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**GENERAL REPORT
ON PRE-ACCESSION ASSISTANCE
(PHARE – ISPA – SAPARD)
IN 2000**

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SUMMARY

This is the first report produced by the Commission on the three pre-accession instruments and their co-ordination in accordance with Article 13 of the Council Regulation on the co-ordination of pre-accession assistance (Co-ordination Regulation)¹.

On the basis of the **strategy** endorsed by the European Council at the Luxembourg Summit in December 1998 and the financial framework agreed at the Berlin Summit in March 1999, the three pre-accession instruments – Phare, Instrument for Structural Policies for Pre-accession (ISPA) and Special Accession Programme for Agriculture and Rural Development (SAPARD) – provide **annually up to € 3,174 million in pre-accession assistance** (2000 figures) to the ten applicant countries in central and eastern Europe² for the 2000-6 period.

The Co-ordination Regulation sets out the division of labour between the three pre-accession instruments:

- **Phare** addresses priority measures concerning the adoption of the *acquis communautaire*, whether through improving administrative capacity or supporting related investment. This instrument also has an element for Economic and Social Cohesion. It may support measures in the fields of the environment and transport if they constitute a secondary but essential component of integrated programmes for regional development or industrial restructuring (€ 1,587 million);
- **ISPA** finances large infrastructure projects in the transport and environment sectors (€ 1,058 million);
- **SAPARD** finances measures to support agriculture and rural development (€ 529 million).

SAPARD follows a **programming approach** similar to the one used in Member States' agriculture and rural development programmes while ISPA follows an approach similar to that of the Cohesion Fund, operating in the fields of environment and transport. The Phare programme does not have any direct counterpart in the Community's Structural Funds, given its focus on the adoption of the *acquis communautaire*. However, the component of the Phare programme on Economic and Social Cohesion is designed to support similar projects to those supported under the European Regional Development Fund and the European Social Fund. In the same vein, the Cross-Border Co-operation Programme mirrors the Community's INTERREG Programme.

All three instruments are programmed on the basis of the Accession Partnerships and the National Programmes for the Adoption of the Acquis developed with the candidate countries for accession. SAPARD operates on the basis of a multi-annual programme covering the period 2000-2006 while ISPA and Phare have an annual programme that is approved by the

¹ Council Regulation (EC) No 1266/1999 of 21 June 1999 on coordinating aid to the applicant countries in the framework of the pre-accession strategy and amending Regulation (EEC) No 3906/89, OJ L 161, 26.6.1999, p. 68.

² Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia

Commission on the proposal of the candidate countries. For Phare and ISPA, projects are also approved by the Commission (Delegation or Headquarters) before they are implemented.

All three programmes are **implemented by the candidate countries**. For Phare and ISPA the Commission checks in advance the procurement and contracting documents. The Commission confers management for SAPARD measures on implementing agencies in the beneficiary countries and is not involved in the management of SAPARD in the beneficiary countries, the execution of projects being subject to ex post controls only. This approach is made possible by Article 12 of the Co-ordination Regulation. On the same legal basis, Phare and ISPA plan to introduce an extended decentralised implementation system (EDIS) in which procurement by applicant countries will only be subject to ex post controls by the date of accession.

The year 2000 was the first operational year for SAPARD and ISPA. All SAPARD programmes were approved in 2000, bilateral multiannual financing agreements were negotiated and the work to establish SAPARD implementing agencies was started. However, no applicant country had a SAPARD agency ready to receive funds and therefore no SAPARD funds could be transferred to any applicant country by the end of 2000.

For ISPA, the investment strategies were prepared and presented to the ISPA Management Committee. 85 projects (that had been prepared under the Phare programme in 1998 and 1999) were approved in 2000.

For Phare, the aid to the applicant countries was provided in accordance with the revised guidelines adopted in 1999 that retain the focus of the programme on preparing for accession, while taking into account the two new pre-accession instruments. Approximately 30 per cent of the aid supported Institution Building, the main instrument of which was Twinning (secondment of experts from Member States' administrations to candidate countries) and 70 per cent went on investments designed to improve the regulatory framework and economic and social cohesion, thereby facilitating the adoption of the acquis.

