is more attractive to investors: Foreign direct investment from the rest of the world to the EU has doubled as a percentage of GDP since accession (from 15.2% of GDP in 2004 to 30.5% of GDP in 2012) with the enlarged EU attracting 20% of global FDI. The EU15 FDI stock in EU12 reached €564 billion in 2012, 357% up from 2007.

Of course it cannot be stated that PHARE itself was the only reason for the development of new member states. But it was an important part of a solid base that together with political, institutional and professional efforts, lead to many positive impacts.

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<sup>44</sup> EU Structural and Cohesion Funds: How to raise the absorption capacity of new Member States, Brussels, 10 June 2008

### 3.3. Synergies between Accession Strategy, Policy Dialogue, and Financial Assistance

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

The PHARE programme, the main legal instrument for the provision of EU/EC technical and financial cooperation to support the substantial process of reforms by the countries of Central and Eastern Europe, was established by the EU in December 1989. A specific EU/EC instrument for the provision of assistance to Cyprus and to Malta was established by the EU in March 2000. Limited institution building assistance was also provided to the twelve countries under the temporary Transition Facility.

Overall, the financial assistance provided to the twelve countries achieved a reasonable level of coordination and alignment with the reforms that the individual countries were undertaking, as these evolved over the period from 1990 to the accession of the twelve countries to the EU (2004 and 2007).

#### **Coordination and alignment of PHARE with the reforms – the ‘demand-driven’ approach**

PHARE was initially designed as a ‘demand-driven’ instrument, responding to the priorities/needs as identified at the time by the beneficiaries in light of their individual plans and pace for pursuing transformation from a communist economic and state administrative system. This approach was clearly relevant and appropriate, reflective of the reality that the magnitude of the reforms that the individual Central and Eastern Europe countries were undertaking at the time was substantial, as well as reflecting the political uncertainties on both sides (the EU and the individual countries) as to the evolution of future relations, and therefore the clear political imperative for a full partnership approach. While the individual countries welcomed their “return to Europe” after the enforced Cold War period of European division, and were clearly interested to ensure their closer integration and association with the EU, notably in terms of trade and investment opportunities so as to support their economic integration and development, it was only in March 1994 that the one of the Central and Eastern Europe country (Hungary) officially applied for EU membership, and in 1996 when the final two applied (Czech Republic, and Slovenia). For the EU, while encouraging and financially supportive of the process of stabilisation and of the reform efforts the countries were undertaking, it only clearly recognised the countries had potential EU membership ambitions in June 1993, and a comprehensive strategy for preparing the accession of the countries to the EU thereafter adopted in December 1994.

The individual countries were requested to establish a senior-level National Aid Coordinator (NAC) to oversee the provision of PHARE support to the country, including in the identification of the countries’ priorities/needs for consultation with the EC (prior to final decision of the EC, after consultation with the PHARE Management Committee, on the granting of financial assistance). In order to provide a medium-term perspective for the reform actions the countries were encouraged to prepare sectoral reform strategies, later advanced into national development strategies and or public investment programme, to guide the provision of EU/EC assistance as well as that of the wider donor community.

A significant, initial focus for the PHARE assistance was therefore justifiably provided to support the process of policy analysis, the preparation of options papers and reform plans (for subsequent implementation) by the beneficiaries in priority sectors. These were utilised to guide the programming of second wave PHARE sectoral reform programmes, as well as larger-scale investments facilitating economic and trade development, infrastructure development, intra-regional cooperation and integration into Trans-European Networks, toward which PHARE funding was progressively also focused from 1994/1995. In addition, reflecting the clear interest of the countries to support private sector and trade development and closer integration with the EU’s internal market, there was also an increased focus of the PHARE support from 1993/1994 in such areas as, e.g. customs, statistics, standards, conformity assessment, metrology, industrial and intellectual property rights, etc., as well initial support targeted to assist in the approximation of the countries legislation with the EU *acquis*.

Overall, the coordination and alignment of the financial assistance with the reforms of the beneficiaries under the ‘demand-driven’ approach was reasonable, addressing the priorities/needs linked to the

transformation phase of the reforms through to the progressive consolidation of development reforms, to the development of their economic and trade regulatory systems based on the European model, standards and norms. Additionally, the second wave sectoral reform programmes were largely coherent and effective in building on the results of the earlier actions.

The key limitation to the 'demand-driven' approach, due to its individual sectoral policy approach (with a single ministry and its subordinated agencies the main beneficiary), was the partial remnant in the ex-communist countries of a 'silo-oriented' mentality to governance: notably in terms of the 'need' for a ministry to secure its 'fair share of the pie' over the 'competing' demands of other ministries regardless of overall national priorities/needs, and a reluctant approach to cooperation of an inter-ministry or inter-agency nature, e.g. between separate economic development agencies, for FDI, for export promotion, for SME development, which in part regarded other such agencies as 'competitors'. After a period of time the approach also led, in part, to the creation of a regular group of beneficiary clients. The 'silo-orientation' also (negatively) facilitated the hesitancy of many of the countries to initially consider also the cross-sectoral aspects of their reforms, e.g. via the development of government-wide standards as part of public administration reform (such as for human resources management, civil service qualifications, ethics policy, or for IT systems security and data protection standards), judicial reform, combating corruption, etc. These issues were traditionally only, substantially, supported from the mid/late-1990s. The delayed attention to such cross-sectoral development issues also, by definition, meant that only the institutions receiving sectoral programmes were supported in their policy and operational reforms, ignoring even the basic management reform needs of the wider range of governmental bodies.

#### **Coordination and alignment of PHARE with the reforms – the 'accession-driven' approach**

Reflecting the stage of progress of the countries, and the evolution of the relationship and the goal and strategy of the EU and the individual countries to prepare for eventual membership in the EU, the PHARE programme was reoriented in 1997/1998 to an 'accession-driven' instrument, which clearly enhanced the focus and relevance of the assistance in terms of the overall objective of the support being to prepare the countries to meet the requirements and undertakings of EU membership. The 'Accession Partnership' (adopted by the Council of Ministers) and the NPAA (by each beneficiary country) were key instruments of the pre-accession strategy, bringing together the full range of issues to be addressed by each country to comply with the accession criteria, including in the sectoral *acquis*.

While overall achieving a clearer coordination and alignment of the financial assistance with the real priorities/needs of the beneficiaries – i.e. the need that they achieve compliance with all of the criteria for EU membership, including in regard all sectors of the *acquis*, prior to accession to the EU – a partial weakness in terms of coordination and alignment so as to ensure the effectiveness, impact, and sustainability of the assistance, was the variable level of planning and strategic vision provided across the different *acquis* sectors within the countries' NPAAs. At times sectoral plans focused on listing assorted analyses to be undertaken, legislation to be considered for amendment or introduction etc., but were far less detailed in terms of identifying related institution building actions that were necessary to establish an operational capacity to administer and enforce the *acquis*. Additionally, the ability of the beneficiaries to plan actions linked to undertaking the reforms in an effective manner on a multi-annual basis was also dependent on the pace of reforms achieved by the country to introduce a multi-annual financial and budgetary perspective, as opposed to the uncertainties of a purely annual budget.

#### **Weaknesses in the coordination and alignment of the financial assistance with the reforms**

The main weaknesses regarding the coordination and alignment of the financial assistance with the reforms, in terms of the effectiveness, impact, and sustainability of the assistance/reforms related to:

- The significant variability in the design of the main programming documents and the extent of preparatory analysis and planning undertaken by the beneficiary institutions, as well as variability in the application of quality control standards by the beneficiary NAC services and by the Commission linked to the *ex-ante* review of programmes/projects. The effectiveness,

impact, and sustainability of the assistance was clearly affected by the variable nature of the programming documents, both in terms of implementation of the assistance and in the measurement of its performance. Common weaknesses in the programme design included:

- Deficiencies of the programmes/projects in respect to 'SMART' intervention objectives or 'SMART' indicators of achievement, notably so in terms of the objectives and the indicators being Specific, Measurable, or Time-bound. There were many cases where a clear confusion existed for programmers as to the different levels in the hierarchy of intervention objectives, notably so between project results and project purpose / immediate objective. The timeline for the chain of development effects/goals – objectives and indicators – should have been more strictly demarcated: i.e. Results/ Outputs = achieved by the project during implementation; Immediate Objective(s) = achieved on project completion or the immediate short-term after; Wider Objective(s) = the medium- (1-year) to longer-term (3-years) outlook post-completion.
- The formulation of objectives and indicators was also, generally, weaker at the level of the Wider Objective(s), which often lacked a Specific medium-term focus to which support should contribute, e.g. 1 or 3 years after project completion, within the context of the longer-term achievement of the strategic objectives linked to meeting the criteria for EU membership.
- Additionally, there was only limited attempt to utilise a series of sectoral core indicators of achievement at the intervention levels of results/outputs, outcomes, and impacts, thereby limiting the capacity of programme/project managers to assess the cost-effectiveness of the different sectoral interventions. Too rarely did the results/outputs include indicators to support progress monitoring during the years provided for project implementation. Too rarely was related baseline data provided, posing some risks for the future assessment of achievement.
- Additionally, gaps/weaknesses in the programming framework were also evident in terms of the variable evidence of detailed project risk assessment/planning, both at the level of implementation (efficiency/effectiveness) and post-project planning (impact/sustainability).
- There was also only limited attempt to conduct detailed assessments of the institutional capacity of the beneficiary partners to manage, utilise, and absorb the assistance. A number of administrative capacity constraints were experienced: in the preparation by beneficiaries of technical specifications of adequate quality to launch the procurement process, notably so for Works and grant schemes, in the development of inter-agency cooperation, in the development of complex information technology or integrated management systems, and in the formal adoption/institutionalisation of the delivered results, and in post-project planning.
- The development of programme monitoring and evaluation systems, initially by the Commission and then progressively responsibility transferred to the beneficiary countries, was also a slow and variably successful process in terms of the efficiency and effectiveness of the systems. In part this was due to the relatively limited exposure of the beneficiaries to the functions of monitoring and evaluation as an integral part of the project-cycle, but also reflected the initial tendency of most actors (including the Commission) to focus on the monitoring of on-going actions up to the point of completion, with limited attention to further follow-up, post-project. There were often also delays in terms of ensuring the enactment of agreed management recommendations by the beneficiaries. The efficiency and effectiveness of the monitoring systems set-up and implemented by the beneficiaries (from 1999/2000) were also affected by the variable level of quality, and often excessive length of the monitoring reporting provided, and in terms of reporting systems achieving the appropriate targeting of information to the different levels of programme/project actors and decision-makers.
- The development of an effective partnership and communication with stakeholders as to the reform process was not always given sufficient due attention by the beneficiaries. As the reforms required the achievement of behavioural changes also of the stakeholders this initially

affected the effectiveness and impact of the assistance. Intermediate impact of the assistance was also influenced by the variable level of post-project planning by the beneficiaries.

**What were the weaknesses and strengths of the policy and which ones are specific to the assistance provided?**

The policy and the targeting of the financial assistance progressively evolved in symmetry over the period from 1989 to accession, generally with a good level of synergy between the different strands.

**Strengths of the policy and the financial assistance**

The policy and the financial assistance was implemented in close consultation with the beneficiary countries, based on the principle that the beneficiaries should take responsibility for and ownership of their reform process, its direction and pace, in accordance with their specific development situation, their development goals and aspirations, and capacity. This principle was applied regardless of whether the PHARE programme was 'demand-driven' or 'accession-driven', the beneficiaries were required to play a vital role in the identification of actions and were overall responsible for the successful delivery of the results and the achievement of the intended impacts.

Overall, the policy, as it evolved over the period from 1989, was fully appreciative of the specific dimensions and challenges for the EU and for the individual countries, brought about by the collapse of the communist political system and the return of democracy to the countries of Central and Eastern Europe, and the subsequent process leading to the 'fifth wave' of EU enlargement (in addition to the ten countries of Central and Eastern Europe, also the democratic countries of Cyprus and of Malta). It marked an unprecedented enlargement in terms of its scope, its complexity and its diversity; extending the EU's membership from 15 to 27 countries, and putting to an end the artificial division of Europe.

Regarding the policy of the EU toward the countries, and its evolution over the period since 1989, this was defined by the European Council and the Council of Ministers; the policy of the individual countries (regarding their reforms and aspirations) was defined by their individual governments, as these evolved over the period. A brief summary of the evolution of the policy is presented below:

- In the early-1990s, reflective of the substantial nature of the transformation challenges facing the Central and Eastern European countries, the EU's strategy was to support the stabilisation and transformation efforts that the individual countries sought to undertake on their own path to re-establishing a liberal democratic political system and a free market-oriented economy.
- In 1993-1994 the EU's policy and strategy evolved in terms of the recognition of the potential EU membership ambitions of the countries, the definition of the accession criteria<sup>45</sup>, and the adoption of the EU's comprehensive strategy for preparing the accession of the associated countries to the EU. On the side of the Central and Eastern European countries, policy and strategy increasingly focused on private sector, investment and trade development and their closer integration with the EU's internal market, plus the consolidation of initial reform efforts.
- In 1995-1996 the EU's policy and strategy evolved further, notably in terms of the request of the European Council (Madrid, December 1995) that the EC undertake further evaluation of the effects of enlargement on Community policies, particularly with regard to agricultural and structural policies, that the EC expedite preparation of its 'Opinion' on the applications made [by the countries of Central and Eastern Europe for membership of the EU] and the European Council's reiteration that the accession negotiations with Malta and Cyprus will commence. For the Central and Eastern European countries, official applications for EU membership were initially submitted in 1994 (by Hungary and by Poland), and by mid-1996 all ten of the

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<sup>45</sup> Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic, and monetary union.

countries had formally submitted applications. Cyprus and Malta formally submitted their applications in 1990; Malta froze its application in late-1996, and reactivated them late-1998.

- In 1997-1998 the EU's policy and strategy evolved further, following the adoption in July 1997 of 'Agenda 2000: for a stronger and wider Europe' strategy and the publication of the EC's 'Opinion' on the individual countries application for membership of the EU<sup>46</sup>. On the side of the twelve countries, at the request of the EC, each undertook preparation of its first NPAA (traditionally updated by the countries annually), presenting their development strategy and needs addressing all chapters of the EU *acquis*. Each country, as requested by the EC, also launched the initial preparation of national/regional socio-economic development plans modelled on the EU's rural development, structural development and cohesion policies. The accession process was formally launched on 30/03/1998: this saw the launch of the initial process of analytical examination of the sectoral *acquis* ('screening') with the individual countries, plus the process of negotiation with the countries (initially with six of the countries; negotiations with the other six were launched in 2000).
- In 2002 the negotiations were concluded with ten of the countries, which acceded to the EU as Member States on 01/05/2004; in 2005 negotiations were concluded with the other two countries (Bulgaria, and Romania), acceding to the EU as Member States on 01/01/2007.
- On the side of the EU, its policy toward the countries that acceded in the 'fifth wave' of EU enlargement was also influenced by the internal evolution of the EU over the period: e.g. the launch of the Single Market at the start of 1993, the 'fourth wave' of enlargement at the start of 1995 (EU membership for Austria, Finland, and Sweden), plus the EU's conclusion of a series of Intergovernmental Conferences linked to undertaking further revisions of the EU Treaty.

In order to support and encourage political stability and economic growth in Central and Eastern Europe, EU policy foresaw the negotiation of an Association [Europe] Agreement with each of the countries, including an institutional framework for political dialogue and the gradual and asymmetric establishment of a free trade area over a period of up to ten years (plus the identification of areas where technical cooperation linked to the trade provisions of the Agreements might be focused). These were progressively signed with each of the countries over the period 1991 to 1996, with the trade provisions entering into force as an interim agreement; conclusion of the Europe Agreement with Slovenia was delayed by differences over the need for amendments to Slovene real estate legislation; Association Agreements with Cyprus and Malta entered into force in the early-1970s.

The framework provided by the Europe Agreement, supported via regular meetings of the Interim Association Committees and Council, was utilised by the beneficiaries to support the early identification and prioritisation of their needs linked to the trade provisions. This was increasingly reflected in the programming of the PHARE assistance to the beneficiaries from 1993/1994. The targeting of PHARE assistance linked to preparations for the approximation with the Single Market *acquis* was also greatly facilitated by the issuing of the Commission's White Paper of 1995 on the 'Preparation of the Associated Countries ... for Integration into the Internal Market of the Union'.

Additionally, policy dialogue in the form of the analytical examination of the sectoral *acquis* ('screening') greatly enhanced the overall understanding of the beneficiaries as to the detailed objectives, technical operation and the development of the *acquis*.

### **Weaknesses of the policy and the financial assistance**

However, there were partial weaknesses in terms of the creation of an effective synergy of the policy strands. Most significant was the potential for a disconnect between the policy dialogue and the programming of the financial assistance, with these in many cases undertaken, at the technical level, with different units and persons within the beneficiary institutions – policy dialogue was primarily

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<sup>46</sup> The EC's 'Opinion' on the application of Cyprus was issued in June 1993; the EC's 'Opinion' on the application of Malta was issued in June 1993, and an updated 'Opinion' was issued in February 1999 following Malta's decision to re-activate its application for membership in the EU in autumn 1998.

undertaken at the technical expert level, programming of foreign assistance usually via a form of coordination unit. Thereby ensuring clear synergy between the two strands, so as to effectively target the assistance, was in part dependent on the effective communication between the units and/or a clear line of action to ensure synergy being defined by senior management and decision-makers – this was an issue for the countries at the sectoral or the national level, as well as in terms the level of communication achieved between the EC services (DG Enlargement and other partners). Additionally, the extent to which in-depth implementation of the policy strands was undertaken on the ground, in-country, was greatly determined by the capacity (financial and staffing) of DG Enlargement to establish a fully functional EC Delegation in the individual countries; achieved in terms of set-up and operational staffing levels to support decentralised implementation only over the period 1990 to 1999.

A further weakness of the overall policy, at the wider level of the coordination of the donor community support for the reforms, was the initially variable level of coordination and synergy achieved in-country. In part this was a reflection of the timing of the EC's establishment of an EC Delegation, to lead donor coordination (as per the Commission's mandate on behalf of the G-24), as well as the sometimes limited interest or staffing capacity of the beneficiaries to take fuller ownership of the process so as to guide donor coordination. However, it was also reflective of the initial focus of coordination often only at the level of basic information-sharing, rather than the development of donor synergy, coordinated and aligned with the beneficiaries' stated national development priorities/goals.

#### **Strengths and weaknesses specific to the financial assistance**

Specifically with regard the financial assistance, a clear strength of the PHARE programme was its adaptability (in terms of the transition of its focus, plus the development of delivery instruments), serving to meet the different demands of the beneficiaries over a period of almost two decades, through the processes of transformation, pre-accession, and post-accession *acquis* consolidation.

For instance, as the development needs and goals of the beneficiaries evolved it was necessary to advance the range of delivery instruments for operation under PHARE available to the countries, notably to cover clear gaps in respect to supporting public sector reform and the closer integration and eventual preparation of the countries for accession to the EU. Notably, the TAIEX and Twinning instruments were utilised to mobilise a wide range of expertise from the EU Member States' officials to facilitate reform and accession preparations, some of which were maintained by the Twinning partners via post-project bilateral cooperation. Additionally, while TAIEX and Twinning were initially designed in the context of PHARE, they have since been expanded for use also beyond the enlargement region.

For instance, it was wise to provided targeted PHARE support under the Catch-Up Facility (1997-1999), beyond the standard annual National Programme support, to those countries initially judged, in 1997, as still needing to achieve significant further progress prior to the opening of negotiations for membership; three of the five did successfully catch-up so as to accede in 2004, two of those have since also joined the euro and the third will do so at the start of 2015. Equally, it was wise to provide PHARE support under the Large Scale Infrastructure Facility (1998-1999) to the countries in order to support their preparation of the capacity to identify, prepare, manage, and deliver such projects, for which significant EU/EC funding for the countries was planned, over the period 2000-2006, under an additional pre-accession instrument, the ISPA (Cohesion Policy type actions), rather than via PHARE.

Similarly, in view of the scale of the reforms undertaken to ensure compliance with the criteria, requirements and obligations of EU membership, so as to enjoy the full benefits, it was wise to provide limited assistance to the new Member States (via the Transition Facility) to ensure that their institutional and administrative capacity was also supported in the immediate post-accession period, when the entire set of systems and capacity was first fully tested to demonstrate the actual competence to administer and enforce the *acquis* as a Member State.

Furthermore, a clear strength was the ultimate capacity for the programming process to find a suitable mix between a multi-annual sectoral or sub-sectoral approach, for agreed priority reform areas, alongside that of also supporting the undertaking of smaller-scale reform needs, potentially also over

the medium-term, or the undertaking of potentially one-off project-based actions. Whereas the initial period of the PHARE programme was sectoral reform-based, with a General Technical Assistance Facility (GTAF) supporting pre-identified medium-term assistance sectors and actions, this still excluded many, smaller institutions from initially receiving support for reform. After a period of time the approach also led, in part, to the creation of a regular group of beneficiary clients. While the move to a purely project-based approach, utilised for PHARE between 1998 and 2003, allowed for the extension of support to a wider range of institutions, the approach could not guarantee a medium-term perspective for the support, and the annual programming process in-country was thereby frequently inefficient due to the sizeable number of beneficiaries competing for projects (and thus undertaking some level of pre-identification and/or detailed pre-preparation) as compared to the extent of the PHARE grant available; for some beneficiaries the annual programming of potential projects while still being at the early stages in the implementation of related projects programmed in previous years. The inefficient excess of over-programming was, in part, addressed by the reintroduction of a multi-annual sectoral or sub-sectoral approach for the PHARE programme, in agreed priority sectors, in Bulgaria and Romania for the final period of the programme's support (2004-2006), providing greater certainty in the priority sectors that future project funding would be available on the basis of achieved results.

In addition, the inefficient excess of over-programming was also, in part, addressed by the reintroduction of a GTAF-type mechanism (now an Unallocated Institution Building Envelope) for the provision of smaller-scale support to institutions. However, in most cases this was indeed purely an envelope, with scant consideration during the programming exercise of even basic priority actions that might be presented for support. Thus, while designed to be a flexible mechanism, including for urgent, unforeseen issues (such as identified as weaknesses via the process of accession negotiations), the mechanism at times, perversely, was inefficient in the contracting of EC-grant due to the lack of basic needs assessment and the resultant search for beneficiaries with credible projects to be supported.

The main weaknesses of the financial assistance related to the significant variability in the design of the main programming documents, as well as variability in the application of quality control standards (by the beneficiary NAC services and by the EC), plus the limited attempt to conduct detailed assessments of the institutional capacity of the beneficiary partners to manage, utilise, and successfully absorb the assistance (as detailed in the previous Evaluation Question).

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

The most sustainable results were achieved linked to reforms closely related to building capacity for the administration and enforcement of the EU *acquis*, reflecting that this is a basic requirement of the beneficiaries as EU Member States, delivering socio-economic public benefits, and that legal remedies exist at the EU level for prompting recalcitrant states to address deficiencies in their transposition, implementation, and enforcement of the *acquis*. Sustainability of the results exists in terms of the legislation, institutions, human resources, and tools etc. delivered, and the capacity of the beneficiaries to further develop these to reflect further developments with the *acquis*, including European Court of Justice case-law, and corresponding national reform priorities in the sector.

Furthermore, sustainable results were notable where the institutionalisation of the results of training support was considered as a core result to be achieved, via the continual integration of training programmes and skills provided under individual projects into the longer-term development of an in-house training capacity and tools, e.g. distance-learning, e-learning, professional training, etc..

In addition, a number of institutions were established to promote policy reforms in public policy areas where the European standards and norms are more loosely defined, partially by the *acquis* (or EU Treaty) but more often in terms of common principles and values and via the shared knowledge of good practice (e.g. public administration, public expenditure management); recognising that each EU Member State has its distinct cultural, historic, administrative and legal systems, and traditions. These institutions and reform actions have, largely, continued to deliver sustainable results, although in some

countries political consensus and/or will to maintain and finance the reform process remains to be problematic, with external pressure still necessary in terms of the Commission's provision of its assessment of the National Reform Programmes etc. prepared by each of the EU's Member States.

Via the investment projects in the area of economic and social cohesion, regional development, and Cross-Border Cooperation, the sustainable results consist of the physical infrastructure as operated post-project, while many of the grant scheme mechanisms piloted under PHARE were either continued post-accession under the Structural Funds or were utilised by the beneficiaries to shape the design of further or more appropriate mechanisms under the Structural Funds.

A clear strength of the institution building and reform assistance was the strategic approach that often prevailed in terms of the planning of reforms, utilising PHARE for the initial scoping of strategy and the development of medium-term action plans, for which assistance could then be programmed in later annual allocations to support the development and enactment of reform measures and with the subsequent further evolution of strategy and medium-term goals. Although not consistently applied, it was also effective to ensure that practical pre-conditionality was established for projects, notably so where these were follow-up to previous actions, for which certain steps for adoption should be fulfilled.

Generally, the programmes delivered an appropriate mix of delivery instruments to achieve the reform goals, combining services (TA, Twinning / Twinning Light, and TAIEX), supply, works, grants, etc., for which services were initially provided solely via TA, but the additional, beneficial instruments were developed in order to ensure the better targeting of services supporting *acquis* and administrative reforms, via the provision of peer-to-peer advice largely from EU Member State officials and experts. The combination of the Twinning / Twinning Light, and TAIEX instruments provided a full set of possibilities for beneficiaries to access such support, to cover short-term through to long-term, for which introduction of Twinning Light completed the suite in terms of medium-term support. In addition to offering highly targeted support, Twinning Light also made it easier for smaller-staffed, specialist institutions, as well as smaller-sized countries (in population terms and thus size of the civil service), to access such peer-to-peer advice; a number of such agencies or countries had struggled to fully exploit and absorb the minimum 12 months support provided via the regular Twinning instrument.

#### 4. Overall Conclusions (Lessons Learned)

**What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

The main lessons learned in terms of the performance of the assistance with relevance to IPA are:

##### Programming Framework

- Overall, there was a good level of synergy created between the accession strategy, policy dialogue, and the financial assistance provided to the twelve countries acceding to the EU in the fifth wave of enlargement. The framework provided by the criteria for EU membership, the Europe Agreements, the Accession Partnerships, the Regular Reports etc. provided a coherent approach for the focusing of the financial assistance in accordance with the priorities subsequently defined by the beneficiaries for further consultation with the Commission. The main weakness of the framework was the potential disconnect between the policy dialogue and the programming of the financial assistance, with these in many cases undertaken, at the technical level, by different units and persons within the beneficiary institutions. In order to ensure clear synergy between the two strands, so as to effectively target the assistance, information linked to the findings and recommendations of sectoral policy dialogue meetings (e.g. association sub-committees, or linked to the analytical examination of the *acquis*) should be reflected in programming documents.
- The reintroduction of a partial sectoral or sub-sectoral, multi-annual approach in the programming of assistance, alongside the programming of annual assistance also via a project-based approach, was positive. It provided opportunity for programmers to establish greater clarity in the setting of objectives and clear targets or milestones to be progressively achieved across the multi-annual period, in the agreed priority sectors, as well the opportunity to improve the synergy, coherence, coordination, and sequencing of the assistance. The approach provided greater certainty that funding to complete strategic reforms would be available, when justified by results. The approach also allowed for the greater utilisation of pre-conditionality to ensure that the reforms were subsequently adopted, progressively rolled-out, and reforms further developed.
- In all areas of support (e.g. actions promoting institution building linked to the *acquis*, including related investment support, socio-economic and/or regional development, etc.), the programming framework was clearly strengthened by the existence of a medium-term strategic or Action Plan defining the wider parameters of the reform actions being undertaken by the beneficiary. This not only demonstrated the potential level of ownership, it also facilitated the programming of the EU assistance, which formed part of the wider reform effort enacted and financed by the beneficiary, and also provided a perspective for the take-up and sustainable follow-up of actions linked to the EU projects. PHARE provided support to the beneficiaries to establish (and implement) a strategic approach to the process of development reforms and project design across the programme's lifetime. In addition to major projects, the programming process traditionally, wisely, also made support available to beneficiaries for smaller-scale sectoral project actions, or exploratory studies, financed under mechanisms such as the Project Preparation Facility, Technical Assistance Facility, Unallocated Institution Building Envelope, etc.
- The main weakness in the targeting of the financial assistance related to the initial lack of vision of most of the countries to address major cross-sectoral administrative and operational aspects of their reforms. Lacking clear ownership or political direction, the initial PHARE support in the areas frequently delivered proposed reform strategies but failed to build stakeholder consensus.

##### Preparations for the Adoption of the *Acquis*

- The process of detailed analytical examination of the *acquis* ('screening') greatly facilitated the process of understanding of the beneficiaries as to the objectives and operation of the *acquis*. This was launched with all of the twelve countries in 1998 regardless of whether accession negotiations had been opened with the beneficiary at that time (they were not for five of the

Central and Eastern European countries). This was essential in terms of supporting all of the beneficiaries in terms of enhancing their knowledge of the *acquis*, and thereby the further framing of the sectoral strategies and the National Programme for the Adoption of the *Acquis* (NPAA).

- Whereas the NPAs were reasonably detailed in terms of listing assorted analyses to be undertaken, legislation to be considered for amendment or introduction etc., the initial drafts were usually far less detailed in terms of identifying the range of institution building or investment actions necessary to establish an operational capacity to administer and enforce the *acquis*. [The first NPAs were submitted in early-1998, prior to the launch of ‘screening’]

### **Project Design**

- A further weakness of the financial assistance related to the significant variability in the design of the main programming documents and the extent of preparatory analysis and planning undertaken by the beneficiary institutions, as well as variability in the application of quality control standards by the beneficiary and the Commission linked to the *ex-ante* review of programmes. [A number of the most common weaknesses in the design of actions are highlighted in Section 3.3]
- It would have been appropriate if projects were supported by a detailed institutional assessment of the beneficiary’s capacity – management structures and staffing linked to the project – to effectively utilise the assistance. Recognising that the programming phase of the EU’s financial assistance usually starts one-to-two-years prior to the delivery of the support, this would have provided beneficiaries time to address potential capacity constraints to manage projects.
- The introduction of the requirement that technical documentation dossiers should be provided within a specified time, e.g. six-months after signature of the Financing Memorandum, so as to allow for the early launch of procurement, was not entirely successful under the PHARE programme, due to the variable level of enforcement by the Commission in the different countries.
- The development of an effective partnership and communication with stakeholders as to the reform process was not always given sufficient due attention by the beneficiaries. As the reforms required the achievement of behavioural changes also of the stakeholders – be it inter-agency cooperation between governmental bodies, or sectoral cooperation between governmental bodies at the regional and local levels, or cooperation with professional, economic, social and civil partners, etc. – this initially affected the effectiveness and impact of the assistance.

### **Post-Project Planning**

- The intermediate impact of the assistance was also influenced by the variable level of post-project planning undertaken by the beneficiaries, e.g. key follow-up actions to be completed, investments to be undertaken, milestones, targets to be met over the short- to medium-term.
- The institution building actions were aided by the attention, when provided by beneficiaries, to ensure the institutionalisation of and the sustainability of the benefits provided via the training elements of the assistance via its integration within an in-house training capacity and tool-set.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

First of all the definition of any area to be evaluated is a complex process, as there is a need to decide what is meant by “border region”.

Provided that we define the term “border region” as a contiguous area of settlements along the state frontier, we may exclude areas which, though a long way away from the frontier, influence cross-border relations significantly or which either flourish or stagnate due to the proximity of the state frontier. The designation of border regions, which seems to overlap that of today’s micro-regions, was proposed for example by Erdosi (“Interim Evaluation of Cross-Border Programmes between Candidate/ Potential Candidate Country (Intra-Western Balkan Borders) under the Cross-Border

Cooperation Component of IPA Report I; Governance Structures and Performance of assistance", 2011).

One of shortcomings of county-level analyses involving counties in the border regions is that they encompass too large area. It is often the case that the remote areas do not influence cross-border relations directly. This holds true for example in the case of the Carpathian Euroregion.

The cross-border co-operation is very much needed and the need for that is the demand for the joint development in the following fields: transfer of technology, environmental protection, area planning, and transport.

When it comes to evaluate these "mirror regions" and their performance, it is the definition of the inner boundaries, that is the biggest headache. First, usually the administrative system is different in each of countries that plan to co-operate. Second, unfortunately, neighbouring regions are not symmetrical either economically or administratively for the pace of the change of the regime of the emergence of market economy was strikingly different.

In reality, very often the neighbouring regions are asymmetrical and this characteristic may cause different problems in the cross-border co-operation.

The experience of the Cross Border Cooperation programmes in general shows that they had some positive impact on improving the quality of life in the border regions, in particular with respect to access and quality of educational, social, and cultural infrastructure. It must be mentioned that Cooperation was using innovative approaches and therefore was very important for the achievement of project results for community integration and development / introduction of common rules, new working methods, skills, practices, procedures, and structures. The main benefits of cooperation were capacity building, awareness raising, confidence/trust building, and establishment of better image of the regions.

However, the absence of in-depth surveys on the challenges in the cross-border regions hampered the development of joint projects with strategic objectives. The creation of networking / cooperation structures was typical for the CBC projects. Majority of such structures were not formalised. Projects, targeted to upgrade or extend existing cooperation structures, were rare, which indicates that beneficiaries had not succeeded to maintain structured relationships. It must be mentioned that many of the projects related more to the development of infrastructure in the border regions rather than truly joint cross-border projects. The learning experience of applicants has been particularly valuable. On the whole PHARE assistance in the CBC sector has strongly helped beneficiary regions to build their capacity to access funding under INTERREG and the mainstream Structural Funds.<sup>47</sup>

The impact of the Joint Small Project Fund grant scheme, which was a common feature for all Cross Border Programmes from 1999, was positively assessed in terms of increasing cross-border cultural, economic, and people-to-people links and networks through numerous non-infrastructure projects. It was also positively assessed for building local capacity of grant beneficiaries in project development and management, which helped to prepare border regions for use of the future Structural Funds. However, over the years the participation of civil society groups under the schemes decreased, and it seemed that the fund had instead become the domain of local government and their agencies.

Sustainability was better in cases of organisations, which provided services to their members or which delivered social services, financed by public budgets. Other important factors of sustainability were the support by local and regional authorities and the broad involvement of local stakeholders.

The programmes usually experienced difficulties in finding partners. When they succeeded in this they were operational but mostly consisted of many soft projects and to a lesser extent of infrastructure ones. Benefits were obvious in the area of know-how transfer and best practices. After accession, the

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<sup>47</sup> Interim Evaluation of Phare Support Allocated in 1999-2002 and Implemented until November 2003

cross-border co-operation improved and became focused on few priority areas. These days especially the environmental projects are increasingly dominant.

Cross border cooperation was notably successful in facilitating the sharing and transferring good practices from one region to another in terms that:

- CBC was a basic tool for establishing a systematic CBC communication and networking.
- CBC went through its learning process and built a necessary pre-conditions for further INTERREG cooperation.
- CBC covered a wide range of activities that resulted from the initial communication and networking.
- CBC became a logical instrument for sharing and transferring good practices from one region to another.
- The best sustainability was achieved in the projects related to legislative cooperation after the EU accession (like for example Austria-Hungary cooperation in the area of Customs) or Environment or Labour market (Poland-Slovakia enhancing the cross border labour force mobility).

## 5. Recommendations

Based on the *ex post* findings and lessons learned linked to the implementation and achievements of the PHARE assistance in supporting the preparations by the beneficiaries to fulfil the conditions for and meet the criteria for EU membership, the following recommendations are provided to the Commission (DG NEAR – DG Neighbourhood and Enlargement Negotiations) linked to the implementation of the present, on-going financial assistance provided by the Commission supporting the EU's enlargement policy, including, where appropriate, the specification of the role of actors other than the Commission:

### **Programming / Project Design**

***(Very Important)***

1. In order to strengthen the planning and programming of the financial assistance, the Commission and the beneficiaries' National IPA Coordinator should further upgrade their guidance to beneficiary partners on the standards for planning of assistance support, and further strengthen their quality assessment and quality control roles. This should address:
  - a. Deficiencies of the programmes/projects in respect to 'SMART' intervention objectives and 'SMART' indicators of achievement, notably so in terms of the objectives and the indicators being Specific, Measurable, or Time-bound.
  - b. The timeline for the chain of development effects/goals – objectives and indicators – should be strictly demarcated: i.e. Results/Outputs = achieved by the project during implementation; Immediate Objective(s) = achieved on project completion or the immediate short-term after; Wider Objective(s) = the medium- (1-year) to the longer-term (3-years) outlook post-completion.
  - c. Indicators of achievement should be set to support progress monitoring during the years provided for project implementation, plus for future evaluation, e.g. the impacts over the medium- (1-year) to the longer-term (3-years) post-completion.
  - d. The utilisation of a set of sectoral core indicators of achievement at the intervention levels of results/outputs, outcomes, and impacts, for which greater use should be made of the Commission's guidance on the range of standard sectoral indicator sets.
2. The Commission and the beneficiaries' National IPA Coordinator should also upgrade their guidance to beneficiary partners on the information to be provided regarding the beneficiary's institutional capacity to effectively manage, utilise, and absorb the support. This should address:
  - a. Project management structures and staffing specifically dedicated to the project.
  - b. Internal management structures for oversight and final decision-making linked to the approval, the adoption and enactment of the results delivered via the assistance.
  - c. A clearly defined timeline for the presentation of technical documentation required to launch the procurement of the support under the programme/project.
  - d. A clear statement of practical pre-conditions to be fulfilled prior to the signature of contracts for the delivery of the assistance, e.g. that inter-institutional Memoranda of Understanding between the institutions concerned are in place, a law adopted, etc.
  - e. A clearly defined risk-assessment and risk-management policy.
  - f. A clearly defined statement on the management of partnership with stakeholders.
  - g. For projects delivering support via the provision of training actions, beneficiary partners should also: either provide information on how the project deliverables will be institutionalised (e.g. via an in-house training capacity, via e-learning tools, etc.), or information (justification) in the case that the deliverables will not be institutionalised.

**Post-Project Planning**

***(Important)***

3. In order to ensure the successful achievement of the short-term and intermediate impacts, beneficiary partner institutions should be required to provide post-project planning information to the National IPA Coordinator, prior to the final completion of the assistance (e.g. 6-months).
4. In order to ensure the successful achievement of the short-term and intermediate impacts, post-project operational reports should also be provided by the project beneficiary (e.g. 6-months or 12-months after project completion) to the National IPA Coordinator. This should be applied for all actions: institution building and investment actions (notably so linked to the development of infrastructure, business and human resources related facilities), via post-project reports on the intermediate impact and sustainability of the support, and the follow-up of out-standing recommendations. Regarding support provided to final users via grant schemes, the assessment of the impacts etc. should be undertaken by the grant scheme implementing agency either via post-project reports (for schemes with a smaller number of final users), or via brief follow-up surveys (for schemes with larger groups of final users).
5. For key institution building projects, notably where the full-scale Twinning instrument is used, a short follow-up mission should also be undertaken (e.g. 6-months after project completion) to assess and make further recommendations as to the follow-up operation of the delivered results and final recommendations. As such follow-up would primarily relate to Twinning projects it would seem practical for it to be provided, as necessary, via the TAIEX instrument.

**Cross-Border Cooperation**

***(Important)***

6. Regarding Cross-Border Cooperation, during the design phase the possible asymmetrical situation should be kept in mind. The Cross-Border Cooperation programmes should be supporting not only the hard infrastructure but also the soft one in terms of the language courses and people-to-people related contacts. The future economic cooperation and labour force migration issues should also be considered in each CBC programming document.

**Integrated Approach for support of the Roma**

***(Important)***

7. Regarding assistance linked to the social inclusion and advancement of persons of Roma origin, there are four main priorities of Roma policy: Health, Housing, Education, and Employment. These priorities should be dealt with in a coordinated fashion, rather than addressing them as separate interventions, in order to increase the chances to be successful during implementation. The attempts to focus on individual priorities separately were constantly failing in a long perspective.

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## Annex 1: Scope of the Evaluation (Sections 1-2 of the ToR)

### *FWC COM 2011 - LOT 1, EuropeAid/129783/C/SER/multi* *REQUEST FOR OFFER N° 2013 / 324179 Version 1*

*Evaluation of PHARE financial assistance to Bulgaria (BG), Cyprus (CY), Czech Republic (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Malta (MT), Poland (PL), Romania (RO), Slovakia (SK), Slovenia (SI)*

#### 1. BACKGROUND INFORMATION

##### 1.1 Beneficiary countries

Bulgaria (BG), Cyprus (CY), Czech Republic (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Malta (MT), Poland (PL), Romania (RO), Slovakia (SK), Slovenia (SI)

##### 1.2 Contracting Authority

European Union, represented by the European Commission on behalf of and for the account of the beneficiary countries: Bulgaria (BG), Cyprus (CY), Czech Republic (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Malta (MT), Poland (PL), Romania (RO), Slovakia (SK), Slovenia (SI).

##### 1.3 Relevant background and current state of affairs

In 1989 the European landscape was transformed dramatically – culminating in the symbolic fall of the Berlin Wall. This created unique momentum for a rapid spread of democracy in Eastern Europe. The EU responded with immediate support for Central and Eastern Europeans by employing the PHARE programme to help these democracies in their modernisation reform.

The PHARE programme was established under Council Regulation (EEC) 3906/89 in December 1989. Originally it stood for "Poland Hungary Aid for the Reconstruction of the Economy". However, it was quickly extended in terms of both countries and budget, and by 1997, 13 Central European Countries (CEECs) had become eligible for PHARE support: Poland, Bulgaria, Hungary, Lithuania, Latvia, Estonia, Czech Republic, Romania, Slovakia, Slovenia, Albania, BiH and the Former Yugoslav Republic of Macedonia (F.Y.R.O.M.).

The PHARE programme was a key tool of the pre-accession strategy and thus played an essential role in the accession process. Its focus evolved over time, starting from its inception as an essentially demand-driven support to the process of transition, and developing, in parallel with the pre-accession strategy, into an entirely accession-driven instrument. The candidate countries contributed to the strategy by preparing National Programmes for the Adoption of the Acquis, which were intended to incorporate Acquis-related issues into the wider frame of national strategies.

During the first years it was the European Union's financial instrument to assist the CEECs in their transition from an economically and politically centralised system to a decentralised market economy and democratic society. PHARE took a new turn after the Copenhagen Summit (June 1993) which confirmed the prospect of EU membership for the CEECs. The Essen Summit (December 1994) designated instead PHARE as the main financial instrument to support pre-accession strategies. Following the publication of the European Commission's Opinions (July 1997) on accession of the candidate member states, the PHARE Programme became fully focused on accession. From 1998 onwards, PHARE programmes were based on Accession Partnerships, which indicate the areas of the *Acquis* (the set of EU legislation and regulations) where candidate countries needed to make further progress in order to pave the way for full membership. PHARE was set up with two main priorities: institutional and capacity-building and investment financing to help the candidate countries to implement their "National Programme for Adoption of the *Acquis*".

In 2000, PHARE was confirmed as the instrument towards preparing the candidate countries for accession (Copenhagen criteria).

This led to the existing Europe Agreements with each of the PHARE countries being further developed to include Accession Partnerships between the Community and each partner. Within these Accession Partnerships each partner identified a Pre-accession Strategy, an Accession Plan and a National Programme for the Adoption of the *Acquis* (NPAA) as instruments to assist them in making the adjustments necessary to achieve the conditions for membership.

In 1999, the action programme Agenda 2000, whose main objectives were to strengthen Community policies and to give the European Union a new financial framework for the period 2000-2006 with a view to enlargement, was launched. It aimed at strengthening pre-accession strategy for applicant countries by setting up two financial mechanisms to complement the PHARE interventions:

- A new pre-accession fund to support investments in transport and environment in the partner countries, the ISPA fund, was introduced and agreed in a Communication to Council and Parliament in 2000. It has been implemented as a part of the cohesion measures in the Commission's Regional Development Directorate.
- The SAPARD fund to support agricultural adjustments was also introduced and agreed in a Communication to Council and Parliament during 2000. Its implementation has been dealt with by the Agriculture Directorate General of the Commission.

The accession of Bulgaria and Romania on 1 January 2007 completed the fifth enlargement of the European Union, following the accession of ten Member States in May 2004. It marked an unprecedented enlargement in terms of scope, complexity and diversity. EU pre-accession payments executed 1990-2006 (in EUR billion) under PHARE were EUR 15.8 billion: EUR 6.8 billion (1990-1999); EUR 9 billion (2000-2006).

Undoubtedly, support to future enlargement faced both deeper and broader challenges. The challenges of meeting the political criteria effectively - for example in relation to human rights and the protection of minorities, the development of civil society and the rule of law, and the fight against corruption - became even greater for future enlargements. In addition, the challenges of assisting potential candidate countries were particularly severe in relation to their socio-economic needs. In this regard the challenges the potential candidate countries particularly faced in their socio-economic development required complementary investment resources from International Finance Institutions and bilateral donors, necessitating close co-ordination of both strategy and funding to a greater degree than in the previous enlargement.

Implementation of country based PHARE support was initially managed from Brussels. However the management was de-concentrated from Brussels to the responsibility of local EC Delegations in the period under evaluation. Decentralised implementation of PHARE, allocating the implementation responsibility to partner administrations, has been increasingly introduced in the partner countries.

The decentralised PHARE model implied the appointment of a National Aid Co-ordinator by the partner Government, the introduction of local structures including a Central Financing and Contracting Unit (CFCU), a local Financial Officer and a limited number of Implementing Agencies.

It is clear that there were two sides to the implementation of PHARE programmes agreed within the Accession Partnership. The Community provided the funding support and the partner should meet the agreed conditions. Day to day liaison on these aspects of the Accession Partnerships has been carried on with partners by the PHARE section in EC Delegations. This dialog was supported by regular (six monthly) meetings of the Joint Monitoring Committees (JMC) with senior level representation from the EC and from the partner Government.

PHARE Monitoring and Assessment, in support of the management of the programme, has been carried out during the period under evaluation by the Organisation for Monitoring and Assessment Services (OMAS consortium). The resulting monitoring and assessment reports provided input to the management of PHARE programmes in the partner countries, in the Delegations and in Brussels. Programmes were monitored and assessed at the level of the Financing Agreements.

In order to ensure the accountability with respect to the value for money and the use of EU funds and to draw relevant lessons learned on impact of the process, the accession strategy and the implementation of IPA in new beneficiary countries, an ex-post evaluation of PHARE is essential. An ex-post evaluation of PHARE, made up of sector and general evaluations, was launched in 2006. It provided some relevant information, but it was at a time in which not all projects had been fully implemented, and when the second stage of the big enlargement wave, the one of 2006, was still on-going. The ex-post evaluation is an important instrument to inform national and regional authorities, the general public, the European Parliament and other stakeholders. The reason of this evaluation is that it can provide further, and more relevant feedback on the impact of PHARE financial cooperation, beyond an initial assessment, of the effectiveness and efficiency, and help identifying the added value and where applicable lessons for the future. It will particularly focus on its relevance in accompanying the

accession policy. Hereby important evaluation considerations for the future concern (a.) the understanding of the impact of the PHARE programmes and (b.) the important switch of emphasis in PHARE after 1997 from a strong sectoral Commission driven focus to an increased focus on assisting partner Governments and their administrations to implement national reforms leading to improvements in the functioning of their administrations at national, regional and local level with onward impact into the various sectors eventually leading to EU membership.

Moreover, this evaluation can try to come up with a broader assessment of the effectiveness and efficiency of the whole policy, looking at the overall socio-economic and institutional impact, at the effectiveness and efficiency of the process, looking at the sequencing of the reforms, at the comprehensiveness of the change, having regard to the full integration of the European values and standards, on the one side, and at the successful economic integration in the European economy and institutional framework, on the other side.

## **2. DESCRIPTION OF THE ASSIGNMENT**

The ex post PHARE evaluation, almost 10 years after the completion of the main wave of enlargement, aims to provide relevant findings, conclusions and recommendations to the Commission by an overall programme evaluation.

It is expected that findings and recommendations of this evaluation will provide lessons learned relevant to the implementation of on-going EU assistance in Enlargement countries, as well as on the sound setting of the policies and the process, looking at the sequencing of reforms, the effectiveness of interventions and the degree to which this process was well accompanied by the financial assistance, in line with the requirements from both art. 30 of the Financial Regulation and the Smart Regulation<sup>48</sup>.

### **2.1 Global objective**

The purpose of the ex post evaluation is to provide: (a) accountability with respect to the value for money and the use of funds; by reporting the findings and conclusions of the evaluation to the institutions of the European Union and to the relevant interest groups of the public at large in all member states (summative evaluation), and (b) lessons learned on financial assistance and the enlargement strategy where relevant.

### **2.2 Specific objective(s)**

The specific objectives of this evaluation are to:

1. Assess the impact and sustainability of PHARE funded interventions.
2. Assess the synergies developed between the accession strategy, the on-going policy dialogue and the financial assistance;
3. Provide lessons learned and recommendations for decision-making on improvements of future financial assistance and policy setting where relevant.

#### **2.2.1 Evaluation Questions**

The evaluation will include a focus on the following questions:

Impact and sustainability of PHARE interventions and accession strategy:

- How effectively had priorities/needs of the countries in the region been translated into programming of assistance based on the priorities identified in country strategy and programming documents?
- Was the path to accession conceived in a thorough way, fully appreciating the specific dimensions and challenges brought about by the Eastward accession?
- Was the financial assistance designed in a way consistent with the policy set out?
- What are the main indicators of the degree of integration of the beneficiary countries into the EU?
- To what extent was the financial assistance effective in achieving the desired results, and what possibly hampered its achievement? Can impacts be sufficiently identified in both qualitative and quantitative terms?
- Did the immediate and intermediate results delivered by the evaluated assistance translate into the desired/expected impacts?
- Were the results achieved, in political, institutional, socio-economic and operational way sustainable, and if not why not?
- Were specific results achieved as unexpected/unintended results of the policy/interventions put in place?

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<sup>48</sup> COM(2010) 543 final

- To what extent were the EC's chosen implementation modalities relevant and efficient?
- To what extent was the support provided by the EC coherent and sufficient?
- To what extent development patterns, institutional and policy behaviours of the beneficiary countries have been affected by the accession process?
- To what extent can the changes having taken place represent the outcomes of the process of reform and economic and political transition put in place by the EU through PHARE?

Lessons learnt and recommendations to an extent relevant and applicable:

- What lessons can be learned from the implementation of the assistance?
- What were the weaknesses and strengths of the policy, and what the ones specific to the assistance provided?
- Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact and sustainability?
- Which type of assistance and reforms achieved the most sustainable results, and what were the reasons for that?
- What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?
- Are there any potential actions/country performance which would improve the efficiency and effectiveness of on-going assistance?
- Are there any actions/country performance which would improve prospects for impact and sustainability of on-going assistance?
- How did Interregional and Cross Border cooperation facilitate the sharing and transferring good practices from one region to another?
- Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?

The final version of the Evaluation questions will be agreed with the reference group at the end of the inception phase.

For each evaluation question at least one appropriate judgement criterion should be proposed, and for each such criterion the appropriate quantitative and qualitative indicators should be identified and specified. This, in turn, will determine the appropriate scope and methods of data collection.

### **2.3 Requested services**

With regard to specific objective 1, the evaluation will cover all PHARE programmes. The evaluators will focus particularly on effectiveness, impact and sustainability of financial assistance.

With regard to specific objective 2, the experts will focus on support provided by the EU in order to gain a full understanding of EU interventions, and particularly where and why they have worked well, and where and why they have worked less well. On that basis, the evaluation will provide relevant recommendations to improve the design, programming and implementation of EU interventions, with the view to improving their relevance, efficiency, effectiveness, impact and sustainability.

The detailed content and focus of the report will be agreed upon with the Reference Group in the inception phase.

The contract will be GLOBAL PRICE.

#### **2.3.1 Suggested Methodology**

DG ELARG's Evaluation guide (attached) and DG Budget's guide "Evaluating EU activities – a practical guide for the Commission Services" provide guidance on good practices concerning conducting an evaluation<sup>49</sup>.

The FWCs [framework contractors] are invited to include an outline of their proposed methodology to undertake this assignment as part of their technical offer, including comments on the evaluation questions and an elaboration on judgement criteria to answer the evaluation questions. The final evaluation questions and methodology for this assignment will be elaborated and agreed upon during the inception phase. Different/complementary methodological approaches (both quantitative and qualitative, like influence analysis) can also be proposed by the consultant to address the different dimensions of the evaluation, aiming to come up

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<sup>49</sup> DG Budget's evaluation guide is available at:  
[http://ec.europa.eu/dgs/secretariat\\_general/evaluation/docs/eval\\_activities\\_en.pdf](http://ec.europa.eu/dgs/secretariat_general/evaluation/docs/eval_activities_en.pdf)

with an estimation of the contribution of the EU policy and implementing programmes to the overall socio-economic and institutional change having taken place.

Whilst the evaluation should have a global representativeness, it is proposed to look more specifically at a sample of two countries, one of the 2004 wave, and one of the 2007 wave.

In general, the evaluation should follow the steps described below:

#### 1) Desk Phase

- Identification of a sample of relevant projects to look at;
- Collection and analysis of relevant documentation, including past evaluations/studies carried out, not only by the Commission, and data;
- Identification of the relevant dataset of indicators to use for the quantitative assessment;
- Completion of the evaluation approach and methodology;
- To establish a list of contacts and sources of data for the field phase;
- To conduct preliminary interviews with relevant stakeholders in Brussels and the countries concerned;
- To prepare and submit a draft inception report, with the purpose:
  - To summarise the objectives, scope and outputs of the evaluation;
  - To provide the final draft of the evaluation questions;
  - To describe the methodological approach, including the judgement criteria;
  - To present a work plan for the field and reporting phases.

#### 2) Field Phase

In this phase, the team will work in the region, and (non-exhaustive list of actions):

- To conduct interviews with selected stakeholders (European Commission Representations in the region, governmental and non-governmental institutions, think tanks, stakeholders) according to the workplan and with special focus on the two countries selected as sample.
- To collect and/or generate data, as agreed in the assessment methodology.
- At the end of the field work, a de-briefing meeting will be organized in Brussels to present preliminary findings, conclusions and recommendations stemming from the field and desk phase and getting relevant feedback.

#### 3) Synthesis Phase

This phase is mainly devoted to the preparation of the evaluation report based on the work done during the desk and field phases, and the outcomes of the briefing meetings held at the end of the field work. The dissemination seminar, as a wider follow-up event, is scheduled at the end of the assignment.

The experts will make sure that their assessment is objective and balanced. The findings should be verifiable and substantiated, and should be presented with the recommendations following a logical cause-effect linkage. When formulating conclusions, the experts should describe the facts assessed, the judgement criteria applied, and how this led to the findings and recommendations.

Recommendations should address the weaknesses and strengths identified and reported. Recommendations should be operational and realistic, in the sense of providing clear, feasible and relevant input for decision making. They should not be general but should address the specific weaknesses identified, clearly pointing out the measures to be undertaken. Recommendations for action will be addressed to the Commission. However, where appropriate, the experts should specify the role of any actor other than the Commission, including beneficiary institutions, in implementing the recommendations.

#### **2.3.2 Reference Group**

The experts will work in close cooperation with the members of an advisory Reference Group. The Reference Group will have the following main responsibilities:

- Guiding the experts during the planning and implementation of the evaluation;
- Assisting the evaluation manager (DG ELARG A3, Inter-institutional relations, Planning, Reporting and Evaluations on the evaluation activities);
- Providing an assessment of the quality of the work of the consultant, including endorsement of the Inception Report, and the final evaluation report.

The Reference Group will include representatives from DIR A, B, C and D of DG Enlargement, DEVCO, REGIO, EMPL, AGRI, ECFIN and from the European Commission Representations.

#### **2.4 Required outputs**

The outputs of the evaluation will be:

(1) An Inception Report.

A kick-off meeting in Brussels will take place at the beginning of the desk phase. The draft Inception Report, covering all regions will be sent to key stakeholders for comments before final endorsement by ELARG A3.

(2) An Evaluation report.

The evaluation report should specifically answer each of the evaluation questions agreed in the Inception phase, and meet all the specific objectives and requested services. The report will include: an executive summary, main section, conclusions and recommendations and annexes. The final outline of the report will be agreed during the inception phase. It will have to cover, tentatively, the following points: Executive Summary; Background; The institutional framework of the accession policy; Socio-economic impact; Institutional impact; The sequencing of reforms; Sustainability of the impact; The missing links; Main findings and recommendations for the ongoing accession process. The draft and final report will be presented and discussed in Brussels.

The content and the format of the final report shall be elaborated and approved in the inception phase. The Contractor should provide an abstract of no more than 200 words and, as a separate document, an executive summary of maximum 6 pages, both in English and French. The purpose of the abstract is to act as a reference tool helping the reader to quickly ascertain the study's subject. An executive summary is an overview, which shall provide information on the (i) purpose of the assignment, (ii) methodology / procedure / approach, (iii) results /findings and (iv) conclusion and recommendations. The Final report should be usable for publication.

(3) An Activity Report.

The outputs of this evaluation will be presented in the English language.

The experts should ensure an internal quality control during the implementing and reporting phase of the evaluation. The quality control should ensure that the Final evaluation report complies with the requirements in the methodology section above before its submission to the Reference Group.

(4) The dissemination seminar.

**Annex 2: EU Pre-Accession Financial Assistance, 1990-2006 (€ million) <sup>(1)</sup>**

Beneficiary	1990-1996	1997-1999	2000-2003	2004-2006	TOTAL
Bulgaria	539.0	314.8	644.8	859.5 <sup>(1 D)</sup>	2358.1
Cyprus	--- <sup>(3)</sup>	--- <sup>(3)</sup>	43.1	18.6	61.7
Czech Republic	429.0 <sup>(2)</sup>	191.9	405.2	36.1	1062.2
Estonia	130.3	59.4	138.6	17.7	346.0
Hungary	683.8	283.6	475.6	35.9	1478.9
Latvia	132.0	116.7	154.5	19.5	422.7
Lithuania	179.0	156.2	437.6	35.7	808.5
Malta	--- <sup>(3)</sup>	--- <sup>(3)</sup>	36.0	21.0	57.0
Poland	1388.5	632.3	1858.4	114.9	3994.1
Romania	726.1	458.2	1105.8	1381.5 <sup>(1 D)</sup>	3671.6
Slovakia	218.5 <sup>(2)</sup>	225.2	332.1	29.4	805.2
Slovenia	91.0	101.4	148.5	17.5	358.4
Multi-Country / Horizontal	1446.8	586.5	874.8	340.6	3248.7
<b>TOTAL</b> <small>(1) (2) (3) (4) (5) (6)</small>	<b>5964.0</b>	<b>3126.2</b>	<b>6655.0</b>	<b>2927.9</b>	<b>18673.1</b>

Data Source: EC (DG ELARG): Annual Reports on Assistance Programmes

<sup>1</sup> For the 12 countries acceding to the EU in 2004 or 2007 – as assessed under this evaluation – i.e.:  
 (A) Phare Programme support to the ten central and eastern European countries (1990-2006) for which only Bulgaria and Romania were allocated Phare assistance during the period 2004-2006; the figures cover Phare Programme support under National Programmes as well as funds allocated to the beneficiary under the Phare Cross Border Cooperation (CBC) Programmes, and funds specifically allocated to the beneficiary under the Horizontal Programmes, e.g. Nuclear Safety;  
 (B) Pre-accession support for the Republic of Cyprus and the Republic of Malta (2000-2003);  
 (C) Transition Facility assistance (2004-2006) provided to the ten countries acceding in 2004; and  
 (D) Includes Transition Facility assistance (2007) to Bulgaria (M€ 31.5) and to Romania (M€ 46.5).

<sup>2</sup> During 1990-1992 Phare Programme support to the former Czechoslovakia was € 233.0 million; based on the agreements between the successor states on the split of these programmes it was estimated that 1990-1992 Phare assistance to the Czech Republic amounted to roughly € 145.0 million and to Slovakia roughly € 88.0 million. These figures are included for the respective country.

*The following assistance provided under Phare or other instruments are not covered by this evaluation*

<sup>3</sup> Prior to 2000 Cyprus and Malta benefited from EU financial and technical cooperation support via a series of Financial Protocols signed with the individual countries since the late 1970s.

<sup>4</sup> In addition, during the period 2000-2006 EU pre-accession assistance to the ten central and eastern European countries was also provided under the ISPA and the SAPARD instruments – years 2000-2003 for the countries acceding in 2004, years 2000-2006 for Bulgaria and Romania.

<sup>5</sup> In addition, the following allocations were made under the Phare Programme 1990-2000: € 34.5 million for the former GDR / East Germany (1990), € 621.4 million for Albania, € 289.2 million for Bosnia Herzegovina, € 257.0 million for FYROM, and € 43.7 million for the former Yugoslavia.

<sup>6</sup> In addition, during 2005-2006 Croatia was allocated € 132.6 million under the Phare Programme.



### **Annex 3: Chapters of the EU *Acquis Communautaire***

There are presently 35 Chapters of the EU *acquis communautaire*, representing an overarching policy goal under which a series of sub-chapters exist representing specific aspects and policy objectives; at the time the countries acceding 2004-2007 were negotiating accession there were 31 Chapters.

The information below provides a brief overview of the *acquis* per Chapter based on the 35 Chapters.

Data Source: [http://ec.europa.eu/enlargement/policy/conditions-membership/chapters-of-the-acquis/index\\_en.htm](http://ec.europa.eu/enlargement/policy/conditions-membership/chapters-of-the-acquis/index_en.htm)

#### **Chapter 1: Free Movement of Goods**

The principle of the free movement of goods implies that products must be traded freely from one part of the Union to another. In a number of sectors this general principle is complemented by a harmonised regulatory framework, following the “old approach” (imposing precise product specifications) or the “new approach” (imposing general product requirements). The harmonised European product legislation, which needs to be transposed, represents the largest part of the *acquis* under this chapter. In addition, sufficient administrative capacity is essential to notify restrictions on trade and to apply horizontal and procedural measures in areas such as standardisation, conformity assessment, accreditation, and metrology and market surveillance.

#### **Chapter 2: Freedom of Movement for Workers**

The *acquis* under this chapter provides that EU citizens of one Member State have the right to work in another Member State. EU migrant workers must be treated in the same way as national workers in relation to working conditions, social and tax advantages. This *acquis* also includes a mechanism to coordinate national social security provisions for insured persons and their family members moving to another Member State.

#### **Chapter 3: Right of Establishment and Freedom to provide Services**

Member States must ensure that the right of establishment of EU national and legal persons in any Member State and the freedom to provide cross-border services is not hampered by national legislation, subject to the exceptions set out in the Treaty. The *acquis* also harmonises the rules concerning regulated professions to ensure the mutual recognition of qualifications and diplomas between Member States; for certain regulated professions a common minimum training curriculum must be followed in order to have the qualification automatically recognised in an EU Member State. As regards postal services, the *acquis* also aims at opening up the postal services sector to competition in a gradual and controlled way, within a regulatory framework which assures a universal service.

#### **Chapter 4: Free Movement of Capital**

Member States must remove, with some exceptions, all restrictions on movement of capital both within the EU and between Member States and third countries. The *acquis* also includes rules concerning cross-border payments and the execution of transfer orders concerning securities. The directive on the fight against money laundering and terrorist financing requires banks and other economic operators, particularly when dealing in high-value items and with large cash transactions, to identify customers and report certain transactions. A key requirement to combat financial crime is the creation of effective administrative and enforcement capacity, including co-operation between supervisory, law enforcement and prosecutorial authorities.

## Chapter 5: Public Procurement

The *acquis* on public procurement includes general principles of transparency, equal treatment, free competition, and non-discrimination. In addition, specific EU rules apply to the coordination of the award of public contracts for works, services, and supplies, for traditional contracting entities and for special sectors. The *acquis* also specifies rules on review procedures and the availability of remedies. Specialised implementing bodies are required.

## Chapter 6: Company Law

The company law *acquis* includes rules on the formation, registration, merger, and division of companies. In the area of financial reporting, the *acquis* specifies rules for the presentation of annual and consolidated accounts, including simplified rules for small- and medium-sized enterprises. The application of International Accounting Standards is mandatory for some public interest entities. In addition, the *acquis* specifies rules for the approval, professional integrity, and independence of statutory audits.

## Chapter 7: Intellectual Property Law

The *acquis* on intellectual property rights specifies harmonised rules for the legal protection of copyright and related rights. Specific provisions apply to the protection of databases, computer programs, semiconductor topographies, satellite broadcasting, and cable retransmission. In the field of industrial property rights, the *acquis* sets out harmonised rules for the legal protection of trademarks and designs. Other specific provisions apply for biotechnological inventions, pharmaceuticals, and plant protection products. The *acquis* also establishes a Community trademark and Community design. Finally, the *acquis* contains harmonised rules for the enforcement of both copyright and related rights as well as industrial property rights. Adequate implementing mechanisms are required, in particular effective enforcement capacity.

## Chapter 8: Competition Policy

The competition *acquis* covers both anti-trust and state aid control policies. It includes rules and procedures to fight anti-competitive behaviour by companies (restrictive agreements between undertakings and abuse of dominant position), to scrutinise mergers between undertakings, and to prevent governments from granting state aid which distorts competition in the internal market. Generally, the competition rules are directly applicable in the whole Union, and Member States must co-operate fully with the Commission in enforcing them.

## Chapter 9: Financial Services

The *acquis* in the field of financial services includes rules for the authorisation, operation, and supervision of financial institutions in the areas of banking, insurance, supplementary pensions, and investment services and securities markets. Financial institutions can operate across the EU in accordance with the 'home country control' principle either by establishing branches or by providing services on a cross-border basis.

## Chapter 10: Information Society and Media

The *acquis* includes specific rules on electronic communications, on information society services, in particular electronic commerce and conditional access services, and on audio-visual services. In the field of electronic communications, the *acquis* aims to eliminate obstacles to the effective operation of the internal market in telecommunications services and networks, to promote competition and to safeguard consumer interests in the sector, including universal availability of modern services. As regards audio-visual policy, the *acquis* requires the legislative alignment with the Television without Frontiers Directive, which creates the conditions for the free movement of television broadcasts within

the EU. The *acquis* aims to the establishment of a transparent, predictable, and effective regulatory framework for public and private broadcasting in line with European standards. The *acquis* also requires the capacity to participate in the community programmes Media Plus and Media Training.

## **Chapter 11: Agriculture and Rural Development**

The agriculture chapter covers a large number of binding rules, many of which are directly applicable. The proper application of these rules and their effective enforcement and control by an efficient public administration are essential for the functioning of the common agricultural policy (CAP). Running the CAP requires the setting up of management and quality systems such as a paying agency and the integrated administration and control system (IACS), and the capacity to implement rural development measures. Member States must be able to apply the EU legislation on direct farm support schemes and to implement the common market organisations for various agricultural products.

## **Chapter 12: Food Safety, Veterinary and Phytosanitary Policy**

This chapter covers detailed rules in the area of food safety. The general foodstuffs policy sets hygiene rules for foodstuff production. Furthermore, the *acquis* provides detailed rules in the veterinary field, which are essential for safeguarding animal health, animal welfare, and safety of food of animal origin in the internal market. In the phytosanitary field, EU rules cover issues such as quality of seed, plant protection material, harmful organisms, and animal nutrition.

## **Chapter 13: Fisheries**

The *acquis* on fisheries consists of regulations, which do not require transposition into national legislation. However, it requires the introduction of measures to prepare the administration and the operators for participation in the common fisheries policy, which covers market policy, resource and fleet management, inspection and control, structural actions and state aid control. In some cases, existing fisheries agreements and conventions with third countries or international organisations need to be adapted.

## **Chapter 14: Transport Policy**

EU transport legislation aims at improving the functioning of the internal market by promoting safe, efficient and environmentally sound and user-friendly transport services. The transport *acquis* covers the sectors of road transport, railways, inland waterways, combined transport, aviation, and maritime transport. It relates to technical and safety standards, security, social standards, and state aid control and market liberalisation in the context of the internal transport market.

## **Chapter 15: Energy**

EU energy policy objectives include the improvement of competitiveness, security of energy supplies and the protection of the environment. The energy *acquis* consists of rules and policies, notably regarding competition and state aids (including in the coal sector), the internal energy market (opening up of the electricity and gas markets, promotion of renewable energy sources), energy efficiency, nuclear energy, and nuclear safety and radiation protection.

## **Chapter 16: Taxation**

The *acquis* on taxation covers extensively the area of indirect taxation, namely value-added tax (VAT) and excise duties. It lays down the scope, definitions, and principles of VAT. Excise duties on tobacco products, alcoholic beverages and energy products are also subject to EU legislation. As concerns direct taxation, the *acquis* covers some aspects of taxing income from savings of individuals and of corporate taxes. Furthermore, Member States are committed to complying with the principles of the Code of Conduct for Business Taxation, aimed at the elimination of harmful tax measures.

Administrative co-operation and mutual assistance between Member States is aimed at ensuring a smooth functioning of the internal market as concerns taxation and provides tools to prevent intra-Community tax evasion and tax avoidance. Member States must ensure that the necessary implementing and enforcement capacities, including links to the relevant EU computerised taxation systems, are in place.

## **Chapter 17: Economic and Monetary Policy**

The *acquis* in the area of economic and monetary policy contains specific rules requiring the independence of central banks in Member States, prohibiting direct financing of the public sector by the central banks and prohibiting privileged access of the public sector to financial institutions. Member States are expected to co-ordinate their economic policies and are subject to the Stability and Growth Pact on fiscal surveillance. New Member States are also committed to complying with the criteria laid down in the Treaty in order to be able to adopt the euro in due course after accession. Until then, they will participate in the Economic and Monetary Union as a Member State with derogation from the use of the euro and shall treat their exchange rates as a matter of common concern.

## **Chapter 18: Statistics**

The *acquis* in the field of statistics requires the existence of a statistical infrastructure based on principles such as impartiality, reliability, transparency, confidentiality of individual data and dissemination of official statistics. National statistical institutes act as reference and anchor points for the methodology, production, and dissemination of statistical information. The *acquis* covers methodology, classifications, and procedures for data collection in various areas such as macro-economic and price statistics, demographic and social statistics, regional statistics, and statistics on business, transport, external trade, agriculture, environment, and science and technology. No transposition into national legislation is needed as the majority of the *acquis* takes the form of regulations.

## **Chapter 19: Social Policy and Employment**

The *acquis* in the social field includes minimum standards in the areas of labour law, equality, health, and safety at work and anti-discrimination. The Member States participate in social dialogue at European level and in EU policy processes in the areas of employment policy, social inclusion, and social protection. The European Social Fund is the main financial tool through which the EU supports the implementation of its employment strategy and contributes to social inclusion efforts (implementation rules are covered under Chapter 22, which deals with all structural instruments).

### **Chapter 20: Enterprise and industrial policy**

EU industrial policy seeks to promote industrial strategies enhancing competitiveness by speeding up adjustment to structural change, encouraging an environment favourable to business creation and growth throughout the EU as well as domestic and foreign investments. It also aims to improve the overall business environment in which small and medium sized enterprises (SMEs) operate. It involves privatisation and restructuring (see also Chapter 8 – Competition policy). EU industrial policy mainly consists of policy principles and industrial policy communications. EU consultation forums and Community programmes, as well as communications, recommendations and exchanges of best practices relating to SMEs aim to improve the formulation and coordination of enterprise policy across the internal market on the basis of a common definition of SMEs. The implementation of enterprise and industrial policy requires adequate administrative capacity at the national, regional, and local level.

## Chapter 21: Trans-European Networks

This chapter covers the Trans-European Networks policy in the areas of transport, telecommunications, and energy infrastructures, including the Community guidelines on the development of the Trans-European Networks and the support measures for the development of projects of common interest. The establishment and development of Trans-European Networks and the promotion of proper interconnection and interoperability of national networks aim to take full advantage of the internal market and to contribute to economic growth and the creation of employment in the European Union.

## Chapter 22: Regional Policy and Coordination of Structural Instruments

The *acquis* under this chapter consists mostly of framework and implementing regulations, which do not require transposition into national legislation. They define the rules for drawing up, approving, and implementing Structural Funds and Cohesion Fund programmes reflecting each country's territorial organisation. These programmes are negotiated and agreed with the Commission, but implementation is the responsibility of the Member States. Member States must respect EU legislation in general, for example in the areas of public procurement, competition and environment, when selecting and implementing projects. Member States must have an institutional framework in place and adequate administrative capacity to ensure programming, implementation, monitoring, and evaluation in a sound and cost-effective manner from the point of view of management and financial control.

## Chapter 23: Judiciary and Fundamental Rights

EU policies in the area of judiciary and fundamental rights aim to maintain and further develop the Union as an area of freedom, security, and justice. The establishment of an independent and efficient judiciary is of paramount importance. Impartiality, integrity and a high standard of adjudication by the courts are essential for safeguarding the rule of law. This requires a firm commitment to eliminating external influences over the judiciary and to devoting adequate financial resources and training. Legal guarantees for fair trial procedures must be in place. Equally, Member States must fight corruption effectively, as it represents a threat to the stability of democratic institutions and the rule of law. A solid legal framework and reliable institutions are required to underpin a coherent policy of prevention and deterrence of corruption. Member States must ensure respect for fundamental rights and EU citizens' rights, as guaranteed by the *acquis* and by the Fundamental Rights Charter.

## Chapter 24: Justice, Freedom and Security

EU policies aim to maintain and further develop the Union as an area of freedom, security, and justice. On issues such as border control, visas, external migration, asylum, police cooperation, the fight against organised crime and against terrorism, cooperation in the field of drugs, customs cooperation, and judicial cooperation in criminal and civil matters, Member States need to be properly equipped to adequately implement the growing framework of common rules. Above all, this requires a strong and well-integrated administrative capacity within the law enforcement agencies and other relevant bodies, which must attain the necessary standards. A professional, reliable, and efficient police organisation is of paramount importance. The most detailed part of the EU's policies on justice, freedom, and security is the Schengen *acquis*, which entails the lifting of internal border controls in the EU. However, for the new Member States substantial parts of the Schengen *acquis* are implemented following a separate Council Decision to be taken after accession.

## Chapter 25: Science and Research

The *acquis* in the field of science and research does not require transposition of EU rules into the national legal order. Implementation capacity relates to the existence of the necessary conditions for effective participation in the EU's Framework Programmes. In order to ensure the full and successful association with the Framework Programmes, Member States need to ensure the necessary

implementing capacities in the field of research and technological development including adequate staffing.

## Chapter 26: Education and Culture

The areas of education, training, youth, and culture are primarily the competence of the Member States. A cooperation framework on education and training policies aims to converge national policies and the attainment of shared objectives through an open method of coordination, which led to the Education and Training 2010 program, which integrates all actions in the fields of education and training at European level. As regards cultural diversity, Member States need to uphold the principles enshrined in Article 151 of the EC Treaty and ensure that their international commitments allow for preserving and promoting cultural diversity. Member States need to have the legal, administrative, and financial framework and necessary implementing capacity in place to ensure sound financial management of the education, training, and youth Community programmes (currently Leonardo da Vinci, Socrates, and Youth).

## Chapter 27: Environment

EU environment policy aims to promote sustainable development and protect the environment for present and future generations. It is based on preventive action, the polluter-pays principle, fighting environmental damage at source, shared responsibility and the integration of environmental protection into other EU policies. The *acquis* comprises over 200 major legal acts covering horizontal legislation, water and air quality, waste management, nature protection, industrial pollution control and risk management, chemicals and genetically modified organisms (GMOs), noise and forestry. Compliance with the *acquis* requires significant investment. A strong and well-equipped administration at national and local level is imperative for the application and enforcement of the environment *acquis*.

## Chapter 28: Consumer and Health Protection

The consumer protection *acquis* covers the safety of consumer goods as well as the protection of the economic interests of consumers in a number of specific sectors. Member States need to transpose the *acquis* into national law and to put in place independent administrative structures and enforcement powers which allow for effective market surveillance and enforcement of the *acquis*. Appropriate judicial and out-of-court dispute resolution mechanisms as well as consumer information and education and a role for consumer organisations should be ensured as well. In addition, this chapter covers specific binding rules in the area of public health.

## Chapter 29: Customs Union

The customs union *acquis* consists almost exclusively of legislation which is directly binding on the Member States. It includes the EU Customs Code and its implementing provisions, the combined nomenclature, common customs tariff and provisions on tariff classification, customs duty relief, duty suspensions and certain tariff quotas, and other provisions such as those on customs control of counterfeit and pirated goods, drugs precursors, export of cultural goods as well as on mutual administrative assistance in customs matters and transit. Member States must ensure that the necessary implementing and enforcement capacities, including links to the relevant EU computerised customs systems, are in place. The customs services must also ensure adequate capacities to implement and enforce special rules laid down in related areas of the *acquis* such as external trade.

## Chapter 30: External Relations

The *acquis* in this field consists mainly of directly binding EU legislation which does not require transposition into national law. This EU legislation results from the EU's multilateral and bilateral commercial commitments, as well as from a number of autonomous preferential trade measures. In the area of humanitarian aid and development policy, Member States need to comply with EU

legislation and international commitments and ensure the capacity to participate in the EU's development and humanitarian policies. Applicant countries are required to progressively align its policies towards third countries and its positions within international organisations with the policies and positions adopted by the Union and its Member States.

### **Chapter 31: Foreign, Security and Defence Policy**

The common foreign and security policy (CFSP) and the European security and defence policy (ESDP) are based on legal acts, including legally binding international agreements, and on political documents. The *acquis* consists of political declarations, actions, and agreements. Member States must be able to conduct political dialogue in the framework of CFSP, to align with EU statements, to take part in EU actions and to apply agreed sanctions and restrictive measures. Applicant countries are required to progressively align with EU statements, and to apply sanctions and restrictive measures when and where required.

### **Chapter 32: Financial Control**

The *acquis* under this chapter relates to the adoption of internationally agreed and EU compliant principles, standards, and methods of public internal financial control (PIFC) that should apply to the internal control systems of the entire public sector, including the spending of EU funds. In particular, the *acquis* requires the existence of effective and transparent financial management and control systems (including adequate ex-ante, ongoing and ex-post financial control or inspection); functionally independent internal audit systems; the relevant organisational structures (including central co-ordination); an operationally and financially independent external audit organisation to assess, amongst others, the quality of the newly established PIFC systems. This chapter also includes the *acquis* on the protection of EU financial interests and the fight against fraud involving EU funds.

### **Chapter 33: Financial and Budgetary Provisions**

This chapter covers the rules concerning the financial resources necessary for the funding of the EU budget ('own resources'). These resources are made up mainly from contributions from Member States based on traditional own resources from customs and agricultural duties and sugar levies; a resource based on value-added tax; and a resource based on the level of gross national income. Member States must have appropriate administrative capacity to adequately co-ordinate and ensure the correct calculation, collection, payment, and control of own resources. The *acquis* in this area is directly binding and does not require transposition into national law.

### **Chapter 34: Institutions**

This chapter covers the institutional and procedural rules of the EU. When a country joins the EU, adaptations need to be made to these rules to ensure this country's equal representation in EU institutions (European Parliament, Council, Commission, Court of Justice) and other bodies and the good functioning of decision-making procedures (such as voting rights, official languages and other procedural rules) as well as elections to the European Parliament. EU rules in this chapter do not affect the internal organisation of a Member State, but acceding countries need to ensure that they are able to participate fully in EU decision-making by setting up the necessary bodies and mechanisms at home and by electing or appointing well-prepared representatives to the EU institutions. After concluding the accession negotiations, specific rules for the interim period until accession ensure a smooth integration of the country into EU structures: an information and consultation procedure is put in place and, once the Accession Treaty is signed, the acceding country is granted active observer status in the European Parliament and Council as well as in Commission committees.

### **Chapter 35: Other Issues**

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## EU transfers to PHARE countries

At the turn of the millennium, the politics of EU enlargement aimed at the creating a pre-accession strategy for applicant countries. Candidate countries had to satisfy the economic and political conditions known as the “Copenhagen criteria” in order to become Member States. This included the requirement of establishing a stable democracy, respecting human rights, building a functioning market economy and adopting the common rules, standards and policies that make up the body of EU law, i.e. harmonising their legal systems with that of the *Acquis Communautaire*.

The financial funds supporting these aims were the following:

- PHARE (since 1989), aimed originally at institution building / capacity-building and investment financing, which in 2000 was extended to preparing the candidate countries for accession, meeting the so Copenhagen criteria. PHARE disbursed 6.8 billion EUR between 1990-1999 and 9 billion EUR between 2000-2006.<sup>50</sup>
- ISPA (since 2000) financed investments in environment and transport. ISPA disbursed 2.9 billion EUR between 2000-2006.<sup>51</sup>
- SAPARD (since 2000) targeted the long-term adjustment of the agricultural sector and rural areas, prepared candidate countries for the conditions of receiving support from the Common Agricultural Policy. SAPARD disbursed 2 billion EUR between 2000-2006.<sup>52</sup>
- Transition Facility (between 2004-2006) was an additional fund financing the strengthening of administrative capacity of new Member States to implement and enforce Community legislation and to use EU funding more efficiently.

The capacity of new Member States for absorbing EU funds countries was very heterogeneous, the lowest capacity being observed in Bulgaria<sup>53</sup>. The main obstacles to satisfactory absorption of EU funds were as follows: low administrative capacity of Beneficiaries (e.g. NGOs and municipalities), lack

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<sup>50</sup> Source: “From Estonia to Romania - the biggest enlargement in EU history.” [http://ec.europa.eu/budget/library/explained/faq/fiche\\_cost\\_enlargement\\_en.pdf](http://ec.europa.eu/budget/library/explained/faq/fiche_cost_enlargement_en.pdf)

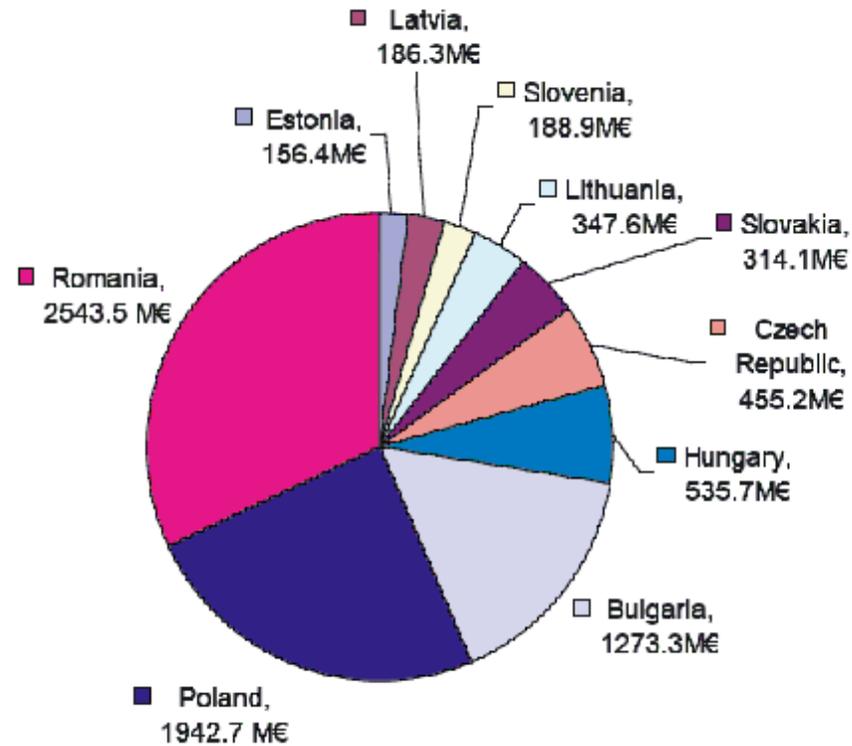
<sup>51</sup> Source: “From Estonia to Romania - the biggest enlargement in EU history.” [http://ec.europa.eu/budget/library/explained/faq/fiche\\_cost\\_enlargement\\_en.pdf](http://ec.europa.eu/budget/library/explained/faq/fiche_cost_enlargement_en.pdf)

<sup>52</sup> Source: “From Estonia to Romania - the biggest enlargement in EU history.” [http://ec.europa.eu/budget/library/explained/faq/fiche\\_cost\\_enlargement\\_en.pdf](http://ec.europa.eu/budget/library/explained/faq/fiche_cost_enlargement_en.pdf)

<sup>53</sup> „The least effectively absorbed funds were those provided under PHARE. In the period between 2003 and 2006 the EU granted over EUR 681 mln but the country succeeded in spending a little more than EUR 64 mln which is barely 9.4%.” Source of above quotation: „Five years of Bulgaria’s membership into the European Union – the slow absorption of EU funds slackens Bulgaria’s europeanization.” By Venelin Tsachevsky. Electronic Publications of Pan-European Institute 2/2012.

of skilled project and programme management personnel, and corruption, lack of English speakers, lack of funds for co-financing, politically motivated obstacles to project implementation.<sup>54</sup>

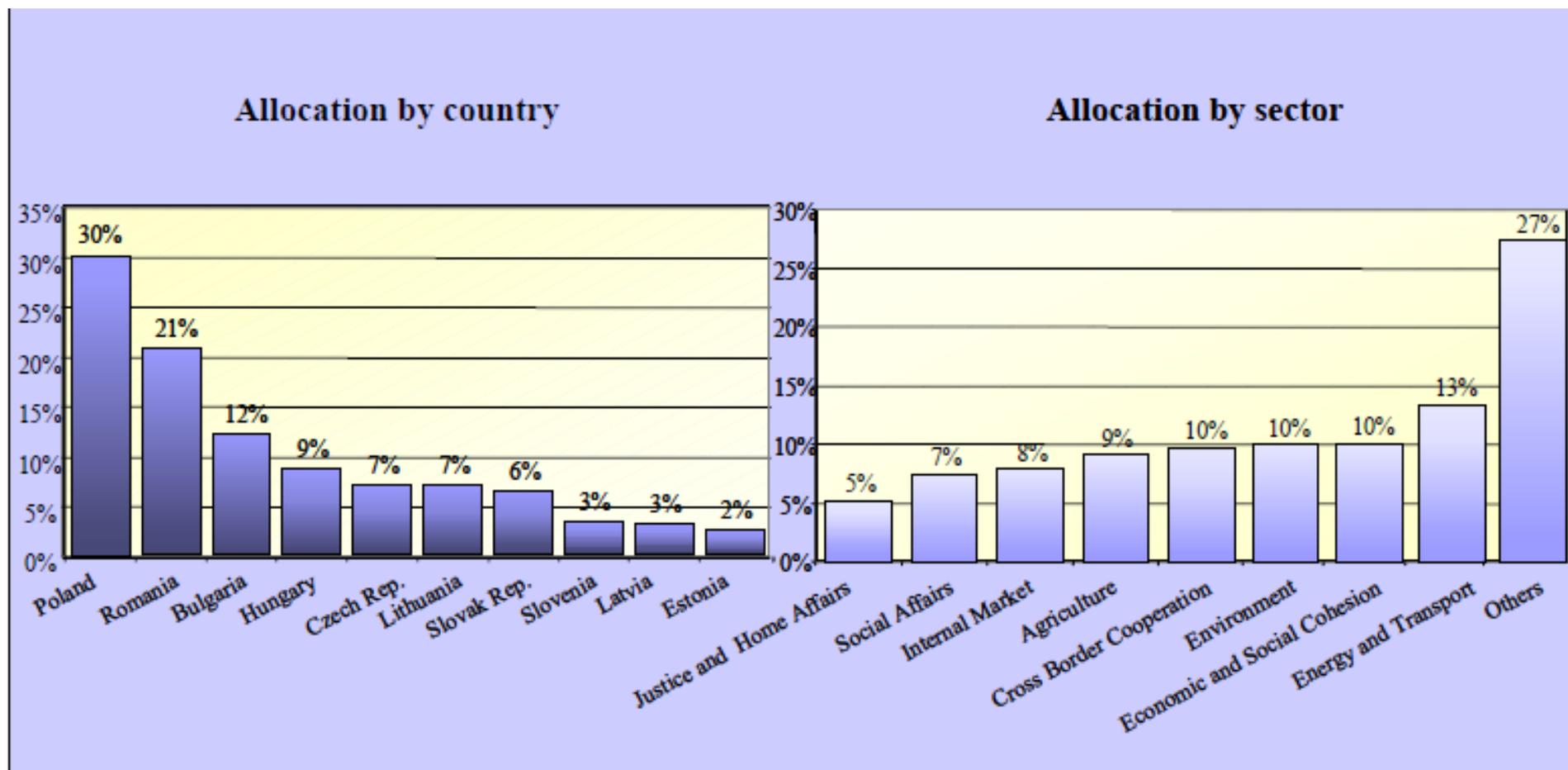
Figure 1: PHARE allocations to national and Cross Border Programmes 1999 – 2006<sup>55</sup>



<sup>54</sup> Bulgaria's EU Funds Absorption: Maximizing the Potential! By Iana Paliova and Tonny Lybek. IMF Working Paper.

