



# Phare

## FROM PRE-ACCESSION TO ACCESSION

Interim Evaluation

Consolidated  
Summary Report

of Phare support  
allocated in 1999-2002  
and implemented until  
November 2003

European Commission  
Directorate-General Enlargement



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Allocated in 1999-2002 and Implemented  
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Consolidated Summary Report

March 2004

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

European Commission Directorate-General Enlargement  
Directorate E – Evaluation Unit



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## GLOSSARY OF ACRONYMS

CFCU	Central Finance and Contract Unit
EDIS	Extended Decentralised Implementation System
ERDF	European Regional Development Fund
ESC	Economic and Social Cohesion
IACS	Integrated Administration and Control System (for CAP)
ISPA	Instrument for Structural Policies for Pre-accession
JMC	Joint Monitoring Committee
LogFrame	Logical Framework (part of Project Cycle Management)
NAC	National Aid Co-ordinator
NDP	National Development Plan
NPAA	National Programme for the Adoption of the <i>Acquis</i>
PAJC	Public Administrative and Judicial Capacity
PPF	Project Preparation Facility
PRAG	Practical Guide to Phare, ISPA and SAPARD
SAPARD	Special Accession Programme for Agriculture and Rural Development
SMSC	Sectoral Monitoring Sub-Committee



## EXECUTIVE SUMMARY

The objective of this review is to assess the performance of Phare support in assisting the candidate countries to achieve the objectives of the pre-accession strategy. It covers the support allocated in the years 1999-2002 and implemented up to November 2003. The report makes recommendations which should guide the development of assistance to remaining and future candidates as well as to the new Member States.

The report first reviews overall Phare Programme performance and assesses progress, and then recommends how future support should be directed towards the three key objectives in the pre-accession strategy:

- Building public administrative capacity to apply the *acquis*
- Supporting ESC in preparation for Structural Funds
- Building capacity to coordinate and deliver pre-accession assistance

### Key Findings

**Mixed overall performance.** On the whole, Phare performance was rather mixed with only two-thirds of evaluated funds rated as “satisfactory” or “highly satisfactory”, and as much as a third rated “unsatisfactory. Nevertheless, given the complexity of the pre-accession objectives and the constraint of the very limited implementation period, this is certainly a remarkable achievement.

Three shortfalls in performance account for a large part of those findings. First, there were substantial weaknesses in needs analysis and design. Absence of adequate planning documents and/or sectoral strategies, contributed to the launching of projects that had insufficient operational relevance. Second, achievement of programme/project objectives was only adequate. Third, although improving, implementation suffered from pervasive efficiency problems.

**Building administrative and judicial capacity was adversely affected by limited progress on horizontal reforms.** Phare support achieved substantial, if mixed, results across the *acquis*. However, for the more complex *acquis* chapters, such as Agriculture and Structural Funds preparation, the progress has been particularly uneven.

Moreover, the absence of a comprehensive support strategy for building Administrative and Judicial Capacity, including the requirements for horizontal reforms, risks undermining the achievements on the *acquis*. Sustainability of those achievements is thus put at risk because of the limited support given to horizontal reforms and governance.

**Overall results of ESC have been quite poor.** The overall results for ESC were the most disappointing for all the sectors. A major shortcoming was that Phare support focused largely on regulatory issues. Insufficient support was therefore provided to develop adequate strategies for economic and social development and public investments, and the instruments for delivering them. Consequently, the pilot investments were generally not made on the basis of proper needs assessments but were instead executed more on the basis of *ad hoc* allocations of funding with limited impact. Also, the Institution Building impact of twinning was limited. Whilst support to ESC has clearly had some positive impact through training in methodologies,

procedures and regulations, these benefits are definitely not commensurate with the total programme allocation of € 2.1 billion (including national co-financing).

***Capacity to coordinate and deliver pre-accession assistance is improving, but is not yet sustainable.*** The National Aid Coordination (NAC) structures demonstrated solid improvements in competence, but understaffing, low salary levels, and institutional instability is putting sustainability at risk. Moreover, weaknesses in line Ministries and their need for support further tax the limited resources of the NACs.

As a key delivery mechanism, twinning has proved itself an essential instrument for the pre-accession process. Although the results of Twinning have been mixed, the tendency is for increasingly satisfactory performance of the instrument. However, there is evidence that, unless accompanied by widespread public administration reforms, twinning risks raising elaborate structures on very shaky foundations.

Another key delivery mechanism of Phare support is grant schemes, the performance of which has, on the whole, been satisfactory.

## **Conclusions**

The Phare Programme contribution to addressing the objectives of the pre-accession strategy has been satisfactory, though uneven. Despite this progress, more remains to be done on building Administrative and Judicial Capacity; on supporting ESC, and on building capacity for the management of pre-accession assistance. The pervasive adverse effects of weak PAJC need to be further addressed. An urgent reassessment of the strategy and implementation of the ESC programme is required to turn around its disappointing performance. Finally, weaknesses in programme design and management need to be addressed.

## **Recommendations**

To realise more fully the potential of Phare support, this review recommends three sets of actions:

1. Further actions to address the objectives of pre-accession strategy, including a comprehensive and independent evaluation of the whole pre-accession strategy; a rebalancing of Phare programme priorities in accordance with all three Copenhagen criteria; a much higher profile for good governance and horizontal public administration reforms; and an Action Plan to address the ESC shortcomings.
2. Improvements in the design of strategies and programmes, including preparation of comprehensive country enlargement strategy papers; increased emphasis on multi-annual and better prioritised programming, and the provision of greater and sustainable resources by all stakeholders to manage the pre-accession strategy.
3. Improvements in programme management including rigorous enforcement of conditionalities, better coordination of delivery instruments, introduction of systematic quality control mechanisms, and comprehensive training packages on all the aspects of strategic planning and project cycle management.