The **co-ordination of the three instruments** is ensured by a clear division of responsibilities between the instruments, by a common basis for programming and regular contacts between the different parties involved. A co-ordination committee at Director level was set up between the Commission services concerned. A General Assistance Document covering all three instruments was presented to the Phare Management Committee that assists the Commission in co-ordinating the instruments. At the country level, and in line with the objective of decentralisation, the Commission strongly encourages the applicant countries to enhance inter-ministerial co-ordination, which is a key pre-condition for the candidate countries' successful future management of the Structural Funds.

The Commission also maintained regular contacts with the EIB and other International Financial Institutions with a view to ensuring maximum complementarity of project and programme funding. In particular ISPA, given its emphasis on large-scale infrastructure projects, offers good opportunities for co-operation with other sources of finance.

The year 2000 was the first year when all three pre-accession instruments came on stream. Much progress was achieved in setting up the new instruments of ISPA and SAPARD. The pre-accession assistance for the candidate countries doubled, the Phare programme had to be adapted in order to take into account the new instruments and more emphasis was put on Economic and Social Cohesion. The co-operation between the different Commission services was stepped up and further developed in line with the Co-ordinating Regulation. Setting up of the structures for the pre-accession instruments in the candidate countries also provided an

important exercise in Institution Building and started to prepare the candidate countries for the Structural Funds.

1. INTRODUCTION

At the Summit in Luxembourg in December 1998 the European Council endorsed a new strategy for the preparation of applicant countries for enlargement. It made available substantial additional financial resources to assist membership. On 26 March 1999, at the Berlin European Council, the Heads of Government or States concluded a political agreement on Agenda 2000. Agenda 2000 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.

In line with the conclusions of the Berlin European Council, the Community has more than doubled its pre-accession assistance to the candidate countries of central Europe since the year 2000: as proposed by the European Commission in Agenda 2000, €3,120 million (1999 figures) was made available annually between 2000 and 2006 through the Phare Programme and the two other pre-accession instruments, ISPA and SAPARD which were introduced in 2000. The breakdown of the Community pre-accession assistance (2000 figures) was as follows: € 1,587 million for Phare, € 1,058 million for ISPA and € 529 million for SAPARD.

Following the Nice Summit which led to an acceleration of the accession negotiation process, an optimal use of pre-accession assistance for helping the candidate countries in their own efforts to take on the full *acquis* in a few years time is of utmost importance. Taking into account the magnitude of the task ahead, it is vital to ensure that Community assistance can be used in the most effective manner. Co-ordination between the three instruments is clearly an important element thereof.

The Coordination Report 2000 is the first report of the Commission to the European Parliament and to the Council which presents the overall pre-accession aid for each country and the co-ordination between Phare, ISPA and SAPARD, in line with Article 13 of the Coordination Regulation. It covers the calendar year 2000, which was the first operational year for both ISPA and SAPARD.

This Report provides information about priorities and financial allocations for each country and per instrument and their implementation mechanisms. Finally, it focuses on co-ordination between the three pre-accession instruments, an in-depth description of each of the pre-accession instruments being available in the respective Annual Reports. It is hoped that this Report with its annexes will serve as a useful documentation of the pre-accession aid's essential role in preparing the Candidate Countries for membership. The annual reports of the three pre-accession instruments are annexed to this report.

2. PHARE SUMMARY

Funded in 1989 by the European Communities to assist the applicant countries of central Europe in their preparations for joining the European Union, Phare's exclusive "pre-accession" focus was put in place in 1997 in response to the Luxembourg European Council's launching of the present enlargement process. Phare's general orientations were adjusted in 1998 to reflect the coming on stream of SAPARD in agriculture and rural development and of ISPA in transport and environment infrastructure.

The total Phare commitments for 2000 amounted to € 1,569 million. The operations financed were:

- **national programmes:** € 853 million, of which:
 - Bulgaria : € 66 million
 - Czech Republic: € 59 million
 - Estonia : € 24 million
 - Hungary : 70 million
 - Latvia : € 25 million
 - Lithuania : € 38 million
 - Poland : € 313 million
 - Romania : € 215 million
 - Slovakia : € 28 million
 - Slovenia : € 16 million
 - Special nuclear decommissioning programme € 82 million
- cross-border co-operation : € 163 million
- participation in Community programmes : € 188 million
- regional and horizontal programmes : € 284 million

The European Commission has increasingly transferred responsibility for the management and implementation of Phare programmes to the authorities in the candidate countries of eastern and central Europe. This is part of the process of helping them to prepare for accession to the European Union.