<sup>55</sup> Source: Supporting enlargement — what does evaluation show? Ex post Evaluation of Phare support allocated between 1999-2001, with a brief review of post-2001 allocations. Consolidated Summary Report. European Commission Directorate-General Enlargement, July 2007 by MWH Consortium.

Figure 2: PHARE allocations by country and sector 1999-2002 <sup>56</sup>



The column “others” includes economic development, Small and Medium sized enterprises, public sector development, regional and social development.

<sup>56</sup> "Source: From Pre-Accession to Accession. Interim Evaluation of Phare support allocated in 1999-2002 and implemented until November 2003. Consolidated Summary Report. March 2004. By EMS consortium. European Commission Directorate-General Enlargement, Directorate E – Evaluation Unit.

## Economic Growth and Investment

The PHARE Programme facilitated economic growth by modernising the legal framework and the respective supervisory bodies. The Programme has also helped the candidate countries to bring their industries and basic infrastructure up to Community standards by mobilising the investment required.

PHARE financing in most cases consisted of grants, and only seldom was PHARE used for setting up loan funds for specific purposes<sup>57</sup>. PHARE investment was directed particularly into areas where the application of Community rules were demanding for the candidate countries, i.e. into environment, transport, industry, product quality and working conditions. PHARE funds were directed for the development of the SME sectors of the new Member States by facilitating SME access to credit, information and communication technology, advice, marketing services, subcontracting, networking and clustering. PHARE has also contributed to economic growth by supporting applied research and development.

Studies show that the expansion of the Single Market resulted in significant economic benefits: increased overall prosperity and brought substantial gains in terms of security and stability for the EU. Selected examples of these impacts are as follows.<sup>58</sup>

- More growth and employment for EU-15: an additional 2.15% of GDP and an additional 2.75 million of jobs
- More trade: The share of EU-15 (old Member States) in EU-10 (New Member States) imports has risen from 56% to 62 % (2005), and the share of EU-10 (new Member states) in EU-15 imports has risen from 5% to 13%.
- More Foreign Direct Investments (FDI): The FDI in EU-10 (New Member States) has risen from 0% to 40% of GDP, whereby the share of EU-15 (old Member States) within this FDI is 75%. These investments from EU-15 to EU-10 have had negligible negative impact on EU-15 employment levels, despite initial fears in some member states.

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<sup>57</sup> E.g. for energy saving in the Czech Republic or for soft loans and microcredits in order to facilitate SME development in Hungary

<sup>58</sup> Source: "From Estonia to Romania - the biggest enlargement in EU history." [http://ec.europa.eu/budget/library/explained/faq/fiche\\_cost\\_enlargement\\_en.pdf](http://ec.europa.eu/budget/library/explained/faq/fiche_cost_enlargement_en.pdf)

**Table 1: GDP per capita in Purchasing Power Standard <sup>59</sup> as a percentage of EU28 <sup>60</sup>**

PHARE countries compared with EU28, 2002-2013

Source of data: Eurostat

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	32	34	35	37	38	40	43	44	44	46	47	47
Cyprus	89	89	91	93	93	94	99	100	97	93	91	86
Czech Republic	74	77	78	79	80	83	81	82	81	81	81	80
Estonia	50	55	57	62	66	70	69	64	64	69	71	72
Hungary	61	63	63	63	63	61	64	65	66	67	67	67
Latvia	41	44	47	50	53	57	58	54	55	60	64	67
Lithuania	45	50	52	55	58	62	64	58	62	67	72	74
Malta	83	82	80	80	79	78	81	84	87	86	86	87
Poland	48	49	51	51	52	54	56	60	63	65	67	68
Romania	30	32	35	35	39	43	49	50	51	51	53	54
Slovakia	54	56	57	60	63	68	72	73	74	75	76	76
Slovenia	83	84	87	87	88	88	91	86	84	84	84	83
EU (28 countries)	100	100	100	100	100	100	100	100	100	100	100	100

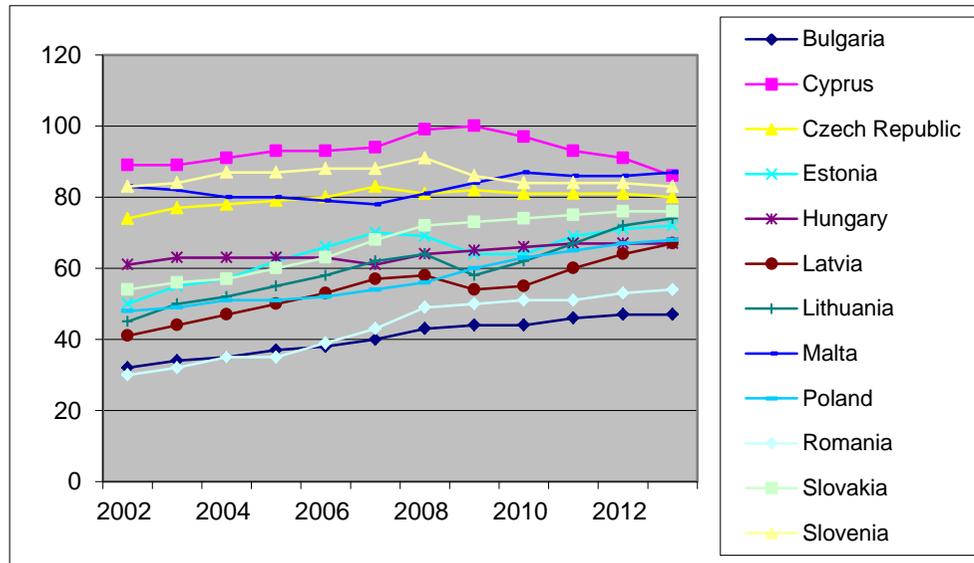
<sup>59</sup> The purchasing power standard, abbreviated as PPS, is an artificial currency unit. Theoretically, one PPS can buy the same amount of goods and services in each country. However, price differences across borders mean that different amounts of national currency units are needed for the same goods and services depending on the country. PPS are derived by dividing any economic aggregate of a country in national currency by its respective purchasing power parities (PPP). PPS is the technical term used by Eurostat for the common currency in which national accounts aggregates are expressed when adjusted for price level differences using PPPs. Thus, PPPs can be interpreted as the exchange rate of the PPS against the euro.

<sup>60</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/europe\\_2020\\_indicators/headline\\_indicators/data](http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators/data)

**Figure 3: GDP per capita in Purchasing Power Standard<sup>61</sup> as a percentage of EU28<sup>62</sup>**

PHARE countries compared with EU28, 2002-2013

Source of data: Eurostat



The enlargement of the EU has involved the accession of countries whose per capita GDP was substantially lower than the EU average. However, the dynamics of their growth immediately before and after accession was higher than that of old Member States. EU accession has significantly contributed to economic convergence, i.e. to the decrease of development gaps between Member States.

Between 2002 and 2013 the economic performance of PHARE countries has converged to each other and to those of the older Member States. Moreover, during this period the variability of economic performance across PHARE countries has clearly decreased. There is no research available that would identify / quantify the contribution of PHARE assistance to the above changes.

<sup>61</sup> The purchasing power standard, abbreviated as PPS, is an artificial currency unit. Theoretically, one PPS can buy the same amount of goods and services in each country. However, price differences across borders mean that different amounts of national currency units are needed for the same goods and services depending on the country. PPS are derived by dividing any economic aggregate of a country in national currency by its respective purchasing power parities (PPP). PPS is the technical term used by Eurostat for the common currency in which national accounts aggregates are expressed when adjusted for price level differences using PPPs. Thus, PPPs can be interpreted as the exchange rate of the PPS against the euro.

<sup>62</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/europe\\_2020\\_indicators/headline\\_indicators/data](http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators/data)

**Table 2: Inward FDI stocks in % of GDP <sup>63</sup>**

PHARE countries compared with EU27, 2001 - 2012

Source of Data: Eurostat

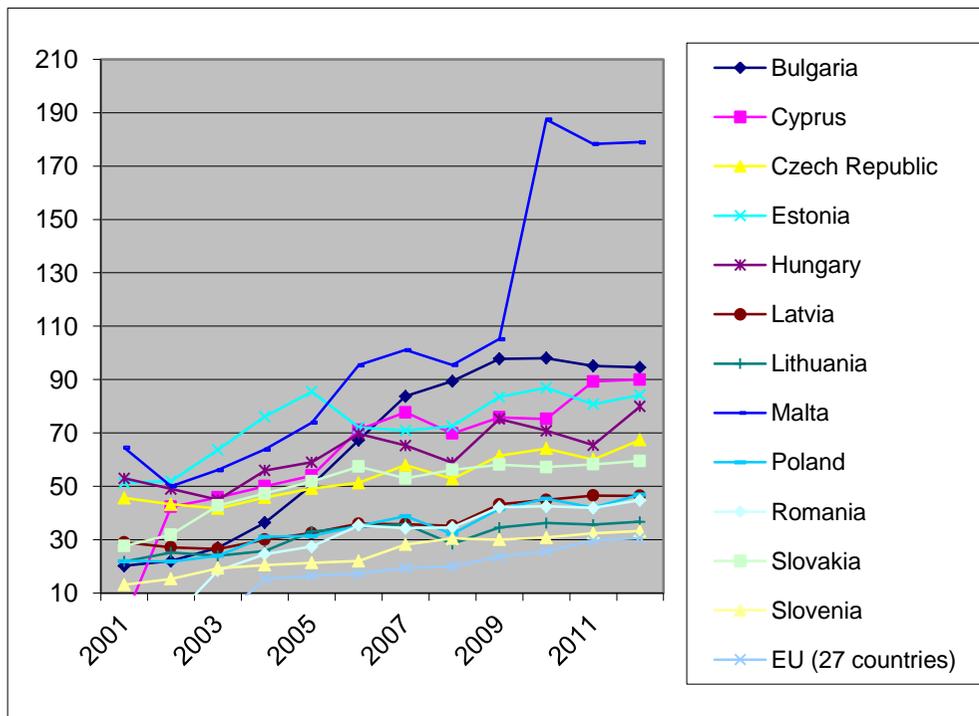
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	20	22	27	36	51	67	84	89	98	98	95	95
Cyprus	:	42	46	50	54	71	78	70	76	75	89	90
Czech Republic	46	43	42	46	49	51	58	53	61	64	60	67
Estonia	51	52	64	76	86	72	71	73	84	87	81	84
Hungary	53	49	45	56	59	70	65	59	75	71	65	80
Latvia	29	27	27	30	33	36	36	35	43	45	47	46
Lithuania	22	25	24	26	33	35	36	28	35	36	36	37
Malta	65	50	56	64	74	95	101	96	105	188	178	179
Poland	22	22	24	31	31	35	39	32	42	45	42	47
Romania	:	:	18	25	27	35	34	35	42	43	42	45
Slovakia	28	32	43	47	52	57	53	56	58	57	58	60
Slovenia	13	15	19	21	21	22	28	30	30	31	32	33
EU (27 countries)	:	:	:	15	17	17	19	20	24	26	30	31

<sup>63</sup> Hyperlink to the table: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00105>

**Figure 4: Inward FDI stocks in % of GDP** <sup>64</sup>

PHARE countries compared with EU27, 2001 - 2012

Source of Data: Eurostat



During the decade preceding the accession, foreign direct investment (FDI) has arrived to Central and Eastern European countries dynamically, but unevenly. There was a clear concentration of FDI in the three largest economies (Poland, Hungary and Czech Republic), which in 2004 absorbed almost 80 % of the total accumulated inward foreign direct investment stocks.

FDI has significantly contributed to the fact that between the years 1997 and 2005 the stability of the economies of the newly acceding countries has substantially improved, and converged to those of the old Member States. In particular, the enlargement countries have significantly reduced their inflation rate, interest rates and budget deficit, while somewhat increasing their indebtedness.

The indicator “Inward FDI stocks in % of GDP” shows that during the investigated decade, among PHARE countries Malta has increased its FDI stock most dynamically. Up to 2009, in Central and Southern European countries FDI increased and was diversified across sectors, but since 2010 FDI stock has generally stagnated with the exception of some large investments.

<sup>64</sup> Source: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00105>

## Trade

With EU accession the new Member States have obliged themselves to implement the principle of the free movement of goods within the Union. Consequently the regulatory framework of product legislation needed to be transposed. A wide range of PHARE projects have facilitated the development of Government administrative capacity in the policy areas of standardization, conformity assessment, accreditation, metrology, market surveillance and customs. In particular, PHARE projects on behalf of customs organisations facilitated the fight against smuggling of excise goods, and the training of criminal services in their fight against VAT frauds.

In the sector “Internal Market”, PHARE support was extended to various types of projects, such as

- Technical Assistance (e.g. the facilitation of introducing a particular piece of European product legislation),
- Twinning (the transfer of know how between analogous Government agencies – e.g. laboratory accreditation boards- of various countries) and
- Supply (i.e. the financing the procurement of certain infrastructures and hardware for Government agencies, e.g. the furnishing of market surveillance institutions with the necessary measurement instruments).

**Table 3: Exports of goods and services in % of GDP <sup>65</sup>**

Value of exports of goods and services divided by the GDP in current prices.

PHARE countries compared with Euro area, 2002-2013

Total - All products, all trade partners

Source of data: Eurostat

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	47,4	48,5	51,9	40,5	61,2	59,5	58,2	47,5	57,4	66,5	66,7	70,2
Cyprus	51,2	47,5	48,3	48,6	48,1	48,2	45,8	40,8	42,0	43,5	43,5	45,0
Czech Republic	57,6	59,1	63	64,4	67	68,2	64,4	59	66,6	72,9	78,0	78,6
Estonia	70,9	69,1	73,0	77,7	72,7	67,1	71,0	63,8	77,5	87,3	90,2	87,7
Hungary	63,3	61,4	63,3	65,9	77,7	81,3	81,7	77,6	85,1	91,6	94,7	96,2
Latvia	41,3	42,2	44	48,2	45,1	42,5	43,1	43,9	53,6	58,8	61,6	59,7
Lithuania	52,4	50,9	51,9	57,3	58,8	53,8	59,6	54,2	67,7	77,2	83,9	86,9
Malta	81,4	77,0	76,3	74,9	88,8	92,2	91,8	81,8	90,6	97,1	102,1	93,7
Poland	28,6	33,3	37,5	37,1	40,4	40,8	39,9	39,4	42,2	45,1	46,7	47,8
Romania	35,4	34,8	35,8	33,1	32,3	29,3	30,4	30,6	35,4	40,0	40,6	42,2
Slovakia	71,1	75,8	74,5	76,3	84,5	86,9	83,5	70,6	80,4	89,5	96,6	97,6
Slovenia	55,1	53,8	57,8	62,2	66,5	69,5	67,9	59,4	66,8	73	76,1	78,1
EU (28 countries)	35,2	34,5	35,7	37,1	39,5	40	41,2	36,9	40,9	43,8	44,9	44,9
Euro area (18 countries)	36,3	35,3	36,7	38,1	40,4	41,5	42	36,9	41,3	44,3	45,9	45,9

<sup>65</sup> Source: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tet00003>

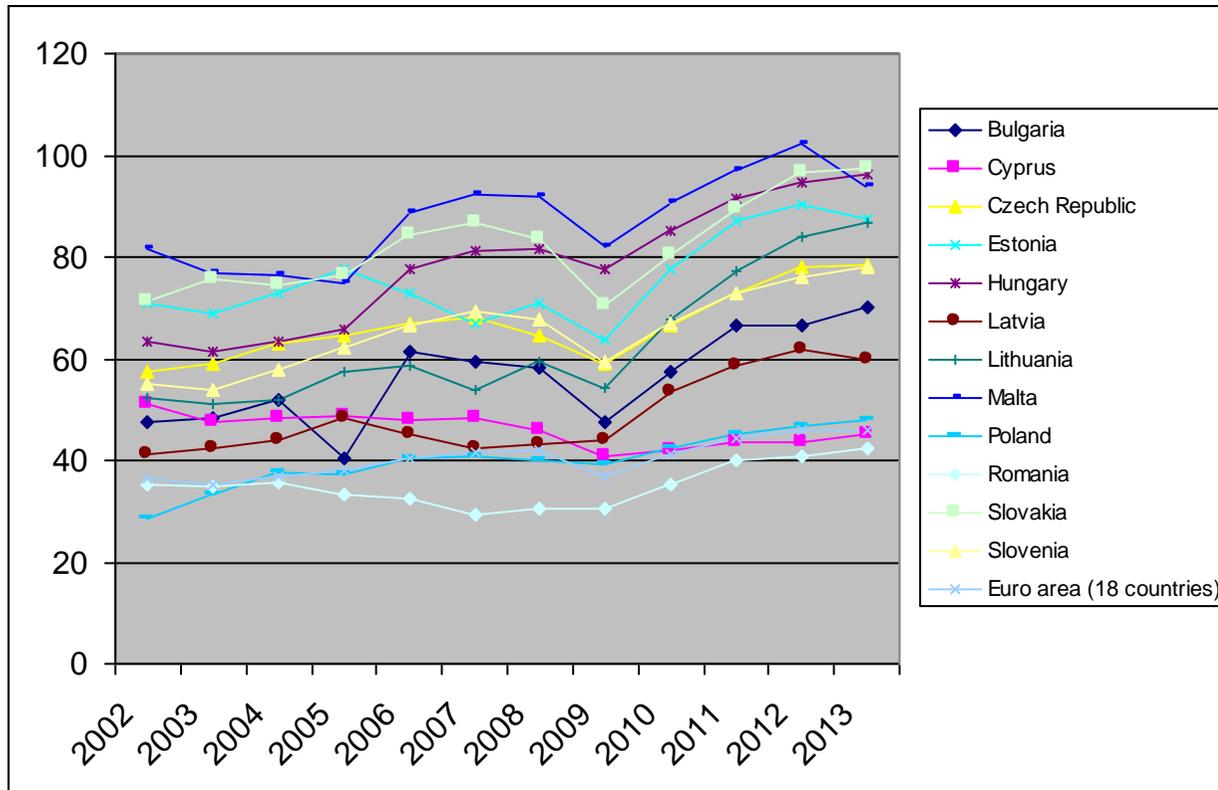
**Figure 5: Exports of goods and services in % of GDP <sup>66</sup>**

This indicator is the value of exports of goods and services divided by the GDP in current prices.

PHARE countries compared with Euro area, 2002-2013

Total - All products, all trade partners

Source of data: Eurostat



In most new Member States, EU accession gave an impetus to their export activity.

During the investigated decade, Hungary, Estonia, Slovakia and Poland were more export-oriented than the countries of the Euro area.

The financial crisis of 2008 has clearly reduced this type of export, but immediately afterwards all new Member States have dynamically increased their exports.

<sup>66</sup> Source: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tet00003>

**Table 4: Imports from non-EU countries: Share of PHARE countries within the total imports of EU28 from non-EU countries (%)**<sup>67</sup>

PHARE countries compared with EU28, 2004-2013

Total - All products. PARTNER: Extra EU-28

Source of data: Eurostat

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	0,5	0,4	0,4	0,6	0,7	0,5	0,5	0,5	0,6	0,6
Cyprus	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Czech Republic	1,1	1	1,1	1,2	1,4	1,3	1,6	1,6	1,5	1,5
Estonia	0,2	0,2	0,2	0,2	0,1	0,1	0,1	0,2	0,2	0,1
Hungary	1,5	1,4	1,3	1,5	1,5	1,4	1,4	1,3	1,2	1,3
Latvia	0,1	0,1	0,2	0,2	0,2	0,1	0,1	0,2	0,2	0,2
Lithuania	0,4	0,4	0,4	0,4	0,6	0,4	0,5	0,6	0,6	0,6
Malta	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Poland	1,7	1,7	2	2,2	2,5	2,4	2,6	2,6	2,8	2,9
Romania	0,9	1	1,1	1	1,1	0,8	0,8	0,9	0,8	0,8
Slovakia	0,5	0,5	0,6	0,8	0,9	0,8	0,9	0,9	0,9	0,9
Slovenia	0,2	0,2	0,2	0,3	0,4	0,4	0,4	0,4	0,4	0,4
Total of PHARE countries	7,3	7,1	7,7	8,6	9,6	8,4	9,1	9,4	9,4	9,5
European Union (28 countries)	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

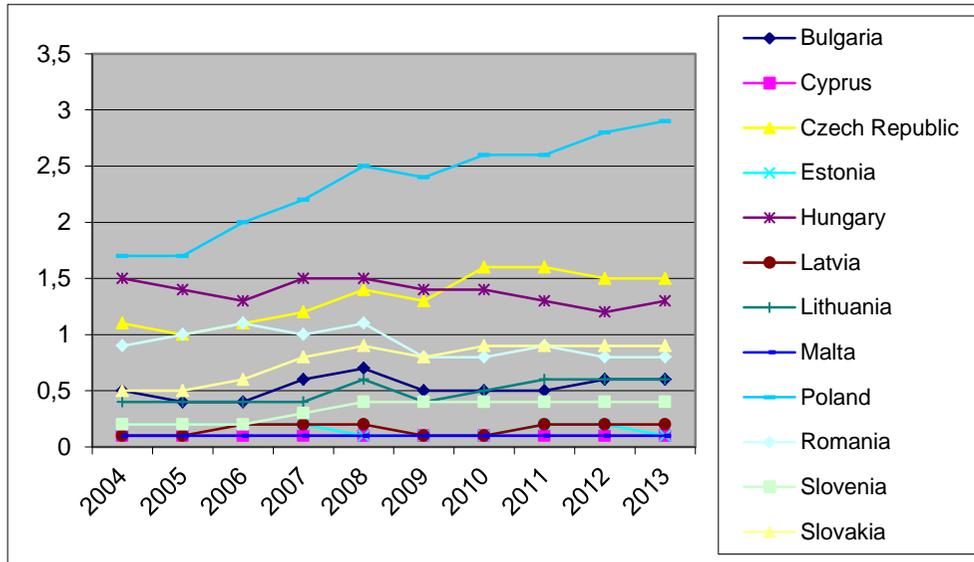
<sup>67</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Figure 6: Imports from non-EU countries: Share of PHARE countries within the total imports of EU28 from non-EU countries (%)** <sup>68</sup>

PHARE countries compared with EU28, 2004-2013

Total - All products. PARTNER: Extra EU-28

Source of data: Eurostat



At the time of EU accession, the aggregate share of the new Member States within the total imports of EU28 from non-EU countries was only 7,3%. During the investigated decade this proportion grew to 9,5%, but most of this increase can be attributed to the increasing import dependence of the Polish economy.

The 2008 financial crisis has clearly reduced the import activity of some new Member States from Non-EU countries, but soon afterwards the trend was corrected.

During the decade 2004-2013 the share of PHARE countries within the EU regarding the imports from non-EU countries has significantly increased. Poland, Slovakia and Slovenia were the countries where dependence on non-EU imports has grown most dynamically.

<sup>68</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Table 5: Exports to non-EU countries: Share of PHARE countries within the total exports of EU28 to non-EU countries (%)** <sup>69</sup>

PHARE countries compared with EU28, 2004-2013

Total - All products. Trade partner: Extra EU-28

Source of data: Eurostat

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	0,3	0,3	0,4	0,4	0,5	0,4	0,4	0,5	0,5	0,5
Cyprus	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Czech Republic	0,7	0,8	0,9	1,0	1,1	1,1	1,2	1,3	1,4	1,3
Estonia	0,1	0,1	0,2	0,2	0,2	0,2	0,2	0,3	0,3	0,2
Hungary	0,7	0,9	1,0	1,1	1,1	1,1	1,1	1,2	1,1	1,0
Latvia	0,1	0,1	0,1	0,1	0,2	0,2	0,2	0,2	0,2	0,2
Lithuania	0,3	0,3	0,4	0,4	0,5	0,4	0,5	0,5	0,5	0,6
Malta	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Poland	1,2	1,4	1,6	1,7	1,9	1,8	1,8	1,9	2,0	2,2
Romania	0,5	0,6	0,7	0,7	0,8	0,7	0,8	0,8	0,8	0,9
Slovakia	0,3	0,3	0,4	0,4	0,5	0,5	0,6	0,5	0,6	0,6
Slovenia	0,3	0,3	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4
Total of PHARE countries	4,6	5,2	6,2	6,5	7,3	6,9	7,3	7,7	7,9	8,0
European Union (28 countries)	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

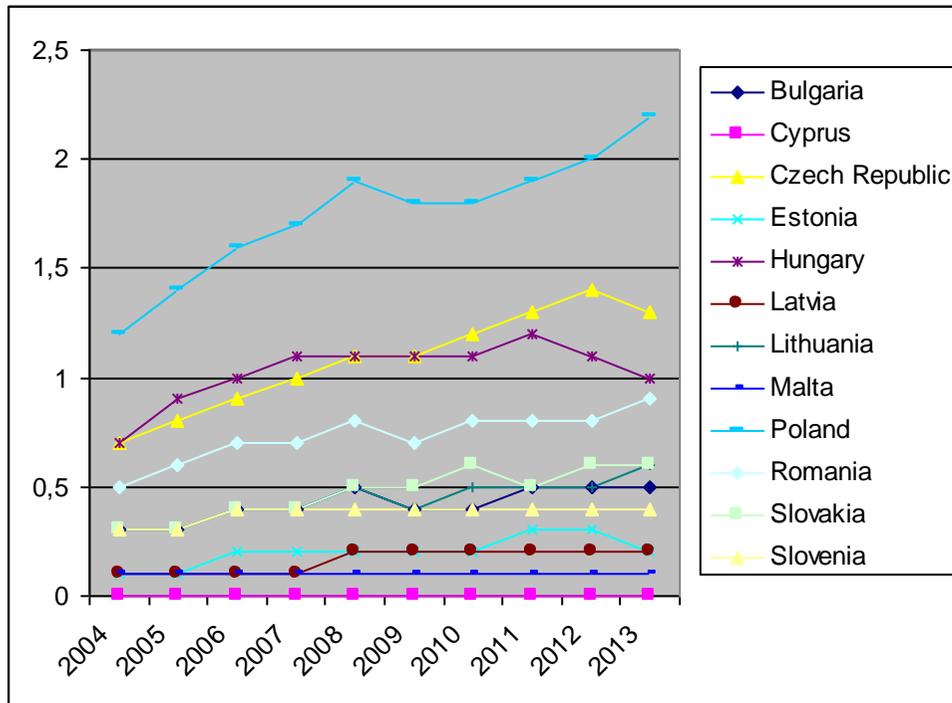
<sup>69</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Figure 7: Exports to non-EU countries: Share of PHARE countries within the total exports of EU28 to non-EU countries (%)** <sup>70</sup>

PHARE countries compared with EU28, 2004-2013

Total - All products. Trade partner: Extra EU-28

Source of data: Eurostat



At the time of EU accession, the aggregate share of the new Member States within the total exports of EU28 to Non-EU countries was only 4,6%. During the investigated decade this proportion grew to 8%, which shows a significant reduction of the gap between old and new Member States regarding their export capacity. A great deal of this increase can be attributed to the dynamically developing export activity of the Polish and Czech economies.

The 2008 financial crisis has clearly reduced the export capabilities of some new Member States to Non-EU countries.

<sup>70</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

## Agriculture

With EU accession, candidate countries have obliged themselves to apply the laws of the common agricultural policy (CAP). PHARE has helped the agricultural administrations to run the CAP which requires the setting up of management and quality systems such as a paying agency and an integrated administration and control system (IACS), and the capacity to implement rural development measures.

With the help of Technical Assistance, Twinning and Supply projects, Member States have acquired the application of EU legislation on direct farm support schemes, and have set up common market organisations for various agricultural products. Agricultural institution development included also the development of e-government solutions in monitoring and enforcing measures in every subordinated policy area of agricultural governance, including CAP Administration, and extending to veterinary, phytosanitary, food safety, seed certification and other administrative activities.

In the transition economies of Central and Eastern Europe agriculture has a relatively higher importance of in the economy than in old Member States. Most candidate countries provided high support for agriculture before transition, ranging from border measures to different types of direct payments, input subsidies, investment aids, or tax exemptions. In the years before accession these measures were adjusted to the instruments of the Common Agricultural Policy.

**Table 6: Agricultural Labour Input Statistics: indices (2005 = 100)** <sup>71</sup>

Total labour force input

PHARE countries compared with EU28 and Euro area, 2004 to 2013

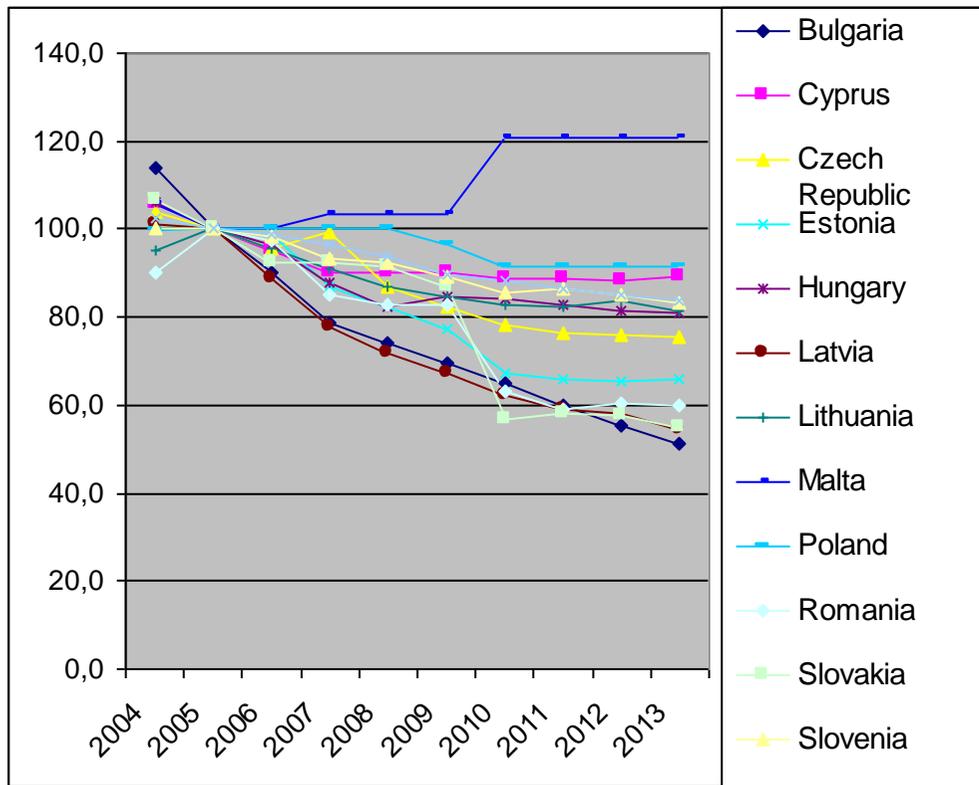
Source of data: Eurostat

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	113,7	100,0	90,0	78,9	74,2	69,6	64,9	60,0	55,5	51,3
Cyprus	105,9	100,0	95,1	90,2	90,3	90,2	88,6	88,6	88,2	89,2
Czech Republic	104,0	100,0	95,6	99,2	86,7	82,3	78,1	76,3	76,0	75,5
Estonia	101,2	100,0	98,8	87,0	82,5	77,4	67,1	65,8	65,2	65,8
Hungary	106,0	100,0	96,6	87,9	82,4	84,7	84,2	82,7	81,6	81,1
Latvia	101,0	100,0	88,9	77,7	71,7	67,2	62,1	59,2	58,0	54,4
Lithuania	95,3	100,0	95,5	91,0	86,9	84,7	82,6	82,3	83,8	81,3
Malta	105,9	100,0	100,0	103,4	103,4	103,4	120,7	120,7	120,7	120,7
Poland	99,6	100,0	100,0	100,3	100,3	96,6	91,7	91,7	91,7	91,7
Romania	90,0	100,0	97,3	84,9	82,9	82,9	63,1	59,0	60,6	60,1
Slovakia	106,7	100,0	92,4	92,4	91,4	87,0	56,8	58,1	57,8	54,8
Slovenia	100,1	100,0	98,5	93,2	92,4	89,1	85,5	86,6	85,2	83,1
European Union (28 countries):		100,0	97,9	93,1	90,8	87,9	81,9	79,8	79,3	78,2
Euro area (12 countries)	102,4	100,0	98,8	96,4	93,8	89,5	88,5	86,3	84,9	83,5

<sup>71</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Figure 8: Agricultural Labour Input Statistics: indices (2005 = 100)** <sup>72</sup>

Total labour force input  
 PHARE countries compared with Euro area, 2004 to 2013  
 Source of data: Eurostat



During the decade following EU accession, agricultural employment has decreased in all new Member States, with the exception of Malta. The most dynamic decrease of agricultural employment was observed exactly in those countries, in which before EU accession the corresponding indicators were the highest, i.e. in Bulgaria, Slovakia and Romania. The above described phenomenon is a clear sign of convergence among new Member States.

During the decade 2004 to 2013 agricultural employment in the Euro area has decreased by nearly 20 percentage points. This shows that during the investigated decade the gap between old and new Member States regarding agricultural employment has not been reduced.

<sup>72</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Table 7: Crops products – Yields<sup>73</sup> of cereals for the production of grain (including rice and seed) (100 kg/ha)<sup>74</sup>**

PHARE countries compared with European Union, 2005-2013

Source of data: Eurostat

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	41,6	n.a.	24,5	40,9	43,3	40,2	42,5	36,7	45,7
Cyprus	11,3	11,3	14,6	16,4	18,2	19,3	19,6	24,0	16,6
Czech Republic	47,5	41,7	45,3	54,4	50,8	48,4	56,1	45,4	53,2
Estonia	26,9	22,1	30,1	27,9	27,6	24,4	26,0	34,1	32,1
Hungary	55,3	51,0	34,9	57,9	47,2	47,6	51,1	37,6	48,0
Latvia	28,0	22,6	29,4	31,0	30,8	27,7	27,4	37,7	33,7
Lithuania	29,4	n.a.	30,1	33,5	34,5	27,6	30,3	40,2	36,8
Poland	32,3	26,0	32,5	32,2	34,8	32,2	34,3	37,1	38,0
Romania	33,2	31,0	15,3	32,4	28,2	32,8	39,7	23,4	38,5
Slovakia	44,8	39,6	35,6	51,8	43,4	37,0	50,1	38,3	46,7
Slovenia	60,4	51,3	53,6	54,9	52,8	60,0	64,0	57,8	47,4
European Union <sup>75</sup>	50,4	48,9	45,8	52,3	50,9	50,2	50,7	49,1	n.a.

<sup>73</sup> Crop yields mean harvested production per unit of harvested area for crop products. In most of the cases yield data are not recorded but obtained by dividing the production data by the data on area harvested.

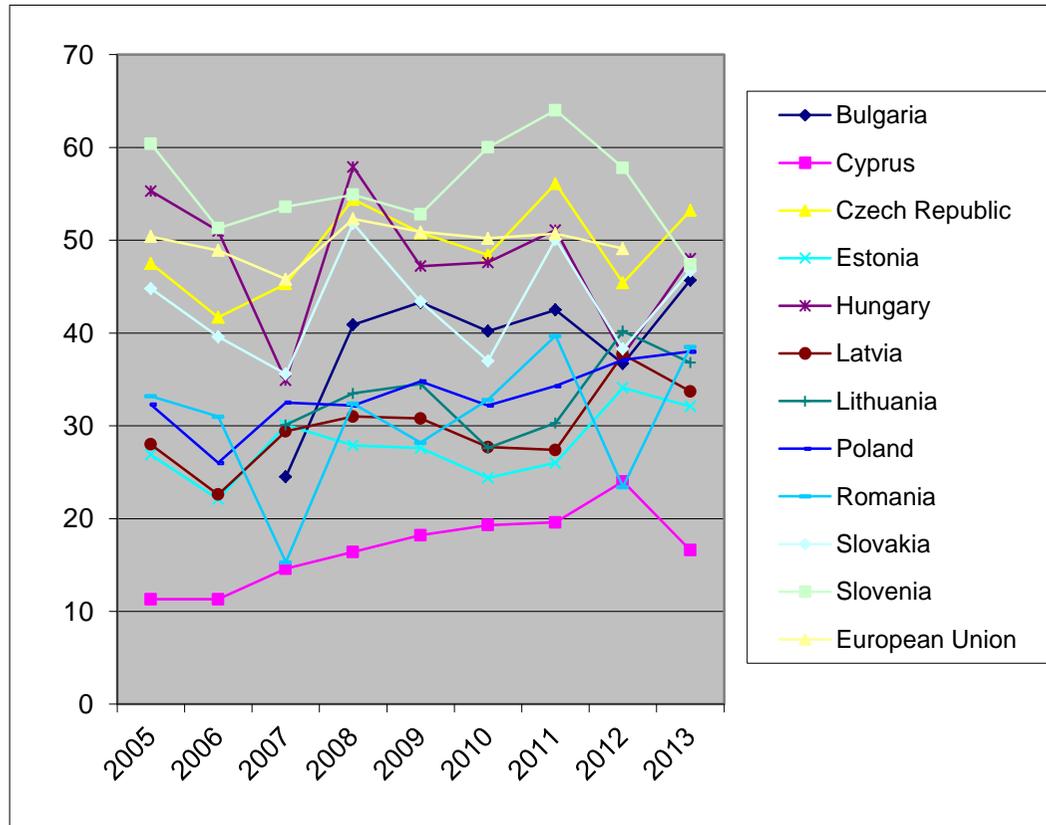
<sup>74</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

<sup>75</sup> European Union : EU6-1972, EU9-1980, EU10-1985, EU12-1994, EU15-2004, EU25-2006, EU27-2013, EU28

**Figure 9: Crops products – Yields<sup>76</sup> of cereals for the production of grain (including rice and seed) (100 kg/ha)<sup>77</sup>**

PHARE countries compared with European Union, 2005-2013

Source of data: Eurostat



Crop yields show great variance across different countries and years. This is partly due to yearly meteorological changes and partly due to between-country differences of the product portfolio.

Crop yields in most new Member States substantially lag behind those of the old Member States European Union. Some positive exceptions from the above general rule have been demonstrated Slovenia and the Czech Republic.

During the investigated decade cereal yields have stagnated in most new Member States, whereby some improvement of crop yields could be observed in Estonia, Latvia, Poland and in Cyprus.

<sup>76</sup> Crop yields mean harvested production per unit of harvested area for crop products. In most of the cases yield data are not recorded but obtained by dividing the production data by the data on area harvested.

<sup>77</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

## Environment and Energy

With EU accession, candidate countries have obliged themselves to apply EU environment policy which aims to promote sustainable development and protect the environment for present and future generations. PHARE projects have helped these countries to implement preventive actions, to apply the polluter pays principle, to fight environmental damage at source, to share responsibility with a wide range of stakeholders, and to integrate environmental protection into other policies. The new Member States have harmonized their legislation with over 200 major legal acts of the Acquis, covering horizontal legislation, water and air quality, waste management, nature protection, industrial pollution control and risk management, chemicals and genetically modified organisms (GMOs), noise and forestry. A wide range of the above regulatory fields were accompanied and facilitated by PHARE projects.

Compliance with the Acquis required significant investment. PHARE was instrumental in launching Supply projects in order to meet the needs of enforcing organisations.

PHARE also supported energy efficiency (e.g. of buildings) by various measures e.g. by setting up loan funds for this purpose (e.g. in the Czech Republic and in Slovakia).

Examples of PHARE supported projects in the environmental field are as follows:

- Protecting the habitats of birds
- Developing the institutional framework of hydromorphological monitoring
- Developing an information system for nature conservation
- Facilitating the implementation of the Water Framework Directive

**Table 8: Greenhouse Gas Emissions <sup>78</sup> (Thousand tonnes) <sup>79</sup>**

PHARE countries compared with EU28, 2003-2012

Source of data: European Environment Agency (EEA)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	64 390	63 592	63 712	64 505	68 423	66 843	57 725	60 272	65 996	61 046
Cyprus	9 572	9 795	9 886	10 062	10 382	10 559	10 299	9 989	9 682	9 259
Czech Republic	145 827	147 274	145 965	147 021	147 246	142 185	134 206	137 008	135 277	131 466
Estonia	18 810	19 129	18 421	17 837	20 949	19 546	16 189	19 892	20 484	19 188
Hungary	79 604	79 107	78 376	77 485	75 651	73 328	66 976	67 638	66 034	61 981
Latvia	10 856	10 852	11 056	11 522	11 979	11 496	10 850	11 987	11 140	10 978
Lithuania	21 448	22 231	23 318	23 708	26 119	24 932	20 432	21 119	21 680	21 622
Malta	2 896	2 878	2 977	2 978	3 091	3 057	2 993	2 994	3 027	3 140
Poland	393 407	398 044	398 827	414 148	415 449	406 081	387 700	407 475	405 741	399 268
Romania	144 219	141 221	141 314	144 777	142 804	139 812	119 917	115 799	121 514	118 764
Slovakia	50 671	50 933	50 264	50 318	48 395	49 001	44 690	45 382	44 698	42 710
Slovenia	19 672	19 980	20 314	20 526	20 672	21 384	19 373	19 411	19 463	18 911
Total of PHARE countries	961 372	965 036	964 430	984 887	991 160	968 224	891 350	918 966	924 736	898 333
European Union (28 countries)	5 216 864	5 217 504	5 178 201	5 173 414	5 118 667	5 006 492	4 642 442	4 751 060	4 603 245	4 544 224

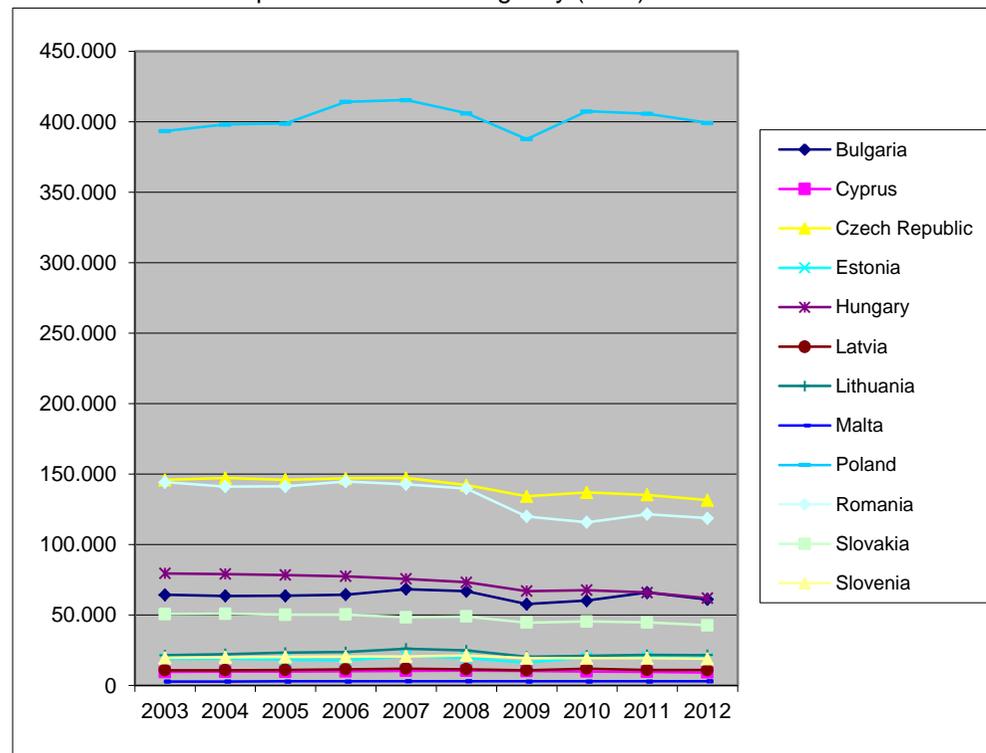
<sup>78</sup> Indicator: CO2 equivalent of Greenhouse Gas Emissions, Greenhouse gases are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs). Converting them to carbon dioxide (or CO<sub>2</sub>) equivalents makes it possible to compare them and to determine their individual and total contributions to global warming.

<sup>79</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

Figure 10: Greenhouse Gas Emissions<sup>80</sup> (Thousand tonnes)<sup>81</sup>

PHARE countries 2003-2012

Source of data: European Environment Agency (EEA)



Greenhouse gases constitute a group of gases contributing to global warming and climate change. The EU is signatory of the Kyoto Protocol, an environmental agreement adopted by many of the parties to the United Nations Framework Convention on Climate Change (UNFCCC) in 1997 to curb global warming, which covers greenhouse gases.

During the investigated decade, greenhouse gas emissions of new Member States have either stagnated or moderately decreased. The total emission of PHARE countries has decreased by 7%, while emission of the total of EU28 has decreased by 13%. The observed decrease of greenhouse gases was partly attributable to measure of environmental policies, and partly to autonomous market processes leading to desindustrialisation.

During the investigated decade, the biggest polluter of greenhouse gases was and remained Poland, where the economy relies to a large extent on coal.

<sup>80</sup> Greenhouse gases are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs). Converting them to carbon dioxide (or CO<sub>2</sub>) equivalents makes it possible to compare them and to determine their individual and total contributions to global warming.

<sup>81</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Table 9: Share of energy from renewable <sup>82</sup> sources (%) <sup>83</sup>**

PHARE countries compared with EU28, 2004-2012

Source of data: European Environment Agency (EEA)

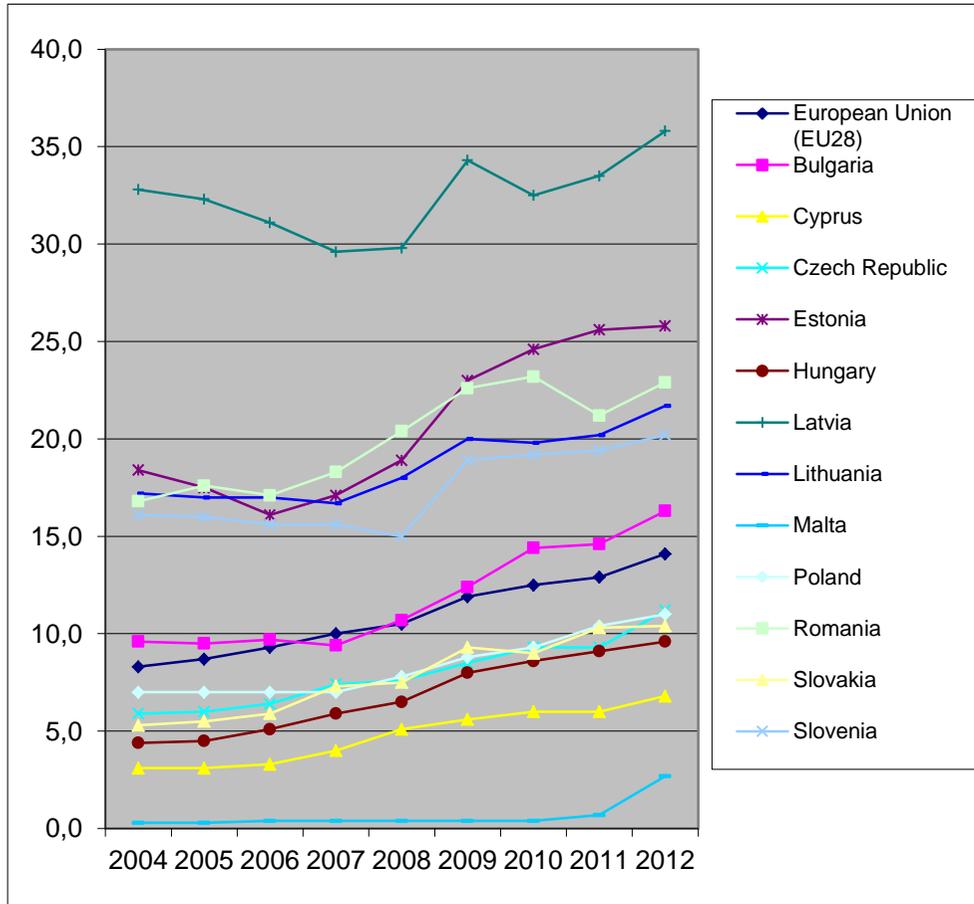
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	9,6	9,5	9,7	9,4	10,7	12,4	14,4	14,6	16,3
Croatia	13,2	12,8	12,8	12,1	12,1	13,1	14,3	15,4	16,8
Cyprus	3,1	3,1	3,3	4,0	5,1	5,6	6,0	6,0	6,8
Czech Republic	5,9	6,0	6,4	7,4	7,6	8,5	9,3	9,3	11,2
Estonia	18,4	17,5	16,1	17,1	18,9	23,0	24,6	25,6	25,8
Hungary	4,4	4,5	5,1	5,9	6,5	8,0	8,6	9,1	9,6
Latvia	32,8	32,3	31,1	29,6	29,8	34,3	32,5	33,5	35,8
Lithuania	17,2	17,0	17,0	16,7	18,0	20,0	19,8	20,2	21,7
Malta	0,3	0,3	0,4	0,4	0,4	0,4	0,4	0,7	2,7
Poland	7,0	7,0	7,0	7,0	7,8	8,8	9,3	10,4	11,0
Romania	16,8	17,6	17,1	18,3	20,4	22,6	23,2	21,2	22,9
Slovakia	5,3	5,5	5,9	7,3	7,5	9,3	9,0	10,3	10,4
Slovenia	16,1	16,0	15,6	15,6	15,0	18,9	19,2	19,4	20,2
European Union (28 countries)	8,3	8,7	9,3	10,0	10,5	11,9	12,5	12,9	14,1

<sup>82</sup> Share of renewable energy in gross final energy consumption. Renewable energy sources include wind power, solar power (thermal, photovoltaic and concentrated), hydroelectric power, tidal power, geothermal energy, biomass and the renewable part of waste.

<sup>83</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Figure 11: Share of energy from renewable<sup>84</sup> sources (%)**

PHARE countries compared with EU28, 2004-2012  
 Source of data: European Environment Agency (EEA)



Most EU countries motivate the production of electricity from renewable sources by contractual guarantees of purchasing electricity at a guaranteed price. The use of renewable energy for heating and cooling is promoted through various subsidies, loan schemes and through exemptions for building owners from property tax.

During the investigated decade, the share of energy from renewable sources has gradually and significantly increased in the new Member States.

Regarding the share of renewable energies, the performance of Baltic countries, Romania and Malta is significantly better than the EU average.

<sup>84</sup> Share of renewable energy in gross final energy consumption. Renewable energy sources include wind power, solar power (thermal, photovoltaic and concentrated), hydroelectric power, tidal power, geothermal energy, biomass and the renewable part of waste

## Social policy and employment

With EU accession candidate countries have obliged themselves to transpose the provisions of the Acquis in the social field. A wide range of PHARE projects have been implemented in order to create capacities for implementing the minimum European standards in the areas of labour law, equality, health and safety at work and anti-discrimination. Member States also participate in social dialogue at the European level and in EU policy processes in the areas of employment policy, social inclusion and social protection. The EU guarantees the freedom of movement for workers, i.e. EU citizens of one Member State have the right to work in another Member State. EU migrant workers must be treated in the same way as national workers in relation to working conditions, social and tax advantages.

In particular, the following PHARE projects were facilitating the above aims:

- Enhancement of equal opportunity for people with disabilities
- Supporting public work schemes in order to fight discrimination of long term unemployed Roma workers
- Promoting active citizenship of young people
- Etc.

**Table 10: Unemployment rate of PHARE countries (%)** <sup>85</sup>

PHARE countries compared with EU28, 2004-2013

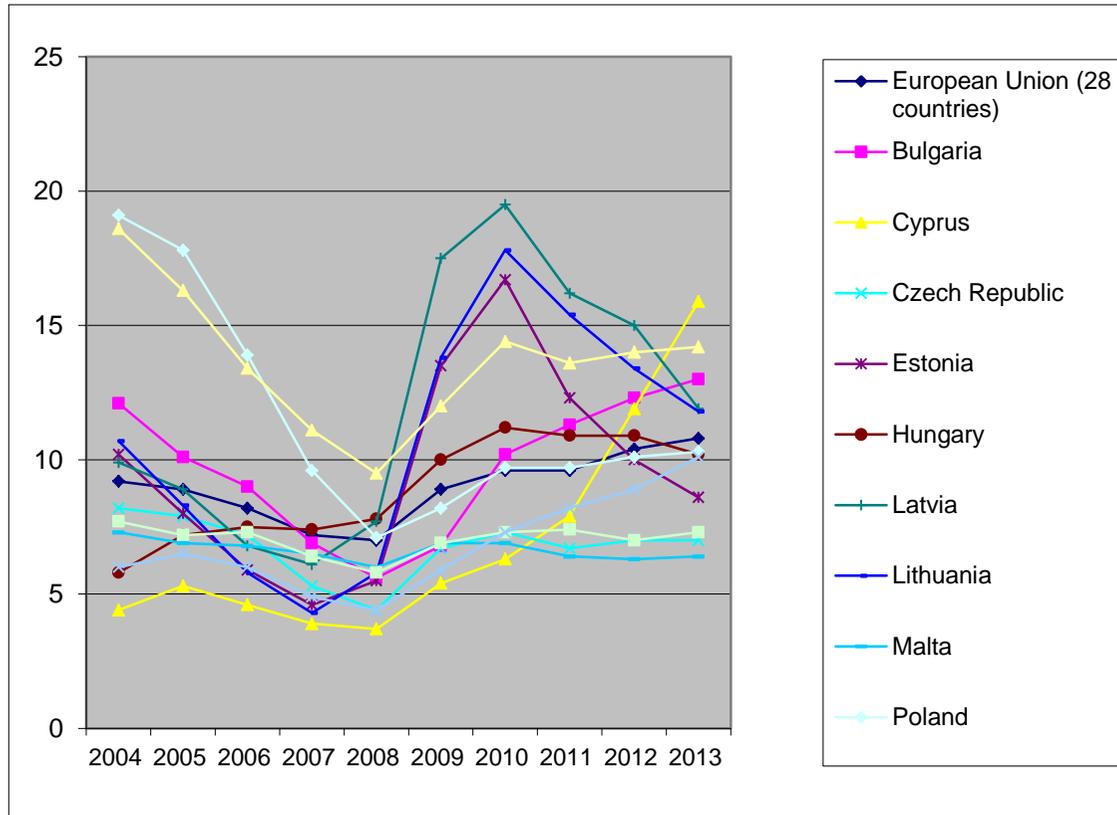
Source of data: Eurostat

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	12,1	10,1	9,0	6,9	5,6	6,8	10,2	11,3	12,3	13,0
Cyprus	4,4	5,3	4,6	3,9	3,7	5,4	6,3	7,9	11,9	15,9
Czech Republic	8,2	7,9	7,2	5,3	4,4	6,7	7,3	6,7	7,0	7,0
Estonia	10,2	8	5,9	4,6	5,5	13,5	16,7	12,3	10,0	8,6
Hungary	5,8	7,2	7,5	7,4	7,8	10	11,2	10,9	10,9	10,2
Latvia	9,9	8,9	6,8	6,1	7,7	17,5	19,5	16,2	15	11,9
Lithuania	10,7	8,3	5,8	4,3	5,8	13,8	17,8	15,4	13,4	11,8
Malta	7,3	6,9	6,8	6,5	6	6,9	6,9	6,4	6,3	6,4
Poland	19,1	17,8	13,9	9,6	7,1	8,2	9,7	9,7	10,1	10,3
Romania	7,7	7,2	7,3	6,4	5,8	6,9	7,3	7,4	7	7,3
Slovakia	18,6	16,3	13,4	11,1	9,5	12	14,4	13,6	14	14,2
Slovenia	6,0	6,5	6,0	4,9	4,4	5,9	7,3	8,2	8,9	10,1
European Union (28 countries)	9,2	8,9	8,2	7,2	7,0	8,9	9,6	9,6	10,4	10,8

<sup>85</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

Figure 12: Unemployment rate of PHARE countries (%) <sup>86</sup>

PHARE countries compared with EU28, 2000-2013



During the 1990s, the Central and Eastern European countries were faced with sharp decline in employment; These dramatic changes were mostly the result of structural adjustments associated with the transition to a market economy and the loss of the export markets of the former Socialist countries. Following their EU accession, the unemployment trends of PHARE countries have followed those of the general trends of the EU. Between accession date and 2008 a general decrease was observed in all PHARE countries. The measures of PHARE have clearly contributed to this positive development, but the impact cannot be quantified.

The financial crisis of 2008 has caused a significant worsening of the employment situation both in old and new Member States, whereby the labour markets of the Baltic countries, were hit the hardest, followed by a characteristically dynamic favourable correction. The labour markets of Cyprus, Bulgaria and Slovakia have also suffered in 2008, without a recovery until 2013. The unemployment trends of the countries of Central Europe followed an analogous, but relatively smoother path.

<sup>86</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Table 11: Median equivalised net income<sup>87</sup> (Unit: Euro / person)<sup>88</sup>**

PHARE countries compared with Euro area (18 countries) 2005-2013

Source: Eurostat

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	1 384	1 384	1 481	2 171	2 828	3 017	2 914	2 860	2 924
Cyprus	13 157	14 536	16 014	16 024	16 451	16 180	16 990	16 927	15 873
Czech Republic	4 233	4 802	5 423	6 068	7 295	7 058	7 451	7 791	7 694
Estonia	2 980	3 639	4 448	5 547	6 209	5 727	5 598	5 987	6 579
Hungary	3 447	3 849	3 936	4 400	4 739	4 241	4 535	4 753	4 529
Latvia	2 198	2 554	3 397	4 758	5 356	4 469	4 160	4 428	4 702
Lithuania	2 058	2 534	3 276	4 169	4 715	4 030	3 857	4 337	4 698
Malta	8 591	9 030	9 304	10 009	10 503	10 435	10 862	11 449	12 093
Poland	2 533	3 111	3 502	4 155	5 097	4 405	5 025	5 060	5 164
Romania	1 658	1 658	1 658	1 953	2 162	2 037	2 116	2 116	2 116
Slovakia	2 830	3 313	3 972	4 792	5 671	6 117	6 306	6 927	6 737
Slovenia	8 797	9 317	9 907	10 893	11 864	11 736	11 999	12 122	11 852
Euro area (18 countries)	14 300	14 377	15 262	16 301	16 703	16 881	16 880	17 124	17 124

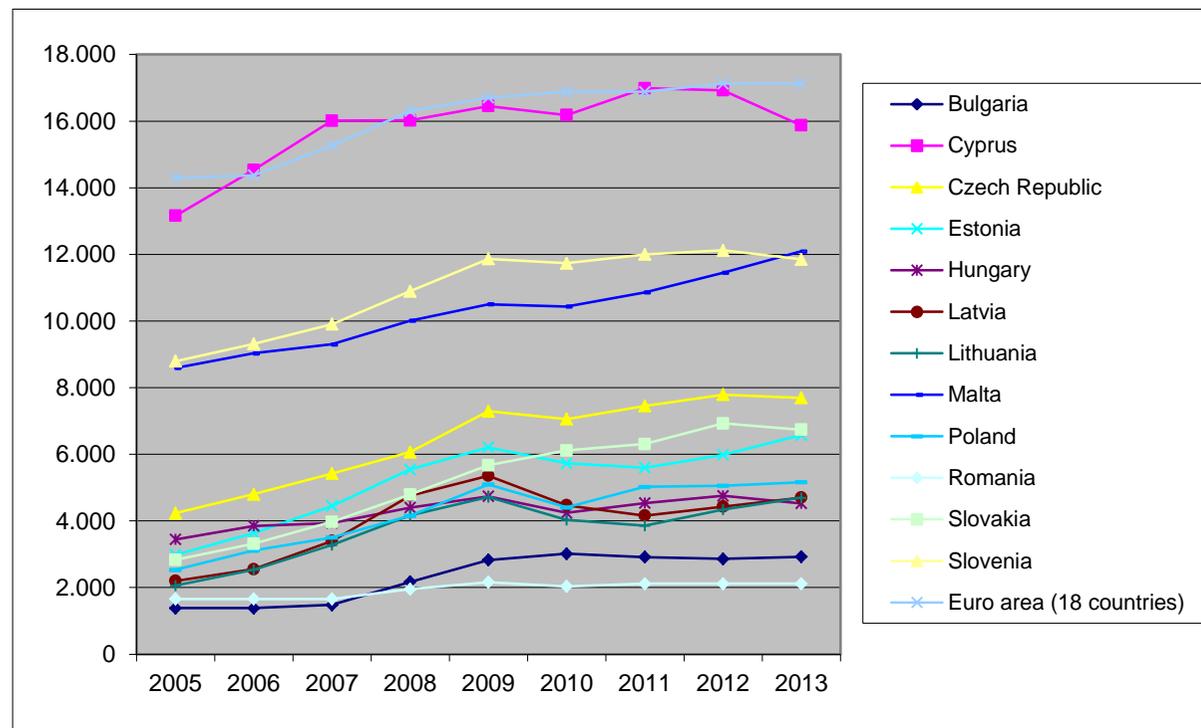
<sup>87</sup> The equivalised disposable income is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults; household members are equalised or made equivalent by weighting each according to their age, using the so-called modified OECD equivalence scale

<sup>88</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Figure 13: Median equivalised net income<sup>89</sup> (Unit: Euro / person)<sup>90</sup>**

PHARE countries compared with Euro area (18 countries) 2005-2013

Source: Eurostat



Between the date of EU accession and 2009, median income has gradually increased in all new Member States. After 2009, median income has either stagnated, or decreased in the investigated countries. Incomes in Central and Eastern Europe lagged and still lag behind the respective indicators of the Euro area.

The median income of persons in new Member States is very heterogenous, Bulgaria and Romania substantially lagging behind other new Member States.

<sup>89</sup> The equivalised disposable income is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults; household members are equalised or made equivalent by weighting each according to their age, using the so-called modified OECD equivalence scale

<sup>90</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Table 12: Share of people at risk of poverty or social exclusion <sup>91</sup> (%) <sup>92</sup>**

PHARE countries compared with EU 27, 2005-2013

Source of data: Eurostat

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	n.a.	61,3	60,7	44,8	46,2	49,2	49,1	49,3	48,0
Cyprus	25,3	25,4	25,2	23,3	23,5	24,6	24,6	27,1	27,8
Czech Republic	19,6	18,0	15,8	15,3	14,0	14,4	15,3	15,4	14,6
Estonia	25,9	22,0	22,0	21,8	23,4	21,7	23,1	23,4	23,5
Hungary	32,1	31,4	29,4	28,2	29,6	29,9	31,0	32,4	33,5
Latvia	32,1	31,4	29,4	28,2	29,6	29,9	31,0	32,4	33,5
Lithuania	46,3	42,2	35,1	34,2	37,9	38,2	40,1	36,2	35,1
Malta	41,0	35,9	28,7	27,6	29,6	34,0	33,1	32,5	30,8
Poland	20,5	19,5	19,7	20,1	20,3	21,2	22,1	23,1	24,0
Romania	45,3	39,5	34,4	30,5	27,8	27,8	27,2	26,7	25,8
Slovakia	n.a.	n.a.	45,9	44,2	43,1	41,4	40,3	41,7	n.a.
Slovenia	32,0	26,7	21,3	20,6	19,6	20,6	20,6	20,5	19,8
EU (27 countries)	25,7	25,3	24,4	23,7	23,2	23,7	24,3	24,8	n.a.

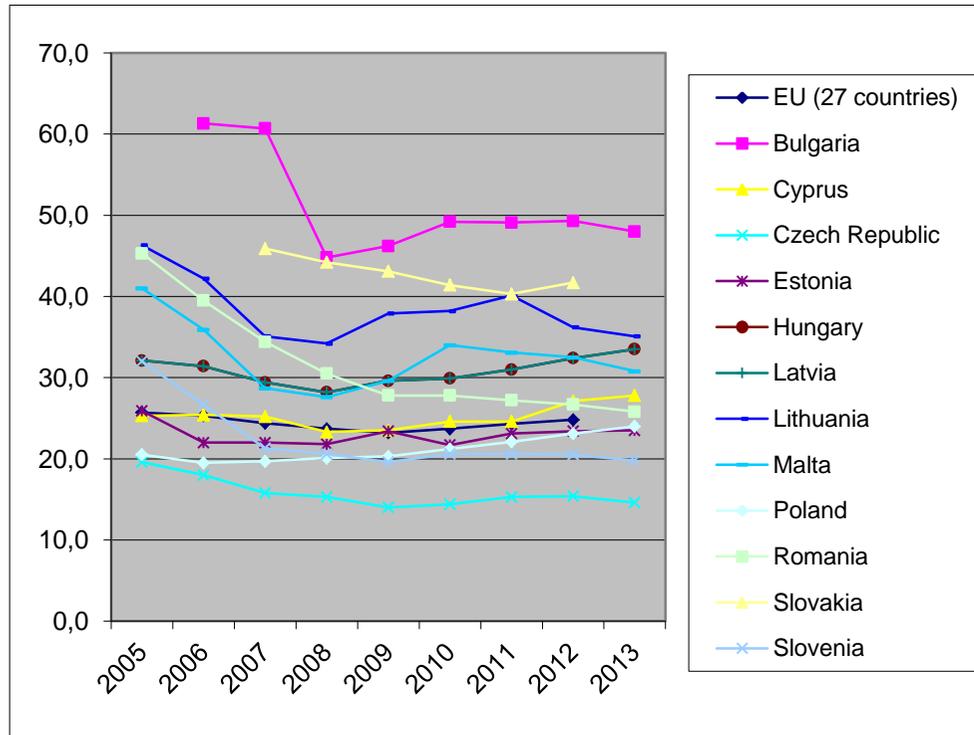
<sup>91</sup> At risk of poverty or social exclusion, abbreviated as AROPE, refers to the situation of people either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. The AROPE rate, the share of the total population which is at risk of poverty or social exclusion, is the headline indicator to monitor the EU 2020 Strategy poverty target.

<sup>92</sup> Source: [http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020\\_50&language=en](http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_50&language=en)

Figure 14: Share of people at risk of poverty or social exclusion <sup>93</sup> (%) <sup>94</sup>

PHARE countries compared with EU 27, 2005-2013

Source of data: Eurostat



The PHARE programme included a wide range of measures aiming to reduce poverty and social exclusion.

New Member States vary strongly according to the indicator „Share of People at risk of poverty or social exclusion”, whereby the density of vulnerable persons is highest in Bulgaria and Slovakia.

During the investigated decade, in the New Member States, the share of persons at risk of poverty or social exclusion has decreased by approximately one-tenth. Immediately after EU accession, this development was dynamic, but after 2008, in most (but not all) new Member States a period of stagnation followed.

<sup>93</sup> At risk of poverty or social exclusion, abbreviated as AROPE, refers to the situation of people either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. The AROPE rate, the share of the total population which is at risk of poverty or social exclusion, is the headline indicator to monitor the EU 2020 Strategy poverty target.

<sup>94</sup> Source: [http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020\\_50&language=en](http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_50&language=en)

## Education and skills

The areas of education, training, youth and culture are primarily the competence of the Member States. However, during EU accession the new Member States have obliged themselves to participate in the cooperation framework on education and training policies in order to approximate national policies. This includes the preservation and promotion of cultural diversity, and the establishment of the legal, administrative and financial framework which is necessary to implement youth Community programmes (e.g. Leonardo da Vinci Programme). PHARE funds were instrumental in achieving the above goals. Some examples follow:

- The PHARE programme subsidized the Tempus programme in the 1990s which after 2006 was instrumental in supporting the process of higher education reform in the countries of Central and Eastern Europe. In particular the introduction of the Bologna Process in new Member States was implemented by the Tempus institutions that have been set up by PHARE.
- The PHARE Programme has supported the reform of higher education and science by various measures. PHARE programmes such as the "Multi-Country Phare in Higher Education Program " were instrumental in introducing and improving quality assurance activities in various universities (e.g. in Hungary).
- Centres of Strategic Competence were established at various universities subsidized from PHARE funds (e.g. in Estonia). The activities of such Centres focus on gene technologies, information technology, environmental technologies, and materials sciences.
- PHARE projects provided grants for the attaining professional training courses at universities and other educational institutions of Government Agencies (e.g. in Malta).
- Universities in all PHARE countries have been repeatedly the beneficiaries of various Cross-Border projects.
- A wide range of elementary schools were beneficiaries of PHARE supported Information Society development programmes and obtained access to ICT networks. (e.g. in Hungary)

**Table 13: Tertiary education of the population aged 30-34 years <sup>95</sup> in PHARE countries (%) <sup>96</sup>**

PHARE countries compared with EU28, 2000-2013

Source of data: Eurostat

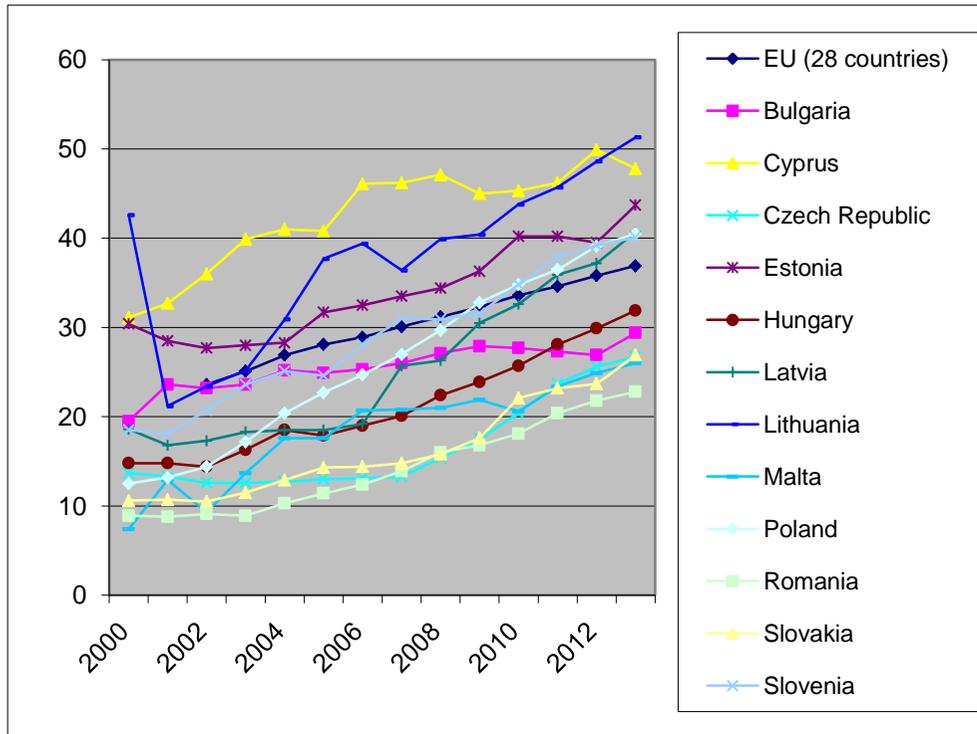
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	19,5	23,6	23,2	23,6	25,2	24,9	25,3	26,0	27,1	27,9	27,7	27,3	26,9	29,4
Cyprus	31,1	32,7	36,0	39,9	41,0	40,8	46,1	46,2	47,1	45,0	45,3	46,2	49,9	47,8
Czech Republic	13,7	13,3	12,6	12,6	12,7	13,0	13,1	13,3	15,4	17,5	20,4	23,7	25,6	26,7
Estonia	30,4	28,5	27,7	28,0	28,3	31,7	32,5	33,5	34,4	36,3	40,2	40,2	39,5	43,7
Hungary	14,8	14,8	14,4	16,3	18,5	17,9	19,0	20,1	22,4	23,9	25,7	28,1	29,9	31,9
Latvia	18,6	16,8	17,3	18,3	18,5	18,5	19,2	25,7	26,3	30,5	32,6	35,9	37,2	40,7
Lithuania	42,6	21,2	23,4	25,2	30,9	37,7	39,4	36,4	39,9	40,4	43,8	45,7	48,6	51,3
Malta	7,4	12,9	9,3	13,7	17,6	17,6	20,7	20,8	21,0	21,9	20,6	23,4	24,9	26,0
Poland	12,5	13,2	14,4	17,2	20,4	22,7	24,7	27,0	29,7	32,8	34,8	36,5	39,1	40,5
Romania	8,9	8,8	9,1	8,9	10,3	11,4	12,4	13,9	16,0	16,8	18,1	20,4	21,8	22,8
Slovakia	10,6	10,7	10,5	11,5	12,9	14,3	14,4	14,8	15,8	17,6	22,1	23,2	23,7	26,9
Slovenia	18,5	18,1	20,7	23,6	25,1	24,6	28,1	31,0	30,9	31,6	34,8	37,9	39,2	40,1
EU (28 countries)	n. a.	n. a.	23,6	25,1	26,9	28,1	28,9	30,1	31,2	32,3	33,6	34,6	35,8	36,9

<sup>95</sup> The share of the population aged 30-34 years who have successfully completed university

<sup>96</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

Figure 15: Tertiary education of the population <sup>97</sup> aged 30-34 years (%) <sup>98</sup>

PHARE countries compared with EU28, 2000-2013



During the decade following their EU accession, participation in tertiary education has increased in all new Member States. Cyprus and in Malta were and remained the leading countries regarding the proportion of population aged 30-34 years with university diplomas, while post-Socialist Member States demonstrated a somewhat lower proportion.

The steady increase was due to various reasons. In post-socialist countries many young people have studied for a longer period only to avoid or delay unemployment. A wide range of private higher education institutions have been established, this widening the supply side of higher education services. The introduction of the Bologna system was attractive for those students who wanted to study in a university only for 3 years. The value of university education was increased due to student exchange programmes and the mutual recognition of diplomas across EU countries.

<sup>97</sup> The share of the population aged 30-34 years who have successfully completed university

<sup>98</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Table 14: Participation rate in education and training (last 4 weeks) <sup>99</sup>**

PHARE countries compared with EU28, 2004-2013

Percentage among cohorts 25-64 years old

Source of data: Eurostat

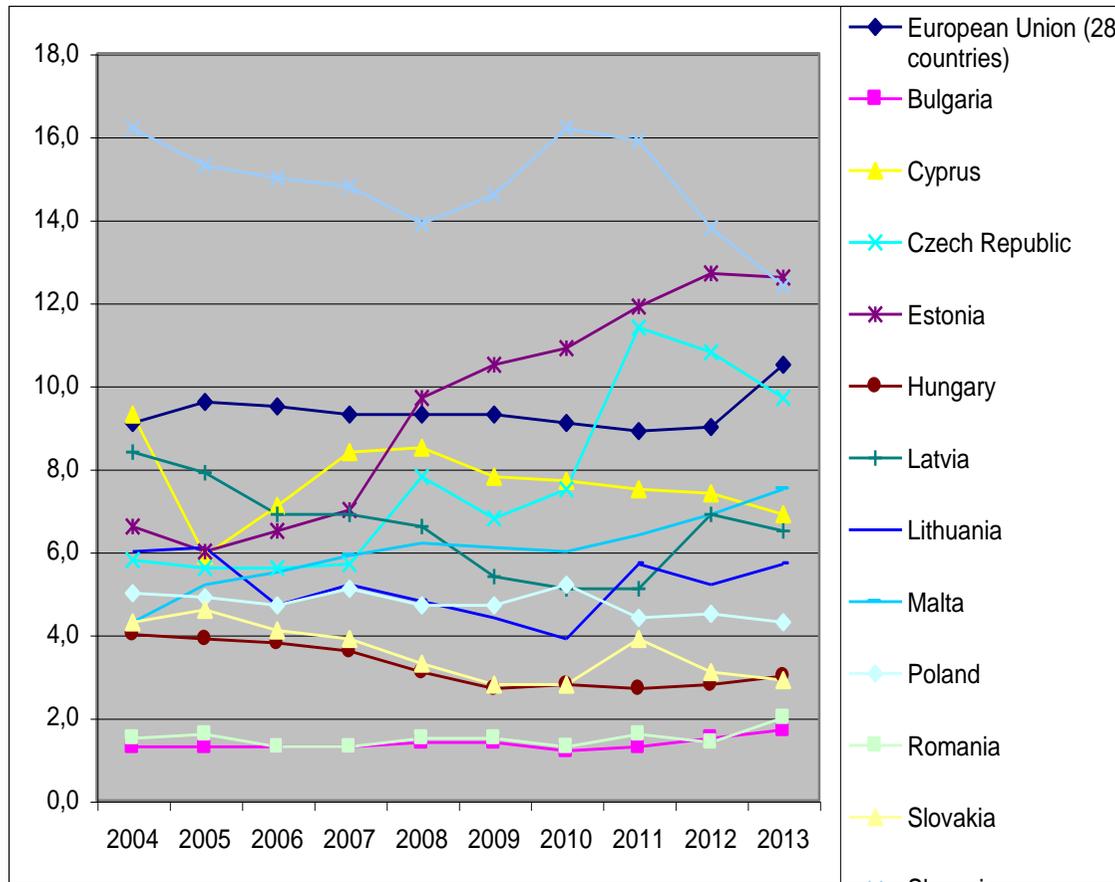
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	1,3	1,3	1,3	1,3	1,4	1,4	1,2	1,3	1,5	1,7
Cyprus	9,3	5,9	7,1	8,4	8,5	7,8	7,7	7,5	7,4	6,9
Czech Republic	5,8	5,6	5,6	5,7	7,8	6,8	7,5	11,4	10,8	9,7
Estonia	6,6	6,0	6,5	7,0	9,7	10,5	10,9	11,9	12,7	12,6
Hungary	4,0	3,9	3,8	3,6	3,1	2,7	2,8	2,7	2,8	3,0
Latvia	8,4	7,9	6,9	6,9	6,6	5,4	5,1	5,1	6,9	6,5
Lithuania	6,0	6,1	4,7	5,2	4,8	4,4	3,9	5,7	5,2	5,7
Malta	4,3	5,2	5,5	5,9	6,2	6,1	6,0	6,4	6,9	7,5
Poland	5,0	4,9	4,7	5,1	4,7	4,7	5,2	4,4	4,5	4,3
Romania	1,5	1,6	1,3	1,3	1,5	1,5	1,3	1,6	1,4	2,0
Slovakia	4,3	4,6	4,1	3,9	3,3	2,8	2,8	3,9	3,1	2,9
Slovenia	16,2	15,3	15,0	14,8	13,9	14,6	16,2	15,9	13,8	12,4
European Union (28 countries)	9,1	9,6	9,5	9,3	9,3	9,3	9,1	8,9	9,0	10,5

<sup>99</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

**Figure 16: Participation rate in education and training (last 4 weeks) <sup>100</sup>**

PHARE countries compared with EU28, 2004-2013

Source of data: Eurostat



The spreading of lifelong learning is an important objective of the European Union. Continuous education and training is an important aspect of adaptation in order to cope with the challenges of a flexible labour market. This objective has been supported by a wide range of PHARE projects. Lifelong learning as a social phenomenon objective is realistically measured with the indicator „Participation rate in education and training”.

At the time of EU accession, in Central and Eastern European new member States the participation rate in education and training lagged behind the EU average. The previous sentence needs clarification. During the investigated decade, Malta, Estonia and the Czech Republic have succeeded to surpass the EU average in various years. However, other new Member States still have to go a long way to implement the principles of lifelong learning.

<sup>100</sup> Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

## **Annex 5: Country Case Studies / Multi-Country Programme Case Studies**

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## EU Member States



As part of the 'fifth wave' of EU enlargement, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia acceded to the European Union on 01/05/2004, and Bulgaria and Romania on 01/01/2007.

Croatia (not addressed by this evaluation) acceded to the European Union on 01/07/2013.

## Annex 5.1: Bulgaria – Justice and the Rule of Law

### Background

Bulgaria is an Eastern European country with territory of 110,993.6 km<sup>2</sup> and population of 7,245,677<sup>101</sup>. It is a parliamentary republic and unitary state. The new Constitution, adopted in 1991, provides for a multi-party parliamentary system and separation of legislative, executive, and judicial power. The Parliament (National Assembly) consists of 240 deputies elected for four-year terms by direct popular vote. The President serves as the head of state and commander-in-chief of the armed forces. The judiciary is headed by the Supreme Judiciary Council, and the court system is headed by the Supreme Administrative Court and the Supreme Court of Cassation.

Bulgaria has undergone a slow and painful transition to a market economy since the end of Communist rule in November 1989. Political developments in the early 1990s were marked by instability, strikes, and a non-transparent process of privatization. Market reforms have been accelerated since 2001 with a view to achieving EU economic criteria for membership. In spite of substantially reduced unemployment and inflation rates, incomes and living standards remain low.

The global economic and financial crisis began to influence the Bulgarian economy in autumn 2008 when GDP growth sharply declined (3.5% in the last quarter of 2008, compared to 6.8% in the third quarter). Unemployment began to rise and since 2009 has remained consistently high (12.9% for 2013), characterised with large differences between regions and sub-groups of the population. Around 20% of the population has university education. Rate of employment is below the EU average and continues to decline (59.6% by the end of 2013).

There is a positive trend of economic growth after 2010: 1.8% for 2011, 0.8% for 2012 and 0.9% for 2013<sup>102</sup>. Low productivity and insufficient R&D funding lead to low competitiveness of the Bulgarian economy on the European and world markets.

Bulgaria signed the NATO “Partnership for Peace” Framework Document in 1994, was invited to join in November 2002, and became a member in 2004.

Shortly after EU accession the European Commission announced in July 2008 that it was suspended the PHARE programme because of “serious weaknesses in the management and control systems”<sup>103</sup>. Thus Bulgaria lost considerable aid and had to finance the planned projects with state budget funds.

After Bulgaria’s EU accession concerns about lack of progress in the fight against corruption and organised crime remained. As a result monitoring from the Commission through the Mechanism for Cooperation and Verification, initially set up for three years, continued without any specified deadline.

The Commission’s last report<sup>104</sup> *on Progress in Bulgaria under the Co-operation and Verification Mechanism* states that the “overall progress has been not yet sufficient, and fragile. ... There remain very few cases where crimes of corruption or organised crime have been brought to conclusion in court ... the Bulgarian authorities need to provide leadership based on a vision centred in core principles like the rule of law and the independence of the judiciary. This would imply a political commitment to a long-term strategy for reform as well as concrete and practical measures in the short term to bring the process forward.”

Bulgaria has not yet succeeded in joining the EU passport-free Schengen zone.

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<sup>101</sup> As of December 31, 2013 (National Statistical Institute)

<sup>102</sup> Bulgaria’s National Statistical Institute data; The European Commission’s forecast for economic growth in Bulgaria for 2014 is 1.7%.

<sup>103</sup> Report from the Commission to the European Parliament and the Council on the Management of the EU-funds in Bulgaria, Brussels, 23.07.2008

<sup>104</sup> Published 22.01.2014

## EU Accession Process

With decision of 22 December 1990 the national Parliament expressed the willingness of Bulgaria to become the European Communities member state. In March 1993 the EU Member States and Bulgaria signed the Europe Agreement, which entered into force on 1 February 1995. It provided a framework for the political dialogue and established a free trade area between the Community and Bulgaria. The Europe Agreement was an important basis for the further European integration of the country. On 14 December 1995 the Parliament voted for the official submission of an application for EU membership. In order to join the EU, Bulgaria had to meet three criteria: political, economic and acceptance of the Community *acquis*.

In July 1997 the European Commission expressed the opinion that Bulgaria is a candidate country which is not sufficiently ready to start negotiations for accession. In December 1999, on the basis of the Regular Reports, presented by the European Commission<sup>105</sup>, the Helsinki European Council decided to launch accession negotiations with Bulgaria, Latvia, Lithuania, Romania, and Slovakia. Based on these reports, the Commission recommended opening negotiations with Latvia, Lithuania and Slovakia and, conditionally, with Bulgaria and Romania. It also recommended that the negotiations be conducted in accordance with the principle of differentiation, thereby taking account of the progress achieved, and that steps be taken to decide from 2002 on the accession of candidates that fulfil all the necessary criteria.

Negotiations with Bulgaria were launched on 15 February 2000. In line with the Helsinki conclusions the Commission started a *process of monitoring* on the implementation of commitments, undertaken in the accession negotiations. The Commission also launched an updated *screening* of the *acquis* with the twelve negotiating countries. The Commission adopted an *Enlargement Communication Strategy*, aimed at informing citizens of the EU and Candidate Countries of the costs and benefits of enlargement.

In the Strategy Paper '*Towards the Enlarged Union*', of 9 October 2002, the Commission announced that it would propose, on the basis of the analysis in the 2002 Regular Reports, detailed roadmaps for Bulgaria and Romania before the Copenhagen European Council. The roadmaps were based on the principle that progress in the negotiations was largely determined by progress in putting into place and implementing the necessary reforms. Hence the roadmaps identified the measures which the countries need to adopt in order to finalise the accession negotiations. 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 was to welcome Bulgaria and Romania as members of the European Union in 2007. In its Regular Reports, adopted in November 2003, the Commission again stated that Bulgaria and Romania did not yet fully comply with the economic criteria and their administrative and judicial capacity to ensure proper implementation of the *acquis* was insufficient. Therefore the Council adopted revised Accession Partnerships<sup>106</sup>, based on proposals put forward by the Commission.

Within the framework of integration meetings held between the EU member states and Bulgaria an 'Association Committee' held in June 2004, indicated the need for further reform of Bulgaria's judicial structures as well as the need for further efforts to fight against political corruption and organised crime. There was also, according to the report, limited progress regarding the integration of the Roma community. The findings were reflected in the 2004 Regular Report. However, the Brussels European Council of 17 December 2004 confirmed the conclusion of accession negotiations with Bulgaria and the expected date of accession (1 January 2007).

The European Parliament voted in support to Bulgaria's EU membership on 13 April 2005. Bulgaria, Romania, and the EU-25 signed the Treaty of Accession on 25 April 2005. The 2006 *monitoring*

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<sup>105</sup> Regular reports on the progress towards accession of the Central and Eastern European candidate countries

<sup>106</sup> The first Accession Partnership for Bulgaria is of 1999.

report of the European Commission confirmed the date of accession, also announcing that Bulgaria and Romania would meet no direct restrictions, but progress in certain areas — reforms of the judicial system, elimination of corruption and the struggle against organised crime — would be strictly monitored. In view of the unsatisfactory progress in the sector of justice and home affairs reported in the EC Monitoring Report of September 2006, the EC established a Mechanism for Cooperation and Verification of the progress in judiciary reform and the fight against organised crime and corruption after accession.<sup>107</sup>

Bulgaria together with Romania joined the EU on 1<sup>st</sup> of January 2007.