## MAIN REPORT

### 1. INTRODUCTION

#### 1.1 OBJECTIVE OF THIS REVIEW

The objective of this review is to assess the performance of Phare support in assisting the candidate countries to achieve the objectives of the pre-accession strategy. It covers the support allocated in the years 1999-2002 and implemented up to November 2003. The report makes recommendations which should guide the development of assistance to remaining and future candidates as well as to the new Member States.

To this end, the review seeks to answer the following key evaluation questions:

- Was Phare assistance well focused on the objectives of pre-accession strategy?
- What were the results of Phare assistance, and are these results sustainable?
- Could the same results have been achieved more cost-effectively?

#### 1.2 SCOPE AND METHOD

This review is based on the analysis of evaluation reports produced by the EMS Consortium (EMS) between July 2001 and November 2003, and their experience gained in conducting training and know-how transfer in the ten Phare candidate countries<sup>1</sup> on the subject of monitoring and interim evaluation. Other evidence concerning the performance of Phare, notably an *ex-post* evaluation of Phare programmes implemented from 1997-98 to 2000-2001, was also taken into account.

The base source of information is 211 *Interim Evaluation* Reports covering national and Cross-Border Co-operation programmes, and multi-country *Monitoring and Interim Evaluation* reports on SME Facility, Statistics, SIGMA, Business Support Facility, and Nuclear Safety. In addition, this report draws on eleven *thematic* reports (see Table 1) and seven *ad hoc* reports<sup>2</sup>. The Interim Evaluation reports were synthesised into annual *Country Summary Reviews* and a final *Country Phare Evaluation Review* for each candidate country, which form the primary data source for this review. The consolidated Interim Evaluation process involved the review of over 8,000 documents and some 6,650 interviews with stakeholders in the candidate countries. EMS also reviewed the aid coordination structures and National Aid Co-ordination (NAC) units in each candidate country in terms of the systems and resources deployed to manage Phare responsibilities. The totality of these reports represents a very important part of the Phare Programme institutional memory.

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<sup>1</sup> Pre-accession assistance for Cyprus, Malta and Turkey is not financed by the Phare Programme.

<sup>2</sup> Ad hoc reports by EMS deal with the Adequacy of Objectives, IE Recommendations, Key IE Findings, Review of Indicators, Sector Allocations, Monitoring and IE Review, Practical Guide on IE and Performance Indicators.

**Table 1. Thematic reports**

1. Agriculture
2. Community Programmes
3. Cross-border co-operation
4. Economic and Social Cohesion
5. Environment
6. Grant Schemes
7. Public Administrative and Judicial Capacity
8. Roma Minorities
9. SME
10. Transport
11. Twinning

Source: EMS 2002-2003

The Interim Evaluation methodology is based on the five standard evaluation criteria commonly used in the Commission and elsewhere: *relevance*, *efficiency*, *effectiveness*, *impact and sustainability*<sup>3</sup>. Caution is needed in evaluating the impact and sustainability of ongoing, and therefore uncompleted programmes. However, it should be recognised that the pre-accession process frequently involves programmes/projects that are either very similar to past programs and/or are a follow-up to past interventions. Particularly in those cases, it is generally possible to make a reasonable assessment of likely impact and sustainability. For the purposes of this report, the areas of Phare intervention have been structured into 8 sectoral groups<sup>4</sup>.

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<sup>3</sup> *Relevance*, whether the design of the project targets the needs of beneficiaries; *Efficiency*, whether the same results could have been achieved at lower costs; *Effectiveness*, whether the objectives have been achieved and the planned benefits were delivered; *Impact*, the extent to which the benefits received by the beneficiaries had a wider overall effect on the sector or region or in the country as a whole; *Sustainability*, whether the flow of benefits of the project is likely to continue after external funding ends.

<sup>4</sup> Agriculture (including Food, Health and Consumer Protection), Cross-Border Co-operation, Economic and Social Cohesion, Energy & Transport, Environment, Internal Market (including the Four Freedoms, Company Law, Competition policy, IT, financial control, statistics and taxation), Justice & Home Affairs and Social Affairs.

## 2. BACKGROUND

### 2.1 FROM PRE-ACCESSION TO ACCESSION

The Copenhagen Council of December 2002, and the conclusion of accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia, marked an unprecedented enlargement in terms of scope and diversity.

This positive outcome marked the conclusion of the first phase of preparation for EU membership of the candidate countries. The preparations that began in 1993 led to a pre-accession strategy, and a role for Phare, which progressively evolved and was expanded in the Agenda 2000 package, which defined the last steps in the pre-accession strategy. That strategy has been set out in a hierarchy of Council and Commission documents, agreements and action plans: the Europe Agreements, the Accession Partnerships, and the candidate's own National Programmes for the Adoption of the *Acquis* (NPAA). The Accession Partnerships were the central pillar of the pre-accession strategy. They set out the key short and medium-term priorities for preparation of EU membership, and brought together all forms of EU support within a single framework.

After the 2002 Copenhagen Council, the Commission monitored the implementation of the commitments made in the accession negotiations by the ten candidate countries and the progress made in implementation of reforms. In November 2003, outstanding issues, on which action still needed to be taken, were identified in Consolidated Monitoring Reports for the eight Phare countries to accede on 1 May 2004. Regular Reports, as in previous years, addressed the progress made by the other two Phare candidates, Bulgaria and Romania.