As older Phare programmes were completed and new programmes initiated, projects implemented in 2000 were increasingly based on the accession-driven approach set out in the 1998 new orientations for Phare³. They are managed through the National Fund and a limited number of Implementing Agencies in each country. A key role is played by the Central Finance and Contracts Unit (CFCU) in each candidate country that manages all institution building programmes (in some cases the CFCU also manages investment activities). The other Implementing Agencies are precursors to the administrative structures that will be needed to implement the Structural Funds after accession.

The new implementation mechanisms reflect the lessons learned from implementation of the Phare Programme in previous years and, in particular, the need to ensure that a limited number of 'centres of excellence' be responsible for handling EU funds. This is an essential precondition for full transfer of responsibility for tendering and contracting from the Commission to the candidate country (extended decentralisation).

³ The 'Guidelines for Phare programme implementation in candidate countries, 1998-1999' were adopted in June 1998 and cover the Phare budgets for 1998 and 1999.

The accession-driven focus that underpins the new orientations of Phare implies an increasing emphasis on national programmes designed to address the specific weaknesses identified in the Regular Reports that the Commission prepares on each candidate country. The corollary is a reduction in the importance of multi-country programmes. Previously these were very useful in raising awareness of issues - especially those relating to the *acquis* - of common interest to several candidate countries. The stage of awareness raising is past and the need now is to help the countries put in place the capacity on the ground to implement the *acquis*.

Programming in 2000 was based on the revised guidelines for Phare that were approved by the Commission in 1999. These guidelines build on the changes decided in 1998. They take account of the new ISPA and SAPARD Regulations that take effect from 2000. The new guidelines also emphasise the need to use the Phare Programme to help the candidate countries prepare to benefit from the Structural Funds after accession (economic and social cohesion). Therefore, approximately 30 per cent of the aid went on institution building, the main instrument of which was Twinning (secondment of experts from Member State governments and agencies to the candidate countries to help develop the capacity to implement a specific part of the *acquis*) and 70 per cent went on investments designed to improve the regulatory framework and economic and social cohesion, thereby facilitating adoption of the *acquis*.

In addition, the Commission has revised and strengthened the internal arrangements within its Delegations for overseeing the tendering and contracting carried out by the authorities of the candidate countries. This has allowed the Commission to approve tendering and contracting of Phare in-country by its Delegation (rather than having to send them back to Headquarters for approval). The Delegations also monitor the progress of the project execution in the candidate countries.

3. ISPA SUMMARY

The “Instrument for Structural Policies for Pre-Accession”, ISPA, is the European Community’s financial instrument designed to assist the ten Central and Eastern European beneficiary countries meet the requirements of the *acquis communautaire* in the fields of environment and transport.

ISPA is guided by the Accession Partnerships and the National Programmes for the Adoption of the *Acquis*, and follows an approach similar to that of the Cohesion Fund, operating in the fields of environment and transport.

In the field of **environment**, support from ISPA is intended to contribute to the implementation of Community environment policy. In order to maximise the impact of Community assistance on achieving the objectives of the environmental legislation, ISPA will concentrate, in the first instance, on the investment-heavy environmental Directives i.e. the Directives that will be most costly to implement. These concern the following four sectors :

- drinking water supply;
- waste water treatment;
- management of solid waste and hazardous waste; and
- air quality improvement.

The orientation for the ISPA **transport** component is to build the future Trans-European Transport Network (Decision 1692/96 of the European Parliament and of the Council of 23 July 1996), as defined in the TINA (Transport Infrastructure Needs Assessment) Report, which will cover the beneficiary countries of Central Europe. Along the TINA Network, priority should be given to the integrated development of the 10 Pan-European Transport Corridors which were endorsed by the third Pan-European Transport conference in Helsinki in June 1997.

The year 2000 was the first operational year for ISPA. Before projects were presented to the ISPA Management Committee, beneficiary countries were required to prepare ISPA investment strategies for the transport and environment sectors. These documents provide guidance for the selection of ISPA projects and establish the link between investment requirements for achieving compliance with the *acquis* in these sectors and the selected ISPA projects. By autumn 2000, the strategies for all ten countries had been presented to the ISPA Management Committee.

In total, 85 projects received a positive opinion from the ISPA Management Committee, which met four times in 2000 (in June, July, October and November). These projects represent a total ISPA contribution of € 2.09 billion. For the 2000 budget, 75 projects (€ 997 million) were committed; the ten other projects that received a positive opinion are being committed from the 2001 budget.