## **EU Pre-Accession Financial Assistance – Overview**

*In addition to support to Bulgaria under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2006, under the ISPA and the SAPARD Programmes.*

During 1990-2006 Bulgaria was allocated € 2358.1 million under the Phare Programme:

- EC grant of € 539.0 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of Bulgaria, covering:
  - Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
  - Cross Border Cooperation – with Greece.
- EC grant of € 1787.6 million was allocated over the period 1997-2006 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, agriculture, fisheries, environment, employment and social affairs, justice and home affairs, transport, institutional and administrative capacity, preparations for Structural Funds, the promotion of economic and social cohesion, Cross Border Cooperation (also with Macedonia, Romania, Serbia and Montenegro, and Turkey), nuclear safety, and Community Programmes.

During 2007 Bulgaria was allocated a further € 31.5 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis*.

The monetary amount of Phare allocated to Bulgaria during the period 1990-2006 was<sup>108</sup>:

<b>Year</b>	<b>1990-1996</b>	<b>1997-1999</b>	<b>2000-2003</b>	<b>2004-2006</b>	<b>TOTAL</b>
<b>Amount €M</b>	539.0	314.8	644.8	828.0	2326.6

*Source: EC (DG ELARG): Annual Reports on Assistance Programmes*

## **EU Pre-Accession Financial Assistance – Ex post Evaluation Findings**

### **Programme Priority – Judiciary and Fundamental Rights**

One of the core issues linked to the future implementation of the *acquis* related to the establishment of the capacity on the Bulgarian side to manage the Judiciary and Fundamental Rights, a key part of the EU Treaty, which aims to maintain and further develop the Union as an area of freedom, security, and justice. The *acquis* Chapter Judiciary and Fundamental Rights covers the three broad areas of:

<sup>107</sup> EC Decision of 13 December 2006.

<sup>108</sup> The figures cover Phare Programme support under National Programmes as well as funds allocated under the Phare Cross Border Cooperation (CBC) Programmes, and funds directly allocated under the Horizontal Nuclear Safety Programmes.

- Establishment of an independent and efficient judiciary: ensuring impartiality, integrity and a high standard of adjudication by the courts, thus safeguarding the rule of law; requiring firm commitment to eliminating external influences over the judiciary and to devoting adequate financial resources and training; legal guarantees for fair trial procedures must be in place.
- Fight against corruption: a solid legal framework and reliable institutions with a coherent policy to prevent and deter corruption, ensuring the stability of democratic institutions and the rule of law.
- Respect for fundamental rights and EU citizens' rights, as guaranteed by the *acquis* and by the Fundamental Rights Charter.

The revised Accession Partnership (2003) established the following priorities for the judiciary:

- Continue the reform of the judicial system, including with a view to ensuring an impartial application of law.
- Continue to implement the national reform strategy for the Bulgarian judicial system and action plan and adopt implementing legislation in line with EU practices.
- Review the structure of the judiciary in line with EU best practices, including a review of the organisation of the pre-trial phase.
- Review the degree of penal immunity of members of the judiciary to ensure this is in line with EU best practices.
- Take steps to improve judicial proceedings in particular to reduce excessive length and ensure full implementation of fundamental rights in penal cases, in particular as regards legal aid.
- Ensure the budget for the judiciary is adequate, including for the appropriate enforcement of judicial decisions.
- Clearly distinguish between the roles of the Supreme Judicial Council and of the Ministry of Justice aiming to respect the independence of the judiciary.

Meeting the above priorities was a conditionality for provision of EU financial support. In its National Programme for the Adoption of the *Acquis* (NPAA) Bulgaria set out a timetable for achieving priorities and intermediate objectives, based on the Accession Partnership, as well as necessary administrative structures and financial resources. Phare funds were negotiated and approved in a Financing Memorandum / Agreement each year, concluded between the EU and Bulgaria, which governed institutional and administrative framework within which projects should be implemented.

The sample of EU assistance for the purposes of the case study is summarised below:

Year	Project Title	EC Grant (M€)	Co-financing (M€)
1999	Project 3: Strengthening the independence of the Judiciary and the institutional capacity of the Ministry of Justice and European Legal Integration to implement the <i>Acquis</i> of the European Union in the field of Justice	2.000	0
2001	Recruitment and training strategy for the Judiciary	2.000	0
2002	Strengthening the institutional capacity of the Public Prosecutor's Office for combating organized and economic crime and corruption.	1.800	0.350
2003	Support of the implementation of the judiciary through the introduction of information technologies	3.800	0.700
2003	Reform of the civil and penal procedures	2.000	0

2004	Support for further implementation of the strategy for reform of Bulgarian judiciary	21.850	5.350
2004	Strengthening of the Bulgarian Judiciary	1.100	0.100
2006	Establishment and Strengthening of a National System for Support of Crime Victims	2.000	0.400

## Impact and Sustainability of PHARE Financial Assistance

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

Overall Phare support was relevant to the priorities to reform the judiciary and penitentiary systems. The process of reform of the Bulgarian judiciary started in the 1990s as a top down approach, initiated and supported by the international community (EU, USAID, Open Society Institute, Dutch Matra programme, etc.). Phare projects in the field of judiciary followed the main strategic EU and national documents (Accession Partnership, NPAA, and Strategy for Reform of Bulgarian Judiciary). The assistance was relevant to the capacity building needs of the various relatively new institutions such as the National Institute of Justice, the Supreme Judicial Council, Registry Agency, etc., to enable them to fulfil their assigned tasks and to implement the *acquis*.

Evaluation reports and Phare annual reports state that all the projects were aimed at implementation of specific priority measures, identified in the Government's Strategy for Reform of the Judiciary. The projects also addressed matters, highlighted in the Commission's Monitoring reports.

However, it was indicated that although the justice sector developed strategies with Phare assistance in the earlier period, there was not enough high-level inter-ministerial commitment behind these strategies to support sound multi-annual programming. Earlier diagnostic reviews concluded that the justice sector was not receptive to modernisation and was corrupt in many areas. A 2000 SIGMA report drew attention to profound weaknesses in the sector. USAID, in partnership with the Dutch Matra programme, developed a reform strategy that, together with the preparation of a detailed action plan, provided the direction and pathway for Phare support<sup>109</sup>.

The main priority areas to which the Phare projects were focused were: introduction of European standards and best practices in the judiciary and harmonisation of the Bulgarian legislation with the *acquis*<sup>110</sup>; co-operation within the judiciary and functioning of the Supreme Judicial Council; adoption of new administrative, penal and civil procedure codes; improvement of the judiciary structure, and adoption and implementation of judiciary computerisation strategy.

In view of achievement of synergy between projects and for better concentration of the assistance the design of the annual programmes was rather complex with strong interdependence between components. This complicated the implementation of the projects and in some cases caused delays to contracting and execution. On the other side often the complex programmes involved various stakeholders (Ministries of Justice and Interior and their structures, Public Prosecutors Office, etc.), which improved communication between these institutions.

Another common design problem was the dependence of some project activities on legislative amendments or unachieved assumptions (for example, delayed institutional reorganisation). Similarly, the programme for *Support for further Implementation of the Strategy for Reform of Bulgarian*

<sup>109</sup> Phare *Ex post* Evaluation. National Programmes: Bulgaria, MWH Consortium, November 2007.

<sup>110</sup> According to decisions of the Parliament, the implementation of the projects related to the harmonization of the Bulgarian legislation with the EU one and achievement of the membership criteria in the pre-accession period was a priority for the management of each ministry.

*Judiciary* was revised in both 2005 and 2006 fiches to reflect the revised Judicial IT Strategy (2006 - 2009) as well as to include the results of the Phare 2002 programme that had been achieved by April 2006 (delivery of hardware and local network infrastructure in the courts, piloting of Court Case Management System, development and installation of Document workflow management system, etc.). Institution building support was no longer relevant as the plan for the Registry Agency to become a judicial IT agency had been abandoned with the new structural regulations of the Ministry of Justice.

Sequencing between the process of law-making and project activities was not always appropriate, which caused problems in project implementation. The delays between (multi-annual) programming and implementation and the lengthy ex-ante control procedures influenced negatively relevance and efficiency of support in a number of cases.

Majority of the projects (or at least their components) supported drafting legislation / regulations. Their design did not envisage *ex ante* regulatory impact assessment (such is not used even nowadays with few exceptions), which diminished the effects of the drafted legislation and caused further frequent amendments.

In respect to the introduction of IT technologies in judiciary, some gaps in needs assessment were revealed. The *Support of the Implementation of the Strategy for Reform of the Judiciary through Introduction of Information Technologies* project was not clearly designed and this led to revisions of the fiche. A number of elements were removed as they had been financed by previous Phare projects or other donors, which could have been foreseen at the design stage. A number of assumptions – such as the extent of communication infrastructure and the sufficiency of staffing – were not true. Implementation of a major training programme without a comprehensive assessment of both needs and potential trainers was not good<sup>111</sup>.

In many cases Phare projects built upon the results of earlier Phare or other donors' support (a typical example is the National Institute of Justice), which established distance learning and a documentation centre with Phare assistance.

The twinning type of support proved to be a suitable form for transfer of experience and good practices in such highly sensitive area as judiciary. The twinning projects, that assisted the Public Prosecutors Office, were good examples of how the appropriate practices of member states could be introduced in the traditionally very closed and conservative system of the public prosecution<sup>112</sup>. Important support through twinning was provided for the drafting of procedural codes, capacity building of the Supreme Judicial Council (SJC) and the Ministry of Justice (MoJ) in respect to the introduction of regulatory impact assessment. Overall, the twinning projects were implemented well, but were often negatively affected by the non-delivery of associated equipment. This was especially valid for the IT components and the projects, focused on establishments of e-justice. The delays in contracting of the preparation of technical specifications or of delivery of equipment compromised the effect of multiannual programmes.

The administrative capacity of the Central Financing and Contracting Unit (CFCU) within the Ministry of Finance was not sufficient to implement the significant volumes of assistance in the period 2005-2008. The same was true for the Ministry of Justice and judiciary bodies. The National Audit Office mentions insufficient administrative capacity for implementing PHARE procedures and requirements and the difficulties, encountered in the coordination of the activity under a particular programme in the judiciary<sup>113</sup> and recommends a procedure for reporting and control on the implementation and conclusion of projects under programmes to be approved. Another recommendation concerns the adoption of a system for dissemination of information in the ministries-beneficiaries, concerning the

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<sup>111</sup> Sectoral Interim Evaluation No. R/BG/JHA/0708

<sup>112</sup> Phare Annual Report 2003

<sup>113</sup> Report on the results of financial and performance audit of the implementation of Programme BG 9911 "Justice and Home Affairs" and of the Central Financing and Contracting Unit (CFCU) with the Ministry of Finance, National Audit Office 2003

technical assistance rendered and the experience gained, in view of extending the circle of users and improving the administrative capacity for project management.

Collaboration with the institutions in the field of justice was sometimes problematic as well. For example, implementation of projects was an additional burden for courts, where no specialised staff for project management existed. In general, beneficiaries underestimated monthly monitoring reports. However, the Ministry of Justice, the Supreme Judicial Council, and the National Institute of Justice strengthened their administrative capacity for project management due to their intense involvement in Phare programme.

Evaluators found that the overall inter-institutional cooperation and data sharing in the field of Justice and Home Affairs sector lacked synergy. The Commission also stressed in its 2005 Comprehensive Monitoring Report that interagency co-operation across the justice and home affairs *acquis* needed to be improved considerably and co-ordination structures had to be strengthened.

Indicative for the difficulties faced in respect to the design and implementation of IT projects is the realisation of the *Strengthening the Public Prosecutor's Office in Bulgaria*, as described in the *Court of Auditors Special Report No 4/2006 concerning Phare investment projects in Bulgaria and Romania*:

The specific objective of the project was the modernisation of all Public Prosecutors' Office (PPO) units at central, regional, and local levels. The investment support (total contract value of 1.8 million euro) comprised the supply of computer and networking equipment and the implementation of a unified information filing system (UIS).

The UIS software was delivered in 2003 but was used in only one of the eight locations visited by the auditors. A final acceptance certificate for the UIS software had not been issued at the time of the audit in May 2005, because too many errors had been found in its functioning.

Furthermore, inconsistencies in the IT strategy and imbalances between software and hardware were identified (e.g. integration problems with existing software; 37 workstations were not used but put in a store room at one PO unit; risk to the intended wider use of the UIS due to Internet provider problems).

18 months after the target date for completion (end 2003) the new UIS system was still in the testing phase and could not yet serve as an important tool in the fight against organised crime and corruption. The complexity, technical feasibility, and compatibility with existing systems had been underestimated when designing the project.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Phare financial assistance contributed largely to building administrative, institutional, and expert capacity in the field of enforcement and implementation of *acquis*. The effect on physical infrastructure was more limited. However, due to Phare support the judiciary system received considerable investment support (computer and communication equipment, rehabilitation of premises, etc.). Twinning projects in the most cases positively contributed to improving organisational structures and capacity to understand and implement the *acquis*. Assistance for the drafting of civil, administrative, and penal procedural codes was especially effective. However, not all parts of the recommendations of Member States experts, agreed during implementation of projects, were translated into organisational and legislative changes often due to institutional restructuring.

In particular, the professional training of magistrates and administrative staff was improved through institution building of the judiciary training body - the National Institute of Justice. The capacity of the Public Prosecutors Office was also enhanced. New units for judicial security and witness protection were created. The anticorruption measures were strengthened by preparing an administrative procedure code to enhance judicial control over the actions and decisions of the administration. The institution building assistance to the Ministry of Justice contributed to improve the provision of security

to the judiciary, to strengthen the penitentiary system and to establish a probation system<sup>114</sup>. Institutional support for the Supreme Judicial Council was a step forward to improving the status of magistrates, although the institution is still blamed for non-transparency of its decisions.

In its Follow up Report on Bulgaria (2001-2005) the Council of Europe Commissioner for Human Rights notes that due to “the cooperation of the European Union and the PHARE Programme in particular, new procedural provisions and the computerisation of the justice system are in the process of being put in place.” As other positive changes are mentioned the “amendments to the Law on the justice system, adopted in July 2002, which reflect the new constitutional principles and guarantee the increased independence of the courts vis-à-vis the Executive and the Legislature and greater autonomy on the budget of the justice service”.

**PHARE 2002 investment projects for the IT in the Bulgarian judiciary achieved the following results<sup>115</sup>:**

- 751 workstations and 130 servers were delivered for the courts;
  - Local network infrastructure was developed in all 147 courts in Bulgaria;
  - Library and office equipment was delivered to the National Institute of Justice;
  - Court case management system was developed and was successfully installed in the courts;
- Experimental real work in 5 courts in Sofia and Varna region has begun;
- Document workflow management system was developed and was installed in all courts excluding: 5 regional courts, 1 district court and two supreme courts;
  - Unified register system was developed and was installed in 27 district courts.

The deficiencies in the situation of justice sector were outlined in the Comprehensive Monitoring Report of 25 October 2005 of the European Commission, which stated that increased efforts were needed if Bulgaria was to meet the requirements for membership in relation to judicial co-operation in civil and criminal matters. It was stressed that further attention was required to tackle corruption and organised crime, which were challenging the rule of law. Law enforcement agencies had to be provided with more effective procedures in the pre-trial phase as well as training and equipment to combat organised crime effectively and in a proactive manner.

**What have been the impacts of PHARE in qualitative and quantitative terms?**

Phare was the main source of support for preparation of Bulgaria for accession and the main channel for transfer of experience and good practices from EU member states. Immediate impact of Phare assistance in respect to justice sector was broadly positive as all projects contributed to the increased capacity and improved activity of beneficiaries. Intermediate and longer term impact on the achievement of Judiciary Reform objectives was also good in terms of establishment capacity for strategic policy formulation (actualisation of the Judiciary Reform Strategy after the EU accession) and for application of *acquis* in civil, administrative and penal proceedings. The introduction of a new regulative frame also brought benefits, and served as a basis for further upgrading. The impact of IT components and projects for the establishment of e-justice was limited because of the many failures in sub-contracting and delayed provision of additional national funding. The intermediate and longer term impact of the assistance in respect to the fight against organised crime was unsatisfactory, due to the inconsistent levels of strong ownership at a high level to guide effective follow-up.

The process of judicial reform has also been supported post-accession via follow-up actions in the area financed under the OP Administrative Capacity, which have built on the PHARE projects and

<sup>114</sup> Comprehensive Monitoring Report of 25 October 2005

<sup>115</sup> Annex to the Phare Annual Report 2005

contributed substantially to the further improved quality of legislation, equal application of laws and unification of court practice (case law).

The progress in the implementation of the Judiciary Reform in Bulgaria (supported by Phare) is noticeable in the documents measuring the efficiency of justice systems. The European Commission for Efficiency of Justice (CEPEJ)<sup>116</sup> considers that the clearance rate and the disposition time characterising the Bulgarian judicial system show satisfactory functioning; simplified court procedures and alternative dispute resolutions are introduced and the ICT system with regard to administration and management is satisfactory.

According to “The EU Justice Scoreboard”<sup>117</sup> under the indicators “time needed to resolve non-criminal cases” and “time needed to resolve administrative cases” Bulgaria is ranked on fifth and second places respectively among the EU member states. Problematic is the processing of insolvency cases and impossibility for electronic submission of claims.

An external impact for beneficiaries in the justice sector was the development of capacity to manage EU funds (an acquired discipline in compliance with eligibility rules and deadlines), which has facilitated implementation of projects under the Structural Funds.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

Phare assistance supported statutory responsibilities and most of the outputs were introduced by regulative or internal acts, which ensured sustainability. Inadequate levels of administrative capacity, for both new and established units, limited sustainability due to turnover of staff and budgetary restraints. This was especially relevant for the IT sector, which units in the Ministry of Justice and Supreme Judicial Council were vulnerable to reorganisations and inadequate staffing. Evaluation reports stressed on the unclear perspectives of appropriate maintenance or replacement of equipment in the post Phare years and the need responsibility for maintaining and upgrading of IT resources within the justice sector to be determined as a priority.

Additional efforts for sustaining capacity in newly established structures or newly assigned functions were provided under the OP Administrative Capacity. However, activities targeted to human resources capacity in the Ministry of Justice system were not integrated in an institutional strategy for HR development. The Supreme Judicial Council, apart from its annual programmes, does not use a strategic document for the professional development of magistrates. Intensive training and study tours produced a considerable volume of educational and information materials, which, in general, were not published on institutional web sites and shared with counterparts / broader public; part of the materials has been lost with the rotation of staff. Overall, the sustainability of training interventions under Phare was low in a situation of an absence of institutional training policy.

The Commission continues to monitor the progress of Bulgaria’s judicial reform through the Cooperation and Verification Mechanism and the 2014 report concludes “.....for reform to succeed, it needs a consistent and coherent approach based on a broad consensus in Bulgarian society. The fact that the period covered by this report was characterised by three different governments has not helped to build this consensus, though events have also illustrated a widespread public aspiration for reform.”

Obviously the support from the European Commission could not replace the Government in Bulgaria in respect to continuation of the judiciary reforms, but the existence of a control mechanism, which could check the functioning of justice, makes the national authorities more attentive about the reforms and motivate the civil society and professional organisations in justice sector to be more persistent in requiring the implementation of the reform measures. Therefore the Cooperation and Verification Mechanism was useful over the years in supporting the rule of law and the fight against corruption.

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<sup>116</sup> Bulgaria (2012 data), CEPEJ, 2013

<sup>117</sup> The EU Justice Scoreboard, European Commission, 2013

## Socio, Economic and Institutional Impact of the Enlargement Process

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

The reforms in the judicial sector were undertaken with the extensive support of the international community and in compliance with the EU accession criteria.

The amendment of the Constitution and the adoption of a new Judicial Power Act in 2007 were a step towards better efficiency of the judicial system. The Supreme Judicial Council was modified into a permanent body representing and managing the judiciary. Other important changes included establishment of the Inspectorate within Supreme Judicial Council and changed functions of the Inspectorate within the Ministry of Justice, introduced criteria and procedures for attestation of magistrates and raised role of the Public Prosecutor's Office (PPO). The new procedural codes, drafted with the Phare support, contributed to improved court proceedings: the Penal Procedure Code introduced new principles to speed up the pre-trial proceedings, the Civil Procedure Code also made the civil proceedings faster and the Administrative Procedure Code extended the scope of administrative acts, subject to appeal. The reduction of the overall length of court proceedings is confirmed by the EU Justice Scoreboard 2014, where Bulgaria is 6<sup>th</sup>, based on the length of court proceedings and 3<sup>rd</sup>, based on the backlog of work of the courts.

After Bulgaria joined the EU the striving for accession is no longer a driving force. To a certain extent public control of the judiciary now is exercised by the professional and civic society organisations in the sector, established, and supported by Phare and other foreign assistance. They contribute to building of a public opinion of intolerance towards non-transparent justice. Although slow, the judicial administration has started to adopt a vision of transparent management and accountability.

## Synergies between Accession Strategy, Policy Dialogue, Financial Assistance

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

Learning and applying EU rules in respect to the EU assistance was a difficult process for both the Contracting Authority (CFCU) and beneficiaries (Ministry of Justice, Supreme Judicial Council, etc.). The CFCU managed to negotiate the contracts often at the end of the contracting deadlines, which put at risk the commitment of the funds. The high percent of terms of reference and technical specifications that did not passed *ex ante* control showed that the knowledge and skills for application of Phare rules on the part of the CFCU were not sufficient<sup>118</sup>. However, the CFCU as well as other relevant national institutions successfully prepared for the transition to EDIS.

While inter-institutional coordination and cooperation was a matter of ongoing administrative reform, which could have been better implemented,<sup>119</sup> the compliance with the procedures was objectively difficult for beneficiaries. Moreover, the multi-annual programmes with complex project fiches for the period 2004-2006 and the transition to EDIS were challenging for the beneficiaries in justice sector in respect to preparing and launching projects.

The suspension of Phare funds, that were managed by the CFCU (justice projects were included) in 2008 led to frustration within the administration because perspectives about the continuity of the

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<sup>118</sup> Report on the results of the audit of the activities of the Directorate CFCU with the Ministry of Finance in the period 01.01.2005-31.12.2005, National Audit Office, 2006

<sup>119</sup> The approach of each new government towards reforms in administration is as it is the pioneer of such reforms.

programme were unclear. However, the majority of the projects were completed / implemented with national funds, which strengthened the Phare impact and sustainability.

Evaluators<sup>120</sup> mentioned as a specific feature for the Phare support for public administration and judiciary capacity in Bulgaria the fact that this process was developing in an absence of a strategic framework. Moreover, the country had to deal with extensive Phare supported programmes to address capacity building of public administration and judiciary in a relatively short period.

In spite of the above difficulties the overall impact of Phare assistance in the justice sector was positive as it was compliant with the strategic objectives of the judiciary reform, which could not be achieved without external support in the desired volume and timeframes. The priority given to the Phare assistance in the field of justice is confirmed by the measures undertaken by the Government to provide national funds for the completion of the Phare projects, which financing was suspended in 2008. After the Bulgaria's accession to the EU the sustainability of the Phare projects achievements was ensured through the OP Administrative Capacity and the adoption of policy and legislative measures in the frame of implementation of the Strategy for Continuation of the Judiciary Reform in the Conditions of EU Membership, approved in 2010 and the adoption of a Strategy for Introduction of e-Management and e-Justice in Justice Sector 2014-2020.

**What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

Phare in a way supported the extensive growth of public administration – for every new function that derived from the *acquis communautaire* there was created a new institution that added to an already large public apparatus. In the same time the administration did not have sufficient protection against political interference, it was subject to very frequent personnel changes, which negatively affected the institutional memory, respectively sustainability. However, where new structures and procedures were developed and adopted (i.e. the National Probation Service, the National Legal Aid Board, and the National Institute of Justice) there was a visible change and it is persistent.

It is important to note that in the justice sector the *acquis* itself was changing very dynamically, especially after the Lisbon Treaty. The Bulgarian administration was often in the position of trying to apply an instrument of EU Law, knowing that it was under revision and with a new one due very soon.

Several conclusions and recommendations may be drawn in respect to the policy followed and the specificity of assistance provided, based on the reviewed evaluation reports:<sup>121</sup>

- The concepts of freedom, human rights, access to justice, accountability, etc. and their practical implications were transferred in the judiciary strategic documents in the course of foreign assistance (predominantly Phare), while they were not genuinely recognised by judiciary administration. Although the reform was needed by the majority of magistrates and the population, it was not articulated from bottom to top due to the weakness of civic society. Therefore, although these concepts were embodied in national legislation, they were not fully absorbed and 'delivered' to citizens.

- In view of the above the programmes could have been designed in a way to take into account the wider public administrative environment in which project outputs would be deployed and, where appropriate, measures, such as training of end users and other stakeholders, should have been supported by Phare. This would have increased the effectiveness and impact of projects of the Justice and Home Affairs *acquis*.

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<sup>120</sup> Thematic Report on *Support to Public Administrative and Judicial Capacity in Bulgaria and Romania*, Ecotec Research and Consulting, December 2006

<sup>121</sup> Justice and Home Affairs *Acquis Thematic Evaluation Report of the European Union Phare Programme*, Thematic Evaluation Report, January 2006; Thematic Evaluation *Support to Public Administrative and Judicial Capacity in Bulgaria and Romania*, Ecotec Research and Consulting, December, 2006

- Candidate countries should be encouraged and assisted to benefit systematically from lessons learned by the new Member States because they went through the same process. However there was no formal process for transferring experiences from new Member States to Bulgaria and Romania.
- In order to obtain the best benefits from EU financial aid, candidate countries should adopt a strategic and comprehensive approach and first define their own national strategies for full participation in the area of freedom, security, and justice. The EU should make the existence of a national strategy a conditionality for implementation of support.
- Various policies (judicial reform, e-judiciary, HR development) in the sector of justice might be implemented in parallel to secure stronger and more sustainable results. Otherwise the impact and sustainability of intentions diminishes.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

The most sustainable results were achieved in areas, where the needs were the most urgent. These are harmonisation of legislation / adoption of *acquis* and the preparation of Bulgarian magistrates to implement it. Therefore the National Institute of Justice developed substantial capacity (upgraded through the OP Administrative Capacity as well).

Broad professional circles were involved in the drafting of the penal, civil, and administrative procedure codes and a special mechanism for monitoring of their application was established with the Ministry of Justice, which ensured sustainable effect of this piece of legislation.

With the Phare support and under external pressure (Cooperation and Verification Mechanism) the Supreme Judicial Council undertook the slow process of reforms and adoption of ethics code, procedural rules for carrier and professional development, for nomination of heads of courts and offices, etc.

## **Conclusions (Lessons Learned)**

**What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

One important conclusion that may be drawn from the Phare experience in justice sector in Bulgaria is that the impact and sustainability of the EU assistance depend a lot on the existence of a strategic frame of its application and the high level of inter-institutional commitment in respect to implementation of multi-annual programmes. Building public administration and judiciary capacity to meet the requirements of EU membership was not supported early enough by Commission or national strategies and had to be implemented through extensive Phare-support programmes in a relatively short period. This seriously overburdened limited administrative resources. Lack of strategic approach led to inappropriate sequencing and prioritisation. Phare support to “horizontal” reforms in public administration and judiciary capacity should started earlier instead of going in parallel with the support to the *acquis*.<sup>122</sup>

The activities targeted to human resources capacity in justice sector were not integrated in an institutional strategy for human resources development. This, together with the turnover of staff diminished the sustainability of training interventions, supported by Phare.

Inter-institutional cooperation and data sharing was very important in the sector of Justice and Home Affairs. Inter-institutional commitment should be a conditionality of future support in view of ensuring adequate decision-making and financial and human resources. In respect to investment components equipment should not be delivered until co-finance and staffing were secured, while the technical

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<sup>122</sup> Thematic Evaluation *Support to Public Administrative and Judicial Capacity in Bulgaria and Romania*, Ecotec Research and Consulting, December, 2006

assistance for harmonisation with the EU *acquis* might be accompanied by *ex-ante* regulatory impact assessment, which would improve the quality of legislation.

Phare has contributed positively to capacity building in Justice, but the essential awareness of, and commitment to, the need for sound justice started to build a solid base in Bulgaria after the completion of Phare assistance<sup>123</sup>.

Twinning in combination with an investment component was the most preferred type of support, as it allowed close relations to be established and better understanding of the needs and expectations of the beneficiary-counterpart.

There was no formal process of transferring of experience from the new member states to Bulgaria and Rumania, despite the similarity of their starting positions. Therefore building networks between candidates and member states is important for transferring lessons learned. This should cover all Phare support aspects of the area of freedom, security and justice, while initially prioritising the overall requirements of governance and for administrative and judicial institutions and competences, which will provide better environment for legislative harmonicon and implementation<sup>124</sup>.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

The experience of the Cross Border Cooperation programmes in Bulgaria shows that they had a positive impact on improving the quality of life in the border regions, in particular with respect to access and quality of educational, social, and cultural infrastructure. Cooperation was very important for the achievement of project results for community integration and development / introduction of common rules, new working methods, skills, practices, procedures, and structures. The main benefits of cooperation were capacity building, awareness raising, confidence/trust building, and establishment of better image of the regions.

The CBC programmes had some positive impact on the improved competitiveness and diversification of border regions economy and often was the only funding source for improvement of the social and technical infrastructure and financing of NGOs. The benefit of cooperation was not always strong in infrastructure type of projects, although such projects were given priority by local and regional authorities.

In general, the absence of in-depth surveys on the challenges in the cross-border regions hampered the development of joint projects with strategic objectives. The creation of networking / cooperation structures was typical for the CBC projects. Majority of such structures were not formalised. Projects, targeted to upgrade or extend existing cooperation structures, were rare, which indicates that beneficiaries had not succeeded to maintain structured relationships.

Sustainability was better in cases of organisations, which provided services to their members or which delivered social services, financed by public budgets. Other important factors of sustainability were the support by local and regional authorities and the broad involvement of local stakeholders.

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<sup>123</sup> Thematic Evaluation *Support to Public Administrative and Judicial Capacity in Bulgaria and Romania*, Ecotec Research and Consulting, December, 2006

<sup>124</sup> Justice and Home Affairs *Acquis Thematic Evaluation Report of the EU Phare Programme*, January 2006

## Annex 5.2: Cyprus – Agriculture

### Background

With a total land area of 9251 km<sup>2</sup> Cyprus is an island strategically positioned in the eastern Mediterranean Sea, the geographical location of which placed the island at the fount of European culture and civilisation. With a total population estimated (in 2011) to be 1.112 million people, Cyprus has a relatively low rate of population density although, reflective of the sub-tropical climate, semi-arid and the geographical nature of the island, there is a high degree of urbanisation. Since gaining independence in 1960, the under-developed agrarian economy inherited from colonial rule was progressively transformed into a modern economy, with dynamic services (notably tourism and financial), industrial, light manufacturing and agricultural sectors, and a relatively advanced physical and social infrastructure. Internationally, the Republic of Cyprus promoted its location as a bridge between East and West, along with its educated population, moderate local costs, good transport connections, and telecommunications. This was reflected via strong growth over the next decades and a rate of GDP per capita comparable by the early-1990s with several of the then EU Member States; although, due to the political situation, this was unevenly spread across the country.

The Cypriot constitution of 1960 established an independent, non-aligned country, a liberal democracy based on a presidential system of government with independent executive, legislative, and judicial branches. Reflecting its history and the ethnic diversity of the Cypriot people – the 1960 population census recorded 77.1% Greek Cypriots, 18.2% Turkish Cypriot, and 4.7% others (e.g. Armenian, Maronite, and Latin religious minorities) – the constitution established a complex power-sharing system as well as a system of checks and balances designed to protect the interests of the communities: e.g. a Greek Cypriot President and a Turkish Cypriot Vice-President with an equal veto, each elected by its own community, the Council of Ministers to be divided 7:3 between Greek Cypriots and Turkish Cypriots, government posts and public offices to be allocated on the same ethnic quota. However, while operative as an independent state governed on democratic principles at the level of the two main communities, the development of an inter-communal cooperative approach to power-sharing and a common vision for the future of the country proved difficult to achieve. In 1963 serious differences arose linked to the implementation and interpretation of the constitution, leading to the outbreak of inter-communal clashes and deaths, as again in 1967, and the progressive withdrawal of the Turkish Cypriot community into separate enclaves and from the operation of power-sharing. Turkey threatened to intervene militarily but international pressure prevented this in 1964 and 1967. In July 1974, in response to the military coup in Cyprus, supported by the then military junta in Greece, Turkey did invade, ultimately occupying 37% of the island, in the north, and the *de facto* division of the sovereign state; Turkish forces did not withdraw following the collapse of the short-lived coup and the return of constitutional order in Cyprus, late-July 1974, despite the unanimous call of the international community, which recognises the territorial integrity of the sovereign Republic of Cyprus. The events of 1974 resulted in the dislocation of 0.2 to 0.25 million people, mostly mass, forced dislocations, with up to 2000 ‘missing persons’ a result of the fighting. Subsequently the economic and political development of Cyprus followed very different courses, e.g. by the early-1990s GDP per capita in the northern part of Cyprus was three or four times smaller, while the “entity” in the northern part has been significantly dependent on the financial largesse of Turkey (the only state that recognises the “entity”).

### EU Accession Process

Relations between Cyprus and the EU were initially set-down in an ‘Association Agreement’, entering into force in June 1973, which foresaw the establishment of a customs union between the parties in two five-year stages. However, progress in enacting the Protocol governing the first stage (the phased reduction of tariffs on industrial goods and agricultural products) was slower than envisaged, with the second stage of the Agreement entering into force only as of 1988, with a fifteen-year timeframe for the completion of the customs union, which progressed more smoothly. In July 1990 the government of the Republic of Cyprus submitted a formal application for Cypriot membership of the EU.

With regard to the application by Cyprus the European Commission issued its 'Opinion' in June 1993, confirming the country's European vocation as well as highlighting the challenges that faced Cyprus to transform its economy and regulatory systems to adopt the *acquis* in its entirety. To facilitate the process of accession preparations a 'structured dialogue' was established between the EU and the Republic of Cyprus focused on the further familiarisation of the administration with the *acquis*. The accession process with the Central and Eastern European countries, plus with Cyprus, was formally launched in March 1998, at the meeting of the European Conference, followed by the analytical examination of the *acquis* (screening) with the individual countries. Accession negotiations with Cyprus were launched in 1998, and were formally concluded in December 2002. The Republic of Cyprus approved the Accession Treaty via parliamentary procedure, rather than via a referendum.

Reflecting on the *de facto* division of the sovereign state, the 'Opinion' noted that the fundamental freedoms and universally recognised political, economic, social, and cultural rights enjoyed as part of EU membership could not be exercised over the entirety of the island's territory, and that these would have to be guaranteed as part of a comprehensive settlement restoring constitutional arrangements covering the whole country. The 'Opinion' was clear in its presentation of the substantial benefits that would accrue for the whole country following an agreed settlement, as well as in stating the EU's commitment to supporting the process, including the mediation of negotiations pursued under the auspices of the United Nations. The European Council has repeatedly underlined its strong preference for the re-unification of Cyprus. In concluding accession negotiations in December 2002, the European Council reiterated this point, but agreed that, in the absence of a settlement the enlargement process should not be delayed, and that while the sovereign state of Cyprus would accede to the EU, the application of the *acquis* would be suspended in the "areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control". After many years of on-off mediation, a draft Settlement Plan was proposed by the United Nations in 2003, finalised as a draft text by the UN in March 2004, which was subsequently submitted to separate, simultaneous referenda (on 24/04/2004) in both communities. It was rejected by the Greek Cypriot electorate by a margin of three to one, and approved by the Turkish Cypriot electorate by a margin of two to one. The Settlement Plan therefore did not enter into force, and accession to the EU of a united Cyprus was not possible on 01/05/2004<sup>125</sup>. The EU remains committed to facilitating the negotiation of a settlement and the re-unification of Cyprus<sup>126</sup>. Talks between the Greek Cypriot and the Turkish Cypriot leaders were most recently resumed in early-2014.

## **EU Pre-Accession Financial Assistance – Overview**

*Over the period 1979-1999 the EU provided € 210 million in financial cooperation support to Cyprus, chiefly via EIB loans, via risk capital, as well as grants, including for projects of a bi-communal nature.*

Following the expiry of the EU's financial cooperation protocols with both Cyprus and Malta at the end of 1999, and in order to facilitate the preparations by both countries for EU accession, the Council of the EU adopted Regulation (EC) No. 555/2000, in 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.

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<sup>125</sup> In line with Protocol 10 of the Accession Treaty (2003), the application of the *acquis* is suspended in the "areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control". The suspension, however, does not affect the personal rights of the Turkish Cypriots as EU citizens: they are citizens of a Member State, the Republic of Cyprus, even though living in the "areas...".

<sup>126</sup> The Council of the EU (of 26/04/2004), considering that the Turkish Cypriot community (TCc) had expressed their clear desire for a future within the EU, recommended that funds earmarked for the northern part of Cyprus in the event of a settlement should be used to put an end to the isolation of the TCc and to facilitate the re-unification of Cyprus by encouraging the economic development of the TCc, with particular emphasis on the economic integration of the island and on improving contact between the two communities and with the EU. To this end a specific assistance programme for the benefit of the TCc was established (in accordance with Council Regulation (EC) No. 389/2006): over the period 2006-2013 EC-grant of M€ 351.5 was allocated under the programme; in 2014 the programme allocated a further M€ 31.0. The programme operates in a unique political, diplomatic and legal context, and, as noted in the Regulation, the granting of assistance does not imply recognition of any public authority in the areas other than the Government of the Republic of Cyprus.

Cyprus benefited from an allocation of € 43.1 million EC grant in Pre-Accession Funds over the period 2000-2003 – with 37% provided for Institution Building, 51% for Investment, and 12% for participation in Community Programmes (e.g. Socrates, Leonardo, Youth), and Agencies. The principal focus of the assistance was to support Cyprus achieve the ability to take on, to effectively implement and enforce the EU *acquis* – e.g. Tax and Customs, Agriculture, Environment, Transport, Standards, Statistics, Schengen, Social Policy, etc. – plus the provision of support for bi-communal projects, notably linked to the implementation of the Nicosia Master Plan, under the auspices of the UN, and via the promotion of smaller-scale, grass-roots, bi-communal projects of a business and/or social partnership nature.

For the 2004 acceding states post-accession assistance, to consolidate their administrative capacity to implement and enforce the *acquis* and to address issues for which individual countries had negotiated a transition period, was also provided, under the Transition Facility. Over the period 2004-2006 Cyprus benefited from an allocation of € 18.6 million EC grant – 88% for Institution Building, 12% Investment.

## **EU Pre-Accession Financial Assistance – Ex post Evaluation Findings**

### **Programme Priority – Agriculture Policy**

The agriculture sector has long played a key role in Cyprus, accounting for 20% (plus) of total employment in the country until the mid-1970s, dropping to below 10% only in 1997, with modernisation and management of the sector in the post-independence period thereby a priority for the country; delivered via a strongly regulated regime, state semi-monopolistic agricultural market organisations, subsidies and protection of the local market in various forms. While a net importer of agricultural and food products the Cypriot agriculture sector has long been a prominent component of Cypriot export trade, prior to EU-accession accounting for approximately 20-25% of total exports.

Central to the development of the sector, within the context of the preparations for EU accession, was the need to liberalise management of and support to the sector, in compliance with the *acquis*.

EU pre-accession and transition assistance provided to Cyprus in the area is summarised below:

<b>Year</b>	<b>Project Title</b>	<b>EC Grant (M€)</b>	<b>Co-financing (M€)</b>
2001	Upgrading of the state laboratories	1.830	1.100
2002	Establishment of Integrated Administration and Control System (IACS)	1.500	0.500
2002	Enhancement of rural development programming and implementation capacity	0.400	0.100
2004	Integrated Programme on Food Safety and Risk Assessment to fulfil requirements of the <i>acquis</i>	1.200	0.100
TOTAL (as per the project fiche)		<b>4.930</b>	<b>1.800</b>

\* The 2000 programme provided limited support in the agricultural sector via the 'Administrative Cooperation Facility'

### **Impact and Sustainability of PHARE Financial Assistance**

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

The programming of EC support for Cyprus was generally coherent and effective in addressing the priorities/needs of the beneficiary. On the Cypriot side the programming and prioritisation of needs was coordinated and overseen by the Planning Bureau, an independent service of government since 1961, responsible to guide and coordinate the macro- and sectoral-economic development of the

country. Linked to EU-accession preparations, the programming of reform actions was guided by a series of comprehensive sectoral harmonisation programmes, setting priorities, which were prepared by the competent government departments in light of the initial 'screening' process (1998) during which gaps were identified between the Cypriot legislation, institutional set up, administrative infrastructure, organisation, and practices, and the corresponding ones in the EU. The sectoral harmonisation programmes were designed to focus on the effective implementation and enforcement of the harmonised provisions, covering, for this purpose, the whole spectrum of the corresponding measures, e.g. the creation of new and/or the enhancement of existing institutional/organisational structures, the provision of external technical assistance, the further education/training of civil servants, the familiarisation of the private sector, social partners and stakeholders with the EU and harmonisation issues, and potential for participation in EU initiatives during the pre-accession period.

This ensured that the programming of the pre-accession assistance under the 2000-2003 programmes was guided by relevant sectoral strategies. In addition, due to the authority of the Planning Bureau, it was also in a position, *inter alia*, to assume the responsibility of assessing the capacity of the beneficiaries to absorb the assistance; these being, in general, ministries/services of the Republic of Cyprus involved in the drawing and implementation of harmonisation programmes, as well as public and private sector bodies in the need of acquainting and familiarising themselves with EU matters.

Overall, the programming of support to Cyprus generally ensured that a suitable mix of delivery instruments were planned under each project, for which there was also a logical linkage between sectoral actions implemented across the annual programmes to progress the roll-out of reform actions. Reflective of the size of its administration, there were only a limited number of full-scale Twinning projects (i.e. with a Resident Twinning Adviser for a minimum 12-months period), with assistance linked to the operation of the *acquis* mainly delivered via the Twinning Light and/or the TAIEX instruments. Services provided via private sector TA were mainly utilised for the development of IT systems, preparation of feasibility studies linked to investments, sectoral development strategies and appropriate intervention mechanisms, training, etc., but also for aspects of *acquis* capacity building. Equipment supplies were linked to corresponding institution building actions, e.g. for the establishment of IT systems and networks, or specialised equipment linked to the enforcement of the sectoral *acquis*.

With regard to the agriculture sector, the Commission's 1993 'Opinion' on Cyprus noted that: "the subsidy arrangements... price-fixing... import quotas... and also the various monopolies would have to be adapted". The Commission's 1998 'Regular Report' on Cyprus noted that: "In recent years, Cyprus has already tried to align [agricultural market organisations] to a certain degree to EU market organisation. ... On the other hand, there persist policy measures which are not yet aligned with the requirements of the Common Agricultural Policy, including the level of support prices for several commodities, input subsidies... and the state- or semi state-controlled trading monopolies".

The 'Accession Partnership' of 2001 highlighted the need for further urgent actions linked to the:

- Administrative structures needed for the design, implementation, management, monitoring, control and evaluation of EC funded rural development programmes.
- Preparations for enforcement and practical application of Common Agricultural Policy management mechanisms, in particular the Integrated Administration and Control System (IACS) and Paying Agency; bring the status and operation of current monopolies in line with the *acquis*.
- Alignment of veterinary and phytosanitary legislation and upgrade of inspection arrangements.

The projects supporting the agriculture sector were well designed in terms of the definition of goals and the corresponding actions to be completed and results to be delivered during implementation. However, recognising the extent of the *acquis*, covering a large number of binding rules, many of which are directly applicable, and the extent of the EU's financial provision to the Member States in the sector, a weakness in the design of the projects for the sector was the reluctance to utilise the Twinning Light instrument: the 2002 and 2004 projects each utilised private sector TA; understandable linked to the development of the IT system for the IACS, but not necessarily linked to the initial assessment of the operational structures and institutional capacity development needs to ensure full

compliance for IACS, nor for the development of a Rural Development Strategy / Plan, or for the development and implementation of an integrated food safety programme and risk-assessment. Partially these constraints were addressed via utilisation by the Cypriot side of the TAIEX instrument.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Overall, the financial assistance was effectively utilised to deliver the intended results and specific outcomes, although the performance was partially mixed. However, in the event of effectiveness constraints, the Cypriot administration traditionally responded appropriately, via remedial actions and via necessary post-project follow-up, to ensure the full achievement of the results and outcomes.

There were clear constraints linked to the initial implementation of the assistance programmes, notably so the management and the absorption of the increased level of funding provided under the 2001 programme. In part this reflected the initial learning-curve for the beneficiary departments in the preparation of technical documentation, but also the initially low level of staffing dedicated to managing and on-going monitoring of contracts' delivery. Additionally, projects with complex technical components, e.g. the development of integrated IT systems, the procurement/installation of equipment or undertaking of works, tended to be subject to management delivery problems, with the technical delivery of outputs and the achievement of the results partially compromised due to the tight timelines. The effectiveness of the financial assistance supporting *acquis* oriented institution building and actions was generally good, although was partially compromised by the, at times, slow pace of the Cypriot decision-making processes linked to the adoption, approval and enactment of the reform measures.

In the agriculture sector, despite efficiency delays in terms of decision-making – e.g. linked to the reform of organisational structures, the competencies of the Ministry of Agriculture and the various other bodies in the sector, the development of the IACS and creation of a Geographical Information System database, the establishment of a Paying Agency for the European Agriculture Guidance and Guarantee Fund – the assistance was ultimately effective in the establishment of the necessary administrative and institutional systems. The assistance delivered positive results in respect to the reform of agricultural and rural development support measures and schemes in line with the *acquis*, with clear attention provided to the incorporation of environmental components, plus in the upgrade of technical capacity in respect of veterinary, phytosanitary, and food safety standards. However, the effectiveness of the assistance in delivering the reforms, in terms of the decision-making processes to enact reforms, was hampered, at times, due to the strong opposition of certain producers and agri-food establishments to the reforms, and the corresponding investments that they would need to undertake to ensure compliance of their operations with the *acquis*, e.g. in the upgrade of facilities in line with animal welfare and with public health requirements. Additionally, at times the achievement of the results was only due to very hectic, last moment efforts in the final months prior to EU-accession – e.g. with regard the Paying Agency including the completion of staff appointments and the development of procedures and agreements with delegated bodies – with the operational capacity of the new structures to effectively administer and enforce the *acquis* thereby not always fully tested.

**What have been the impacts of PHARE in qualitative and quantitative terms?**

The impact of the financial assistance provided to Cyprus in the agriculture sector is good.

It supported Cyprus in the modernisation of its administrative structures, policies, and management operations in the sector in line with the requirements for implementation of the Common Agricultural Policy (CAP) in Cyprus: Pillar I (income support payments to farmers) and Pillar II (promotion of rural development). With regard to Pillar I, the reforms required further trade liberalisation of the Cypriot market to ensure the free movement of goods, plus liberalisation of the management systems and market measures for specific products via common market organisations, alongside the strengthening of minimum quality and marketing standards, the inspection and control regimes, etc. at product-level. The reforms also required the strengthening of horizontal management systems for the

implementation and control of support measures and schemes under Pillars I and II, including via the introduction of computerised IT systems to support implementation of agricultural policy and support. The assistance also delivered the application by Cyprus of the enhanced standards required under the *acquis* in regard to food safety, veterinary, and phytosanitary policies, standards and good practice.

The process of reform, naturally, also directly impacted on farmers and sectoral business operators, plus consumers, notably in terms of the full liberalisation and integration of the EU-Cypriot market for trade in agricultural products, plus the strengthened food and safety, agri-environmental, and other standards that EU-accession required of the sector. Post-accession Cypriot agricultural products faced direct competition from imported products, which required Cyprus to further improve the quality, diversity, marketing and potential of its agricultural offer. The location of Cyprus allows its agriculture to be highly complementary to the wider EU agriculture sector/offer, for which Cyprus is in a position to produce and market a wide range of Mediterranean fruit and vegetables, plus 'Products of Protected Designated Origin', and the potential for filling-in market gaps offers good marketing opportunities. Recognising that Cyprus, despite its small size and population and a generally adequate standard of living, has spatial inequalities between its urban and rural areas, the impact of the assistance was also positive in terms of the enhanced focus of policy and programmes to the promotion of rural development and diversification, based on a recognition of the multifunctional role of agriculture and its contribution towards conserving the local landscape, protecting the environment, sustaining cultural heritage and the development of agro-tourism, as an integral part of wider rural development policies.

This allowed for Cyprus to draw upon EU/EC funding under the CAP post-accession, supporting the livelihood of farmers including in their adoption of environmentally sustainable farming methods, and further modernisation and diversification of the agriculture sector in Cyprus, plus support for initiatives to promote an integrated approach to rural development and quality of life. Over the period 2004-2006 the Rural Development Programme received € 162 million EU co-financing, with the objective to:

- Strengthen the competitiveness of the agricultural/forestry sector, with an emphasis on products where Cyprus has a comparative advantage both within the internal market and third markets.
- Protect the environment and enhance biodiversity, sustainable use of natural resources and landscape conservation.
- Improve the quality of life of the rural population and encouraging diversification of the rural economy mainly in the mountainous and semi-mountainous areas.

Over the period 2007-2013 the CAP invested more than € 392 million in Cyprus's farming sector and rural areas with the objective of: stabilizing farmers' income, modernising and increasing the sustainability of Cypriot farms and securing the supply of safe, affordable and quality food for its citizens, e.g., between 2007 to 2013<sup>127</sup> providing:

- Support for set-up by 300 young farmers, who invested € 35 million in their projects and holdings.
- Support to 1500 agricultural holdings, spending almost € 75 million in modernization investments.
- Support to protect biodiversity, water and soil quality and mitigate climate change through successful land management, with more than 33,000 hectares supported.
- Support to 15,000 holdings (67,000 hectares) in mountainous areas and areas with natural handicaps for implementing sustainable land management.
- The estimated added value to agricultural products in modernised farms was almost € 19 million.
- Direct payments to farmers: e.g. in year 2012 Cyprus spent over € 39 million on direct payments, benefitting some 338,000 beneficiaries, 83.8% of whom received a payment below € 1250.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

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<sup>127</sup> DG Agriculture and Rural Development, Information Note on the CAP in Cyprus (July 2014)

As indicated above, Cyprus has continued to operate and enforce the CAP post-accession, plus also the *acquis* in regard to food safety, veterinary, and phytosanitary policies. In addition to the specific obligations of the *acquis*, plus the on-going financial support that is provided to Cyprus via the CAP – more than € 485 million in the period 2014-2020, with, as indicated above, approximately 338,000 beneficiaries of direct payments (for which approximately 80% of farmers in Cyprus are part-time), a sizeable minority of the Greek Cypriot community – a key factor in ensuring the sustainability of the reforms and benefits delivered to the sector is the high level of importance that the Cypriot people attach to the sustainability of agricultural and rural society (and continued presence on the land), plus to ensuring that food products are healthy and safe: in both regards Eurobarometer has ranked Cyprus second of the EU Member States in terms of perceived importance of the issue<sup>128</sup>. The commitment of the Cypriot authorities to the phased liberalisation of the sector was also essential.

## Socio, Economic and Institutional Impact of the Enlargement Process

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

Reflecting that Cyprus has long operated a market-based economy, although highly protective post-independence of the local agricultural and food product market, the principal focus of the accession process in the agriculture sector was to liberalise market-access and market-operations in Cyprus in line with the *acquis*. This required significant reorganisation of the existing administrative infrastructure and the alignment of legislative, policy, quality and marketing standards, notably linked to: (1) the establishment of the Integrated Administrative and Control System and the Paying Agency for implementation of the Common Agriculture Policy in Cyprus; (2) the reform of Common Market Organisations for individual agricultural products; (3) the strengthening of veterinary and phytosanitary issues, including food safety; and (4) the upgrade of agri-food establishments in Cyprus to comply with the *acquis*. Reform of the sector was initially launched by the Cypriot side in the mid-1990s, linked to its implementation of the 1994 GATT Uruguay Round results, and, in the context of the accession process, the introduction of policy measures progressively aligned with the EU *acquis*, standards, and norms in the sector. In this respect the process of reform in the agriculture sector was initially launched prior to the provision of pre-accession assistance to Cyprus, but the EU assistance in the sector under the 2001-2004 programmes was a contributory factor in terms of Cyprus achieving the ability to take on, effectively implement and enforce the *acquis*.

Recognising the full extent of protection of the agricultural sector operated post-independence, further modernisation of the agriculture sector in Cyprus was also undertaken post-accession to the EU to ensure its integration and competitive standing within the EU-market. In this regard Cyprus negotiated a specific package of transitional measures to provide farmers with complementary national direct payments, grant transitional and degressive national aid until the end of 2010. These measures have now all been phased-out, and a level playing-field for competition exists.

While the further transition post-accession has resulted in a decline of gross output for the agriculture sector in Cyprus (as measured in constant prices), with employment in the sector (full-time equivalent) dropping below 5% of the economically active population (in 2010), since 2009 value-added by the sector has recorded annual increases (as measured in constant prices), accounting for 2% of GDP in 2011. While now lower than the pre-accession trend (of 20-25%) as a percentage of total Cypriot exports, the agriculture and food sector still provides 15% of total Cypriot exports (2010).<sup>129</sup>

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<sup>128</sup> Special Eurobarometer (No. 276): Europeans, Agriculture and the Common Agricultural Policy (March 2007)

<sup>129</sup> Ministry of Agriculture, Natural Resources, and Environment: Annual Report for 2011

## Synergies between Accession Strategy, Policy Dialogue, Financial Assistance

### Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?

In regard of Cyprus, a reasonable level of synergy was created between the accession strategy, policy dialogue, and the assistance provided.

Accession strategy was clearly defined by the EU in terms of the Commission's 'Opinion' of 1993, the annual 'Regular Reports' (1998-2002), the 'Comprehensive monitoring report' of November 2003, and by the Council of Ministers in the 'Accession Partnership' with Cyprus.

The corresponding Cypriot strategy for accession was directed by the Planning Bureau: overseeing policy issues via the preparation of national Strategic Development Plans, and financial issues via the development of guidance on annual budget priorities. Accession strategy was guided by the series of comprehensive sectoral harmonisation programmes prepared by the competent government departments in light of the initial analytical examination of the *acquis* ('screening') in 1998-1999, during which gaps were identified between the Cypriot legislation, institutional set up, administrative infrastructure, organisation, and practices, and the corresponding ones in the EU.

Thereby, programming of the EU's pre-accession financial assistance, starting in year 2000, was coordinated/aligned with the accession-oriented reforms established by the Cypriot administration. However, while the Planning Bureau did undertake an assessment of the capacity of beneficiaries to manage, utilise, and absorb the assistance, it is evident that the initial assessments, notably linked to the 2001 programme, under-estimated the real extent of management input that would be required of the Cypriot side, which partially impeded the efficient and effective realisation of the intended results. As noted in the PHARE Programme annual reports (for years 2004 through to 2009), the independent interim evaluation reports on the assistance to Cyprus judged that the management and performance of the programmes improved subsequently to the constraints with the 2001 programme. The 2006 interim evaluation judged that, in terms of impact, most projects not only contributed to the effective adoption of the *acquis* but contributed to improve public services in important fields.

### What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?

The policy (accession strategy, policy dialogue, and the financial assistance) was implemented in close consultation with the Cypriot authorities, with programming of the assistance based on a clear strategic framework, and a good level of dialogue between the Commission and the Cypriot side in terms of identifying annual priorities to be addressed towards compliance with the obligations of EU membership. The central position and authority of the Planning Bureau in setting national strategy ensured that the EU assistance programmes were managed close to the centre of decision-making on the Cypriot side and that constraints in implementation could be addressed from such a position.

Programme design, notably linked to *acquis* oriented actions, traditionally provided a good level of information as to the institutional organisation of the key beneficiary(s) and staffing levels, relevant linked actions (government and/or donors), as well as details on the key target group stakeholders; this allowed for quick familiarisation of partners with the overall project environment. However, beyond information on a Project Steering Committee, project management structures were not fully specified, e.g. in relation the extent of staffing dedicated to support project management and for communication with partners linked to the successful delivery and institutionalisation of the results. A number of capacity constraints were experienced due to the initially low level of staffing at the sectoral level, e.g. in the preparation of technical specifications suitable to launch procurement, in the development of inter-agency cooperation, etc., as well as delays in the adoption of the results at the senior-level.

### Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?

Recognising that Cyprus has long operated as a democracy with a functioning market economy, the principal focus for the EU's pre-accession assistance to Cyprus was to support it take on and to effectively implement and enforce the EU *acquis*. In this regard Cyprus primarily utilised the Twinning Light and the TAEX instruments for the delivery of the assistance, as well as utilising TA for the delivery of services, with only limited use made by Cyprus of the full-scale Twinning instrument (with a Resident Twinning Adviser for minimum, 12-months). Reflective of the size and overall professionalism of the Cypriot administration this was appropriate, with the peer-to-peer advice and expertise delivered via Twinning Light and the TAEX well received.

The majority of the annual programmes included an Administrative Cooperation facility / Unallocated Institution Building Envelope – for actions primarily delivered via Twinning Light, as well as via TA. The design of these aimed at maintaining maximum flexibility as regards eligible activities and budget allocations, rather than a detailed pre-indication of priority areas to be supported. This allowed flexibility and speed in the implementation of institution building requirements in various sectors – mainly small-scale activities that were too small to justify a full-scale project, or for actions identified during the process of negotiations, difficult to be foreseen and as such requiring budgetary flexibility – but did require that the Planning Bureau ensure the effective generation of relevant project requests from departments to guarantee the absorption of funds. Reflecting that the Planning Bureau also coordinated, at a technocratic level, the Cypriot preparations for the *acquis* 'screening' process and the accession negotiations, this process was generally successfully fulfilled by the Planning Bureau, including the commitment of additional funds transferred to the facility from the standard projects.

## **Conclusions (Lessons Learned)**

**What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

Reflecting that the principal focus for the financial assistance to Cyprus was in the area of building capacity for management of the *acquis*, the lessons learned in respect of such assistance are:

- Actions promoting institution building linked to the *acquis*, including related investment support, greatly benefited from the existence of the medium-term sectoral harmonisation programmes defining the wider parameters of the reform actions being undertaken by the beneficiary. This not only demonstrated the potential level of ownership, it also facilitated the programming of the EU assistance, which formed part of the wider reform effort enacted and financed by Cyprus, and provided a perspective for the take-up and sustainable follow-up of actions linked to the projects.
- It would have been appropriate if projects were supported by a more detailed institutional assessment of the beneficiaries' capacity – management structures and staffing linked to the project – to effectively utilise the assistance. Recognising that the programming phase of the EU's financial assistance usually starts one-to-two-years prior to the delivery of the support, this would have provided beneficiaries time to address potential capacity constraints to manage projects.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

Cyprus did not participate in the Cross Border Cooperation programme under the EU's pre-accession assistance.

## **Annex 5.3: Czech Republic – Free Movement of Persons / Freedom to Provide Services**

### **Background**

The Czech Republic is a landlocked country situated in the middle of Europe. Its neighbours are Austria, Germany, Poland, and Slovakia. The Czech Republic has a total land area of 78,866 km<sup>2</sup>, with a population in 2013 of 10.5 million<sup>130</sup>; an increase of approximately 0.2 million people since the early-1990s. [Prior to 1993 the Czech Republic was a constituent part of the former Czechoslovakia]

The Constitution of the Czech Republic, adopted in December 1992, guarantees the separation of powers, with a parliamentary democracy based on universal suffrage, and an independent judiciary. Since 1993 the Czech political arena has consisted of a number of diverse parties, traditionally with three sizeable parties returned – the right-of-centre Civic Democratic Party, the left-of-centre Social Democratic Party, and the hard-left Communist Party – plus a smaller Christian Democratic Party, with, at times, other small parties elected, but varying other time, e.g. liberal or centre-right parties, Greens, etc. The 2013 general election produced a major change in the political scene with the emergence of significant new parties and the decline of support for the Civic Democratic Party. The number of and the major political diversity of the parties has, at times, meant that the government is supported with a potentially unstable or shifting level of confidence from the Chamber of Deputies.

The programme for transformation and development of the former Czechoslovakia was launched in 1990, comprising price and trade liberalisation, reduced levels of subsidies to enterprises, internal currency convertibility, restrictive monetary and fiscal policy, and a rapid privatisation programme. Following the dissolution of Czechoslovakia, the Czech Republic continued the rapid pace of reform, with the major, systemic transformations considered to be largely completed by 1994-1995. After three successive years of decline Czech GDP stabilised in 1993, and returned to growth in 1994, while 78% of property, in value terms, marked out for privatisation had been privatised by the end of 1995, and trade reoriented toward the EU, which accounted for just over 60% of Czech foreign trade in 1996. However, the deterioration of the economic situation in 1996 showed that challenges remained if the process of structural adjustment was to be sustained, particularly in regard to industrial restructuring, corporate governance, the financing of needed infrastructure investment, the creation of a cost-effective system for the delivery of public services, and in addressing the shortage of skilled labour.

Accordingly further packages of reform measures were launched in 1997 aimed at boosting economic growth and tackling the problems of growing budget and trade deficits, with a return to growth in 1999. Further to the 1997 measures successive governments have followed-up with further economic and structural reforms, to varying degrees, and with varying degrees of support and confidence from the Chamber of Deputies. This has produced a range of reform actions linked to pensions, healthcare, education, social services, public finances and treasury management, further privatisation, civil service reform, police reform, judicial reform, the establishment of regional self-governing territories, etc.

In 1997 Czech GDP per capita (in PPS) stood at 76% that of the EU-27, rising to 81% in 2012.

### **EU Accession Process**

Further to a Trade and Cooperation Agreement concluded in 1990, an 'Association [Europe] Agreement' was signed between the EU and Czechoslovakia in December 1991. The trade provisions of the 'Europe Agreement' entered into force in March 1992 providing for the consolidation of previous trade concessions as well as the gradual and asymmetric establishment of a free trade area over a period of ten years. Dissolution of Czechoslovakia made it necessary to negotiate separate 'Europe Agreements' with the successor states; the one with the Czech Republic was signed in October 1993, and entered into force on 1 February 1995. It provided a legal framework for political dialogue, the

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<sup>130</sup> Source of data: Eurostat – <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

expansion of trade, and economic relations between the parties, a basis for Community technical and financial assistance, and a framework to support the Czech Republic's gradual integration into the EU.

The Czech Republic submitted its application for membership in January 1996, with the European Commission's 'Opinion' issued in July 1997 highlighting the challenges for the Czech Republic over the medium-term to ensure its full compliance with the 'Copenhagen Criteria' for membership. In the light of these considerations, the Commission recommended that negotiations for accession should be opened with Czech Republic, with the accession process formally launched in March 1998. The analytical examination of the *acquis* (screening) with the Czech Republic was concluded in late-1999. Negotiations with the ten countries acceding to the EU in 2004 were concluded in December 2002.

In June 2003 the referendum in the Czech Republic on EU accession returned a 77.3% 'yes' vote.

## **EU Pre-Accession Financial Assistance – Overview**

*In addition to support to the Czech Republic under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2003, under the ISPA and the SAPARD Programmes.*

During 1990-2003 the Czech Republic was allocated € 1026.1 million under the Phare Programme:

- EC grant of € 429.0 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of the Czech Republic, covering:
  - Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
  - Cross Border Cooperation – with Austria and with Germany.
- EC grant of € 597.1 million was allocated over the period 1997-2003 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, agriculture, environment, employment and social affairs, justice and home affairs, transport, institutional and administrative capacity, preparations for Structural Funds, the promotion of economic and social cohesion, Cross Border Cooperation (also with Poland and with Slovakia), and nuclear safety, plus participation in a range of Community Programmes and Agencies.

During 2004-2006 the Czech Republic was allocated a further € 36.1 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis*.

## **EU Pre-Accession Financial Assistance – Ex post Evaluation Findings**

### **Programme Priority – Free Movement of Persons / Freedom to Provide Services**

One of the core issues linked to the future implementation of the *acquis* related to the establishment of the capacity on the Czech side to manage for the Free Movement of Persons, a fundamental principle of the EU Treaty and one of the distinct advantages and rights conferred by European citizenship. The *acquis* Chapter Free Movement of Persons covers the four broad areas of:

- Mutual recognition of professional qualifications: to eliminate obstacles to the taking-up and the pursuit of regulated professions, a general system and specific sectoral rules exist concerning a framework for the mutual recognition of professional qualifications and diplomas, issued Europe-wide, that are required by individual Member States for the practice of certain professions.
- Coordination of social security schemes: the right of people to accrue and transfer social security among the Member States requires administrative cooperation between the Member States.
- Citizens' rights: cover voting rights (EP and local elections) and the right of residence.

- Free movement of workers: based on non-discrimination between European citizens.

There are links between this Chapter and those dealing with the other freedoms (goods, capital, and services) as well as with the Chapters Social Policy and Employment and Justice and Home Affairs.

EU assistance to the Czech Republic in the area of Free Movement of Persons is summarised below:

Year	Project Title	EC Grant (M€)	Co-financing (M€)
1999	CONSENSUS III ( <i>sub-project on social security</i> )	0.500	0
2001	Testing the Preparedness for the Application of EC Social Security Legislation	1.200	0
2003	Information System for Administration of Free Movement of Persons	1.000	0.250
2003	Preparation of the Labour Market and Social Protection Information Systems	0.860	0.090
2003	Mutual Recognition of Professional Qualifications in the Health Sector	0.500	0
2006	Strengthening of Capacity in the field of Social Security Premium Collection	0.200	0.005
2006	Strengthening of Capacity in field of Bankruptcy Proceedings in International Environment	0.200	0.006
2006	Strengthening Data Security in Electronic Data Processing & Data Exchange with other EU-MS	0.160	0.010
2006	Strengthening of Capacity in the field of Social Security Coordination, especially Pensions	0.166	0.010
2006	Reinforcement of Capacity of the Social Security Administration in light of rulings of the ECJ	0.156	0.010
TOTAL (as per the project fiche)		<b>4.942</b>	<b>0.371</b>

\* *Cancelled Projects: Integration of Registers of Healthcare Professionals (2004) and Strengthening of the General System of Recognition of Professional Qualification (2006)*

## Impact and Sustainability of PHARE Financial Assistance

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

The Commission's 'Opinion' on the Czech Republic noted: "Concerning the right to the free movement of workers, there would appear to be no obstacles to prevent the Czech Republic from being able to implement the provisions of the *acquis*. ... In the field of social security for migrant workers accession does not, in principle, pose major problems, although certain technical adaptations will be necessary. More important is the administrative capacity to apply the detailed coordination rules in cooperation with other countries... further preparation and training will be necessary before the accession. ... In the field of mutual recognition of diplomas and qualifications the Czech Republic has already made progress. However, some adaptations are still necessary. The Czech Republic should be able to take up the *acquis* in the medium term. ... As regards structures, Ministries and public bodies... exist for many professions, but will probably need to be reinforced. ... The necessary structures in this area seem to be in place, but it is not always easy to assess their real effect and enforcement."

The March 1998 'Accession Partnership' noted the issues, in annex summarising the 'Opinion', but did not stress the issues as a priority. The 'Accession Partnership' of late-1999 highlighted the need, over the medium-term, to "complete alignment of mutual recognition of diplomas" and "reinforce the related administrative structures and those required for the coordination of social security". The 'Accession Partnership' of late-2001 reiterated the points and, linked to the mutual recognition of professional qualifications and diplomas, also noted the need for the Czech Republic to "further develop required administrative structures, education and training programmes." [Linked to the 'general system' for the recognition of evidence of training, and for the coordination of minimum training requirements for the 'automatic recognition' of regulated sectoral professions, e.g. architects, some health professionals]

The programming of support to the Czech Republic linked to the coordination of social security was coherent and effective in addressing the priorities/needs of the country. Following the transformation of the social security system in the 1990s, a further process for reform of the Czech Social Security Administration (CSSA) was approved by law in 2000, within the context of the separation of pension and sickness insurance from the state budget, from 2002, and the transformation of the CSSA into a new public-legal entity. Building on analysis in part generated via Phare support in the 1990s, a detailed strategy for modernisation of the CSSA was adopted in 2002, setting clear goals through to 2006, covering the development of systems and competence to administer the EU *acquis* and the wider process of modernisation of the CSSA to enhance its operational efficiency and effectiveness.

The programming of support linked to the future operation by the country of the EU's Job Mobility Portal (EURES), based on the network of Member State employment services, and the European System of Social Protection Statistics (ESSPROS) systems was also coherent and effective. The overall goals for reform of the employment services and social protection services were detailed in the National Employment Plan adopted in 1999, setting measures to be adopted step by step by 2005.

However, the provision of assistance linked to the mutual recognition of professional qualifications and diplomas, while technically relevant in addressing needs arising from the *acquis*, was hampered by the initial absence of a clear strategy for reform and by the hesitant support of some stakeholders – responsibility is shared by a number of sectoral ministries and professional recognition bodies – notably in the healthcare sector where consensus on wider, structural reforms was also lacking. It was only in late-2003 that the Czech Republic established the structures for the overall coordination and administration of the recognition of professional qualifications. Building ownership of the projects' goals was complex and was only partially assured. Programming of assistance linked to recognition of healthcare professional qualifications was undertaken only in 2003, perilously close to the date for accession. Transition Facility support responded to the findings of the Commission's November 2003 'Comprehensive monitoring report on the Czech Republic's preparations for membership', which noted that: "Serious concerns exist relating to... preparations in the area of mutual recognition of professional qualifications. ... Unless immediate action is taken across an important and extensive range of issues, the Czech Republic will not meet the requirements for membership in this area".

Overall, the programming of the assistance ensured a suitable mix of delivery instruments was planned: the principal instrument was Twinning or Twinning Light – supporting the development of institutional understanding of the operation of the *acquis*, of specific reform strategies, of technical and analytical capacity and processes, as well as for the definition of the scope/parameters and operational needs and standards for necessary information technology systems – plus the provision of TA to undertake the detailed development and roll-out of the specific IT systems and databases, for which limited Investment support was also provided for the supply of equipment, software, etc.

A number of independent evaluations of the assistance noted that the quality of the design of the projects for the Ministry of Labour and Social Affairs (MoLSA) and the CSSA, an entity directed by the Ministry, were usually above average for the Czech Republic. This was a reflection of the focus of both bodies to strengthen the skills and staffing available for their EU coordination units, and that both were fortunate to ensure a level of staff continuity in the units, plus the clear strategic vision of the CSSA. However, while not detracting from the good quality of the design, a number of the 2006 projects for

the CSSA were clearly on the margin of scope for delivery via the Transition Facility, e.g. designed to address the latest developments of the *acquis*, or the level of specialisation of the tasks requested. This required two of the projects to be sub-divided into more precisely targeted actions: one due to the delayed process at the EU decision-making level on the adoption of a planned update of the *acquis*, one following the failure to receive offers following the circulation of the request for Twinning. Despite the initial efficiency delays linked to those projects, the CSSA projects were, traditionally, efficiently implemented, and a very good level of cooperation achieved with Twinning / Twinning Light partners.

The relevance and the efficiency of the actions promoting the mutual recognition of professional qualifications, however, were generally poor. The Ministry of Education, Youth, and Sports (MoEYS) 2006 project for Strengthening of the General System of Recognition of Professional Qualification was cancelled following the failure to receive Twinning Light offers; it was not practical, then in early 2007, to redesign the action for further circulation as the project aimed to facilitate the implementation of Directive 2005/36/EC, which had an October 2007 deadline for enactment. While the project was potentially of some relevance, e.g. to gain experience from another Member State in terms of the potential principles to follow in the application of the new Directive (which all of the Member States were to enact by the deadline), it would surely have been more appropriate to have proposed the project prior to the 2006 programme – this was, after all, the purpose of the Unallocated Institution Building Envelope, for urgent actions. The Ministry of Health (MoH) projects were challenged by the variable level of ownership of the MoH, which experienced a rapid succession of ministers and deputies, leading to shifts of policy focus and prioritisation, an often limited level of staffing to support actions as well as a high level of staff turnover, plus uncertainties as to the formal establishment of or the potentially temporary status of institutional structures to benefit from the actions. The 2004 project was cancelled due to the lack of ownership of the latest minister as well as that of key stakeholders.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

The actions targeted to the CSSA successfully delivered technical support to test the robustness of the systems for the coordination of social security administration and to further develop the methodologies and schemes utilised in accordance with the *acquis* and international good practice, as well as in the further development of a centralised information system for effective coordination of data between Czech institutions and of the CSSA with its European partners, based on procedures for data exchange in accordance with international standards for information security. Central to each action was the further development of staff skills and the further strengthening of the CSSA in-house training and e-learning capacities in a range of specific, technical aspects of social security management – each project contained significant training for staff at CSSA headquarters and its branch offices, plus for other ministries and stakeholders – for which the quality, relevance, and value of the training was traditionally rated very highly by the trainees. The actions were clearly focused to address priorities defined in the corporate plans and strategies of the CSSA, for which the EU coordination unit provided overall support and guidance to the individual technical units responsible for actions, to ensure the active participation of staff in the further development of procedures and tools, in the training, and to ensure that methodological recommendations were thereafter integrated into the CSSA system.

The actions targeted to the MoLSA successfully delivered support to upgrade the technical capacity of the Ministry and the employment services for Czech operation as part of the EURES, and the Ministry and municipalities for operation as part of the ESSPROS. This included the adjustment of existing management information systems and databases plus operational procedures utilised for the communication and coordination of data between Czech institutions regarding working and living conditions and the situation in the labour market and social statistical data, to ensure the appropriate provision of data and compliance of Czech inputs into the EU systems. The employment services administration was very actively involved in the project implementation, more so because there were obligations resulting from EURES to be met before accession. The training actions were notably effective in terms of raising awareness as to the role to be played by the EURES advisors located at

local employment service offices across the country and at the 14 NUTS II territorial regions. The assistance also delivered a useful communication strategy to the MoLSA connected to the ESSPROS, targeted to the self-governing municipalities linked to their input in operation of data provision and coordination, responsibility for which had been transferred to the municipalities at the start of 2003.

Reflecting that only one of the projects linked to the mutual recognition of professional qualifications was implemented, and that it faced serious problems in the delivery of the intended results, the effectiveness of the financial assistance allocated in that area was poor. The key constraint linked to the MoH actions was the uncertainty linked to ownership or the stability of policy focus. At the planning of the 2003 MoH project there were to be two units dealing with the recognition of qualifications in the healthcare professions of the Czech Republic representing (a) doctors, dentists and pharmacists, and (b) nurses and midwives, to be established by the MoH within the respective professional chambers. The MoH decided to merge the two units during the start of the project's implementation, although it was decided subsequently to re-divide the unit toward the end of the project's implementation, into separate sections of the MoH under separate deputy ministers. Furthermore, the full recruitment of staff planned for the units was delayed, thereby take-up of the advice and input into the development of solutions or take-up of the training was only partially effective. Additionally, one of the recognition units suffered the loss of two of the three staff trained under the project in the short-term of its completion. While they were replaced, there was no mechanism to provide the new staff with comprehensive training in the area and the new systems. Thus while the support did successfully deliver manuals and procedures for the units for operation of the healthcare professions' recognition system in the country, and did deliver the development of curricula standards for the professions, and in the development of information systems linked to the registration of professionals, the absorption of the results at the level of the MoH was only partially effective. While the MoEYS project in the area was cancelled, and thereby the goals of the assistance not achieved, the unit at the MoEYS responsible for overall coordination in the area and specifically for the 'general' system of recognition did benefit from a Dutch bilateral assistance project in 2004 supporting it in its administration at the introduction of the *acquis*, as it then existed, which was transposed into the Czech law in early-2004.

#### **What have been the impacts of PHARE in qualitative and quantitative terms?**

The impact of the financial assistance in the area of free movement of persons was mixed.

With regard to the coordination of social security between the Member States and the provision of labour market and social protection information via EURES and ESSPROS, the impact of the assistance was good. In addition to delivering the specific intended project results facilitating the free movement of persons, the Twinning / Twinning Light partners also provided the beneficiary with a series of strategic and operational final recommendations for the future evolution of the related agenda. These were progressively rolled-out, post-project, further enhancing the efficiency and effectiveness of the systems. Additionally, the CSSA and the MoLSA undertook follow-up projects via the Structural Funds 2004-2006 to further extend the scope of the systems, e.g. the creation of a web-based Portal for the CSSA for communication with clients and partners, extension of the IT systems to cover all municipalities for data collection and coordination linked to the ESSPROS, the development of borderland EURES-T partnerships etc. In light of the transitional periods in some Member States concerning access to labour markets for some of the acceding countries, the EURES advisors and EURES-CR website were useful information sources for Czech job-seekers on respective changes in the area. The assistance was successful in establishing the basis for the country to manage the *acquis*, including the development of the capacity of Czech partners to support policy dialogue at the EU-level on the further evolution of the *acquis*, and manage further amendments of national legislation and systems according to developments of the *acquis* and practice of the European Court of Justice.

Post-accession, reflecting the right of EU citizens to choose to live, work and study anywhere in the EU, the share of (non-Czech) EU citizens resident in the Czech Republic increased as a percentage of the total population, from 0.7% in 2003 to 1.1% in 2007, while the mobility rate for Czech citizens living

in another Member State in 2007 was 1.2%<sup>131</sup>. With regard the coordination of social security between the Member States, at the end of 2008 the Czech Republic had issued residency permits to 146,542 European citizens<sup>132</sup> for whom the country undertakes the management (collection and payment) and coordination of social and health insurance schemes with EU partners. With regard the provision of labour market and social protection information, the Czech Republic continues to provide regular updates on the situation in the country – e.g. guides to the national social security system and rights<sup>133</sup> provided via the EU's Mutual Information System on Social Protection (MISSOC), or the latest needs and job opportunities on the Czech labour market<sup>134</sup> provided via the EURES system. Equally, such guides and labour market information relating to living, working or studying in another Member State are provided by each Member State and the information is available to Czech citizens seeking to exercise their freedom and right; although opinion surveys indicate that the share of Czechs willing to consider mobility for work purposes in another Member State remains well below the EU average<sup>135</sup>.

In light of the constraints detailed above linked to the mutual recognition of professional qualifications, the impact of that assistance was limited. The support for the MoH contributed to its basic capability to take on the obligations arising from the *acquis* in the area free movement of persons. The recognition units were established and are operational, processing requests for the recognition of qualifications. However, it is not evident that the assistance for mutual recognition achieved significant impact in terms of the effective operation by the Czech Republic of the *acquis* in the area. The initial difficulties for the Czech Republic, post-accession, to ensure compliance with the *acquis*, and with its development in this area, have been highlighted by the European Commission – e.g. in January 2006 the Commission decided to refer the Czech Republic to the European Court of Justice over its partial communication of national measures transposing Directives 78/686/EEC and 93/16/EEC on the recognition of dental medical qualifications, and in April 2008 the Commission sent a 'reasoned opinion' for failure to notify it of national transposition measures linked to Directive 2005/36/EC. The Czech Republic completed full transposition of Directive 2005/36/EC soon after the 'reasoned opinion' (2009 Scoreboard on the Professional Qualifications Directive (2005/36/EC)<sup>136</sup>), and the country now operates systems for the recognition of professional qualifications<sup>137</sup> of other European citizens – the Czech Republic issues approximately 500-600 recognition decisions per year<sup>138</sup>.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

With regard to facilitating the free movement of persons, the sustainability of the reforms delivered is good and the Czech Republic now sustains compliance with the requirements of the *acquis*.

Apart from the Czech Republic's need to ensure compliance with the *acquis* and international norms in the area, the key factors that have influenced the sustainability of the reforms are:

- The strong level of ownership of the benefits demonstrated by the CSSA and the MoLSA, during project implementation and in post-project follow-up, supported by specific strategies and action plans establishing a path for reforms and goals to be achieved over the medium-term linked to the implementation of social and health insurance policies and labour market and social policies.

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<sup>131</sup> COM(2008) 765 final: The impact of free movement of workers in the context of EU enlargement

<sup>132</sup> Ministry of Interior: 2008 Status Report on Migration in the Czech Republic

<sup>133</sup> <http://ec.europa.eu/social/main.jsp?langId=en&catId=858>

<sup>134</sup> There were 19,902 offers from employers in mid-May 2014, containing a total of 37,038 vacancies

<sup>135</sup> In 2013, 14% of Czech respondents indicated a willingness to consider working in another EU country (in the next 10 years); the EU-average was 25%. [DG EMPL: Supplement to the EU Employment and Social Situation Quarterly Review: Recent trends in the geographical mobility of workers in the EU (June 2014)]

<sup>136</sup> [http://ec.europa.eu/internal\\_market/qualifications/docs/scoreboard\\_en.pdf](http://ec.europa.eu/internal_market/qualifications/docs/scoreboard_en.pdf)

<sup>137</sup> <http://www.msmt.cz/eu-and-international-affairs/recognition-of-professional-qualifications-1>

<sup>138</sup> [http://ec.europa.eu/internal\\_market/qualifications/regprof/index.cfm?action=map#close](http://ec.europa.eu/internal_market/qualifications/regprof/index.cfm?action=map#close)

- The improved quality of information now available for the management of and decision-making in the administration and targeting of social security, social protection, and labour-market policies, and improved transparency of information available to match job seekers' and employers' needs.
- The CSSA recognised at an early phase of the reforms the need to increase the technical competence of its staff – it has approximately 8500 staff – and staff of other actors linked to the management of social security, and thereby established a path to ensure the institutionalisation of and the sustainability of the benefits provided via the assistance in terms of training provision.
- The key challenge to the sustainability of healthcare reforms in the country, including facilitation of the free movement of healthcare professionals, has been the variable level of ownership of the goals due to changing political priorities and constraints in securing stakeholder consensus.

## Socio, Economic and Institutional Impact of the Enlargement Process

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

The accession process required the Czech Republic to undertake significant reforms of the regulatory and operational framework to ensure compliance with the *acquis* in the area free movement of persons. Prior to accession the rights of other European citizens to residency in the Czech Republic were regulated, primarily on the basis of active employment/business in the country, while the system for recognition of qualifications (issued outside the Czech Republic) for the purposes of practising a profession was not coherent, and limited coordination existed with EU-partners linked to social security administration by the Czech Republic. These issues were addressed via the alignment of national legal provisions with the *acquis*, e.g. the Foreigners' Residence Act, the Employment Act, the Recognition of Professional Qualifications Act, etc., which took effect on the day of accession, thereby ensuring that free movement of persons was functional (as per provisions of the Treaty of Accession). *[While the Czech Republic did not renounce the possibility to introduce transitional measures towards other Member States, based on the situation of its labour market, no such measures were introduced]*

The targeting of financial assistance to support the reform process was relevant, although in the area mutual recognition of professional qualifications the support was programmed late in the process, and in regard to the healthcare sector also in the context of an unstable policy and institutional framework.

The projects linked to the coordination of social security and the provision of labour market and social protection information were successful in delivering legal, operational, and behavioural changes in the sector, which the Czech Republic continues to sustain and to further develop as policy evolves. Collectively the range of actions benefiting the CSSA not only strengthened the operations of social security coordination by the Czech Republic linked to the free movement of persons, but also enhanced the overall accuracy of its assessments and decision-making linked to social security administration, in accordance with international standards and good practice, and thereby the improved cost-efficiency and cost-effectiveness of the Czech Republic's implementation of social and health insurance policies – as the CSSA is one of the biggest financial-administrative bodies in the Czech Republic managing financial resources (incomes and expenditures) in the mid-2000s of approx. CZK 550 billion (approx. € 20 billion), this was a significant wider, long-term benefit of the assistance.

The projects linked to the mutual recognition of professional qualifications delivered limited outcomes or behavioural changes and the process of reform by the Czech side has largely been driven by the pressure to achieve compliance in the transposition of and the administration of the *acquis*. However, while the country does administer the *acquis*, and is thus integrated into the EU, the Czech Republic has been slower than most Member States in terms of the liberalisation of its professional services sectors. This was recently highlighted in the 'European map of regulated professions'<sup>139</sup>, issued by the Commission in May 2014: the Czech Republic regulates 398 professions and professional activities,

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<sup>139</sup> [http://ec.europa.eu/internal\\_market/qualifications/regprof/index.cfm?action=map#close](http://ec.europa.eu/internal_market/qualifications/regprof/index.cfm?action=map#close)

making it the most demanding Member State in terms of the regulation for entry and conditions for professional practice; the vast majority of Member States regulate approximately 130-160 professions, while five Member States regulate fewer than 100 professions, Estonia only for 45 professions. Further to the Commission's publication of the 'map' the Member States have been invited to conduct an evaluation of the potential barriers they have in place limiting access to certain professions; it is clear that institutional and policy behaviour of the Czech Republic in the area needs further reform.

## **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

### **Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

In regard of the Czech Republic, a reasonable level of synergy was created between the accession strategy, policy dialogue, and the financial assistance provided, as these each evolved during the period from 1990 (when the former Czechoslovakia first received Phare Programme support).

The Commission launched donor coordination meetings in early-1991, providing a forum for better understanding the needs/priorities of the country. The Czechoslovak side established a central unit for the coordination of foreign assistance and cooperation (EU and bilateral assistance) in late-1991; the two successor states established a similar 'National Aid Coordinator' (NAC) function in late-1992. The Czech side also established, in April 1994, an EU-integration coordination system linked to the 'Europe Agreement' and harmonisation of the country with the EU *acquis*, standards, and norms.

In line with the encouragement of the Commission, the Czech Republic NAC issued an indicative country development strategy, in November 1993, to guide the provision of donor assistance for the period 1994-1997. This served as the basis for negotiation between the Commission and the NAC of a Phare 'Indicative Programme' for the period 1994-1996 (signed in May 1994). In the subsequent year – following the European Council meeting of December 1994 in Essen – the Commission also requested that a Phare multi-annual 'Indicative Programme' for the period 1995-1999 be negotiated. As such, the programming of financial assistance was coordinated /aligned with priority reform actions.

In light of the Commission's 'Opinion' of July 1997 the Czech Republic, as requested, presented a draft 'National Programme for the Adoption of the *Acquis*' (NPAA) in March 1998; with the initial analytical examination of the *acquis* ('screening') with the Czech Republic thereafter launched in April 1998 and concluded in late-1999. In light of the Commission's annual 'Regular Reports' on the Czech Republic, the 'screening', plus the 'Accession Partnership' of the EU Council of Ministers (issued in 1998, 1999, 2001), the country's NPAA strategy was subsequently updated (1999, 2000, 2001, 2002).

In some sectors, partially supported by earlier Phare actions, a presentation of priorities also existed in some form of a strategic development plan; but initially, up to the late-1990s, many of these were transformation-driven rather than also/directly related to the future obligations of EU membership. While the Czech NPAA was reasonably good in terms of listing assorted analyses to be undertaken, legislation to be considered for amendment or introduction etc., it was usually far less detailed in terms of identifying related institution building actions that were also necessary to establish an operational capacity to administer and enforce the *acquis*. The slow pace of development by many Czech institutions of detailed EU pre-accession strategies was a constraint in terms of the close coordination/alignment of the assistance within the context of the accession-driven reorientation of Phare. The CSSA and the MoLSA established EU strategies early on, supporting the performance of the actions.

### **What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

The policy (accession strategy, policy dialogue, and the financial assistance) was implemented in close consultation with the Czech authorities from the early-1990s, including clear attention to donor coordination during the initial socio-economic transformation and development period. The Commission established a Delegation in the country in early-1992, facilitating implementation of the

policy on the ground. The identification and prioritisation of needs on the Czech side was established. The policy was also supported via regular meetings of the Association Committees and Council. The Czech Republic was also active in undertaking follow-up to the Commission's White Paper of 1995 on the "Preparation of the Associated Countries ... for Integration into the Internal Market of the Union".