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, currently targeted on Administrative and Judicial Capacity, Economic and Social Cohesion (ESC), and capacity to manage and control pre-accession aid under the Extended Decentralised System (EDIS)<sup>5</sup>. The programming priorities of Phare in the period covered by this report were principally based on the Accession Partnerships and on the Commission's Regular Reports on candidates progress. The candidates contributed to the strategy by preparing the NPAAs, which were intended to incorporate *acquis*-related issues into the wider frame of national strategies.

Between 1999 and 2002, Phare provided M€ 4,661 to the ten candidate countries. However, the success or failure of the pre-accession strategy cannot be entirely attributed to the performance of the Phare programme, not least because of the substantial proportion of pre-accession activities which the candidates had to conduct and fully finance on their own.

For the eight countries acceding this year, the Phare 2003 programme, for implementation until 2006, will be the last of its kind, though additional support will be available under the Transition Facility<sup>6</sup>, for implementation until 2009. For Bulgaria and Romania, Phare programming continues.

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<sup>5</sup> As EDIS has its own accreditation system and, at the time this report was prepared, it was too early to evaluate Phare assistance to CC's preparations for EDIS, the topic is not further discussed in this report.

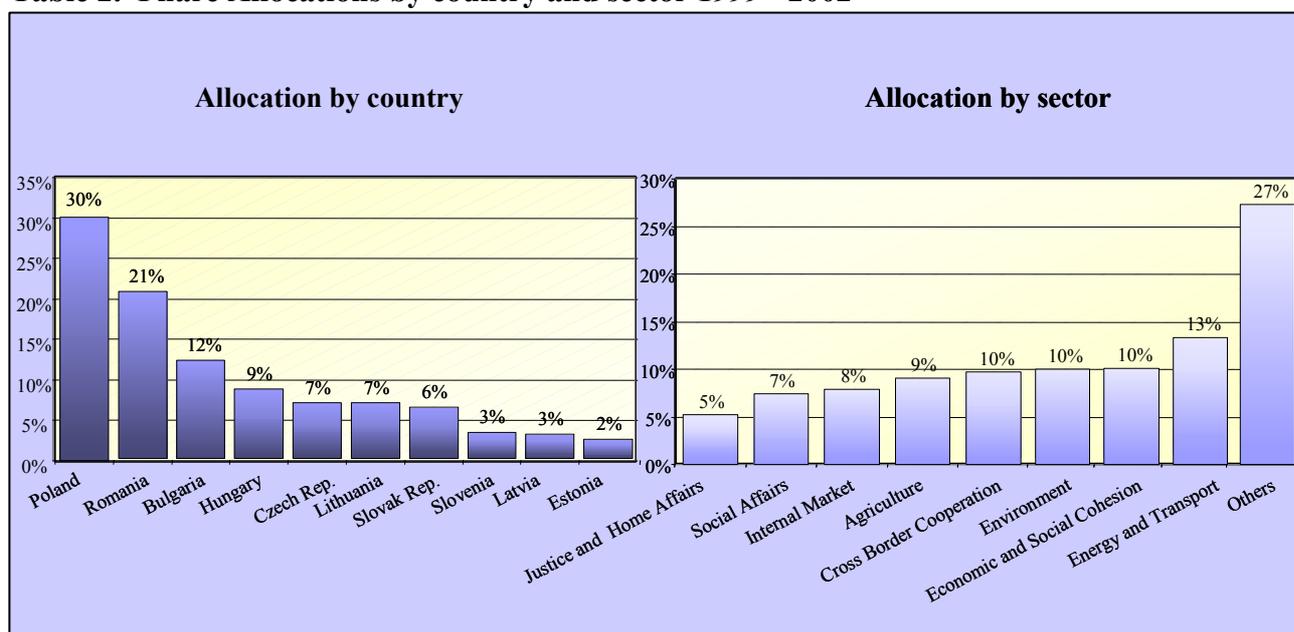
<sup>6</sup> The purpose of the Transition Facility of M€ 426 is to continue to assist the new Member States in their efforts to strengthen their administrative capacity to implement Community legislation and to foster exchange of best practice, as an extension to assistance provided until accession under Phare.

It is therefore appropriate, as the pre-accession process ends for eight Phare countries and enters a final stage for the other two, to review the performance of Phare, draw conclusions and make recommendations that should influence the shape and magnitude of pre-accession assistance for the remaining and future candidate countries, and also identify key issues complementing or confirming those outlined in the Comprehensive Monitoring Report for the new Member States after their accession. These considerations formed the basis of the key evaluation questions presented above.

## 2.2 EXPENDITURE UNDER EVALUATION

For national and Cross Border Cooperation Phare programmes, the allocation of funds to candidates and to selected sectoral groupings between 1999 and 2002 is shown in table 2.

**Table 2. Phare Allocations by country and sector 1999 - 2002**



\* Others includes economic development, SME, public sector and regional and social development

Of the Phare allocation from 1999-2002 of M€ 4,661, 80% was evaluated at least once. However, as Phare programmes have a three-year duration, many projects (36%) were ongoing during the period August 2001 to November 2003, and were thus evaluated more than once. Thus the total number of programmes evaluated, including those evaluated more than once, was approximately 1200, with a total value of M€ 6,540. For the Multi-country Programmes, SME Facility, Statistics, SIGMA, Business Support Programme and Nuclear Safety, the Phare allocations were M€ 284 for those programmes evaluated for the same period.

### 3. PERFORMANCE OF PHARE ASSISTANCE

On the basis of a consolidated review of the country, sectoral and thematic evaluations mentioned in the scope and method of this report (see section 1.2), this chapter concludes that Phare has made a substantial contribution to helping candidate countries install the *acquis*. However, programmes and projects have suffered from weaknesses in design and inefficiencies in implementation. As a result, the achievement of objectives is only adequate.