The average value of the projects approved for the 2000 ISPA budget is approximately € 13 million. The average Community grant rate stood at 64 % of project cost, which is lower than the normal ISPA maximum funding level of 75 %. Co-financing is provided either from national sources (central, regional and local government), international financial institutions (IFIs) or bilateral donors. With the exception of Slovakia and Slovenia, the forecast mid-point percentage range of the annual country allocation was reached.

The projects accepted in 2000, including the technical assistance projects, were divided fairly evenly between the environmental and transport sectors: 39 environmental projects received over 46 % of the 2000 budget, and 36 transport projects received over 53 % of the 2000 budget. The slight inequality between the two sectors was a result of the transfer of two environmental projects in Poland (valued at over € 41 million) to the 2001 budget.

In the environmental sector, over 64 % of the funds are used for sewage installations and water treatment projects. In the transport sector, the focus was on rail projects, which constitute more than half of the budget. This is in accordance with Community policy on transport initiatives which places a strong emphasis on shifting the balance between transport modes through notably the revitalisation of the railways and calls for the promotion of intermodality and the development solutions for the financing of infrastructures. In addition, projects which addressed the need to enhance safety and the separation of traffic were prioritised. An analysis of the sector by Pan-European Transport Corridor indicated that more than 30 % of the transport budget is concentrated on Corridor IV. Projects on Corridor III received about 14.2 %, with Corridor II receiving 13.5 %.

Thirteen technical assistance (TA) projects have been committed from the 2000 budget, four for environment and nine for transport project preparation. These TAs are essential for the preparation of the projects that will be presented to the Management Committee in 2001 and 2002.

Funds have also been allocated in support of the Community Contribution to the International Fund "Clearance of the Fairway of the Danube". € 7.5 million was committed from the 2000 budget. Phare and OBNOVA – the Community programme related to aid for Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the Former Yugoslav Republic of Macedonia - also contributed to this project, in the tune of € 7.5 million and € 7 million respectively.

As far as projects are concerned, approximately € 390 million of the appropriations for 2001 have already been committed through projects decided on in 2000 (as investment projects that are financed through ISPA are implemented over several years, projects generally require a commitment for more than one year).

4. SAPARD SUMMARY

Using financial support from the Community budget amounting to over half a billion euro per year in the period 2000 to 2006, SAPARD's main priorities, as set out in the SAPARD Regulation (Council Regulation (EC) 1268/1999⁴, are to contribute to the implementation of the *acquis* concerning the Common Agricultural Policy and related policies, and to solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries. In addition to primary agricultural production, projects to improve product processing, marketing and quality are eligible for support, as are more general rural development measures.

Support under SAPARD is to be granted on the basis of a single agriculture and rural development programme per applicant country covering the period 2000-2006. The content of each programme reflects priorities established by the national authorities, depending on the particular circumstances and needs of their country, within limits set under the SAPARD Regulation.

SAPARD programmes are to a large extent comparable with Member States' agriculture and rural development programmes. The exercise of programming was entirely new for the candidate country administrations that had to draw up those programmes. Nonetheless the programmes for all 10 countries were ready and approved by the Commission in the autumn of 2000.

Another implication flowing from the programme approach applied under SAPARD is that, unlike the other pre-accession instruments Phare and ISPA, where at least some key elements are managed by the Commission, with SAPARD the Commission is not involved in the management, not even project selection. For SAPARD an alternative approach was chosen, whereby the national authorities in the applicant countries would assume entire responsibility through fully "decentralised management". This was done to enable the underlying objectives of the SAPARD instrument to be realised. One is to implement numerous small-scale projects, in principle, throughout the rural areas of each country and the other to create structures which will be capable also of applying the *acquis* immediately upon accession. However, this approach required two major exercises to be accomplished before aid could be granted.

⁴ Council Regulation (EC) No. 1268/1999 of 21 June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period (OJ L 161 of 26 June 1999, p.87)

The first exercise was essentially regulatory. Because of the novelty of the instrument, new Community legislation needed to be introduced. It was also necessary to negotiate with the applicant countries an appropriate set of provisions covering all aspects relevant to the proper use, control and accountability of funds which was laid down in multi-annual financing agreements with each of them. By the late autumn of 2000 these negotiations had been completed and the first agreement with Bulgaria was signed on 18 December 2000.