During the initial period of the Phare Programme a strong focus was provided to addressing socio-economic reform and regional imbalances within the country. This was appropriate, in view of the EU's accession strategy of the early-1990s, and it delivered a number of practical outcomes to sustain that process of development, e.g. sectoral reform plans, a diverse range of Regional Development Plans, and the establishment of foundations promoting civil society and human resources development. Within this context the Czech Republic was encouraged to participate in the Cross-Border Programme as of 1994, which accounted for approximately 47% of Phare funding for the country in the mid-1990s.

However, the demand-driven approach did, in part, produce a strong lobby of regular partners – larger ministries, agencies linked to the 'Europe Agreement' / trade facilitation, and development advocates at the local, district, and semi-regional levels (regions in the country were only formally set-up in 2001). The transition to an accession-driven approach thus proved problematic, with the focus of the country to its achieving compliance with the *acquis* diminished by the demand, built into the system, to prioritise focus on the socio-economic and regional development of the country – over the period 1994-2003 approximately 48% of Phare funding for the country was allocated to the Cross-Border Programme or to the promotion of Economic and Social Cohesion, mainly provided as investments or as grant schemes in the area, and only in part for institution building purposes in the area of policy.

The accession-driven approach was also hindered by the initially legalistic focus of the country to its achieving compliance with the *acquis*, at the expense of its consideration also of the corresponding administrative and enforcement requirements, capacity building and investment needs arising. In this respect the introduction of the Twinning instrument greatly assisted in the development of the approach and mind-set on the Czech side to the fuller processes for management of the *acquis*. Difficulties also existed with the initial establishment of and then the implementation of basic reform strategies in the Czech Republic for modernisation of the state administration and also the judiciary.

In view of the high level of staff turnover over the period of the Phare Programme, a further weakness was the lack of attention provided to the establishment of an 'in-house' capacity to provide periodic training for Phare partners on PCM, the PRAG, the preparation and management of projects and technical documentation for procurement, financial management etc. Ad hoc training was provided to Czech actors, from the mid-1990s, via Phare and via bilateral donors, but not in a comprehensive way.

Finally, a weakness of the policy was the failure to conduct detailed assessments of the institutional capacity of the beneficiary partners to manage, utilise, and absorb the assistance. A number of capacity constraints were experienced: in the preparation by beneficiaries of technical specifications of adequate quality to launch the procurement process, notably so for Works and grant schemes, in the development of inter-agency cooperation, in the development of complex information technology or integrated management systems, and the formal adoption/institutionalisation of the delivered results.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

Following the reorientation of Phare to an accession-driven approach, the Czech Republic progressively took-up Twinning as the principal instrument supporting alignment with the EU *acquis*. Initially the capacity of beneficiaries to negotiate and prepare Twinning Covenants and to manage and fully exploit a standard Twinning project (with a Resident Twinning Adviser for minimum, 12-months), was limited. As beneficiaries became more familiar with the instrument, based on peer-to-peer advice and the partnership between government institutions, the efficiency and effectiveness of the support improved. Utilisation of the Twinning expertise, in part, to provide the assessment of needs and a justification for necessary Investments in the *acquis*, to be financed via Phare, was an effective means

to secure greater confidence in the instrument. The introduction of Twinning Light also made it feasible to undertake more targeted actions, addressing particular issues or smaller sub-areas of the *acquis*.

A number of specialised, technical agencies of the government were notably successful in the use of Twinning / Twinning Light to target a series of technical issues and processes, e.g. the CSSA linked to the coordination of social security, the Food Safety Agency, the Feed Safety Agency, the State Labour Inspectorate, etc. Overall such specialised agencies traditionally also delivered the most sustainable results linked to Twinning, when compared to a more mixed track-record for the larger ministries.

This is reflective of the fact that such agencies traditionally had clear corporate plans and strategies linked to the development of their agenda, and the achievement of a high-quality standard of service in line with international standards, including via ISO accreditation, and good practice. It is also reflective of the fact that agencies provided a strong focus to the establishment of longer-term training capacity and communication tools to ensure the sustainability of the benefits provided via the assistance.

## **Conclusions (Lessons Learned)**

### **What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

The main lessons learned in terms of the performance of the assistance with relevance to IPA are:

- Actions promoting Institution Building linked to the *acquis*, including related Investment support, greatly benefited from the existence of a medium-term strategic or Action Plan defining the wider parameters of the reform actions being undertaken by the beneficiary. This not only demonstrated the potential level of ownership, it also facilitated the programming of the EU assistance, which formed part of the wider reform effort enacted and financed by the Czech side, and also provided a perspective for the take-up and sustainable follow-up of actions linked to the EU projects.
- The Institution Building actions were also aided by the attention to ensure the institutionalisation of and the sustainability of the benefits provided via the training elements of the assistance.
- Whereas the NPAA was reasonably detailed in terms of listing assorted analyses to be undertaken, legislation to be considered for amendment or introduction etc., it was usually far less detailed in terms of identifying institution building actions necessary to establish an operational capacity to administer and enforce the *acquis*, which affected the alignment of the assistance.
- In view of the time perspective for establishing the country's capacity and full compliance for membership, greater attention should have been provided, domestically and by the Commission, to the establishment of an 'in-house' training capacity supporting EU assistance project partners.
- It would have been appropriate if projects were supported by a detailed institutional assessment of the beneficiary's capacity – management structures and staffing linked to the project – to effectively utilise the assistance. Recognising that the programming phase of the EU's financial assistance usually starts one-to-two-years prior to the delivery of the support, this would have provided beneficiaries time to address potential capacity constraints to manage projects.
- The focus provided by the assistance in the area of regional development, via investments and grant schemes under the Cross-Border Programme and the promotion of Economic and Social Cohesion, while worthy in attempting to address national and European socio-economic imbalances, ultimately absorbed too great a share of the financial assistance budget allocated – the sectors were among the weakest performers in terms of Phare funds commitment and disbursement. While the 'Economic Criteria' for membership requires the applicant establish the capacity to cope with competitive pressure and market forces, it is not evident that the country faced overwhelming internal regional imbalances, e.g. as measured by the dispersion of regional GDP by NUTS 3 regions, in order to achieve compliance with the 'Economic Criteria'.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

Whereas the impacts of the Cross Border cooperation actions were generally good, many of the projects related more to the development of infrastructure in the Czech border regions rather than truly joint cross-border projects. While a strategic cross-border approach was introduced, via multi-annual 'Joint Programming Documents' from 2000, the differences in the rules governing Phare CBC and the Interreg funding instruments made it difficult in practice to have truly joint cross-border projects.

The impact of the Joint Small Project Fund grant scheme, which was a common feature for all Cross Border Programmes from 1999, was positively assessed in terms of increasing cross-border cultural, economic, and people-to-people links and networks through numerous non-infrastructure projects. It was also positively assessed for building local capacity of grant beneficiaries in project development and management, which helped to prepare border regions for use of the future Structural Funds. However, over the years the participation of civil society groups under the schemes decreased, and it seemed that the fund had instead become the domain of local government and their agencies.

## Annex 5.4: Estonia – Social Policy and Employment

### Background

Estonia lies on the eastern shores of the Baltic Sea and covers 45,227 square kilometres. It has over 1,500 islands and more than 1,400 lakes. The estimated population is 1,315,819<sup>140</sup>, of which almost 70% are ethnic Estonian and 25% are Russian.

Estonia in its present political structure has been an independent republic since 1991. Estonia's state administration is divided into 15 regions. As of March 2013, there are a total of 226 municipalities in Estonia, 33 of them being urban and 193 are rural.

Adopted by a referendum on 28 June 1992, the Constitution established the principles of rule of law. It recognises the principle of separate and balanced powers, the independence of the courts, and guarantees of fundamental human rights and liberties according to universally recognised principles and norms. Estonia is a democratic parliamentary republic, whose head of state is the President of the Republic. Supreme power is vested in its citizens who have the right to vote by electing members to the State Assembly (parliament), and by participating in referendums. Executive power rests with the Government. Estonia has been a member of the United Nations since September 17, 1991 and a member of the Council of Europe since May 1993. Estonia joined NATO on 29 March 2004.

As a member of the European Union, Estonia is considered a high-income economy by the World Bank. Its market economy is characterised by a balanced budget, almost non-existent public debt, flat-rate income tax, free trade regime, competitive commercial banking sector, and innovative e-services. Estonia's productivity is around 70% of the EU average. Unemployment is 8.6%, and the employment rate is 71.7% (2013). In 2011, the R&D intensity (its share in the economic activities) amounted to 2.41% of GDP. The real GDP growth rate was 0.8% in 2013<sup>141</sup>.

*Council Recommendation on Estonia's 2013 national reform programme* stressed the fact that employment continues to grow, while there remain bottlenecks to growth including persistent youth and long-term unemployment, skills mismatches, growing work force shortage, including labour-force losses due to long-standing health problems. The high number of people without professional or vocational education remains a challenge. A large percentage of Estonia's workforce (aged 25-64) continues to have only basic or general secondary education and does not have vocational or higher education. According to 2012 data their share amounts to 30.3% of the labour force.

### EU Accession Process

Since the restoration of independence in 1991, Estonia followed a consistent policy aimed at strengthening political, economic, and social ties with the European Union and seeking security and stability in trans-Atlantic security structures. Following the establishment of diplomatic ties with the countries of the European Community in 1991, Estonia in June 1995 signed the Europe Agreement, which entered into force on 1 February 1998. It provided the legal basis for relations between Estonia and the European Union with a framework for political dialogue, the expansion of trade and economic relations, a basis for Community technical and financial assistance, and a framework to support Estonia's gradual integration into the EU. The institutional framework of the Europe Agreement provided a mechanism for implementation, management, and monitoring of all areas of relations.

Estonia applied for EU membership in November 1995 and the European Council, meeting in Luxembourg in December 1997, took the decision to begin accession negotiations, which started in March 1998. They were concluded in December 2002 and the Treaty of Accession was signed in April 2003. In a referendum held on 14 September 2003, a majority of Estonians expressed their support for membership of the European Union and Estonia acceded on 1 May 2004.

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<sup>140</sup> Statistics Estonia, 1.01.2014

<sup>141</sup> Source: Eurostat

## EU Pre-Accession Financial Assistance – Overview

In addition to support to Estonia under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2003, under the ISPA and the SAPARD Programmes.

During 1990-2003 Estonia was allocated € 328.3 million under the Phare Programme:

- EC grant of € 130.3 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of Estonia, covering:
  - Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
  - Cross Border Cooperation<sup>142</sup> – with Denmark.
- EC grant of € 198.0 million was allocated over the period 1997-2003 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, agriculture, fisheries, environment, employment and social affairs, justice and home affairs, transport, institutional and administrative capacity, preparations for Structural Funds, the promotion of economic and social cohesion, Cross Border Cooperation<sup>143</sup> (also with first Finland, Sweden and Germany, then Latvia, Lithuania and Poland, followed by Russia, and finally Norway and Belarus), and nuclear safety.

During 2004-2006 Estonia was allocated a further € 17.7 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis*.

The monetary amount of Phare assistance provided to Estonia is summarised below<sup>144</sup>:

Years	1990-1996	1997-1999	2000-2003	2004-2006	TOTAL
Amount €M	130.3	59.4	138.6	17.7	346.0

Source: EC (DG ELARG): Annual Reports on Assistance Programmes

## EU Pre-Accession Financial Assistance – Ex post Evaluation Findings

### Programme Priority – Employment and Social Affairs

One of the core issues linked to the future implementation of the *acquis* related to the establishment of the capacity on the Estonian side to manage Social Policy and Employment, for which the *acquis* covers the following four broad areas: labour law, equality, health and safety at work, and anti-discrimination. In order to agree standards in these areas the Member States participate in social dialogue at European level and in EU policy processes in the areas of employment policy, social inclusion, and social protection.

<sup>142</sup> Local governments had the possibility to participate in other EU Phare cross-border co-operation programmes: CREDO, ECOS Overture and Baltic Project Facility that supported cross-border co-operation with significantly smaller amounts.

<sup>143</sup> Local governments had the possibility to participate in other EU Phare cross-border co-operation programmes: CREDO, ECOS Overture and Baltic Project Facility that supported cross-border co-operation with significantly smaller amounts

<sup>144</sup> The figures cover Phare Programme support under National Programmes as well as funds allocated under the Phare Cross Border Cooperation (CBC) Programmes.

The European Social Fund is the main financial tool through which the EU supports the implementation of its employment strategy and contributes to social inclusion efforts (implementation rules are covered under Chapter 22, which deals with all structural instruments).

EU assistance to Estonia in the area of Social Policy and Employment is summarised below:

Title	Allocation	Year
Development of administrative capacity of national authorities in the field of gender mainstreaming	0.552	2003
Enhancing Employment Opportunities for People with Disabilities	0.4103	2002
Implementation of the social security co-ordination rules in the frame of free movement of persons	0.693	2002
Increase of the Coverage and Effectiveness of Occupational Health Services in Estonia	0.332	2002
Promotion of Social Dialogue on the Employers' and Workers' Organizations Level	0.461	2001
Support to the balanced development of the labour market services	1.80	2000
EU Phare support to Estonian occupational health sector	1.20	1999
Vocational training	1.00	1998

## Impact and Sustainability of PHARE Financial Assistance

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

The main Employment and Social Affairs priorities for Estonia's accession to the EU were provided in the Accession Partnership (AP) and were as follows:

- Complete alignment and ensure proper implementation of EC legislation in particular in the field of equal treatment for women and men.
- Strengthen the capacity of enforcement bodies, in particular the National Labour Inspectorate and ensure coherence and co-ordination between these. Adopt legislation against discrimination and develop a timetable for its implementation.
- Complete transposition and continue to implement the *acquis* on public health and develop a national system for surveillance and control
- Continue to support social partners' capacity-building efforts in particular with a view to their future role in the elaboration and implementation of EU employment and social policy, including the European Social Fund, notably through autonomous bipartite social dialogue.
- Prepare a national strategy, including data collection, with a view to the future participation in the European strategy on social inclusion.

The Accession Partnership stated that the Community assistance for financing projects through the three pre-accession instruments was conditional on respect by Estonia of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and in particular progress in meeting the specific priorities of the Accession Partnership.

The social sector in Estonia received EU support mainly through the Phare programme. Initiatives in the social sector (in a broader sense) have also been financed by other European Community

programmes, such as the ACCESS programme and the CBC initiative. Phare funds were negotiated and approved each year in a Financing Memorandum, which governed the institutional and administrative framework within which projects should be implemented.

The priority areas of interventions under Phare were equal opportunities issues, active labour market measures, social dialogue, social security, and safety at work as well as preparations for national management of Structural Funds. Corresponding with these priority areas, the evaluated projects focused on employment, social inclusion of vulnerable groups, the free movement of people, health, gender equality and the strengthening of civil society.

All projects complied with strategic policy documents, which defined the measures, required to become a Member State of the European Union. The most relevant of these documents were the Accession Partnership, the Commission's Regular reports on the Estonia's progress towards the accession and the Comprehensive Monitoring Report on Estonia's preparations for membership.

The projects were also in line with the European Employment Strategy (EES), launched at the Luxembourg Jobs Summit of November 1997, which became a key component of the Lisbon Strategy of 2000. The key elements of the EES concern an improvement in four pillars: (1) entrepreneurship; (2) employability; (3) adaptability and (4) gender equality.

Links between the Phare funded projects and the national strategic policy documents were also clear. The projects were relevant to the objectives, set out in the NPAA, the Estonian National Development Plan for the Implementation of the EU Structural Funds, the Employment Action Plan for Estonia, the Action Plan for the Development of Vocational Education and the state programme "Integration in Estonian Society".

Interim evaluation<sup>145</sup>, carried out in 2004, when the majority of the sample projects have been implemented, noted that due to the closeness to accession the projects have been less focused on adoption of legislation and more on its implementation and related enhancement of administrative capacity of the public administration. The aspects of awareness rising on the contents of the policies/legislation to the citizens have been also considered as increasingly important.

Therefore, many projects were oriented towards concrete needs of new EU citizens, related to implementation of social security co-ordination rules, recognition of diplomas and future implementation of Structural Funds. Enhancement of the situation of the disabled, support to youth employment and programmes oriented towards strengthening civil society were also the focus of the projects. Increased importance was given to NGOs (being implementing partners and target groups / beneficiaries of Phare projects) to facilitate their participation in the policy-making process.

Implementation of Phare projects was marked by difficulties stemming from the complicated character of Phare rules. The high turnover of staff in the public administration (because of low salaries and stressful work) also had a negative effect on project efficiency and effectiveness.

Often implementation of the projects was delayed for various reasons. Usually the time span between the planning of projects and their contracting was rather prolonged, which made re-adjustments inevitable. According to Estonian stakeholders, the European Commission Delegation was not sufficiently flexible in changing the approved Project Fiches. A common view among stakeholders was that the European Commission Delegation was focused more on control (activities and inputs) than on performance measurement (outcomes).

Another reason for inefficient implementation of projects was a lack of technical expertise and project management skills. Evaluators mentioned the limited use of comprehensive project management tools in the evaluated projects and programmes, such as the logical framework approach. However, the majority of projects had a logical structure and the activities were well planned. The target groups were well defined and measures were directed to the correct beneficiaries, but their motivation and readiness to participate in the projects was sometimes questionable (no special studies had been

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<sup>145</sup> Interim Evaluation No. IE/EE/SOC/04002, Net Effect Ltd, July, 2004

undertaken on the attitudes of the target groups). Monitoring of projects (decentralised in 2000) was satisfactory.

The 2002 and 2003 programmes posed substantial challenges to the administrative capacity of the Social Affairs sector, which was confronted with the implementation and monitoring of an increased number of programme components and a corresponding increase of Phare allocations.

An additional burden was the shift from PRAG rules to Estonian Public Procurement Law, which led to the need to get acquainted with new regulatory details as well as the need to adapt draft tender dossiers to the new system. Moreover, the EDIS block had a considerable impact in this sector by making it impossible to conclude contracts over a period of some 4 months at the end of 2004. The changes in the regulatory environment in many cases caused postponement of projects (e.g. grant projects under Access 2002, which were postponed by a year), but did not result in any uncommitted funds (due to the Central Financing and Contracting Department personnel, which did extra work in order to meet the deadlines).<sup>146</sup>

The social affairs sector was among the sectors where twinning contracts were mostly used. According to the 2000 Phare annual report "*Twinning has proved to be an efficient instrument for institution building in Estonia. Initial start-up difficulties in 1998 and 1999 have been overcome and twinning is evaluated generally positive by the Estonian administration*".

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Phare made important contributions to and preparation of public administration for application of the EU *acquis* and the establishment of systems for Structural Funds in the field of social policy.

Overall, the projects brought benefits to broad areas of the population (public administration, vulnerable groups, social partners, NGOs). In the majority of cases the phasing of projects was adequate for carrying out activities and achieving target results. In some instances the political conditions (elections, changes of higher managerial positions, etc.) hampered the progress of projects.

Many projects in the sector included training in project activities. The feedback from participants regarding satisfaction with the training was quite positive (this is especially valid for the gender mainstreaming and social security coordination projects). One of the reasons might be that the training was quite practically focused, based on developed manuals and included a lot of case study material.

Most of the projects in the sector achieved their purposes. For example in the *gender mainstreaming* project a further strategy for implementing gender mainstreaming was developed, 181 officials were trained and a Centre of Expertise website was opened (all the outputs of the Phare project were also published in the website). In the case of the *social security coordination* project the manuals for implementing EC regulations 1408/71 and 574/72 were developed and people were trained.<sup>147</sup>

The comprehensive approach to developing national policies through Phare support is illustrated below with the implementation of the VET reform project:

Phare Annual Report 1999:

Activities under the Vocational Education and Training Reform Programme (managed and implemented by the VET Reform Foundation) included the updating of vocational training curricula in the Estonian system. Three vocational training institutions were also developed; additional benefit was derived from the location of these institutions in economically disadvantaged regions of the country. Under the Higher Education and Science Reform project (managed and implemented by the European Training Foundation), technological centres had been established and the higher education system internationalised.

<sup>146</sup> Phare Interim Evaluation, *Social sector*, Evaluation Report, CyclePlan, etc., December, 2005

<sup>147</sup> Phare Interim Evaluation, *Social sector*, Evaluation Report, CyclePlan, etc., December, 2005

A significant contribution to the reform of higher education and science has been made through the establishment of Centres of Strategic Competence at Tartu and Tallinn Universities, focusing on gene technologies, information technology, environmental technologies, and materials sciences.

Poor communication between different organisations resulted in different interpretation of Phare rules by different institutions and hindered successful implementation of projects, causing implementation delays and poor or non-achievement of results. For example, the *Communicable Diseases* project was delayed by a minimum of 2 years due to lack of cooperation between the Ministry of Social Affairs, the Health Protection Inspectorate and the Central Financing and Contracting Department.

There were similar problems of communication between the project and the main stakeholders. For example the importance of stakeholder management was underestimated during implementation of the National Drug Strategy project. This project was characterised by a sensitive topic and a high number of people directly affected by it. During project implementation the local community was not adequately involved in the decision-making process from the start, and it ended with protests by local residents and a pending court case.<sup>148</sup>

Overall the partial underperformance that occurred in the Social Affairs sector was due in some cases to overambitious objectives and in several cases<sup>149</sup> to problems in contracting.

#### **What have been the impacts of PHARE in qualitative and quantitative terms?**

The overall impact of the Phare assistance in the social sector was manifested in two directions: increased expertise of broad social groups in managing EU-funded projects and improved public awareness of the topics of the projects (gender equality, social inclusion, and social dialogue). Knowledge of the rights of EU citizens (free movement of people and right of establishment, coordination of social security systems, and participation in policy making process) was also improved.

The increased knowledge and experience of beneficiary institutions in managing EU funded projects was an important positive effect that led to further development of new projects under Structural Funds, which contributed to the sustainability of results. An indirect impact of the Phare projects was the improvement of cooperation between the project partners and other stakeholders, which also led to new projects.

Phare assistance contributed to change in a number of social policy areas (pension, health care, employment, and social inclusion and gender equality policies) and introduced new social policy ideas, interests, and institutions. The support played a positive role in the organizational development of NGOs and improved their knowledge and skills, as social service providers and partners, in developing policies in respect to vulnerable groups.

On some issues, like social dialogue, gender equality, and drug addiction, broad media coverage provided better information to the public and therefore awareness and understanding on the issues.

There were instances, when either the allocated funds were not sufficient to provide the full impact as set forth by the overall objectives in the project fiches, or the stated objectives were not realistic. For example the provision of just one or two gender-mainstreaming projects was insufficient to achieve the very ambitious overall objective "to achieve gender equality in Estonia".

Overall, in Estonia Phare supported high labour market flexibility relevant to a successful monetary policy of low taxes, open foreign trade and low public sector debts, that characterised the country's transition to a market economy. During this period there was no sharp increase of unemployment (due to the fast GDP growth - from 5% in 2001 to 7.8% in 2004) and the passive labour market policy measures prevailed. Vocational training was an important active labour market measure. Phare adequately contributed to investments in human resources, occupational health and social dialogue.

<sup>148</sup> Phare Interim Evaluation, *Social sector*, Evaluation Report, CyclePlan, etc., December, 2005

<sup>149</sup> Estonia, *Country Phare Evaluation Review*, Programmes covered:1999-2002, EMS, January, 2004

The 2004 and 2007 enlargements of the EU extended the freedom of movement of workers from the new Member States. The labour productivity in these states increased. The Estonia's labour productivity doubled in the period 1995-2011 (from 30% of the EU27 average to almost 70%). In particular in respect to Estonia five years were needed for the unemployment rate to recover to the low rates of the early 2000s. The accession process positively impacted the living standards in the new member states, fostering economic and social cohesion within the EU. Income per capita rose from 40% of the old member states' average in 1999 to 52% in 2008. Workers in the new member states have profited from improved employment opportunities at home and abroad, although labour migration created economic and social problems in some of the new member states. After more than a decade of economic restructuring, labour markets in the new member states have staged a broad-based recovery that took off in earnest in 2003 and created 3 million new jobs between 2003 and 2007. As a result, unemployment has declined to levels similar to the rest of the Union (about 7% in 2007), while employment rates have increased to about 60%. The overall effect of the post enlargement mobility was positive. It is estimated that the intra-EU labour mobility adds about 0.3% to the GDP of the EU as a whole in the medium term.<sup>150</sup>

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

In general the social sector projects were relatively sustainable<sup>151</sup>. Sustainability was ensured by elaboration of manuals, based on the regulations and cases that support the interpretation of the law (the social security coordination project); establishment of networks of NGOs, partnering to public administration (gender mainstreaming project) or the conclusion of annual framework agreements signed between central and local authorities, guaranteeing further delivery of services (drug strategy project). Social NGOs supported by Phare (Access 2002 project) became more sustainable due to their improved ability to attract new finances for activities.

The sustainability of new policies / administrative structures was generally guaranteed by the adoption of regulatory acts. For example in respect to gender issues the Gender Equality Act was adopted in April 2004. It required the Gender Equality Department of the Ministry of Social Affairs to provide consultations to all persons on matters related to implementation of the principle of equal treatment for men and women. The first Gender Equality Commissioner was appointed in October 2005. However, whereas there is evidence of sustainability of policies, the rate of change produced by the policies is slow. Estonia remains the country with the largest gender pay gap in Europe. According to Eurostat, in 2011 the gender pay gap in Estonia was 27.3% while the EU average was 16.2%. Estonia also scores high in several other gender inequality indicators. As a result, the issues of gender equality and the gender pay gap have gained increasing public attention in recent years.

Evaluators<sup>152</sup> indicate that investments under the Phare programme in the Social Affairs sector of Estonia have too often been made before a clear institutional set-up was available. There were examples where equipment was granted to institutions where either the future of the organisation itself in terms of its tasks, rights, or responsibilities, or the environment in which it was supposed to operate in the future was rather unclear. The necessary strategic decisions and operational consequences relating to investment in equipment were sometimes simply not clear at the moment of commitment.

## **Socio, Economic and Institutional Impact of the Enlargement Process**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

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<sup>150</sup> Five years of enlarged EU, European Commission, 2009

<sup>151</sup> Phare Interim Evaluation, *Social sector*, Evaluation Report, CyclePlan, etc., December, 2005

<sup>152</sup> EE/CPER/03106, ESTONIA, Programmes covered: 1999-2002, EMS Estonia, 9 January 2004

Through Phare the EU was actively involved in institution building and social policy formulation in candidate countries. Due to the accession process in Estonia and the support received from Phare new concepts and agencies with responsibility for gender equality, social inclusion etc., were introduced and new partners (social partners, NGOs) were involved in policy implementation.

Phare extensively assisted important social reforms in the field of pensions, health and employment, which affected all citizens.

The health care system in Estonia has seen profound reform since the early 1990s. Among the main objectives of the health care reform were the reorganising of the public funding system and the overextended hospital system, improving the quality and accessibility of general medical care service, and a more efficient use of resources, including reform of primary care, which began in 1991, and was successfully completed by 2003. The training and introduction of family doctors was central to this reform.<sup>153</sup>

## **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

### **Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

Evaluations<sup>154</sup> stressed the fact that one of the key future questions for the Estonian government and governmental organisations was appropriate resource planning and allocation of EU structural funding. The key point was that in a well-functioning resource management system, both the financial management and performance management processes should go in parallel, while in reality in Estonia, financial management and performance management systems somehow developed separately as parallel systems.

Therefore as a general recommendation the opinion was expressed that attention should be shifted from resource inputs and ex-ante controls to output and outcome measurement and ex-post controls. In this sense, control becomes more strategic and less concerned with compliance to prescribed processes. It was also recommended that benchmarking and the sharing of experiences of lessons learned between projects and programmes be encouraged. This can be done through workshops, best practice guidebooks, and so forth.

Other recommendations concern deciding new forms of inter-ministerial co-operation for future programming purposes and more closely involving social partners and regional partners in the programming process; discussion on the organisation of selection of projects and encouragement of NGOs to take a more active part in project and programme delivery.

### **What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

Phare assistance in the social sector affected various stakeholders and in general impacted the population as a whole. A number of evaluations indicated the specificity of the environment of project implementation: a broad scope of target groups / beneficiaries, involvement of civil sector and local / regional authorities and hence – the need for preliminary analysis of stakeholders, surveys, etc. Such an approach could improve not only the project design, but would also ensure stronger impact and sustainability of the Phare support.

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<sup>153</sup> Source: European Federation of Public Service Unions - <http://www.epsu.org/a/2242>

<sup>154</sup> Synthesis Interim Evaluation Report, Interim Evaluation of the European Union Pre-Accession Instrument Phare, Estonia, Net Effect Ltd., Finland, 30/08/2004

As regards social sector projects, the following recommendations were drawn from the findings and conclusions<sup>155</sup> of evaluations:

- Phare projects that will require continuation of activities/measures (political and/or financial) by the Government to sustain the results achieved after their finalisation should indicate such commitments in the main text of the project fiche or as a contractual obligation.
- Projects that rely heavily on the involvement and staff input by structures belonging to stakeholders – and thereby partly outside direct control of the core project team – should conclude written co-operation agreements including tasks, etc. prior to the start of the project so as to guarantee implementation commitments.
- With a view to enhancing the impact of initiatives of non-governmental organisations financed through Phare, additional efforts should be made to link the activities of the NGOs to the work of municipal or regional authorities.
- The central administration should give priority to obtaining sufficient staff resources, especially in the area of legal expertise. This should be included in staffing priorities in line ministries.
- The attitudes of target groups should be studied in advance with a view to facilitating their proper involvement in the framework of project activities.<sup>156</sup>

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

The most sustainable results were achieved by those projects that incorporated their outputs into a regulatory or institutional frame. Sustainable results were also achieved by projects which established networks or strong relations with social partners or local / regional authorities.

## **Conclusions (Lessons Learned)**

**What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

A serious problem related to Phare programme implementation in Estonia (relevant for the social sector as well) was the communication between the Central Financing and Contracting Department, line ministries and the EC Delegation, which (according to stakeholders) had an overly formal way of working together.

Another common problem was the insufficient absorption capacity in beneficiary ministries / agencies in respect to twinning projects, where too often the Pre-Accession Advisor was not fully 'used' and matched with an Estonian counterpart. This led to weak ownership of project results and compromised sustainability, as the know-how and practical skills were not transferred to responsible specialists. Evaluators recommended the involvement of the Pre-Accession Advisor in the earliest stages of the preparation of the twinning contract.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

An example of multi-sectoral networking was the cross-border co-operation initiative "three plus three" (3 + 3). It was based on an agreement between three regions from Estonia (Ida-Viru, Lääne-Viru and Jogeva) and three regions from Finland (Päijät-Häme, Itä-Uusimaa and Kymenlaakso). Starting as

<sup>155</sup> Synthesis Interim Evaluation Report, Interim Evaluation of the European Union Pre-Accession Instrument Phare, Estonia, Net Effect Ltd., Finland, 30/08/2004

<sup>156</sup> Phare Interim Evaluation Social Sector Evaluation Report No. IE/EE/SOC/07.3, CyclePlan, April, 2007

cooperation between two border regions in 1994, the network expanded in 1996-97, when two other regions from each border country joined this cooperation network.

In 1999, the three main activities of co-operation were: Blue Corridor cooperation in tourism; Development of Vocational Education; Local Agenda Environmental cooperation.

The cooperation took the form of seminars, exchange of specialists and school projects.

## Annex 5.5: Hungary – Agriculture; Health Protection; Customs Union

### Background

Hungary is a landlocked country in Central Europe, with an area of 93,030 km<sup>2</sup>, a population of 9.879 million (January 2014 estimate) and per capita GDP (nominal) \$13,872 (2014 estimate). Hungary is situated in the Carpathian Basin and is bordered by Slovakia to the north, Ukraine and Romania to the east, Serbia and Croatia to the south, Slovenia to the southwest and Austria to the west. The country's capital and largest city is Budapest. Hungary is a member of the European Union, NATO, the OECD, the Visegrád Group, and the Schengen Area. The official language is Hungarian. Administratively, Hungary is divided into 19 counties. In addition, the capital, Budapest, is independent of any county government. The counties and the capital are the 20 NUTS third-level units of Hungary. The currency of Hungary, the "forint", was introduced in 1946. Hungary, as a member state of the European Union may seek to adopt the common European currency, the Euro. To achieve this, Hungary would need to fulfil the Maastricht criteria.

Hungary is a unicameral parliamentary representative democratic republic. The Prime Minister (Miniszterelnök) serves as the head of government and is elected by the National Assembly. The President of the Republic serves as the head of state and is elected by the National Assembly every five years. The President may veto a piece of legislation or send it to the 15-member Constitutional Court for review. In the parliamentary election of 2010 the alliance of Fidesz-KDNP won a two-thirds supermajority of the seats. They subsequently adopted a new constitution for the country and modified several aspects of the institutional and legal framework in Hungary. The European Parliament and other international bodies have criticized these modifications.

Hungary is a medium-sized, high-income, structurally, politically and institutionally open economy, which is part of the European Union's (EU) single market. The private sector accounts for more than 80% of the Hungarian gross domestic product (GDP). Foreign ownership of and investment in Hungarian firms are widespread, with cumulative foreign direct investment worth more than \$70 billion. Hungary's main industries are mining, metallurgy, construction materials, processed foods, textiles, chemicals (especially pharmaceuticals), and motor vehicles. Hungary's main agricultural products are wheat, corn, sunflower seed, potatoes, sugar beets; pigs, cattle, poultry, and dairy products. In foreign investments, Hungary has seen a shift from lower-value textile and food industry to investment in luxury vehicle production, renewable energy systems, high-end tourism, and information technology.

### EU Accession Process

*Political background.* After the first free elections of Hungary European integration became the most important foreign policy objective of the country. In 1988 Hungary signed an agreement with the European Economic Community on commerce, trade and co-operation and started to align its legal system and its institutional structures with those of the EU. Accession talks started in 1990, Hungary submitted a membership application to the EU in 1994. In 1999 Hungary joined the NATO. By 2000 Hungary had opened all of the EU accession chapters. The Treaty of Accession was signed in 2003, and following a successful referendum on EU membership in the same year, Hungary became a full-fledged member of the EU in May 2004.

*Economic background.* Since 1988 Hungary gradually opened up its markets and developed increasingly strong economic ties with the EU. Trade ties with the EU were reinforced by the fact that former socialist countries, which in previous decades imported the bulk of Hungarian products, suffered serious transformational crisis. Foreign direct investment from European and multinational firms was increased, fuelled by privatization of Hungarian industrial and service companies and reached record levels. In the year immediately before Hungary's membership of the European Union, foreign trade with the EU accounted for 76% of exports and 58% of imports.

*Social background.* Following the collapse of soviet type socialism and the withdrawal of soviet troops from Hungary, there was a wide consensus that Hungary belongs to the European family of countries, and that Hungarian society should function according to the rules and value systems of neighbouring European societies. Mobility of the population has increased due to the fact that the remaining administrative barriers to travel, tourism, study and employment abroad were gradually removed. Various micro and middle level networks of trade, investment, subcontracting and also the networks of the civil society were increasingly embedded into wider European networks.

## **EU Pre-Accession Financial Assistance – Overview**

*In addition to support Hungary under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2003, under the ISPA and the SAPARD Programmes.*

During 1990-2003 Hungary was allocated € 1443.0 million under the Phare Programme:

- EC grant of € 683.8.0 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of Hungary, covering:
  - Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
  - Cross Border Cooperation – with Austria.
- EC grant of € 759.2 million was allocated over the period 1997-2003 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, economic and monetary union, agriculture, energy, environment, employment and social affairs, justice and home affairs, reinforcement of administrative and judicial capacity including the management and control of European Union funds, transport, preparations for Structural Funds, the promotion of economic and social cohesion, Cross Border Cooperation (also with Romania, Slovakia and Slovenia), nuclear safety, plus participation in Community Programmes and Agencies.

During 2004-2006 Hungary was allocated a further € 35.9 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis*.

The monetary amount of Phare allocated to Hungary during the period 1990-2006 is presented below:

1990-1996	1997-1999	2000-2003	2004-2006	TOTAL
683.8	283.6	475.6	35.9	1478.9

## **EU Pre-Accession Financial Assistance – Ex post Evaluation Findings**

### **Programme Priority – Agriculture; Health Protection; Customs Union**

Strengthening agriculture and rural development as well as strengthening finance and customs, health and social affairs were key priorities for Hungary under Phare.

The *acquis* chapters Agriculture and Rural Development, Food Safety, Veterinary and Phytosanitary Policy, and Fisheries are interrelated and complementary. The Agriculture chapter covers a large number of binding rules. Their proper application and their effective enforcement and control by an efficient public administration are essential for the functioning of the common agricultural policy (CAP). Key elements include the setting up of management and quality systems such as a paying agency and the integrated administration and control system (IACS), and the capacity to implement rural development measures. The Food Safety, Veterinary and Phytosanitary Policy chapter covers food

safety rules such as hygiene rules for foodstuff production, veterinary rules such as safeguarding animal health and safety of food of animal origin and phytosanitary rules controlling quality of seed, harmful organisms etc. The Fisheries chapter requires the introduction of measures to prepare the administration and the operators for participation in the common fisheries policy, which covers such things as market policy, and inspection and control. One of the core issues linked to the future implementation of the *acquis* in the agriculture chapter, relating to Hungary's preparations to set up its Paying Agency, to implement the IACS, to prepare for the implementation of rural development measures and to ensure public health standards in agri-food establishments.

The *acquis* Chapter Financial Control relates to the adoption of internationally agreed and EU compliant principles, standards and methods of public internal financial control (PIFC) that should apply to the internal control systems of the entire public sector, including the spending of EU funds. In particular, the *acquis* requires the existence of effective and transparent financial management and control systems (including adequate ex-ante, ongoing and ex-post financial control or inspection); functionally independent internal audit systems; the relevant organisational structures (including central co-ordination); an operationally and financially independent external audit organisation to assess, amongst others, the quality of the newly established PIFC systems. This chapter also includes the *acquis* on the protection of EU financial interests and the fight against fraud involving EU funds.

The *acquis* Chapter Customs Union consists almost exclusively of legislation, which is directly binding on the Member States. It includes the EU Customs Code and its implementing provisions, the combined nomenclature, common customs tariff and provisions on tariff classification, customs duty relief, duty suspensions and certain tariff quotas, and other provisions such as those on customs control of counterfeit and pirated goods, drugs precursors, export of cultural goods as well as on mutual administrative assistance in customs matters and transit. Member States must ensure that the necessary implementing and enforcement capacities, including links to the relevant EU computerised customs systems, are in place. The customs services must also ensure adequate capacities to implement and enforce special rules laid down in related areas of the *acquis* such as external trade.

The *acquis* Chapter Social Policy and Employment includes minimum standards in the areas of labour law, equality, health and safety at work and anti-discrimination, while the *acquis* Consumer and Health Protection covers specific binding rules in the area of public health.

The challenges of the above sectors in Hungary and the scope of PHARE assistance given are described in the chapters below.

### **Selected sample of projects**

The agreed selection sample of projects of the EU pre-accession and transition assistance provided to Hungary in the areas is summarised below:

#### **Agriculture and Rural Development**

<b>Year</b>	<b>Project Title</b>	<b>EC Grant (M€)</b>	<b>Co-financing (M€)</b>
2003	Development of Integrated Administration and Control System (IACS)	9.300	4.500
2003	Establishment of a National Phytosanitary Diagnostic Control System	2.300	0.780
2003	Eradication of Sylvatic Rabies	5.730	4.470

#### **Customs Union**

<b>Year</b>	<b>Project Title</b>	<b>EC Grant (M€)</b>	<b>Co-financing (M€)</b>
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1998	HU9805-02 Reconstruction of Rösztke and Letenye customs border crossing posts.	7.000	
1998	HU9803-03 Introduction of BTI/BOI at the HCFG (testers, equipment, software, and the joint trainings)	2.700	
1999	HU9905-02 Reconstruction of Záhony, Gyula and Ártánd customs border crossing posts.	2.700	
1999	HU9905-02 Development of the Customs Laboratory	0.500	
1999	HU9905-02 Detection of Hazardous Materials	0.500	
2000	HU0005-01 Twinning with the Spanish Customs Service conducted the adaptation of EU Acquis.	0.700	
2000	HU0005-02 Reconstruction of Tompa, Beregsurány, Barcs	4.860	
2000	HU0005-01 Procurement of CIS (Customs Information System) equipment	0.900	
2000	HU0005-02 Detection of hazardous materials	1.000	
2001	HU0103-03 Reconstruction of Drávaszabolcs customs border crossing post.	1.900	
2001	HU0103-03 Detection of hazardous materials	0.500	
2002	2002/000-315.02.03 Procurement of IT devices – Establishing data exchange between EU and Hungary regarding TARIC and NCTS	3.000	
2003	2003/004-347-03-05 Completion of the preparation for the practical application of customs Acquis: procurement of equipment for the Customs Laboratory	1.000	

#### **Health and Social and Social Affairs**

<b>Year</b>	<b>Project Title</b>	<b>EC Grant (M€)</b>	<b>Co-financing (M€)</b>
2002	2002/000-180-02-03 Maintenance and Development of Epidemiological Safety in Communicable Diseases in Hungary	7.650	
2003	2003/004-347-02-01 Enhancement of Equal Opportunity for People with Disabilities	6.090	

#### **Impact and Sustainability of PHARE Financial Assistance**

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

There was an increasingly strong connection between the use of Phare and the accession agenda in all sectors. Sector strategies usually had EU Integration as a core element, in most cases as the most important objective. All sectors of the Phare assistance were programmed on the basis of the NPAA,

increasingly so from 1998 (start of negotiations) onwards. Phare was key to pre-accession preparations regarding the ability to assume obligations of membership. However, the volume of Phare subsidies remained relatively small, at least in investment-heavy areas. By the time of the start of Phare assistance, NPAA was already well developed and an estimated 30% of direct accession investments was paid by Phare.

The methodology of programming and implementation was largely determined by the administrative rules, but its application has improved constantly, step-by-step. An example for how programming was improved is the so-called Project Preparation Facility (PPF): this was a financial fund appropriated in 2001-2002 in order to generate new projects and to disseminate the know-how of application writing. Hungary was the first country where this initiative has been taken. Another innovative programming approach introduced in 2002 was multi-annual programming: up to that year Phare was programmed on an annual basis.

One of the key indicators of Phare efficiency is the length of the time that has elapsed from the signing of the Financing Memorandum to the issuing of the Project Fiches. Drafting technical specifications was a challenging and time consuming task in many cases. In Hungary tendering processes have delayed the implementation to a large extent, but public procurement was also a bottleneck, and similarly ToR drafting was not fast enough. In order to accelerate the whole process, the responsibilities of time management should be clarified from the beginning, and the Aid Coordination Unit should be strong enough to “push and kick” the co-operating public and private stakeholders.

#### PHARE assistance in the agricultural sector

Hungary and the EU had strong trade ties in trading agricultural products: Hungary exported to the EU among others, meat, vegetables, cereals and oil seeds and EC exported to Hungary in form of animal fodder, alcoholic beverages and fruits. Preparation for membership proceeded more slowly in agriculture than in other policy areas, due to the general difficulties involved in the reconstruction of this sector. Immediately after the political changes of 1989, many of the large state- or collectively-owned cooperative farms were dismantled. Most of the cultivated land was either returned to previous owners or otherwise privatized, resulting in a fragmentation of the property structure and a decrease of agricultural competitiveness.

Agriculture was an important priority in the EU accession negotiations and the associated reforms. Hungary committed itself to implementing the measures related to the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Agriculture Intervention Centre (AIC). The corresponding EU legislation is huge and its implementation needs correspondingly high administrative capacity. Progress reports<sup>157</sup> from the lifetime of the Phare programme repeatedly mention that progress made by Hungary provides a good basis for implementing the *acquis* in the agricultural sector, but the administrative capacity needs to be strengthened. Hungary's slow progress in areas of forestry, veterinary and phytosanitary control, plant hygiene and animal nutrition are noted in several consecutive years. Among others, the phytosanitary information system at the plant protection and soil conservation stations and at the border inspection posts needed to be developed. The facilities for phytosanitary diagnostics, including establishment of a quarantine greenhouse had to be upgraded as well as the analytical laboratories related to pesticides registration and residue control.

In the allocation of EU funds the Agriculture sector enjoyed priority. Agricultural subsidies represented then and ever since the largest expenditure item in the EU budget. The management of aid schemes targeting agriculture and rural development are governed by regulations and are paid through various channels, including direct payments to farmers, support to food industry processing activities, farm modernization, support to young farmers, export restitution, intervention, price support, and other accompanying measures. The introduction of new institutional structures in Hungary was consistent with the CAP, rural development and environmental policies were already a priority in the 1998 Accession Partnership (AP).

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<sup>157</sup> Progress Report from the Commission on Hungary's Progress Towards Accession. 8 November 2000

Food safety was one of the major policy areas of the sector. At the time of the Phare programme, a major reorganization of food control services had taken place in Europe and also in Hungary. In Hungary a central Food Safety Office had been established with responsibility for collecting, analyzing, and publishing the results of food and feed safety monitoring tests carried out by authorized laboratories. Phare<sup>158</sup> generously co-financed institutional development and the accompanying IT development and laboratory development. The food safety policy area underwent organizational changes at the beginning of the 2000s and later also in 2011 and as a result, it has been completely integrated with other policy areas of agricultural governance.

More than half of the sum devoted to the development of agricultural governance by Phare and by Transition Facility was devoted to software development of agricultural IT systems. Phare supported a wide range of software development projects in the institutional system of agricultural governance. Many different isolated systems were upgraded, integrated and obtained the capability to communicate with citizens and various government institutions. A wide range of formerly existing software modules were gradually integrated into newly emerging software systems in order to facilitate the implementation of CAP regulations. Parallel with this software development, an integration of previously independent organizations took place. This organizational integration raised the need to exchange an increasing amount of information between sub-systems of agricultural governance. For example, the agricultural paying agency needed a wide range of data about whether farms, farmers, animals, plants, etc. have satisfied various legal requirements of agricultural production, environment protection, food safety and animal welfare. Parallel with this development, Phare has facilitated institution development and the accompanying software. In the field of agriculture huge support for software development was provided but only limited support for purchasing the hardware instruments of everyday work (e.g. laptops), to meet the daily challenges.

The efficiency of Phare support to IT development of agricultural governance was varied, depending on the particular project: some projects faced difficulties, while others were implemented quickly without any problems. During implementation of the Phare programme, it was a recurring phenomenon that the competition between various software contractors was weak. Consequently the same few contractors developed the bulk of the IT for the agricultural authorities. This type of dependence was reduced by action to improve contractual techniques and by training of the in-house IT staff. During subsequent years software contractors were contractually compelled to produce well-documented and interchangeable software modules. Thus when software modification was required, other contractors with possibly cheaper prices could compete with a good chance of winning the respective tender.

#### PHARE assistance to Tax, Customs and other budgetary organisations

In the 1980s Hungarian there was no real parliamentary control over the state budget. Personal income tax and value added tax was introduced only by the 1988 tax reform, and the division of fiscal responsibilities between the Parliament, the government, and the ministers were clarified only in 1992 Act on Public Finances. Due to Hungary's financial difficulties in 1995, a stabilization package had to be introduced, privatization was accelerated, and Hungary's public finance system was radically transformed. Measures included a new Public Procurement law, the establishment of a Hungarian State Treasury and a State Debt Management Agency. Budgetary discipline was increasingly enforced by legal means.

As a result of the above measures, Hungary's stability increased and this facilitated the accession negotiations starting 1998. Hungary's EU adaptation has implied that the VAT regime and excise duties were gradually harmonized with that of the EU<sup>159</sup>. Therefore the control and audit capacity of the Hungarian Tax and Financial Control Administration had to be strengthened, in order to improve tax collection and to decrease the risk of tax fraud, counterfeit and offences against accounting rules.

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<sup>158</sup> Phare has supported laboratory development also in other policy areas, such as plant protection, health, criminology, customs etc.

<sup>159</sup> Regular Report on Hungary's Progress Towards Accession. (13.11.2001)

As late as 2001 the taxation system was still dominated by paper-based documents, which were later processed by computer.

The projects on behalf of the financial sector focused on the fight against tax fraud, smuggling of excise goods, improve internal and external audit and financial management control of public bodies. These projects have targeted major stakeholders of fiscal policy such as the Ministry of Finance (MoF), the Hungarian Customs and Finance Guard (HCFG), the Tax and Financial Control Administration (APEH) and the State Audit Office (SAO).

#### PHARE assistance to organisations of Health and Social Affairs

Compared to other sectors, Phare assistance in the Health and Social Affairs sector was less intensive and more fragmented into various isolated projects. In the Health sector, projects have addressed the financing system of health care and occupational safety. The largest project of the Health sector financed the upgrading of a wide range of epidemiological laboratories<sup>160</sup>. In the social affairs sector, Phare addressed the problem of gender gap in Hungary, the human resources policy in the public sector and the development of social dialogue between employers, employees and the Government. The largest project of the social affairs sector financed a wide range of projects improving accessibility of public institutions for persons with disabilities.

At the time of the Phare programme, Hungary implemented a ten-year public health programme, which has set the necessary framework for developing the sector. With regard to communicable disease surveillance and control, even before accession, Hungary had the necessary capacity to undertake the measures needed to fulfil and implement EC requirements. These included the modernization of training for epidemiologists, continuous professional training, the strengthening of the county public health institutes and close integration of parallel surveillance programmes for specific diseases. Since 1998 work was ongoing to develop a health monitoring system to obtain health data and indicators comparable to the EU system. Immediately before Hungary's accession<sup>161</sup> the main issue was to develop the full participation of Hungarian public health institutions in the activities of the respective Community networks of epidemiological safety.

The epidemiological situation of communicable diseases in Hungary was regarded as favourable, but epidemics in some of the neighbouring countries of Hungary indicated a severely deteriorating epidemiological situation and the country was regarded as a gate keeper of the EU against communicable diseases. Therefore high quality diagnostic capacities had to be developed, for diagnosing common infectious diseases and to develop a rapid reaction capacity in surveillance, strengthening emergency response within epidemiological services.

Regarding social policy, with special respect to the social inclusion of children with disabilities, the rights and equal opportunities children with disabilities have been recognized by the Constitution and by the 1993 Public Education Act, which is the legal basis of integrated education. The Act on the 'Rights of People with Disabilities and providing their Equal Opportunities' created the relevant legal background in Hungary, and defined the deadline for accessibility of existing public institutions in 2008. In 2013 the law has been modified.

Although the Government has taken steps to tackle the problem of access to public buildings, the implementation of related measures was slow. The cost for personnel and infrastructure of integrated education was co-financed by the EU. The National Programme for People with Disabilities has produced initial results in the areas of work environment, communications, transportation, health care, education and training, employment, sports and leisure time, and social welfare. Since 2004 Hungary had access to programmes of the European Social Fund, which were implemented partly by the measures of the Human Resource Development Operative Programme of Hungary. Immediately before Hungary's EU accession, the Commission and Hungary have initiated a joint co-operation exercise to prepare for future participation in the EU social inclusion policy.

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<sup>160</sup> See the project evaluated in the next chapter.

<sup>161</sup> Regular Report on Hungary's Progress Towards Accession. (9.10.2002)

At the time of implementing the epidemiological project, Hungary had 20 epidemiological laboratories, of which Phare provided support to 7. This was very relevant, because at that time the laboratories did not satisfy the requirements needed to implement EU regulations. Following a needs assessment, an expert group was created (mathematicians, doctors, IT people) in order to create IT supported info system. However, implementation of the project was slow because public procurement regulations were overly bureaucratic, compelling project managers to focus too much on the price of instruments. Experts evaluating the various offers of instruments were allowed to take into consideration the quality of the products to be purchased only to a very limited extent.

The deadline defined in the Act on the 'Rights of People with Disabilities and providing their Equal Opportunities' was postponed due to the lack of adequate financial sources and the magnitude of the task. Originally 49 grantees were selected, but six beneficiaries withdrew their application, which led to a loss of financial assistance. Due to planning problems, the project fiche has been modified several times whereby funds were reallocated and the scope of training activities was changed. The final beneficiaries performed public procurement separately under the Hungarian public procurement law, due to the diversity of the individual construction works and the scattered geographical location of the beneficiaries. A wide range of grant projects were seriously delayed compared to their own planned schedule, due to long duration of technical planning and long-waiting times for the necessary permits.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Overall, the performance of aid delivery under Phare can be rated as good. There were some bottlenecks in both the financial and operational processes, influencing the effectiveness and efficiency of projects, most of which however could be resolved.

By 2002 the projects have delivered the planned results, and no significant gap was evidenced. Interventions in Agriculture, Justice and Home Affairs and Environment were somewhat more difficult, than in other sectors.

In every case study sector investigated in this Evaluation the projects have reached their aims and delivered the desired results. The most significant obstacle of delivery was the delay of various project components. The delays in most of the cases were caused by administrative difficulties, lack of administrative capacities of beneficiaries, cumbersome procedures. Many stakeholders have found that the public procurement regulations and rules were difficult to implement.

The effectiveness of programming was challenged by the fact that frequently, the number of applicants was unexpectedly high, compared to both the available funds and to the administrative capacity of the implementing agencies. However, at the time of programming, it was very difficult to predict the likely number, value and quality of applications.

*The PRAG (Practical Guide to Phare, ISPA and SAPARD Contract Procedures) and Decentralized Management.* A serious weakness of Phare implementation was that the organizational and operational rules of implementing the programme<sup>162</sup> were difficult to manage, especially the rules on public procurement and contracting. Some stakeholders have stated that financial control was overdone at the beginning of Phare implementation. Programme management was substantially easier following the introduction of Decentralized Management, but the full decentralization – without ex-ante controls – did not happen until accession, although a lot of effort was invested into it by the government. In 2005 there was a simplification of financial procedures for beneficiaries.

*Contracting.* Phare in Hungary involved many service contracts and the associated supply components. Under Phare, the role of the Central Financing and Contracting Unit was important for the budgeting, tendering, contracting, and financial reporting. The Central Financing and Contracting Unit had a quality assurance system in place to check all project documents. The checks were done

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<sup>162</sup> PRAG (Practical Guide to Phare, ISPA and SAPARD).

by independent experts hired by the Central Financing and Contracting Unit. However, this approach was vital to ensure quality & transparency.

*Taxation issues.* During the implementation phase of the Phare programme there was a constant dispute on whether and in which cases Phare subsidies were covering VAT (Value Added Tax) expenditures or not<sup>163</sup>. These disputes involved large sums and have reached the judiciary<sup>164</sup>.

#### **What have been the impacts of PHARE in qualitative and quantitative terms?**

Thanks to the Phare program the Hungarian public administration system improved to a large extent. Significant reform measures were implemented, stronger institutional structures were established and the improved public administration system rose to the level of EU compliance. Hungary became ready for accession thanks to Phare.

*Improving the efficiency of customs procedures.* Between 1991 and 2001 PHARE has supported the Hungarian customs administration with various projects, covering various customs functions such as computerization of administrative procedures, the reconstruction of various Border Control Points for passenger and for trucks, development of the Customs Laboratory, the development of implementing customs procedures of the EU, detection of hazardous materials, procurement of IT devices, controlling wine distillation, etc.<sup>165</sup>. These interventions have significantly contributed to the efficiency of the customs clearance processes, including speed, simplicity and predictability of formalities as performed by border control agencies and logistical operators. However, other EU countries have also improved the efficiency of their customs and logistics services, and as a result of this competition, in 2010 the Logistics Performance Index<sup>166</sup> of Hungary was 2.99 (this value which signifies that Hungary occupies the 23rd position among 27 EU countries), while the associated Customs Efficiency Index was 2.83 (this value which signifies that Hungary occupies the 20th position among 27 EU countries). Another index, the so-called Enabling Trade Index (ETI)<sup>167</sup> shows that in 2012 Hungary occupied a rather good position in the EU regarding Border Administration: in a list of 132 countries Hungary was in the 32nd position, which in that year was better than the position of some older EU Member States.

Phare implementation can be regarded as the last phase of the pre-accession developments of Hungary. In some sectors (e.g. Agriculture) pre-accession took a very long time, but the influence of Phare was very positive.

Phare was a very good instrument for Hungary to understand and implement the *acquis* and to set up its implementing institutions, build up and integrate contemporary e-Government Information Technology systems, and to train staff with the results of developing organizational knowledge across the whole public administration.

In all policy areas Phare helped to upgrade obsolete infrastructures, e.g. laboratories and Information technology. Such beneficial interventions occurred for example in the policy areas of customs, public health, criminal prosecution, food safety and others. In all cases infrastructure development was justified by the need of capacity development in order to enable Hungary to implement certain chapters of the Accession Treaty and / or the *acquis*.

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<sup>163</sup> See:

<https://www.funduszestruturalne.gov.pl/English/European+Social+Fund/Questions+and+Answers/In+what+cases+will+the+VAT+be+an+eligible+expenditure+and+in+what+not/>

<sup>164</sup> See: [http://www.wolftheiss.com/index.php/archiv\\_detail-2012/items/another-vat-case-before-the-european-court.html](http://www.wolftheiss.com/index.php/archiv_detail-2012/items/another-vat-case-before-the-european-court.html)

<sup>165</sup> Source: "General Overview on the PHARE and Transition Facility projects at the National Tax and Financial Control Administration." Power Point file by Lt Col Mónika Váradi, head of EU Support division at Department for International Relations of National Tax and Financial Control Administration.

<sup>166</sup> Study on the Evaluation of the Customs Union (Specific Contract No. 13 implementing Framework Contract No. TAXUD/2010/CC/101). Final report. EU DG Taxud, 7. June 2013.

<sup>167</sup> Study on the Evaluation of the Customs Union (Specific Contract No. 13 implementing Framework Contract No. TAXUD/2010/CC/101). Final report. EU DG Taxud, 7. June 2013.

In some policy areas Phare has facilitated the establishment of completely new functions of public administration, which did not exist previously and without Phare assistance, by relying only on the resources of the Hungarian Government, would not have been established. There are many examples for such radical interventions. One example is the establishment of the witness protection system in the criminal prosecution and judicial system of Hungary. The complete reform of Environment Protection serves as another example of radical changes generated by Phare intervention, with wide ranging impacts.

*Phare vs. Structural Funds.* Phare was a successful testing ground for accumulating experiences on how to implement European support programmes in Hungary. A wide range of the knowhow obtained in Phare programme and project implementation has been applied later in case of Structural Funds. A wide range of stakeholders agreed that the time of the Phare programme was exciting and challenging. The general feeling among former programme managers is nostalgia. However, a recurring opinion is that this type of excitement is over nowadays, in spite of the fact that Hungary receives much more funds via Structural Funds than what it has received via Phare<sup>168</sup>.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

The sustainability of results is dependent to a large extent on the general quality of the state administration. In some sectors of governance there are sufficient financial and human resources available for continuation of activities initiated by Phare and further improvements, or for the maintenance of hard and soft infrastructures financed by Phare. In other sectors, the results are not sustainable, due to lack of resources or deliberate change of policy.

*Long-term impacts of institutional development.* Most Government agencies that have received Phare assistance have integrated the knowhow received into the body of their institutional knowledge. Twinning projects were to assist to Hungary and build contacts of long-term cooperation. Some beneficiaries of Phare assistance were instrumental in forwarding the knowhow to the respective Government agencies of future EU member states. For example, the agricultural paying agency of Hungary became a twinning partner for Serbia. It is also the eminent interest of Hungary to support democratic changes in Western Balkans. Similar success stories of knowledge dissemination in new candidate countries can be observed in the customs sector as well.

*Decentralization.* Phare imported a new spirit of decentralization to Hungary, but on longer term a wide range of these impacts have not survived. Immediately after accession, twinning projects, contacts, and published handbooks facilitated the decentralization of powers, institutions and resources in the country, promoted the active involvement of NGOs, chambers of commerce and economic partners in local and regional decision making.

*Decentralization of the regional structure.* Powers decentralized to regions were not sustainable over the long term. During the period of Phare assistance, inter-regionalism had growing importance. Various Phare regional development and cross-border projects were launched to facilitate the harmonization of different local and regional interests. Phare subsidies have substantially facilitated local initiatives in regional development. In Hungary the tendency of decentralization was later reversed, as it can be demonstrated by the fate of Regional Development Councils, which have received Phare assistance in the framework of a T.A. project. In 1996 the Law on Regional Development and Regional Planning was issued<sup>169</sup>, which has established the legal framework of Regional Development Councils. In 2004 the Law was changed: chambers and trade unions were excluded from the Councils (the Councils were governed by representatives of the various political

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<sup>168</sup> Phare in Hungary within 14 years spent approximately 1 billion EUR, whereby Structural Funds between 2007-2013 spent approximately 28 billion EUR.

<sup>169</sup> Law XXI of 1996 on Regional Development and Regional Planning.

parties). In 2010 the legislators cancelled the councils completely<sup>170</sup> by merging them into the structures of local, regional and central structures of the Government.

*Staff retention* in the public administration is an important indicator of the sustainability of training efforts. The continuity of staff in Government agencies was maintained until 2008. There were good prospects that the institutional and management capacity of the technical staff developed under Phare could remain beyond program lifetime. Also, the level of ownership demonstrated during the process, especially in the development of outputs, contributed to future sustainability. However, after 2008 sustainability became questionable as a number of qualified staff left in various sectors<sup>171</sup>. In 2010 due to political changes the practically the whole public administration was re-organized and in the framework of a “change of guard” large groups of experts have left the ministries and subordinated Government Agencies. But the decision of the Hungarian Government in 2013 to centralise the allocation of EU funds under the prime minister's office<sup>172</sup> cannot be attributed to Human Resource management considerations, since smaller or bigger centralization measures have been applied to every policy area, irrespectively of the knowledge level of their staff.

*Sustaining a culture of evaluation.* During the Phare programme there was a strong monitoring and evaluation system in place vital for the achievement of evidence-based policymaking, improving budget decisions and accountability. Evaluations were for the most part demand driven by the EU accession process. A wide range of Phare projects were regularly evaluated during the implementation period with the help of interim evaluations<sup>173</sup>. These reports established a certain knowhow and a sustainable culture of evaluations in the country. During the implementation of the Hungarian PHARE programme, the good quality of PHARE interim evaluations was recognized by national and EU experts at various meetings of the Joint Monitoring Committee. Various interviews have confirmed that these interim evaluations were the basis of decisions when it came to modifying PHARE programme management and design – or not.

In Hungary a market for evaluations has been established and an evaluation conference is organized each year. While the system of evaluations underwent too frequent changes and modifications, the system of evaluations established during the Phare programme on the whole was sustainable and in 2012 altogether 14 persons were working in the Evaluation unit of the National Development Office and did 31 evaluations in 2012.

*Database and integrated management system.* Various instruments of programme management developed during the Phare period were sustainable over the longer term. Hungarian development policy still operates an IT system that originates in the Phare programme. This is the so-called Single Monitoring Information System<sup>174</sup>. It includes information about projects of Phare, Structural Funds, Cohesion Fund, Transition Facility, Schengen Fund, the Norwegian Financial Mechanism, and related programs and activities. The database also includes information on associated domestic sources and project management (implementation and payment), monitoring and control, irregularity and accounting tasks.

## **Socio, Economic and Institutional Impact of the Enlargement Process**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of**

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<sup>170</sup> See: <http://www.westpa.hu/cgi-bin/westpa/news.cgi?view=ck&tID=168&nID=7723>. Decree published in Magyar Közlöny No. 164. as of 30. December 2011.

<sup>171</sup> The positive exception was the Ministry of Finance & Ministry of Foreign Affairs where staff turnover has not seriously affected the quality of the work/performance.

<sup>172</sup> EU unfreezes regional aid funding for Hungary”. Online article in Euractiv, published: 10/09/2013. <http://www.euractiv.com/central-europe/eu-unfreezes-funding-hungary-news-530322>

<sup>173</sup> See the long series of the following sector-specific reports: “Interim Evaluation of the European Union Phare Programme”. Prepared by Europe Ltd. 2004-2009.

<sup>174</sup> Egységes Monitoring Információs Rendszer, EMIR

**the process of reform and economic and political transition put in place through PHARE?**

The development patterns of Hungary, and the institutional and policy behaviour of its Government agencies, Non-Governmental and private structures have been deeply affected by the accession process. The changes that can be observed over the last quarter of century to a large extent represent the outcomes of the process of reform and economic and political transition put in place through Phare. Investigating a wide range of policy areas can substantiate the above general statements.

Phare interventions involved primarily institution development projects on behalf of various state agencies. A wide range of central institutions and subordinated Government agencies learned from Phare projects, with special respect to the application of the *acquis*.

On the other hand, only a handful of projects consisted of the development of the physical infrastructure in the regions, such as transport or construction. The latter types of interventions were necessarily limited, due to the relatively small volume of support budget involved.

Some examples follow below.

*Promoting citizen rights.* Phare assistance has facilitated the drafting of a wide range of legislation, which has contributed to democracy, rule of law and human rights. Phare was also instrumental in the implementation these laws by substantially contributing to the respective institution development.

*Developing the business environment.* Phare has positively contributed to the development of the business environment, which in turn has indirectly improved socio-economic conditions in Hungary. However, the success of SME development, which was generously supported by Phare, depended on a wide range of domestic regulations, e.g. on rules influencing the speed, cost and administrative requirements of registering, financing, owning and closing down businesses.

*Economic impacts of agricultural assistance.* Phare assistance was instrumental in introducing certain European regulations and subsidy schemes in agriculture. This has substantially changed the behaviour of economic operators in this sector. After Hungary's accession to the EU, within a few years, CAP has effectively and deeply transformed the structure of agricultural production, export and import.

*Domestic factors influencing the impact of Phare in environmental protection.* The impacts of Phare depended to a large extent on institutional factors that were not connected, or only very loosely connected to accession policy. For example, large amount of Phare subsidies were allocated to waste management, to the establishment of landfills. These investments were necessary in order to satisfy the requirements of certain environmental directives of the *acquis*. However, in various localities referenda were organized against these planned waste management infrastructures. This has delayed and in some cases also prevented or relocated the implementation of these investment projects.

*Phare as an instrument building trust.* During the first two years of Phare assistance activities have been focused on the preparation of studies. These studies have established a common language and the conditions of trust between EU institutions on the one side and Hungarian Government agencies on the other side. In later years infrastructure projects and assistance to legal approximation became part of Phare assistance.

*Visibility and public relations impact.* Phare interventions were closely followed by the public, much closer than the interventions of the structural funds in later periods. Cooperation of Phare Public Relations staff with the government agencies was strong in accession time. Immediately before the accession, Public perception on accession and Phare was measured and was found positive<sup>175</sup>. This was reinforced by the positive results of the referendum on EU accession in 2003<sup>176</sup>. The public has always distinguished so-called "hard" projects (e.g. infrastructure development) from so-called "soft" projects, (e.g. consulting, institutional reforms, training courses), whereby the "hard" ones were more

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<sup>175</sup> <http://www.tarki.hu/hu/research/attitudes/index.html>

<sup>176</sup> [http://en.wikipedia.org/wiki/Hungarian\\_European\\_Union\\_membership\\_referendum,\\_2003](http://en.wikipedia.org/wiki/Hungarian_European_Union_membership_referendum,_2003)

visible and thought to be more sustainable, than “soft” ones. In later years, up to the present time, media is much less interested in EU subsidies. Apart from some questionnaire-based surveys implemented by EU institutions<sup>177</sup>, there are no qualitative surveys on public opinions regarding EU membership and EU support given to Hungary. Since 2010 euro-sceptic views have been articulated widely by various parties by questioning the use of EU assistance to Hungary. Euro-scepticism is also a result of the economic crisis and of previous high expectations.

## **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

### **Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

The major strength of Phare intervention was that in every sector it efficiently targeted the pre-existing deficiencies of Hungary’s alignment with EU structures. Programming of Phare successfully identified the bottlenecks preventing the implementation of a wide range of EU legislation. Phare served as a rallying point, a co-ordinating instrument for all efforts aimed at EU integration in the various policy areas, and the assistance has served this purpose very effectively.

The major weakness of Phare intervention was the extreme and overly bureaucratic dependence of implementing organizations on the donor organizations. At a relatively late phase of Phare assistance decentralized management of Phare funds was allowed for Hungarian programme management organizations. However, according to interviews made with programme managers, this measure came too late to enhance the effectiveness of Phare assistance.

### **What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

During its life cycle of implementation, Phare was the main driver of public policy reform and the single largest source of donor financing of know-how transfer to Hungary. Due to consequently enforced programming measures, Phare assistance was very well coordinated with public administration reform as implemented at the level of central Government agencies (e.g. line ministries) and their subordinated agencies. The impact of Phare on local government was predominantly indirect.

The Programme was demand-driven which has encouraged responsibility on the part of the partners. Due to the heterogeneous nature of needs, Phare efforts were fragmented across various policy areas. This reduced effectiveness to some extent, but this was unavoidable. Rapid change and the volatility of Government agencies, moreover the deep economic crisis of Hungary had a negative effect on the commitment and effectiveness of Phare implementation. However, these external factors were results of the transition, which Hungary had to go through in the years of Phare assistance.

Training has been a very important dimension in almost all Phare sectors. This was justified, due to the wide gaps that existed between the available skills and the requirements for new skills.

Some stakeholders have stated that the introduction of Decentralized Management was not clearly communicated by Brussels. It is recommended to use a clear language regarding the timing of the introduction of national procurement.

### **Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

Most institutions developed in the framework of Phare project were later re-organized. At the time of this ex post Evaluation only a few beneficiary institutions retain their original institutional structure and name that they possessed at the time of Phare assistance. The changes of government especially have resulted in a wide range of splitting, merging, relocation and renaming of government agencies. However, the resulting institutions have remained compatible with EU institutions and regulations.

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<sup>177</sup> [http://ec.europa.eu/public\\_opinion/index\\_en.htm](http://ec.europa.eu/public_opinion/index_en.htm)

The results of infrastructure development projects were generally more sustainable than investment into know how. For most beneficiary government agencies international aid, and in particular, Phare assistance was the only financial source for developing its capacities. Most infrastructure development projects (e.g. laboratories, Information technology infrastructure) developed by Phare were sustainable in terms of staff and professional know how, and their existence was confirmed at the time of this Evaluation, ten or fifteen years after the reception of these instruments or information technology hardware. However, the budget appropriations for maintaining or further upgrading these investments were in several cases missing or poor.

## **Conclusions (Lessons Learned)**

### **What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

*Strategic considerations.* Several evaluators and observers of EU enlargement strategy are of the opinion that what is needed is a clear perspective and a shorter time of accession for the new accession countries. On the other hand, IPA countries should ensure that their institutions are genuinely strong and capable before launching a strong accession claim. Otherwise, false hope may pave way for euro-scepticism.

*Programming.* It is important to create the necessary commitment in line ministries and their subordinated authorities. A strong central coordination (and political) power is needed to ensure efficiency and to create motivation. Phare in Hungary has strongly used the NPAs for programming, in order to establish a direct link between accession obligations and EU subsidies. A similar approach would be important for IPA countries as well.

*Public procurement.* Candidate and potential candidate countries must create a procurement system that ensures that the best contractors provide best value for money. For this purpose, improvements in the area of public procurement in the IPA countries are needed. These countries should introduce procurement under their respective national procurement laws as early as possible, and replace the procedures of PRAG (Practical Guide to Contract Procedures for EU External Actions) with local ones in the field of public procurement. However, in the absence of a strong institutional culture, financial autonomy for candidate countries in dealing with program management, all precautions must be taken to prevent corruption, corruption and abuse of funds. Decentralized management of public procurement will be possible if these countries transfer best practices and adopt EU standards in public procurement. This will reduce bureaucracy and improve the efficiency and effectiveness of IPA implementation.

*Staffing.* It is recommended to hire the staff of state administration on the basis of merits and performance. This applies even stronger to posts connected to European accession issues. Otherwise progress is limited.

*Evaluation budget and techniques.* It is to be recommended that each year a certain fixed amount of budgetary funds should be appropriated for project and programme evaluation. Evaluation methodology should be given a certain amount of stability over time, because if changes are too frequent, the follow-up of recommendations of previous evaluations becomes impossible. It is to be recommended that enlargement countries use the most relevant indicators and apply the most up-to-date econometric techniques in order to test the effectiveness of IPA and of Structural Funds.

### **Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

Phare CBC was a very important instrument for establishing and maintaining good relations between neighbouring countries and ethnicities of Central Europe. This was clearly shown by CBC projects implemented in Hungary. CBC projects were demand driven, i.e. they aimed to harness and magnify existing motivations of cross border movement of goods, people, ideas and capital. Examples for such

projects were small-scale cross-border investments, co-operative forms of entrepreneurship, labour, tourism, trade and art. Co-operation in infrastructure development projects was only a secondary priority: it was exemplified by investment projects producing tangible results in one country, by relying on technical consultancy offered by experts of the neighbouring country.

CBC projects in Hungary targeted aims, which were more cultural, and in many cases economic objectives were pursued only indirectly. Due to the many small-volume projects there was a risk of scattering the available resources, implementing largely symbolic projects, without making use of the synergy between the individual projects, and without making a substantial impact on the socio-economic settings of the particular border section.

## **Annex 5.6: Latvia – Migration and Asylum Policy**

### **Background**

The Republic of Latvia is a country in the Baltic region of Northern Europe. It has land borders with Estonia, Lithuania, Russia, and Belarus, and a maritime border with Sweden to the west. Latvia with a total land area of 65,000 km<sup>2</sup> is a low-lying country with large forests that supply timber for the construction and paper industries. Latvia has a population of 2.3 million and more than a third live in the capital Riga, which was founded in 1201, and which today, with a population of 730,000, is the largest city of the three Baltic States. Ethnically the population is 59% Latvian and 29% Russian.

Latvia regained independence from the Soviet Union in 1991. The 100-seat unicameral Latvian Parliament, the Saeima, is elected by direct, popular vote every four years. The president is elected by the Parliament, also every four years. Latvia has been a member of the Schengen area since 2007 and a member of the Eurozone since 2014.

Economic activity in Latvia has been increasing since the mid-1990s, and this trend is continuing. An integral part of economic development is a knowledge-based state and society. This is a prerequisite for the promotion of a stable economy and improvement of the standard of living. Latvia has one of the most dynamic and fastest growing economies in all of Europe. Over the period 1995-2007 Latvia's economy has grown by an average of 7.6%. This remarkable success is due to effective price and trade liberalization, small and large-scale privatization and financial sector reform since the early 1990s. In 2005, 2006 and 2007 Latvia turned into the fastest growing economy in Europe.

The diversity of the present population is largely a consequence of massive post-war immigration, resulting in a decline in the share of ethnic Latvians from 77% in 1935 to around 58% today. The diverse ethnic composition of Latvia's population was one of the key reasons for the fairly negative attitude towards immigrants and immigration in Latvia. In the period between 1991 and 1993 and just shortly after gaining independence, there was a large-scale emigration of ethnic Russians from Latvia. Subsequently in the years 1994 – 2000, emigration became more stable. Between 2000 and 2007 there has been a stable but to some extent a growing trend of immigration, which declined in 2008 and 2009. Consisting mainly of ethnic Russians departing to Russia and other newly emergent countries of the former Soviet Union, emigration from Latvia between 2000 and 2003 had decreased significantly.

### **EU Accession Process**

In 1991 the European Commission recognised the independence of Latvia and the other Baltic states and in 1992 the European Economic Community (EEC) signed a cooperation agreement to support trade and economic development of Latvia. Following the continuing development of ties with the EU, Latvia signed the Europe (Association) Agreement (the institutional framework provided a mechanism for implementation, management and monitoring of all areas of relations) in June 1995 and later the same year submitted an application for accession to the EU. In December 1999 the Helsinki European Council decided to open accession negotiations with second-wave countries, including Latvia. During the European Council in Copenhagen in December 2002 Latvia officially concluded EU accession negotiations. The Treaty of Accession was signed in April 2003 and in a referendum in September 2003, a majority of expressed their support for EU membership. Latvia acceded on 1 May 2004.

### **EU Pre-Accession Financial Assistance – Overview**

*In addition to support to Latvia under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2003, under the ISPA and the SAPARD Programmes.*

During 1990-2003 Latvia was allocated € 403.2 million under the Phare Programme:

- EC grant of € 132.0 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of Latvia, covering:

- Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
  - Cross Border Cooperation<sup>178</sup> – Baltic Sea Region with Estonia, Lithuania, Poland, and Russia.
- EC grant of € 271.2.0 million was allocated over the period 1997-2003 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, agriculture, fisheries, environment, employment and social affairs, justice and home affairs, transport, institutional and administrative capacity, preparations for Structural Funds, the promotion of economic and social cohesion, Cross Border Cooperation<sup>179</sup>, and nuclear safety.

The monetary amount of Phare assistance provided to Latvia is summarised below<sup>180</sup>:

Years	1990-1996	1997-1999	2000-2003	2004-2006	TOTAL
Amount €M	132.0	116.7	154.5	19.5	422.7

Source: EC (DG ELARG): Annual Reports on Assistance Programmes

## **EU Pre-Accession Financial Assistance – Ex post Evaluation Findings**

### **Programme Priority – Justice, Freedom, and Security**

EU policies aim to maintain and further develop the Union as an area of freedom, security and justice and the corresponding *acquis* Chapter Justice, Freedom and Security states that Member States need to be properly equipped to adequately implement the growing framework of common rules on issues such as border control, visas, external migration, asylum, police cooperation, the fight against organised crime and against terrorism, cooperation in the field of drugs, customs cooperation and judicial cooperation in criminal and civil matters. It also emphasises the need for strong and well-integrated administrative capacity within the law enforcement agencies and other relevant bodies, which must attain the necessary standards. A professional, reliable, and efficient police organisation is of paramount importance. The most detailed part of the EU's policies on justice, freedom, and security is the Schengen *acquis*, which entails the lifting of internal border controls in the EU. However, for the new Member States substantial parts of the Schengen *acquis* were implemented following a separate Council Decision taken after accession.

The EU JHA framework primarily covers: asylum; control of external borders and immigration; customs co-operation and police co-operation against serious crime, including drug trafficking; and judicial co-operation on criminal and civil matters.

Reforms on migration and asylum in Latvia were instigated by Phare. In May 2001, Latvia adopted a new law governing the procedure for issuing and registering residence permits. An immigration service had also been set-up within the Border Guard in order to combat illegal immigration. Readmission

<sup>178</sup> Local governments had the possibility to participate in other EU Phare cross- border co-operation programmes: CREDO, ECOS Overture and Baltic Project Facility that supported cross-border co-operation with significantly smaller amounts.

<sup>179</sup> Local governments had the possibility to participate in other EU Phare cross- border co-operation programmes: CREDO, ECOS Overture and Baltic Project Facility that supported cross-border co-operation with significantly smaller amounts

<sup>180</sup> The figures cover Phare Programme support under National Programmes as well as funds allocated under the Phare Cross Border Cooperation (CBC) Programmes.

agreements have been signed with a number of countries (Austria, Benelux, Croatia, Denmark, Estonia, Finland, Germany, Greece, Iceland, Italy, Russia, etc.) and others were under discussion between the Member States, the applicant countries, and third countries such as Belarus and the Russian Federation. The law introducing the new passport system was adopted in 2002. By implementing various actions co-funded by the European Return Fund, the reforms continued in the post-accession period.

There are links between this Chapter and those Chapters dealing with Employment and Social Policy, and Free Movement for Workers.

EU assistance to Latvia in the area of Justice and Home Affairs is summarised below:

Year	Project Title	EC Grant (M€)	Co-financing (M€)
2002	2002/000-590-10-01 Preparation for participation in Schengen Information System	2.390	0.400
2001	LE01.04.02 Asylum and Migration management System	2.678	0.408

### **Impact and Sustainability of Phare Financial Assistance**

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the Phare beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

The Commission's 1997 'Opinion' on Latvia noted: "Measures are being taken to improve border management, asylum policy, and measures against organised and financial crime. The main institutional problems lie in the field of resource constraints and lack of experienced personnel, as well as management weaknesses leading to inefficiencies and some corruption. The border management systems are a matter of particular concern. More Latvian officials need to have experience of practical co-operation with EU JHA counterparts. The Government is working to prepare the institutions for participation in the JHA process."

An assessment of the progress made by Latvia in implementing the priorities of the 1998 Accession Partnership is included in the 1999 Regular Report. The priorities identified for action in Justice and Home Affairs included the need to implement migration and asylum legislation and procedures to prevent illegal immigration and to enable full participation in the Schengen Information System, and to complete the alignment to international conventions.

EC support was directly linked to programming documents. Needs assessments for the national programme and its component sectors were adequate and the programme was divided in sectors, each sector made up of specific projects. Before the design phase and preparation of the migration and asylum projects, discussions with implementing bodies (beneficiaries) were organised in order to analyse the needs and requirements for better implementation of EU directives.

Phare programmes were designed to meet the conditions set by national and EU strategies. The programme objectives were directly linked with specific regulations, strategies, or EC directives. As defined under Phare, the designed projects reflected the national priorities and aimed to improve procedures and tools to achieve a high level of quality in programme coordination among various institutions. Key institutions comprised Saeima (the Parliament), the Government, the Ministry of Justice, Ministry of Foreign Affairs, Ministry of Welfare, and the Ministry of Interior with its pertaining institutions: Immigration Police, State Border Guard and the Department of Citizenship and Migration Affairs.

The line ministries conducted the needs assessments and all the objectives set in specific projects (overall objective and project purpose) were directly linked with objectives of the whole programme, produced on annual basis. Regular meetings were held between implementing bodies. This was done in the planning and monitoring phase and the Ministry of Finance as the National Aid coordinator had a strong presence in order to detect impediments and collect best practices. Evaluation findings suggest that the overall objective and project purpose of the designed actions were for the most part in line with key strategies, policies and action plans. This was the case with the projects on Preparation for participation in Schengen Information System and the Asylum and Migration management System.

Latvia's positive policy initiatives were in place and the policy environment has been favourable and supportive of the actions as a result of adopted amendments to the existing laws and the production of new regulations needed to fully align the national legislative framework to the EU *acquis*. A case in point is the harmonisation of legislation of associated countries with the EU *acquis* in the field of asylum. A major priority in the context of the Latvian migration and asylum integration policy had been the full harmonisation of the national migration, asylum and visa legislation and procedures with the EU *acquis*. This has been done in order to ensure that the needs of refugees and persons in need of alternative forms of protection are respected, that illegal immigration is prevented, and that all migrants are treated in accordance with basic human rights. The Phare assistance in this respect was programed in coordination with the National Action Plans, and the Country Progress reports.

The Phare intervention in the area of migration and asylum remained relevant prior to accession and provided strategic guidance to implementation of assistance as well as in future planning and preparation for structural funds upon accession. Programming was in line with the concept of national development and the readiness to ensure harmonisation of legislation with the EU *acquis* in the field of migration and asylum. A top priority remained the training of border guards and specific capacity building components were inevitably linked to previous Phare phases. The programming has incorporated lessons learned and provided solutions for identified weaknesses across projects related to management and ownership, such as the development and establishment of National Schengen Information System (N.SIS) as a necessary action undertaken in order to fulfil the requirements of Schengen *Acquis*. A related case is the development of an integrated border management strategy and infrastructure where previous practices were fully taken into account when establishing the National Law Information System.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Within the intervention for Preparation for participation in Schengen Information System the project purpose was fully achieved in developing the National Law enforcement Information System compatible for application of the Schengen Information System II. As foreseen in the Action Plan for Implementation of the Schengen *Acquis* in Latvia, the full application of the Schengen *Acquis* ensured a technically operational National Schengen Information System (N.SIS), providing the necessary resources and know-how for the management, operation, and exchange of information within Schengen Information System II. Project results contributed to overall programme objectives at the sector level and all the activities were directly linked to the main objectives of the programme. An important noted result has been the Developed Common Strategy and Action Plan for the development of the Information System of the Ministry of Interior according to requirements of Schengen *Acquis*. Compared to this achievement, the harmonized legislation in the field of national registry and automatic data processing has also been attained. The target groups had full access to the project results and the access to the learning mechanism largely relied on the IT capacities of the Ministry of Interior and the availability of training specialists. A constant progress and development was evidenced in the capacity building efforts and training programs that were made available for field specialists and managers dealing with migration and asylum matters. Also, the targeted staff was trained for effective administration and maintenance of the developed Information System. Well

identified as a risk, the achievement of results was at times reduced in speed by the lack of adequate co-financing by the Ministry of Finance.

As regards the Asylum and Migration management System, result prospects emerged in developing an institutional and operational capacity of the institutions to enable them to deal with migration, asylum, and visa issues in an efficient way. Based on an existing situational analysis, a common strategy in the field of migration, visa, and asylum was established and subsequently implemented. Targeted capacity building activities for high level policy makers and middle-level administration ensured that the staff involved was qualified and that the IT specialists and system administrators could operate the equipment and perform their tasks. The transfer of know-how was appropriate and in line with identified interests of the beneficiaries. Effectiveness also increased due to the relevant training programs that were timely and consistent with the beneficiary needs. As an important result, the Common Information System became operational and the improved databases guaranteed a high level of data protection. This concerned the development of databases on migration cases, asylum seekers countries of origin, interpreters and the developed invitation database. As an identified risk, the limited financial support from the state budget was partially sidestepped with the growing commitment of the Ministry of Interior and the staff of its pertaining Department of Citizenship and Migration Affairs. Although relevant, line ministries like the Ministry of Justice and Ministry of Foreign Affairs had a smaller role to play but remained instrumental in providing an advisory role and being active members in the Inter-institutional working group within this project.

The Phare assistance during the pre-accession addressed the migration and asylum priorities within complementary projects:

- Horizontal Programme assistance “Harmonisation of legislation of associated countries with the *acquis* of European Union in the field of asylum”.
- Twinning project “Training of Border guards”.
- National programme project “Development of Integrated Border Management Strategy”.
- Asylum and Migration management System

As a significant project, the Development of Integrated Border Management Strategy achieved an important result in the development of an Integrated Border Management (IBM) system and infrastructure. At the initial phase, the implementation of the IBM system required more effort and resources from involved institutions and especially from the Ministry of Interior. In time, the efficiency and effectiveness of the system improved. The quality of this system was well appreciated and put into practice and the responsible agencies started operating under the IBM system. In the context of this project, a number of other results were achieved: developed common strategy and action plan for the improvement of the information system of the Ministry of Interior according to requirements of Schengen Acquis; harmonized legislation in the field of national registry and automatic data processing; national law enforcement registers, databases and information systems developed, improved and modified; a national information compatible with future SIS established; harmonised legislation in the field of migration, asylum and visa.

#### **What have been the impacts of Phare in qualitative and quantitative terms?**

A positive assessment can be made of the impact of the Phare financial assistance. It can be manifested in different ways. It has made a significant contribution both through the direct aid it has provided and the conditions it has set for the government of Latvia when agreeing to programmes to the overall improvement and strengthening of EU Integration and coordination of alignment and legal harmonisation. It facilitated the country in adopting and implementing the body of the EU law in the field of migration, visa and external border control management. The assistance was instrumental in helping Latvia set-up the full implementation of the *acquis*, by involving a high degree of practical co-operation and development of national legislation with training of local authorities in line with the EU practices and standards. It had an effect in terms of improving coordination between institutions and between different levels of administration. Targeted institutions had to be strengthened first before

they could engage in developing inter-institutional capacity. The improved communication and coordination between relevant institutions responsible for migration and asylum has been a direct benefit of the assistance. The flow and exchange of information between the institutions improved and contributed to improving institutional capacities. A clear sign of that is the developed and strengthened administrative and operational capacity to effectively deal with migration, asylum and visa issues.

Capacity building of the targeted beneficiaries resulted with trained professionals able to oversee a good quality migration and asylum system. In view of the capacity building activities, an improved institutional and management structure had appeared. Phare was highly valued and seen as a tool for providing access to real practitioner experience. Within the framework of the Twinning project, 507 border guards were trained in 1999 and 2000. The training topics included border protection, public relations, international relations, and the use of vessels and aviation according to the requirements of the EU and Schengen Agreement. In 2004, the Immigration Services of the State Border Guard were reorganized in order to optimize the existing structure and to meet the EU and Schengen requirements on border control of the external EU border. As a result of the re-organisation the former 10 services and departments of the State Border Guard were replaced by 40 immigration units with a slight increase in personnel and at least two immigration officers being placed in each of the regions.