This chapter starts by examining the overall performance of the 1999-2002 Phare programmes that were implemented up to November 2003, and then turns to reviewing sectoral performance. This review is set against the three evaluation questions specified in section 1.1.

#### 3.1 MIXED OVERALL PERFORMANCE

On the whole, overall Phare performance was mixed. Nearly two-thirds of evaluated funds were rated “satisfactory”, as much as a third was rated “unsatisfactory”. This distribution of ratings suggests that there were very few out right success stories and few total failures.

Although overall performance was mixed, it must be recognised that the pre-accession agenda was huge, demanding and unfamiliar. Moreover, the candidate countries had a relatively short time for its accomplishment. In that context, what has been done with Phare support is indeed remarkable.

Even some of the projects rated as “unsatisfactory” provided positive learning experiences for candidate’s staff, enabling subsequent projects to run more satisfactorily. However, the effectiveness of Phare has been restricted by the large number of missed opportunities by the Commission and the candidates to learn from previous successes and failures.

#### *Weaknesses in Needs Analysis and Design*

**Relevance** in terms of addressing candidates’ needs identified in the accession documentation was almost universally high. However, the underpinning instruments (notably the NPAA) used for programming were often imprecise. Moreover, there was an absence of adequate National Development Plans or sectoral strategies, which would have provided a sharper focus to relevance and underpinned a more detailed needs assessment. In addition, needs assessments were frequently too superficial to enable the design of a fully relevant support programme. This contributed to the launching of projects that had insufficient relevance to the precise needs of the sector or the target region.

The fact that such projects were approved by both sides is due partly to the onerous annual programming cycle and partly to the tendency to give a higher priority to the allocation and spending of funds. The latter point resulted from the political emphasis on disbursement, rather than giving priority to ensuring that projects were justified and had well defined, clear and achievable objectives.

Many candidates demonstrated gradual improvements in design, especially since 2000, and in a few cases, project design was excellent. However, most project fiches and their logical framework matrices demonstrated little understanding of the purpose and requirements of these documents. Objectives remained commonly over-ambitious or unclear. Since indicators of

achievement were rarely quantified, measurable, verifiable, or time bound, they were not usable for either project management or evaluation.

In many cases, the candidates implementing bodies did not know exactly what was required when they started the programming exercise, which made it difficult to design a coherent series of interventions covering the totality of what needed to be done in a logical and sequential manner over a long period.

### ***Only adequate achievement of overall objectives***

On the whole the achievement of objectives, or **effectiveness**, was only adequate. Although about 40 % of the total evaluated funds across all countries were rated satisfactory for effectiveness, a quarter scored only adequate and a third scored unsatisfactory.

From an analysis of country performance, Slovenia and Latvia stand out as the most effective in achieving programmes' stated immediate objectives. In Slovenia and Latvia, Phare assistance was largely effective in all sectors because of good programme management. In both countries, commitment to improve sectors performing less well was beginning to produce results. By contrast, Bulgaria demonstrated weaknesses in management and implementation of Phare projects, in large part because of institutional instability.

### ***Although improving, efficiency problems are pervasive***

Half of the funds evaluated scored **efficiency** as "unsatisfactory" – the lowest score of all five evaluation criteria. Only one third of the total evaluated funds across all countries scored 'satisfactory' for efficiency, and as much as a quarter scored only adequate. As shown below, the low level of efficiency is basically related to management, coordination and procurement problems.

Whilst the general standard of **management** is acceptable and improving, a number of problems remain:

- Conditionalties in programming documents are not usually properly enforced.
- Monitoring indicators are not properly defined and monitoring is often limited to a passive reporting activity.
- There seems to be a great reluctance to cancel any project, however ineffective. This can be explained in part by the general drive to achieve high disbursement rates
- There are frequently inadequate numbers of skilled staff at the right level.

Although much **coordination** has been good, many countries noted a lack of effective dialogue between key stakeholders, especially at the design stage of programmes, and a lack of clarity about responsibility for activities. Problems in co-ordination arose where either two or more ministries were jointly implementing a project or where one body was the contracting authority, but required specialist support from another body. There has also in general been weak communication between the key stakeholders (CFCU, EC Delegation, and line ministries).

**Procurement** has been a major cause of delay and inefficiency in project implementation. Implementation was overwhelmingly characterised by contracting at the last possible moment. Generally, procurement has suffered from three major shortcomings:

- The candidates lacked experience of procurement in accordance with EU procedures. There has been too much reliance on the EC Delegation carrying out the *ex-ante* control function. In some cases, the issue was purely lack of administrative staff.
- Each step in the approval sequence is generally too long.
- While the PRAG<sup>7</sup> procedures have been recognised as being necessary, in particular to combat corruption, there have been strong criticisms of the inflexible way in which the Guide is interpreted. The procurement process has also been significantly delayed at times by the Commission Services applying new procedures retrospectively.

### 3.2 ADEQUATE SECTORAL PERFORMANCE

The overall performance of all sectors is rated only as 'Adequate' for 1999-2002 Phare programs. Moreover, there were significant differences in the performance of the sectors, which may be summarized as follows:

- Highest rated: Justice & Home Affairs, Environment
- Medium rated: Cross-Border Co-operation, Internal Market, Energy & Transport
- Lowest rated: Economic and Social Cohesion, Social Affairs, Agriculture

The sectors with higher ratings tended to have *acquis* chapters which are very specific in what they require Member States to do (Justice and Home Affairs, much of the Internal Market). The lowest rated sectors, notably Economic and Social Cohesion (ESC) and Agriculture, are those where the *acquis* requires the introduction of complex systems with a high degree of strategic or policy development and a high content of inter-Ministerial or centre-regional cooperation: in other words, tasks requiring relatively well developed systems of public administration.