The other exercise required the establishment in each applicant country of an agency capable of implementing SAPARD in a manner consistent with the legal provisions concluded in the multi-annual financing agreements. By the end of 2000 a considerable amount of work was accomplished by the applicant countries to build their SAPARD agencies. However, no applicant country had a SAPARD agency ready to receive funds and therefore no Community SAPARD monies were transferred to any applicant country by the end of 2000.

5. OVERALL DESCRIPTION OF MECHANICS OF THE PRE-ACCESSION INSTRUMENTS

5.1. Commitments and transfer of funds

Before funds from all three instruments can be actually transferred to the countries, they will require:

- a Commission Decision, in order to be committed into the Budget,
- a framework agreement (existing Phare framework agreements for Phare, extended to ISPA, and a new multiannual financing agreement for SAPARD), and
- an annual bilateral financing agreement or memorandum determining the financial commitment of the Community for the measure concerned towards the recipient country, i.e. fixing rights and obligations for both parties.

However, procedures leading to decision making and commitment of funds are different for each instrument, and the different steps can be summarised as follows:

Phare

- Framework agreement signed between the Commission and each country (has existed for each country for several years)
- Annual programming by priority: working document based on the Accession Partnership
- Candidate countries prepare draft programmes and project fiches for comments and final decision by the Commission
- Financing proposals for annual National Programmes prepared by DG Enlargement; consultations with other Commission services, and presentation to the Phare Management Committee for an opinion
- Commission Decision
- Commitment of funds

- Signature of annual financing memorandum by the candidate country and the Commission; exchange of letters on each project fiche
- First transfer of funds (advance payment of 20%) upon request from the National Fund

ISPA

- Existing framework agreements for Phare are extended to ISPA
- National ISPA strategies for transport and environment prepared by the countries, other Commission services are consulted, and the strategies are approved by the Commission
- Identification and preparation of projects by the countries
- Project application on standard form, acceptance (i.e. check whether all documents are included) and appraisal
- Financing proposal **for each project** prepared by DG Regional Policy, put into interservice consultation, and presented to the ISPA Management Committee for an opinion
- Commission Decision (for each project)
- Commitment of funds (one project may receive commitments from different years, e.g. 2000 and 2001 ISPA programmes)
- Signature of financing memorandum (for each project)
- First transfer of funds (10%)

SAPARD

- Submission to the Commission of a draft agriculture and rural development plan (RDP) for 2000-2006 by each country before the end of 1999
- Inter-service consultations with Commission services and consultations with each country
- Agreement with the country on the plan
- Final inter-service consultation with Commission services
- Submission of the plan to and opinion by the STAR (management) Committee
- Formal adoption by the Commission of a programme for agriculture and rural development
- Commission Decision to authorise the signature of the multi-annual financing agreement and the annual financing agreement
- Signature of the multi-annual financing agreement and the annual financing agreement

- Commitment of the annual SAPARD appropriation
- Conclusion of the multi-annual financing agreement and the annual financing agreement
- Formal decision by the Commission conferring management of aid on the implementing agencies
- First payment to the country (max 49% of the first annual allocation)

5.2. Implementation structures in candidate countries

Funds from each of the three pre-accession instruments will be channelled through the National Fund, established in the Ministry of Finance in each country, under the responsibility of the National Authorising Officer.

The concrete implementation of Phare and ISPA is carried out in Implementing Agencies (such as the Central Finance and Contracts Unit, CFCU) that receive the funds from the National Fund (unless the National Fund acts as a paying agent). The EC Delegations are responsible for endorsing procurement documents before tenders are launched or contracts signed.

Contrary to Phare and ISPA that make maximum use of the existing agreements and structures set up under the Phare Decentralised Implementation System (DIS), SAPARD is implemented on a fully decentralised basis from the outset, provided all the necessary conditions are fulfilled.

Such delegation of management responsibility requires that each candidate country sets up the relevant management and control systems to be approved at national level by the national Authorising Office. Once these conditions are met, the Commission services carry out the compliance verification prior to the Decision by the Commission conferring financial management. The Commission Regulation 2222/2000⁵ set out the detailed financial rules for this conferral of management. It was adopted by the Commission on 7 June 2000 after agreement of the EAGGF Committee on 22 May 2000.