As enlargement has proven to be one of the most important instruments for European security, it also reflects the essence of the EU as a civilian power, extending the area of peace and prosperity, liberty and democracy. This approach was reinforced by Latvia which was able to strengthen its common migration, asylum and border policies, but also to uphold European solidarity, so that those EU countries that face the largest burden are adequately supported. Latvia has also developed a broad range of migration and asylum policies and instruments to manage the increasing challenge of movement, security of external borders and asylum. It has done this in compliance with human rights and fundamental values. By joining the EU, Latvia has become an area of protection for those in need. EU action complements the competencies and action of Latvia who in many cases (such as in the area of residence permits, asylum decisions, reception of refugees, external border management etc.) retain exclusive competences.

During the PHARE era, inter-country migration was on a steady decline and interesting movement trends were noted. As evidenced, 2004 was a transition year for Latvia with added responsibility to control the processes in legal and illegal migration and asylum. Post-accession, data collected on long-term migration of residents in Latvia shows that 2004 saw a slight increase in inter-country migration, compared to year 2003, when it was at its lowest in the last decade. In 2004, 1,665 individuals from other countries came to live in Latvia while 2,744 individuals left Latvia to live elsewhere. Immigration from other countries increased by 22% in 2004, compared to 2003, while emigration from Latvia increased by 24%. While in 2003 the number of emigrants over immigrants caused the number of residents of Latvia to drop by 846 individuals, in 2004 the number of residents decreased by 1,079 individuals<sup>181</sup>. A similar tendency directly linked to the accession was evidenced in 2004 when temporary residence permits were mainly issued to foreign nationals wishing to reside in Latvia due to family reunification, employment, entrepreneurial activities and studies. In 2004, decisions to issue a residence permit to 9,702 individuals were made; 31 individuals (0.3%) were denied a residence permit. Compared to previous years, in 2004 the number of work permits issued increased.<sup>182</sup>

A significant pointer also displays the importance and benefits from the readmission agreements with the EU member states which has seen a decreasing trend in the numbers of expelled persons from 237 in 2000 to less than half in 2001 and 2002, respectively.

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<sup>181</sup> [http://www.emn.lv/wp-content/uploads/AnnualReportonAsylumMigration2004\\_EN.pdf](http://www.emn.lv/wp-content/uploads/AnnualReportonAsylumMigration2004_EN.pdf)

<sup>182</sup> Ibid

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

The indicators stated in the Phare projects, show the link with the national priorities on asylum and migration. A key indicator on an EU integration level was the fulfilment of Schengen Agreement requirements. Some difficulties were observed in formulation of measurable and quantifiable indicators. This did not create major difficulties in the implementing phase or the achievement of results as the projects were closely monitored and corrective actions were taken.

At the level of results, the project (Preparation for participation in Schengen Information System) has listed several indicators: number of trained staff, number of elaborated training programs, established adequate cooperation and administrative system, proposals for necessary changes to national legislative acts etc. Key indicators of achievement are the adopted EU standards and the well-functioning migration and asylum management system. Central to this, benchmarks have been designed to measure progress in national and regional public safety and security.

### **Socio, Economic and Institutional Impact of the Enlargement Process**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through Phare?**

Accession to the EU affected the country's asylum system significantly. During 2003 necessary preparatory measures were taken to ensure that national legislation meets the European Union requirements and practical activities were undertaken to implement such measures. A noted example is the introduction of the Council Regulation No. 2725/2000 of 11 December 2000 concerning the establishment of Eurodac for the comparison of fingerprints for the effective application of the Dublin Convention, and ensuring the functioning of the Eurodac system.

As per project objectives, development patterns and changes were observed on different levels. The reform process instigated by Phare contributed to improved IT solutions for different institutions. The common information system became operational and the staff qualified (trained) for effective administration and maintenance of the System. Improvement of project management skills was provided for various structures including high-level policy-makers dealing with migration, asylum, and visa issues. Capacity building through various trainings contributed to the increase in the administrative capacity of the targeted staff mostly in the Ministry of Interior and its pertaining bodies.

### **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

Phare has been capable of mobilising a wide range of expertise needed to achieve the targets of the NPAA, through coordination and cooperation with other bilateral assistance, TAIEX and Member States twinning projects. Strong coordination of Phare programme with future Transition Facility programme was supervised. Also achievements of Phare and Transition Facility projects have served as a precondition for programming of the EU Structural Funds. Complementarity and coordination between different sides was ensured through effective coordination mechanisms involving different line ministries and representatives from the donor community.

Well-matched with the future application of the Schengen information system, the Phare assistance in this sector proved to be a logical continuation of projects designed to increase national and regional public safety and security and strengthen EU external borders. The assistance set the basis for the National Law Enforcement Information System to be continuously developed under the national

investment project - Unified Communications and Automated Information System of the Ministry of Interior of the Republic of Latvia.

Improved coordination has been evidenced under PHARE between the authorities and regional transboundary cooperation which were linked to customs services, police forces and frontier surveillance. Directly linked to the PHARE assistance, sustainability prospects have increased owing to solid cooperation in the field of migration and asylum co-operation and more specifically in the establishment of institutions to address new forms of crime more effectively. In the area of migration, improved cooperation with competent institutions has improved the visibility of the Office of Citizenship and Migration Affairs, resulting with the establishment a common database. A working group established in 2002 within the Ministry of the Interior was tasked to design strategies to improve the co-operation between institutions involved in the migration and asylum process. This included the Ministry of Interior as the main state administration authority in the field of migration and asylum as well as the Ministry of Foreign Affairs, the Ministry of Welfare, the Ministry of Economics, the Ministry of Health, the Ministry of Education and Science, the Ministry of Justice, the Ministry of Culture, the Ombudsman, as well as state security institutions and local governments are dealing with migration and asylum issues. The establishment of the Immigration Service at the State Border Guard was an important step, but co-operation between all bodies responsible for migration required continued improvement especially in execution of capacity building activities of the targeted staff across the national institutions. The training programs should have been timely in respect to issues such as EURODAC, family reunification principles, accelerated procedure, detention and appeal, and recognition of travel documents. Also, the number and training of staff was not wide-ranging to maintain a reasonable average length of procedure.

On the subject of asylum, some criticism was directed on the coordination capacity, and the lack of experience in dealing with asylum seekers. This has been the case despite the small number of asylum seekers in Latvia but with immediate implications on further drafting of internal working regulations, enhanced training of border guards as well as migration IT and adequate data protection to allow Latvia to comply with the requirements of the Dublin and EURODAC Conventions.

**What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

The accession-driven focus reinforcing the new angle of Phare inevitably involved an increasing emphasis on national programmes designed to address the specific weaknesses identified in the Regular Reports that the EC prepared for Latvia. Risks and assumptions were clearly identified and elaborated on a sector level. The existence of appropriate structures and the lack of training specialist has been factored in and well identified for those institutions dealing with migration and asylum. Risk management arrangements have been put in place to tackle these issues. The achievement of results has been partially affected by the lack of financing from state investment project.

The Phare assistance in this sector was focused on matters relating to cooperation, obligations and rights of component institutions involved in migration, visa, and asylum processes that have not been fully operational. The assistance addressed the need to regulate cooperation of all institutions involved in practical migration management procedures as well as to improve the information exchange between them. The objectives were clearly stated, showing the link with the national priorities and the inter-Ministerial meetings at senior level. The adaptation process with constant attempts to make the domestic EU decision-making more effective and professional has dominated Latvia's preference formation on the EU issues. Adaptation to consequences created by the Phare assistance has affected the decision-making process on a state level. Those institutions dealing with migration and asylum accepted the EU assistance as a means for improving the system. Preceding the accession, developments in the area of migration and asylum looked promising. In the area of migration the legislative alignment had been completed, except with regard to carrier liability. Also, Latvia had taken action to conclude readmission agreements and was encouraged to sign and ratify outstanding agreements with Member States, candidate countries and third countries like Belarus and Russia. In the area of asylum, Latvia's legislation was well aligned with the *acquis* although a strong focus was

directed to completing alignment with regard to the implementing regulations of the Asylum Law in the area of appeals under accelerated procedures, exclusion and a cessation grounds, and minimum guarantees for asylum procedures. A strong focus was also directed to the implementation of the outstanding amendments to the Asylum Law necessary for full alignment with the Dublin Regulation.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

The twinning provided the best results. The availability of Phare support, particularly the advice for more strategic development through twinning arrangements, helped define the scope of what was required. This was seen as the optimal approach, given the initial lack of local expertise in many areas addressed by the Phare program. The twinning helped maximize the use of EU and national funding since it worked on the basis of specific clearly defined tailor-made requests with concrete operational results and helped Latvia avoid costly development mistakes. Correspondingly, it aided the targeted institutions in becoming fully functional and effective. Within the twinning, too much emphasis has been given to on-the-job training. This was perceived as a high-risk approach in terms of capability creation and criticism was directed towards the need for clearer specification of migration and asylum training strategies as a prerequisite for ensuring sustainability. A related issue has been the absorption capacity of the targeted institutions where the development of the design has at times been over-optimistic and not entirely taking into account the capacity of the local administration to effectively absorb and sustain the support offered. Since the twinning represents a sizeable commitment, greater than that required from a standard TA project, this point is reasonable.

## **Conclusions (Lessons Learned)**

**What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

For EU candidate countries in the Western Balkans:

- A clear warning is that investing in human capital has its limitations if modalities for staff retention are not introduced. To avoid sustainability concerns and to prevent staff turnover, incentives to keep them should be introduced. In this respect, best practices from older EU MS could be applied. This issue is equally applicable to all EU candidate countries.
- The leakage effect induced by changes in the institutions responsible for the projects has been relatively more critical. These changes resulted from insufficient anticipation of institutional issues and/or poor national ownership at the stage of project design. Sufficient anticipation of institutional issues and strong national ownership of project design phase should be taken into consideration in the implementation of IPA.
- The period for the application submission, evaluation and approval period should not be excessive and sufficient time should be left for practical implementation of the projects.
- To maximise project impact, there is a clear need for introduction of SMART indicators in the design project phase.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

Regardless of the area, no particular observations regarding good practice have been evidenced in Latvia. Noted CBC projects have had a low impact. Regardless of the quality of CBC programs, an uninterrupted and strong dialogue between people on both sides of a border, and on a regional level is important to increase potential impact. For future reference of IPA CBC programs, a more strategic approach should be adopted, centred on functional management and control mechanisms. Success is also pre-conditioned with an increased visibility and awareness on CBC benefits.

## Annex 5.7: Lithuania – Social Policy and Employment

### Background

Lithuania is located in northern Europe, on the south-eastern coast of the Baltic Sea. It has a total land area of 65,300 km<sup>2</sup> and it shares borders with Latvia, Poland, Belarus, and Russia (Kaliningrad). In 1990 Lithuania had a population of 3.7 million – of whom 60% were below the age of 40. Due to a decline in the birth rate in the mid-1990s, plus in part emigration, the population had decreased to 3.4 million in 2003. Since 2004 the population in Lithuania has declined further: to 3.0 million in 2013<sup>183</sup>.

After restoring independence, in 1990-1991, a new Constitution of the Republic of Lithuania was adopted in 1992: establishing a parliamentary democratic republic with attributes of a semi-presidential system, an independent judiciary, and guaranteeing the rule of law, human rights, and protection for minorities. Lithuania joined the Council of Europe in 1993 and ratified the European Convention on Human Rights in 1995. Lithuania has a vibrant multi-party democratic system (up to 25 parties contesting general elections), with minimally seven parties traditionally returned and coalition government thus the norm. Since 1992 government has alternated between coalitions headed by parties from the left (initially the former Democratic Labour Party, since 2001 via the Social Democratic Party) and the right (the Homeland Union); plus briefly by a party from the centre (the Liberal Union).

Lithuania launched a programme for rapid transformation from a command economy system in 1991: via a series of market liberalisations, price liberalisations, the first wave of privatisation and enterprise restructuring, reduced subsidies to state-owned enterprises, the creation of a national currency, the reorientation of foreign trade, as well as the establishment of administrative services of the state, including labour-market, social, and welfare systems. Policy was guided to a substantial degree by the need to obtain and maintain financial support provided by the International Monetary Fund. While the process initially triggered rampant inflation, the introduction of a currency board system in April 1994 helped to stabilise inflation – declining from 189% in 1993 to 45% in 1994, to single digits from 1997 – and in establishing a stable currency rate to facilitate foreign economic relations and trade. Within a few years the vast majority of housing, retail, and agricultural assets in the country were privately owned, and the initial privatisation of larger state enterprises was progressively undertaken. With the basic foundations of a market economy in place, GDP growth re-emerged in 1995 (at 3.3%).

However, with unemployment above 17% (ILO definition), and a short-lived banking crisis in Lithuania in late-1995, it was clear significant further reforms were necessary to place the economic perspective of the country on a sustainable path. This resulted in a re-launch of reform efforts in 1996, notably to speed-up the privatisation of larger state enterprises, the further modernisation of government regulation of the business environment, and an increased focus on measures to promote human resources development and the reorientation of skills to meet the demands of the changing economy.

The political consensus on the need for structural reforms was further strengthened in reaction to the impact of the 1998 Russian currency crisis on the Lithuanian economy and trade, which experienced a sudden decline – GDP in 1999 was initially estimated at -4.1%, though this was later revised to a rate of -1.8%. An anti-crisis package of economic reforms was announced by the Lithuanian government in 1999, and in 2000 it signed a 15-month pre-cautionary IMF stand-by arrangement, agreed a structural adjustment programme with the World Bank, and signed a Joint Assessment of Economic Policy Priorities with the European Commission. Reforms subsequently served to transform the socio-economic regulatory framework, further strengthen the process of economic and trade reorientation, skills development, plus to progressively address, over the longer-term, the public finance imbalances. Lithuania experienced significant economic growth over the period 2000-2008, prior to the 2008 global financial crisis, and GDP growth in the country re-emerged in late-2009 after five quarters of decline.

In 1997 Lithuanian GDP per capita (in PPS) stood at 38% that of the EU-27, rising to 71% in 2012.

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<sup>183</sup> Source of data: Eurostat – <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

## EU Accession Process

Further to a Trade and Cooperation Agreement signed in 1992, entering into force in 1993, a Free Trade Agreement was signed in 1994, entering into force 1995, aimed at the gradual and asymmetric establishment of a free trade area between the EU and Lithuania over a period of six years. An 'Association [Europe] Agreement' was signed between the EU and Lithuania in June 1995, providing an overall framework for political dialogue, the expansion of trade and economic relations, a basis for EC technical and financial assistance, and to support Lithuania's gradual integration into the EU.

Lithuania submitted its application for membership in December 1995, with the European Commission's 'Opinion' issued in July 1997 highlighting the challenges for Lithuania over the medium-term to ensure its compliance with the 'Copenhagen Criteria'. In the light of these considerations, the Commission concluded that further progress needed to be achieved by Lithuania, notably to cope with competitive pressure and market forces in the EU, prior to the opening of negotiations for accession. The initial process of analytical examination of the *acquis* ('screening') with Lithuania was launched in April 1998 and concluded in early-2000. Negotiations with Lithuania were formally opened in February 2000. Negotiations with the countries acceding to the EU in 2004 were concluded in December 2002.

In May 2003 the referendum in Lithuania on EU accession returned a 91.1% 'yes' vote.

## EU Pre-Accession Financial Assistance – Overview

*In addition to support to Lithuania under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2003, under the ISPA and the SAPARD Programmes.*

During 1991-2003 Lithuania was allocated € 772.8 million under the Phare Programme:

- EC grant of € 179.0 million was allocated over the period 1991-1996 supporting the initial socio-economic transformation and development of Lithuania, covering:
  - Business Development – enterprise restructuring and privatisation, export, trade, and foreign investment promotion, the development of SMEs, banking sector reform.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications.
  - Administration Reform / Europe Agreement – customs, statistics, standards, metrology, state budget planning, tax administration, public administration reform.
  - Human and Social Resources Development – reforms of the labour market, education and vocational training, social security, and healthcare, TEMPUS, and civil society development.
  - Cross Border Cooperation – with partners in the Baltic Sea region programme.
- EC grant of € 593.8 million was allocated over the period 1997-2003 supporting the country in the context of its accession orientation and preparedness against the obligations of EU membership, addressing, e.g. political criteria, economic criteria, internal market *acquis*, agriculture, energy, environment, transport, employment and social affairs, justice and home affairs, institutional and administrative capacity, the promotion of regional development, preparations for Structural Funds, Cross Border Cooperation, nuclear safety, and participation in Community Programmes, etc.; over the period 1997-1999 this also included funding under the Phare 'Catch-Up Facility'.

During 2004-2006 Lithuania was allocated a further € 35.7 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis*.

## EU Pre-Accession Financial Assistance – Ex post Evaluation Findings

### Programme Priority – Social Policy and Employment

Employment and social policy covers areas where there exists substantial secondary legal *acquis* at the EU level, such as that addressing health and safety issues, labour law, the equality of treatment between women and men, combating discrimination, as well as areas such as social dialogue, employment, and social protection and social inclusion where convergent policies are developed and pursued via the coordination and cooperation of policy between the Member States at the EU level.

Phare assistance to Lithuania in the area of labour market and social security reform was initially provided under the 1992 programme – a total EC grant of € 6.19 million was provided 1992-1996 – for which the principal beneficiary institution was the Ministry of Social Affairs and Labour (MSSL) and its agencies, the State Social Insurance Fund (SoDra), the State Labour Inspectorate (SLI), and the Lithuanian Labour Exchange (LLE). The support was utilised to undertake the initial development of the labour market policy and the appraisal of Lithuanian social and labour legislation and institutional capacities, notably linked to occupational safety and health (OSH) and to social security/insurance, to develop detailed reform plans, within a pre-accession context, and to support the initial implementation of the reforms, plus for the supply of OSH related equipment to strengthen enforcement capacity.

Subsequent EU pre-accession assistance provided to Lithuania in the area Employment and Social Affairs is summarised below (*support linked to preparations for the ESF was also provided, plus support linked to the employment and social policy aspects of the Free Movement of Persons*):

<b>Year</b>	<b>Project Title</b>	<b>EC Grant (M€)</b>	<b>Co-financing (M€)</b>
1998	Support to Social and Labour Sector – strengthening institutional capacity for social insurance (SoDra), capacity-building of the Ministry of Social Security Labour (MSSL) and of Occupational Safety & Health (OSH) Institutions	2.130	0
1999	Support to the Approximation of Legislation in OSH and the Strengthening of the Enforcement of OSH Policy in a Pre-Accession Context	1.000	0.062
1999	Support to the State Social Insurance Fund Board (SoDra)	2.000	0.129
1999	Consensus III	2.000	0
2000	Preparation for Participation in European Employment Strategy	2.150	0.100
2001	Continue Social Security Financing Reform Support to Social Sector	3.000	0.750
2001	Strengthening Capacities to manage Public Health System in compliance with EU regulation	1.000	0.140
2001	Reform of Disability Recognition Principles	0.150	0
2001	Strengthening Social Dialogue	0.150	0
2002	Promotion of Adaptability, Skills and Social Inclusion	2.650	0.750
2002	Improvement of OSH administration and further enforcement of OSH legislation through development of labour inspection capacities	1.375	0.125
<b>TOTAL (as per the project fiche)</b>		<b>17.605</b>	<b>2.056</b>

### **Impact and Sustainability of PHARE Financial Assistance**

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

The Commission's 'Opinion' on Lithuania noted that: "Social reform should be pursued, and the public health system to be significantly improved. In addition, the social dialogue needs to be further developed. Lithuania will need to make substantive efforts to ensure the realignment of its legislation with EC requirements in areas such as health and safety, labour law and equal opportunities and to continue to develop the structures needed to ensure the effective implementation of legislation. Provided Lithuania pursues its efforts, it should be possible to take on the obligations of EU membership in the social area in the medium term."

The March 1998 'Accession Partnership' highlighted the need for Lithuania, over the medium-term, to "develop appropriate labour market structures and [the] joint review of employment policies", to "align labour and occupational health and safety legislation, in particular early adoption of the framework directive", the "further development of an active social dialogue", the "further development of social protection", the "enforcement of equal opportunities between women and men", and to "undertake steps to bring public health standards into line with EU norms". The 'Accession Partnership' of late-1999 highlighted short-term priorities linked to "preparing a national employment strategy" and to "support the partners' capacity-building efforts... notably through bipartite social dialogue", and, over the medium-term to "transpose and implement EU [social] legislation... including reinforcement of the related administrative structures". The 'Accession Partnership' of late-2001 stressed the need to "complete transposition of the social *acquis*", to "continue to support social partners' capacity building efforts", to "develop further the health monitoring system... surveillance and control", and to "continue preparations... with a view to future participation in the European strategy on social inclusion".

The programming of support to Lithuania in the field of employment and social affairs was coherent and effective in addressing the needs/priorities of the country. Building on the reform strategies produced under the 1995 and 1996 programmes the MSSL (responsible for overall policy), the SoDra (responsible for the execution of policy linked to social security), and the SLI (responsible for the execution of policy linked to OSH and labour inspection) adopted medium-term plans setting specific goals for the further modernisation of the services, including initial actions necessary for the approximation of legislation and the development of systems and capacity to administer the *acquis*. The strategic plans were updated on a rolling-basis, including via the provision of Phare support, and these served to support the subsequent programming of the Phare assistance on an annual basis, as well as to build a logical linkage and sequencing of actions across the projects targeted to the SLI and to the SoDra (notably linked to its development of an Integrated IT System via three phases/projects).

Programming of the support ensured that a suitable mix of delivery instruments was planned: Twinning and Twinning Light (linked to the *acquis* and capacity building), the provision of TA (primarily linked to the development of IT systems at the SoDra and the SLI, plus to support the MSSL with the detailed design and implementation of the Grant Scheme for the *Promotion of Adaptability, Skills and Social Inclusion*), plus related Investment support (linked to the IT systems, also one for public health monitoring, and equipment for the enforcement of OSH and for public health units and laboratories). The 1998-2002 projects in the area provided an allocation of € 19.661 million: 89.5% in EC grant and 10.5% co-financing grant; 61% for Institution Building and 39% for related Investment in the *acquis*.

The main weakness in the design of the support was the lack of an institutional analysis of the technical and human resources capacity of the beneficiaries to manage and implement the projects and to absorb the results. The efficiency of the actions supporting the MSSL, the SoDra, and the SLI initially suffered due to limited staffing levels to support operational activities, and the actual capacity of the MSSL to provide overall coordination and support. The SoDra also experienced a period of high turnover at the upper management and decision-making levels as well as at the operational and IT specialist levels, which affected the efficiency of the first phase of the Integrated IT System. However, these constraints were progressively addressed by the beneficiaries and lessons learned from the management of previous projects applied so as to strengthen the efficiency of latter actions and decision-making, e.g. Steering Committee meetings linked to the second and the third phase in the development of an Integrated IT System at the SoDra were chaired by a MSSL deputy minister.

Overall, the projects for those three beneficiaries were, traditionally, efficiently implemented, and a very good level of cooperation achieved with the Twinning / Twinning Light and the TA partners.

However, the efficiency of *Preparation for Participation in European Employment Strategy* was affected by the sometimes limited capacity of the Twinning partners to ensure suitable experts were available to deliver the project in a timely fashion, as well by the hesitancy of some social partners to be involved in the activities. Efficiency constraints were also experienced linked to the actions supporting the Ministry of Health (MoH), due to limited staffing levels to support operational activities as well as the initial lack of consensus on the roles to be played by the regional and municipal actors.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Despite some efficiency constraints the financial assistance was, overall, effectively utilised to deliver the intended results and specific outcomes. The performance of the assistance improved over time as the beneficiary partners progressively strengthened staffing levels to implement and participate in the delivery of actions, and as the beneficiaries' familiarity with the discipline of project management and Phare procedures and controls was enhanced, and a more structured approach to planning adopted.

In the area of social security legislation and social insurance administration the financial assistance was effectively utilised to deliver the intended results and specific outcomes. Although the adoption of the organisational and legislative reforms prepared and delivered via the assistance was initially slow, due to the period of staffing instability at the SoDra – the general director, several directors and deputy directors (the project counterparts) changed during implementation of the first phase of reforms, which weakened decision-making processes at the SoDra and the internal communication of the reforms to middle management – the Government approved the State Social Insurance Payments Administration Reform Concept in 2000. Subsequently a range of legislative reforms were adopted by the parliament, e.g. on Sickness and Maternity Social Insurance (2000), on the Structure of State Social Insurance Fund Budget (2001), on Pension System Reform (2002), and adopted by government, e.g. regarding the ratification of the rules of the budget formation and implementation of the SoDra (2002). It was also effective to ensure that the 1999 programme for the SoDra – for which EC grant of € 1.50 million was allocated for procurement of hardware and software to establish the functionality of the Integrated IT System throughout Lithuania (i.e. between SoDra Head Office and Local Offices), and the further development of modules – included clear pre-conditionality that the contract for the equipment could be finalised only when the initial package of reforms and relevant legislation had been adopted.

In the area of OSH the financial assistance was effectively utilised to deliver the intended results and specific outcomes. The initial, small-scale action under the 1996 programme delivered support in the preparation of draft legislation for transposition of the Framework Directive 89/391/EEC, and in the preparation of an Action Plan for transposition of further measures and capacity building actions. Although there were initial difficulties in terms of building effective partnership and communication between the different beneficiary partners (the MSSL, the SLI, and the MoH) and social partners, the 1999 and 2002 projects in the area successfully delivered support in the further development of OSH strategy, legal acts and regulations according to EU norms, as well as in building the capacity and expertise of the MSSL and the SLI to draft legislation and prepare enforcement and risk-assessment procedures, including in the development of strategies for the implementation of the prepared legal acts. Support was also delivered linked to the training of the staff of OSH institutions and of social partners, including via the development of IT distant-learning systems for the training of labour inspectors on inspection procedures, which was positively assessed, notably in light of the progressive increase in staffing at the SLI to oversee the enforcement of OSH. The project also delivered an Evaluation and Management Manual of Occupational Risk to provide guidance for OSH practitioners, for employee and trade partners and the wider public. Support was also successfully delivered to develop IT systems (SLI Head Office and Regional Inspectorates) for management of the inspection regime – for the registration of inspection findings and the subsequent analysis of violations, thereby supporting the targeting of future actions and risk-assessment to promote more effective supervision.

In the area of social protection and social inclusion the financial assistance was effectively utilised to deliver the intended results and specific outcomes. The 1999 project supported the MSSL undertake a detailed review of social assistance cash benefit and privilege policy and the efficiency and effectiveness of the administrative system at the national and local level. The proposed procedural reforms to realign benefits and better target resources to combat poverty, and to strengthen the local administrative system were pilot-tested at the municipal level. The process was well communicated to the wider group of municipalities, generating strong interest in the reforms. The 2001 programme supported the MSSL in the review of disability recognition and disability pension allocation, and the preparation of a comprehensive model for promoting the social integration of persons with disability. The 2002 project *Promotion of Adaptability, Skills and Social Inclusion* supported the MSSL to pilot-test its administrative systems and the capacity of final users to manage ESF-type grant schemes. The grant scheme was targeted to persons at risk of being dismissed due to enterprise restructuring, the disabled, ex-prisoners, and national and ethnic minorities. Approximately 2250 people received training under the grant scheme sub-projects; approx. 500 were disabled and 260 were ex-prisoners. Collectively the range of projects in the area developed and institutionalised increased competence of the MSSL and other actors to deliver social protection and to promote social inclusion measures.

In the area of European Employment Strategy the effectiveness of the financial assistance was adequate. A number of the intended results linked to the development of employment and labour market policy and the reorganisation and decentralisation of its administration were achieved, but for others the results were only partially achieved due to the constraints in project implementation. The support did assist with finalisation of the Programme for Increasing Employment 2001-2004, which served to inform the preparation of the Joint Assessment of Employment Policy Priorities concluded between Lithuania and the Commission in February 2002. However, preparation of the National Employment Action Plan (NEAP) was only partially achieved and was completed by the beneficiary in follow-up to the project. Thereby the development of the labour market institutions' systems and processes to support the future orientation of policy priorities was also only partially achieved.

In the area of social dialogue the effectiveness of the financial assistance was adequate. The support did deliver training for social partners (employer and employee groups and other social actors) at the level of the branch of the economy and enterprise, e.g. linked to collective agreements, dispute resolution and arbitration, etc. However, initially the partners were hesitant to actively engage in the development of non-formalistic approaches to bilateral dialogue, preferring to conduct trilateral dialogue (also with the government). Additionally, the comparatively weaker organisational position of employee groups and other social actors to engage in such dialogue was not sufficiently targeted.

In the area of public health the effectiveness of the financial assistance was adequate. The capacity of public health surveillance institutions at the national, regional and local levels was strengthened, e.g. via the preparation of legal texts, the introduction of updated operating processes and via the provision of training for health officials, etc. However, while the project did facilitate the review for demarcation and the definition of responsibilities for the management of public health issues at the regional and local levels, the consultations with the actors were not successful in terms of achieving agreement.

#### **What have been the impacts of PHARE in qualitative and quantitative terms?**

The impact of the financial assistance provided to Lithuania in the area employment and social affairs was good. While not all of the intended results of the support were achieved at the time of project completion, the assistance did deliver useful guidelines and recommendations to assist beneficiaries continue with the development and delivery of the results, e.g. to finalise the NEAP before accession.

The immediate and longer-term impacts of the assistance included the following:

- **Social Security:** The enhanced management, technical and operational competence of the MSSL and the SoDra, based on the utilisation of an integrated approach for the management of a modern social insurance system, improved the efficiency and effectiveness of policy formulation and its administration. The Integrated IT System allowed Lithuania to introduce single social

insurance, health, (and tax) personal identity numbers for the registration of citizens, and thereafter for the automated collection of social insurance data and contributions, the automated recording of all employment in Lithuania, the automated management and processing of social insurance pensions and benefits, and automated accounting for income and expenditure. This has thereby delivered greater accuracy in the administration of social security and decision-making on the adjudication of rights, as well as a sounder basis for planning the longer-term sustainable management of finances. Related support was provided linked to the *acquis* in the area Free Movement of Persons – coordination of social security – thereby ensuring that SoDra is also delivering a high quality of services linked to the security rights of migrant European citizens.

- Social Protection / Social Inclusion: Via the projects the capacity and understanding of the MSSL and municipalities linked to monitoring/addressing social inclusion and social exclusion challenges was strengthened, e.g. via the improved production of statistical data and models for forecasting potential needs, the realignment and more effective targeting of social assistance and discretionary benefits, and improved methods for the communication of public information. The reforms delivered were rolled-out nationally in follow-up to the positive response to the projects. In 2002 the Concept of the Reform of Social Services Provision, the Poverty Reduction Strategy, and the National Programme for Social Integration of Persons with Disability were all approved. In late-2003 a Joint Inclusion Memorandum was signed between Lithuania and the Commission. Linked to the grant scheme *Promotion of Adaptability, Skills and Social Inclusion* the immediate impact of the assistance was 225 people, 10% of the supported final users, were employed<sup>184</sup>.
- OSH: The enhanced management, technical and operational competence of the MSSL and the SLI to monitor and enforce OSH in an efficient and effective manner, on the basis of the transposition of the diverse range of directives in the area and suitable risk-assessment policies. However, the impact was partially constrained by the initially weaker institutionalisation of reform in terms of the role of the MoH and its agency the State Public Health Service, which was developed over the medium-term. Taking 1998 as the base (i.e. 100%) for the index of the number of serious accidents at work<sup>185</sup>, this had declined in Lithuania to 86% in 2002 and to 82% in 2003 and 2004, at the peak of intensity of actions to embed the benefits of the assistance and ensure compliance with the *acquis*. However, in 2006 (after which the series was discontinued) the index for Lithuania had reached 101%, suggesting some difficulties to sustain the benefits.
- Employment: While the immediate impact was limited due to the delayed completion of the NEAP and delayed piloting of proposed restructuring reforms, the benefits of the support were built and consolidated by the MSSL over the medium-term. This assisted Lithuania in harmonising its employment strategy and its administration in line with the guidelines and practices of the EU, as well as in the upgrading of information management within and between the labour market institutions, e.g. for monitoring labour market trends, for analysis and forecasting, as well for the better targeting of active and preventive approaches on the most disadvantaged job-seekers.

Collectively, the support strengthened Lithuania's harmonisation of its social support and assistance policies and its administration alongside those for promoting employment and the labour market. The different IT systems were also developed in order to ensure necessary harmonisation for the future, suitable exchange of data between institutions administering the labour market, social assistance, OSH, and health insurance systems, thereby contributing to the development and improvement of the effective administration of the services, for society in general and the labour market in particular.

The impact of the assistance was summarised by the MSSL in its Social Report for year 2003: "Activities carried out upon integration in the EU had considerable impact on the labour market and social policy of our country. A lot of new legal acts were adopted; authorities in the social sphere gained strength and improved the quality of their work. Using financial support of PHARE Programme activities of labour exchanges, labour market training authorities, labour inspectorate, State Social Insurance Fund Board, other bodies and the Ministry itself noticeably improved. Harmonisation of

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<sup>184</sup> Power Point presentation of the Lithuanian Project Leader (MN11/IB/SO/01 Twinning Light), 08/10/2013

<sup>185</sup> Source of data: Eurostat – <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

Lithuania's legislation with the EU *Acquis* considerably improved our labour law, facilitated protection of employees' rights, improvement of working conditions, ensuring equal opportunities for women and men, and development of social partnership. ... Lithuania actively participated in the EU programmes on the coordination of social policy, pension reform, development of employment strategy, etc."

As measured by assorted employment and social protection statistics<sup>186</sup>, e.g. participation of the population in the labour market, rates of employment, unemployment, long-term unemployment, the population at risk of poverty or social exclusion, etc., after a long period when Lithuania's statistics were usually significantly negatively at variance from the EU average up to 2004, the degree of integration of Lithuania into the EU in this respect is now far more consistent with the EU average. Whereas unemployment, including long-term and youth, fell well below the EU average over the period 2006-2008, all rose well above the average again in 2009, but have since dropped close to the EU average. The inactive population is now also close to the EU average; pre-accession, Lithuania's inactive population was well below the EU average but it significantly increased from 2004 and the inactive population was well above the EU average during 2005-2010 (in part, presumably, accounting for the associated falls in unemployment from above average). However, in two significant areas Lithuania still lags behind the EU average:

- The percentage of people in employment has increased closer to the average over the period 2012-2013, but it was below the average since 2004 – just 57.6% in 2010, up to 63.7% in 2013.
- The percentage of the population at risk of poverty or social exclusion has dropped significantly since 2005, when it was 41.0%, and was on trend to approach the EU average (which has moved within the range of 23-26%) until the economic downturn of 2008-2009. In 2012 the rate of people at risk of poverty or social exclusion was 32.5%, down from 34% in 2010, post-economic crisis.

Post-accession, reflecting the right of EU citizens to choose to live, work and study anywhere in the EU (subject to transitional measures imposed by some of the Member States regarding access to the labour market), the mobility rate for Lithuanian citizens living in another Member State in 2007 was 4.4% of the country's working-age population; of whom 3.1% were resident 4-years or less, i.e. resident since 2004 or later<sup>187</sup>. As of 2013, the mobility rate for Lithuanian citizens living in another Member State had increased to 10.7%<sup>188</sup>. This has delivered a range of indirect benefits, e.g. workers moving to fill labour market openings within the wider EU market, setting-up businesses, returnees bringing back skills, languages, and experience, as well as workers abroad sending remittances, etc.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

In the area employment and social affairs Lithuania has continued to operate and update its systems linked to the implementation and enforcement of the *acquis* and for the coordination and cooperation of policy between the Member States at the EU-level, and the sustainability of the benefits is good.

A significant element of employment and social affairs policies are conducted via the 'Open Method of Coordination' of policy and strategy at the EU-level, to agree on the common principles to guide the autonomous application of policy according to the different national situation and needs of each Member State. Since its accession to the EU in 2004 Lithuania has actively participated in the coordination of policies, including via the development of a range of national strategies and action plans to guide the implementation of the common principles in Lithuania, e.g. linked to employment and social protection, social inclusion, equality, anti-discrimination, youth, disability, OSH, etc. With regard the provision of labour market and social protection information, Lithuania continues to provide regular updates on the situation in the country – e.g. information on the social security system, rights

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<sup>186</sup> Source of data: Eurostat – <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

<sup>187</sup> COM(2008) 765 final: The impact of free movement of workers in the context of EU enlargement

<sup>188</sup> DG EMPL: Supplement to the EU Employment and Social Situation Quarterly Review: Recent trends in the geographical mobility of workers in the EU (June 2014)

and situation in Lithuania provided via the EU's Mutual Information System on Social Protection (MISSOC) and the European System of Social Protection Statistics (ESSPROS), and information on the latest opportunities on the labour market provided via the EU's Job Mobility Portal (EURES). As such, Lithuania is successfully integrated into the EU policy mechanisms and instruments in the area.

At the national level, the sustainability of the benefits has been maintained via the diverse range of manuals, guidelines, analytical, communication and training tools put in place due to the assistance, including the further development of such processes and tools by the administration, post-accession.

Apart from Lithuania's need to ensure compliance with the *acquis* and international norms in the area, the key factors that influenced the sustainability of the reforms were:

- The need for Lithuania to address the significant socio-economic regional disparities within the country, and with the EU, e.g. in terms of Lithuania achieving the participation of its population in the labour market and in promoting a cohesive and inclusive society, as measured by rates of employment, unemployment, long-term unemployment, the population at risk of poverty or social exclusion, etc., ensured good ownership of the goals to establish an effective and efficient targeting and synergy of employment, labour market, social protection, etc. policies. Accordingly, the reforms were supported, early on, by specific strategies and action plans adopted by the administration, establishing a path for action and goals to be achieved over the medium-term.
- As the principal EU financial instrument in the area employment and social affairs, the sustainability and further promotion of the benefits delivered has also been ensured via the ESF.
- The further strengthening of and more active engagement of social and civil society partners in social dialogue and public policy formulation, e.g. civil society organisations involved in dialogue at national and local level on poverty reduction activities, the promotion of equality, etc., or the main trade union confederations in regard to the Declaration of Cooperation of unions at all levels – national, sectoral, regional and corporate (at enterprise, agency and organisation levels) – and in the coordination of the activities of the unions in the development of international cooperation.

## **Socio, Economic and Institutional Impact of the Enlargement Process**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

The accession process required Lithuania to undertake significant reforms of the regulatory and operational framework to ensure compliance with the *acquis* in the area employment and social affairs and so as to ensure the effective contribution of employment, labour market, and social protection policies toward building the country's capacity to cope with competitive pressure and market forces within the EU over the medium-term. Targeting of financial assistance to support the reform process was clearly relevant, and the projects successful in delivering legal, operational, and behavioural changes in the sector, which Lithuania continues to sustain and develop further as policy evolves.

While accepting that Lithuania experienced significant economic growth for most of the 2000s, prior to the global financial crisis, which was also a significant contributor to the positive socio-economic impact of the enlargement process on Lithuania, it is evident that the outcomes of the reforms supported via Phare have delivered the more effective targeting of employment and social policies, e.g. social assistance and discretionary benefits to reduce the risk of poverty or social exclusion.

In addition to the training of technical experts to implement and enforce the *acquis*, undertaken by building the training capacity in individual institutions, such as the MSSSL, the SoDra, the SLI, etc. the government also recognised the need for it to ensure the training of sectoral specialists to work with the *acquis* – in its transposition pre-accession and for the effective coordination of EU affairs post-accession, in the preparation and presentation of Lithuania's position in the works of the different EU institutions (via committees, working groups, etc.) and in the review, adoption and implementation processes linked to EU strategy and legislation, and in the communication of these domestically.

Recognising that a significant element of employment and social affairs policies are conducted via the 'Open Method of Coordination', the MSSL ensured special attention was given pre-accession to the preparation and training of sectoral specialists to represent Lithuania in the works of the different EU institutions. In addition to working groups etc. of the Commission, Lithuania actively supports the workings of relevant EU Agencies in the area, e.g. the European Foundation for the Improvement of Living and Working Conditions and the European Agency for Safety and Health at Work.

In order to provide training for public officials the government established the Lithuanian Institute of Public Administration in 1999 – for which Phare assistance was provided to support its development of training courses and capacity. In addition to comprehensive training and certification for civil servants, the Institute organises generic courses on such topics as the EU law and institutions, as well as specialist courses on the EU *acquis*, the formation of the EU budget, etc. Over 30 specialists from the MSSL and its agencies were trained in these areas and individual language learning courses in 2003.

### **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

#### **Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

The initial Phare support for Lithuania (as for Estonia and Latvia) was based on General Technical Assistance Facilities giving support across a wide range of sectors under-going transformation. This provided the basis to identify more specific sectoral strategies for interventions to pursue from 1994. Donor coordination was led by the Commission, in cooperation with the 'National Aid Coordinator' (NAC) on the Lithuanian side. In order to facilitate the provision of donor assistance to Lithuania, initial Phare support was also provided linked to preparation of a Public Investment Programme (first drafted in 1994), for which, in addition to targeted Phare grant for investment in the transport, energy and environment sectors, the World Bank was a key partner in terms of the provision of financial loans. The initial range of strategies served as the basis for negotiation between the Commission and the NAC of a Phare 'Indicative Programme' for the period 1994-1996, and subsequently for 1996-1999.

In 1995 the 'Free Trade Agreement' (signed in 1994) entered into force, the 'Europe Agreement' was signed and structured policy dialogue thus started, and the Commission issued its White Paper on the "Preparation of the Associated Countries ... for Integration into the Internal Market of the Union". On the Lithuanian side a European Integration Commission, an inter-ministerial committee chaired by the prime minister, was established to coordinate the European policy agenda, including in the preparation of a National Legislation Harmonisation Programme, adopted by the parliament in September 1996. In light of the Commission's 'Opinion' of July 1997 Lithuania, as requested, presented a draft 'National Programme for the Adoption of the *Acquis*' (NPAA) in March 1998; with the initial analytical examination of the *acquis* ('screening') with Lithuania thereafter launched in April 1998 and concluded in early-2000. In light of the Commission's annual 'Regular Reports' on Lithuania, the policy dialogue and 'screening', plus the 'Accession Partnership' of the EU Council of Ministers (issued in 1998, 1999, 2001), the country's NPAA strategy was subsequently updated (in 1999, 2000, 2001, and 2002). The quality of NPAA's prepared by Lithuania was, generally, reasonably detailed for overall legislative and related administrative/capacity building measures to be undertaken, including a clear focus on identifying how Lithuania sought to address the priorities identified in the 'Accession Partnership'.

Overall, the synergy created between the accession strategy, policy dialogue, and the financial assistance was generally good. In addition to addressing socio-economic transformation goals, a clear focus was given, starting with the 1995 Phare programme, to the development of sectoral strategies for the approximation of Lithuania's economic and internal market legislation with the *acquis*, as well as to the promotion of horizontal public administration reform, and Lithuania actively involved itself in the policy dialogue provided under the 'Europe Agreement' and via 'screening'. Programming of the assistance was, largely, coordinated/aligned with the priority reform actions of the Lithuanian side, though state budgetary constraints (notably after the Russian currency crisis in 1998) posed some difficulties in terms of the guaranteed and timely provision of planned national co-financing for actions.

**What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

As indicated above, a clear strength of the policy and the assistance was the strategic approach that often prevailed in terms of the planning of reforms, utilising Phare for the initial scoping of strategy and the development of medium-term action plans, for which assistance could then be programmed in later annual allocations to support the development and enactment of reform measures and with the subsequent further evolution of strategy and medium-term goals. Linked to the approximation of legislation, initially Phare support was provided via TA (including legal experts), but from 1999 such *acquis* oriented actions were predominantly implemented via the Twinning instrument. While this was clearly appropriate, the requirement a Resident Twinning Adviser be deployed for minimum 12-months was sometimes challenging for smaller agencies to absorb, e.g. the range of specialist, internal market institutions. This was remedied by the introduction also of the Twinning Light instrument in 2001.

Programme design, notably linked to *acquis* oriented actions, traditionally provided a good level of information as to the institutional organisation of the key beneficiary(s) and staffing levels, as well as some details on the key target group stakeholders, e.g. business community operators, or social groups; this allowed for quick familiarisation of partners with the overall project environment. However, beyond information on a Project Steering Committee, project management structures were not usually specified, e.g. in relation to the extent of staffing dedicated to support project management and for communication with partners linked to the successful delivery of the results, or for internal decision-making and approval processes necessary for overseeing the delivery of and for the adoption and institutionalisation of the results. A further weakness was the failure to conduct detailed assessments of the institutional capacity of the beneficiary(s) to manage, utilise, and absorb the assistance. A number of capacity constraints were experienced due to the initially low level of staffing, notably at the sectoral level, e.g. in the preparation of technical specifications of adequate quality to launch procurement, in the finalisation of Twinning Covenants with selected partners for submission to the Commission, in the development of inter-agency cooperation and/or of effective communication to and partnership with social partners, etc., or delays in the adoption of the results at the senior-level.

While management of the programme under the Centralised Implementation System (i.e. by the Commission) was generally satisfactory, a weakness of the assistance (notably so in the early-1990s) was the relatively slower pace of communication and feedback between the beneficiary and the Commission that this afforded, e.g. linked to the exchange of draft technical specifications. This was partially remedied by the Commission's establishment of a Delegation in the country in the mid-1990s, which facilitated dialogue on the ground, although the limited initial staffing level did not allow for the deconcentration of Commission responsibility for programme implementation from Headquarters.

Transition to the Decentralised Implementation System (DIS) in Lithuania only started in early-1998, via the establishment of the necessary structures and operational systems on the Lithuanian side, and the deployment of full staff at the Delegation to support management of the assistance and undertake the required *ex-ante* control of project dossiers. The Phare management system was decentralised in June 1999, which, while not immune to efficiency delays in terms of the production by the Lithuanian side of technical dossiers, helped to speed up contracting (as noted in the 1999 Phare Annual Report).

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

As noted in the Commission's 2004 Phare Annual Report: "On the whole Lithuania has made good use of Phare assistance to support the accession process. Harmonisation of legislation, institution building, and investment with the support of Phare assistance progressed well" – for the majority of other countries acceding in 2004 the Commission's comments in this area were sectorally qualified.

Lithuania utilised the full range of delivery instruments available to deliver projects – services (including via Twinning / Twinning Light), supply, works, grants, etc. – and, generally, the design of

actions provided good linkage between project components and across a series of related projects. While not immune to establishing overly ambitious project objectives, Lithuania more often adopted a progressive approach to its achievement of sectoral reforms, over the medium- to longer-term.

## **Conclusions (Lessons Learned)**

### **What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

The main lessons learned in terms of the performance of the assistance with relevance to IPA are:

- Actions promoting Institution Building linked to the *acquis*, including related Investment support, greatly benefited from the existence of a medium-term strategic or Action Plan defining the wider parameters of the reform actions being undertaken by the beneficiary. This not only demonstrated the potential level of ownership, it also facilitated the programming of the EU assistance, which formed part of the wider reform effort enacted and financed by Lithuania, and also provided a perspective for the take-up and sustainable follow-up of actions linked to the EU projects.
- It would have been appropriate if projects were supported by a detailed institutional assessment of the beneficiary's capacity – management structures and staffing linked to the project – to effectively utilise the assistance. Recognising that the programming phase of the EU's financial assistance usually starts one-to-two-years prior to the delivery of the support, this would have provided beneficiaries time to address potential capacity constraints to manage projects.
- Recognising that the majority of sectors were supported by projects spread across different annual programmes, in view of the medium-term nature of the reforms, it was wise to provide clear specification of suitable pre-conditions linked to progress in the enactment and adoption of the earlier phase reforms prior to the final contracting of future project funds. This was notably of relevance in terms of the commitment of significant Investment components, but is equally of relevance to the take-up of results delivered via previous Institution Building actions, e.g. support to the Institute of Public Administration was conditional on the approval of the Civil Service Act.
- In view of the time perspective for establishing the country's capacity and full compliance for membership, it was wise that attention was provided to the establishment of an 'in-house' training capacity, at the Institute of Public Administration, also covering EU accession training programmes for civil servants (legislative, executive and judicial branches), as well as training for EU assistance project partners to develop capacity to programme and manage EU assistance.

### **Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

The initial focus of the Cross Border Cooperation programmes for Lithuania was given to infrastructure upgrades via large investment projects, e.g. transport routes connected to Trans-European Networks and branches, or actions to upgrade regional water and wastewater networks. Whereas the impacts of the actions were generally good at the local level, the relatively limited number of actions, and the diverse nature and location of the projects suggests only limited overall Cross Border impact was achieved, apart from in respect to the modernisation of the port facilities at Klaipeda, supported under a number of the programmes. While there were four Phare beneficiary countries in the Baltic Sea region programme (also Estonia, Latvia, and Poland), as well as relevant Member States, prioritisation of investment actions was identified by the individual Phare countries with limited synergy created.

As of the 1998 programme Cross Border support was also provided via a Joint Small Project Fund grant scheme, targeted to authorities at the local and regional levels as well as non-governmental organisations, supporting the development of cross-border cultural, economic, and people-to-people links and networks, and skills in the field of local governance and the development of cooperation. The Fund was positively assessed by the target groups for its support in building networks to promote

socio-economic development and for building local capacity via the transfer of experiences in development between partners. In view of the relatively small territorial size of the three Baltic states, and that they shared common Member States across the Baltic Sea, and that with the eligible Polish regions, the Phare beneficiary countries partially shared borders with common eastern partners supported by the EC under the TACIS instrument, it was innovative to utilise a regional approach for the Fund, rather than a purely technical interpretation of territorial borders.

However, due to the provision of support to the large investment projects the funding available under the Fund was initially limited – EC grant to each of the four Phare beneficiaries of € 1.0 million – and a significant percentage of grant applications were rejected due to the limited funds available. As the large investment projects could conceivably have been financed either under the Large-Scale Infrastructure Facility (1998-1999) or under the ISPA (2000-2003), it was wise to cease funding such actions under the Cross Border Cooperation programmes and to focus funding via the Joint Small Project Fund, extended for programmes 2001-2003 to also address small-scale infrastructure measures – EC grant was extended to € 3.0 million to each of the Phare beneficiaries as of 2000.

## Annex 5.8: Malta – Maritime Transport / Maritime Policy

### Background

The Maltese archipelago has a total land area of 316 km<sup>2</sup>, a series of Islands of which three are inhabited – Malta (246 km<sup>2</sup>), Gozo (67 km<sup>2</sup>) and Comino (2.7 km<sup>2</sup>). The country is territorially insular from the other Member States within the EU – located in the Mediterranean Sea about 100 kilometres south of Sicily and 300 kilometres east of Tunis. The terrain is low and rocky with coastal cliffs.

Malta was granted independence from the United Kingdom on 21 September 1964, having been a British dependency since 1814. The 1964 constitution guarantees the protection of human rights and the separation of powers, and establishes a parliamentary democracy based on universal suffrage. The constitution was subsequently amended on a number of occasions, notably in 1974 when the country became a republic, and then again in 1987 when the country adopted a neutral status.

In this regard Malta has long been governed as a liberal democracy with a market-based economy.

Malta's political arena is dominated by two main parties – the centre-right Nationalist Party and the centre-left Labour Party – which have alternated in power since the 1950s. For a significant period of time, following independence, the two political parties held clearly divergent views on the EU: the Nationalist Party advocating closer ties, the Labour Party holding a more critical view of the merits.

While Malta is the smallest Member State by population the country has, by far, the highest population density of the EU – it is also the world's eighth most densely populated country. With a population of 421,364 in 2013<sup>189</sup> this equates to 1,333 inhabitants / km<sup>2</sup>; with density on the Island Malta considerably higher than for the other Islands. Since 2002 the country's population has increased by almost 27,000 (or 6.77%). Malta's population density is further accentuated by the large annual influx of tourists.

With extremely limited natural resources, cramped space and a small domestic market, the effects of insularity and physical separation from mainland Europe impact on Malta's ability to reap the benefits of economies of scale due to limited scope for specialization. The Maltese enterprise sector contains a multitude of micro companies (approx. 90% of enterprises have between one to ten employees). Insularity and high density also results in intense demand for economic and social infrastructure in general, and particularly services such as transport, waste management, water, and energy. The economy has, historically, been dependent on external trade in goods and services to generate value-added wealth, and it is, equally, significantly affected by developments in the international economic environment, notably so in its main trading partners. In this respect approximately 65-75% of Malta's external trade in goods and services has traditionally been undertaken with the EU Member States.

In response to the economic downturn in the 1980s and early-1990s the Maltese government introduced a package of economic, industrial, and structural reforms, starting from 1994, aimed at boosting economic-productivity while also addressing the significant structural imbalances of the state's budget, e.g. via the progressive liberalisation and strengthening of the financial sector, the restructuring and privatisation of state-owned enterprises and utilities, the reduction of state subsidies, reform of the taxation system, etc. Successive Maltese governments followed-up with further, significant reforms to overhaul the regulatory and operational framework of the economy, and to promote greater efficiency and effectiveness in the provision of public services. The service sector now accounts for approximately two-thirds of Malta's GDP – key sectors are tourism, financial services, and freight trans-shipment – while the industrial sector accounts for approximately one-quarter of GDP – key sectors are manufacturing, shipbuilding and repair, electrical machinery, pharmaceuticals, and textiles – with agriculture and fisheries accounting for approximately 3% of GDP.

In 1997 Malta's GDP per capita (in PPS) stood at 83% that of the EU-27, rising to 86% in 2012.

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<sup>189</sup> Source of data: Eurostat – <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

## EU Accession Process

Malta's relations with the EU were initially set-out in the 'Association Agreement' signed in December 1970 and entering into force on 1 April 1971. This had foreseen the creation of a customs union between the two parties, indicatively to have been established in two five-year stages. However, progress in enacting the Agreement was limited during the period of Labour Party government from June 1971 to May 1987, and the first-stage was thereby extended on a regular basis since 1977. Following the return to power of the Nationalist Party in 1987 the government concluded that, rather than re-launch the customs union process, it would be appropriate if Malta deliberate full membership of the EU; similar considerations on the submission of applications were undertaken, following the signature of the 'Single European Act' in 1986 (with the Internal Market to be established by end-1992) by several of the then EFTA countries – Austria, Finland, Sweden, and Norway – as well as by Cyprus and by Turkey. The Maltese government submitted its formal application for membership in July 1990.

In June 1992 the European Council concluded that each of the applications for membership must be considered on its merits. With regard to Malta's application the European Commission issued its 'Opinion' in June 1993, confirming Malta's European vocation as well as highlighting the challenges that faced Malta to transform its economy and regulatory systems to adopt the *acquis* in its entirety. To facilitate the process a 'structured dialogue' was established between the EU and Malta in 1995 focused on the continuation of efforts to familiarise the Maltese administration with the *acquis*. Following the election of October 1996 the new government decided to freeze Malta's application. The application was subsequently reactivated following the change of government at the September 1998 election. The Commission's updated 'Opinion' was issued in February 1999. The analytical examination of the *acquis* with Malta ('screening') was completed in January 2000, and negotiations were officially opened at the bilateral intergovernmental conference held in February 2000. Accession negotiations with the ten countries acceding to the EU in 2004 were concluded in December 2002.

In March 2003 the referendum in Malta on EU accession returned a result with 53.65% voting 'yes', based on a traditionally high Maltese participation-rate of 91% of the electorate.

## EU Pre-Accession Financial Assistance – Overview

*Over the period 1978-1999 the EU provided financial cooperation support to Malta of € 138.5 million, chiefly in the form of EIB loans, risk capital, as well as grants (e.g. a scholarship and fellowship fund).*

Following the expiry of the EU's financial cooperation protocols with both Malta and Cyprus at the end of 1999, and in order to facilitate the preparations by both countries for EU accession, the Council of the EU adopted Regulation (EC) No. 555/2000, in 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.

Malta benefited from an allocation of € 36 million EC grant in Pre-Accession Funds over the period 2000-2003 – with 57% provided for Institution Building, 34% for Investment, and 9% for participation in Community Programmes (such as Socrates, Leonardo and Youth) and Agencies – for which the EC grant received Maltese co-financing of almost € 14.5 million. The principal focus of the assistance was to support Malta achieve the ability to take on and to effectively implement and enforce the EU *acquis* – e.g. Tax and Customs, Agriculture, Border Management, Environment, Regional Policy, OHS, etc. In addition to Investment in *acquis* areas supported via Institution Building, € 3.7 million EC grant was allocated for the Gozo sewage treatment plant, which also served as a pilot to build-up institutional capacity to implement Cohesion Policy post-accession, while € 1.45 million EC grant was allocated for pilot Rural Development support schemes, also to build and test capacity for schemes post-accession.

For the 2004 acceding states post-accession assistance, to consolidate their administrative capacity to implement and enforce the *acquis* and to address issues for which individual countries had negotiated a transition period, was also provided, under the Transition Facility. Over the period 2004-2006 Malta

benefited from an allocation of € 21 million EC grant – with 85% provided for Institution Building and 15% for Investment – for which Maltese co-financing of approximately € 1 million was provided.

## EU Pre-Accession Financial Assistance – Ex post Evaluation Findings

### Programme Priority – Transport Policy (Maritime Transport / Maritime Policy)

Ports and the maritime industry/services have always played a very important role in the history and economic development of Malta, mainly because of the Islands' geographical position. The importance of maritime activities has been further enhanced over the past decades via the development of related manufacturing and tourism industries and international shipping services. In this regard Malta has also sought to upgrade its maritime package within a hub concept, focused on a higher-quality, value-added offer. Central to the development of the maritime industry and related services a key focus for Malta has, therefore, been the need to strengthen its implementation and enforcement of maritime transport obligations and safety standards in compliance with international norms and with the *acquis* as this has been further progressed during the 2000s linked to the EU's Integrated Maritime Policy.

EU pre-accession and transition assistance provided to Malta in the area is summarised below:

Year	Project Title	EC Grant (M€)	Co-financing (M€)
2000	Technical Assistance and Administrative Co-operation – sub-project Maritime Safety	0.265 (for sub-project)	0
2002	Maritime Safety through Implementation of the Maritime Transport <i>Acquis</i>	1.731	0.150
2003	Maritime Safety through Implementation of the Maritime Transport <i>Acquis</i>	0.825	0.675
2004	Capacity Building at the Malta Maritime Authority	0.985	0.068 *
TOTAL (as per the project fiche)		<b>3.806</b>	<b>0.893</b>

\* The project fiche indicates an additional M€ 0.138 in co-financing provided linked to the training sub-component

## Impact and Sustainability of PHARE Financial Assistance

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

The Commission's updated 'Opinion' on Malta's application for membership noted that: "the situation is less satisfactory concerning maritime transport, where there is still a long way to go to achieve compliance with the *acquis*. Conditions for setting up shipping companies in Malta and obtaining the Maltese flag are less stringent than those generally applied by Member States and implementation of international safety and pollution standards lags behind the average for the Community fleet. Furthermore, Malta does not apply certain key safety requirements and progress is urgently needed."

Linked to Flag State management by the Maltese administration, the 'Malta Flag' formally came into existence in 1973, with the registration of vessels under the flag progressively growing so as to become one of the largest fleets in terms of gross tonnage – in 1999 Lloyd's Register rated the 'Malta Flag' fleet the world's fourth largest. However, for many years the detention rate for 'Malta Flag' vessels, under the operation of the Paris Memorandum of Understanding, was such that the flag was placed on the Black List in terms of vessels' compliance with established safety, professional and

operational standards – 56.71% of 1997 Port State Control<sup>190</sup> inspections of ‘Malta Flag’ vessels found some compliance deficiencies, with 12.21% of inspections resulting in the vessel’s detention. A key priority for Malta was therefore to strengthen and to effectively enforce its Flag State Control regime.

Additionally, reflecting the increased number of ships calling at Malta, in the anchorage areas around Malta, or passing through its territorial waters, a key priority has been for Malta to effectively enforce its own Port State Control regime, to ensure that foreign flag ships are operated in a safe manner and do not pose a pollution risk – the number of ships calling at Malta increased by more than 20% in the decade following the mid-1990s, while the corresponding gross tonnage increased by over 40%.

Furthermore, EU policy in regard to maritime affairs has been substantially modernised since the early-2000s – e.g. in regard to vessel traffic monitoring, port and maritime safety and security, environmental protection, the transportation of dangerous goods, the integrated management of coastal zones – plus in terms of the strengthened coordination of information management and sharing between the respective Member States at the European level following the establishment of the European Maritime Safety Agency in 2002, and the promotion of integrated maritime governance.

The Accession Partnership of late-1999 highlighted the need for Malta, in the short-term, “to adopt a strategy and timetable for the transposition and implementation of the *acquis* particularly in the field of ... maritime transport (including maritime safety),” while in the medium-term Malta needed to “align ... maritime transport legislation”. The Accession Partnership of late-2001 highlighted the need for “particularly urgent action [to] complete alignment and implementation of maritime transport legislation, in particular enforce maritime safety standards, and further strengthen the administrative capacity of the Maritime Authority in order to improve the Flag State performance of the Maltese Merchant fleet”.

The programming of EC support to Malta in the area of maritime transport was coherent and effective in addressing the priorities/needs of Malta. The programming of support ensured that a suitable mix of delivery instruments were planned under each project, for which there was also a logical linkage and sequencing between actions implemented across the 2000-2004 projects to progress the roll-out of reform actions. In July 2001 the Maltese administration submitted a Maritime Transport Action Plan 2001-2002 to the Commission, which also served to support the programming of EC-funded actions on an annual basis. Across the four projects a sum of € 4.7 million was allocated to the maritime transport sector: 81% was EC grant and 19% was Maltese co-financing grant, with 51% of the funds allocated to Institution Building actions and 49% for Investment actions. An overview of the core actions supported and the delivery instruments utilised is provided below:

<b>Training</b>	The 2000, 2002, and 2004 projects provided grant for the attendance of the Maritime Authority’s staff at a range of professional training courses in the maritime sector (at universities / specialist institutions), plus via hands-on training at similar institutions.
<b>Port State Control / including VTMISS</b> <i>(Vessel Traffic Monitoring &amp; Information System)</i>	<p>The 2002 project provided Twinning support linked to the development of legislation and operational systems/procedures linked to the monitoring of vessels and the clearance of dangerous goods and the handling of waste in ports. This included the development of a national and port-specific waste reception and management strategy, the establishment of a dangerous goods database and the upgrade of the management information system and procedures for Port Control, plus identification and technical specification of hardware and software requirements for the VTMISS.</p> <p>The 2002 project also provided Investment for the procurement, installation, and testing of the information system upgrade, plus the training of staff on its operations.</p> <p>The 2003 project provided Investment for the procurement, installation, and testing of the related VTMISS equipment, plus the training of staff on the system’s operations.</p> <p>The 2004 project provided Twinning Light support to consolidate the Maritime Authority’s operational and regulatory control, monitoring, and enforcement capacity.</p>

<sup>190</sup> Paris Memorandum of Understanding on Port State Control, Annual Report 1997

	<p>The 2004 project also provided TA to support the extension of the management information systems for Port Control and port management to include new modules.</p> <p>The 2004 project also provided limited Investment support for the procurement of specialised equipment to carry out the enforcement of Port Control and port security.</p>
<p><b>Flag State Control</b></p>	<p>The 2002 project provided Investment support for development of a functional fleet management system for performance monitoring of each ‘Malta Flag’ vessel, via the procurement, installation, and testing of related hardware and the development of bespoke software, plus the training of staff on the system’s operations.</p> <p>The 2004 project provided Twinning Light support to consolidate the Maritime Authority’s operational and regulatory control, monitoring, and enforcement capacity.</p> <p>The 2004 project also provided TA to support the extension of the management information systems for Flag Control and fleet management to include new modules.</p>

The provision of support under the Transition Facility in 2004 was fully justifiable in order to address the remaining implementation and enforcement capacity weaknesses identified by the Commission in its November 2003 ‘Comprehensive monitoring report on Malta’s preparations for membership’: “In the field of maritime transport, framework legislation is in place and in line with the *acquis*. However, the adoption of implementing legislation remains to be completed.... The relevant administrative structures in this area are in place, but staffing levels should be further strengthened. Malta should pursue its efforts to further improve safety standards.... The Maltese flag is still on the black list of the Paris Memorandum of Understanding [a detention rate of 7.4% in 2002]. Efforts should be sustained to ensure that Malta will meet its objective of removing the Maltese flag from the Paris MoU black list.”

The pre-accession and transition support provided to Malta in the area of maritime transport policy was highly relevant in addressing the priorities/needs of Malta. The main weakness in the design of the support was the lack of a technical pre-feasibility study by the beneficiary linked to the scope of the management information systems to be developed – for both Flag State Control and Port State Control the full extent of the needs and of the time required to develop software was under-estimated – or for the installation of the shore-based VTMS infrastructure and equipment – and the potential need for detailed development applications and environmental impact statements for some sites.

The implementation of the actions also suffered constraints due to the initially limited capacity of the Maritime Authority to efficiently manage and absorb the full range and extent of support and inter-linkages between contracts. Preparation of tender documentation for final project components, notably linked to the management information systems, was often pushed close to the contracting deadline – following the standard ‘N+2+1’ schedule – and thereby there was limited flexibility or contingency-time to support the implementation of complex contracts signed at the end of the commitment deadline. While the Maritime Authority has progressively increased its staffing over the past decade, it is recognised that the size of the Maltese administration is reflective of a small overall population. In this regard the initial absorption constraints faced by the Maritime Authority related primarily to the availability of its technical personnel to participate in project implementation or of staff available for training at any given time, balanced against the growing operational needs of the Maritime Authority for people to effectively undertake the implementation and enforcement of strengthened functions. In this respect the Maritime Authority judged that the cost of a full-time Resident Twinning Adviser (RTA) outweighed the benefit of having a RTA available throughout the duration of the project. Accordingly the decision was taken to have two Twinning Light projects in 2004, which was judged as more flexible and cost-effective in terms that each short-term mission was focussed on completing a particular task.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Despite some efficiency constraints linked to the development of the management information systems and in the installation of equipment for the last radar site for the shore based vessel traffic monitoring system, the financial assistance was effectively utilised to deliver the intended results and

specific outcomes. The assistance did successfully develop and institutionalise the strengthened technical and operational competence of the Malta Maritime Authority in the administration, regulation, monitoring, and enforcement of the developing EU *acquis* and international standards linked to maritime safety, maritime security, marine pollution prevention, and environment protection measures.

This was achieved via the progressive upgrade of technical norms, regulatory and procedural standards, the introduction of an integrated fleet management information system, the introduction of a notification and reporting system for ships, regardless of flag, carrying dangerous or polluting goods bound for or leaving Maltese ports, the establishment of an integrated vessel traffic monitoring and management information system, the improvement of port facilities and security, the strengthening of human resources and technical expertise, and via awareness-raising actions for operators and users.

The ownership of the goals by the Maritime Authority was clear, ensuring that the planned results and benefits were delivered and utilised. The projects formed part of a wider programme of reform that the Maritime Authority embarked on in 2003 to lead the way for all interested stakeholders in Malta to become compliant with the IMO regulations and recommendations by mid-2004, as part of a long-term programme for Malta to become a leading player in international maritime security, including future investment needs required to enhance and manage all maritime activities and general security thereof.

#### **What have been the impacts of PHARE in qualitative and quantitative terms?**

The impact of the financial assistance provided to Malta in the area of maritime transport is very good. Building on actions since the 1990s to address the poor technical and safety record of the Maltese fleet, plus an initial series of *acquis* alignment measures adopted by Malta in 2000 – via amendment of the Merchant Shipping Act regarding vessel registration under the ‘Malta Flag’ and the operations of the Maltese fleet – the financial assistance has supported Malta with vital Institution Building and Investment actions to establish the capacity to effectively implement and manage the maritime transport *acquis* and to achieve good compliance with related international standards and targets. Complementary Investment projects linked to the vessel traffic monitoring and management information system and ports’ security monitoring were made by Malta under the ERDF 2004-2006.

Notably, Port State Control and fleet management / Flag State Control operations conducted (now) by Transport Malta have progressively delivered increased levels of maritime safety and security:

- Since July 2006 Malta has been a full member of the Paris Memorandum of Understanding on Port State Control, conducting inspections of vessels calling at, in the anchorage areas around, or passing through Malta’s territorial waters in accordance the standards of the Paris MoU, and the introduction of the New Inspection Regime adopted in line with the ‘3<sup>rd</sup> Maritime Safety Package’.
- Whereas the target set for Paris MoU members is to conduct inspections of minimum 25% of ships visiting their ports, based on established risk-assessment criteria for vessels (e.g. ship type, age, ‘Flag’, cargo, etc.), Malta has exceeded this target each year since 2006, traditionally achieving an inspection rate of 30-35%. On average 60-70% of the inspections undertaken by the Maltese side identify some level of technical or operational compliance deficiencies; this compares with an average rate of 55-60% for all inspections under the Paris MoU. Deficiencies are judged serious enough for Malta to enforce the detention of 4-7% of the vessels inspected.<sup>191</sup>
- Reflecting the further evolution of EU policy in the area of maritime surveillance, the wider impact of the assistance linked to the establishment of the VTMS is also evident in terms of Malta’s contribution to and the benefits provided to it arising from the development at the European-level of integrated maritime surveillance services under the European Maritime Safety Agency (EMSA). The integration of information and data exchange has further enhanced the effectiveness of the EU and the Member States’ surveillance, monitoring and risk-assessment systems and activities, via the ability of countries to combine information from a wider range of different data sources, and as such greatly enrich the maritime domain awareness picture available to them.

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<sup>191</sup> Paris Memorandum of Understanding on Port State Control, Annual Reports 2007-2012

- In regard to fleet management / Flag State Control, the fleet management information system brings together all the information related to managing each 'Malta Flag' ship's register. The administration has continued to raise the technical requirements that ships must comply with, in line with international standards, and has further expanded its system, introduced in 1993, of conducting random inspections of Maltese ships worldwide using the services of its own global network of inspectors; these random inspections complement inspections conducted of 'Malta Flag' ships while visiting port in Malta, plus inspections conducted by other Paris MoU members.
- While the percentage of inspections of 'Malta Flag' vessels under the Paris MoU reporting some level of technical or operational deficiency has not significantly altered over the past years – traditionally 55-60% of inspections report some deficiency – the severity of the deficiencies and the detention rate for 'Malta Flag' vessels has progressively declined over the past 15-20 years<sup>192</sup>:
  - Up to year 2000 the percentage of inspections resulting in detention due to serious deficiencies always exceeded 10%, with Malta on the Paris MoU Black List; in 1997 Malta had the 12<sup>th</sup> worst record for vessels detained of the total 108 countries operating a 'Flag'.
  - In 2004 Malta progressed to the Paris MoU Grey List, and finally achieved White List status in 2005, with a detention rate in 2005 of 4.75% of inspections conducted.
  - In 2012 the detention rate for 'Malta Flag' vessels had dropped further, to 3.18%.

In addition, a significant impact of the financial assistance has been the further development of the capability to provide accredited maritime training courses in Malta for seafarers and maritime professionals, notably via the Maritime Institute, thereby ensuring that the maritime courses developed through the assistance be further utilised and further developed by the Maltese side to provide continuity in skill transfer in a more cost effective manner over the long-term. The Maritime Institute currently offers 40 training courses for professionals as well as small pleasure craft owners.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

As indicated above, Malta has continued to operate and enforce a good level of maritime safety and control, and the sustainability of the benefits provided by the financial assistance is assured. Malta's operation of Port State Control compares favourably with the other members of the Paris MoU in terms of its compliance with the target of inspecting a minimum 25% of ships visiting its ports; Malta has traditionally been one of the top ten members in terms of the percentage of ships calling at port that it inspects. In terms of the detention rate for 'Malta Flag' vessels, in 2012 Malta was the 23<sup>rd</sup> best performing (i.e. the lowest detention rate) of the 78 'Flag' countries rated that year by the Paris MoU. Of the EU Member States Malta thereby ranked as 13<sup>th</sup> in terms of the lowest detention rate. Malta is an active participant in international shipping fora relating to maritime safety, security, protection of the environment, and the safety and welfare of seafarers. Malta has effectively ensured the further modernisation of the legal and technical framework for the management of maritime transport in accordance with the progressive update of the *acquis* and international standards. Malta also maintains close consultation with stakeholders via the Malta International Shipping Council, as well as via the communication of a system of Notices to the shipping community – e.g. Merchant Shipping Notices, Technical Notices, Information Notices, etc. Transport Malta also undertakes regular educational and information campaigns targeted to the general public – e.g. Safety at Sea Campaign.

Apart from Malta's need to ensure compliance with the *acquis* and international norms in the area, the key factors that have influenced the sustainability of the reforms are:

- The vital importance of the maritime sector for Malta – as a means of transport, plus a range of industrial and service sectors related to the use of the seas – in terms of the safety of and

<sup>192</sup> Paris Memorandum of Understanding on Port State Control, Annual Reports 1997-2012

conduct of ships operating within Malta's territorial waters, and in terms of the safety of and conduct of 'Malta Flag' ships, which remains to be one of the ten largest registers in the world.

- The strong focus provided by the Maltese administration since the 1990s to reforming the shipbuilding and repair sector, enhancing the reputation of the 'Malta Flag', and upgrading its overall maritime package within a hub concept, focused on a higher quality, value-added offer.
- Accordingly, the reforms were supported by specific Action Plans adopted by the Maltese administration establishing a path for action and goals to be achieved over the medium-term. This reflected the solid ownership of the projects and goals supported by the financial assistance. This was also reflected by the provision of a Maltese co-financing grant for Institution Building and Investment – 19% of the total grant for the pre-accession projects covered under this evaluation; complementary Investment projects financed under the ERDF received a 25% co-financing grant.
- The Maltese administration recognised at an early phase of the reforms the need to increase the level of and the competence of its staffing, and of other actors, linked to the management of maritime policy and safety, and thereby established a path to ensure the institutionalisation of and the sustainability of the benefits provided via the assistance in terms of training provision.

## **Socio, Economic and Institutional Impact of the Enlargement Process**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

Reflecting that Malta has long been governed as a liberal democracy, operating a market-based economy, Malta did not need to undertake a 'political transition' or significant 'economic transition' in order to achieve compliance with the 'Copenhagen Criteria' for EU membership. Reforms in these areas were undertaken by the Maltese administration, since the 1990s, in terms of actions promoting the modernisation of the Maltese economy and regulatory framework, and of the public services. In this respect the principal focus for the EU's pre-accession and transition assistance to Malta was to support it achieve the ability to take on and to effectively implement and enforce the EU *acquis*.

In the area maritime transport / maritime policy, the accession process required Malta to undertake a significant upgrade of the regulatory and operational framework to ensure compliance with the *acquis*. The targeting of financial assistance to support the reform process was clearly relevant, and the projects successful in delivering legal, operational and behavioural changes in the sector. Malta continues to sustain and deliver the benefits and to further develop these as maritime policy evolves.

Malta is now in a strong position to offer a comprehensive maritime package and facilities, based on a hub concept, focused on a higher-quality, value-added offer, with a good reputation for safety, for:

- Activities aimed to support local industry and consumers, namely import/export of cargo and ferry passenger operations, and the carriage of goods and passengers between the Islands, and
- Activities which are essentially based on the excellent geographical location of Malta, including transshipment, cruise shipping, ship servicing, bunkering, ship repair and yachting.

In addition to delivering improved maritime safety standards, the accession process and the implementation of the reforms have also produced economic/trade benefits for Malta – e.g. in 2010, compared to 2001, the gross tonnage of vessels registered under the 'Malta Flag' had increased by 40%, cargo throughput (TEU's) at Malta Freeport had doubled, as too did the gross tonnage of vessels arriving in Malta's territorial waters, while the number of super-yachts under the 'Malta Flag' reached almost 340 in 2012, with the number of cruise passengers in Malta increasing by 80% from year 2001 to year 2010 despite a partial reduction in the overall number of cruise liner visits.<sup>193</sup>

## **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

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<sup>193</sup> Transport Malta, Annual Report 2010 and Annual Report 2012

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

In regard of Malta, a good level of synergy was created between the accession strategy, policy dialogue, and the financial assistance provided.

Accession strategy was clearly defined by the EU in terms of the Commission's updated 'Opinion' of February 1999, the annual 'Regular Reports', the 'Comprehensive monitoring report' of November 2003, and by the Council of Ministers in the 'Accession Partnership' with Malta of 1999 and 2001.

The corresponding Maltese strategy for accession was defined in the 'National Programme for the Adoption of the *Acquis*' (NPAA). Preparation of the NPAA by the Maltese side was informed by the series of meetings held between the Commission and the Maltese administration to undertake a detailed examination of the *acquis* ('screening'), which was completed in January 2000. The formulation of sectoral strategic plans and Action Plans was also guided by policy dialogue on the evolution of the *acquis* and the results arising from the negotiations on the individual *acquis* chapters.

In the area of Transport Policy, negotiations on the *acquis* chapter with Malta were opened in March 2001 and were provisionally closed in October 2001. In the area of maritime transport the Maltese administration adopted an initial multi-annual Action Plan in 2001, subsequently updated in 2003.

Overall, the financial assistance was well coordinated/aligned with the accession-oriented reforms undertaken by the Maltese administration. The assistance addressed priorities identified in the 'Accession Partnership' and the NPAA, plus in sectoral Action Plans where these had been prepared – the financial assistance was also used by Malta to draw-up strategies where these did not exist. The 2000-2003 pre-accession programmes also received a good level of Maltese co-financing – 28.7% of the total programme funding – indicating close coordination/alignment of the actions with the reforms.

**What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

On the Maltese side, in 2001, responsibility for the coordination of EU assistance was transferred from the Foreign Ministry to the Office of Prime Minister, ensuring that the pre- and post-assistance programmes were close to the centre of decision-making and that constraints in implementation could be addressed from such a position. Programming of the assistance was based on a clear strategic framework, and a good level of dialogue between the Commission and the Maltese side in terms of assessing priorities to be addressed towards compliance with the obligations of EU membership.

Rather than establish a separate CFCU the existing Department of Contracts, at the Ministry of Finance, undertook this function. In light of the fact that a separate CFCU would be an additional unit with only a medium-term perspective – to manage pre-accession funds – this was an appropriate decision for Malta. While the Department of Contracts had to go through a 'learning-curve' as to the requirements of the PRAG and in securing EDIS accreditation, this experience was useful in terms of introducing the Maltese side to the more demanding and transparent procurement processes required of the *acquis*, prior to Maltese procurement rules being suitably aligned with the *acquis*. This assisted the Department of Contracts to smoothly transition national procurement rules in line with the *acquis*.

Recognising that Malta had no experience of pre-accession programmes prior to 2000, and thereby limited exposure to the management of EU grants, plus the overall small size of its administration, a weakness of the policy was the failure to conduct detailed assessments of the institutional capacity of the beneficiary partners to exploit and absorb the scale of the assistance. A number of capacity constraints were experienced in the preparation of detailed technical specifications by beneficiaries of sufficient quality for launching the procurement of actions, as well as in the development of complex information technology systems, as well as partners undertaking their first standard Twinning project.

**Which type of assistance and reforms achieved the most sustainable results and what were**

#### the reasons for that?

Reflecting that the principal focus for the EU's pre-accession and transition assistance to Malta was to support Malta achieve the ability to take on and to effectively implement and enforce the EU *acquis*, significant utilisation was made of the Twinning instrument for the delivery of the assistance. This was appropriate and was well received by the Maltese administration as peer-to-peer advice and expertise.

In addition to standard Twinning projects (with a Resident Twinning Adviser for minimum, 12-months) – e.g. Tax and Customs, Agriculture, Border Management, Environment, Maritime Safety, Regional Policy, OHS, Data Protection, etc. – the 2000-2003 programmes included a Technical Assistance and Administrative Cooperation facility and the 2004-2006 programmes an Unallocated Institution Building Envelope – i.e. for actions primarily delivered via Twinning Light, for which the annual project fiches prepared by the Maltese side each provided a detailed pre-indication of priority areas to be supported. Reflective of the size of and overall professionalism of Malta's administration it was appropriate that programming of the assistance provided for significant use of the Twinning Light instrument. Effective utilisation of the standard Twinning instrument – as in the area of Maritime Transport / Policy – faced some constraints due to the capacity of the beneficiary to exploit and absorb such constant support.

Equally, recognising the initially low level of staff dedicated to the EU-agenda, with sufficient technical skills, and that it would require some years to put in place across the administration as staff were redeployed and trained and/or technical experts recruited, it was an effective use of the assistance to promote the establishment of longer-term training capacity in Malta on the sectoral EU *acquis*.

### Conclusions (Lessons Learned)

#### What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?

Reflecting that the principal focus for the financial assistance to Malta was in the area of building capacity for management of the *acquis*, the lessons learned in respect of such assistance are:

- Actions promoting Institution Building linked to the *acquis*, including related Investment support, greatly benefited from the existence of a medium-term strategic or Action Plan defining the wider parameters of the reform actions being undertaken by the beneficiary. This not only demonstrated the level of ownership, it also facilitated the programming of the EU assistance, which formed part of the wider reform effort enacted and financed by the Maltese side, and also provided a perspective for take-up and sustainable follow-up linked to the EU projects. Where such strategies did not exist Malta prioritised *acquis* areas to receive support in the development of reform strategies or Action Plans, to support the future programming of actions.
- The Institution Building actions were also aided by the attention to ensure the institutionalisation of and the sustainability of the benefits provided via the training elements of the assistance.
- Given the relatively small size of the Maltese administration some constraints existed to fully exploit and absorb support delivered via the standard Twinning instrument; far greater use was made of Twinning Light. It would have been appropriate if projects proposing standard Twinning assistance were supported by a detailed institutional assessment of the beneficiary's capacity – management structures and staffing linked to the project – to effectively utilise such assistance. Recognising that the programming phase of the EU's financial assistance may start one-to-two-years prior to the delivery of the support, this would have provided beneficiaries time to address potential capacity constraints to manage standard Twinning, or to have opted for Twinning Light.
- The development of major, integrated management information systems is, traditionally, a complex task, for which a detailed technical pre-feasibility study should be undertaken to establish the overall parameters. It is fully justifiable that EU assistance should support such detailed analysis. However, for significant management information systems it is not necessarily efficient or effective that support be provided under the same project fiche linked to the technical development of the associated system, software, and hardware installation. Given the complex nature of the maritime management information systems, and the initial lack of exposure of the

Maltese side, at technical level, in the preparation of documentation suitable for launching procurement in accordance with EU-rules, the 2002 project was very ambitious.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

Malta did not participate in the CBC programme under the EU's pre-accession assistance.

## Annex 5.9: Poland – Transport Policy

### Background

Poland has progressed through a profound transformation of its social, economic, and political structures since the fall of communism. The national economy has been growing steadily (3.7% GDP growth in 2010) even though national statistics do not reflect the social challenges that many Poles face in their daily lives. The living standards result in a large part from the consequences of the structural changes that took place during the transition from a centralized to a market economy. The operating environment and institutional framework had particular characteristics of the time where the institutions were weak and had to be supported with external assistance. During that time, many large public employers either went bust or were privatized, which almost always resulted in massive layoffs. Since Poland moved from an industry-based to a service-based economy, many of these workers could not find work, as their skills had become obsolete and unnecessary. At present, the unemployment rate remains relatively high in the EU and amounts to around 9.6% (Eurostat, 2011). The socio-economic sector in Poland includes a diverse range of institutions, some emerging from the traditional non-governmental sector and others more closely associated with the private sector. Over 19% of 64,500 registered NGO's take advantage of the possibility of running an income-generating business activity (2008). Relevant socio-economic data following the EU accession states that:

- An estimated 16,000 cooperatives currently function in Poland in a variety of domains ranging from housing and medical services to consumer cooperatives.
- Over 500 social cooperatives have been founded since the 2006 Polish Act on Social Cooperatives was adopted.
- Over 60 Social Integration Centres (CIS) have been established based on the 2003 Act on Social Employment by Polish NGO's, welfare centres and local governments to provide employment for people from socially marginalized groups (especially long-term unemployed, the homeless, formerly incarcerated individuals).
- About 60 Vocational Training Centre (ZAZ) offer transitional employment specifically to the physically and mentally disabled with the goal of helping them re-enter the open labour market.

Poland has pursued a policy of economic liberalization since 1990 and at present is a success story among transition economies. In 2008 GDP grew an estimated 4.8% based on rising private consumption, a jump in corporate investment, and European Union funds inflows. Since 2004, EU membership and access to EU structural funds have provided a major boost to the economy<sup>194</sup>. The Gross Domestic Product (GDP)<sup>195</sup> growth rate averaged 1.04% from 1995 until 2014, reaching an all-time high of 6.40% in the first quarter of 1997 and a record low of -3.20% in the fourth quarter of 1996. GDP expanded 1.10% in the first quarter of 2014 over the previous quarter.

### EU Accession Process

Accession to the European Union (EU) was the key stage of the implementation of Poland's economic strategy initiated in the 1990s. This strategy was based on four pillars: macroeconomic stabilisation, strengthening of the financial sector, implementation of structural reforms and accession to the EU.

The initial pre-accession period was characterized by rapid economic reform, but also by frequent changes of government as tensions increased in parallel with affected policy areas. However, the 1996 establishment of the Committee on European Integration and its arbitrary powers brought a big leap forward in providing solutions to complex and multifaceted problems. This was shortly followed by the January 1997 'National Integration Strategy' which sought to systematize the integration responsibilities and tasks to be completed during the pre-accession period.

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<sup>194</sup> Source: <http://www.tradingeconomics.com/poland/gdp-growth>

<sup>195</sup> Source: The Central Statistical Office of Poland (GUS).

On 1 May 2004 Poland acceded to the EU together with nine other countries. Fifteen years of efforts preceded by the systemic transformation since 1989 came to an end. During this time, Poland was obliged to pass all required stages of the accession procedure starting with the submission of the membership application in April 1994. Membership conditions were defined during the accession negotiations, which were opened in March 1998. The negotiations were ultimately finalized with the signing of the Treaty of Accession in April 2003. At the same time Poland engaged in extensive harmonization of its legislation in order to fulfil the membership criteria. The historic decision in favour of Poland's accession to the EU expressed by the people in the accession referendum on 7–8 June 2003 sealed the decision of the Polish authorities.

## **EU Pre-Accession Financial Assistance – Overview**

*It is estimated that the overall support for Poland under the three pre-accession instruments, Phare, ISPA and SAPARD, amounted to ca 5.7 billion Euro in the period of 1990–2003.*

During 1990-2003 Poland was allocated € 3879.2 million under the Phare Programme:

- EC grant of € 1388.5 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of Poland, covering:
  - Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
  - Cross Border Cooperation – with the Czech Republic, Germany, Lithuania, and Slovakia.
- EC grant of € 2490.7 million was allocated over the period 1997-2003 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, agriculture, environment, employment and social affairs, justice and home affairs, transport, institutional and administrative capacity, preparations for Structural Funds, the promotion of economic and social cohesion, Cross Border Cooperation (also with Belarus and Russia's Kaliningrad oblast), and nuclear safety.

During 2004-2006 Poland was allocated a further € 114.9 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis*.