Recent evolution has also been examined, comparing the evaluation ratings achieved by sectoral programmes in 2002 and 2003. Over this period, overall ratings for Agriculture, Energy & Transport, Internal Market and Social Affairs increased significantly. The ratings of the other sectors declined somewhat, though significantly only in the case of ESC.

#### *Phare projects were relevant to pre-accession objectives*

The overall pattern of satisfactory relevance held true for all sectors (see Table 3), reflecting the systematic development of programming from the Accession Partnership and NPAA. However, as emphasised in section 3.1, the absence of sectoral strategies contributed to weak operational needs assessment for several sectors.

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<sup>7</sup> PRAG = Practical Guide to Phare, ISPA and SAPARD. The Practical Guide explains the public procurement procedures that apply to EC external aid contracts. It incorporates the relevant provisions of the Financial Regulation and its implementing rules.

**Table 3: High Relevance for Most Sectors**

Sectoral groupings	1999-2000	2001-2002	Evolution of ratings 2003 vs 2002
Agriculture	Satisfactory	Satisfactory	↗
Cross Border Cooperation	Satisfactory	Satisfactory	↘
Economic and Social Cohesion	Adequate +	Satisfactory	↗
Energy and Transport	Satisfactory	Satisfactory	↘
Environment	Satisfactory	Satisfactory	↘
Internal Market	Satisfactory	Satisfactory	↗
Justice and Home Affairs	Satisfactory	Satisfactory	↘
Social Affairs	Satisfactory -	Satisfactory -	↗

Nevertheless, within the generally satisfactory rating, there is a range of sectoral performance. Justice and Home Affairs is at the top, with Environment, Agriculture and Cross Border Cooperation all scoring relatively well.

By contrast, ESC and Social Affairs scored the poorest. The relevance of Phare ESC programmes was adversely affected by confusion over precisely what should be achieved, as well as by a very poor needs assessment.

Comparing the evolution of 2003 evaluations with 2002 (see last column Table 3) reveals a particularly marked increase in the relevance rating for agriculture and for social affairs, and a smaller one for Internal Market and ESC. This is encouraging, since it may suggest, that even at this late stage, efforts are being made to develop realistic programmes to master the difficult *acquis* components.

#### ***Only adequate achievement of sector objectives***

On the whole the achievements of sector objectives were less satisfactory than the relevance rating (see table 4). All sectors are only rated 'adequate', with Environment as the only positive exception, where the rating was satisfactory. The relative success of Environment is related to the precisely specified operational requirements of the *acquis*, which enabled well focused and realistic programme design.

**Table 4: Adequate Achievement of Sector Objectives.**

Sectoral groupings	M€ 1999-2002	Effectiveness	Effectiveness	Evolution of ratings 2003 vs 2002
		1999-2000	2001-2002	
Agriculture	585	Adequate -	Adequate +	↗
Cross Border Cooperation	624	Adequate +	Adequate +	↗
Economic and Social Cohesion	651	Adequate +	Adequate +	↘
Energy and Transport	859	Adequate +	Adequate +	↗
Environment	642	Satisfactory	Satisfactory	↘
Internal Market	510	Adequate +	Adequate +	↗
Justice and Home Affairs	337	Satisfactory	Adequate +	↗
Social Affairs	478	Adequate +	Adequate +	↗

By contrast Agriculture and ESC stand out as having had the poorest results. Whilst much has been accomplished in the Agriculture sector, which has the most complex and burdensome *acquis*, a great deal of which has been absorbed, lack of political commitment of some candidate countries, lack of experience, and lack of organisation have hampered many projects. This has meant that, too often, inadequate beneficiary resources were invested in Phare agriculture projects and too late. Therefore the creation and introduction of agriculture institutions such as a fully functioning Paying Agency and the Integrated Administrative and Control System are running late and, in some cases will probably not be fully in place at the time of accession. For further details of the poor ESC results, see section 4.2.

Although it is disappointing that there were essentially no improvements in the sectoral effectiveness ratings in 2001-2002 as compared with 1999-2000, as many as six sectors demonstrated a positive trend for 2003. It may be that the proximity of the accession date had a beneficial effect on the attention paid to achieving the immediate objectives. However, the downward trend for ESC continued into 2003.

### *Poor ratings for efficiency*

The efficiency ratings are the lowest for any criterion for reasons given in Section 3.1 above, and the divergence in rating between the sectors is very slight (see table 5), underlining the pervasive and systemic nature of the problems identified there. With the exception of ESC, where performance is unsatisfactory, the sectoral ratings are nevertheless in the adequate range.

**Table 5: Low efficiency in Most Sectors**

Sectoral groupings	Efficiency		Evolution of ratings 2003 vs 2002
	1999-2000	2001-2002	
Agriculture	Adequate +	Adequate -	↗
Cross Border Cooperation	Adequate +	Adequate -	↘
Economic and Social Cohesion	Adequate -	Unsatisfactory	↘
Energy and Transport	Adequate +	Adequate -	↘
Environment	Satisfactory	Adequate +	↘
Internal Market	Adequate +	Adequate +	↗
Justice and Home Affairs	Satisfactory	Adequate -	↘
Social Affairs	Adequate -	Adequate -	↗

When comparing the evolution of the efficiency results in 2003 versus the results in 2002, the predominant trend is, however, downwards, the only exceptions being Agriculture, Internal Market and Social Affairs.