The countries are all engaged in preparing the required institutional set-up for managing SAPARD. One country (Bulgaria) managed to complete the work to set up their management and control systems and pass their National Act of Accreditation by the end of 2000. However, no applicant country had a SAPARD agency approved to receive funds by the end of 2000. Actual transfer of funds only takes place if and when the accredited SAPARD Agency has been subject to a Commission Decision conferring management on the Agencies concerned.

⁵ Commission Regulation (EC) N° 2222/2000 of June 7 2000 laying down financial rules for the application of Council Regulation (EC) N° 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period

5.3. Decentralisation of implementation under Article 12 of the Co-ordination Regulation

Phare and ISPA are currently implemented through the Decentralised Implementation System (DIS), introduced for Phare in 1990 and revised in 1998. In the light of the conclusions of the Nice European Summit, the Commission and the candidate countries will step up their efforts towards further transferring management responsibilities to the candidate countries.

The Coordination Regulation therefore provides a legal basis to “waive the Commission’s ex ante approval for project selection, tendering and contracting by applicant countries” (Article 12). The situation after waiving the Commission's ex ante approval is hereafter called the Extended Decentralised Implementation System (termed EDIS).

Contrary to Phare and ISPA, SAPARD is managed in a fully decentralised manner from the outset. Phare and ISPA intend to introduce EDIS at a later stage.

6. MONITORING AND EVALUATION

6.1. Phare

Phare monitoring and assessment provides all the parties involved in programme management with a regular and reliable flow of information on the implementation of all on-going programmes.

During the year 2000, 121 Monitoring and Assessment reports have been issued covering all sectors of Phare assistance. These reports have been produced by an independent external contractor that has operated offices staffed with EU and local evaluators in Albania, Bulgaria, Czech Republic, Estonia, FYROM, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia. A Central Office operated in Brussels assessing multi-country/multi-beneficiary programmes.

In line with deconcentration, monitoring (control and follow-up) of programmes is done locally by the Phare Task Managers at the Delegations, with an independent and external assessment as a complementary activity.

Following the re-orientation of Phare towards pre-accession strategies and the decentralisation of implementation responsibilities, the previously centralised Phare Monitoring and Assessment System was replaced in September 2000 by a Decentralised Monitoring System and a revised Interim Evaluation Scheme. The revision is based on the candidate countries assuming responsibility for reporting on facts by preparing Monitoring Reports as a bridging step towards the management of future Structural Funds.

New monitoring structures - a Joint Monitoring Committee (JMC) and around 6 Sectoral Monitoring Sub-Committees (SMSC) - have been established in each Candidate Country and these meet twice a year.

Annual reports of each instruments’ Monitoring Committee will be submitted to the Joint Monitoring Committee, that should hold a debate on co-ordination of monitoring during its annual meeting.

6.2. ISPA

All ISPA projects are subject to the provisions of the ISPA Regulation and the Financing Agreement for each ISPA measure in respect of both monitoring and evaluation. Evaluation is not yet an issue as projects are at an early stage of implementation.

The first round of Monitoring Committees, which will be held twice a year, was scheduled for spring 2001. Taking into account the limited experience in candidate countries to monitor large-scale infrastructure projects in conformity with Commission requirements, DG Regional Policy has provided guidance documents to them that should facilitate the organisation of these first meetings.

6.3. SAPARD

Implementation of SAPARD programmes is subject to the provisions of the Multi-annual Financing Agreement in respect of both monitoring and evaluation. According to these provisions a monitoring committee shall be established for each SAPARD programme. In support of these commitments and activities, guidance for establishing rules of procedure for the SAPARD Monitoring Committees was given by the Commission to all applicant countries during 2000.

7. CO-ORDINATION

7.1. General

As required by Council Regulation (EC) No 1266/99, the Commission ensures close co-ordination between the three pre-accession instruments. The Regulation carefully specifies the field to which each instrument provides assistance thereby minimising potential overlaps between the different instruments:

- SAPARD finances measures to support agriculture and rural development;
- ISPA finances large infrastructure projects in the transport and environment sectors;
- Phare deals with priority measures concerning the adoption of the *acquis communautaire*, whether through improving administrative capacity or supporting related investment. This instrument also has an element for Economic and Social Cohesion. It may support measures in the fields of the environment and transport if they constitute a secondary but essential component of integrated programmes for regional development or industrial restructuring.