The monetary amount of Phare assistance provided to Estonia is summarised below<sup>196</sup>:

<b>Years</b>	<b>1990-1996</b>	<b>1997-1999</b>	<b>2000-2003</b>	<b>2004-2006</b>	<b>TOTAL</b>
Amount €M	1388.5	632.3	1858.4	114.9	3994.1

## **EU Pre-Accession Financial Assistance – Ex post Evaluation Findings**

### **Programme Priority – Transport**

EU transport legislation aims at improving the functioning of the internal market by promoting safe, efficient and environmentally sound and user-friendly transport services. The transport *acquis* covers the sectors of road transport, railways, inland waterways, combined transport, aviation, and maritime transport. It relates to technical and safety standards, security, social standards, and state aid control and market liberalisation in the context of the internal transport market.

<sup>196</sup> The figures cover Phare Programme support under National Programmes as well as funds allocated under the Phare Cross Border Cooperation (CBC) Programmes.

Poland's membership in the EU had a significant impact on transport infrastructure development co-funded by the Cohesion Fund (CF), the Sectoral Operational Programme Transport (SOPT), and the Integrated Regional Operational Programme (IROP). It was estimated that in the financing period 2004–2006 (the first years of the membership and the immediate pre-accession period, with spending deadline on 31 December 2008) approximately EUR 4.8 billion should be allocated to the Polish transport sector. The degree of actual utilisation of the funds from the Cohesion Fund and IROP financing is lower (it amounts to approximately 70-80%) and is not entirely satisfactory.

The medium-term priorities and objectives of Poland's 1999 Accession Partnership were to complete alignment and reinforce administrative/enforcement capacity in road transport (market access, road safety, rules for dangerous goods and taxation), railways, maritime transport (including ship reporting and classification requirements), inland waterways (technical requirements for vessels), and air transport (in particular air safety and air traffic management).

EU assistance to Poland in the area of transport is summarised below:

Year	Project Title	EC Grant (M€)	Co-financing (M€)
2006	Extension of Institutional and Organisational Capabilities of the Office for Railway Transport in the Area of Supervision of Railway Market in Poland	1.500	0.520
2005	Expanding the administrative capacity to implement EU rail market regulations	2.200	0.200
2003	Improvement of the managing structures implementing the Cohesion Fund and ERDF in the transport sector.	2.000	0.400
2002	Implementation of EU legislation in the field of civil aviation and railway sector	2.800	0.900
2001	Polish Railways Restructuring	2.500	1.000

## **Impact and Sustainability of Phare Financial Assistance**

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the Phare beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

In Poland, the Phare programme was a key tool of the pre-accession strategy and played an essential role in the accession process. Phare was the source of numerous institutional reforms and structural changes and created a good base for strategic thinking in the public administration. In the early phase (1991-97) it contributed to the design and implementation of various sector strategies, and subsequently it became a helpful tool to support adjustments necessary for EU membership requirements. Starting from its inception, as an essentially demand-driven support, its significance evolved over time and became an entirely accession-driven instrument. The programming priorities of Phare in Poland were based on the Accession Partnerships and on the Commission's Regular Reports on the candidate countries' progress. Poland contributed to the strategy by preparing National Programmes for the Adoption of the Acquis, which were intended to incorporate acquis-related issues into the wider frame of national strategies. The implementation of the last Phare sector-specific programmes was completed in 2005-2007. Although the so-called Transition Facility was considered as a continuation of Phare, it was completed 3 years later.

The Phare programme helped the process of restructuring the most important sectors of the Polish economy. Every year the indicative programme was negotiated with the European Commission, defining priority areas of assistance. This assistance was targeted at enhancing the process of preparing Poland for full EU integration and membership. Phare assistance generated benefits for institutions dealing with the transport sector, increasing capacity for planning and implementation. This primarily concerned the Ministry of Infrastructure, the General Directorate of National Roads and Motorways (GDDKiA) and PKP Polish Railway Lines. Phare was the source of numerous institutional reforms and structural changes. In the early phase (1991-97) it contributed to the design and implementation of transport strategies and subsequently became a useful tool for making the necessary adjustments to meet EU membership requirements. Programming reflected the changing needs of the country starting with legislation, reviews, analysis, and identification of high priorities, infrastructure investments, and integration of the Polish Transport sector to EU standards. Phare programme objectives were consistent with national and sector accession strategies, especially after 1997 when the enlargement strategy, Agenda 2000, was adopted and Phare became the tool for its implementation. National Phare transport projects had been quite general in the early years (1991-1995), with relatively rigid transport components exposed to risks related to fast-changing government policies and preferences. From 1998 onwards transport sector needs assessments were adequate.

Most of the projects complied well with the EU objectives. Although a participative approach was applied, the needs assessment was hampered by the fact that wider policy objectives were only identified in broad terms at appraisal. The above listed projects complied with national policy objectives, which were consistent over time. Central government and beneficiaries supervised the contractors. The listed projects contained output targets, which were realistic and took into account the time needed to select the areas and define operating procedures. Risks and assumptions for the most part were clearly identified and elaborated at the level of project purpose and references for coordination and building of partnerships have been integral to the design.

Phare assistance objectives corresponded to the accession priorities and mid-term tasks defined in the National Programme for the Adoption of the Acquis (NPAA) and helped the approximation of the Polish legislation on the road transport to the EU *acquis* as one of the most important tasks of the pre-accession period in Poland. As the transport *acquis* includes the sectors of road transport, railways, aviation, maritime transport, and inland waterways, Poland was required to adopt and implement legislation concerning technical and safety standards as well as social standards. In the land transport sector, Poland had completed the implementation of its commitments with regard to legislative alignment with the road transport *acquis* but in the technical field more assistance was needed especially regarding technical inspections at roadsides. In the road transport sector the framework legislation had been adopted, but special attention was placed on the implementation of the interoperability directives, including the appointment of notified bodies for assessing the conformity of interoperability constituents. Also in the area of air transport the framework legislation had been adopted but more work was required for further alignment with the *acquis*, in particular with regard to licensing, ground handling, and slot allocation. Prior to its 2004 accession, Poland was able to meet the commitments and requirements arising from the accession negotiations in the areas of trans-European transport networks road transport, inland waterway rail transport and air transport and was able, to implement the relevant *acquis*.

Being aligned with national and sector-specific policies, the programming of EU support was coherent and effective in meeting the needs of Poland's transport sector. The support successfully leveraged substantial loan funds for investment and following the Copenhagen European Council decision, co-financing was used to leverage substantial investment by International Financial Institutions. Without Phare funds transport financing would either have been cancelled or put on hold for better times.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

In the transport sector positive results were achieved in investment projects aimed at increasing traffic capacity and safety around conurbations (A4 Motorway Krakow by-pass; A4 Motorway section Nogowczyce - Kleszczów on the western approaches to Gliwice; A2 Motorway by-pass Poznan) and at key border points (Dorohusk border road at the Polish–Ukrainian border) as well as improving railway connections. The completion of the Twinning for Transport Administration contributed to the adoption of EU standards and legislation mainly in the field of maritime safety and environmental standards and practices in road and railway transport.

Support was provided for the construction of an access road to a previously constructed bridge over the Elblag river. It was implemented as part of the Phare 2000 Economic and Social Cohesion programme for a total budget of 6,284,699 Euro (EU contribution 2,480,935 million Euro). The road and bridge facilitated access to investment areas and redirected traffic out of the town. It also contributed to the development of regional level infrastructure, facilitated investments around the location, and was expected to generate job creation, increased safety of travel and increase growth targets. The road was named the European Union route.

#### **What have been the impacts of Phare in qualitative and quantitative terms?**

During the years 1991-1999, Phare supported the Polish transport sector through different kind of programmes: national, multi-country, horizontal, and Cross-Border programmes. The main focus was placed on the improvement and development of Polish road and rail infrastructure. The total of co-financing granted for investment projects in this period amounted to 502.55 million EUR. The non-investment part of the Phare assistance was assigned for training of the Polish transport administration, harmonisation of the legislation, and studies not directly connected with investments and procurement of the equipment. Starting from 2000, the assistance stopped financing investment projects in the transport sector and was instead directed on institution building. In parallel to Phare, the new pre-accession instrument – ISPA was introduced. ISPA financed mainly investment projects and preparation of the investments. In the years 2000-2002 twenty projects were accepted for ISPA transport co-financing including 7 road investment projects and 7 rail investment projects.

The Phare program is considered to be an important instrument in the transport sector. The immediate impact was visible even though transport investments are characterised by a relatively long preparation and implementation period. Phare provided financial assistance for implementation of the structural and institutional adjustments and contributed highly in the modernization of the transport sector in Poland although in the case of physical infrastructure, the scale of Phare intervention was not considerable compared to the size of the country. In regards to the road transport, despite substantial efforts the investments have had lower nationwide impact due to insufficient concentration of funds. Much higher than the road sector, the concentration of EU funds allocated to investments in railway was a good trend, although these funds were allocated to upgrade railway lines rather than to build new lines. Also, the financial situation of Polish railways remained difficult due to the worsening infrastructure condition, ageing rolling stock and insufficient revenues and funding.

Investment projects had a strong impact on decreasing population marginalisation and increasing the quality of life on the border areas, seen through increased freedom of movement, increased volume of trade between Poland and Germany and an improved economic environment especially for infrastructure projects with direct implications on labour mobility. A large part of the progress made in the transport sector is attributed to Phare. The Polish commitment and ownership of outputs was visible and concentration of EU funds allocated to investments in the railway transport is seen as a good trend. A clear benefit stemming from EU financial assistance was that upon accession the main infrastructure of Poland became part of the enlarged Trans-European transport network. Based on specific requests, impact has been felt additionally through the effective approach for tailored support delivered by the so called soft and capacity building projects. These projects have had a significant impact on reduction of barriers in socio-cultural integration of societies on different sides of the border (an increase in knowledge on societies and areas abroad, increase of common trust, combating prejudice, knowledge of the language). In practical terms, support to capacity development activities

was directed towards institutional development. Through high-level demand for addressing thematic activities, the project interventions within Phare had a positive effect in providing technical assistance and creating a positive institutional development environment. The support was very much appreciated by the beneficiaries confirming the value of the intervention.<sup>197</sup>

The PHARE impact prospects have remained positive, as the wider enabling environment in Poland is increasingly conducive with regard to the transport absorption capacity. Prior to accession, there were no priority projects connecting Poland and Germany. At present, there are three connections in the core network (Szczecin-Berlin; Warsaw-Berlin; Dresden-Wroclaw). The Warsaw-Berlin connection is also part of the North Sea-Baltic corridor, which stretches from Rotterdam-Tallinn.

An important direct impact was already visible in meeting the commitments and requirements arising from the accession negotiations in the areas of trans-European transport networks road transport, inland waterway rail transport and air transport. The PHARE program had significant impact on increasing transport connections and facilitating mobility for citizens traveling around the EU. Transport networks constitute an important part of this concept and the EU considers an efficient trans-European transport network (TEN-T) to be a key element in the Lisbon strategy for competitiveness and employment in Europe. Poland is a part of four priority TEN-T corridors: the railway axis Gdansk – Warsaw – Brno/Bratislava – Vienna; the highway Gdansk – Brno/Bratislava – Vienna; railway axis “Rail Baltica” Warsaw – Kaunas – Riga – Tallinn – Helsinki; the sea highway on the Baltic Sea. More widely, the goal of the Trans-European Transport Network policy (TEN-T) is to ensure good quality transport links were being built to improve the infrastructure network across the whole of Europe, in particular reconnecting the Western and Eastern part of Europe. This includes the interconnection and interoperability of Polish networks as well as access to the wider network. TEN-T projects support improved railway axes stretching from Poland-Finland, from France-Slovakia and from Greece-Germany, as well as projects to improve the safety and navigability of rail, road and waterway connections.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

The transport sector plays an important role for the economic development and the social welfare of Poland. Development of this sector serves as a contributor towards socio-economic growth and convergence with the EU standards. Headline sector specific transport indicators have been sporadically applied by the Polish beneficiaries to measure the progress of results. They have marked the transport volume, network reliability, and access to the transport system, infrastructure, and investment. This includes the railway network density aiming at the attraction of higher passenger volumes and strengthening of the EU motorways of the sea through the seaport network. As per sector, in the field of maritime transport the percentage of Polish flag vessels detained following Port State control was 6.82 %, representing an increase compared with 2001 (1.59%) and 2000 (4.81%). This compares with an average for EU-flagged vessels of 3.5% in 2002.

The indicators showing the sustainability in transport sector assistance could be seen from the 2012 Strategic Report. Development of the transport system in Poland resulted in expansion of length of hard surface roads by over 7%. In regards to the road traffic safety the number of accidents was reduced by 66%, number of fatalities by 91%, number of people injured by 68% and number of collisions by 48%. In the period 2004-2008 an increase in the magnitude of the passenger transport intensity of GDP indicator had been evidenced. Relation of passenger transport intensity of GDP obtained in 2008 was higher by 13.0% compared with the relation obtained in 2004.<sup>198</sup>

In terms of overall performance, the Phare projects did well. Performance indicators should however have been clearly specified and this concerns performance indicators that refer to physical output

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<sup>197</sup> Source: [http://ec.europa.eu/europeaid/how/evaluation/evaluation\\_reports/reports/cards/951499\\_rep\\_en.pdf](http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/cards/951499_rep_en.pdf)

<sup>198</sup> Source – Central Statistical Office – Sustainable development Indicators, 2011

targets. Projects performed best against specific criteria like relevance to EU policy, efficiency, and sustainability. Objectives and performance indicators were periodically updated to reflect developments in the projects and its operating environment. Result indicators were well formulated in the Phare projects, showing the link with the national priorities on railway transport, administrative capacity to implement EU rail market regulations, EU legislation in the field of civil aviation and railway sector etc. At the level of results, the project Improvement of the managing structures implementing the Cohesion Fund and ERDF in the transport sector has listed several indicators: number of trained staff, number of documents for the investment projects assessed, amount of training carried out etc.

## **Socio, Economic and Institutional Impact of the Enlargement Process**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through Phare?**

From this post-accession perspective, it should be underlined that a number of changes occurred in the Polish public administration until now resulted from the preparations for the accession and were directly related to the European integration process. The EU accession has shifted visibly in the areas most linked to the integration process through creation of new support structures within ministries and agencies dealing with the transport sector. The capacity building projects in the sector contributed to the process of reorienting the direction and shape of politics to the extent that Phare dynamics become part of the organizational logic of Poland's policy making process. This is seen as important at the level of policy making and political discourse.

The targeting of financial assistance to support the reform process was relevant and there were many similarities in project design, implementation, and outcomes. In the behaviour patterns linked to managerial decision-making despite a wide diversity of project specificities across the transport sector, there were common factors and incentives in the Phare assistance that generated similarities in outcomes. This was attributed to the projects linked to the improvement of the managing structures implementing the Cohesion Fund and ERDF in the transport sector.

## **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

The development of transport networks is commonly perceived as one of the main benefits brought to the Polish economy by EU membership. The immediate impact was visible even though transport investments are characterised by a relatively long preparation and implementation period. Subsequent to accession, institutional changes included mainly the obligation to formulate specific long-term investment plans, which was a major step forward compared to the pre-accession period. In addition, the EU regulations imposed supervision over the work and implementation of investments co-financed by EU funds.

During the Phare assistance in Poland, certain delays occurred. These delays were attributed to the lack of feasibility studies (in the case of investments), delays in receiving the contribution from the Polish budget, lack of an appropriate level of communication between partner and contractor, and inappropriate planning of activities. The principal concern was however the financial sustainability of the projects where Poland aimed to become less donor dependant and more budget-oriented in allocating funding for support of strong and capable transport structures. Beyond ensuring financial stability and achieving smart, sustainable, and inclusive growth, Poland had to preserve its interest in infrastructure projects and to maximize the opportunities on offer. The Phare assistance had a positive role in this process but there was a further need to capitalise on lessons learned from the 1997-2003 financial cycle to continue fostering a learning community on good practice examples.

Coordination has been appropriate at the sector and national level. In the case of donor coordination the conditions evolved over time. In the first half of the 1990s this coordination was weak and some overlaps occurred. Despite initial consent, in the early 1990s there was a short period when the coordinating role of the EC was de facto questioned and by-passed by some bilateral donors. Subsequent to this and after 1996, the national level inputs from Phare were incorporated into national development plans. This was not the case with other donors, which usually did not program their support on the government-to-government basis. In the case of EIB, potential project components were accepted post signature on a case-by case basis, after having been reviewed by them. The flexible approach allowed a better prioritisation of the sections to be rehabilitated, and facilitated monitoring of the project's progress. This proved to be a viable approach but less strategic in nature. Prior to accession, donor coordination was instrumental and was based on solid cooperation modes. The cooperation involved the WB, EBRD, and EIB. As agreed among the partners, cooperation modes included co-financing with joint responsibility for monitoring and parallel financing with responsibility for the monitoring and control of specific components/sub-projects. In some project grant modalities Phare provided the grant and some implementation activities but responsibility for monitoring and control remained with the other financing partners. A positive aspect of the co-financing partnership was Phare's willingness to fund projects at a late stage thereby allowing project completion where there were insufficient funds to meet cost overruns.

**What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

The strengths of the PHARE assistance in the Transport sector can be seen through several parameters. The intervention was done in full partnership with Polish national authorities thus ensuring high ownership and utilisation. Also, the national objectives remained relevant to the needs of the beneficiaries and stakeholders and at the same time in accordance with PHARE rules. Finally, the implementation arrangements include synergies with other assistance programs mostly manifested through bilateral programs.

EU membership and access to donor funds revealed that there were concealed factors blocking the development of infrastructure in the pre-accession period. These factors were not always related to lack of financial resources. Some weaknesses concerned the deterioration of existing infrastructures due to the use of low quality materials (asphalt, cement, etc.), poor quality control of works, and the absence of environmental standards. Other obstacles were of an institutional nature (inappropriate spatial planning, legal and judiciary deficiencies, mismanagement of state-owned transport companies – especially PKP, the state-owned railway operator) and inefficient institutional framework and managerial structures, lacking know-how of financial and economic management tools, including inadequate procedures for investment selection and prioritisation.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

In the early and mid-1990s the most successful and sustainable Phare programmes were those that combined "soft" input from Phare and "hard" input from IFIs (EIB, World Bank or EBRD), because the scale of combined aid was meaningful and programmes were well-designed by using expertise from various regions of the world. Far along, the commitment of the authorities to meet EU membership requirements was so strong that accession-driven transport projects also gave lasting results. The development of the transport infrastructure is seen as a clear result with promising sustainability.

The twinning projects provided the best value for money. The availability of Phare support, particularly the advice for more strategic development through twinning arrangements, helped define the scope of what was required. This was seen as the optimal approach, given the initial lack of local expertise in many areas addressed by the program. The twinning helped maximize the use of EU and national funding since it worked on the basis of specific clearly defined tailor-made requests with concrete

operational results and helped Poland avoid costly development mistakes. Correspondingly, it aided the targeted institutions in becoming fully functional and effective

A sustainable result concerns the implementation of the EU legislation, which became a basis to unblock the investment processes. The implementation was time-consuming and conditional on taking over and implementing a very substantial body of transport law, which represents about 10% of the total EU *acquis*. The *acquis* in Chapter 9, "Transport policy", is based on Articles 70-80 of the EC Treaty. The transport *acquis* consisted mainly of secondary legislation, i.e. several hundred regulations, directives, and decisions. Implementing the *acquis* did not only require the adoption of legislation, but also an adequate level of administrative capacity to be able to assume such responsibilities. For this reason staff retention was central to preserving the institutional and management capacity in institutions like the Ministry of Transport. Poland was able to complete the process of legislative adaptation, but had to strengthen its supervision role to ensure that the administrative capacity remains adequate.

## **Conclusions (Lessons Learned)**

### **What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

- Perceived as successful, Phare was a useful financial instrument in support of Poland's reforms and transition.
- A lesson learned for the candidate countries is that the beneficiary government has to be entrusted with more confidence and responsibility for design and implementation, although the contracting authority should retain responsibility for supervision mechanisms.
- Poland's cooperation under the Visegrad Group, the Central European Initiative, and the CBSS was seen as a factor contributing to strengthening the identity of Central Europe and ensuring stability in the entire region. Lessons learnt from Poland can also contribute to strengthening the institutional capacity of the IPA countries to undertake and manage IPA CBC programmes between candidate and potential candidate countries.
- Phare has been adequately embedded in the institutional structures and project decision-making and orientation did not lack a participatory approach. For the most part, key stakeholders were able to exchange subject-related information.

### **Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

- Since the IPA countries currently benefiting from EU financial support face more ethnic tensions and relations between them are more difficult as compared with central European Phare beneficiaries, cross border cooperation (CBC) should focus on intercultural linkages and interactions.
- Regardless of the quality of CBC programs, an uninterrupted and strong dialogue between people on both sides of a border, and on a regional level is important to increase potential impact. For future reference of IPA CBC programs, a more strategic approach should be adopted, centred on functional management and control mechanisms. Success is also pre-conditioned by an increased visibility and awareness on CBC benefits.

## **Annex 5.10: Romania – Justice and the Rule of Law; Public Administration; Cross Border Cooperation**

### **Background**

Romania is located at the crossroads of South Eastern and Central Europe, on the Lower Danube, north of the Balkan Peninsula and on the western shore of the Black Sea. It shares borders with Hungary and Serbia to the west, Ukraine and Moldova to the northeast and east, and Bulgaria to the south. It is the ninth largest country of the European Union by area and seventh by population (20,121,641 in October 2011). The largest ethnic minorities are Hungarians (6.5%) and Roma (3.2%).

Romania is a semi-presidential democracy, where both the President and the prime minister manage state affairs; the division of power resulted in frictions between the poles particularly during co-habitation periods. The Parliament is bicameral and composed of the Chamber of Representatives and the Senate. The country consists of 41 counties and the municipality of Bucharest. Each county is administered by a county council, responsible for local affairs, as well as a prefect responsible for the administration of national affairs at the county level. The prefect is appointed by the central government and cannot be a member of any political party. Eight development regions are used for coordinating regional development projects and statistical purposes.

During 2009-2012<sup>199</sup>, the GDP of Romania had an oscillating trend. After average annual growth of 7.2% in 2006-2008, a sharp contraction of 6.6% was experienced in 2009 due to the economic downturn. Growth returned in 2011 (2.3%) but slowed down in 2012 (0.6%), due to the combined impacts of a severe summer drought affecting agricultural output and the Eurozone crisis. The overall level of economic activity in Romania is still very low. It is characterized by a dependence for employment upon very low value-added semi-subsistence agriculture in the absence of other economic alternatives, with a very high share of small farms; internationally uncompetitive levels of productivity in many areas of industry; fragmentation, excessive standardization, inefficient use of resources in R&D and academic environments. In 2012 the employment rate of the working age population (15-64 years) was 59.5%, with higher values for men (66.5%) than women (52.6%) and for people in rural areas (60.7%) than in urban areas (58.7%). In 2012 Moreover, the employment rate discrepancy between Romania and the EU average was 5.7%.

To counter the effects of the economic crisis, Romania negotiated a precautionary economic adjustment programme with the EC and the IMF in 2011, and again in 2013. The 2013 programme, agreed also with the WB, was supported by an IMF 24-month Stand-By Arrangement for an amount of approximately € 2.0 billion and EU Balance of Payments assistance for a further € 2 billion.

### **EU Accession Process**

Romania submitted its application for EU membership in June 1995, after it signed its Europe Agreement in 1993. In October 1999 the Commission recommended in its "Opinion" to start accession negotiations provided that Romania improved the situation of children in institutional care and drafted a medium-term economic strategy. Following the Helsinki European Council's decision in December 1999, accession negotiations started with Romania in February 2000, and these lasted for 5 years. During this period the EC monitored and reported on the progress made through annual reports.

An Accession Partnership was signed between Romania and the EC for the first time in 1998, and amended in December 1999, January 2002 and again in May 2003. 2000/2001 represented a turning point in the accession process. Romania presented a revised National Programme for the Adoption of the Acquis (NPAA) and established the Ministry of European Integration and the National Delegation for Accession Negotiations. The European Council meeting in December 2004 decided that Romania met the accession criteria. The Treaty of Accession was signed in April 2005 and it entered into force

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<sup>199</sup> Source: Partnership Agreement between Romania and the EU, version submitted by Romania to the EC on 31/03/2014.

on January 1, 2007. The Treaty put in place the Co-operation and Verification Mechanism to support Romania in establishing an impartial, independent, and effective judicial and administrative system.

## **EU Pre-Accession Financial Assistance – Overview**

*In addition to support to Romania under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2006, under the ISPA and the SAPARD Programmes.*

During 1990-2006 Romania was allocated € 3671.6 million under the Phare Programme:

- EC grant of € 726.1 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of Romania, covering:
  - Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
- EC grant of € 2899.0 million was allocated over the period 1997-2006 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, agriculture, fisheries, environment, employment and social affairs, justice and home affairs, transport, institutional and administrative capacity, preparations for Structural Funds, the promotion of economic and social cohesion, Cross Border Cooperation<sup>200</sup> (with Bulgaria, Hungary, Moldova, Serbia and Montenegro, and Ukraine), nuclear safety, and Community Programmes.

During 2007 Romania was allocated a further € 46.5 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis*.

The monetary amount of Phare allocated to Romania during the period 1990-2006 is summarised below<sup>201</sup>

<b>Years</b>	<b>1990-1996</b>	<b>1997-1999</b>	<b>2000-2003</b>	<b>2004-2006</b>	<b>TOTAL</b>
Amount €M	726.1	458.2	1105.8	1381.5 <sup>202</sup>	3671.6

*Source: EC (DG ELARG): Annual Reports on Assistance Programmes*

## **EU Pre-Accession Financial Assistance – Ex post Evaluation Findings**

### **Programme Priorities – Justice and the Rule of Law; Public Administration; Cross Border Cooperation (CBC)**

Strengthening the rule of law and judiciary as well as strengthening administrative capacity were key priorities for Romania under Phare.

The *acquis* Chapter Judiciary and Fundamental Rights is a key part of the EU Treaty, which aims to maintain and further develop the Union as an area of freedom, security and justice. It covers the three broad areas of:

<sup>200</sup> Prior to 1999 Phare rules only permitted CBC actions in which one of the partners was an EU Member State.

<sup>201</sup> The figures cover Phare Programme support under National Programmes as well as funds allocated under the Phare Cross Border Cooperation (CBC) Programmes, and funds directly allocated under the Horizontal Nuclear Safety Programmes.

<sup>202</sup> Includes Transition facility assistance (2007)

- Establishment of an independent and efficient judiciary: ensuring impartiality, integrity and a high standard of adjudication by the courts, thus safeguarding the rule of law; requiring firm commitment to eliminating external influences over the judiciary and to devoting adequate financial resources and training; legal guarantees for fair trial procedures must be in place.
- Fight against corruption: a solid legal framework and reliable institutions with a coherent policy to prevent and deter corruption, ensuring the stability of democratic institutions and the rule of law.
- Respect for fundamental rights and EU citizens' rights, as guaranteed by the *acquis* and by the Fundamental Rights Charter.

Furthermore reinforcement of administrative and judicial capacity as well as the capacity to manage and control EU funds was a priority in the 1999 Accession Partnership requiring that Romania:

- Implement a comprehensive public administration reform programme with a view to improving the capacity of the public administration to implement and manage the *acquis*;
- Ensure training of prosecutors, judges and lawyers in EU law;
- Strengthen public financial control functions through the provision of adequate staff, training and equipment;
- Strengthen the Romanian statistical system with a view to reach compliance with EC norms and standards.

The CBC Phare initiative was taken in 1994 in recognition of the need to reinforce co-operation and stimulate integration of the CEECs into the EU. CBC actions also took into account the approach to EU Structural Funds and in particular the Interreg initiative, available to Member States.

The most important projects implemented with EU pre-accession and transition assistance in Romania in the three areas are summarised in the tables below<sup>203</sup>.

EU assistance to Romania in the area of Justice and Rule of Law is summarised below:

Year	Project Title	EC Grant (M€)	Co-financing (M€)
2006	Assistance to enhance the independence, professionalism and management capacity of the Romanian judiciary	20.000	4.460
2006	Anticorruption – inter-institutional cooperation	2.40	0.200
2005	Assistance to enhance the independence, professionalism and management capacity of the Romanian judiciary	18.000	0.170
2004	<b>Strengthen the Rule of Law</b>	<b>25.000</b>	<b>6.070</b>
	• Building an independent judiciary in Romania	1.800	0.500
	• Building a professional judicial system	2.500	0.300
	• Improving the administration and access to Justice	2.200	0.200
	• Building an efficient management system	11.500	4.000
	• Improving the fight against corruption	4.500	0.700
	• Further improvement of the penitentiary system	1.500	0.170
	• Police cooperation	1.000	0.200
2003	Support for the improvement of the penitentiary system	4.000	1.000

<sup>203</sup> For the CBC sector only a sample of all the projects implemented are included.

2003	Further strengthening the institutional capacity to fight against corruption	2.000	0.670
2002	Assistance in strengthening the independence and functioning of the Romanian Judiciary system	1.800	0
2002	Modernisation and reform of law enforcement agencies and strengthening of anti-corruption structures	4.317	0.689
2000	Strengthening the Judicial and Penitentiary System	8.000	2.000
1999	Assistance to the Ministry of Justice (MoJ) in continuing the reform of the Romanian judiciary	3.000	0
1998	Strengthen the institutional and administrative capacity to manage the acquis/Ministry of Justice	1.000	0

*Source: DG Enlargement webpage, documents related to Phare in Romania*

EU assistance to Romania in the area of Public Administration is summarised below:

<b>Year</b>	<b>Project Title</b>	<b>EC Grant (M€)</b>	<b>Co-financing (M€)</b>
2006	<b>Support to public administration reform in Romania</b>	<b>14.000</b>	<b>2.040</b>
	• Support the civil service reform	5.100	0.400
	• Support for the decentralization / deconcentration process in the Romanian Public Administration	4.900	1.640
	• Supporting the public administration reform through the improvement of the public policy formulation process	4.000	0
2005	Strengthening the central Government's capacity for coordinating the formulation, implementation and monitoring process of public policies	13.590	0
2004	<b>Support to public administration reform in Romania</b>	<b>11.500</b>	<b>1.100</b>
	• Support the civil service reform	8.900	1.100
	• Support for the decentralization / deconcentration process in the Romanian public administration	2.600	0
2003	Develop a professional human resources capacity within the Romanian administration to manage and monitor EU pre-accession grant funds in an adequate and efficient way	11.015	0
2003	Support for the public administration reform process in Romania	4.380	0.06
2003	Strengthening the Administrative Capacity of the Romanian Parliament	2.000	0

Source: DG Enlargement webpage, documents related to Phare in Romania

A sample of assistance to Romania in the area of Cross Border Cooperation is summarised below:

Year	Project Title	EC Grant (M€)	Co-financing (M€)
2005	Business co-operation and business infrastructure development	3.400	1.134
2003	Giurgiu – Improvement of the Border Access Infrastructure	2.665	0.985
2003	Promotion of Sustainable Development and Conservation of Biodiversity in Bulgarian-Romanian Cross Border Region	2.250	0.530
2002	Development of a control system for air emissions from traffic and stationary sources in the boundary Bulgarian – Romanian region	1.900	0.630
2002	Cross Border Check Point and ferryboat at Turnu Magurele (Romania) – Nikopol (Bulgaria)	3.300	1.200
2001	Border Crossing between Calarasi (Romania) and Silistra (Bulgaria)	3.300	1.750

Source: DG Enlargement webpage, documents related to Phare in Romania

## Impact and Sustainability of Phare Financial Assistance

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the Phare beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

From the start of Phare support in 1992 until 2003 the identification of needs took place in a context in which the strategic and budgetary planning and policy formulation capacity in Romania was rather weak. Strengthening this capacity was itself one of the needs and priorities identified and addressed during the negotiation and accession process, particularly in the public administration sector.

The cycle of the enlargement negotiation process ensured a high consistency of agreement between the needs as identified in the national strategies, and the Phare projects developed to meet those needs. In most cases the Phare Interim Evaluation Reports issued between 2002 and 2009 for the three sectors considered the Phare projects relevant or highly relevant for the *acquis*, the accession priorities of the Romanian government and the national strategies for modernisation.

Although national institutions participated in identification of needs, the implementation of Phare projects/activities was accession-driven and there was limited ownership of implementation of the national strategies in place. In the first phase of the enlargement negotiation process, the emphasis was on short-term priorities rather than medium-term priorities. In the second phase (2004-2006) when Phare was programmed multi-annually, more importance was given to medium- and long-term perspectives, as well as on systematic monitoring through quantitative indicators. Although these strategies, especially the ones after 2004, were developed based on external evaluation of the National Anti-Corruption Strategy 2005-2007, implementation of the strategy did not include a fully-fledged internal monitoring and evaluation system. This gap contributed to the limited performance in these sectors in some periods, as underlined by the annual regular reports.

Although some measures were taken to in the justice sector in the first years of the enlargement process to formulate human resource strategies, the 2002 Action Plan to Strengthen Romania's Administrative and Judicial Capacity, jointly developed with the EC, was the first strategic document in the sector. The subsequent Judicial System Reform Strategy 2003-2007, adopted by government decision, constituted the basis of the 2004-2006 sector Programme Fiche. Updated in 2005 it focused on 11 areas for action. A National Programme for the Prevention of Corruption was adopted in 2001 but implementation of the related National Action Plan against Corruption 2001-2004, had limited impact up to 2004. As a consequence the National Anti-Corruption Strategy 2005-2007 was adopted. It focused on the three priorities: Prevention, Transparency, Education; Combating Corruption; Internal Cooperation and International Coordination. The objectives of the corresponding Phare projects were designed to directly address the related needs, though one need not covered in the sector was that for infrastructure (i.e. modernisation of penitentiaries), although these were financed in other countries.

Although public administration reform had been defined as a priority area, it was only in 2001 that a first General Strategy Regarding the Acceleration of Public Administration Reform was drafted. In 2002 the EC and Romania jointly developed an Action Plan to strengthen Romania's administrative and judicial capacity, followed by a reform strategy 2004-2006, which constituted the basis of the 2004-2006 PA Programme Fiche. In 2005 Romania approved an updated strategy for the institutional Reform of the Ministry of Administration and Interior for 2005-2006. The intervention logic of the corresponding Phare projects addressed the key issues identified.

Actions in the cross-border cooperation (CBC) sector, in contrast with Justice and Public Administration, aimed to address the needs of the border regions in matters of socio-economic development. Interim evaluation reports found that the relevance of priorities and projects was satisfactory or highly satisfactory regarding local perspectives, objectives of EU and national policies and, where appropriate, international commitments and agreements. The investment activities in environment, transport, research and competitiveness infrastructure, and in "people-to-people" actions were the ones needed in order to fulfil EU CBC objectives.

Key issues affecting relevance, particularly of Phare CBC 2001-2004, were: insufficient consultations with regional actors, poor technical design and preparatory work for the environment and transport infrastructure programmes that required remedial actions during implementation, and insufficient linkages and complementarity between the regional development strategy and the trans-boundary cooperation strategy (up to 2004). Beginning with the Joint Programming Document 2004 – 2006 the new approach towards regionally based grant schemes lead the way for proposed new assistance instruments to be introduced from 2007 onward and in this context the small scale grants and, later, larger scale grant schemes, implemented in a decentralised manner, were considered as a relevant and, thus, an effective means of establishing cross border partnerships. For justice and public administration relevance was also hampered by delays in legislative changes (i.e. PA sector), and a lack of capacity of key institutions to implement e.g. the Anti-Corruption programme, or to absorb e.g. training of magistrates and clerks, project activities. Furthermore a lack of prompt beneficiary reaction and inter-agency dialogue resulted in objectives being adapted to meet the updated needs of beneficiaries. Projects in the Justice and Public Administration sectors built on previous initiatives in most cases, enhancing their relevance to the needs of beneficiaries.

No major bottlenecks in the efficient implementation of Phare were identified from the perspective of the overall structure of the system, i.e. EU Delegation/CFCU/NAC/NF/Implementing Agencies and national authorities. Efficiency of implementation was marked in the first years (1999-2002) by insufficient human resources (numbers and expertise) in all layers of the system, i.e. in the CFCU, but also in other Implementing Agencies and Authorities (e.g. Romanian Border Police, Cross-Border Cooperation Programme Coordination Unit), which also negatively affected the level of contracting. The problem was exacerbated by the need for frequent re-drafting of Terms of Reference and Technical Specifications. Despite this the switch from DIS to EDIS was planned in 2002/2003. However, the initial target of end 2004 proved unrealistic and implementation of EDIS was possible only at the end of 2006 (beginning of 2007 for the Ministry of Labour).

A key bottleneck was late contracting (under PRAG rules) with most contracts being signed in the two months before the contracting deadline. With reduced time remaining for implementation, extensions were quite often required. The situation worsened in 2007 when national rules on public procurement were first applied to Phare contracts and the contracting rate dropped from approximately 95% to 75%. Implementation difficulties in the three sectors were also caused by ministerial changes, the lack of capacity and resources and coordination between the stakeholders, lack of clear information from central management to the regional participants regarding the overall objectives of the programmes and inflexible attitudes between some stakeholders. Decentralized management brought programmes closer to local actors and increased the potential for efficiency and effectiveness. There were some isolated cases of limited efficiency of projects in the early phase of the cross-border cooperation.

A particular issue is the process of closing Phare programmes; it seems that in Romania most of them are not closed (including Phare 1998) and this negatively influences the efficiency of the system, overall, as resources are maintained in place for this purpose. Moreover, closing programmes is done in accordance with procedures currently in place but which were not adopted at the moment when programme and project fiches were designed; this approach places severe constraints on the system to produce and adjust documentation elaborated more than 10 years ago.

As regards the different delivery instruments such as twinning, twinning light and technical assistance, opinions converge towards twinning and technical assistance being the most useful modalities, with twinning being the proper tool for first, initial phases of capacity building and TA more fitted for advanced stages (provided that the right experts are identified). Continued twinning seems to be particularly effective, as experts located for longer periods are familiar with the needs of the served institutions and may serve them better. However, it seems that twinning experts were active at a technical level and rarely used by political decision-makers as advisors. A key issue in twinning is the applicability of foreign models and tools in projects implemented in Romanian institutions.

Cooperation with other donors was not a major subject during implementation of Phare as this policy is perceived as the main financial channel for covering needs in Romania in the pre-accession period. Other donors seem to have been more involved in the Justice system and after 2007, as this sector did not benefit from EU funds (except the development of a large e-learning system with support from SOP Competitiveness). Switzerland and Norway as well as the World Bank were the main donors.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Phare effectiveness from the perspective of democracy, rule of law, institutional capacity, but also physical infrastructure (particularly ITC) was satisfactory in the Justice and the Public Administration Sectors. These had a contribution also to strengthening civil society, through activities, which stimulated their involvement in the fight against corruption and policy-making process. The CBC programmes led to more effects in the field of socio-economic development, including business infrastructure, but these are limited, as were the available funds. The CBC programmes also had positive effects on civil society in the border area, especially through the “people-to-people” activities implemented on a larger scale after 2004.

In the justice sector, Phare was effective<sup>204</sup> particularly through its “integrated” approach: certain institutions were set up and developed (particularly relevant in the anti-corruption field) through sustained and well planned capacity building activities, with know-how transfer being effectively absorbed by beneficiaries. At the same time the Phare projects resulted in a greater understanding of the EU related legislation and improvement of knowledge in the legal areas covered. In this context the inter-disciplinary approach to training (e.g. in the anti-corruption field - joint trainings for NAPO, MoJ, and General Prosecutor Office involving legislation, investigation techniques, special powers and case preparation) is considered particularly effective. This approach and other activities under Phare had a positive effect on inter-institutional cooperation and creation of a common understanding of a

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<sup>204</sup> Source: Interim evaluation reports issued between 2002 and 2010.

particular topic. As well as institutional structure and development, several key strategies and pieces of legislation needed for effective functioning of the judicial system were developed under Phare projects e.g. law on the status of magistrates. Other important deliverables such as manuals and procedures (e.g. Best Practice Manual in the bankruptcy field) were produced to facilitate implementation of the new strategies and legislation by the trained persons (including judges). Particularly appreciated were also the capacity building activities directed at support staff in the judicial system (clerks and Public Ministry) as they play an important role in its efficient management. In addition to the effects in the area of anti-corruption, the sustained Phare activities to automate the courts and prosecutor's offices were noticeably effective in improving efficiency by reducing the backlog of cases. The investments related to system automation, including ITC and surveillance equipment, with a total Phare allocation of more than € 60 million, were started under Phare 1999 and continued until Phare 2006. The ECRIS (European Criminal Records Information System) created and developed in this framework also ensured transparency in the justice sector (as it offers access to judicial files handled by courts) and contributes greatly to unification of law interpretation (as results of judging proceedings are automatically uploaded in the data base).

Effectiveness was affected by a series of key factors, in some cases identified as risks during project development. Overall effectiveness was negatively affected in some cases by limited support of decision-makers, inter-institutional cooperation and, thus more limited ownership of the projects as such and their results e.g. Phare 2003 amended legal framework of the Superior Council of Magistrates status was questioned by some of the stakeholders in terms of its benefit for the judiciary. Furthermore the less than positive support of senior management of institutions resulted in a lack of timely progress in certain legislative and institutional changes. In this context, the experience in some projects suggests that effectiveness is enhanced when more attention is given to dissemination and active communication of the experience and knowledge gained.

Effectiveness of Phare interventions targeting public administration reform was uneven. Apparently interventions implemented under Phare programmes 1999-2003 were insufficient for significant results to be achieved regarding PAR<sup>205</sup>. This conclusion is drawn in a context in which Romania had already signed the Treaty of Accession to EU in 2005. The 2005 and 2006 EC Monitoring Reports reaffirm the need of further improvements as regards public administration reform (all aspects, in particular local and regional administration, civil service reform, decentralization and policy coordination). The bulk of intervention in the PA sector was under Phare 2004-2006 programming, which began in 2006/2007, more or less in parallel with the implementation of the OP DAC thus its effects could not occur before Romania became an EU Member State and a beneficiary of EU funds.

Results were achieved both prior to and after 2006. Of particular importance was the impetus given to create new, adequate institutions to manage PAR, such as the National Agency of Public Servants (NAPS in 1999), the National Institute of Administration with 8 regional training centres (NAI in 2001) and the Central Unit for Public Administration Reform (CUPAR in 2002), as well as their capacity building under several Phare projects during the period 1999-2006. All institutions benefited from effective training programmes (as well as senior civil servants targeted by a tailored one-year training programme on public management topics). And NAI's capacity was particularly targeted in terms of training of trainers and a curriculum for delivery of central and local training courses on PM-related topics. In the final years of Phare new course programmes were designed (for example the Euro-manager for civil servants implementing EU projects). Two courses for senior civil servants (Strategic Management, and Evaluation of Public Policies) were produced using the eLearning platform developed under Phare and remain available. In terms of institutional effects, further than the creation of the functions of "public administrator", government inspector and the Integrated County Information Office (ICIO), more than 200 public managers were trained in 4 cycles. Being highly trained they have the potential to considerably strengthen the capacity of the middle-level of their parent institutions.

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<sup>205</sup> Source: Interim Evaluation Report on PA sector in March 2006.

As in the Justice sector, the effects of Phare in the PA sector were legislative. One important piece of legislation drafted with Phare support was the primary legislation for the new salary system for civil servants (sent to Parliament in 2007). The law was also intended to be the basis to rationalising the civil service grading system through a standardisation of civil service position classification and the beginning of a move towards a “career based” employment culture. In terms of strategic orientation and tools, under Phare the human resource policy and strategy of NACS, including all job descriptions, were updated, a HR good practice handbook and the Code of Local Public Finance drafted, as well as annual national manpower plans, an ethics guide and support to a network of ethics counsellors. A development strategy for the period 2010-2013 was created for NIA as a standalone institution and the new team at NACS adopted the new strategy and used it to shape the future direction of civil servant training. Investments were targeted to the IT infrastructure of the system, particularly of NACS for which the Human Resources Management Information System (HRMIS) was created. The effectiveness of the grant schemes implemented with a view to strengthening the capacity of local authorities in the framework of the decentralisation and deconcentration process was also satisfactory. Together with corresponding training, the grant schemes contributed to improving the efficiency of local budget management. The main beneficiaries of the LAMF were local authorities at the level of communes (43%), counties (34%), and municipalities (23%). The individual projects are worthwhile and of value to the beneficiaries, even if the contribution to PAR objectives is low. Projects related to policy-formulation produced high-quality deliverables and the two pilot strategies for the Health and Education sectors were accepted by their respective ministries, which was considered a particular success story. The network of public policy experts (Public Policy Units in each ministry) was set up but it was recognised that policy reform in Romania was only beginning and the most challenging tasks were still ahead.

In addition to the issues above the effectiveness of Phare interventions in the PA sector was particularly affected by decision-making delays and limited senior support, late TA contracting and delayed payments, as well as by delays in processing the applications and the contracting of the technical assistance for the grant schemes implemented, failure to adequately consult partners and stakeholders, failure to ensure infrastructure and capacity for utilisation of results obtained.

In common with the INTERREG programmes the objectives of Phare CBC projects were twofold: on the one hand Phare CBC they aimed to overcome specific socio-economic development problems resulting from the isolation of the border areas (as regards transport, environment, and business and tourism infrastructure) and on the other hand they aimed to establish and develop co-operative networks. A series of Phare CBC projects also targeted the establishment and the capacity building of the institutions involved in the management and implementation of Phare.

The effectiveness of the CBC programmes/projects was also uneven. The objectives of most projects were ultimately achieved (particularly those supporting infrastructure) although with delays. They seem to have occurred on a wide scale and were due to poor project design, which often necessitated changes during project implementation, and insufficient capacity on the part of local beneficiaries to develop, and efficiently and effectively implement the projects. Beginning in 2004/2005 at the borders with Bulgaria and Hungary, where there was more CBC experience, matters improved as a result of previous cooperation and this is one of the important effects achieved by Phare CBC. This result is also due to specific measures taken by the managing institutions i.e. a Project Preparation Facility programme was launched to overcome the lack of project proposal. This measure came a bit late and although several projects were prepared in the framework of this Facility, only some of them could be implemented under Phare CBC themselves, whereas most were put on hold for the EU Cohesion and Structural Funds 2007-2013.

The Joint Small Project Fund/“People to People” grant schemes seem to have engaged a wider audience in the accession process, promoting cross-border initiatives and the underlying mentality of interrelating with neighbours. While up to this moment most were “mirror projects”, they demonstrated that “cooperation brings more cooperation”. The setting up of regional CBC offices in 2005 had a positive effect by being closer to beneficiaries, aware of their most relevant needs and supporting

them in the implementation process. While initially the funding of the offices was foreseen to be borne locally, it proved problematic and funds for their functioning were allocated through TA contracts by direct negotiation under Phare 2004, 2005 and 2006. Phare CBC thus played an important role in both setting up the regional offices and in increasing their capacity through training, technical advice etc.

Other challenges, which hampered the effectiveness of Phare programmes included changes in legislation – particularly in the transition from candidate country to Member State e.g. national procurement rules applied from 2007 and there were changes regarding VAT eligibility, and in some cases Romanian grantees were unable to make payments to their partners thereby reducing their involvement contrary to the intentions of the intervention.

#### **What have been the impacts of Phare in qualitative and quantitative terms?**

The focus of reform in the public administration sector provided in the 2004-2006 strategy and the Phare programme was threefold: (1) civil service reform (2) local government reform continuing the decentralization/deconcentration process and (3) central government reform – improvement of the policy formulation process. Judging by the challenges identified in the 2014 Partnership Agreement as regards public administration i.e. politicization of the public administration, misallocation of public funds, fragmented public administration, lack of trust, resistance to change and lack of initiative, excessive bureaucracy, lack of transparency, de-professionalization, the results achieved under Phare (and the limited SFs implemented until 2013) have had limited impact at sector level. The conclusions of the Partnership Agreement and provisions of the draft 2014-2020 PAR Strategy and OP for Public Administration (POCA) are supported by strategic documents and analyses prepared in the period 2007-2013, particularly the National Reform Programmes (2007-2011 and 2011-2013), the progress reports on their implementation, the World Bank 2010 Public Expenditure and Institutional Review, and the 2011 Functional Review of the Centre of Government Sector. The National Reform Programmes set public administration reform as a key priority to be implemented through several measures financed under the OP DAC 2007-2013. However, NRP 2007-2011 failed to take account of the 2004-2007 Phare projects under implementation in the period 2007-2010 as PAR instruments, providing clear evidence of the fragmentation between Phare and subsequent developments in the sector. In 2013 the Council recommended that Romania strengthen governance and the quality of institutions and public administration and significantly improve the quality of regulations.

The Phare programme contributed to achieving the sectoral objectives to a variable extent. A set of key factors affected the impact, and the sustainability, of results achieved by Phare projects. Among the most important were political instability, insufficient commitment for continuation of the reform strategy and the economic crisis. The latter had major negative effects on public resources and the measures taken to decrease governmental spending particularly affected public administration. Despite the results achieved with Phare support as regards a unified remuneration scheme for civil servants, impact in this area hasn't been registered: payment practices still differ from ministry to ministry and the level of remuneration (particularly at entry and executive levels) is not motivating enough to sustain a performing public administration in Romania. Overall although legislation is in place e.g. the civil servant law, which was drafted with Phare support and which includes a performance management system for civil servants, it is only implemented in a formal manner.

The key impact of Phare in the area of civil service reform has been the capacity of the institutions involved and which have managed the implementation of this process, particularly NACS and NIA, the latter being incorporated in NACS beginning with 2009 (see section on "Sustainability"). This capacity is proved by the NACS activity beyond 2007, as regards attracting EU funds and implementing further projects (see section on "Sustainability"). The impact beyond NACS was limited by a lack of a professional HRM administrative capacity in the ministries and local administration, which still persists. Reportedly, NAI training programmes developed and/or implemented with Phare funds had a positive impact in terms of capacity of both central and local administration as many participants were in senior management positions, e.g. prefectures and pilot county administrations, e.g. practical training on structural funds and on policy planning and development was making a difference in the pilot counties

and prefectures. As previously mentioned, the Young Professional Scheme was particularly effective, though the impact of the public managers is heavily dependent on their placing (i.e. at present around 50 PMs, out of 300-350 are not placed) and on the responsibilities allocated to them. When they are placed and entrusted with responsibilities proportional with their capacity, they make a difference.

In terms of decentralisation reform, Phare had limited impact on the modernization process of the management of decentralised services in local administrations mainly due to the low number of projects funded under the two grant schemes promoting innovation, partnership, strategic planning and good practice. As in the case of NACS, Phare impact in terms of institutional capacity of both CUPAR and the institutions involved in the implementation of these needs to be underlined. However, as before, this impact was limited by insufficient political support for a new decentralisation strategy with reinforced ownership by the Ministry of Interior and Administration (MIA), horizontal co-operation between MEF, MIAR and the beneficiaries for wider implementation of the reforms and the lack of development of a clear roadmap.

Impact is also limited in the area of central government reform – improvement of the policy formulation process. Although important results were achieved by the two Phare projects implemented by the General Secretariat of the Government, legislation regulating policy-formulation and RIA were, in most cases, not implemented by central and local level public institutions. Coordination among ministries has been weak, line ministries did not accept the new approach, and public policy decisions continued to be *ad-hoc* resulting in an inconsistent policy and legal framework. Internal RIAs are poor (due to lack of capacity) and no funds for their externalization are available. Only in 2012 did the government start taking appropriate measures, as a result of external pressure of WB and EU, and using tools developed under Phare between 2005 and 2009. The Annual Action Plan for monitoring the public policies of ministries was first used as a management tool for governmental meetings only in 2014.

A political crisis in 2008-2009 severely impacted absorption capacity and the progress of public administration reform, due to the government taking strict measures to limit budgetary spending.

The four objectives of Phare interventions in the justice sector were: (1) building an independent judiciary; (2) building a professional judicial system; (3) improving the administration and access to Justice and (4) building an efficient management system. They were largely preserved under the CVM whereby corresponding reports analysed and made recommendations regarding: respect for the rule of law and the independence of the judiciary, reform of the judicial system, accountability of the judicial system, consistency and transparency of the judicial process, effectiveness of judicial action, integrity and fight against corruption. Also interim evaluation reports analysed impact more from a project perspective than a sector perspective with the four objectives in mind.

The Cooperation and Verification Mechanism has been the main framework for sustaining the pressure on reform and performance in justice and anti-corruption matters. While the National Reform Programme 2007-2011 lists justice as one of the priority areas for the government, the subsequent 2011-2013 programme covers only the socio-economic and administrative sectors, as addressed by the Europe 2020 Strategy. In contrast with the PA sector, the NRP 2007-2011 presents 2004-2006 Phare projects in the justice sector as the tools through which planned measures are implemented.

Phare had a positive impact in the Justice sector as it contributed to improvements in the legislative framework (including the new Criminal and Penal Codes) and to strengthening of administrative and institutional capacity of institutions directly involved (MoJ, SCM, NIM, HCCJ, NAP, DNA) and of institutions/staff benefiting of trainings, i.e. magistrates, clerks and support staff, these development having positive effects on the system as a whole. Unlike public administration sector, ensuring adequate remuneration in the sector (further than keeping the external pressure through the CVM mechanism) contributed to this positive impact (and sustainability) of results achieved under Phare. Overall, the Penitentiary programme had a positive impact, as important strategies were developed, capacity improved and a multidisciplinary approach introduced. However, impact was threatened, in some cases, by the inability of government to honour initial commitments in respect of ensuring

adequate human resources for the probation department, delays in decision-making and adoption of legislation necessary to implement the results of the assistance.

While concerns existed in 2009 concerning the legacy of some of the systems and structures in place, and the direction and timeliness of reform (2009 PIES report), wider impact was visible in several ways in 2010 of significant reform supported by the multi-annual fiche, i.e. higher number of cases were heard in the courts, the justice system had expanded to cater for new branches of the law, the delivery of justice was undergoing some innovation through the role of the delegated judge (institution developed with Phare assistance), the Ministry of Justice working on a new law for the roles of Court Managers and Court Clerks, a new IT strategy was set up, enacting of legislation and the establishment of the Integrity Agency etc. etc.

The overall tone of the 2011 CVM report was positive as regards the progress made in the sector (e.g. the track record established by institutions like DNA and ANI; the adoption and gradual implementation of the new Codes; the steps taken by the High Court to tackle high level corruption cases), which was mainly due to the 2004-2006 Phare interventions, combined with political will driving the reform and measures financed under the national budget (particularly as regards justice infrastructure). However, the overall positive impact of Phare interventions in the sector, especially as regards furthering the reform itself still had some obstacles in 2011. Further steps were needed to resolve issues such as important high-level cases delayed in court, the recovery of the proceeds of crime etc., by endorsing the strategy developed in spring 2010 and agreeing an action plan and implementation timetable. Ensuring political support for furthering and consolidating achieved progress with a view to setting aside the CVM remains essential (see section on sustainability).

Phare CBC's objectives were twofold: firstly Phare CBC projects were meant to overcome specific socio-economic development problems resulting from the isolation of the border areas (particularly as regards transport, environment and, to a more limited extent, business and tourism infrastructure) and secondly through these projects co-operative networks were to be established and developed. Allocations for Phare CBC programmes were too limited, both before and after 2004, for any real economic impact to be registered in border regions (particularly in large/long border regions such that with Bulgaria) or even at local level (i.e. county capitals such as Giurgiu and Calarasi). The greatest benefits were likely to be derived from projects, which directly addressed core strategic issues. Interim evaluations found that the bottom-up nature of interventions had more impact (than a centralised top-down approach) in cases where the achievement of sectoral strategic objectives required changes in attitudes or practice at the grass roots level.

CBC Phare programmes have had a substantial impact in terms of institution building, both on the institutions in charge of programme management and implementation, and in terms of depth and intensity of cross-border co-operation. Grant schemes have a high visibility thereby promoting the core objective of 'good neighbourliness'. Due to the experience gained under Phare the Ministry of Development became Managing Authority for most CBC and transnational programmes in the programming period 2007-2013, and the regional offices were capable of supporting the programmes at ground level. At local level Phare CBC changed institutional and policy behaviour among beneficiaries as it induced an approach to project management, as well as to strategic planning, done in cooperation with cross-border counterparts e.g. the two municipalities in partnership prepared the investment profile of the Ruse-Giurgiu region 2012, elaborated with financial support under CBC Programme Romania-Bulgaria 2007-2013. Likewise "people-to-people" projects prepared the way for further cooperation and initiation of larger projects both under Phare and 2007-2013 CBC programmes. Impacts in terms of sustained partnership seem to be stronger at the Romania-Bulgaria and Romania-Hungary borders, where Phare CBC cooperation was initiated earlier. "Cooperation led to more cooperation" also under Phare CBC, although its depth and intensity is still to be developed in comparison with CB regions in Western Europe e.g. at the borders of Germany, Belgium and the Netherlands. At least 10% of partnerships built and consolidated under Phare CBC remained in place after 2008, most of them among public institutions and NGOs and Chambers of Commerce.

CBC infrastructure projects had economic impact at a local level by attracting new enterprises and creating jobs, e.g. an exhibition pavilion in Craiova is unique in the CBC region, together with a business incubator in the same area. Cross-border transport infrastructure played a key role, as cross-border development is not possible without sufficient border permeability.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

Sustainability in both sectors was determined by a series of key elements: (1) external pressure, particularly of EU, (2) will of decision-makers to continue reforms, (3) capacity to plan strategically and formulate policies to support these reforms (multi-annually and including multiannual budgetary planning and monitoring and evaluation), both decision-makers and civil servants being relevant in this context, (4) availability of resources to implement policies formulated, and (5) capacity to implement and absorb both technical and political change induced at all levels of the administration.

Overall, the most important element was the availability of EU Cohesion funds, which supported sustainability in cases in which wide political support was not present (see illustration - National Agency for Civil Servants in Box 1). Where funds were limited (in the justice sector, which was generally not eligible under EU Funds) external pressure (through CVM) and political will, and also capacity built under Phare, have played important roles in sustaining and furthering the reform. Limited/insufficient achievements in terms of policy-making and coordination capacity (from a technical and a financial perspective – see issue of decentralisation below) at central and local level (including in the public administration ministry itself) proved to have affected, further than elements above, the sustainability of reforms initiated during pre-accession assistance. Comparing the justice and public administration sector, a key factor for achieving impact and sustainability proved to be that of adequate remuneration. Where a uniform and adequate remuneration system was not in place, the same results were not achieved at sector level.

In the public administration sector an important element undermining the sustainability of results achieved and of the PAR itself was the lack of a national strategy for PAR, prioritised and endorsed by all actors and decisively implemented with the coordination of an institution, which had PAR as its key and only mission and with jurisdiction over the entire PA system. Although the National Reform Programme 2007-2011 should have constituted “a true pre-accession strategy for Romania”, initially the link between the NRP and the Operational Programmes, including OP Development of Administrative Capacity (OPDAC) was rather formal. Although the link was strengthened after 2010, neither the NRP nor the OPDAC could adequately implement a national strategy. This weakness was identified in the ex-ante conditionality imposed by the EU for the 2014-2020 programming period.

The role of the strong institutions built with Phare support, the three pillars of PAR 2004-2006 in Romania (CUPAR in the Ministry of Administration and Interior, NACS including NIA and GSG) was to a certain extent diminished when the MA for OPDAC, a new institution with no experience and track-record, took over responsibility for PAR implementation through the operational programme. The SFs implementation system was built up in parallel with the implementation of Phare 2004-2006 and apparently CUPAR, maybe a natural choice for this position, did not have the necessary capacity to become MA. The three institutions, although still consulted and members of the Monitoring Committee, have been involved in the OPDAC implementation as project beneficiaries. However, as this process is highly bureaucratic, their focus became administrative, instead of technical, because their capacity could not be enhanced because almost no public administration recruitment was possible between 2010 and 2013. Preparing the new programming period, including the new strategy, brought the three institutions together, and the prospective for progress in the area is positive. PAR is the responsibility of a new ministry dedicated to PA and regional development, and by the government in place (required by external partners EU and WB). The slow progress of decentralisation and regionalisation is a serious failing.

CUPAR originally had two departments: one focused on decentralisation, and one focused on PAR. The latter sustained, with OPDAC support, the initiatives and results obtained under Phare. One of the most important was the performance management system based on 1) implementing the CAF (Common Assessment Framework) and Multi-annual Modernisation Plans (MMP), 2) adopting more advanced performance management tools such as the Balanced Scorecard (BSC) to bring more efficiency to the local administration, and 3) promoting a methodology for continuous improvement in the public sector. Key challenges were the application of this framework by all PA institutions and the rapid change in the leadership at the local level.

While GSG Phare activities focused on policy-making are no longer continued, the National Agency of Civil Servants has been very active in continuing activities of the first objective of the 2004-2006 PAR strategy, the reform of the civil service, despite the unfavourable political climate.

### **Box 1. Sustainability - National Agency for Civil Servants**

In 2009 the National Administration Institute, responsible with building capacity of civil servants, was integrated in NACS, and its tasks taken over by the latter. During the economic crisis the structure shrank from 8 to 4 regional offices and the staff was halved to 160 employees. Despite this a NACS team of 14 people attracted € 30 million of EU funds, which was used to train more than 25,000 civil servants, e.g. in ECDL. The projects were nominated as good practice examples at European level. It has been said that without the EU projects, NACS would have been dissolved as NIA.

Phare projects in the area of civil service reform were continued under OPDAC through the development of guides (for civil servants employees, for new civil servants), an innovative service for professionally evaluating civil servants (360 degrees evaluation, an IT pilot platform for civil servants training needs assessments as well as a data bases with civil servants trained, which facilitate their evaluation, as well. With its own resources, NACS built up on the Phare database of all civil servants in Romania and completed it with an information management portal, allowing management of public function (documents approval) and instant official communication between NACS and all HR departments in the PA (based on electronic signature). HR management projects under Phare were continued with public policy dedicated to prefects and sub-prefects, which are sensitive and important senior civil servant functions.

The current developed e-learning platform is a continuation of a Phare project and over 10,000 persons have received training. NIA's legacy was preserved. EU funds were needed for capacity building because NIA/NACS was required to remit the revenues from training to the national budget.

Phare projects (and the institutions) could not be sustainable without EU funds and their impact is heavily dependent on the will of decision-makers to use them.

As mentioned, one of the key priorities of the National Reform Programme 2007-2011 (intended as a "post-accession" strategy for Romania) was the continuation of reforms in the justice and anti-corruption systems, using mainly Phare 2004-2006 support. Later the CVM became the main tool for monitoring progress and since 2011 the World Bank has joined in supporting its development.

Sustainability in the justice sector is demonstrated by the quantity of institutions and legislation created and consolidated under Phare. This sustainability is undermined by there being limited resources available for the sector, as Justice was eligible under EU Cohesion Policy only to a very limited extent and the national budget is inadequate for further investments (including in ICT to sustain the automatic system brought by Phare). Additionally there are insufficient human resources and heavy workloads of both judges and support staff (including in the HCCJ), exacerbated by the uncoordinated and conflicting legislation adopted by government. NIM and NCC do not have sufficient capacity to recruit and train new staff, particularly after entry into force of new codes. Some of these challenges were solved through projects financed under Swiss and Norwegian bilateral programmes, EU-level programmes and WB (ECRIS). The latter are less relevant to the concrete needs of the Romanian

system, because they tackle horizontal EU issues. Justice will be eligible under the EU Cohesion Policy 2014-2020, as presented in the Partnership Agreement, however, support from the national budget is still needed to ensure that infrastructure and human resources function effectively.

National Administration of Penitentiary benefited under projects under SOP HRD 2007-2013, sustained and continued the results booked under Phare (e.g. incidence manual developed under Phare and taken a step further, which involved international cooperation and exchange of good practice, under SOPHRD programme). The capacity build and experience collected under Phare significantly contributed to the current position/capacity of the Administration and to the development of a smart and effective approach to developmental projects (“learn, see and adapt”). As MoJ, NAP experts have participated in the last years as suppliers of expertise in twinning projects but also in the international and European networks they are a part of (among which International Corrections and Prisons Association and the European Prison Education Association).

The 2012 and 2013 events in Romania, analysed also in the CVM reports, signalled the fragility of reforms undertaken in front of political will, but at the same time they also proved, when the attempts failed, that this political will, not mentally embarked on the road towards a strong state of law in Romania, is not stronger than consolidated forces inside justice system, civil society and international pressure, together.

As in the public administration sector, a series of Phare-financed projects in the CBC sector were continued under the 2007-2013 operational programmes, particularly the following CBC programmes and the Regional Operational Programme but also under the Fishery OP (e.g. Investment profile of Ruse-Giurgiu Euroregion, fish market in Calarasi, university in Giurgiu as joint venture between Rousse University, Romanian Academy of Science and a German university etc.) However, many Phare projects did not continue under the SFs, because the competition for these funds is high (e.g. Friendship Park in Giurgiu, whose phase I was implemented under Phare but whose phase II was not selected for funding anymore); similarly, projects prepared under Phare CBC project preparation facility have never received funding. While sustainability in terms of maintaining (financially and as human resource) infrastructure built is largely ensured despite scarcity of public resources (including environment infrastructure, problematic from this perspective in a first phase), there are cases in which it is not clear whether infrastructure financed under Phare CBC was capable of generating income streams and ensuring their continuation (e.g. Business Centre Calarasi, where events, including cross-border, are organised, but these do not provide sufficient income to sustain its existence and operation, ferryboats between Calarasi and Silistra and Turnu Magurele and Nikopol).

As mentioned, new CBC programmes supported sustainability of partnerships created under Phare CBC, both in small scale and large-scale projects (people-to-people and infrastructure). Projects, which were essentially single events, were more often than not unlikely to be perpetuated without further external funding. For projects that included procurement of equipment, using it for subsequent activities ensured its sustainability. There is still insufficient strategic planning and programming capacity (particularly among smaller municipalities) and resources to reach the objectives of socio-economic development of the border regions; the former do not adequately sustain synergy between CBC and national programmes for the benefit of the region/county.

Particularly important and relevant in the CBC sector is the sustainability of the achievements of Phare CBC 2004–2006 in terms of preparing institutions to manage and implement the 2007–2013 operational programmes. A number of the lessons learned from the Phare experience were used in programming and implementing the 2007–2013 programmes. However, this was not possible to a full extent. For the 2004–2006 programming there had been a shift to grant based schemes away from larger scale centrally managed programmes and because the programming of the new schemes was launched in 2006, it was not possible for conclusive lessons to be learned from preceding (pre-accession) programmes. Interim evaluation of Romania-Bulgaria, Romania-Serbia and Bulgaria-Serbia identified a series of key issues hampering smooth implementation, which should be taken into account during programme preparation by subsequent accession countries:

- Late start-date of the projects, due to the length of the assessment and contracting process, determined by the lack of adequate human resources, extensive focus on administrative and eligibility issues and existence of multiple layers of control, late provision of contracting documentation by beneficiaries, controls and verifications performed by the MA over the work of the JTS and project changes requiring the sign-off of addenda to the contract;
- Slow kick-starting of expenditure by beneficiaries;
- Process of verification of expenditure not yet fully efficient (a warning given also by the PIES reports), due to lack of experience of beneficiaries in preparing reimbursement claims, lack of precise guidelines for the use of First Level Controllers and existence of multiple layers of verification in expense validation;
- Lack of staff capacity and of a perfectible management system,
- System for monitoring in place but requiring improvements in terms of efficiency to serve as a useful tool for Programme governance.
- The participation of Education and training institutions and R&D organizations is on the other hand quite limited, both numerically and in financial terms.

## **Socio, Economic and Institutional Impact of the Enlargement Process**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through Phare?**

Key changes in the development patterns and institutional and policy behaviour were identified in the justice sector. These refer to (1) change in mentality as regards the use of the automatic system developed under Phare projects, i.e. while initially judges refused to use the system as “they were not typists”, currently the modus operandi imposed by the automatic system is fully internalised by its users (2) cooperation among magistrates, particularly judges, which significantly improved after they were initiated under Phare capacity/building training programmes and has a major contribution to uniform interpretation of law and jurisdiction and (3) fight against corruption, as presented below.

### **Box 2. National Anti-corruption Directorate**

The 2003 interim evaluation Justice sector report concluded “the full impact of new legislation and anti-corruption measures will only be secured, if high-level corruption cases are expedited and prosecuted efficiently and transparently”.

The National Anti-corruption Directorate is an example of an important impact determined by Phare interventions. The Directorate was set up and built under twinning projects with Spanish partners, who transferred, adapted and supported the National Anti-corruption Directorate in using Spanish experience. Under Phare the legal framework for combating corruption was created.

In accordance with the report of the National Anti-corruption Directorate synthesising its results from 2005 to 2012, in the first 9 months of 2012 615 defendants (almost double in comparison with 2011 and 3 times more as in 2010) were brought to courts, out of which 552 were convicted (similar proportions in comparison with 2011 and 2010), apparently more than registered in Italy in the 80’s during the famous anti-mafia operation “Mani Pulite”. Trend constantly rose since 2005 for these two indicators. About half of the finally convicted persons held important positions (dignitaries, among which 1 prime minister, mayors, vice-mayors, under prefects, magistrates etc.) Imprisonment was often decided as non-financial conviction, with major societal impact. Particularly the imprisonment of high political figures, such as the ex-prime-minister Adrian Nastase, but also of other public figures perceived as untouchable has a major impact on the population’s trust in justice and, overall, in a democratic system. The failed 2013 attempts to undermine the independence of judiciary, especially the activity of the DNA and SCM signalled to all stakeholders the reach of the justice sector and irreversible progress registered in this area.

2012, 2013 and 2014 CMV Reports mark the progress made by Romania in the fight against

corruption, among one of the most significant advances made in Romania since accession. The National Anticorruption Strategy (NAS) 2012-2015 considered in the MCV reports as an important initiative which has succeeded in extending a common framework to a wide variety of Romanian institutions. Its work to spread best practice and encourage public bodies to devote resource and attention to anti-corruption work are clearly valuable. Next step to be taken refer to applying more consistent rules in areas like risk assessment and internal control standards, prioritisation of the strategy implementation by the leadership of the different institutions, ensuring that new policies and legislation are designed with corruption prevention in mind and that proceeds of crime are recovered.

The penitentiary system was substantially reformed with the support of two Phare Twinning projects. Several changes were made including the setting-up of the “prison judge” institution, which gives detainees the opportunity to complain and work on their cases, a reshuffled policy for social reintegration of detainees, and the automation and ITC endowment of the penitentiary system.

### **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

#### **What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

One of the key strengths of Phare and of the enlargement policy, overall, is the comprehensive analysis, needs identification and priority setting undertaken for all sectors/areas (i.e. political and socio-economic) in the country, in accordance with the Copenhagen criteria. The involvement at this stage of national stakeholders relevant for each area contributed to increasing their capacity for strategic planning and induced them a sense of ownership on reforms and changes planned. However, the latter was rather limited; the process was perceived as EU-driven and multi-annual planning and EDIS intervened rather late for the situation to change before accession. Consequently, more responsibility should be placed on national institutions in terms of identifying their own needs and sector's challenges and of adopting medium and long-term development strategies, in partnership with relevant stakeholders. At the same time, judging by the experience in Romania, solid national strategies should be elaborated as early as possible in the negotiation process and their existence and implementation should constitute *ex-ante* conditionalities for further steps towards accession.

Moreover, in order to ensure the efficiency and effectiveness of these strategies (thus timely accession) developing from the outset (and rolling) their adequate monitoring and evaluation mechanisms (*ex-ante*, on-going and *ex-post*) are essential. Ideally, coherence needs to be ensured between the M&E system of national strategies and of IPA as goals are common. The system would support the European Commission and the government to respond when delays are registered in the implementation of agreed reforms (as identified in several cases in annual reports), by adopting the most concrete and relevant measures.

Although all criteria and sectors are equally important in the accession process, experience in Romania shows that public administration reform and, particularly, policy-formulation capacity of public institutions needs to be already in place for other reforms, and the preparation for EU post-accession funds, to succeed. The two areas need to constitute “0” priorities in candidate and accession countries, and reforms undertaken should go deep, to the regional and local level as they constitute the focal point where effects of several interventions (pre-and post-accession) meet and should create synergy in terms of socio-economic development. This is particularly important as prioritisation and concentration of interventions is needed and will be required also for EU post-accession funds, for maximum effectiveness and impact. Responsibility of PAR should be entrusted to a central institution such as the office of prime minister, as it is a horizontal issue reaching all line ministries. Regulatory impact assessment (RIA) should be established and implemented as an obligatory instrument at all levels, in the context of evaluation mechanisms, as presented above.

For cross-border cooperation programmes identifying socio-economic development needs is more challenging, as it involves stakeholders on both sides of borders. And this is a key learning point from

Phare CBC programmes in which Romania was involved, analysed progressively from 1999 to 2006: the closer the local stakeholders are involved in bottom-up needs-identification and strategy setting exercises, the more accurate is the diagnosis of the problem and the logic of programme intervention. At the same time, the more coherent the CB strategy and the wider the regional and national context, the more relevant is the CBC strategy. Of particular importance in this context is quantitative data supporting the intervention logic of programmes, which is difficult to collect in a CBC setting. In terms of types of interventions, IPA should prioritise transport infrastructure, as border permeability is a precondition both for economic development and for depth and intensity of cooperation.

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

Lack of or delays in adopting legislation, which could enforce a particular result of Phare interventions, were often obstacles to effectiveness in the justice and public administration (particularly) sectors. The cause of these blockages was insufficient forward planning, especially in the first phase, (through national strategies and NPAs, PAs and roadmaps) and less efficiently and effectively implemented action plans, which depended directly on the will and capacity of involved institutions. Conclusions and recommendations made in the previous sections apply here, too.

More important are the lessons learned as regards impacts and sustainability. Evidences presented in previous sections lead to the conclusion that the transition from pre-accession to membership could have been better planned. As mentioned before, the first National Reform Programme was meant to be a “pre-accession” strategy but this instrument was insufficiently embedded in the policy-making process, including of EU funds programming, in Romania (already poor). Preparing and particularly implementing 2004-2006 programmes in all three sectors ran more or less in parallel with the preparation of the 2007-2013 operational programmes. The fragmentation pre-/post-accession was striking in the public administration sector, in terms of institution in charge with PAR and in terms of strategic directions of the reform. In the justice sector the transition was not smooth, either, but for a different reason: while strategic documents were in place and progress in the field was supported by CVM, lack of resources, particularly through EU funds, negatively affected the impact but particularly the sustainability of Phare results. Very importantly, the benefits of multi-annual programming could not be achieved, as the Phare 2004-2006 programmes were implemented too late for the 2007-2013 OPs to learn from their experience. The limited number of evaluations (other than the Phare interim evaluations) and the limited communication between the two systems (particularly as regards PA but also CBC) contributed to this. Interim evaluations of OPDAC and the CBC programme did not take account of Phare interventions and effects. The missing links between Phare 2004-2006 and OPs 2007-2013 have negative consequences to this day. Because most Romanian MAs do not have the experience of learning from previous programmes, the programming of 2014-2020 seems to have met the same obstacles as the programming of 2007-2013 and to be less effective, when EC requirements and expectations are higher.

Consequently, the evaluation system to be put in place for IPA programmes should clearly make the link to the post-accession operational programmes, e.g. second interim evaluation of the IPA II programme should feed into the programming of the subsequent OP. If certain membership criteria are met only partially upon accession and if accession cannot be delayed, clear ex-ante conditionalities and monitoring mechanisms (such as CVM) should be put in place. EU funds are a powerful tool to steer the process beyond accession, but when such ex-ante mechanisms are missing, there is a high risk of losing funds.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

The most sustainable results of Phare were registered in areas benefiting of external support (e.g. anti-corruption), of funds (e.g. National Agency of Civil Servants but also of the National Administration of Penitentiaries) and of technical capacity (initially built with Phare support). The pre-and post-2012

developments in the anti-corruption area prove that the highest sustainability is achieved when factors above are complemented by domestic internal will.

The evaluation has identified evidences of sustainability in terms of: legislation, institutions, human resources, and “tools”. While in each sector different “mixes” of types of sustainability may be observed, and although some institutions were merged or split, the most sustainable results may be considered the institutions set up and built and supported under Phare, for example the National Anti-corruption Directorate, the SCM and NIM, NACS but also the National Administration of Penitentiaries, the Managing Authorities of CBC programmes and the Public Policies Units. These institutions continued to effectively transpose their mandate in actions (DNA, NACS) or remained in place, with a certain level of capacity (GSG and PPU), and were capable of accessing EU funds and, more important, to serve in the reform process initiated after 2011 and in the process of preparing the 2014-2020 programming period. This was possible due to a number of core persons prepared under Phare, among which public managers, who were retained in institutions, including through special remunerations schemes (i.e. 75% supplement to the base salary if involved in EU funds implementation) and could be interpreted as “human resources” sustainability.

Similarly, the body of laws developed in Phare projects for the implementation of the *acquis* is still in place and/or constituted a solid base for further developments, among which the new penal and criminal codes developed since 2008 and which entered into force in 2012-2014 are the most notable examples. Another notable example is the Law of Civil Servants and the Decentralisation Law, still in force largely as developed under Phare. Unfortunately the impact of the latter (and other laws) is diminished by their lack of implementation. There might be a possibility for further considerations on corruption risk management policy<sup>206</sup>.

Among “tools” we have highly sustainable results (particularly data bases and automating systems such as ECRIS and NACS data base of civil servants and the eLearning platform), and results with a more modest sustainability (different guides, manuals etc.). Determining factors are their (perceived) utility, relevance to the needs of beneficiaries and the commitment to implementing them.

In addition to institutional sustainability, transport and environment infrastructure of CBC programmes seem to be the most sustainable, because they respond to the critical needs of a region, and, to a lesser extent, but still important, they create enduring partnerships.

## **Conclusions (Lessons Learned)**

### **What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

As found above, no major bottlenecks in the efficient implementation of Phare were identified in Romania, from the perspective of the overall structure of the system. However, a series of lessons were learned from this perspective.

- The advantages and disadvantages of having a unique, central Implementing Agency (CFCU). In the short-term a centralized system concentrating expertise and ensuring uniform interpretation and application of contracting and project management rules has certain advantages, and is more efficient. But, in the long-term, experience in Romania shows that institutions, which take on the role of Implementing Agency quite early, perform better as managing authorities/interim bodies.
- The transition of CFCU staff towards Managing Authorities was made on an ad-hoc basis, rather than being guided by a clear strategy to utilise the staffs’ expertise as regards the management of EU-funds within the context of the application of Romania’s *acquis* compliant public procurement rules post-accession; a clearer strategy to utilise their expertise would have been particularly beneficial in the context in which these rules and their different interpretation have constituted the major bottleneck in the implementation of ESFs up to this date. For a smooth implementation of

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<sup>206</sup> Source: "Identifying and Reducing Corruption in Public Procurement in the EU", 30 June 2013

EU funds it is essential that enough capacity and expertise on national procurement rules exists at all levels (managing authority and beneficiaries). Therefore extended decentralisation should be achieved by the beneficiaries well before a country enters the EU, so that future managing authorities have already gained experience (including as regards the application of national public procurement rules instead of PRAG) in managing programmes.

- (Un)availability of adequate TA at the moment when the programme implementation started: Phare prepared most managing authorities with tools (e.g. applicant's guides and forms, procedures) but this support was not continued after 2007-2008 for various reasons: the managing authorities did not have enough expertise and experience to set up ToRs and timely unfold the necessary public procurement procedure to have TA teams in place in 2007-2008. This affected the efficiency of the new programmes. Pre-accession funds should be made available/planned for such transition projects, to cover the immediate TA needs of the managing authorities (e.g. the first year)
- ESIs beneficiaries appreciated Phare unique procedures, in opposition to separate procedures developed by each operational programme. Therefore it is essential that the TA and Twinning projects supporting the preparation for ESIs implementation to produce coherent procedures for the future MAs. This coherence should be ensured by the institutions coordinating the process e.g. the Authority for the Coordination of Structural Instruments. It is essential that such coordinating institutions are endowed with the necessary attributes and tools for the purpose.
- Under CBC programmes early decentralisation proved to have a crucial impact on institutional capacity for implementing Interreg/ETC programmes under the EU Cohesion Policy. Therefore implementation mechanisms at the regional level should be set early for CBC programmes, so that their capacity can be built for them to be able to develop and sustain the partnerships in the CBC regions, whose quality significantly influences the efficiency and effectiveness of CBC programmes (pre-and post-accession).
- Procurement and contracting has been challenging and led to delays, thus to ineffectiveness in the system. Therefore under IPA II late contracting should be avoided, as it places high constraints on the programme efficiency and effectiveness. A mechanism needs to be put in place for late contracting to be avoided, based on clear deadlines for intermediate steps, which need to be undertaken (e.g. project preparation, tender dossier preparation etc.).
- Essential for the efficiency (and effectiveness) of Phare/IPA (but also Structural Funds) is the adequate remuneration of civil servants, in the wider context of PAR: performance cannot be expected from structures whose employees are poorly paid, even if other incentives might be formally or informally put in place.
- Both Twinning and TA have advantages and disadvantages. Therefore a better analysis should be made when a decision is taken regarding twinning or TA: this should be based on the real needs of the institution, its development level, quality of experts on the market, and applicability of other states experience to the model and particularities of the beneficiary institution. The approach developed by the Romanian National Administration of Penitentiaries on Phare experience, as continued under the ESFs: "learn, see, adapt" could become the motto of twinning and TA projects under IPA, too.
- Regarding the IPA II sectoral approach, it needs to be underlined that taking into account the principles of the logic of intervention, as developed by DG Regio and Employment for the 2014-2020 is important. The more intangible the interventions (including ex-IPA I component), the more important is to adequately identify the problems to be solved/change to be carried out and needs to be covered for this purpose, consequently to set up the specific objectives and actions/operation and output and result indicators, with baseline and targets. Therefore an accompanying monitoring and evaluation function needs to be attached to the SOP, while qualitative indicators may also be formulated. It is essential to shape clearly the tasks of the monitoring function, of the evaluation functional and how the activities of the two are intertwined e.g. for which indicators monitoring is collecting data, for which information needs evaluation needs to collect further data and make analysis – in accordance with the provisions of CPR.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

As presented in the previous sections, the approach taken for capacity building of national and particularly regional institutions in charge of CBC Phare and ESFs programmes and the transport infrastructure built are the key points to be taken into consideration by current enlargement countries.

Further on, it seems that the mechanism of using grants had a successful record of initiating cross border partnerships and contributing at the local level to the overall policy of encouraging engagement between neighbouring counties. The JSPF/"People to People" schemes under the 2004-2006 programmes continued the same successful formula adopted since first launching under Phare 2000. It can be concluded, in this context, that Phare CBC has become a mainstay of support for many NGOs in the border areas and that without European Union support many of the NGOs could not survive. By the onset of Phare CBC 2006, the programming consisted entirely of grant schemes with supporting TA and therefore represented a good approximation of the interventions to follow, thus this approach should be followed under IPA II, too.

Another good example to be followed in other enlargement countries is the close communication and consultation between stakeholders (beneficiaries, regional CBC offices and contracting authority) and day-to-day management of the grants schemes through technical assistance, which proved efficient in successfully closing the Phare 2006 CBC scheme. It has provided the means by which regional CBC offices have developed, in both personnel numbers and consolidation of experience.

In the current context more lessons could be learned from IPA 2007-2013 CBC programmes. The INTERACT programme is already very active in this sense. Thus participation of both IPA and ENPI MAs and JTSs in INTERACT initiatives should be stimulated and strengthened.

## **Annex 5.11: Slovakia – Agriculture; Private Sector Development; Civil Society Development**

### **Background**

The Slovak Republic is a landlocked state in Central Europe. It has a population of over five million and an area of about 49,000 square kilometres. Slovakia is bordered by the Czech Republic and Austria to the west, Poland to the north, Ukraine to the east and Hungary to the south. The largest city is the capital, Bratislava, and the second largest is Košice.

The Slovak landscape is noted primarily for its mountainous nature, with the Carpathian Mountains extending across most of the northern half of the country. Amongst these mountain ranges are the high peaks of the Fatra-Tatra Area (including Tatra mountains, Greater Fatra and Lesser Fatra), Slovak Ore Mountains, Slovak Central Mountains or Beskids. The largest lowland is the fertile Danubian Lowland in the southwest, followed by the Eastern Slovak Lowland in the southeast.

In 1918, following the breakup of Austria-Hungary, Slovakia and the regions of Bohemia, Moravia, Silesia and Carpathian Ruthenia formed a common state, Czechoslovakia. Czechoslovakia came under the influence of the Soviet Union and its Warsaw Pact after a coup in 1948. The country was occupied by the Warsaw Pact forces in 1968, ending a period of liberalization. In 1969 Czechoslovakia became a federation of the Czech Socialist Republic and the Slovak Socialist Republic. The end of Communist rule in Czechoslovakia in 1989, during the peaceful Velvet Revolution, was followed by the country's dissolution, into two successor states. The Slovak Republic and the Czech Republic went their separate ways after 1 January 1993, an event sometimes called the Velvet Divorce.

Slovakia became a member of NATO on 29 March 2004 and of the European Union on 1 May 2004. On 1 January 2009, Slovakia adopted the Euro as its national currency.

Slovakia is a parliamentary democratic republic with a multi-party system. The last parliamentary elections were held on 10 March 2012 and two rounds of presidential elections took place on 15 and 29 March 2014.

The conduct of monetary and fiscal policy has played a vital role in the stabilization process in Slovakia after its independence. The National Bank Supervision Department made substantial progress in establishing prudential regulations producing or clarifying legal frameworks, building up its staff capacity and its independence, and in developing a comprehensive information system. The Ministry of Finance implemented a coherent tax and accounting reform programme.

The Slovak economy is considered an advanced economy, transformed from a centrally planned to a market-driven one. Before the global recession, Slovakia had experienced high and sustained economic growth. In 2007 (with GDP growth of 10.5%), 2008 (6%) and 2010 (with 4%), Slovakia was the fastest growing economy in the European Union. In 2011 (with the GDP growth of 3.3%) and 2012 (GDP growth of 1.8%), Slovakia was the 2nd fastest growing Eurozone member after Estonia. Slovakia's GDP growth of 0.9% in 2013 remained one of the highest in the Eurozone. The ratio of government debt to GDP in Slovakia reached 58% by the end of 2013.

Slovakia is an attractive country for foreign investors mainly because of its low wages, low tax rates, and well-educated labour force. In recent years, Slovakia has been pursuing a policy of encouraging foreign investment. FDI inflow grew more than 600% from 2000 and cumulatively reached an all-time high of \$17.3 billion in 2006, or around \$22,000 per capita by the end of 2008.

In 2012 Slovakia kept its global position for the most cars produced per citizen. In 2013 carmakers in Slovakia (Volkswagen Group, PSA Peugeot Citroen, and Kia Motors) expected to produce 930,000 cars. Slovakia expects to produce the first Porsche produced outside Germany in 2015.

Slovakia's GDP per capita (in PPS) stood at 57% of the EU-27 in 2004, rising to 76% in 2012.

## EU Accession Process

Further to a Trade and Cooperation Agreement concluded in 1990, the EU and Czechoslovakia signed an 'Association [Europe] Agreement' in December 1991 and the trade provisions of the agreement entered into force in March 1992 providing for the consolidation of previous trade concessions as well as the gradual and asymmetric establishment of a free trade area over a period of ten years. Dissolution of Czechoslovakia in 1993 made it necessary to negotiate separate 'Europe Agreements' with the successor states; the one with Slovakia was signed in October 1993, and entered into force in February 1995. It provided a legal framework for political dialogue, the expansion of trade, and economic relations between the parties, a basis for Community technical and financial assistance, and a framework to support Slovakia's gradual integration into the EU.