## 4. ADDRESSING THE OBJECTIVES OF PRE-ACCESSION STRATEGY

Having examined overall and sectoral performance of the Phare Programme in Chapter 3, this chapter reviews progress made, with the support of Phare, towards the three key objectives set in the pre-accession strategy:

- Building Public Administrative and Judicial Capacity to apply the *acquis*
- Supporting ESC in preparation for the Structural Funds
- Building capacity to coordinate and deliver pre-accession aid

Much has been accomplished as far as the first key objective of installing the *acquis* is concerned but its results and sustainability have been adversely affected by limited progress on horizontal PAJC reforms. As to the second key objective of Phare, the candidates are ill-prepared to benefit from ESC measures. Finally, this chapter shows that on achieving the third key objective, there are improvements in the competence of national coordination but with mixed prospects for sustainability.

### 4.1 BUILDING PUBLIC ADMINISTRATIVE AND JUDICIAL CAPACITY

This section examines first the Commission's strategic approach to supporting PAJC<sup>8</sup>, then the way in which that strategy was implemented and the results achieved. Finally, the remaining challenges are identified.

***Absence of a comprehensive Strategy.*** Madrid European Council in 1995 underlined that membership also requires that the candidates create conditions for their integration through adjustment of their administrative and judicial structures. However, an overarching Phare support strategy was not put in place for this, concentrating almost exclusively on supporting installation of the *acquis*. In consequence, the implications of accession for governance, and for non-*acquis* issues generally, including PAJC building, are still not widely comprehended in the candidate countries. A balanced strategy to address the operational implications of the political criteria for governance, public administration and the judiciary is largely lacking. Phare procedures have not encouraged a strategic, longer-term approach, necessary for comprehensive, sequential completion of the pre-accession process, in the candidate countries.

***Appropriate delivery but poor coordination.*** The installation of the *acquis* has been facilitated through twinning, technical assistance and related investments, and with the support of TAIEX (Technical Assistance Exchange Office) and the Sigma (Support to Support for Improvement in Governance and Management) programme. Whilst such projects were generally effective, the Commission has not adequately ensured coordination of the way the instruments are deployed. Neither has it sufficiently fully utilised available tools (such as the tools of a Country Strategy Paper) to develop its own strategy towards supporting candidate countries nor to support the candidates in the process of strategy development at national and sectoral level.

***Phare procedures contribute to under-attainment of priorities.*** The rigid Phare annual cycle has discouraged development of longer term strategic planning. Moreover, the Commission's emphasis on the encyclopaedic but unstrategic documentary tools it used, and in particular the NPAA, have not fostered understanding of the essential need for a multi-annual strategic framework.

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<sup>8</sup> See also EMS Thematic Report Public Administration and Judicial Capacity (ZZ/PAJC/03090).

***Uneven progress on the acquis.*** Earlier sections of this report have shown that Phare resources have achieved substantial, if mixed, results across the *acquis*. However, Phare projects could not cover all aspects of the *acquis*, and left the candidates with much to initiate, complete and extend, using their own resources. Of the administrative and judicial actions still to be taken in Spring 2002, only 43% benefited from Phare support. Moreover, for the more complex *acquis* issues, such as the establishment of Paying Agencies and of Integrated Administrative and Control System in the agriculture sector, and of Structural Funds preparation, the candidates have generally found it very hard to complete their acquisition of the essential PAJC competencies and install the necessary systems, despite the very considerable amount of Phare support provided.

As the Commission's Comprehensive Monitoring Reports of November 2003 demonstrated, this is not just a question of available time; it is proving an intractable problem for all the eight countries acceding in May 2004. Achievements have been held back by, and risk being undermined by, the weaknesses of the candidates systems and standards of governance, public administration and judiciary. Key examples of this are the poor performance of the Agriculture sector and ESC sectors that have worrying implications for not being sufficiently prepared for access to EU funds following accession.

***Limited support to horizontal reforms and governance.*** The first horizontal Public Administrative and Judicial Capacity projects carried out in the early and mid 1990s generally at the Commission's instigation, were the least successful projects of the period up to 1998. Despite pressure from within and outside the Commission, no policy framework has been developed. The Commission has urged PAJC reform on the candidates, but has neither adopted a strategic approach to the problems, nor provided significant Phare funding to have an impact.

Phare support given relatively recently to improve civil service systems has yet to have much impact outside the core bodies in central administrations which are promoting it. Central authorities, for example in Latvia, Slovakia and Romania, which have benefited from support towards civil service or horizontal PAJC reform and who have a clear picture of the implications of inadequate PAJC for their countries, have reported that, while legislation may have been passed, they have great difficulty in persuading line ministries to implement it and insufficient power to force them to do so. There is, however, some evidence of progress, certainly in relation to inter-ministerial cooperation, where to gaining access to EU funds provides a strong motivation.

**Box 1. Limited support for Central Public Administration**

In recent years, there have been very few PAJC projects that have addressed central public administration and civil service systems in candidate countries. The Commission's own statistics list just 15 such twinnings out of a total of 851, in five candidate countries only. There has been more activity as regards the judiciary. Of a total of 185 such projects, 44 concern Judiciary and Court System projects. While a majority of these concern training of judges and prosecutors and strengthening of specific institutions, a number address structural and truly 'horizontal' issues. With regard to the Political Criterion of Human Rights and the Protection of Minorities, there are some 16 current or planned projects for the Roma,

Whilst governance issues are occasionally addressed, for example in anti-corruption programmes, there have been no programmes or projects which could be said to have addressed the implications of the political criteria for governance or the political criteria in any strategic way.

***Adverse consequences of slow progress.*** Whether in consequence of the relative lack of support given by Phare for genuinely horizontal PAJC building or not, candidates' public administrations and civil service structures have shown themselves to remain very rooted in their historic structures and management cultures and very resistant to change. This has undermined, to a variable extent in the different candidates, the achievement of the objectives of Phare support and the completion of the pre-accession *acquis*-related tasks. Candidate country civil service machinery, both in terms of stability and continuity, and in terms of effectiveness, tends to have low levels of competences compared with those needed by Member States to meet all the obligations of membership.