The Phare Management Committee plays a key role in general co-ordination. Pursuant to Article 9 of the Co-ordinating Regulation, the Committee shall assist the Commission for co-ordinating operations under the three instruments and the Commission shall inform the Committee about the indicative financial allocations for each country and per pre-accession instrument and about action it has taken as regards co-ordination with the EIB, other Community instruments and IFIs. This information is provided to the Committee in the General Assistance Document 2001. Moreover, the Committee is informed about the decisions whereby the Commission confers on implementing agencies in applicant countries management of aid on a decentralised basis in accordance with Article 12 of the Co-ordinating Regulation. No such decision was taken in 2000.

At programming level, the Accession Partnerships, one for each of the ten candidate countries, as revised by the Council on 6 December 1999, remain the general framework for assistance under the three pre-accession instruments. They are supplemented, in the case of Phare, by the National Development Plans, and in the case of ISPA, by the national strategies for the environment and transport. SAPARD projects will be selected on the basis of the Rural Development Programmes for 2000-2006, as prepared on the basis of the candidate countries' plans and approved for each of these countries by the Commission in 2000.

In order to avoid eventual overlaps between operations receiving support from SAPARD or Phare (in particular Phare ESC and Phare CBC, for which a more programmatic approach will be followed, including the establishment of 'schemes'), appropriate provisions are being included in relevant programming documents and agreements:

- For Phare, any Financing Decision and Financing proposal provides, as from 2001, that 'the National Aid Co-ordinator and the National Authorising Officer shall be jointly responsible for co-ordination between Phare (including Phare Cross-Border Co-operation, CBC), ISPA and SAPARD'.
- For SAPARD, the multi-annual financing agreements which have been signed with all 10 candidate countries provide, under section C, Article 1 that the Commission and [applicant country] shall ensure co-ordination of assistance between the Programme, ISPA, Phare and assistance from the EIB and other international financial instruments; the country shall ensure in particular that where a SAPARD project, due to its nature, could also be potentially eligible in full or in part for assistance under the other above mentioned instruments, any risk of expenditure being aided more than once shall be avoided (notably by means of 'stamping 'invoices).

7.2. Co-ordination inside the Commission

The Phare programme comes under the responsibility of the Enlargement Directorate General, which also assumes the overall co-ordination between the three instruments, supported by the Phare Management Committee. The ISPA programme is under the responsibility of the Regional Policy Directorate General, and the SAPARD programme is under the responsibility of the Agriculture Directorate General.

In practice, programming is co-ordinated through extended inter-service consultations. In addition, a co-ordinating committee for the pre-accession instruments has been set up in the various Commission departments involved. This committee pays particular attention to the preparation of the extended decentralisation (EDIS) of Phare and ISPA.

In the case of project monitoring, co-ordination takes the form of the Joint Monitoring Committee (JMC), supported, where possible, by the ISPA Monitoring Committees and the relevant Phare sub-committees.

To draw the line between actions which could receive support from either SAPARD or Phare, the Commission clarified the interface between Phare and SAPARD, taking into account the provisions of the Co-ordination Regulation. This was needed particularly for investments in the veterinary area. The demarcation is that Phare may support investments if they concern public works carried out by national authorities or other public authorities to whom the competence has been sub-delegated by the national authorities. Investments could be eligible under SAPARD if they relate to private activities (for example, in-house laboratories for

processing plants, or upgrading of farm equipment). SAPARD programmes may also include investments to improve small, local public structures for quality, veterinary and plant health controls, for food quality and for consumer protection. In addition, Phare will continue to provide institution building support, notably for SAPARD agencies.

For ISPA, it should be noted that for projects in 2000, the first year of operation of this instrument, the feasibility and preliminary draft studies were financed from Phare in 1998 and 1999.

Furthermore, the implementation of Phare and ISPA is monitored by the Delegations in the candidate countries.

7.3. Co-ordination in the country

At the country level and in line with the objective of decentralisation, the Commission strongly encourages the candidate countries to enhance inter-ministerial co-ordination which is a key pre-condition for the candidate countries' successful future management of the Structural Funds and, in the short term, for implementing Phare ESC. In several countries such interministerial coordination needs further improvement.

As decentralised management is provided for from the outset (for SAPARD), or will gradually increase (for Phare and ISPA), the responsibility of the candidate country for proper coordination of operations receiving pre-accession support and avoiding overlaps must be developed accordingly. Taking into account the decentralised nature of SAPARD, only the countries themselves will be able to ensure full complementarity at project level.

Therefore, the Commission has requested from the countries that they take the necessary steps for effective and efficient co-ordination.