Slovakia submitted its application for EU membership in June 1995 but accession negotiations were denied when the European Commission issued a negative 'Opinion' in July 1997, which highlighted the challenges for Slovakia being able to ensure full compliance with the political conditions of the 'Copenhagen Criteria' for membership over the medium-term. Following a change of government and policies in 1998, the European Council at the Helsinki summit in December 1999 duly invited Slovakia to start accession negotiations, which commenced in March 2000. Slovakia managed to keep pace with those candidate countries, which had negotiated with the EU for two years longer, and negotiations officially ended at the Copenhagen summit in December 2002. This achievement has often been used in order to demonstrate the positive effects of the EU's accession process, as after the Commission's decision Slovak leaders took great steps to fulfil the necessary political conditions – namely the stability of institutions to guarantee democracy, the rule of law, and interestingly, the respect for human and minority rights.

Slovakia signed the Accession Treaty with the EU in April 2003 and in May 2003 the referendum in Slovakia on EU accession returned a 93% 'yes' vote, based on a 52% turnout. The Slovak Republic became a member of the European Union on 1st of May 2004.

## EU Pre-Accession Financial Assistance – Overview

*In addition to support to Slovakia under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2003, under the ISPA and the SAPARD Programmes.*

During 1990-2003 Slovakia was allocated € 775.8 million under the Phare Programme with about 60% provided for Institution Building and the rest for Investment and participation in Community Programmes. Commitment (except for € 4.5 million for education) was postponed in 1996 when coordination responsibilities shifted from the Ministry of Finance to the Office of Government.

- EC grant of € 218.5 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of Slovakia, covering:
  - Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
  - Cross Border Cooperation – with Austria.
- EC grant of € 557.3 million was allocated over the period 1997-2003 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, agriculture, environment, employment and social affairs, justice and home affairs, transport, institutional and administrative capacity, preparations for Structural Funds, the promotion of economic and social

cohesion, Cross Border Cooperation (also with the Czech Republic, Hungary and Poland), nuclear safety, plus participation in Community Programmes and Agencies.

During 2004-2006 Slovakia was allocated a further € 29.4 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis* with more than 80% provided for Institution Building and with the rest for Investment.

## **EU Pre-Accession Financial Assistance – Ex post Evaluation Findings**

### **Programme Priorities – Agriculture; Private Sector Development; Civil Society Development**

The history of Non-Governmental Organisations (NGO) in Slovakia dates back to the eighteenth century, if not earlier, particularly in the fields of education, culture, and social concerns. In the cultural and education fields, NGO were deeply bound up with resistance, and the revival and development of national identity and language during periods of outside domination. Between the two World Wars, the sector emerged alongside varying degrees of democracy, before languishing under Communism only to re-emerge, notably in the field of environment, around the time of the Velvet Revolution. The individual programmes under the Civil Society sector relate to the adoption and application of the *acquis communautaire* by focusing on the protection of minority rights, namely by combating discrimination of the Roma population and by improving their living conditions. Overall, the individual parts of the assistance was in line with the Slovak Government's 2002 Declaration, which foresaw the continuous implementation of development programmes for Roma, their integration into the society with the focus on the regions, and also intended the strengthening of partnership between the Government and the non-governmental sector. The individual programmes related also to the National Programme for Adoption of the Acquis (NPAA), focusing on education of socially disadvantaged groups and co-existence of Roma and non-Roma communities. Major parts also related to the 'Strategy of the Government Addressing the Problems of the Roma National Minority and Set of Measures for Its Implementation. Moreover, the Roma programmes were in line with the National Development Plan (NDP).

The Competition Policy Chapter of the *acquis* covers both anti-trust and state aid control policies. It includes rules and procedures to fight anti-competitive behaviour by companies (restrictive agreements between undertakings and abuse of dominant position), to scrutinise mergers between undertakings, and to prevent governments from granting state aid, which distorts competition in the internal market. Generally, the competition rules are directly applicable in the whole Union, and Member States must co-operate fully with the Commission in enforcing them. The chapter has close links and is complementary with the Enterprise and Industrial Policy Chapter, which focuses on speeding up adjustment to structural change, encouraging an environment favourable to business creation and growth throughout the EU, as well as domestic and foreign investments; it aims to improve the overall business environment.

Foreign direct investment (FDI) is an important phenomenon of our time, the accompanying sign of the globalization of economic and political and social processes. Their advantage is the fact that they contribute to the efficient allocation of resources, because investors are directing their investments in those regions where the expected achievement of economies of scale. They usually adapt to various rationalization measures to this aim.

UNCTAD defines the FDI as investments based on long-term relationship to the company and reflecting the continuing interest and control of resident operators in one country (the foreign investor or parent company) in an enterprise resident in another country, which may be a company with FDI or branch of a foreign company.

Direct investment enterprise may be a subsidiary, associate or branch in proportion to the direct investor in the capital. Concepts subsidiary, associate or branch used in the statistics of foreign direct investment, are differ from the definitions of terms used in the internationally accepted accounting

standards. Subsidiary represents more than 50% share of the direct investor's capital or voting rights in respect of associate share of 10 to 50 percent. Branch is a 100%-owned direct them to investors, it may be a permanent office or agency, land and buildings owned by non-resident direct and mobile facilities that operate in the economy more than one year. As part of foreign direct investment are considered in addition to a share in the capital and reinvested earnings and other capital - associated with various intercompany debt operations.

There are many reasons why investors invest abroad. It is an attempt to acquire new natural and human resources at a lower price than the domestic economy. It may be finding new opportunities for marketing products, and ultimately to increase the efficiency of production but a growth of own revenue.

FDI is an integral part of an open and effective international economic system and a major catalyst to development. The benefits of FDI do not accrue automatically and evenly across countries, sectors, and local communities. National policies and the international investment architecture matter for attracting FDI to a larger number of developing countries and for reaping the full benefits of FDI for development. The challenges primarily address host countries, which need to establish a transparent, broad, and effective enabling policy for investment and to build the human and institutional capacities to implement them.

Foreign direct investment is an important source of capital for growth in developing countries. FDI in developing countries has flowed mainly into manufacturing and processing industries. It has traditionally been concentrated in a small group of countries, which partly reflects the size of their economies and partly their attractiveness as a location for FDI.

Foreign investment can complement the domestic investment. However, each form of foreign investment plays a distinct and important role in promoting growth and sustainable development, boosting countries' competitiveness, generating employment, and reducing social and income disparities.

From its beginning, Slovakia has emerged to become one of the most dynamic countries of Central and Eastern Europe. With its reform of taxes, retirement plans, Labour Code and health care it has set the example for neighbouring countries. Slovakia has also become a country where the business climate provides opportunities for world-famous companies both in the manufacturing and higher value-added sectors.

The Agriculture Chapter of the *acquis* covers a large number of binding rules, many of which are directly applicable. The proper application of these rules and their effective enforcement and control by an efficient public administration are essential for the functioning of the common agricultural policy (CAP). Running the CAP requires the setting up of management and quality systems such as a paying agency and the integrated administration and control system (IACS), and the capacity to implement rural development measures. Member States must be able to apply the EU legislation on direct farm support schemes and to implement common market organisations for various agricultural products.

Before the end of the last century the strong recovery of the general economy led to an overall decrease in the importance of agriculture in the general economy. The contribution of agriculture to GDP was 5.9% in 1993 and fell back to 4.4% in 1997. The low importance also reflected the industry- and service-oriented character of Slovakia's economy. The strong performance of the general economy was able to absorb labour force from agriculture, which became redundant during restructuring. Despite its relatively low share in the overall economic performance of the country, agriculture plays a comparatively significant part in the maintenance of economic and social equilibrium.

### **Selected sample of projects**

The agreed selection sample of projects of the EU pre-accession and transition assistance provided to Slovakia in the areas is summarised below:

<b>Year</b>	<b>Project Title</b>	<b>EC Grant (M€)</b>	<b>Co-financing (M€)</b>
2000	Improvement of the situation of the Roma in the Slovak Republic (DEM)	3.800	0.309
2003	Support to Integration of Roma in Education (DEM)	1.000	0.110
2003	Improved Access to Health Care for the Roma Minority in the Slovak Republic (DEM)	1.250	0.460
1999	Enhancing Competitiveness and Foreign Investment of Slovakia (FDI)	5.500	3.000
1998	Reinforcement of institutional and administrative capacity - Internal Market (AGR)	5.000	1.560
1999	Preparation for the Implementation of EU Common Agriculture Policy, Harmonisation and Implementation of the Internal Market Legislation (AGR)	4.000	2.000
2000	Strengthening of Veterinary and Phytosanitary Border Inspection Posts (AGR)	1.000	0.311
2002	Development of Structures for Implementation of IACS (Integrated Administrative and Control System) (AGR)	1.800	0.327
2004	Strengthening of Control Systems in the area of Food Safety (AGR)	1.565	0.305

## **Strategic objectives of selected projects**

### ***Roma***

The wider objectives of the selected projects were covering:

- Improving the living conditions for Roma in the Slovak Republic
- Successful implementation of the Government "Integrated Concept for Roma education"
- Improving the health care of Roma citizens in the Slovak Republic

### ***Foreign Direct Investment***

The wider objective of the selected project was to:

- Sustain economic growth by increasing the flow of the foreign direct investment and improving export performance through supporting the Ministry of Economy of the Slovak Republic to strengthen its institutional, legislative, and as well regulative functions – thus progressing the EU accession progress.

### ***Agriculture***

The wider objectives of the selected projects were focused on:

- Enhancing Slovakia's capacity, after accession, to implement European Structural Fund programmes and large projects under the Cohesion Fund
- Meeting the obligations of the acquis
- Harmonising of the veterinary and phytosanitary control with EU standards

## Impact and Sustainability of PHARE Financial Assistance

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

The selected Roma Programmes remained relevant due to the widespread and complex problems of the Roma community in Slovakia and also due to the lack of domestic financial resources for their solution at the time. Phare Roma interventions contributed directly to the relevant governmental strategies. The design of the selected programmes covered all main areas of Roma problems. The design however proved to be over-ambitious, notably once delays occurred in contracting and implementation. Some designed activities proved to be unrealistic during the implementation, such as training of very young unemployed Roma (as parents had to approve their training attendance outside their homes) or as the existence of only three incubators for practical training of 150 people. Also not sufficient public relation activities were included in the Programme design, especially on the regional and national levels to increase awareness about the Phare Roma Programmes and also to better disseminate results. Moreover further stages of the de-centralisation process in the country caused difficulties in implementation of some parts of programmes, particularly for the education strand (such as decentralisation of school competences to regional entities), which was not foreseen in the original assumptions. Also future plans of the Government to streamline some parts of the state services, such as social and unemployment ones influenced outcomes of the Roma unemployment assistance which was not foreseen in the programme's design. On the other hand inclusion of Roma representatives in Steering Committees was positive. Indicators of achievement proved to be very difficult to measure since keeping statistics on Roma pupils seemed to be difficult due to compliance with the valid anti-discriminatory legislation in Slovakia.

The selected FDI Programme was consistent and progressive and built on previous interventions, the objectives were clearly stated, however precise performance targets were missing. The Programme addressed the issue of the institutional structure of the national inward-investment agency and helped its transformation. The Programmes designers proved to be prescient in terms of identifying assumptions, with almost all of these assumptions materialised during the implementation; e.g. governmental support to create the conditions and framework for establishing the organisation covering both attracting foreign investment and supporting export. The strong Government commitment to FDI started a successful era in this area in Slovakia.

In the pre-accession period in the Agriculture, the Slovak Republic tried hard to adapt to the EU legislation and to structure the support into priority sectors that had been defined in the National Programme for Adoption of the *Acquis Communautaire*, and to implement the support system based on the EU structural funds through the later SAPARD programme. Systems of programming, partnerships, and effective programme implementation according the EU legislation were followed.

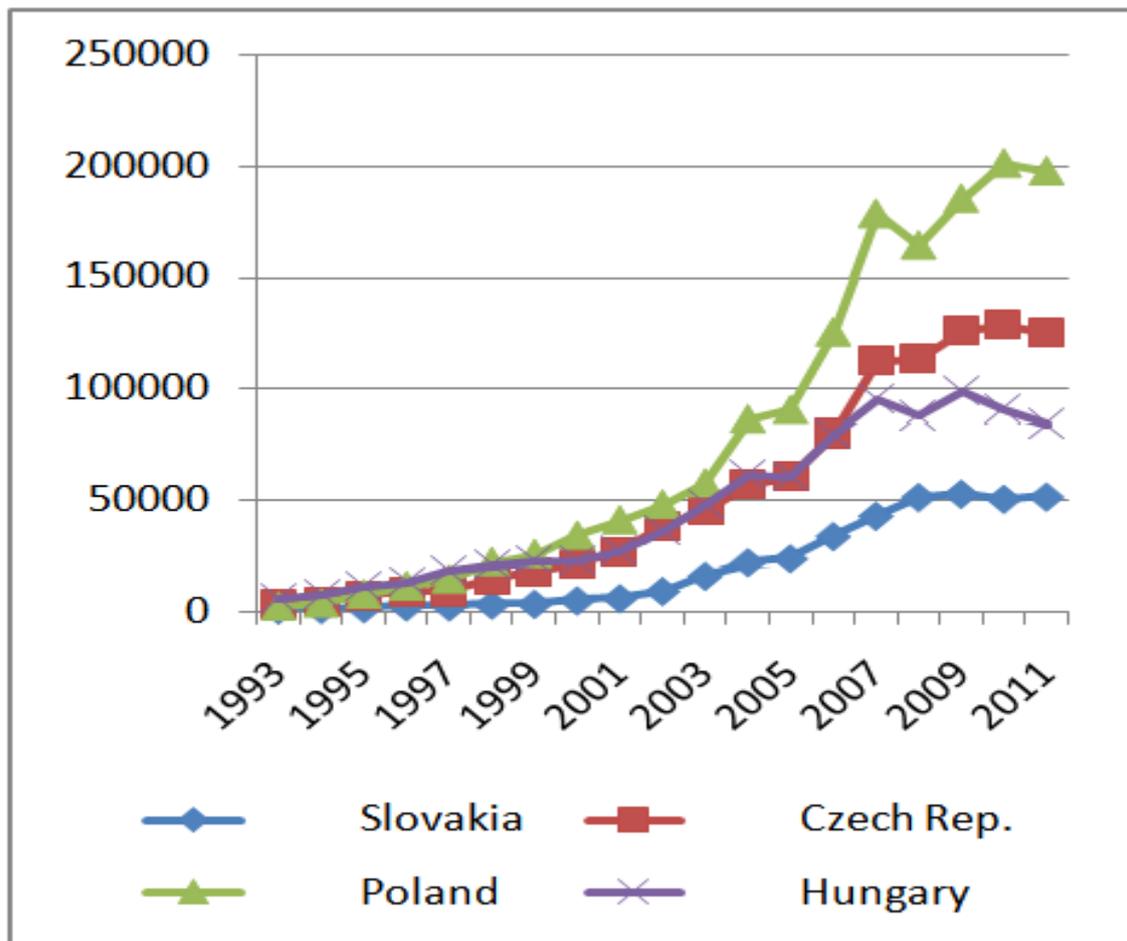
The agricultural projects remain relevant even from the ex-post perspective, mostly contributing to implementation of complex EU Directives (e.g. as in the Food Safety Framework). The key beneficiary of the Transition Facility interventions 2004-2006 was the Central Controlling and Testing Institute in Agriculture and its individual departments, including laboratories. Also heavy assistance to the Agricultural Paying Agency in the field of the reformed Common Agriculture Policy was very relevant, even after the enforcement of the new legislation and also organisational changes within the Agency.

The Agriculture Programmes were highly relevant even within the background of the afterwards started quite extensive support for the agriculture and rural development sector under the Rural Development Plan 2007-2013. Targeted programmes were focused to overcome weak or missing administrative practices, methodological and control procedures mostly following needs for proper implementation of updated or newly adopted mainly in the area of Food Safety or the reformed European Common Agricultural Policy.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Major parts of the assistance to the Roma communities suffered from problems with efficiency, particularly due to different forms of delays adversely influencing the proper contracting and implementation of many projects. Crucial contracting difficulties appeared throughout selected programmes. Due to the severe efficiency problems the effectiveness was mixed and often accompanied with negative interim evaluations. However, the results of evaluations were openly discussed at national conferences.

Visegrad Four (V4) is a political community of the Central European countries of Hungary, Poland, the Czech Republic, and Slovakia. These countries agreed to harmonize common practice join the European Union and NATO. To facilitate mutual foreign trade they established a free trade association without duties - Central European Free Trade Agreement (CEFTA) in 1992. On the Slovak territory there was scarcely any FDI in 1998. This situation was caused by the fact that the government had made efforts to build a so-called Slovak 'capital community' and it refused to open the Slovak Republic to foreign investment.



**Figure 1** Inward FDI stock, by V4 countries: annual, 1993-2011, million US dollars

To illustrate, while on 31.12.1998 poured in to Poland \$22.4 billion, \$14.3 billion in the Czech Republic, in Slovakia it was only \$2.9 billion foreign investment. Change occurred after the elections in 1998. At that time the new right-wing oriented government put into the practice such measures to halt the decline investment in relation to GDP, the openness for foreign countries and for create FDI inflows conditions.

Phare was a crucial element in this positive change of governmental approach.

**What have been the impacts of PHARE in qualitative and quantitative terms?**

Due to its broad definition we can say the selected Roma Programmes had a certain positive impact on the improved living, health and education conditions of Roma. For example there was at least local impact of support for community development of Roma settlements via functioning of 10 community centres though these pilot activities did not have a countrywide replication. However, for a broader impact, the assistance called for more concrete outputs of all the key areas covered: housing, health, unemployment, education. The unemployment strand of the assistance brought some impact notably on the employment of adult Roma in the selected regions &#8211; about 600 Roma trained and 150 placed in companies for on-the job experience. For the education strand, to bring broader impact the country-wide distribution of project results was not assured, such as working materials for primary schools (as now only 70 schools are included) and curricula for vocational training (only 4 are now participating), pending on the missed approval of the Ministry of Education (such as basic pedagogical documentation for secondary schools). Impact of the assistance was not broad enough. Although PHARE was a pilot in the area of Roma projects there are still issues to be solved in the future. According to the Atlas of Roma Communities (2013), 16.73% of them have not finished elementary schools; 28.05% have finished elementary schools; 4.98% have finished special schools. 5.74% have finished secondary schools; 2.80% attend secondary schools.

Inhabitants that graduated from universities make up 0.18%; universities are attended by 0.36%. According to research issued in 2011-2012 by the World Bank, UNDP and EC: in selected communities with a high percentage of the Roma: kindergartens were attended by 28% of children aged 3-6; on average, less than one third of the Roma is employed, with one third of Roma respondents saying they were unemployed, 20% have no health insurance, and 90% are in risk of poverty. According to the "A Review of Roma Education Initiatives in Central and South-Eastern Europe - Towards Roma Inclusion", UNICEF 2010, the sustainability of especially educational Roma projects depend very much on the active involvement of the community and parents and can lead to positive outputs. In any case we can say that PHARE was a pioneer on Roma assistance during the pre-accession period."

Competitiveness has improved in the run-up to and since enlargement. The total number of labour market reforms (Including reforms of employment protection legislation, unemployment benefits, working time rules, wage bargaining systems and active labour market policies) in the EU12 increased between 2004 and 2011, while labour productivity increased in the majority of the EU12 countries in the run up to and after the 2004 accession. For example, in Slovakia, labour productivity in the tradable sector went up by 10.3% in 1999-2003 and 6.3% in 2004-2012.

Since until 1998 the government was not in favour of attracting foreign investors the FDI sector capital inflows were very small compared with other countries in the region at that period. Phare played a substantial role to support the change of thinking in this aspect. After almost no increase in foreign investment in the first half of 1995, the capital inflows expanded to a total amount of \$ 845 million at the end of December 1996. The main investors, by country of origin, were from Austria, Germany, the Czech Republic, and the USA. A more positive sign is the increase in the number of enterprises with foreign capital participation to 9,717 companies in 1996 compared to 5,100 in 1993. These investments were mainly directed towards the retail trade, industry, banking, and insurance. Phare was supporting SNAFID (Slovak National Agency for Foreign Investment Development), responsible for promoting foreign investment into Slovakia and made a major contribution in attracting 'greenfield' investment to Slovakia. During the period of 1994-1996, the Slovak National Agency for Foreign Investment was involved in 17 projects, worth \$ 144 million and providing jobs for 6,000 employees.

The SNAFID activities however resulted in much lower numbers of FDI coming to Slovakia compared to neighbouring Visegrad group countries. The SNAFID ownership structure was also not fully under the state control and therefore the decision-making process became very lengthy and relevant communication almost stopped. To solve the situation and support of FDI inflow, the Ministry of Economy established the organization Slovak Agency for Investment and Trade Development

(SARIO) as a more effective replacement of the SNAFID, in terms of the possibility of the state financial support, transparent control afterwards and fast and flexible management and communication services. It is an organization for professional guidance, for foreign investors, for providing consulting services, for assistance about investment projects and the identification of suitable sites for the implementation of investment projects.

In Slovakia, FDI flowed to 2006, mainly to the western part and around Bratislava, even though it's most developed region. This fact was mainly caused by territorial proximity and excellent transport links to the countries of Western Europe, built the highway, a high level of human capital, and a large number of universities in the territory of Bratislava.

The crisis has highlighted the interdependence of national economies both within and beyond the EU, and the importance of further consolidating economic and financial stability. The enlargement process is a powerful tool to that end.

Like everywhere in the world, in Slovakia also there was a decline of foreign direct investment after 2008 due to the economic recession. This was reflected by a continuous increase in FDI, which had lasted since 2002. This situation was relieved by stagnation at around \$50 billion in 2008. Current stock of FDI is \$51.3 billion. The greatest interest in investing in Slovakia, have the investors from the Netherlands, Hungary, Austria, Germany, Italy, France, Sweden and South Korea. By 2006, FDI flows were mainly in traditional sectors. Important investment flowed in Slovakia in the area of banking as a result of the restructuring of the banking sector. At present, FDI is focused primarily in electrical, engineering, automotive, rubber, metal, wood, furniture, and paper industries as well as wholesale. There is expected further investment in the energetics. Positive feature of FDI enterprises is the development of production with higher added value.

When is comparing the status of FDI in selected countries, it should be recalled that the comparison was made in absolute values. To recalculate the status of FDI in 2011 to per capita, then we find that the order of the V4 countries is changed. In the first place is the Czech Republic (\$11 928), followed by Slovakia (\$9 326), Hungary (\$8 445). Poland is last with \$5 158 per capita of FDI. However, no matter what, it is important to evaluate the advantages and disadvantages of FDI for the host country.

The advantages of FDI include the introduction of new management techniques, new, more efficient technology transfer, and increase of labour and capital productivity, competitiveness growth, and easier access to foreign markets. All these factors contribute to the growth performance and, ultimately, in the long term to improve the standard of living of citizens. This is, of course, affected by the economic capacity of the recipient country, sector exposure, degree of saturation of foreign investment and the absorption capacity of the country. On the other hand, incorrectly positioned FDI can contribute to the deepening economic problems of the host countries.

The FDI was a major factor in the growth of Slovak economy and Phare played an important role in all of this. In the period 1999-2006 the Phare funds in Slovakia were totalling 314.1 MEUR. The Economic and Social Cohesion obtained 10% of the sum it means the direct support to the FDI sector was just few millions of euros. The funds were supporting the SARIO activities (TA) and export and development activities of Slovak producers (grant schemes). The TA to SARIO was crucial and improved very much the professionalism of relevant staff and the organisation as a whole. Phare TAs supported the enhancing the web page, promotional booklets and brochures, trained and coached the staff. Experienced foreign experts especially from Ireland (former Irish Development Agency experts) worked long-term in SARIO. Several crucial studies very produced. For example in 1999 the study on 200 biggest foreign investors in Slovakia discovered the fact that 95% of them were satisfied in Slovakia and planned to expand their operations. In 2002 Phare financed a strategic study on Electronics Industry (including automotive electronics). The study analysed the situation, infrastructure for FDI, labour force, education, and compared relevant indicators with competing countries. Except of that experts visited dozens of major foreign investors in Slovakia and even abroad (analysing reasons why investors decided not to go to Slovakia) and came up with specific recommendations especially in

the areas of the car and software industries. SARIO since then focused successfully mainly on attracting car producers and big software houses to the country.

In the area of Agriculture the Policy Advisory Unit assisted the Ministry of Agriculture in reviewing and formulating agricultural policy and in the establishment of working groups looking at the adoption of the full *acquis communautaire* (structural issues, veterinary and phytosanitary matters, forestry, water management, etc.). Phare also provided assistance to the continued modernisation and reconstruction of land registration and integrated cadastral information services in support of the restitution and land consolidation process, land market development, privatisation of rural and urban areas, thus meeting the socio-economic and environmental needs of the country. The assistance also contributed to community development taking into consideration essential democratic principles, by improving the security of ownership rights related to land and its assets and supporting local governments in their tasks related to land registry and mapping. Phare also provided assistance to improve the availability of geographic information systems; to develop digital and similar products (aerial photography of 6.000 km<sup>2</sup> of Slovak territory); to stimulate and support public, governmental and private sector users, such as local authorities, regional authorities (physical planning, environmental protection), banks (land market, mortgaging), etc.

For example observations of the impact from the 2004 Food Safety project were rather optimistic, as it definitely contributed to the fulfilment of its Wider Objectives in the area of risk assessment and management of PPP and control of primary inputs in food chain and environment. The Slovak representatives started to participate in pesticides risk assessment peer reviews at the European Food Safety Authority. Also chances existed for the CCTIA to perform the co-rapporteur role (together with France) on the chemical active substance dossier in 2008-09, thus Slovakia seemed to be more proactive in participation at the EU system of PPP compared to the past. The CCTIA labs now better comply with quality standards and the GLP. The delivered equipment for the labs and the WRI among others helped to achieve the EU standards in safety of food supervision.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

As indicated above, Slovakia has continued to try to improve the situation of the Roma community, while learning both from implementation of relevant programmes and from similar EU experiences. However, in order to ensure substantial sustainability of the achievements, the majority of the sectoral assistance needed a continuous and systematic commitment from the Government; particularly in the longer-term perspective. This was not always the case.

After the Slovakia joined EU it started to act in a more systematic and planned manner. For example during the programming period 2007-2013 of Structural funds there was a relevant programme for municipalities, implemented through six operational programmes (difficult coordination). Only local authorities, who elaborated local strategies for the Roma inclusion with a complex approach, were eligible to participate. Around 80 municipalities received grants. The programming period 2014-2020 of Structural funds is more advanced regarding the support to Roma community. The support will be managed by the Ministry of Labour, Social Affairs, and Family acting as the Managing Authority and the Ministry of Interior with its Plenipotentiary Office for Roma Community acting as the Intermediary Body. The aim is the preservation of the human resources (education and field social work), legalization of land and access to drinking water. These are basic needs, in the field of which the Plenipotentiary Office would like to see a progress in the next 7 years. According to the Commission the next programming period is the last chance for the implementation of the National Strategy for Roma Inclusion 2020. There are about 200 measures envisaged by the Strategy, which have to be implemented until 2015 (most of them are already implemented). Actualization of the Strategy is forthcoming.

In the area of FDI the best indicators are connected to the results of investment inflow and the comparing with other Central and Eastern European Countries (CEEC).

TOP Reasons Why to Invest in Slovakia according to the SARIO Agency

- safe investment environment: political and economic stability
- Central European hub & favourable geographic location with great export potential
- fastest growing Eurozone member within the last 10 years (CAGR)
- Slovakia 10 Year CEE Leadership in Doing Business 2004 - 2013 (World Bank)
- CEE Leader in Physical Property Rights Security (PRA)
- CEE leader in labour productivity and in TOP 10 hardworking countries (OECD)
- high adaptability of labour force to different culture management styles
- no. 9 worldwide in adapting to new technologies & high innovation potential
- official currency EURO as one of a few countries in CEE
- large selection of industrial land & offices
- steadily growing infrastructure network
- attractive investment incentives

All these unique selling points are highly attractive to investors. When looking at any investment the ease of implementation and the security of the investment are key factors to consider. The World Bank Ease of Doing Business Rankings and the Property Rights Index show Slovakia scores highest on both fronts when compared to other CEE countries.

The Slovak labour force is widely perceived by foreign investors as educated, motivated, and adaptable to culturally different management styles, with great multilingual competencies, and very positive attitude to work habits. According to OECD Slovakia is one of TOP 10 hardworking countries along with the countries like United States or Japan.

On the plus side, Slovakia is the CEE leader in labour productivity and investment freedom. The investment climate and unique advantages of Slovakia have been shaping the country from a potent precision component manufacturing, metallurgical and automotive assembly hub to a knowledge based economy. Slovakia with its well-diversified and developed base is solidly positioned to retain and expand its foreign investor base.

Selected successful projects by country of origin:

USA

US Steel, Emerson, DELL EMEA Centre of Excellence, Whirlpool, IBM International Services Centre, HP European IT Operation Centre, Johnson Controls R&D Centre, AT&T Shared Services Centre, Accenture Technology Solutions, Getrag Ford, Honeywell, Amazon

Brazil

Embraco

Germany

Siemens, Volkswagen, T-Systems, Continental Automotive Systems

United Kingdom

CP Holdings Ltd, KMF, Boxperfect, Amylum, Hi-Tech Mouldings, Tesco

France

PSA Peugeot-Citroën, Orange, Faurecia, Dalkia, Alcatel, Gaz de France, Cofely, Areva, Plastic Omnium, CCN Group, Bourbon, Senoble and Decathlon

Spain

Aluminium Cortizo, ESNASA, Plastics Alt Camp, Cikautxo

Austria

OMV, Mercedes-Benz, Schenker, Erste Group

Italy

Magneti Marelli, Brovedani, SISME, CAME, ZANINI

Switzerland

Swiss RE, Schindler, Holcim, Novartis

South Korea

Samsung, KIA Motors, Mobis, Hyundai

Taiwan

AU Optronics, ESON, Foxconn, Delta Electronics

Japan

Panasonic, Sanyo, Mitsui, U-shin, Siix, Sumitomo Wires, Brother Industries, Yamagata

China

Lenovo

Agriculture is the largest of the negotiation chapters. With the exception of the field of veterinary and phytosanitary legislation it consists mostly of regulations and the legislation was therefore directly applicable at the date of accession and did not call for transposition on the part of Slovakia. The emphasis in the preparations for accession was therefore on Slovakia's ability to implement and enforce the Community acquis. In the veterinary and phytosanitary fields Community legislation consists mostly of directives. The full transposition of the acquis into national legislation was therefore a substantial task for Slovakia.

The legal framework in view of establishing the Paying Agency and the related procedures were adopted. Notwithstanding the creation of a provisional section of the Agricultural Paying Agency within the Ministry of Agriculture in April 2003, the establishment of the Paying Agency itself was accelerated afterwards. A great deal of work after some difficulties was done (such as agreements with delegated bodies, written procedures, and development of the IT system). The establishment of a functioning Integrated Administration and Control System (IACS) was seriously delayed from both a technical and an organisational point of view. In spite of that nowadays Slovakia has a functioning system in place. Impact on labour market productivity was significant in Slovakia. According to Eurostat the number of people employed in the area of Agriculture was in 2013 about the half of the situation in 2004.

## **Socio, Economic and Institutional Impact of the Enlargement Process**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

Slovakia had to deal with three strategic reforms at the same time. First, as a former communist country it was undertaking political transition to democracy and economic transition towards market economy. Second, after the splitting Czechoslovakia it had to build the own independent state almost from the scratch. Third, the country decided to join EU and had to fulfil all necessary requirements. The functioning state, complying with the 'Copenhagen Criteria' for EU membership and adopting the *acquis communautaire* became the main goals after Slovakia gained its independence in 1993. Reforms in these areas were undertaken by the Slovak administration, in terms of necessary actions and in a discussion with the EU at the same time. The EU pre-accession assistance became a necessary pre-requisite for the Slovak success on its strategic way.

Civil society in Slovakia played and plays a very important role in the process of constant strengthening of democratic principles in the country. These principles can be seen in action in the quantity and quality of existing non-governmental organisations. In this respect, Phare supported hundreds NGO projects through the Civic Society Development Foundation (CSDF). The CSDF became one of the largest and most influential NGO grant-giving organisations in Slovakia.

In spite of many serious problems and difficulties (for example mentioned in the Extraordinary report of the Public Defender of Rights, August 2013, Bratislava) all Slovak governments try to improve the situation of the Roma ethnic minority. The Office of Plenipotentiary for Roma Communities at the Office of Government constantly attempts to improve the system and to coordinate the national

support to Roma people in Slovakia. During the period 2007-2013 of Structural funds there was a total budget of 170 MEUR allocated for marginalised Roma communities. The co-ordination was very complicated since these funds were at six different Managing Authorities of six different Operational Programmes. For the period 2014-2020 of Structural funds there is a budget foreseen for marginalised Roma communities of 284 MEUR. Plus the national budget allocates co-financing of about 47 MEUR. In total the budget of about 331 MEUR is planned for this area. The budget will be managed solely by the Ministry of Labour, Social Affairs, and Family.

When we talk about the positive impact of FDI at the macroeconomic level, these are these assertions significant in regional level, too. With the arrival of foreign investors coming into the region usually a new technologies that need to employ people with higher level qualifications. This promotes of the domestic competition and innovation activities in the region and the willingness of people to educate. When the domestic firms become the subcontractors for foreign investors, there is a possibility for them to expand into foreign markets, which is usually underpinned by foreign investor. Promote tourism in the region can attract tourists from the country of origin of foreign investors. This is opportunity for regions with lower economic level to boost production, employment, and long term living standards of citizens of the region.

It is very convenient when a company of foreign investment is allocated in border regions. Then the positive impacts of FDI are multiplied. Great tool for monitoring of the conditions of the border business represent the social networks. Networks offer the options, which may to use small and large companies on their expansion. Built-in search network services provide the ability to search commercial and industrial information. There is possibility to search for specific companies from different sectors and look at the user's recommendations.

Except of supporting the SARIO as mentioned above there were also projects helping to establish industrial parks around Slovakia in order to motivate investors to go to the regions outside Bratislava. In 2002-2012 just 13% of SARIO successful projects were located in the Bratislava region, the rest were spread around the country. During the same period the job expansion was not concentrated solely in the Bratislava region with only 9% of the Slovak job expansion due to SARIO projects. Of course Phare was not the only reason for the FDI success in the regions but with its systematic support to SARIO and well-known development patterns in the area of industrial parks without any doubt contributed to the process of relevant reforms and finally to a number of success stories.



**Figure 2** Regions of Slovakia

The requirements that Slovakia has undertaken to meet in the Agriculture Sector have evolved over 40 years in the EU, as a reaction to the problems that have arisen in the sector. The CAP and IACS have become a complicated system of regulation that demand sophisticated machinery to carry out and manage the many individual arrangements that have to be met. To handle the necessary response member states has had to establish and maintain a complicated bureaucratic administration

that is capable of meeting the input requirements established by the EU Council of Ministers and the Commission Services. Slovakia was expected to establish this complex machinery from scratch in a very short period of time so that it was all functioning efficiently and effectively on accession. Slovakia was also expected to establish the machinery to meet the administrative requirements of policies in the agriculture sector covering rural development, veterinary and phytosanitary affairs, the food safety, forestry and fisheries sectors and other areas like animal feeding stuffs. Much of the work needed to introduce this new administrative machinery was carried out in three years because the introduction of the necessary arrangements was delayed and not sufficiently planned.

The Agriculture administration in Slovakia was not as complex as in the EU, and introducing the EU arrangements required new legislation, new administrative institutions, and the recruitment of more officials and the training of those officials.

## **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

### **What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

In regard of Slovakia, a good level of synergy was created between the accession strategy, policy dialogue, and the financial assistance provided.

Accession strategy was clearly defined by the EU in terms of the Commission's updated 'Opinion' of February 1999, annual 'Regular Reports' and the 'Comprehensive monitoring report' of November 2003, and by the Council of Ministers in the 'Accession Partnership' with Slovakia (of 2000 and 2002).

The corresponding Slovak strategy for accession was defined in the 'National Programme for the Adoption of the *Acquis*' (NPAA), plus via a series of related sectoral strategic plans and Action Plans. Preparation of the NPAA was informed by the series of meetings held between the Commission and the Slovak administration to undertake a detailed examination of the *acquis* ('screening'), which was completed in January 2000. The formulation of sectoral strategies was also guided by dialogue on the evolution of the *acquis* and the results arising from the negotiations on the individual *acquis* chapters.

Programming of the financial assistance was thereby based on a clear strategic framework, and a good level of dialogue between the Commission and the Slovak administration in terms of assessing priorities to be addressed towards compliance with the criteria and the obligations for EU membership.

The Europe Agreement was signed in October 1993 and came into force in February 1995. The Official Application for EU membership was sent in June 1995. On 13 October 1999, the Commission recommended Member States to open accession negotiations with the Slovak Republic. On 9 October 2002, the Commission recommended to close successfully these negotiations. Then, the negotiations were concluded in December 2002.

In 1995 a Council of European Integration was set up as an inter-ministerial forum for questions relating to integration issues. All newly prepared legislation was to be examined as to its compliance with EC legislation by the Institute for Approximation of Legislation, set-up in June 1995 and integrated in 1996 into the Office of the Government. The Slovak Government issued a general strategy on approximation of legislation on the occasion of the Association Committee in December 1996. Phare supported the Slovak Institute for Legislative Approximation, through extensive technical assistance.

Programming discussions were held in the framework of the Multi-annual Indicative Programme. For example the programming of the 1996 Country Operational Programme was delayed in part because of institutional and staff changes (shifting of coordination responsibilities from the Ministry of Foreign Affairs to the Office of the Government). Under the multi-annual financial perspective, given that it was possible to modulate annual allocations on the basis of needs, absorption capacity and past programme performance, it was eventually decided to postpone the 1996 commitment. Therefore, in 1996, Slovakia only received an allocation for Tempus (ECU 4.5 million) for the educational sector.

With a view to rationalising and streamlining the implementation of Phare assistance, intensive work was undertaken to set up a Central Financial and Procurement Unit during 1997 to administer the Phare programme in Slovakia. This allowed the development of effective financial management ensuring appropriate tendering and accounting procedures to speed up Phare implementation. The performance of the Phare Programme, as measured in contracting and disbursement rates, substantially improved.

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

Overall, the financial assistance was well coordinated/aligned with the accession-oriented reforms undertaken by the Slovak administration. The assistance addressed priorities identified in the 'Accession Partnership' and the NPAA, plus in sectoral Action Plans where these had been prepared.

In the area of Roma community all relevant stakeholders tried hard to develop measures and test them in order to improve the situation of this ethnic minority. The co-ordination was not always ideal and the results of pilot projects were not properly analysed and incorporated in relevant governmental strategies and actions.

The co-ordination experienced a long developing process. During Phare programmes the Plenipotentiary Office for Roma Communities participated in the steering committees only. After the EU accession it acted as the Technical Assistance only. In 2012 the Office obtained more rights to co-ordinate Roma programmes. Nowadays the Office is a co-ordinator of the horizontal policies. In programming period 2014-2020 of Structural Funds the Office becomes the Intermediary Body.

The Phare support in the FDI sector in Slovakia is an excellent success story. During the existence of SARIO there were hundreds of successful FDI projects accomplished. The best year was 2006 with about 60 projects. SARIO became an institution of the first contact with a good image and the place where potential investors automatically seek necessary information. As said before, Phare helped with a TA not only to SARIO but also to the Ministry of Economy and different relevant regional institutions. Assisting with on-the-job training, coaching, transferring successful examples from abroad and producing FDI studies was an important condition for further achievements. However there is one issue related to the regional disparities that could have been better co-ordinated. In spite of the more equal regional distribution of SARIO projects the largest ones stay in Bratislava.

For the purposes of equitable economic and social development of Slovakia it is necessary that FDI should come to those less developed regions with high unemployment. In 2006 and 2007 there was a change in the direction of investment and investors were significantly oriented to the Košice, Nitra, Trenčín, Žilina and Banská Bystrica regions instead of to Bratislava.

Although in recent years, foreign investment flowed into other regions than in Bratislava, FDI in the Bratislava region still represents, 68 per cent of the total investment, cumulative to 31.12.2010 (see Figure 3).

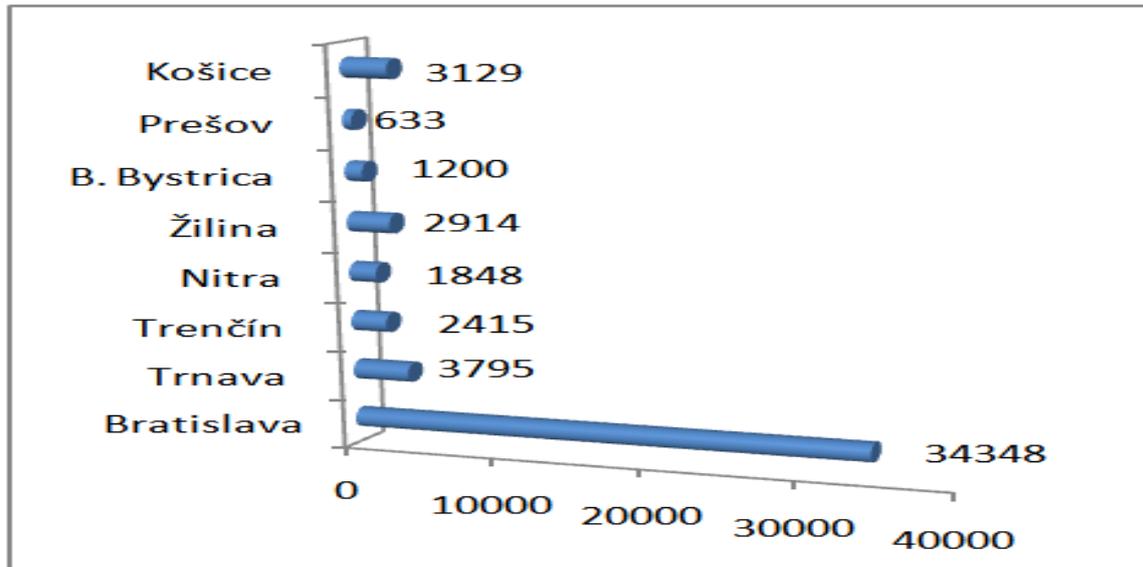


Figure 3 FDI stock: 31.12.2010 by Slovakia regions, million US dollars

However, in the regions with the highest unemployment rate (see Figure 4), with the lowest performance and efficiency of productive resources utilization, the FDI shares are the smallest compared to rich regions. In Banská Bystrica it is 2 per cent and Prešov even only 1 per cent of the total FDI inflows into Slovakia.

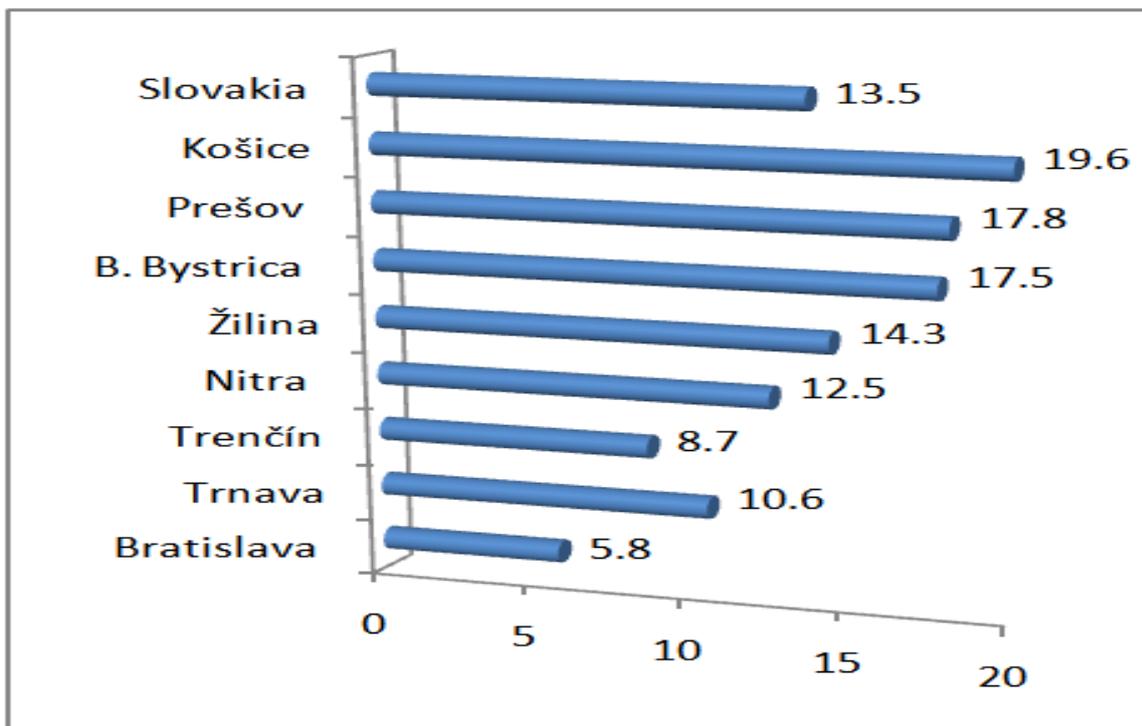


Figure 4 Unemployment rate: 31.12.2012 by Slovakia regions, per cent

FDI inflow to Slovakia since 1998 has grown at a higher pace than in the past. This growth was intensified after Slovakia's accession to the European Union. Turnover occurred in connection with signs of economic recession. It should be noted, that the number of completed projects does not inform about initial investor's investment or about the number of new jobs, which are the important

indicators of any investment coming into the country. However, just this is very important information about the impact of FDI on future development of the region.

Overall, the Phare projects in the Agriculture Sector have had a powerful impact in assisting Slovakia to apply the agricultural accession requirement. Without help from Phare it is unlikely that Slovakia could be in a position to benefit from the funding available under the Common Agriculture Policy or to meet the requirements in the veterinary, phytosanitary and food safety areas. The major problem for Phare in the Agriculture sector was that the size and complexity of the task of meeting the requirement was not always fully appreciated by most of the senior politicians and officials in the country. It happened not enough sources were invested in most of the Phare projects in the sector at a sufficiently early date, and therefore the creation and introduction of the important institutions such as a fully functioning Paying Agency and the Integrated Administrative and Control System were becoming challenges. Sometimes insufficient impact by the time of accession was not due to any particular failure in the system of Phare assistance, but due to a lack of capacity and early political commitment on the part of the administrations of most of the candidate countries. However more proactive 'hands on' approach and co-ordination efforts by the Commission Services already appearing in the earlier days of Phare might have been also beneficial for success and impact of Phare interventions. In total it must be admitted Phare did a great job in supporting the agricultural sector in Slovakia.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

Slovakia as a country focusing on political and economic transition and at the same time trying to join the EU benefited the best from the Technical Assistance operating not only in the capital but countrywide.

After Phare for example in the area supporting the Roma community there was a decrease of number of health assistants in spite of very good results. They had contracts for one year only. The successful idea became sustainable under the programming periods of 2007-2013 and especially 2014-2020. The health projects will be incorporated in the frame of 7 years programme, which will be implemented in the most segregated regions. Health as one of the major issues for Roma community will be supported in a systematic and nationwide way. In the area of the field work there was also a huge progress. There were 15 field social workers in 2005, while in 2014 they are over 800.

There is no sustainability without further financial support. Support and active participation of local authorities is also important. Implementation of Roma projects is sometime negatively influenced by the attitude of local authorities towards Roma NGOs. Not always municipal officials are willing to work with Roma activists. Roma NGOs lack capacity to prepare projects of good quality and to communicate sufficiently with the local municipalities. The further technical assistance in this aspect is more than desirable.

In the area of FDI the right mix of assistance types contributed to excellent impacts and sustainability. The intensive TA to the SNAFID and later on to the SARIO agency succeeded in establishing the national FDI and Export institution of the high quality. International reputation of SARIO was confirmed by awards "Fastest-growing Investment Promotion Agency in Europe in 2003" and "Best European Investment Promotion Agency in High-Tech Award" at the World Investment Conference in La Baule, France 2007. SARIO was also awarded the title "Global Best to Invest", the best investment agency in the region of Eastern Europe, Site Selection magazine, 2012. SARIO is an agency with a good reputation and hundreds of successful projects in its portfolio. The more and exact data can be found on <http://www.sario.sk/en/>.

## **Conclusions (Lessons Learned)**

**What are the main lessons to be drawn in terms of implementation modalities and institutional**

**setting that could be taken into account in the implementation of IPA?**

Reflecting that the principal focus for the financial assistance to Slovakia was mainly in the area of building capacity during the transition process and afterwards for management of the *acquis*, the lessons learned in respect of such assistance are:

Regarding the Roma community, relevant national strategies should be supported with national funding otherwise they become dependent on either getting or not getting subsidies from abroad. Strategies without local funding can succeed only by coincidence.

The institutions responsible for the Roma issues are more successful when having sufficient co-ordination power and possibility to propose legislative solutions. Participation in programming and relevant influence on the implementation is more than welcome.

There are four main priorities of Roma policy:

1. Health
2. Housing
3. Education
4. Employment

These priorities should be dealt with in a complex in order to increase chances to be successful during implementation. The attempts to focus on individual priorities separately were constantly failing in a long perspective.

It should be considered to include Public Defender of Rights in the process of programming relevant programmes.

Public Defender of Rights also made suggestions regarding the Right to Education as follows:

“The National Council of the Slovak Republic should consider creating conditions for:

- An access to all educational levels also for pupils with special upbringing-educational needs, who are educated in special schools and special classes of Roma ethnic minority.
- Arranging for all children of Roma ethnic minority who originate from the socially unfavourable environment in the state language and, if their best interests require so, also in their mother tongue in a sufficient number of facilities staffed with a sufficient number of qualified experts.
- Education by qualified experts of all children of Roma ethnic minority who originate from the socially unfavourable environment in the state language and, if their best interests require so, also in their mother tongue during their school attendance at the lower primary school.
- All needed learning and teaching aids under care of a school facility should be available, free of charge, during the education process and at preparation for education of all pupils of Roma ethnic minority who originate from a socially unfavourable environment.
- A sufficient number of teaching assistants should be at hand for teachers in all schools and classes educating pupils with special upbringing-educational needs.”

At the end it can be stated that practical experiences from the pre-accession time were transferred to governmental offices and strategies and in general stay in the country in a form of a positive social capital.

The Slovak economy is still capital-undersized and just FDI provide resources to expand production opportunities, thus promoting economic growth and job creation. To attract FDI is necessary to create further appropriate conditions, for example providing the state aid, construction of industrial parks, creating regional or sector clusters. Phare succeeded in Slovakia with limited sources together with the commitment of the local partners to establish functioning and sustainable FDI “system” that lead to hundreds of successful FDI cases. The one-stop-shop institution idea worked well and Phare money helped to establishing of SARIO and substantially enhanced its activities. What is more, the need and motivation to attract the FDI led to further Phare support to building industrial parks, regional development projects and to cross-institutional dialogue as for example communication on FDI among

universities, municipalities and ministries. The Slovak FDI sector benefited a lot from Phare in spite of limited sources and could potentially be a good focus sector in the relevant IPA countries.

In the area of Agriculture recommendations for present and future Candidate countries are in line with the Phare Agriculture Sector Review, Thematic Evaluation Report, 2004 as follows:

- Developing regular specialised training courses for senior decision makers in agricultural departments in acceding countries;
- Evaluating the agricultural administration of each future applicant country and determining a multi-annual assistance programme for overcoming any administrative weakness before accession;
- Providing non-binding templates and best practice for institution building projects of candidate countries.
- Establishing precise roadmaps needed by the applicant state in order to deliver the agricultural requirements.
- Carrying out independent surveys of the information technology/scientific equipment needs of the Sector in each candidate country, taking into account the scope for rationalising the provision for delivery of the service concerned.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

Slovakia participated in the Cross Border Cooperation programme under the EU's pre-accession assistance but it was not selected to be covered as a priority sector.

The programmes usually experienced difficulties in finding partners. When they succeeded in this they were operational but mostly consisted of many soft projects and to a lesser extent of infrastructure ones. Benefits were obvious in the area of know-how transfer and best practices. After accession, the cross-border co-operation improved and became focused on few priority areas. These days especially the environmental projects are increasingly dominant.

Very importantly Cross Border Cooperation with Austria experienced a certain amount of implementation delays in the mid-nineties due mainly to a change in institutional responsibility and staff. The Centre for Strategic Studies, the institution responsible for regional development and cross-border cooperation up to October 1995, was replaced by the new Office for the Strategy Development of Society, Science & Technology of Slovakia. Later on the responsibility was shifted to the newly created Ministry of Construction and Regional Development.

An excellent success story of Phare assistance is the reconstruction of the bridge on the Danube, between the cities of Esztergom and Sturovo. It was a project (€ 5.0 million) sponsored by the EU and the two beneficiary countries in the framework of the Conference of the Pact on Stability in Europe. The project was a demonstration of the commitment of Hungary and Slovakia to pursue good neighbourly relations as stated in the Basic Treaty on Good Neighbourliness and Friendly Cooperation ratified on May 15 1996. The reconstruction of the bridge was particularly aimed at promoting good relations regarding minorities, frontiers and regional cooperation. The bridge, which had been damaged in 1944, was finally reconstructed after 56 years in 2001. The flow of tourists and employees of different border companies has increased significantly since then.

## Annex 5.12: Slovenia – Environment Policy

### Background

The Republic of Slovenia is situated in Southern Central Europe at a major transport crossroad. Its territory of 20,273 km<sup>2</sup> is characterised by countryside and bio-diversity. Slovenia is one of the most water-rich countries in Europe and forests cover over 50 percent of its territory (10,124 km). Approximately 8 per cent of the countryside is protected by legislation (i.e. natural parks). The country has a population of 2,058,821<sup>207</sup>, with 25 percent of the population living in the four biggest cities.

Slovenia has been an independent parliamentary democratic republic since 25 June 1991. Under the 1991 Constitution, the *president* represents the country abroad and at home and is the chief in command of the Slovenian Army. The Slovenian *Parliament* (National Assembly) consists of 90 Deputies ((88 elected representatives of the parliamentary parties and one representative each from the Italian and Hungarian national communities), elected by a direct, general election conducted by secret ballot. The *Government* is the body of the executive and the supreme body of the state administration of Slovenia. The *National Council* represents social, economic, trade and professional and local interests, while the *Constitutional Court* decides upon matters relating to the conformity of legislation with the Constitution.

The open Slovenian economy was characterized by high economic growth in the period 1995 - 2008. The global financial and economic crisis has had a marked influence since late 2008. In the last two years real GDP rate of growth has been negative (-2.5% in 2012; -1.1% in 2013)<sup>208</sup>. Slovenia has the highest GDP per capita of the new Eastern European countries – €17,200 (2012). The unemployment rate of 10.4% is below the EU average (10.8%). However, the rates of young unemployed (24.1%) and long-term unemployed (45.0%) are higher than the EU average: 23.1% and 43.0%, respectively<sup>209</sup>. Slovenia spends 25% of its GDP on social protection, which is higher than in other Eastern European new member countries. Slovenia is above the EU average for expenditures on R&D as a percentage of GDP: 2.47% against 2.03% respectively, ranking Slovenia highest among the new Member States.

### EU Accession Process

The EU officially recognized Slovenia as an independent state in January 1992 and a Co-operation Agreement entered into force in September 1993. Although Slovenia applied for EU membership in 1996, an Association (Europe) Agreement signed in 1996 did not fully enter into force until 1999 because of Italy's veto on a bi-lateral property issue. However, the trade provisions of the Europe Agreement entered into force in 1997. The favourable 1997 Commission Opinion, which credited Slovenia with a stable democracy and meeting the political and economic criteria for membership, pointed out that Slovenia would have to make considerable efforts to adopt and implement the *acquis* in the areas internal market, environment, employment, social affairs and energy.

In December 2002 the European Council agreed to conclude accession negotiations and allow Slovenia and the 9 other new Member States<sup>210</sup> to accede. In a referendum on EU accession held in March 2003, 90% voted in favour (the turnout was 60%). In a referendum on membership of NATO held at the same time, 66% voted in favour. Slovenia became an EU Member State on 1 May 2004.

Slovenia was the first new Member State to join the Economic and Monetary Union (January 2007).

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<sup>207</sup> Source: Statistical Yearbook 2013

<sup>208</sup> Eurostat

<sup>209</sup> Eurostat, October, 2013

<sup>210</sup> Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, and the Slovak Republic

## EU Pre-Accession Financial Assistance – Overview

In addition to support to Slovenia under the Phare Programme, the country also received EU pre-accession support, allocated 2000-2003, under the ISPA and the SAPARD Programmes.

During 1990-2003 Slovenia was allocated € 358.4 million under the Phare Programme:

- EC grant of € 91.0 million was allocated over the period 1990-1996 supporting the initial socio-economic transformation and development of Slovenia, covering:
  - Private Sector Development – enterprise restructuring and privatisation, export development, SMEs, foreign investment promotion, regional development, banking sector development.
  - Infrastructure – environment, agriculture, transport, energy, telecommunications and post.
  - Administration Reform / Europe Agreement – customs, standards, statistics, public finance and tax, industrial property, public and local administration reform, civil service training.
  - Human and Social Resources Development – labour market reform, education, vocational and life-long training, TEMPUS, social security, healthcare, civil society development.
  - Cross Border Cooperation – with Austria and with Italy.
- EC grant of € 249.9 million was allocated over the period 1997-2003 supporting the country within the context of its accession orientation and preparedness against the obligations of membership, addressing, e.g. the political criteria, the economic criteria, the internal market *acquis*, agriculture, environment, employment and social affairs, justice and home affairs, transport, institutional and administrative capacity, preparations for Structural Funds, the promotion of economic and social cohesion, Cross Border Cooperation (also with Hungary), and nuclear safety.

During 2004-2006 Slovenia was allocated a further € 17.5 million, under the Transition Facility, to consolidate its administrative capacity to implement and enforce the *acquis*.

The allocation of EU Phare Programme support to Slovenia, for the period 1990-2006 is summarised below. The figures cover National Programmes as well as funds allocated under the Phare Cross Border Cooperation (CBC) Programmes, and funds directly allocated under the Horizontal Nuclear Safety Programmes.

Years	1990-1996	1997-1999	2000-2003	2004-2006	TOTAL
Amount €M	91.0	101.4	148.5	17.5	358.4

Source: EC (DG ELARG): Annual Reports on Assistance Programmes

## EU Pre-Accession Financial Assistance – Ex post Evaluation Findings

### Programme Priority – Environment Policy

The Environment Chapter of the *acquis* aims to promote sustainable development and protect the environment for present and future generations. It is based on: preventive action, the polluter pays principle, fighting environmental damage at source, shared responsibility and the integration of environmental protection into other EU policies. The *acquis* comprises over 200 major legal acts covering horizontal legislation, water and air quality, waste management, nature protection, industrial pollution control and risk management, chemicals and genetically modified organisms, noise and forestry. Compliance with the *acquis* requires significant investment, as well as a strong and well-equipped administration at national and local level for the application and enforcement of the *acquis*.

EU assistance to Slovenia in the area of Environment is summarised below:

Year	Project Title	EC Grant (M€)	Co-financing (M€)
2004	Integrated Pollution prevention and control (IPPC)	0.9758	0.0319

2004	Strengthening Natura 2000 implementation in Slovenia	0.450	0.150
1999	Support to investment in Environment	3.370	3.000
1999	Environmental Licensing Monitoring and Enforcement	0.800	0
1999	Support to environmental Policy	0.500	0

## **Impact and Sustainability of PHARE Financial Assistance**

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

Environment was one of the most demanding sectors in the beginning of the reforms in the Eastern European countries in view of the high level industrial pollution, lack of political will to address the problems, and lack of appropriate facilities and mechanisms to control and enforce standards. During 1990-1996 the Phare programme assisted candidate countries to improve environmental quality and to set up an efficient environmental management system. Phare activities in national programmes included support for legislative, policy, and institutional work, provision of equipment for monitoring pollution, technical feasibility studies, and pilot projects for urgent environmental programmes and setting up environmental funds<sup>211</sup>.

In this period Slovenia did not receive support from the Phare programme particularly for the environment sector and addressed some environmental issues through Phare cross-border programmes.

According to an evaluation report of 1999<sup>212</sup> Slovenia had the most asymmetrical programme in 1998 with expenditure in only three out of ten clusters of projects in the environment and energy sectors. These clusters were: "strategies", "energy supply" and "energy savings funds". Only 18% of Phare allocations for the two sectors were used for the environment sector. Energy saving was the highest priority for Slovenia (63% of allocations). The first environment programme for Slovenia was in 1997 and it was devoted to the existing environmental fund (technical assistance and capital).

Overall, Phare activities in environment were relevant to the EU requirements for accession and reflected the high social and economic priority of the sector. The assistance addressed various needs, but in 90' for Slovenia relatively the most important environmental problem was water (including waste water) management in comparison with industrial waste, pollution reduction, and bio-diversity<sup>213</sup>.

Phare co-financed with the Slovenian Government an Environmental Credit Scheme (ECS), which was channelled through the existing and well-functioning Slovene Environmental Development Fund (EcoFund). The ECS provided loans at attractive rates in three main areas: improving air quality, improving water quality and water resource management, and minimising the production of solid or hazardous waste. Each loan consisted of 50% EcoFund and 50% Phare funds<sup>214</sup>. However, the complex communication structure between Phare, the Ministry of Environment, and the Environment Fund hampered for over six months the achievement of an agreement on procedural conditions of the loans scheme.

<sup>211</sup> The Phare Programme: An interim evaluation, European Commission, June 1997

<sup>212</sup> Evaluation of Phare Financed Energy and Environment Programmes, Final Report, September 1999

<sup>213</sup> Evaluation of Phare Financed Energy and Environment Programmes, Final Report, September 1999

<sup>214</sup> 1999 Regular Report from the Commission on Slovenia's Progress towards Accession

The Commission requested that the Agreement replicated the terms and conditions for the Energy Efficiency Fund, which did not take into account of national complexities with setting up a bank account. Additionally, the commercial banks were not much interested in participating in the scheme, because the Operating Manual had not taken into account their obligations and concerns. The Fund therefore had to learn to negotiate with the local banks.<sup>215</sup>

The need to strengthen the administrative capacity to implement and enforce the environment *acquis* and the preparatory measures for the participation in the Structural Funds was met mainly through the process of twinning of administrations and agencies. Austria, Germany, and France mostly assisted the Slovenian authorities in the environmental sector. Overall, the twinning proved to be very instrumental for drafting of environmental regulations on the adoption and application of the EU *acquis* and transfer of experience and know how to Slovenian administration.

Phare supported institution building in the field of nuclear safety both in terms of setting the necessary regulative framework and in strengthening of institutions. This is an important area for the country as far as Slovenia has a commercially operating nuclear power plant (NPP Krško) since 1983<sup>216</sup>. In the frame of the Phare Regional Programme for Nuclear Safety Improvement of European Union an analysis of the situation of the radioactive waste management has been performed in Slovenia in late 1997-98 by the Consortium CASSIOPEE<sup>217</sup>. Its report pointed out some important issues in radioactive waste management in the Slovenia. In the field of the institutional low and intermediate level radioactive waste (LILW) management the country was also supported by Phare.

Adequate waste management structures for safe and environmentally sound management of radioactive waste were established. The technical expertise of the Agency for Radioactive Waste Management responsible for the post operational management of radioactive waste was developed with Phare support<sup>218</sup>. The system for monitoring external ionising radiation was established with the assistance of Phare.<sup>219</sup>

During the accession negotiations, Slovenia committed itself to providing further information on measures to implement the recommendations contained in the Council Report on Nuclear Safety in the Context of Enlargement of June 2001. In June 2003, Slovenia submitted comprehensive additional information covering the progress regarding all recommendations, including the *de jure* independence of its nuclear regulatory authority Slovenian Nuclear Safety Agency. In 2003 the Comprehensive Monitoring Report on Slovenia's preparation for Membership (Chapter 14 - Energy) stated that in the field of nuclear energy and nuclear safety, Slovenia meets the commitments and requirements arising from the accession negotiations and is in a position to implement the Euratom *acquis* as from the date of accession.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

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<sup>215</sup> Evaluation of Phare Programmes in Support of EU Integration and Law Approximation, SLOVENIA, Final Report, May 1999

<sup>216</sup> The plant is a 2-loop Westinghouse pressurized water reactor, with a rated thermal capacity of 1,994 thermal megawatts (MW<sub>t</sub>) and 696 megawatts-electric (MW<sub>e</sub>). It was built as a as a joint venture by Slovenia and Croatia which were at the time both part of Yugoslavia. In March, 2014 Westinghouse Electric Company announced that it has successfully completed the installation of a fully passive containment filtered venting system (PCFVS) at the NPP Krško. This system enhances safety in the area of severe accident management and was required by the Slovenian Nuclear Safety Administration. Krško is the first European nuclear power plant to install this passive system following the Fukushima accident, showing a clear commitment to safety and nuclear industry recommendations.

<sup>217</sup> It comprised of the national radioactive waste agencies of 6 EU countries.

<sup>218</sup> Phare 2005 Improvement of the management of radioactive waste in Slovenia

<sup>219</sup> EUR 735,319 for updating and modernising the national early warning network (EWN) were allocated by the budget and the PHARE programme.

Contributing to the development of administrative capacity Phare positively affected the alignment with the EU *acquis* through the adoption of numerous laws and regulations and adoption of implementation programmes for various EU Directives. Very positive results were achieved in the area of institution building through three quite successful Twinning Light projects, in the field of Air Quality, Water quality and Information and Reporting system.

Phare also provided support for feasibility studies for future investment projects in the field of environment and agriculture (€ 1.9 million) and for monitoring and implementing control structures in these sectors (€ 1 million)<sup>220</sup>.

Phare has contributed with € 4 million in the period 1996-2000 to the Environmental Credit Scheme.

Improvements of environment infrastructure in the pre-accession period to a larger extent were due to Phare, including Phare CBC, as is illustrated below:

In the **environmental sector**, major investments have been undertaken in infrastructure (waste water treatment plants and sewage systems) under the Cross-Border Cooperation Programmes throughout the entire period of the 1995-1999 Multi-Annual Programme.

For example, the aim of the ECO-ADRIA project was to increase waste water treatment capacity in the Slovene region bordering Italy, in order to reduce the level of pollution of rivers flowing from Slovenia to Italy and to the Gulf of Trieste; € 6.5 million was allocated to this project.

In 1999, the Phare project in the Municipality of Vipava was completed; a sewage collector, a pumping station and a discharger to tie the municipal waste water system into the new treatment plant were built while other villages in the Vipava area (which had no sewage treatment capacity and were therefore discharging directly into the river) have been linked to the Vipava treatment plant.

The *Comprehensive monitoring report on Slovenia's preparations for membership* concluded in 2003 that Slovenia met the commitments and requirements arising from the accession negotiations and was expected to be in a position to implement the *acquis* in all areas of environment policy by accession.

Further in its report, the Commission listed the environmental areas in which Slovenia had to finalise the legal alignment and additional actions needed in respect to discharges of dangerous substances, industrial pollution, and nature protection sites.

#### **What have been the impacts of PHARE in qualitative and quantitative terms?**

Overall, the impact of Phare assistance in the sector of environment was positive. Effective transfer of know-how and specialised equipment and establishing important institutional and financial mechanisms contributed to capacity development within the public administration for application and enforcement of the environment *acquis* and within business for compliance with the *acquis*.

In its *Communication on accession strategies for environment* in 1998 the Commission underlined that compliance with the EU environmental *acquis* was justified both for environmental and economic reasons. The accession (respectively Phare support) brought environmental benefits related to<sup>221</sup>:

- lowered health risks
- reduced pressures on local ecosystems (especially forests)
- enhanced environmental awareness
- strengthened competitiveness as a result of product and process standardisation and improved efficiency
- facilitated export

<sup>220</sup> *Phare Country Ex-Post Evaluation and Capacity Building, Country Report – Slovenia, April 2003*

<sup>221</sup> *Enlargement and Environment, Principles and recommendations from the European Consultative Forum on the Environment and Sustainable Development, 1999*

- benefits from the EU assistance programmes.

Alignment with the *acquis* had a long-term positive impact on nature and human health. Thus, assisting environmental sustainability, Phare indirectly contributed to the sustainable development of Slovenia.

Overall, in respect to the EU, enlargement contributed to increased institutional flexibility and capacity to facilitate and enforce implementation of the environmental *acquis*<sup>222</sup>. This ensures the application of high environmental standards beyond the member states borders and reduces the risks of transborder pollution. The use of common environmental indicators maintained by the European Environment Agency provides the EU policymakers and the public relevant and reliable information.

The implementation of the EU environment policy, introduction of new technologies and structural changes in energy supply positively influenced the reduction of environmental pollution in the EU. For example, the greenhouse gas emissions have decreased by 19.2% between 1990 and 2012<sup>223</sup>, while the emissions of some main air pollutants have decreased by over 50%.<sup>224</sup>

The EU is considered as a world's biggest renewable investor. The renewable energy reached in 2011 a share of 13% in gross final energy consumption and over 20% in electricity. In 2011 the EU consumed roughly as much primary energy as it did in 1990 and 7% less than in 2005.<sup>225</sup>

The EU accession and the adoption of the EU environment *acquis* made possible the closure of potentially dangerous nuclear power reactors in Slovakia, Lithuania and Bulgaria.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

Prior to its EU accession Slovenia made significant progress with the adoption of legislation in the environmental *acquis*. The sustainability of its enforcement was guaranteed through the established functioning key institutions for implementing the environment *acquis*. These included the Ministry of Environment and Spatial Planning, the Administration for the Protection of Nature and the Hydro-meteorological Institute (merged into Environmental Agency), the Nuclear Safety Administrations, the Inspectorate for the Environment and Spatial Planning and the Health Inspectorate, which implemented and monitored the application of most of the national environmental legislation. However, the overall responsibilities for implementation and enforcement were very complex and split between different ministries and agencies and between different groups within these organisations, which complicated the enforcement.<sup>226</sup>

An important factor for sustainability of Phare assistance was the gradual increase of environmental expenditure from the national budget. In 2000 Slovenia increased it from 1.5 to 2-2.5% of GDP. The National Environment Action Programme foresaw it being increased to more than 3% of GDP.<sup>227</sup>

## Socio, Economic and Institutional Impact of the Enlargement Process

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

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<sup>222</sup> EU Enlargement and Environmental Policy, FNI Report, August 2006

<sup>223</sup> Annual EU greenhouse gas inventory 1990-2012, EEA, 2014

<sup>224</sup> EU emission inventory report 1990-2012 under UNECE Convention on long-range transboundary air pollution, EEA

<sup>225</sup> Sustainable development- climate change and energy, Eurostat, October 2013

<sup>226</sup> 2000 Regular Report from the Commission on Slovenia's Progress towards Accession

<sup>227</sup> Regular Reports from the Commission on Slovenia's Progress towards Accession (2000)

The Environmental *acquis* has strong implications for all aspects of social and economic life. The accession process and the financial assistance, supporting the accession, introduced new concepts and behavioural patterns (“the polluter pays” principle, for example), which made environment compliance a horizontal principle in all policy aspects. Public consultation with broad scope of stakeholders became an obligatory phase of the policy making process, which required from the public administration adoption of new approaches and thinking and from the civic society – acquiring knowledge and skills for equal and responsible participation in the decision making process.

## **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

### **Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

One of the most important factors and biggest challenges in the process of implementing the EU’s environmental policy and structural policy (as well as the implementation of pre-accession assistance) is the state’s absorption capacity and the availability of matching finance (state or private sector). In its process of accession to the EU Slovenia, generally, achieved a good level of coordination and alignment between Phare and government goals and initiatives, so as to progressively build a very high level of absorption capacity to manage and absorb assistance in the environmental sector post-accession. Overall, Phare assistance in the environment sector did not confront serious problems related to bad coordination / communication. Synergy and upgrading with other financial assistance was sought. Institutional reorganisations and split or merger of competences did, however, sometimes cause difficulties.

### **What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

Based on the review of the available evaluation reports<sup>228</sup> the following relevant recommendations were identified:

- Stakeholders should be involved considerably in projects aiming at supporting reform processes in fields needing major reform. Such an approach could especially be useful in the sectors of environment and regional development, characterised by many different groups of stakeholders. Consultation is important both to improve the design of projects but also to strengthen acceptability, a sense of ownership and sustainability of projects and policies. The increase in transparency will also increase the accountability of the project to beneficiaries and thus help to ensure impact. Furthermore, key stakeholders could be involved in the design of future projects in order to create a catalyser for future reform processes.
- Phare should provide more careful risk management for its projects in order to address the problem of constrained project impact resulting from lack of political commitment or lack of complementary activities.
- More resources should be devoted to project design activities. This may include carrying out feasibility studies and in the long-term providing training to those in government identifying and designing projects.
- More local consultants should be used for carrying out projects. Whilst international consultants are sometimes valuable in bringing respected and independent external advice to politicised situations, local consultants bring to projects good local knowledge and sensitivity to local politics.
- Phare should promote more dissemination and replication of projects. Most problems addressed in a project are numerous throughout a country or even the region. Therefore results need to be disseminated and mechanisms developed so beneficiaries can pass on information and skills to the other potential beneficiaries.

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<sup>228</sup> *Phare Country Ex-Post Evaluation and Capacity Building, Country Report – Slovenia, April 2003; An Evaluation of Phare financed Energy and Environment Programmes, Final Report, September 1999; An Evaluation of Phare financed Energy and Environment Programmes, Final Report, September 1999*

- Phare programming should shift away from national policy development and focus more support for the technical aspects of policy implementation once political commitment at the central level is clear. In view of the success of supporting investment and reform at local levels, Phare should specifically focus more technical support at local decentralised levels (i.e. to local utilities and municipalities, particularly for water and district heating), leaving accession to dominate national policy development.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

The most sustainable results of Phare support were the alignment of the national legislation with the EU *acquis* and the establishment of relevant implementing and monitoring administrative structures. Investments in infrastructure proved to be sustainable as well.

## **Conclusions (Lessons Learned)**

**What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

In 1999 the European Consultative Forum on the Environment and Sustainable Development formulated the following messages / advices to the accession countries:<sup>229</sup>

- Accession countries should strive for negotiated results which preserve their existing strong points (e.g. in relation to environmental assets such as biodiversity and landscape; cultural diversity; environmental quality standards) and which make the most of cost effective approaches to environmental protection.
- Accession countries should place a high value on enhanced investment in environmental elements of their institutional infrastructure.
- The adoption of EU policies and legislation by new Member States should not lead to deterioration in the quality of the environment and nature in those countries. For example, not only the introduction of economically inefficient support mechanisms, but also slight improvements in the production efficiency of Central and Eastern European agriculture could result in dramatic biodiversity losses.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

Slovenia is a good example of effective use of cross-border cooperation programmes for improvement of infrastructure in the environment sector.

Around 50 percent of Slovenia's territory falls within a range of over-border influences. This position promoted Slovenia's cross-border co-operation with over-border regions in Austria, Italy, and Hungary. Phare CBC fostered cooperation among states, regions, and interest groups along borders of the EU and the CECs as a key element of the pre-accession strategy. Environment issues due to their trans-border effect were subject to a number of CBC projects, targeted to waste water treatment plants and sewage systems, protection of bio-diversity, etc.

In its communication of 1998<sup>230</sup> the Commission recommended the co-ordination and synergy between INTERREG and Phare in cross-border co-operation to be enhanced in order to solve regional cross-border environmental problems. The need to finance regional co-operation projects for

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<sup>229</sup> Enlargement and Environment, Principles and recommendations from the European Consultative Forum on the Environment and Sustainable Development, 1999

<sup>230</sup> Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Candidate Countries in Central and Eastern Europe on Accession Strategies for Environment, May, 1998

implementing key framework directives for water and air and for meeting international / EU acquis related obligations (climate change, acidification, etc.) was also underlined.

## Annex 5.13: Cross Border Cooperation Programme

### Background

Phare CBC was introduced in 1994 (supporting cooperation between the specific border regions of the EU Member States and their connected border regions in the countries in central and eastern Europe). In 1998 this instrument was further developed via the adoption of Commission Regulation (EC) No 2760/1998 of 18 December 1998 concerning the implementation of a programme for cross-border cooperation in the framework of the PHARE programme, notably with the geographical eligibility of the CBC programme expanded to also include the borders between the Candidate Countries (CCs), and providing for joint programming over a multi-annual perspective (rather than annual).

If initially Phare CBC was focused on major interventions particularly in transport and environmental infrastructure, through the same regulation the Joint Small Project Funds were established. 2000 represents a second turning point for Phare CBC as its “accession” focus, i.e. its role in preparing CCs for INTERREG, was strengthened. Following the 2000 revision, Phare CBC became continuously closer to INTERREG, through the introduction of Grant Schemes and was expanded to the external borders of the EU.

The Phare CBC funds financed the participation of the CCs in joint projects with their neighbouring States with a view:

- To promote cooperation of border regions in countries in central and eastern Europe with adjacent regions in a neighbouring country and thus to help the border regions in eastern and central Europe to overcome their specific development problems which may arise, inter alia, from their position within the national economies, in the interest of the local population and in a manner compatible with the protection of the environment.
- To promote the creation and the development of cooperation networks on either side of the border and the establishment of links between these networks and wider Community networks.
- To prepare CCs for accession and to address problems in implementation and in achieving compatibility with INTERREG.

### EU Pre-Accession Financial Assistance – *Ex post* Evaluation Findings

#### Programme Priority – Cross Border Cooperation

Between 1998 and 2006 around € 1,200 million were allocated to Phare CBC programmes

As the 2007 Phare CBC thematic report presents, in the period 2000-2003 Phare has provided M€ 645.3 to support 343 cross border cooperation projects. This total Phare envelope has catalysed M€ 350.3 of national co-financing, delivered primarily in the areas of infrastructure and environment. Phare CBC funding had been used predominantly for infrastructure and environment which together account for 62% (M€ 400.15) of the total Phare CBC spend in this timeframe. Improving road networks alone account for 26% of the total Phare CBC budget (M€ 167.78 in real terms). Economic and social development accounted for 12.3% of the total spend (or M€ 79.41 in real terms). This has included actions to support business development in the border regions through the provision of incubator space and support services and construction of exhibition centres. 0.8% (or M€ 2.45) in real terms has supported project development, via the Project Preparation Facilities (PPFs) and has delivered technical support for agencies and bodies involved in the development of strategic plans and/or implementation. 15.5% (or M€ 99.88 in real terms) has funded “People to People” actions and small scale infrastructure via the Joint Small Project Funds (JSPFs).

## Impact and Sustainability of PHARE Financial Assistance

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

“Relevance” of Phare CBC is analysed by taking into account a series of aspects such as (1) the development in time of the policy instrument in itself (i.e. from large infrastructure projects towards more “people-to-people” actions and from 12 to 2 candidate countries benefiting of allocations in its framework), (2) funds available in comparison with needs existing in the cross-border area and (3) the objectives pursued by Phare CBC (as presented above) and Joint Programming Documents.

As the 2007 ex-post evaluation of Phare CBC underlines, initially the design of this instrument was neither directly covered by specific acquis, nor by dedicated sections of the Accession Partnerships (APs), nor by the National Programmes for the Adoption of the Acquis (NPAAs). In practice, CBC addressed a wider range of Accession Partnership and acquis-related priorities than most other programmes (e.g. environmental acquis) and it was filling gaps in the provision of relatively large-scale regional infrastructure, as financed under ISPA, but also Phare ESC and SAPARD. At this stage the Phare CBC projects were selected based on criteria other than (priority) “need”; some of these were positive, such as readiness of a project to start and equitable distribution, and some negative, such as vested interests. We need to underline in this context that the limited amounts of funds available per border (in some cases e.g. 3 million € available in 2004 for the border between Bulgaria and Turkey) as well as the 2M€ rule in place up to 2002 contributed to the limited prioritization made among the numerous needs existing in the cross-border regions and the utilisation of political criteria for determining the projects to be implemented. Judged from the perspective of the socio-economic development of the cross-border region, projects implemented under Phare are relevant as they correspond to a need identified; however, prioritizing the most relevant one-two projects per border was a challenge in this context, and the capacity of CB regions to define a genuine development strategy and to concentrate funds, play a major role in this respect.

Phare CBC allocations (and 2007-2013 allocations seem to continue this approach) are not always differentiated based on dimension of the CB region, country or specific characteristics of that particular border (e.g. RO-BG RO-SE and border regions in SE, HU, Moldavia being significantly closer to the capital city as Romanian borders). Countries such as Slovenia and Slovakia received rather small to medium Phare CBC allocations, higher than the three Baltic States. Bulgaria, Czech Republic and Hungary are smaller countries with a high Phare CBC allocation, while Poland benefited of the highest CBC budget. In terms of funds per capita, Romania seems to have benefited the least under this instrument, despite further allocations under 2004-2006 programmes with Moldavia, Ukraine and Serbia/Montenegro. In this context, it seems that the process of establishing priorities remains rather top-down, with JPDs taking into account the eligible areas and actions defined at EU level and being actually implemented on an annual basis.

While large infrastructure projects were relevant from the perspective of the socio-economic development need/objective, Joint Small Project Funds and, at a later stage, grant schemes were relevant from the perspective of the second need and objective of Phare CBC (i.e. the “cooperation” objective, respectively promoting cooperation of border regions and the creation and the development of cooperation networks on either side of the border) and also from the perspective of the third objective, the accession objective (i.e. preparing for accession and for the implementation of INTERREG/ETC interventions, both as managing and implementation body and beneficiary). However, as regards “cooperation”, evidences indicate that a limited number of projects implemented could be considered “joint” projects, particularly before 2004 but also in Romania and Bulgaria after this date. The 2007 Phare CBC thematic evaluation concluded that “initial needs assessments and project design were poor, but largely improved in the post-2001 period”, after Joint Programming Documents started to be drafted. However, the process of internalizing and creating ownership on this

strategic programming process took time and for all 12 countries bare fruits but rather late (see also impact section). As presented in the country report on Romania, availability of data and consultations with regional and local stakeholders remains a key issue which influences completeness of needs identified, relevance of priorities set, as well as of actions envisaged and planned project pipeline.

Implementation of the Phare CBC programmes is, overall, considered as satisfactory from the “efficiency” perspective. The process (i.e. fiche, Memorandum, contracting in line with PRAG etc.) resulted in some delays during implementation but these did not have, in the end, a major detrimental impact on the development of projects and draw down of funding. The standard Phare Decentralised Implementation System (DIS) was in place for the implementation of this instrument; the creation of IAs in this context ensured a corps of trained and able staff, prepared to a large extent to manage INTERREG projects beyond accession. However, only when national authorities take over this function, thus when programmes are implemented under an Extended Decentralised Implementation System (EDIS), real capacity of value under INTERREG can be built (see also section of impact). Moreover, Phare CBC programmes cannot be implemented efficiently (and effectively) if adequate implementation structures are not in place at regional and local level, where they can best support beneficiaries. This is particularly important in a context in which differences between financial instruments and the applicable procedures (e.g. INTERREG/PHARE, PHARE/CARDS, ETC/IPA) and countries (from a legal, administrative, cultural, language points of view) can be accommodated in the common programme procedures but not set aside. Furthermore, capacity at regional and local level is essential for the efficient implementation of JSPFs and particularly of grant schemes, which seem to have required a disproportionate level of administration. Under the 2004-2006 CBC Romania-Bulgaria programme the TA project in place seems to have made a major difference in terms of supporting the regional and national institutions involved to manage the GSs and build management and implementation capacity for 2007-2013 ETC programmes.

As it was the case under other Phare components, monitoring and evaluation systems were not sufficiently adapted to INTERREG requirements and suffered from lack of ownership. As the 2007 CBC ex-post evaluation underlines, evaluation of CBC focused on projects and CBC ‘sectoral’ issues, rather than on achievement of Joint Programming Document objectives. Indicators of achievement improved, but were still largely inadequate and un-monitored, and there was no measurement and/or evaluation of impact (post-implementation).

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

In this section we analyse and capture the main aspects related to effectiveness of Phare CBC programmes measured by the extent to which Phare CBC projects delivered the expected results (at project level). Before moving towards findings, it is important to notice that, judging by the box under, programmes/projects’ logic of intervention is rather non-linear as regards the links between immediate objectives, results expected, but also indicators (as inserted in the logical framework). The latter are not differentiated between output and results and inadequately attached to type of objectives: output indicators, and not result indicators, are used to reflect results: e.g. the indicator “All infrastructure projects are fully operational” should reflect that all immediate objectives of the projects are reached (i.e. which are “create infrastructural conditions supporting development of economic co-operation between neighbouring areas in the border region; contribute to the development of eligible districts of the four Voivodships and five Euroregions; enhance possibilities for cross-border tourism attraction and linkages between tourism support infrastructures on either side of the border; promote of the economic development of the Polish – eastern border area”).

Leaving aside the qualitative and rather non-smart nature of the indicators, their source of verification is uncertain if ex-post monitoring and reporting procedures were not put/maintained in place. This is valid particularly for impact/overall objective, to be measures/assessed 3 years after project completions but also for results/immediate objectives, to be checked 1 year after projects completion).