It is only very recently (2002 / 2003) that the awareness of the fundamental need for adequate horizontal PAJC, and the potentially serious and imminent consequences of its absence, are beginning to have an impact. Part of the reason for these problems is the scorching pace at which the candidates have had to move to force the technical acquisition of the *acquis* into a timetable to match the political imperative for a fixed date for accession. It has left little time or resources to address wider PAJC issues.

***Uncertainty about the post-accession period.*** From the evidence of the Comprehensive Monitoring Reports, there can be no certainty now about how the candidate country administrations will be able to perform in relation to the *acquis* on accession, and how sustainable their performance will be after accession. This uncertainty arises in the context where of when extensive Phare support is withdrawn and the budgetary pressures increase, (e.g. for staff and maintenance costs), and the financial and economic benefits of membership have yet to materialise.

## 4.2 SUPPORTING ESC

The purpose of the ESC Programme, launched in year 2000, is to prepare the candidates for the Structural Funds. The ESC included two sets of main activities:

- Institution Building for the implementation of Structural Funds
- Piloting investments in the field of similar activities of those supported under the European Regional Development Fund and/or the European Social Fund.

As shown in Table 6, substantial resources of the Phare Programme (one-third of it) were allocated (and committed) to ESC with a total amount of about 1.4 billion for the period 2000-2002 (a total of 2.1 billion including co-financing).

**Table 6 ESC commitments by country (M€)**

Country	ESC 2000-2002	Cofinancing
Bulgaria	66.7	30
Czech Republic	37.4	37
Estonia	19.8	7
Hungary	99.5	70
Latvia	24.0	7
Lithuania	31.2	11
Poland	504.6	387
Romania	303.6	148
Slovakia	41.2	20
Slovenia	13.8	18
<b>TOTAL</b>	<b>1,141.2</b>	<b>735</b>

As mentioned in section 3.2, the overall results for ESC, were the most disappointing for any sector<sup>9</sup>. The problem was that programmes were over-ambitious and unclear in the absence of any strategic frameworks for regional and investment policy determination. While a scattering of individuals has received some training in Structural Funds methodologies, and the programmes strengthened the awareness (and possibly knowledge) of local authorities of the systems, procedures and regulations, the benefits or the value for money are definitely not commensurate with the expenditure of almost €2 Billion over 250 programmes.

**Early programmes were over-ambitious.** The first ESC programmes, in the year 2000 combined both Institution Building and pilot investments. They had a strong regional focus, erroneously giving some the impression that cohesion and regional development were the same thing. They also initially erroneously gave the impression that all implementation must be delivered through regional implementation structures. While second and third generations of ESC Programmes, from 2001 and 2002, introduced the differentiated approach of national and regional implementation structures, pilot investments continued on the regional path.

**Weak strategy framework.** Since the regulations define the formal conditions and modalities for using Structural Funds to support Member States to achieve cohesion, there was a very strong orientation on focusing projects on those requirements. However, the Commission's approach to installing ESC in the candidates failed to take account of the fact that they did not have appropriate public investment policies/strategies, still less the instruments to deliver them in the broad areas of economic and social development. The absence of such a strategy lead to a poor needs assessment and therefore poor project selection.

#### **Box 2. SME Preparation in Eastern Slovakia**

A positive example of strategic public investment is the creation of the First Contact Points (FCP) for SMEs in Eastern Slovakia. This initiative is part of the government's strategic plan for the development of a national Business Development and SME support network. The aim is to introduce business and advisory support services into more remote districts of Slovakia. Co-operation and coordination between the regional level incubators and advisors and the local level FCPs are assured through the involvement of the national SME agency. The FCPs motivate municipality involvement in the management and implementation of economic development measures at a local level. Sustainability is assured through municipality co-financing of the running costs and the commitment to absorb staffing costs over a three-year period. Phare has been instrumental in the creation of this SME support network which has demonstrated a strong regional focus.

**Twinning made limited contributions.** Programmes in the ESC sector are often complex, generating a very high workload, especially for beneficiary organisations, and not enough attention was paid to the absorption capacities of the beneficiary administrations. In consequence, Twinning covenants were too ambitious and not tailored to the needs of individual regions or sectors. Regional Twinning did, however, create the momentum for regional partnerships working on economic development from a 'bottom-up' perspective. They strengthened the status and position of the regions and mobilised partnerships, creating an atmosphere of enthusiasm. To some extent, the regional Twinning also helped to redress the imbalance between central and regional agendas and should therefore be maintained as a model.

<sup>9</sup> See also EMS Thematic Report Economic and Social Cohesion (ZZ/ECOSOC/03080)

Crucially, support to ESC cannot be effective if the main strategic decisions regarding the allocation of key responsibilities have not been made by the candidate country government. Moreover, Institution Building with twinning has hardly influenced the speed and direction of governmental decisions. Frequent changes in the roles of key ministries and agencies involved in ESC have impacted negatively on the sustainability of support provided. At operational level, too, high staff turnover exacerbated by poor salaries and conditions in comparison with the private sector, threaten sustainability.

***Pilot investments were not well focused.*** As mentioned above, the absence of a proper strategy framework, including public investment strategies, contributed to a poor needs assessment of pilot investments. In this regard, the (p)NDPs provided poor guidance. Moreover, proper project selection was hampered by poor definition of ESC eligibility. It was also hampered by the absence of proper integrated regional development programmes. These weaknesses were exacerbated by the absence of proper financial needs analysis. All these weaknesses lead to an unfocused and supply-driven investment approach in supporting ESC, which in turn has made it more difficult to build up the system in preparation for the Structural Funds.