8. CO-ORDINATION WITH THE EIB AND INTERNATIONAL FINANCIAL INSTITUTIONS

Pre-accession aid can play its full role when it mobilizes funds from the international financial institutions (IFIs). With this in mind, the European Commission signed a Memorandum of Understanding on 2 March 1998 with the European Bank for Reconstruction and Development (EBRD) and the World Bank, to reinforce their cooperation and to facilitate co-financing under the Phare programme. Four new partners joined this agreement in October 1998: the Nordic Environment Finance Corporation (NEFCO), the Nordic Investment Bank (NIB), the International Financial Corporation (IFC) and the Council of Europe Development Bank. In 2000, the Memorandum of Understanding was extended to cover the two other pre-accession instruments, ISPA and SAPARD. Though not a signatory to the Memorandum, the EIB works closely with the European Commission in serving the EU's policy objectives and collaborates with the other IFIs in the spirit of the Memorandum of Understanding.

Since 2000, the new accession instrument ISPA for transport and environment is the main facility for co-financing infrastructure projects with the EIB and other IFIs. The main co-financing instrument in Phare remains the SME Facility, where the Commission works together with the EBRD, the Council of Europe Development Bank and the Kreditanstalt für Wiederaufbau. Co-financing within Phare National Programmes included a small municipalities water and wastewater investment project in Estonia, and an electricity and gas markets projects in Romania.

The Commission services organise periodical meetings with the EIB and the EBRD to co-ordinate issues related to programming and implementation, as well as procedural issues. If possible, joint missions to candidate countries are envisaged, which is an important component for ensuring co-operation on a project level to the benefit of the candidate countries.

As regards ISPA, a Co-operation Agreement was signed on 19 January 2000 between the Commission and the EIB on Community structural assistance, including ISPA, for the period 2000-2006. The main objective of the Agreement is to maximise the leverage effect of the EC grants and to restrict EC budget support to that which is strictly necessary. The results of the first year of co-operation are very positive: several co-ordination meetings were held in order to set up the working framework and to make the Agreement operational. In addition, possible proposals for co-financing were identified by exchanging information at a very early stage of the project preparation. The Commission has also developed good working relationships with the European Bank for Reconstruction and Development (EBRD) and the Nordic Investment Bank (NIB) and the Nordic Environment Finance Corporation (NEFCO). Several co-financed projects were identified with these IFIs.

For SAPARD, co-operation with IFIs was limited to general consultations and exchange of information given its full decentralisation to candidate countries.

Delegations also play an important role in the co-ordination of pre-accession instruments with the IFIs and bilateral donors by periodically organising donor meetings on the spot to exchange information about planned and on-going projects.

9. CONCLUSION

The year 2000 was the first year when all three pre-accession instruments came on stream. Much progress was achieved in setting up the new instruments of ISPA and SAPARD. The pre-accession assistance for the candidate countries doubled, the Phare programme had to be adapted in order to take into account the new instruments and more emphasis was put on Economic and Social Cohesion. The co-operation between the different Commission services was stepped up and further developed in line with the Co-ordinating Regulation. Setting up of the structures for the pre-accession instruments in the candidate countries also provided an important exercise in Institution Building and started to prepare the candidate countries for the Structural Funds.

ANNEX

The allocations per country for Phare, ISPA and SAPARD in 2000

	Phare	SAPARD⁶	ISPA	Total
	€ million	€ million	€ million	€ million
Bulgaria	150.6	53	104.0	307.6
Czech	101.5	22.4	70.0	193.9
Estonia	33.5	12.3	28.2	74.0
Hungary	119.8	38.7	88.0	246.5
Latvia	34.8	22.2	46.7	103.7
Lithuania	87.1	30.3	52.2	169.6
Poland	484.4	171.5	307.0	962.9
Romania	260.3	153.2	239.2	652.7
Slovakia	78.8	18.6	42.5	139.9
Slovenia	33.4	6.4	19.6	59.4
Other ⁷	185.1			
Total	1569.2	528.9	997.4	3095.5

⁶ Commission decision 1999/495/EC of 20 July 1999 on the indicative allocation of the annual Community financial contribution to pre-accession measures for agriculture and rural development (OJ L 226 of 27 August 1999 p.23); for the year 2000, numbers for Countries are rounded, but the total of committed appropriations amounts to € 528.9 millions as mentioned for the total

⁷ Multi-country and horizontal programmes