**Example Programmes' / Projects' Logic of Intervention**

IMMEDIATE OBJECTIVES		RESULTS EXPECTED
<b>POLAND - Eastern border Small Project Fund (SPF) 2003</b>		
<ul style="list-style-type: none"> <li>•contribute to the development of the eligible districts of the five Euroregions on the Polish eastern border;</li> <li>•enhance possibilities for cross-border tourism attraction</li> <li>•the development of cultural co-operation between neighbouring areas in the border region;</li> <li>•the support and increase in numbers of cross border meetings of various groups of the population, especially of youth;</li> <li>•the support of educational activities for institutions and individuals involved in local/regional development, in local government and in organisations of public interest;</li> <li>•the raising of the level of public awareness and information on cross-border co-operation affairs and on the process of European integration;</li> <li>•encourage local involvement in the Phare Integrated Polish Eastern Border Programme and to support small-scale actions which may form the basis for larger cross-border co-operation projects;</li> <li>•build and develop the specialist resources of local and regional institutions involved in regional development, groundwork and implementation of cross-border projects in line with EU practice;</li> <li>•stimulation and support to the creation of permanent structures among the local and regional</li> <li>•organisations in the border region in question, particularly organisations with membership for both sides of the border;</li> <li>•develop and enhance co-operation between the communities on either side of the border with a view to joint improvement of economic development, living conditions and on-going contact.</li> </ul>		<p>Immediate results of SPF implementation will be several sub-projects fulfilling the objectives of the programme (e.g. <i>festivals, sporting competitions, training, conferences, publications, promotional events, maps etc.</i>). It is expected that the SPF will initiate cross border contacts among the inhabitants on both sides of the border that will be of long term character, sustainable even after the EU funds expire. The cross border contacts already in existence will be deepened so that a durable co-operative network will be established.</p>
IMMEDIATE OBJECTIVES		RESULTS EXPECTED
<b>POLAND - Business Related Infrastructure Project Fund (BRIPF) 2003</b>		
<ul style="list-style-type: none"> <li>•create infrastructural conditions supporting business development in the Polish – eastern border region;</li> <li>•contribute to the development of the eligible districts of the four Voivodships and five Euroregions on the Polish eastern border;</li> <li>•enhance possibilities for cross-border tourism attraction and linkages between the tourism;</li> <li>•support infrastructures on either side of the border;</li> <li>•promote of the economic development of the Polish –Eastern border area.</li> </ul>		<p>Immediate results of the BRIPF implementation will be several projects fulfilling the objectives of the programme (ca. <i>15-30 projects, including construction/modernisation of: transportation network, sewerage systems/sewage treatment plants, bicycle/tourist routes etc.</i>). Implementation of every project must bring sustainable cross border results. It is expected that the BRIPF will create proper conditions for facilitating cross border contacts among the inhabitants on both sides of the border and the facilities constructed/modernised will be sustainable even after the EU funds expire.</p>
IMMEDIATE OBJECTIVES		RESULTS EXPECTED
<b>Phare CBC in the Baltic Sea Region - Small and Medium Project Fund (SMPF) 2003 (Czech Republic-Poland border)</b>		
<p>(Purpose) To support establishment and/or further development and deepening contacts between different regional and local institutions, associations and other bodies on the both sides of the border, aimed at projects objectives implemented through the eligible activities described in the point 3.4.</p>		<p>Launching the JSPF is expected to lead to successful implementation of selected projects in the following fields: cultural exchanges, local democracy, human resources, joint CBC planning, economic development, environment, tourism development.</p>
IMMEDIATE OBJECTIVES		RESULTS EXPECTED

<b>Phare CBC Slovenia – Austria - Biodiversity conservation and sustainable development 2003</b>	
(Purpose) Strengthen co-operation between Austria and Slovenia in the fields of biological and landscape diversity protection, protected areas and Natura 2000 management and sustainable development.	It is expected that the scheme will co-finance approximately 15 projects with following results: <ul style="list-style-type: none"> <li>- Species and habitat inventories (detailed habitat mappings for management use and other field studies) as the basis for implementing site management in the existing nature protection areas and in the planed ones (including the potential Natura 2000 sites);</li> <li>- New site management plans prepared, existing site management plans amended, improved and implemented in line with EU requirements (Directives);</li> <li>- Models of work organizations in nature protected areas implemented;</li> <li>- Models for public-private partnership in nature protected areas elaborated and implemented in line with Nature Conservation Act;</li> <li>- Sustainable traffic in alpine valleys with emphasis on reducing traffic pollution in protected areas elaborated;</li> <li>- Landscapes areas with the emphasis on exceptional landscapes protected;</li> <li>- Ecologically important habitats restored and corridors settled;</li> <li>- Information centers equipped and information facilities settled (leaflets, brochures, films, multimedia, hands-on teaching rooms);</li> <li>- Promotion campaigns for SPA and SAC (incl. Natura 2000) for different groups, stakeholders (workshops, leaflets, brochures, films) implemented.</li> </ul>

*Source: Project Fiches*

Overall, Phare CBC projects delivered the expected results, although this happened with delays, in some cases, as obstacles and blockages needed to be set aside. Non-delivery cases were exceptional. In Slovenia, Slovakia and Czech Republic Phare CBC programmes contributed to environmental protection, particularly as regards water quality though the waste water treatment plants built, but also to economic stimulation through transport infrastructure constructed/rehabilitated and also R&D projects. However, it is assessed that the cross-border effect of investment projects was marginal, at least in the case of some countries<sup>231</sup>. The various small project funds stimulated local initiatives and people-to-people cross-border exchange and networking in fields such as economic, cultural and social life of the border areas<sup>232</sup>. At least up to 2003 programmes, the performance of CBC assistance in Bulgaria had been unsatisfactory on a number of levels<sup>233</sup>. CBC infrastructure projects were problematic and were often not adequately prepared to guarantee successful completion and achievement of the immediate objectives<sup>234</sup>. The weak cooperation between Bulgaria and the Romanian counterpart determined the Commission Services to suspend transfer of payment of EU funds. Apparently the bottlenecks were less encountered, in this phase, on the Romanian side, where projects results were put in place and operational<sup>235</sup>. The risk to encounter such situations are higher in “mirror” projects, than in truly “joint” projects and their limited number, as presented in the previous section, did affect Phare CBC effectiveness and, particularly, impact.

Overall, in this phase Phare CBC effectiveness was negatively affected by insufficient staffing and capacity both in management/implementation and beneficiary structures; late contracting with led reduced implementation schedules with a knock-on effect on implementation of planned activities; changing and unclear regulations in relation to eligible expenditure (for example VAT) and mismatch between the programme cycles ( e.g. Phare and Tacis). Apparently the more countries were involved

<sup>231</sup> 2006 Ex-post evaluation reports for Czech Republic.

<sup>232</sup> 2006 Ex-post evaluation reports for Slovakia, Slovenia and Czech Republic.

<sup>233</sup> 2006 Ex-post evaluation reports for Bulgaria, but also in accordance with information collected during fieldwork for this evaluation (see country report on Romania).

<sup>234</sup> This was particularly the case with the two border crossing points between Cararasi - Silistra and Tg. Magurele-Ruse, see also Country report on Romania.

<sup>235</sup> Under the Romania-Bulgaria CBC project Border Crossing Facilities equipment that would improve the exchange of information between the authorities of the Romanian and Bulgarian side (customs and border police) and harmonisation of procedures of the two sides would be procured and installed. This was expected to reduce the time needed for border checking procedures. The equipment was procured and installed by both sides, but they were different on each side of the border, preventing full achievement of the objectives.

in an intervention, the more difficult was to reach agreements on time and this led even to expected results not obtained<sup>236</sup>. Additionally of Phare CBC funds is questioned, as such funding could have been - at least during the last years before accession - covered from other sources (banks, international financing institutions, state support schemes, and revolving environmental funds)<sup>237</sup>.

After 2006, at least as regards 2004-2006 Phare CBC programmes Romania was involved in (and evaluated at national level – programmes with Bulgaria, Moldavia, and Serbia) the effectiveness of Phare CBC was mixed, both on terms of “development” and “cooperation”. In 2008 difficulties still remained at the programme level with Bulgaria, who was not represented in the JTS as the system was, still, centralised. Projects under Phare 2004 were, due in part to the implementation delays, at risk of not being completed satisfactorily. As regards ‘people to people’ initiatives, the countries at external borders still lacked capacity to develop and implement complementary, joint schemes, with true added value in terms of cross-border cooperation. By 2010 progress was visible in terms of quality of grant applications and joint nature of projects; still the cross border benefits were distributed unevenly, particularly at the long Romania-Bulgaria border region. The external border countries still fought with a lack of funding and administrative capacity thus the majority of projects were initiated through Romanian Phare CBC, whose implementation structures (regional and national) were already strong at that point. TA projects played a major role in this respect.

All in all, Phare CBC interventions did have “learning” effects for both managing and implementing bodies and beneficiaries and also determined an increase in their performance<sup>238</sup>. Thus it may be said that Phare CBC created the necessary preconditions for experience gained to be effectively used under INTERREG/ETC programmes (see next section).

**What have been the impacts of PHARE in qualitative and quantitative terms?**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

As mentioned above, Phare CBC had three main objectives: the socio-economic development (of the border regions) objective, the “cooperation” objective and the “accession” objective.

**Socio-economic development**

The extent to which Phare CBC triggered socio-economic development in the border regions is challenging to quantify. The 2007 Phare CBC ex-post evaluation concluded for programmes up to 2003 that “intermediate impacts” were achieved (as treated in this evaluation under the effectiveness chapter) in terms of drinking water, wastewater, sewage treatment, emergency services, border management, productive infrastructure and road safety. However, some of the Phare CBC interventions had limited cross-border impact (particularly in the environmental sector). Impact in terms of regional socio-economic development at the border was limited particularly due to the small size of funding distributed over a wide geographical area but also to more sectors. This is valid also for 2004-2006 Phare CBC programmes, with increased budgetary allocations, but also for programmes up to 2003 with larger budgets (e.g. Germany-Poland and Germany-Czech Republic)<sup>239</sup>. In order to test these conclusions of the 2007 and 2010 evaluations, ideally one could compare the value of some impact or at least of socio-economic context indicators, as set in the JPDs, with their value 2-3 years after the project/programme completion (ultimately 2008 in the case of 2003 programmes and 2011 in the case of 2006 programmes). However, such an endeavour was not possible mainly due to issues related to quality of indicators and ex-post monitoring procedures as presented in the previous section.

<sup>236</sup> Under Baltic Sea Phare Programme, the development of a Joint Small Project Fund was not achieved, as the joint call for proposals (together with Latvia, Estonia and Poland) did not take place due to delays in agreeing the guidelines with the Latvian and Estonian agencies. (2006 Ex-post evaluation report on Lithuania).

<sup>237</sup> 2006 Ex-post evaluation reports for Czech Republic.

<sup>238</sup> As concluded by all 2006 country Phare ex-post evaluation reports.

<sup>239</sup> In accordance with the findings of the 2007 Phare CBC ex-post evaluation.

Consequently, the only indication in terms of socio-economic impact would be given by a comparison between the value of some socio-economic context indicators taken up, on one side, in the JPDs 2002 and in the 2007-2013 OPs for 2004 MSs and, on the other side, in the 2007-2013 OPs and 2014-2020 OPs for 2007 MSs. Such a comparison could be conducted only for the programme Romania-Serbia, for which the two needed sets of documents were available. However, even in this case data is not presented in a comparable manner, e.g. unemployment is presented as absolute number for the entire border in the 2007-2013 programme and per country/district and as rate in the 2014-2020 Programme. The latter shows that 2012 unemployment rates in Serbia are lower in comparison with 2005 (with the exception of one district), while these are rather equal or slightly lower in Romania, where the effects of the economic crisis from this perspective seem to be neutralised. Phare CBC could have contributed to this development, together with other interventions. At the same time, Phare CBC impacts in countries such as Serbia, small and with no other major flow of investments, might be more significant as in the case of countries such as Romania, large and benefiting of ESIs<sup>240</sup>.

### **Accession**

All evaluation used to take stock of Phare CBC impact sustain that the programmes succeeded in preparing both the management and implementation institutions but also the beneficiaries (see also third objective under) for the implementation of INTERREG programmes (2004-2006) and ETC CBC 2007-2013 for 2007 MSs. As the latter case is treated in the Romanian country report, we assess here the extent to which the first impact really occurred. For this purpose we use a “proxy”, respectively the financial and physical performance of the 2004-2006 INTERREG programmes built on PHARE CBC programmes, as captured by the INTERREG III 2000-2006 ex-post evaluation<sup>241</sup>. At least 50% of INTERREG 2004-2006 programmes following Phare CBC had an average financial and physical performance. It is difficult to identify a clear pattern of the reasons underlying this performance. In most cases programmes at the lower end of the scale cover a new internal border or more than 2 countries, while best performing programmes enjoyed longstanding cooperation and/or were managed by an old member state. In terms of financial performance, only 5 new or external borders programmes managed to spend more than 90% of the total allocated budget (Italy-Slovenia, Saxony-Poland, Austria-Hungary, Finland-Russia, Slovakia-Czech Republic). Under 70% financial performance is noticeable in a low number of programmes (Slovenia-Hungary-Croatia, Lithuania-Poland-Russia, Greece-Turkey, Italy-Albania). Most Phare CBC follow-up programmes spent between 80 and 90% of their allocated budget (14 programmes), with a group of programmes with financial performance between 70 and 80% (Czech Republic-Poland, Greece-Bulgaria, Hungary-Slovakia-Ukraine, Finland-Estonia)<sup>242</sup>. Among factors which hindered financial performance the most quoted were: late starting of the programme, particularly when 2 or even three instruments are combined (e.g. Hungary-Romania- Serbia & Montenegro where the separation of the steering committees JTS's of each sub programme to two countries and to three different places endangered the harmonious management within the sub programmes, barriers in process of financial reimbursement, like wrong/incomplete fulfilling of request payments, inefficient personal staff within MA, setting up of the information management system delayed, lack of experience in INTERREG management (at new borders) and inefficient use of TA, the availability of the national co-financing, and the currency rates.

It is important to mention the “drivers” in spending the money allocated identified by the INTERREG III ex-post evaluation, as these are valuable lessons for current candidate countries which will be a part of ETC programmes in the future and they reinforce some of the conclusion drawn by this and previous evaluations: well developed joint programme strategy involving all relevant stakeholders in the programme area, awareness of the N+2 rule, intensification of programme promotion (for the whole programme or for lagging measures), carefully monitoring the progress made, targeting project

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<sup>240</sup> See also the 2011 Comparative report between CBC Programmes 2007-2013 Romania-Serbia and Bulgaria-Serbia.

<sup>241</sup> First interim report

[http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/expost2006/interreg\\_en.htm](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/expost2006/interreg_en.htm).

<sup>242</sup> Programmes with spending rates below the 80 percent level were lagging behind and probably did not reached their targets.

development efforts on lagging measures and providing additional support to ensure good quality submissions, organising additional calls for proposals, easy reallocation of funds between priorities and measures, small budget and limited number of beneficiaries. The INTERREG III ex-post evaluation assesses the programmes also based on their physical performance. Before that, it assessed the quality of the programmes' indicator system as being rather poor<sup>243</sup> which reinforces this (and several previous) analyses as regards Phare CBC learning effect in this respect. On this background, we take at face-value the ex-post findings presented under.

Most programmes with a physical performance rate between 50% and 100% were Phare CBC followers (i.e. 9 programmes, respectively Italy-Adriatics, Austria-Czech Rep, Hungary-Slovakia-Ukraine, Greece-Bulgaria, Austria-Slovakia, Poland-Slovakia, Poland-Ukraine-Belarus, Greece-Italy, Hungary-Romania-Serbia&Montenegro, while this group counts for 1/3 of the programmes with physical performance rate between 100% and 150% (5 out of 13 programmes, respectively Lithuania-Poland-Russia, Italy-Slovenia, Austria-Slovenia, Bavaria-Czech Republic, Karelia. A limited number of programmes have a performance under 50% (Italy-Albania, Austria-Hungary, Greece-FYROM, Greece-Albania) or more than 150%, i.e. Saxony-Czech Republic, Saxony-Poland and Slovakia-Czech Republic. The latter is the only programme between two new member states with maximum performance, both physical and financial, which may underpin the overall findings that cultural and language coherence at the border is one success factor for CBC programmes.

The factors that were highlighted as having a positive influence on physical performance can be categorized into three main categories, which actually reinforce the previous findings of this evaluation: 1) programme management (pro-active and good planning and management, clear administrative structures, committed partnerships, competences and previous experience among partners in international cooperation and programme management); 2) the programme strategy (relevant programme strategy, joint programming and problem formulations and active involvement of all partners, including acceptance among potential applicants of programme objectives); 3) and the implementation process (pro-active and efficient interaction between the project stakeholders and programme management, on-going evaluation, monitoring, and feed-back procedures, intensive project pipeline construction, effective and transparent project selection procedures, training for applicants, application agents, and auditors, assistance from the technical secretariat).

### **Cooperation**

As regards the "cooperation" objective, previous evaluations considered that particularly Joint Small Project Funds contributed to networking and partnership at the border area. We saw at the borders between Romania and Bulgaria and Romania and Serbia that some partnerships were maintained after 2007<sup>244</sup> particularly between public institutions and between NGOs, including Chambers of Commerce, as well as that sufficient (joint) projects were collected in the two border areas for allocations to be spent. Performance of programmes as presented above also indicate that sufficient partnerships are in place for the programmes to be implemented at least satisfactorily from the

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<sup>243</sup> Page 82 of the interim report: "It is problematic that few programmes provide a description of the causal chain linking programme objectives (in opposition to the contextual analysis which usually received much more attention in the programme documentation). Some programmes also include a lot of indicators which raises questions about whether there is a well thought out link between each and one of indicators and the programme objectives (e.g. North Sea Region). The absence of well-described causal links between programme objectives, priorities, and measures makes it difficult to judge the relevance of the indicators. Concerning the relevance of indicators, criticism has been raised in a Special Report by the European Court of Auditors (ECA). Here it is concluded that there is a lack of indicators that measure how much overall progress has been made (ECA 2004: 7). Few programmes specify the instruments they used for the quantification of targets or the baseline against which an indicator was subsequently measured. The only way to judge the relevance of target values, in the absence of an explicit line of reasoning, is to look at the indicator performance. If a programme over or under performed to a large extent, one may conclude that the target values were irrelevant. However, this is not necessarily true.

<sup>244</sup> At least 10%, in accordance with information collected during fieldwork

efficiency and effectiveness perspectives. However, the real rate<sup>245</sup> of the depth and intensity of cooperation in the ex-Phare CBC border regions, as calculated by the INTERREG ex-post evaluation provides further information as regards Phare CBC (but also first generations of INTERREG programmes) effects from this perspective. And these do not seem to be significant, as most Phare CBC follow-up programmes fall in the categories of CB regions with very poor, poor or medium depth & intensity level of territorial cooperation. Out of 24 Strand INTERREG III programmes showing a medium depth & intensity level of territorial cooperation, only 8 (25%) followed Phare CBC up (A-HUN – Austria-Hungary, D-PL - Mecklenburg-Poland, A-SLK – Austria-Slovakia, A-CZ – Austria-Czech Rep, Latvia – Lithuania – Belarus, A-SLN – Austria-Slovenia, Estonia – Latvia – Russia, Slovakia-Czech Republic). A poor depth & intensity level of territorial co-operation can be observed in 11 INTERREG III Strand-A programmes. all of them being successors of Phare (in combination with other instruments such as TACIS, CARDS and even, surprisingly, INTERREG) programmes, i.e. Italy-Adriatics, D-PL - Brandenburg-Lubuskie, D-PL – Saxony-Poland, Poland-Ukraine-Belarus, Czech Republic-Poland, Lithuania-Poland-Russia, D-CZ – Saxony-Czech Republic, Hungary-Slovakia-Ukraine, Finland-Estonia, Slovenia-Hungary-Croatia. Among the total of 25 INTERREG III programmes showing a high depth & intensity level of territorial cooperation, only one is a Phare CBC follow up, i.e. Bavaria-Czech Republic while out of the only 4 INTERREG III programmes (all of Strand-A) showing a very poor depth & intensity level of territorial co-operation the ex-poste evaluation counted Hungary-Romania-Serbia & Montenegro, Italy-Slovenia and Poland-Slovakia.

Again, it is difficult to assess, in the space at disposal, the different factors influencing the position of INTERREG programmes following Phare CBC, however, we can say that, while Phare CBC did plant the seeds for cross border cooperation, or watered some already existing seeds (captured by the historic criterion of the synthetic indicators), more needs to be done in most new internal (and) external borders to enhance cooperation, as intermediary variable for socio-economic development & thus to exit the periphery position, to reach a satisfactory level.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

Sustainability in the case of Phare CBC needs to be assessed from several perspectives, linked to the three objectives this instrument pursued: (1) preparation for INTERREG, mainly from programming, management and implementation perspectives (institutions and procedures), (2) sustainability of (hard) results achieved (e.g. roads, waste water treatment plants, incubators etc.) but also of (3) cooperation, another (soft) result of Phare CBC.

As regards the preparation for INTERREG, the conclusions of 2007 Phare CBC thematic evaluation are reinforced by the subsequent developments. As we could see in the previous section, institutions put in place under and with Phare CBC support are sustainable as they have continued to implement INTERREG (2004-2006) and ETC programmes (2007-2013) and now are involved in the preparation of 2014-2020 programming period. This is particularly important in a context in which budgets available for CBC activities/programmes increased under INTERREG/ETC 2007-2013, in comparison with Phare 1999-2003/2006 (e.g. doubled in the case of Romania-Bulgaria, Germany-Poland and multiplied 4 times in the case of Austria-Czech Republic)<sup>246</sup>. The linear continuation between Phare CBC and INTERREG/ETC helped institutional sustainability be achieved and IPA CBC designed taking into consideration its coherence with future CBC programmes. As found also in the country

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<sup>245</sup> The Real Rate (RR) is the overall performance indicator measuring the level of depth & intensity of territorial co-operation achieved by a given INTERREG III programme and does - as a gross nonweighted value (or absolute value) - not take into account the influence of different historical factors “outside” of INTERREG III (i.e. the Historical Criterion). See INTERREG III ex-poste evaluation, first interim report, page 263.

<sup>246</sup> Still a relatively low increase in comparison with other sectors, e.g. in Romania in transport, environment, economic and social cohesion, including human resources development, sectors. ETC 2014-2020 budget will not increase in comparison with 2007-2013.

report on Romania, not in all cases staff involved in Phare CBC was involved in the implementation of INTERREG programmes, particularly at national level. At regional level sustainability of personnel seems to be stronger (e.g. both in CBC Point Calarasi and Timisoara personnel has been relatively stable since their setting up to the cut-off date of this evaluation).

As regards sustainability of (hard) results achieved, the 2007 CBC ex-post thematic evaluation found that “the impacts of CBC programmes that supported investments in environmental and economic infrastructure were largely sustainable, but there were concerns about the sustainability of some investments in border infrastructure.” Analysis and fieldwork undertaken under this evaluation confirm that hard investments owned by public institutions remained, in most cases, sustainable, particularly as regards transport and environmental infrastructure. In some cases sustainability of this type of projects was ensured through further investments realized with Structural funds support. However, there are cases in which further funding could not be secured under the 2007-2013 Operational Programmes, as this was not automatically secured (e.g. inserting strategically the needed follow-up investment in the OP pipeline). Beneficiaries’ applications entered a competitive process and proposed project was not selected. As identified by previous evaluations and during the fieldwork organized for this evaluation, sustainability of hard investments (owned by public institutions e.g. country council, or NGOs, e.g. Chamber of Commerce) contingent on financial streams from external actors (e.g. incubators, business centers as in Calarasi, Romania, but also tourism infrastructure) could be problematic, particularly in periods of economic crisis. They can drain the local public budget in a situation when resources are, anyway, scarce.

The 2007 CBC thematic evaluation considered that: “longer term sustainability of JSPF projects is likely to come from two main sources: (i) “people to people” or “business to business” contacts continuing after the duration of the project and (ii) events being repeated without Phare funding”. INTERREG and ETC programmes created at least the precondition for “people to people” or “business to business” contacts to be continued beyond 2004/2007, through the similar interventions planned and implemented. The contacts set up under Phare were maintained under INTERREG/ETC for the purpose of applying for funding, but apparently not to a large extent (10% in the case of the programme Romania-Bulgaria). Assessment of these aspects is hampered by lack of data, as information on continuation of contacts was not collected in the framework of the monitoring process (as it should have been, particularly in an ex-post phase). Overall, ensuring sustainability of NGOs themselves and of the results of projects implemented by NGOs and Chamber of Commerce in the CB areas seems to be possible only through subsequent funding under the EU programmes, as alternative sources for finance for this target groups are limited. As funds are granted on a competition basis, the risk that activities started under a previous programme may not continue is high.

## **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

**What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

Analysis made indicate that relevance was, in most cases, not an issue under Phare CBC programme – the interventions financed corresponded to genuine needs and these were numerous in the cross-border areas. A key issue in this context is the capacity of the institutions programming and managing the implementation of the programmes to prioritize key investments which would have the highest impacts in the CB area (from a social-economic development point of view). Capacity to prioritize is interlinked to the capacity to plan the development of the cross-border area, thus to identify all its needs in short, medium and long run and design a strategy for covering them. One of the strategic instruments to be used for this purpose would be the EU funds (Phare, IPA, ESIs), however, its effectiveness and impact largely depend to the extent to which decision-makers and other stakeholders in the border area share a vision on its development. The existence of an adequate, long term, strategic plan for the border area should be a precondition for the allocation of IPA CBC funds. This plan should contain adequate mechanism for ensuring the implementation of partnership principle

as well as the monitoring and evaluation of its achievements. One of the indicators to be monitored under the plan could be e.g. “contacts continued beyond (EU) interventions”, which brings evidences as regards impact and sustainability of these interventions but is usually not followed by programmes because they do not regularly apply ex-post monitoring and evaluation procedures. Further than prioritization and focus, the plan would also contribute to elaborating CBC programmes closer to the particularities of the cross-border areas and would support a funds’ allocation in a more direct relationship with the identified needs (e.g. bottom-up - larger allocations to larger/longer border areas). At the same time, all necessary instruments should be developed (from statistical and administrative data to local capacity for strategic planning, programing and policy-making) for a sound socio-economic analysis of the border area to be realized (which still does not seem to be the case judging by comparisons made in the impact chapter).

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

As concluded and recommended by previous evaluations, it is imperative that approach to monitoring and evaluation of IPA CBC programmes need to be improved and brought in line with requirements for ETC programmes under EU Cohesion Policy. Such developments are important for ensuring and communicating the effects and impact of funds as such, but also from an “accession” perspective, i.e. for IPA CBC implementation structures to learn how to respect EU requirements upon country’s accession. Active involvement in relevant INTERACT events should be actively pursued by IPA CBC management and implementation structures as they provide an excellent learning opportunity.

As for programing, cooperation between management and implementing institutions on both sides of the borders is essential in order to ensure effectiveness of CB initiatives, particularly in areas with limited historical cooperation and/or with limited experience in implementing INTERREG-type of programmes (i.e. for cross-border co-operation programme with neighbouring Candidate or Potential Candidate Countries (thus not with a Members State) e.g. Albania-Montenegro CBC programme).

Although measures have been taken under IPA 2007-2013 to set aside challenges raised by public procurement procedures, ensuring adequate capacity for rolling them remain an area of concern, particularly where decentralised implementation systems are in place. Overall, for IPA CBC programmes it is essential that (national) institutions involved in management and implementation are adequately staffed and supported through TA projects, as by their nature they are more difficult to implement as “national programmes” and grant schemes, including “people-to-people” initiatives, are demanding in terms of administration.

Overall, no data seems to exist to underpin a genuine evaluation of the socio-economic impact of Phare CBC in the converted area. This reflects that the financial assistance could have been better planned in terms of establishing a clearer performance framework of the intended longer-term socio-economic impact of the programmes. The same conclusion will be drawn on IPA CBC 2014-2020 if adequate monitoring and evaluation system are not put in place for each programme. This is particularly important for impact, for which no attributable indicator can be set and needs to be proven through evaluations (including counterfactual) carried out at border level, not only at EU/policy level. Again, impact evaluation are even more relevant and needed in small countries, benefiting of more funds under more CBC programmes, where the cumulated impacts of CBC at national level might be higher than in the case of larger countries benefiting lower funding (e.g. Bulgaria vs. Romania).

Phare CBC did prepare the relevant institutions to elaborate, manage and implement INTERREG/ETC programmes, but not fully. Lack of experience and of adequate staff remained a bottleneck in the implementation of INTERREG programmes. Operational challenges remained and these should be tackled by IPA CBC programmes: adequate procedures for financial reimbursement should be developed and the needed support for the beneficiaries to use them should be in place on time, the information management system should be available upon programme launching and, overall, using

the TA budget at disposal should be done efficiently and effectively (i.e. IPA should eventually prepare the necessary ToR for this to be possible in a first phase).

Also as regards “cooperation” Phare CBC contributed to its depth and intensity in covered areas, but more needs to be done, over longer periods of time, to achieve levels similar with areas in Western Europe. Conditions for financing joint projects need to become stricter but also the necessary support should to be available for these projects to be developed and implemented.

This evaluation sustains the conclusion of previous evaluations on stronger learning effects for programmes in which an older member state was involved. The same is valid for programmers in areas with long-standing cooperation, e.g. Germany-Poland or Slovakia-Czech Republic. This induces again the recommendation that increased attention should be given to IPA CBC programmes which are not in such a situation and to the cooperation with INTERACT.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

Sustainability is ensured by a series of factors such as: availability of finance (existence of INTERREG programmes for the “accession” related results, at the level of management and implementation structures and beneficiaries, particularly NGOs), the similarity between pre- and post-accession instrument, staff retention which ensures institutional memory (both at national but particularly at regional level), relevance (i.e. if the project corresponded to a real need, sustaining its result is easily ensured, e.g. transport infrastructure as opposed to business centres used from time to time and with a return significantly under initial investments).

## **Conclusions (Lessons Learned)**

**What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

Although developing truly joint projects is a challenge, particularly in border regions with less depth and intensity of cooperation, more efforts need to be undertaken to facilitate this process. Mirror projects may have effects on both side of the borders, but “cooperation” as objective of CBC initiatives needs to be closely observed as strong ties across borders is the main precondition for the socio-economic development and integration in such territories.

From an efficiency point of view, putting in place and strengthening management and implementation structures, particularly at regional level are essential. The TA projects need to be very well equipped to support IAs, JTSs, applicants and beneficiaries with the development and implementation of projects (particularly where no MS is involved).

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

As presented in the previous sections, the approach taken for capacity building of national and particularly regional institutions in charge of CBC Phare and ESFs programmes and the transport infrastructure built are the key points to be taken into consideration by current enlargement countries.

Further on, it seems that the mechanism of using grants had a successful record of initiating cross border partnerships and contributing at the local level to the overall policy of encouraging engagement between neighbouring counties. The JSPF/“People to People” schemes under the 2004-2006 programmes continued the same successful formula adopted since first launching under Phare 2000. It can be concluded, in this context, that Phare CBC has become a mainstay of support for many NGOs in the border areas and that without European Union support many of the NGOs could not survive. By the onset of Phare CBC 2006, the programming consisted entirely of grant schemes with

supporting TA and therefore represented a good approximation of the interventions to follow, thus this approach should be followed under IPA II, too.

Another good example to be followed in other enlargement countries is the close communication and consultation between stakeholders (beneficiaries, regional CBC offices and contracting authority) and day-to-day management of the grants schemes through technical assistance, which proved efficient in successfully closing the Phare 2006 CBC scheme. It has provided the means by which regional CBC offices have developed, in both personnel numbers and consolidation of experience.

In the current context more lessons could be learned from IPA 2007-2013 CBC programmes. The INTERACT programme is already very active in this sense. Thus participation of both IPA and ENPI MAs and JTSs in INTERACT initiatives should be stimulated and strengthened.

## Annex 5.14: Multi-Beneficiary Programme – Private Sector Development

### Background

The Small and Medium-sized Enterprise (SME) sector has been identified as an important factor for positive growth and employment within an enlarged EU, and a dynamic and sound SME sector is essential for the sustainable development required for economic and social cohesion in existing and future Member States. The European Commission consequently gives high priority to policies and mechanisms for the promotion of SME and the fostering of a more entrepreneurial Europe.

Since the beginning of the transition process towards democracy and the market economy in the Candidate Countries (CC), the EC has attached great importance to effective SME development. However, Agenda 2000 (1997) concluded that SME in candidate countries were still a long way from having the level of support and resources that existed in the EU, for example in support services, policy co-ordination, or in development of appropriate legal and regulatory frameworks. Access to finance remained a key bottleneck. Consequently, enterprise (particularly SME) development continued to be a priority in pre-accession strategy.

The Regular Report adopted by the EC on 8 November 2000 underlined the progress made by the CCs in tackling the problems inherited from the past, as well as in developing a favourable environment for the creation of new and innovative companies able to withstand the competitive pressures of the Single Market. However, their formation and survival rate, and their internationalisation, were still reported as well below the EU average, and more progress was needed.

Enterprise development was a common medium-term priority for the CC under the Accession Partnerships, which stressed the need to improve the conditions for the creation and development of private enterprises, with particular attention to SME. Several Chapters of the *acquis communautaire* focused on enterprise development. The two most relevant were Chapter 15: Industrial Policy and Chapter 16: SME.

The EU has supported SME development in all twelve CCs through the Phare Programme since its commencement, mainly through three sets of actions:

- Provision of technical assistance and advisory services to national institutions responsible for SME development;
- Support to SME policy and legislative development;
- Provision of financial support for SME start-up and development, in collaboration with local financial intermediaries.

Following the approval of the European Charter for SME by the EU Council in Santa Maria da Feira (June 2000), the European Council approved a Decision on 20 December 2000 for a Multi-Annual Programme for Enterprise and Entrepreneurship, and, in Particular, for SME Support for the Period 2001-2005. The programme was also open to CCs, in accordance with the conditions established in their EU Agreements, after approval by the respective Association Council. The programme was expected to address a number of objectives:

- Enhancement of the growth and competitiveness of business in a knowledge-based internationalised economy;
- Promotion of entrepreneurship;
- Simplification and improvement of the administrative and regulatory framework;
- Improvement of the financial environment for business, especially SME;
- To give business easier access to Community support services and programmes and to improve co-ordination of these facilities.

The multi-annual programme was intended to build on, *inter alia*, the findings and the recommendations produced under the Business Environment Simplification Task-Force (BEST) initiative, as well as under the Fourth Round Table of Bankers. These initiatives contributed to the

development of a better business environment, and to improvements in the dialogue with bankers on issues related to access to finance for SME. These initiatives were afterwards extended to the CCs.

SME development is also a key priority for the utilisation of EU Structural Funds (SF), and it was essential that the CC developed effective mechanisms to ensure smooth implementation of SF-related measures. The programming period 2000-2006 focused on job creation through the implementation of an integrated development plan for urban and rural areas, addressing (a) strengthening regional competitiveness, and (b) upgrading skills in the labour market. Assistance for SME development was the cornerstone of this development plan.

In February 2000, an Evaluation Report examined the effect of the Phare support provided to the SME sector during the period 1990-1998. Based on the findings of the report, four main recommendations were defined to provide guidelines for the programming of future Phare interventions:

- Phare funds should mainly address the long-run SME development process (i.e.: networking, sub-contracting, technology transfer, education and training. Phare funding should be based on the principle of subsidiarity, and not be used to substitute for the basic forms of government spending on business support, or to support activities that could have been undertaken by the private sector;
- Phare should support radical changes to the national sectoral legislation;
- New special financial schemes should be designed to improve the economic effect of direct financial support to SME; and
- The strengthening of the local and regional administrative capacities in order to support local economic and business development, also in expectation of the utilisation of SF.

In order to tackle the new challenges, a number of guiding principles for future Phare interventions were defined:

- Differentiation between CCs;
- Flexibility, to take account of different rates of progress in CCs and regions;
- Strong links between projects and national strategies;
- Ensuring the additionality of projects and the maximum aid leverage;
- Setting rules for co-financing and grant aid;
- Identifying good practice;
- Supporting the exchange of experience between CCs and Member States.

Out of the total Phare intervention about 9% went to the domain Industry and SME. Just in the period of 1998-1999 went 143.68 MEUR to the SME sector. In 1999 Multi-beneficiary SME Finance facility started and in total brought the support of 323 MEUR by 2005.

## **EU Pre-Accession Financial Assistance – *Ex post* Evaluation Findings**

### **Programme Priority – Private Sector Development**

#### **Impact and Sustainability of PHARE Financial Assistance**

**To what extent was the programming of EC support coherent and effective in addressing the priorities/needs of the PHARE beneficiary countries identified in country strategy and programming documents, and how well were relevant and efficient implementation modalities used?**

SME development is a complex process, requiring a mix of interventions to be implemented at different levels - a Strategic Level (higher), an Institutional Level (middle), and an Enterprise Level (lower). The three key actors are consequently the policy makers, the national business support network, and the SME themselves. Only through co-ordinated action at all three levels will effective SME development be possible. Under market economy rules, government should not interfere in the

management of individual enterprises, and it should allow the market to differentiate between them. The government's task is therefore to create the right conditions for a flourishing and effective SME sector, capable of pursuing economic and social cohesion.

Phare was supporting all three above mentioned levels.

The strategy-making and priority-setting by 1997 was based on Multi-annual Indicative Programmes, which expressed the country accession strategies and were jointly developed for the period 1995–1997 by the candidate countries and the Commission. For 1998, the Commission and the candidate countries mutually agreed on a completely new series of country strategy documents within the Accession Partnerships. Phare projects have been systematically assessed according to how clear and strong their intended impacts were related to the priorities stated in the country strategy documents. The comparing of two approaches suggest that the connection to the country strategies was stronger in 1998 than in 1997.

Considering both programming years compared, the evaluation shows that 60% of the 1997 projects selected for detailed assessment addressed problems that were “very critical or rather critical obstacles on the path towards accession”. This proportion was much higher (94%) in 1998, which supports the conclusion that the reorientation towards an accession-driven process had immediate results and that the overall relevance of the Phare support was not questionable.

**To what extent was the financial assistance effective in achieving the desired results and what possibly hampered its achievement?**

Overall, the most significant effects of the Phare assistance to the SME sector were found in Poland. Positive effects were also noted in Slovakia and, to a lesser extent, in Estonia, Hungary and in the Czech Republic; with only limited effects in Bulgaria, Latvia, Lithuania and Romania. Phare assistance in Slovenia had no significant effects and, as far as the enhancement of co-ordination between existing facilities is concerned, negative effects. Significant effects were found in respect of the promotion of entrepreneurship at the regional and local level, as well as the enhancement of competitiveness and internationalisation of SME (but limited to the Phare activities addressing foreign direct investment and export promotion). Limited effects were found regarding the enhancement of the co-ordination of the existing facilities. Although significant effects were found in Poland and, to a lesser extent, Slovakia, hardly any effect was found in Bulgaria, Hungary, Czech Republic, Estonia or Romania. Adverse effects were observed in Slovenia. Very limited, or no effects were noted regarding the improvement in business and financial environment conditions. The financial environment improved to a limited extent with Phare support in the Czech Republic, Hungary and Slovakia, but remained unchanged in Bulgaria, Estonia, Romania, Slovenia and Poland. The institutional framework in Bulgaria, Latvia and Lithuania remained assessed unsatisfactory at the time before the accession.

**What have been the impacts of PHARE in qualitative and quantitative terms?**

**To what extent have the development patterns and institutional and policy behaviour of the beneficiary countries been affected by the accession process and represent the outcomes of the process of reform and economic and political transition put in place through PHARE?**

Phare projects have contributed to accelerating activities that alternatively would have occurred much later and at a much lower scale. The Phare support has clearly been more influential (additional) in the countries that lagged behind in the accession process.

Most often, projects could not have been launched without the Phare support because national institutions did not have sufficient capacity. In particular, Phare helped in bridging the gaps in knowledge of EU policies within the partner country administrations.

A study by the Directorate General for Economic and Financial Affairs of the European Commission (European Commission, 2001) estimated additional growth of 1.3/2.1 % per year for the new Member States in 1994-2009, while in the old Member States growth would be a cumulative 0.5/0.7 % higher.

Similar orders of magnitude are provided by Baldwin et al. (1997) who saw steady state real income 0.2 % higher in the old and 1.5/18.8 % in the new Member States compared to control. A favourable impact is also found by Breuss (2002) for most of the old Member States who see their real GDP increase by 0.5 % over a six year period, while the Czech Republic could gain 5-6 % after 10 years and Hungary and Poland 8-9 %. The long-run welfare GDP equivalent estimates of Maliszewska (2003) are somewhat lower – a negligible impact on EU-15, Hungary gains 7 % and Poland 3.4 % but, importantly, the new Member States would lose 0.1 % if enlargement were not to happen. The impact on individual old Member States varies, with countries at the EU's former eastern border expected to benefit most from the enhanced trade and investment possibilities. Germany's GDP could be 0.45 % higher in the long run (Keuschnigg et al, 2001) and Austria's 0.56 % higher (Keuschnigg et al, 2002) compared to the no-enlargement scenario. Also Italy is estimated to gain 0.5 % GDP growth in 2000-2010 (Grassini et al, 2001) and, according to Kristensen and Jensen (2001), Denmark's GDP would decrease in the short run (2005-2010) by 0.45 % but it would increase in the long-run (2000-2065) by 1.65 % above the no-enlargement scenario. Kohler (2004) finds a large negative steady state welfare effect in the case of Portugal (1.3 %) and also in the case of Greece, Spain and Ireland, while the other old Member States gain with Austria gaining the most, 2 % above the no-enlargement scenario. By contrast, Barry (2004) argues that Ireland is well placed for enlargement and should not fear foreign direct investment diversion thanks to its technological base, while also immigration of skilled workers is good for the economy. The actual experience of Ireland is already bearing this out.

Looking back on the experience of economic growth and adjustment of the acceding nations since the beginning of the 1990s, the data suggest that the EU-10 performance has not been better than that of other emerging market economies. In more recent years, however, the IMF notes that experience has been notably superior with the three Baltic countries ranking among the top five emerging market performers. Whether this is the result of membership in the EU and a reflection of the impact of the modern competitive environment that has stimulated innovation, entrepreneurship and economic growth or the consequence of more conventional economic factors is difficult to tell a priori. Undoubtedly, membership has made a difference and if that is the dominant reason for the improving performance it implies that its influence might be more durable and sustained over the medium term, conferring consistently benefits to the acceding nations. While recent data indicate the possibility of a two-speed catch up, with the non-Baltic new Member States underperforming, evidence from other relevant data from the new Member States (FDI and trade flows, restructuring initiatives, structural reforms, fiscal data etc.) suggest that the process of catching up could continue to be supported on a more sustained basis.

**What are the main indicators of the degree of integration of the beneficiary countries into the EU, and what are the factors that have influenced the sustainability of political, institutional, socio economic and operational results?**

Available indicators suggest that the business environment is less favourable in the new Member States than in the EU-15 and developments since accession (to the extent information is available) have been rather mixed.

In the area of better regulation and impact assessment the new Member States need to improve their competences (European Commission, 2005e). Availability on line of e-government is, with the exception of Estonia, lower but use of e-government by enterprises, an important indicator, is higher in the EU-10. The World Bank index of difficulty of hiring shows that the respective framework conditions for enterprises in the new Member States have improved. Whereas prior to accession the indicators showed comparably difficult conditions, by 2005 conditions were more favourable in the new Member States but conditions for firing were less favourable. All available indicators on starting a business (number of procedures, time and cost) in the new Member States remain unfavourable compared to EU-15 despite progress since accession. The OECD composite indicator on barriers to entrepreneurship (OECD, 2005) also suggests that business framework-conditions were less favourable in the new Member States at least until 2003, the latest data information. More recent data

from the European Bank for Reconstruction and Development (EBRD) indicate that improvements in this field in the EU-10 continued in 2004 and 2005 but the gap against the EU-15 still exists, especially in the domain of regulation (EBRD, 2005, p. 64). A wide range of actions are being taken or announced to further improve the environment for enterprise and innovation in the new Member States. The majority of the countries are envisaging measures to assist small and medium enterprises such as one-stop contact points for advice and registration on starting a new business. Improving access to finance for new, innovative starters is only envisaged by Estonia. Two countries, Malta and Slovenia, also provide favourable tax treatment or vouchers for innovative research by small and medium enterprises. Only two new Member States, the Czech Republic and Estonia, are introducing impact assessment systems measuring the burden of regulation imposed on business. The others have announced the introduction of impact assessments and the systematic use of better regulation but the plans are vague and of limited scope. Only the Czech Republic has set quantitative targets for reductions in administrative burdens. Moreover, some new Member States established or plan to do so in the near future business friendly tax reforms, shifting the burden of taxation away from labour and simplifying and increasing the transparency of the tax system. And Estonia and Malta have taken measures to support advances in environmental technologies that address ecological challenges, in particular to introduce environmentally friendly technologies and improve energy efficiency.

### **Synergies between Accession Strategy, Policy Dialogue, Financial Assistance**

**What were the weaknesses and strengths of the policy and what the ones specific to the assistance provided?**

After 1998 the Commission has often dominated the setting of country priorities and project objectives, even to a degree where viewing the process as a real partnership was difficult. A consequence was a feeling of lacking participation, as expressed at some meetings: "The Accession Partnership was not a joint document; it was prepared unilaterally by the Commission." In any case, the process of designing and selecting Phare projects has not been used as a learning opportunity for a partner country in developing strategy. The imbalance may have been positive in terms of imposing "project relevance" on the countries, but the negative aspect was that the process did not create the fullest possible ownership of and commitment to the overall programme objectives and priorities and the subsequent projects. In the area of institution-building, the 3-year project life cycle was too short for fully adapting institutions in a given policy domain. This discrepancy has been managed by establishing a practice of project continuation, in which Phare projects followed one another every 3–4 years. However, this practice was only an implicit rule, which means that the next generation of projects was neither secured nor planned. The combination of weak commitment to country strategy documents and implicit project continuation entailed an absence of long-term vision, which limited the impact.

Many Phare projects lacked clear objectives and clear commitment from the responsible institutions in the partner countries in the early stages of their implementation. In addition to generating delays, these problems required adjustment of projects during their life cycle. These adjustments were sometimes very significant. There is evidence that projects were often adjusted, especially when the absorption of funds was at risk. Although the Phare Programme management was decentralised in 1998, the lack of flexibility of the overall Phare procedures made management adjustments complicated. This fact combined with the speed with which the 1998 reform was introduced made the implementation conditions very difficult for people involved in operational management. Projects were systematically monitored in cooperation between the European Commission and the partner country. This arrangement allowed systematic learning from deviations in deliveries and immediate results during project implementation and has achieved its objectives. Nevertheless, the evaluation system did not allow for rapid learning from deviations in impacts. The typical learning cycle for impacts under the Phare Programme has proven to be 4–5 years, which means that deviations in impacts were normally not discovered during project implementation (typically 3 years).

However, there are examples of projects where the learning cycle has been significantly shortened due to an early impact evaluation. In these instances, projects included pilot schemes, which were the subject of early impact evaluation and where the lessons could have been integrated if the management system had been more flexible in introducing changes.

**Could financial assistance have been better coordinated/aligned with reforms to improve effectiveness, impact, and sustainability?**

Since 1998, the Commission requested that Phare projects reach a sufficiently large size (normally EUR 2 million), and one of the reasons for this request was to maximise impact by reaching a critical mass. However, there is no evidence that a project with a larger or smaller budget is more or less effective. Limiting small projects has probably reduced management costs but has not significantly increased impact. As reflected by the incomplete disbursement of funds, many projects faced management difficulties, mainly in terms of a lengthy start-up process and institutional instability. Impacts were reduced in a larger proportion than the expenditure saved in these instances, which has resulted in low cost-effectiveness. Some approaches to designing and implementing projects tend to be more efficient than others. The main inefficiencies resulted from:

- weak strategy-making processes, leading to management difficulties and high implementation costs in the management period;
- lengthy learning from experience, leading to maintaining the financial support for actions that should be reformed or stopped;
- costly learning from grant schemes; and insufficient attention to democratic constraints, leading to supporting projects that subsequently fail to achieve their intended impacts.

Multi-country Finance Facility programme delivery has been appropriate but the absence of a tailor-made approach constrained benefits.

**The horizontal delivery of the Finance Facility has been appropriate.**

The delivery of the Finance Facility via a horizontal, multi-partner instrument was an appropriate response to the implementation of this type of intervention. The main benefits include the linkages between the IFIs and the PFIs in the target countries, together with their extensive issue-specific expertise and well-qualified staff, and the potential for learning lessons and dissemination of good practice, not only between countries, but also between the IFIs themselves.

**Economies of scale achieved in implementation of TA achieved by the EBRD.**

Economies of scale have been achieved by the EBRD through the implementation of the TA components via a series of Framework Contracts that were mobilized individually for country-specific missions. The fact that the TA was contracted centrally by the EBRD had a number of aspects. Firstly, there was the need to ensure a good 'fit' between PFI needs and the consultant and to ensure that the PFI feels ownership of the process and therefore of the ensuing TA contract. Secondly the TA retained by the EBRD was perceived of as having an EBRD 'seal of approval' which created confidence on the part of the PFI.

**Benefits would have been greater with a more differentiated approach.**

The Finance Facility focused on achieving 'balanced regional coverage', both in terms of country and regional distribution, took insufficient account of differences in country and market maturity. At the programme level this 'one size fits all' approach across a range of markets at different stages of development did not address the need to tailor the Finance Facility to prevailing market conditions. While the Finance Facility approach promoted a 'tailor made' approach at the 'micro' level, i.e. at the level of individual PFIs, this reflected corporate strategy and analysis of business opportunities rather than overall programme objectives.

**Which type of assistance and reforms achieved the most sustainable results and what were the reasons for that?**

Grant schemes were appropriate, but a long learning curve and heavy administrative burdens limited their effectiveness. The results of the grant schemes were good and capacity-building took place at all stages of the programme cycle in preparing beneficiary countries for future EU funds. However, the long learning curve in applying grant schemes, combined with heavy administrative procedures, led to delays in processing and consequently reduced effectiveness.

Catalytic effects and additionality of grant support to SME Finance Facility diminished over time. The Facility was highly relevant for the first years of its operation but its relevance declined over time, since market forces such as privatisation and substantial foreign bank investments drove changes in participating financial institutions rather than the Facility itself. Moreover, the catalytic effects of the grant support to the facility diminished over time. The availability of funds to SMEs on reasonable terms was driven by the market rather than the existence of the SME Finance Facility. Finally, with the influx of foreign capital, expertise and technical assistance into the sector, the additionality of Phare grant support also diminished over time.

## **Conclusions (Lessons Learned)**

**What are the main lessons to be drawn in terms of implementation modalities and institutional setting that could be taken into account in the implementation of IPA?**

The side effects of the Phare support took the form of improved public management methods, increased transparency and changed organisational culture in the targeted institutions. For methodological reasons, it is not possible to assess if these impacts have permeated the whole public sector beyond the targeted institutions. In a number of instances, excessive staff turnover has constrained or even destroyed generic administrative impacts. The stability of top-level public management has clearly suffered from politically driven changes, which is a factor that cannot be avoided in a democratic environment.

The leakage effect induced by changes in the institutions responsible for the projects has been relatively more critical. These changes resulted from insufficient anticipation of institutional issues and/or poor national ownership at the stage of project design. The problem of the wage gap between the private and public sectors has been encountered, but it was not the main difficulty. Phare had limited impacts in terms of improvements in co-ordination between institutions or between levels of administration. Therefore the targeted institutions had to be strengthened first before they could engage in building inter-institutional capacity.

There were uneven successes in the case of reforms that were politically challenging. In some cases, projects have been successful in getting policy communities and public opinion to overcome their resistance and to support the reform. Other Phare projects did not pay enough attention to democratic decision-making processes, which resulted in the proposed reforms being cancelled or delayed.

**Which are the best policies through Interregional and Cross Border cooperation (in terms of experiences and good practices) to transfer to Enlargement countries? Could you identify innovative approaches that could be relevant also to the current Enlargement region?**

In the area of SME sector the best policies of the CBC are related to improving conditions for doing business and removing relevant administrative, language and logistical barriers. SMEs can co-operate with labour offices in border regions to inform about job possibilities. In the border regions language courses can be provided to the work force planning to migrate. Legal counselling to migrating employees or to entrepreneurs planning to start a business in the neighbouring country is also useful.

## Annex 6: List of Interviewees / Stakeholders Consulted

Name	Institution	Position	Date
<b>EU Institutions</b>			
Odoardo Como	EC, DG Enlargement	ELARG.A3: (Inter-institutional Relations and Planning); Sector Evaluation – Head of Unit	24/10/2013, 26/11/2013
Andrea Baggioli		ELARG.A3: Sector Evaluation – Evaluation Officer	
Henk Visser	EC, DG Enlargement	ELARG.D3	24/10/2013
Tibor Varadi	EEAS	EEAS.III.B2	24/10/2013
Antonio Izquierdo	EC, DG Enlargement	ELARG.E3	25/10/2013
Nicola Bertolini	EC, DG Enlargement	ELARG.D3	25/10/2013
Todor Todoriev	EC, DG Enlargement	ELARG.E3	25/10/2013
Nadezhda Ilieva	EC, DG Enlargement	ELARG.A3	25/10/2013
Mart Maivali	EC, DG Economic and Financial Affairs	ECFIN.DDG1.H3	25/10/2013
Pierre Mirel	EC, DG Enlargement	ELARG.A	25/11/2013
Domenico Gigliotti	EEAS	EEAS.IV.A.1	25/11/2013
Simona Gatti	EC, DG Enlargement	ELARG.C2	25/11/2013
Massimiliano Messi	EC, DG Economic and Financial Affairs	ECFIN.DDG1.G1	26/11/2013
Paola Pampaloni	EC, DG Enlargement	ELARG.C1	26/11/2013
Judith Novak	EC, DG Enlargement	ELARG.D	26/11/2013
Agnieszka Krasicka Inguna Kramina	EC, DG Regional Policy	REGIO.DGA2.E1	27/11/2013
<b>EU Member States</b>			
<b>Bulgaria</b>			
Daniela Tsoneva Nikolay Naydenov	Council of Ministers	Monitoring of EU Funds Directorate – State Experts	Questionnaire Survey
Evgeni Gospodinov	Ministry of Justice	Strategies and Programs Department – Chief Expert	Questionnaire Survey
Ivanka Ivanova	Open Society Institute Bulgaria	Law Programme – Programme Director	Questionnaire Survey
<b>Cyprus</b>			
No questionnaire survey responses returned			
<b>Czech Republic</b>			
Jitka Zukalová	Ministry of Labour and Social Affairs	EU Department – Officer	Questionnaire Survey

**Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia**

<b>Name</b>	<b>Institution</b>	<b>Position</b>	<b>Date</b>
Zuzana Holubcová	Ministry of Finance	National Contact Point for Twinning – Officer	Questionnaire Survey
<b>Estonia</b>			
Ülar Vaadumäe	Ministry of Social Affairs	Foreign Financing Unit – Chief Specialist	Questionnaire Survey
<b>Hungary</b>			
Peter Heil	Consultant	Formerly: Head of PHARE Assistance Coordination Secretariat (1997-2002)	11/02/2014 & Questionnaire Survey
Peter Toth	EU Social and Economic Committee	Formerly: PHARE project manager. Present: Consultant	11/02/2014
Dora Mezo	EU Representative Office in Budapest	Formerly: EU Delegation Present: Communication Officer	11/02/2014
Daniel Ambrus	EU Representative Office in Budapest	Political Councillor	11/02/2014
Ilona Palne Kovacs	Hungary Academy of Sciences	Researcher on EU issues	12/02/2014
Peter Szurzabo Gyula Szokem	Prime Minister's Office	Department for Evaluation of EU Programmes	12/02/2014
Attila Kovacs Marta Melles  Dr Agnes Csohan  Maria Herpay	National Public Health and Medical Officer Service Office	Chief Medical Officer National Centre for Epidemiology – Director General National Centre for Epidemiology – Head of Department National Centre for Epidemiology – Head of Bacteriological Dept.	13/02/2014
Katalin Pikler	Ministry for National Economy	Department for Regional Development – High Counsellor	13/02/2014
Gabor Ronaszeki	Consultant	Formerly Director of CFCU	14/02/2014
Ivan Gabor	Embassy of Hungary in Zagreb	Hungary's Ambassador in Croatia	17/02/2014
Hargita Arpadne	Retired Expert	Formerly: Diplomat	18/02/2014
Balint Illes Lilla Egri Gabriela Gruner	Ministry of Rural Development	Dept. of EU and FAO Affairs and Development Projects – Leader – Programme Managers	18/02/2014
Andras Szepesi	Ministry of Rural Development	Department for Forestry – Head	18/02/2014
Szalo Peter	Interior Ministry	Deputy State Secretary	18/02/2014
Peter Gottfried	Prime Minister's Office	Chief Councillor of the Prime Minister in EU Affairs	19/02/2014

<b>Name</b>	<b>Institution</b>	<b>Position</b>	<b>Date</b>
Geza Hetenyi	Ministry of Foreign Affairs	Main Department of EU Economic Policy – Leader	19/02/2014
Bakai Kristof Peter Hoka Gabor Varadi Monika Debri-Revesz Timea Szmorad Beatrix Varga Arpad	National Tax and Customs Authority	Leader of Main Department Deputy Leader of Main Dept. Head of EU Support Division Colonels of the Hungarian Finance Guard	20/02/2014  & Questionnaire Survey (Varadi Monika)
Laszlo Velikovszky	National Development Office	Formerly Head of Public Procurement Control Department	21/02/2014
Peter Zarka	National Food Chain Safety Office	Project Management Department – Head	26/02/2014
Mr Gabor Varszegi  Sandor Szönyegi	National Food Chain Safety Office	Department for Agrarian Environment Protection – Head Dept. for Plant Protection and Seed Control – Chief Consultant	27/02/2014
Rita Kapiller-Dezsőfi	National Tax and Customs Authority	Analytical Division – Head	Questionnaire Survey
<b>Latvia</b>			
Ambassador Juhansone	Permanent Representation of Latvia to the EU	Ambassador	26/11/2013
Elina Drazniece	Ministry of Finance	EU Funds Monitoring Department – Head of the European Social Fund Monitoring Unit	Questionnaire Survey
Janis Zvilna	Ministry of Interior	European Affairs and International Cooperation Department	Questionnaire Survey
<b>Lithuania</b>			
Gražina Bobelienė	Ministry of Health	Pharmaceutical Activity Division – Head	Questionnaire Survey
Saulius Majus	Vilnius Public Health Centre	Products Evaluation Division – Head	Questionnaire Survey
Albinas Mastauskas	Radiation Protection Centre	Director	Questionnaire Survey
<b>Malta</b>			
Marlene Bonnici	Permanent Representation of Malta to the EU	Ambassador Extraordinary and Plenipotentiary	27/11/2013
Stephen Calleja	Parliamentary Secretary for the EU Presidency 2017 and EU Funds	Programmes and Projects Directorate – Director	Questionnaire Survey

<b>Name</b>	<b>Institution</b>	<b>Position</b>	<b>Date</b>
<b>Poland</b>			
Paweł Samecki	Central Bank of Poland	Member of the Board	Questionnaire Survey
<b>Romania</b>			
Antoaneta Popescu	Ministry of European Funds	Coordination Unit (Administrative Capacity Operational Programme) – Director	24/02/2014 & Questionnaire Survey
Ramona Panea Florentina Ciocanel	Ministry of European Funds	Coordination Unit (Regional Operational Programme) – Counsellors	24/02/2014 & Questionnaire Survey 24/02/2014
Alexandra Calotita Marius Radu Petruta Voicu	Ministry of Regional Development and Public Administration	Senior Expert Senior Expert Expert	25/02/2014
Alina Amzică Ștefan Stancu Nicolae Neață	Ministry of Regional Development and Public Administration	Counsellors	25/02/2014 & Questionnaire Survey
Lucia Baicoianu	Ministry of Regional Development and Public Administration	Managing Authority (Regional Operational Programme) – Counsellor	25/02/2014
Diana Popescu Alexandru Olaru	Ministry of Justice	Department for European Programmes – Director	25/02/2014 & Questionnaire Survey 25/02/2014
Gabriel Popescu Ionut Pavel	Chancellery of Prime Minister	General Secretariat of Government – Public Manager General Secretariat of Government – Counsellor	26/02/2014 & Questionnaire Survey 26/02/2014
Dragos Negoita	Chancellery of Prime Minister	Public Policy Direction – Director	26/02/2014
Lavinia Nemes Corina Chitea	National Agency for Civil Servants	External Programmes Department – Director – Senior Expert	26/02/2014
Adriana Circiumaru	National Agency of Civil Servants	Communication and International Relations Department – Director	26/02/2014 & Questionnaire Survey
Emilian Birjaru	Ministry of Regional Development and Public Administration	Department for Decentralization of Public Administration – Head of Unit	27/02/2014 & Questionnaire Survey
Domnica Focșăneanu	Ministry of Regional Development and Public Administration	Dept. for Public Administration Reform – Head of Unit	27/02/2014 & Questionnaire Survey

**Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia**

<b>Name</b>	<b>Institution</b>	<b>Position</b>	<b>Date</b>
Raluca Buza Andreea Berescu		– Senior Experts	27/02/2014
Sorin Solomon	Ministry of Regional Development and Public Administration	Department for Public Administration Reform – Director	27/02/2014
Manolache Carmen Irina Ionescu Pascutoi Irina	Ministry of European Funds	Senior Counsellor Head of Office Public Manager	28/02/2014
Hristodorescu Ana-Maria Pintea Alina-Ioana	Public Ministry	Parchetul general	04/03/2014
Costin Vârlan  Anca Jurma	National Anticorruption Directorate	Projects' Implementation Unit – Prosecutor  Chief Prosecutor	04/03/2014 & Questionnaire Survey  04/03/2014
Cristian Plesa	National Administration of Penitentiaries	International Cooperation and Programs Service – Head	05/03/2014
Adina Vlasceanu Catrinel Rădulescu	High Court of Cassation and Justice	Expert ---	05/03/2014
Florin Răzvan Radu  Marius Tudor	Superior Council of Magistrates	Directorate of European Affairs, International Relations and Programs – Director  – Public Manager	05/03/2014 & Questionnaire Survey  05/03/2014
Iulian dan Oprea	Giurgiu County Council	Expert	06/03/2014
Mirela Popazu	Giurgiu Local Council	Executive Director	06/03/2014
Sorin Vasilescu Comsa Mihaela	Clarasi County Council	Executive Director Expert	06/03/2014
Claudia Vasilca Steluta Bulaceanu		Managing Authority (Administrative Capacity OP)	06/03/2014
Magdalena Marin	Certifying and Paying Authority	Payment Authorisation Unit – Head of Unit	Questionnaire Survey
<b>Slovakia</b>			
Dagmar Gombitova	Consultant	Evaluator (ex-OMAS)	18/03/2014
Daniel Pitonak	Slovak Business Agency	Head of Business Environment Analyses Department	18/03/2014
Martin Minarovic	Office of the Government	Formerly: CFCU deputy director	19/03/2014
Elena Globanova	Consultant	Formerly: Director of International Assistance Unit at Ministry of Labour, Social Affairs and Family	19/03/2014 & Questionnaire Survey

**Evaluation of PHARE [EU pre-accession] financial assistance to Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia**

<b>Name</b>	<b>Institution</b>	<b>Position</b>	<b>Date</b>
Juliana Urbanova	Ministry of Labour, Social Affairs and Family	Formerly: PMU project manager	19/03/2014
Juraj Hatrik	Ministry of Finance	Director of Department in the Section of European Funds	21/03/2014
Adriana Neuhausova	Ministry of Finance	Section of European Funds, Payments and Budget Analysis Unit – Head of Unit	21/03/2014 & Questionnaire Survey
Andrea Buckova Daniela Batova	Plenipotentiary of the Slovak Government for Roma Communities	Deputy Director Project Manager	24/3/2014
Ladislav Simko	Office of the Government	Director of the Department of the Horizontal Priorities	25/3/2014
Robert Simoncic Drahomira Lakatosova	Slovak Investment and Trade Development Agency	CEO Assistant of the CEO	25/3/2014
Boris Zemko	Ministry of Agriculture and Rural Development	Rural Development Unit and LEADER	26/3/2014
Boris Huslica	Ministry of Economy	General Director of the Section of Support Programmes	26/3/2014
Marcel Sládok	Ministry of Economy	Interreg	26/3/2014
Richard Paule	Ministry of Economy	Internal Market Unit/Department of Consumer Protection and Internal Market	26/3/2014
Miroslav Kosik	Consultant	Formerly: TA at PMU Agriculture	27/3/2014
Marian Torok Peter Kresak Pavel Polonyi	Public Defender of Rights	Head of Office Consultant Consultant	27/3/2014
Slavomira Macakova	ETP Slovensko (NGO)	Executive Director	28/3/2014
Zora Pauliková	Ministry of Finance	Section of European Funds, Payments and Budget Analysis Unit – Financial Verifier	Questionnaire Survey
Peter Škovran	Ministry of Agriculture and Rural Development	Department of Management of Regional Development Programmes – Control Manager	Questionnaire Survey
Peter Berek	Ministry of Transport, Construction & Regional Development	Transport Division Operational Programme – Project Manager	Questionnaire Survey
<b>Slovenia</b>			
No questionnaire survey responses returned			

## Annex 7: List of Documents

Author / Issuer	Title	Date/Year
<b>Horizontal Programme Documents</b>		
European Council	Presidency Conclusions of the European Council Summits <i>(re. the EU's cooperation/accession/enlargement policy)</i>	12/1988 to present
Council of the EU	Council Regulation (EEC) No 3906/1989, on economic aid to certain countries of Central and Eastern Europe	12/1989 <i>(as amended)</i>
	Council Regulation (EC) No 622/1998, on assistance to the applicant States in the framework of the pre-accession strategy, and in particular on the establishment of Accession Partnerships	03/1998
	Council Regulation (EC) No 1266/1999, on coordinating aid to the applicant countries in the framework of the pre-accession strategy and amending Regulation No 3906/89	06/1999
	Council Regulation (EC) No 555/2000, on implementation of operations in the framework of the pre-accession strategy for the Republic of Cyprus and the Republic of Malta	03/2000
	'Accession Partnership' with the Beneficiary Countries	1998, 1999, 2001
	'Accession Partnership' with Bulgaria and with Romania	2003
European Commission (EU Strategy)	Association Agreements with Poland, Czechoslovakia and Hungary (Background Brief)	03/1992
	EC – East Europe Relations (Background Brief)	05/1992, 11/1992
	Towards a Closer Association with the Countries of Central and Eastern Europe (Report to the European Council)	12/1992, 06/1993
	Future Policy Strategy Towards the Countries of Central and Eastern Europe (Strategy Paper)	07/1993
	EU Relations with the Countries of Central and Eastern Europe (Background Brief)	01/1994
	The Europe Agreements and Beyond: a Strategy to Prepare the Countries of Central and Eastern Europe for Accession (Report to the European Council)	07/1994
	Industrial Cooperation with the Countries of Central and Eastern Europe	03/1995
	White Paper on the Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the Union	05/1995
	Agenda 2000: For a stronger and wider Union	07/1997
	Commission 'Opinion' on the individual countries' application for membership <i>(1993 Cyprus and Malta; 1997 the ten Central and Eastern Europe countries; 1999 Malta 'update')</i>	1993, 1997, 1999

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
European Commission (EU Strategy)	'Regular Reports' on progress towards accession by each of the candidate countries (Strategy Paper & country reports)	1998-2002
	Roadmaps for Bulgaria and Romania	11/2002
	Report on the results of the negotiations on the accession of the ten countries acceding to the European Union (in 2004)	2003
	'Comprehensive Monitoring Report' on the state of preparedness for EU membership – for the countries acceding in 2004 (Strategy Paper & country reports)	11/2003
	Continuing Enlargement: Strategy Paper and Report of the European Commission on the progress towards accession by Bulgaria, Romania and Turkey	11/2003
	Strategy Paper of the European Commission on progress in the enlargement process (Strategy Paper & country reports)	10/2004
	Report on the Results of the Negotiations on the Accession of Bulgaria and Romania to the European Union	02/2005
	'Comprehensive Monitoring Report' on the state of preparedness for EU membership of Bulgaria and Romania	10/2005
	'Monitoring Report' on the state of preparedness for EU membership of Bulgaria and Romania (Strategy / country rpts.)	05/2006
European Commission (EU Assistance)	Commission Regulation (EC) No 1628/1994, establishing the PHARE cross-border programme	07/1994
	Commission Regulation (EC) No 2760/1998, concerning the implementation of a programme for cross-border cooperation in the framework of the PHARE programme	12/1998 <i>(as amended)</i>
	PHARE General Orientations, 1993-1997	09/1992
	Guidelines for PHARE Programme, 1998-1999	06/1998
	Guidelines for PHARE Programme, 2000-2006	07/1999
	New Orientations for PHARE Programme	03/1997
	PHARE Programming Guide	1998, 2000-2005
	Transition Facility: Programming and Implementation Guide	12/2003
	PHARE Annual Report <i>(Dates = the year covered)</i>	1994-1996, 1998-2001
	PHARE Review	1997, 2000
	Annual Report on PHARE and Pre-accession Instruments for Cyprus, Malta, and Turkey <i>(Dates = the year covered)</i>	2002, 2003
	Annual Report on PHARE, Pre-accession and Transition Instruments <i>(Dates = the year covered)</i>	2004-2009
Twinning: Key Facts and Figures (Slide Presentation)	2006	
European	Enlargement and Agriculture: Successfully integrating the	01/2002

Author / Issuer	Title	Date/Year
Commission	new Member States into the CAP	
	Enlargement, two years after: an economic evaluation	05/2006
	Five years of an enlarged EU: Economic achievements and challenges	2009
European Court of Auditors	Special Report No. 3/97, concerning the decentralized system for the implementation of the PHARE programme (1990 to 1995)	06/1997
	Special Report No. 5/99, concerning Phare cross-border cooperation (1994 to 1998)	02/2000
	Special Report No 5/2003, concerning PHARE and ISPA funding of environmental projects in the candidate countries	07/2003
	Special Report No 6/2003, concerning twinning as the main instrument to support institution-building	07/2003
	Special Report No 5/2004, concerning Phare support to prepare Candidate Countries for managing Structural Funds	01/2005
Eurostat	<a href="http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes">http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes</a>	
Euroservices Developments	Evaluation of Phare Programmes in Support of EU Integration and Law Approximation	05/1999
OMAS Consortium	Thematic Report on Civil Society	09/2001
	Thematic Report on Public Administration Reform	09/2001
	Thematic Report on Justice and Home Affairs	09/2001
	Ad Hoc Report on the Twinning Instrument	10/2001
PLS RAMBØLL Management Consortium	Phare <i>ex post</i> evaluation of country support implemented from 1997–1998 to 2000–2001	04/2003
EMS Consortium	From Pre-Accession to Accession: Interim Evaluation of Phare Support Allocated in 1999-2002 and Implemented until November 2003	03/2004
	Thematic Evaluation: Phare Agriculture Sector	04/2004
ECOTEC Research and Consulting	Thematic Evaluation: Support to the Agriculture Sector	06/2006
	Thematic Evaluation: Phare Support to Economic and Social Cohesion in Bulgaria and Romania	12/2006
	Thematic Evaluation: Support to Public Administrative and Judicial Capacity in Bulgaria and Romania	12/2006
MWH Consortium	Supporting Enlargement – What Does Evaluation Show? <i>Ex post</i> evaluation of Phare support allocated between 1999-2001, with a brief review of post-2001 allocations	07/2007
<b>Case Study Documents</b>		
<b>Bulgaria</b>		

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
Council of the EU	'Accession Partnership' with Bulgaria	1999, 2003
	Council Recommendation on Bulgaria's 2013 National Reform Programme and delivering a Council opinion on Bulgaria's Convergence Programme for 2012-2016	2013
European Commission	'Opinion' on Bulgaria's application for membership	07/1997
	'Regular Report' on Bulgaria's progress towards accession	1998-2005
	'Comprehensive Monitoring Report' on Bulgaria's preparations for membership	10/2005
	'Monitoring Report' on the state of preparedness for EU membership of Bulgaria	05/2006
	Report on Progress in Bulgaria under the Cooperation and Verification Mechanism	01/2014
European Commission / Government of Bulgaria	Financing Memoranda and Project Fiches: PHARE Programmes for Bulgaria	1998-2006
OMAS Consortium	Multi-country Thematic Report on Justice and Home Affairs	09/2001
Ecotec Research and Consulting	Support to the Justice and Home Affairs Acquis (Thematic Evaluation Report of the EU Phare Programme)	01/2006
	Support to Public Administrative and Judicial Capacity in Bulgaria and Romania (Thematic Evaluation Report of the European Union Phare Programme)	12/2006
	Phare Interim Evaluation 2008-2010	
PLS RAMBØLL Management Consortium	Phare Interim Evaluation, Justice and Home Affairs	11/2007
MWH Consortium	<i>Ex Post</i> Evaluation National and CBC Programmes: Country Report (Bulgaria)	11/2007
National Statistical Institute	<a href="http://www.nsi.bg/en">http://www.nsi.bg/en</a>	
<b>Cyprus</b>		
Council of the EU	'Accession Partnership' with Cyprus	2001
European Commission	'Opinion' on Cyprus' application for membership	1993
	'Regular Report' on Cyprus' progress towards accession	1998-2002
	'Comprehensive Monitoring Report' on Cyprus' preparations for membership	11/2003
	Agricultural Situation in the Candidate Countries: Country Report (Cyprus)	2002
	Information Note on the Common Agriculture Policy (Cyprus)	2014
European	Financing Memoranda and Project Fiches: Pre-Accession	2000-2003

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
Commission / Government of Cyprus	Programmes for Cyprus	
	Financing Memoranda and Project Fiches: Transition Facility Programmes for Cyprus	2004-2006
Planning Bureau	Strategic Development Plan 2007-2013	2007
Ministry of Agriculture and Environment	Annual Report	2010, 2011
University of Thessaloniki	Assessing the Impact of Rural Development Policies: (Work Package 2) Rural Development Policy Design	2008
<b>Czech Republic</b>		
Council of the EU	'Accession Partnership' with the Czech Republic	1998, 1999, 2001
European Commission	'Opinion' on the Czech Republic application for membership	07/1997
	'Regular Report' on the Czech Republic's progress towards accession	1998-2002
	'Comprehensive Monitoring Report' on the Czech Republic's preparations for membership	11/2003
	Scoreboard on the Professional Qualifications Directive	2009, 2010
	European Map of Regulated Professions	2014
European Commission / Government of Czech Republic	Phare Indicative Programme 1994-1996	1994
	Phare Multi-annual Indicative Programme 1995-1999	1995
	Phare Country Operational Programme and sectoral actions	1995, 1996, 1997
	Financing Memoranda and Project Fiches: PHARE Programmes for the Czech Republic	1998-2003
	Financing Memoranda and Project Fiches: Transition Facility Programmes for the Czech Republic	2004-2006
Government of Czech Republic	National Programme for the Preparation of the Czech Republic for Membership of the European Union	1999, 2000, 2001
	Report on the Free Movement of Workers in Czech Republic	2006, 2007, 2009
Ministry of Education, Youth & Sports	What you should know about the system for mutual recognition of professional qualifications in the EU Member States, EEA countries and Switzerland	2008
Ministry of Interior	Status Report on Migration in the Czech Republic	2007, 2008
OMAS Consortium	Country Assessment Review of Phare assistance up to the year 2000: Country Report (Czech Republic)	04/2001
EMS Consortium	Interim Evaluation of the EU Phare Programme: Country Phare Evaluation Review (Czech Republic)	01/2002, 06/2003, 02/2004

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
	Interim Evaluation of the EU Phare Programme: Cross Border Cooperation (Czech Republic)	12/2002
	Interim Evaluation of the EU Phare Programme: Social Protection and Health (Czech Republic)	07/2003
PLS RAMBØLL Management Consortium	Phare Country <i>Ex Post</i> Evaluation and Capacity Building: Country Report (Czech Republic)	04/2003
WME Consortium	Interim Evaluation of the EU Phare Programme (Czech Republic): Country Summary Evaluation Report	05/2005, 11/2005, 05/2006
	Interim Evaluation of the EU Phare Programme (Czech Republic): Social Protection and Health	05/2005, 05/2006
	Interim Evaluation of the EU Phare Programme (Czech Republic): Final Summary Report on the Phare Programme (2000-2003) in the Czech Republic	10/2006
	Interim Evaluation of Measures (Transition Facility) Funded by the EU (Czech Republic): Social Protection and Health	04/2007, 08/2007, 02/2009
MWH Consortium	<i>Ex Post</i> Evaluation National and CBC Programmes: Country Report (Czech Republic)	02/2007
<b>Estonia</b>		
Council of the EU	'Accession Partnership' with Estonia	1998, 1999, 2001
	Council Recommendation on Estonia's 2013 National Reform Programme and delivering a Council opinion on Estonia's Convergence Programme for 2012-2017	2013
European Commission	'Opinion' on Estonia's application for membership	07/1997
	'Regular Report' on Estonia's progress towards accession	1998-2002
	'Comprehensive Monitoring Report' on Estonia's preparations for membership	11/2003
European Commission / Government of Estonia	Financing Memoranda and Project Fiches: PHARE Programmes for Estonia	1998-2003
	Financing Memoranda and Project Fiches: Transition Facility Programmes for Estonia	2004-2006
Government of Estonia	Estonia 2020: Overview of Implementation	04/2013
EMS Consortium	Country Phare Evaluation Review (Estonia): programmes covered: 1999-2002	01/2004
Net Effect Ltd	Interim Evaluation: Social Affairs (Estonia)	07/2004
	Synthesis Interim Evaluation Report of the European Union Pre-Accession Instrument Phare (Estonia)	08/2004

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
CyclePlan, PWC, Ecorys	Phare Interim Evaluation Social Sector (Estonia)	02/2006
PWC	Transition Facility: Country Summary Report VI (Estonia)	12/2007
CyclePlan	Phare Interim Evaluation Social Sector (Estonia)	04/2007
Statistics Estonia	<a href="http://www.stat.ee/main-indicators">http://www.stat.ee/main-indicators</a>	
<b>Hungary</b>		
Council of the EU	'Accession Partnership' with Hungary	1998, 1999, 2001
European Commission	'Opinion' on Hungary's application for membership	07/1997
	'Regular Report' on Hungary's progress towards accession	1998-2002
	'Comprehensive Monitoring Report' on Hungary's preparations for membership	11/2003
European Commission / Government of Hungary	Financing Memoranda and Project Fiches: PHARE Programmes for Hungary	1998-2003
	Financing Memoranda and Project Fiches: Transition Facility Programmes for Hungary	2004-2006
Government of Hungary	Big Phare Book (Hungarian original title: "Nagy Phare könyv - Másfél évtized az EU-val")	2007
World Bank	Public finance reform and transition: experience in Hungary	1998
Falu Város Régió (periodical)	Phare Age in Hungary (Hungarian original title: "Phare-korszak Magyarországon") Special issue of the periodical	No.1 / 2007
Euroservices Developments	Evaluation of Phare Programmes in Support of EU Integration and Law Approximation (Slovenia)	05/1999
PLS RAMBØLL Management Consortium	Phare Country <i>Ex Post</i> Evaluation and Capacity Building: Country Report (Hungary)	04/2003
Europe Ltd.	Interim Evaluations of the European Union PHARE Programme. Series of evaluation documents prepared on behalf of the National Development Office of Hungary.	2004-2009
<b>Latvia</b>		
Council of the EU	'Accession Partnership' with Latvia	1998, 1999, 2001
European Commission	'Opinion' on Latvia's application for membership	07/1997
	'Regular Report' on Latvia's progress towards accession	1998-2002
	'Comprehensive Monitoring Report' on Latvia's preparations for membership	11/2003
European Commission / Government of	Financing Memoranda and Project Fiches: PHARE Programmes for Latvia	1998-2003
	Financing Memoranda and Project Fiches: Transition Facility	2004-2006

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
Latvia	Programmes for Latvia	
Ministry of Interior	Annual Report on Asylum and Migration for Latvia	2004
Euroservices Developments	Evaluation of Phare Programmes in Support of EU Integration and Law Approximation (Synthesis & country rpt)	1999
PLS RAMBØLL Management Consortium	Phare Country <i>Ex Post</i> Evaluation and Capacity Building: Country Report (Latvia)	04/2003
<b>Lithuania</b>		
Council of the EU	'Accession Partnership' with Lithuania	1998, 1999, 2001
European Commission	'Opinion' on Lithuania's application for membership	07/1997
	'Regular Report' on Lithuania's progress towards accession	1998-2002
	'Comprehensive Monitoring Report' on Lithuania's preparations for membership	11/2003
European Commission / Government of Lithuania	Phare Country Operational Programme	1996, 1997
	Financing Memoranda and Project Fiches: PHARE Programmes for Lithuania	1998-2003
	Financing Memoranda and Project Fiches: Transition Facility Programmes for Lithuania	2004-2006
	Joint Assessment of Employment Policy Priorities in Lithuania	02/2002
Government of Lithuania	National Programme for the Adoption of the <i>Acquis</i>	1999, 2000
	Single Programming Document of Lithuania 2004-2006	2004
Ministry of Social Security and Labour	Social Report (for years 1999 – 2012/2013)	2000-2013
COTA Consortium	Evaluation of Phare-financed Labour Market and Social Security Reform Programmes (Lithuania and Slovakia)	04/2000
OMAS Consortium	Country Assessment Review of Phare assistance up to the year 2000: Country Report (Lithuania)	03/2001
PLS RAMBØLL Management Consortium	Phare Country <i>Ex Post</i> Evaluation and Capacity Building: Country Report (Lithuania)	04/2003
EMS Consortium	Interim Evaluation of the EU Pre-Accession Instrument Phare: Employment, Labour and Social Affairs (Lithuania)	07/2003
	Interim Evaluation of the EU Pre-Accession Instrument Phare: Cross Border Cooperation (Lithuania)	09/2003
	Interim Evaluation of the EU Pre-Accession Instrument Phare: Country Phare Evaluation Review (Lithuania)	12/2003
MWH Consortium	<i>Ex Post</i> Evaluation National and CBC Programmes: Country	03/2007

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
	Report (Lithuania)	
<b>Malta</b>		
Council of the EU	'Accession Partnership' with Malta	1999, 2001
European Commission	'Opinion' on Malta's application for membership	06/1993
	Updated 'Opinion' on Malta's application	02/1999
	'Regular Report' on Malta's progress towards accession	1999-2002
	'Comprehensive Monitoring Report' on Malta's preparations for membership	11/2003
European Commission / Government of Malta	Financing Memoranda and Project Fiches: Pre-Accession Programmes for Malta	2000-2003
	Financing Memoranda and Project Fiches: Transition Facility Programmes for Malta	2004-2006
Transport Malta	Annual Report	2010, 2011, 2012
Paris MoU on Port State Control	Annual Report	1996-2012
PARTICIP	Interim Evaluation of Pre-Accession Programmes (Malta)	01/2004, 10/2004
Ernst & Young	Interim Evaluation of Pre-Accession Programmes (Malta)	02/2006, 04/2006, 05/2006
EMCS / WME	Interim Evaluation of Pre-Accession Programmes and Transition Facility Programmes (Malta)	10/2006, 04/2007
<b>Poland</b>		
Council of the EU	'Accession Partnership' with Poland	1998, 1999, 2001
European Commission	'Opinion' on Poland's application for membership	07/1997
	'Regular Report' on Poland's progress towards accession	1998-2002
	'Comprehensive Monitoring Report' on Poland's preparations for membership	11/2003
European Commission / Government of Poland	Financing Memoranda and Project Fiches: PHARE Programmes for Poland	1998-2003
	Financing Memoranda and Project Fiches: Transition Facility Programmes for Poland	2004-2006
Ministry of Infrastructure	Sectoral Operation Program – Transport (2004-2006)	2004
Ministry of Regional Development	Strategic Report	2012
	<i>Ex post</i> evaluation of the National Development Plan	
Central Statistical	Sustainable Development Indicators for Poland	2011

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
Office		
<b>Romania</b>		
Council of the EU	'Accession Partnership' with Romania	1998, 1999, 2001, 2003
European Commission	'Opinion' on Romania's application for membership	07/1997
	'Regular Report' on Romania's progress towards accession	1998-2005
	'Comprehensive Monitoring Report' on Romania's preparations for membership	10/2005
	'Monitoring Report' on the state of preparedness for EU membership of Romania	05/2006
	Reports on Progress in Romania under the Cooperation and Verification Mechanism	2011-2014
European Commission / Government of Romania	Financing Memoranda and Project Fiches: PHARE Programmes for Romania	1998-2006
Government of Romania	National Anti-Corruption Strategy 2005-2007	2005
	National Anti-Corruption Strategy 2012-2015	2012
	Strategy for Accelerating Reform in Public Administration	2000
	Partnership Agreement between Romania and the EU, version submitted by Romania to the EC (31/03/2014)	2014
Government of Romania/Ministry of Justice	Strategy for the Reform of the Judiciary 2005 – 2007	2005
National Anti-corruption Directorate	National Anti-corruption Directorate 2005-2012 Report	2013
National Agency of Penitentiaries	Strategy of the National Agency of Penitentiaries 2013-2016	
Ministry of Justice/Superior Council of Magistrates	Annual Reports on State of Affairs in the Justice Sector in Romania	2011 and 2012
Ministry of Administration and Interior	Operational Programme Development of Administrative Capacity 2007-2013	2007
World Bank	2011 Functional Review of the Central Government Sector	2012
Government of Romania/National Aid Coordinator	Monitoring reports for projects analysed	2003-2006
EMS (2002-2003)	Phare Interim Evaluation Reports, Sector Justice (and Home	2002-2009

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
ECOTEC Research and Consulting (2004-2006)	Affairs, in some cases) Phare Interim Evaluation Reports, Sector Public Administration	2002-2010
LRDP KANTOR /CyclePlan (2007-2008)	Phare Interim Evaluation Reports, CBC (and ESC, in some cases)	2002-2010
EWC Romania/ NTSN Conect/ CPD Estonia (2009-2010)		
<b>Slovakia</b>		
Council of the EU	'Accession Partnership' with Slovakia	1998, 1999, 2001
European Commission	'Opinion' on Slovakia's application for membership	07/1997
	'Regular Report' on Slovakia's progress towards accession	1998-2002
	'Comprehensive Monitoring Report' on Slovakia's preparations for membership	11/2003
European Commission / Government of Slovakia	Financing Memoranda and Project Fiches: PHARE Programmes for Slovakia	1998-2003
	Financing Memoranda and Project Fiches: Transition Facility Programmes for Slovakia	2004-2006
Office of the Government	Documents, analytical works and strategies related to the Roma community, FDI, Agriculture and SME	1996-2013
Slovak Business Agency	Studies and analytical works on SME sector in Slovakia	2014
Slovak Agency for Development of Investments and Trade	Studies and statistics on FDI in Slovakia	2002-2014
Ministry of Labour, Social Affairs and Family	Pro-Active Labour Market Intervention Fund (PALMIF) documents	1997-1999
Civil Society Foundation	Projects documents	1999-2004
OMAS Consortium	Sectoral Monitoring and Assessment Reports (Slovakia): Civil Society, SME, Agriculture, FDI	1996-2002
<b>Slovenia</b>		
Council of the EU	'Accession Partnership' with Slovenia	1998, 1999, 2001
European Commission	'Opinion' on Slovenia's application for membership	07/1997
	'Regular Report' on Slovenia's progress towards accession	1998-2002

<b>Author / Issuer</b>	<b>Title</b>	<b>Date/Year</b>
	'Comprehensive Monitoring Report' on Slovenia's preparations for membership	11/2003
	Accession Strategies for Environment: Meeting the Challenges of Enlargement with the Candidate Countries	05/1998
European Commission / Government of Slovenia	Financing Memoranda and Project Fiches: PHARE Programmes for Slovenia	1998-2003
	Financing Memoranda and Project Fiches: Transition Facility Programmes for Slovenia	2004-2006
European Consultative Forum on the Environment and Sustainable Development	Enlargement and Environment, Principles and recommendations from the European Consultative Forum on the Environment and Sustainable Development	1999
Euroservices Developments	Evaluation of Phare Programmes in Support of EU Integration and Law Approximation (Slovenia)	05/1999
	An Evaluation of Phare financed Energy and Environment Programmes, Inventory Report	09/1999
PLS RAMBØLL Management Consortium	Phare Country <i>Ex Post</i> Evaluation and Capacity Building: Country Report (Slovenia)	04/2003
MWH Consortium	<i>Ex Post</i> Evaluation National and CBC Programmes: Country Report (Slovenia)	06/2006
<b>Cross Border Cooperation Programme</b>		
EMS Consortium	Thematic Evaluation: Phare Cross Border Cooperation	02/2004
MWH Consortium	<i>Ex Post</i> Evaluation National and CBC Programmes: individual Country Reports (Bulgaria; Czech Republic; Lithuania; Romania; Slovakia; Slovenia)	2006-2007
	Phare <i>Ex Post</i> Evaluation, Thematic Evaluations – Cross-Border Cooperation	05/2007
HTSPE Ltd.	Mid-term Meta Evaluation of IPA Assistance	02/2011
COWI	Interim Evaluation of Cross-Border Programmes between Candidate/ Potential Candidate Country (Intra-Western Balkan Borders) under the Cross-Border Cooperation Component of IPA Report I – Governance Structures	2011
COWI	Interim Evaluation of Cross-Border Programmes between Candidate/ Potential Candidate Countries (Intra-Western Balkan Borders) under the Cross-Border Cooperation Component of IPA Report II – Performance of the assistance	2011
Panteia BV	<i>Ex post</i> evaluation of INTERREG III, 2000-2006 (First Interim Report)	2011
<b>Multi-Beneficiary Programmes</b>		

Author / Issuer	Title	Date/Year
OMAS and EMS Consortia	Ad Hoc Report on Small and Medium-sized Enterprise Development	10/2002
MWH Consortium	SME Finance Facility Evaluation	2007
European Commission	SMEs in the EU (MEMO/12/783 15/10/2012)	2011
ADE Consortium (ADE, PARTICIP, DRN, ECDPM, ODI & DIE)	Evaluation of the European Union's Support to Private Sector Development in Third Countries	2013



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