The value of ESC pilot investments was limited more to development of skills on all the aspects of project cycle management including preparation of feasibility studies, procurement and contracting. However, the sustainability of these project cycle management skills are at risk after Phare funding has ended.

***Immediate impact was limited.*** Although it was expected that the relatively small ESC funds would have only a limited socio-economic impact, it was rather disappointing that the immediate impact turned out to be limited as well. The immediate impact was limited because there was little or no integration of infrastructure projects with other development initiatives funded either by Phare or other donors. Those projects that have managed to develop an integrated approach to ESC have indeed generated impact with only limited resources.

***Phare has had little success in preparing the candidates for ESC / Structural Funds.*** There is a fundamental problem with trying to support ESC, preparing for the management of the Structural Funds, and the successful implementation of the *acquis* at the same time and within the same framework. The cause of this problem is that ESC suffered from the lack of a clear and common vision, shared between DG Enlargement and DG Regional Policy of what the Phare ESC instrument should be. This resulted in the instrument being used to cover a wide range and diversity of actions, with little clear connection between them and mixed levels of success.

Moreover, the two systems (Phare ESC and Structural Funds) needed to be brought as close together as is possible. Given that ESC was introduced only in 2000, the first programmes have only just completed implementation. Therefore the timeframe in which real capacity could be built has been very short.

In the case of the pilot investments, they have given many regions and municipalities a first experience, but successes have been very localised and modest in scope and nature. The implementation of grant schemes has been strong on developing a regulatory culture but less so on developing programmes fine-tuned to local needs, and has reflected an unfocused approach to structural policy. In addition, ESC training has been spread very thinly over a wide range of actors and geographical locations. Intermediate bodies that will be involved in the Structural Funds have not been involved. There are therefore real doubts about the ability of candidates

to programme (and implement) the volume of projects that would be needed in order to maximise the benefit of the Structural and Cohesion Funds on accession.

Thus the overall end result of ESC is rather disappointing and could be characterised more as a case study of "how not to do".

### **4.3 BUILDING CAPACITY TO COORDINATE AND DELIVER PRE-ACCESSION AID**

This section deals with the way in which Phare has been implemented in the candidates and describes the instruments and delivery mechanisms used. Central to effective delivery of support is the National Aid Coordination (NAC) structure in each candidate. The NAC needs to have a leading role but, for smooth operation and for sustainability, beneficiaries and other stakeholders have to play their part, and not look to the NAC to substitute for them. The key instrument for delivery of institutional support has been twinning, accompanied by selected technical assistance. Support for grant schemes has had a contributory role in supporting, and providing experience in *acquis* systems and procedures.

#### *National Aid Co-ordination*

***Improvements in competence, but not yet sustainable.*** The NAC structures were established by the candidate countries in the late 1990s to serve as a focal point for the co-ordination of external assistance. Their capacity has increased significantly over recent years, particularly where NACs have moved from European Integration structures to Ministries of Finance and where experience built up over successive programming rounds has been retained.

Phare has provided support to most of the NACs in the form of technical assistance, twinning or training. In most cases, this assistance has been used to support ongoing work, rather than to put in place systems that are sustainable over time. This has been particularly problematic in NACs that have suffered from continual reorganization and restructuring where the results of institutional strengthening could not be sustained.

While capacity has increased over time, understaffing, low salary levels and institutional instability remain and will continue to negatively impact on NAC ability to discharge their remaining functions (programming the Transition Facility, monitoring and Interim Evaluation of ongoing Phare programmes).

***There are mixed prospects for sustainability.*** A key issue that the NACs will have to address now is how to ensure the sustainability of the capacity that they have developed under Phare. They all have the expertise (e.g. in terms of programming and project design, monitoring and evaluation), which will be invaluable during post-accession, both for the Structural Funds and national policies.

In the case of those NACs with no identified future role under the Structural Funds, it is important that this expertise is both retained and effectively utilised elsewhere within the public administration. For those NACs that do have a post-accession role, it is very important that they have sufficient resources to meet the divergent obligations related to ongoing pre-accession support.

***Excessive dependence on NACs by line ministries.*** The NAC function has become less effective due to technical and resource-based weaknesses in other parts of the public administration involved with Phare. This means that the NACs have had to provide an extensive level of

support to line ministries. Where NACs have insufficient staff, or insufficient institutional authority, there has been a marked tendency to leave 'hard' decisions on rejecting/restructuring projects to the Commission.

***Operations of Decentralised Monitoring Systems are of variable quality.*** Undoubtedly the monitoring and interim evaluation scheme has contributed to substantial improvements in the management of the project cycle including more rigorous programme design and implementation. However, several NACs need to assume a more pro-active role in terms of Phare monitoring, particularly to ensure that other parts of the public administration fully meet their monitoring obligations. As the responsibilities for organising the Phare interim evaluation function have been decentralised to the NACs in all countries apart from Bulgaria and Romania, it is also important that sufficient resources are allocated to discharging this important function.

Since its establishment in 2000/2001 the Joint Monitoring Committee/Sectoral Monitoring Sub-Committee structures have been a key element of the monitoring and interim evaluation system. The JMC and their SMSCs have proved their value as a supervisory instrument and serves as a unique coordination platform for all stakeholders. However, further measures are required to enhance their value as a management tool.

Moreover, commitment to the monitoring structures remains low and uneven, but is improving, notably through training efforts and further delegation of responsibilities to the key stakeholders. Nevertheless, most monitoring reports do not yet provide the factual information needed by monitoring bodies such as the NAC, the Delegation or the SMSC, or for the process of interim evaluation. Although there is significant progress in the quality of monitoring reports compared to the past, there is often still no useful differentiation between key issues and minor details, or planned and actual outputs.

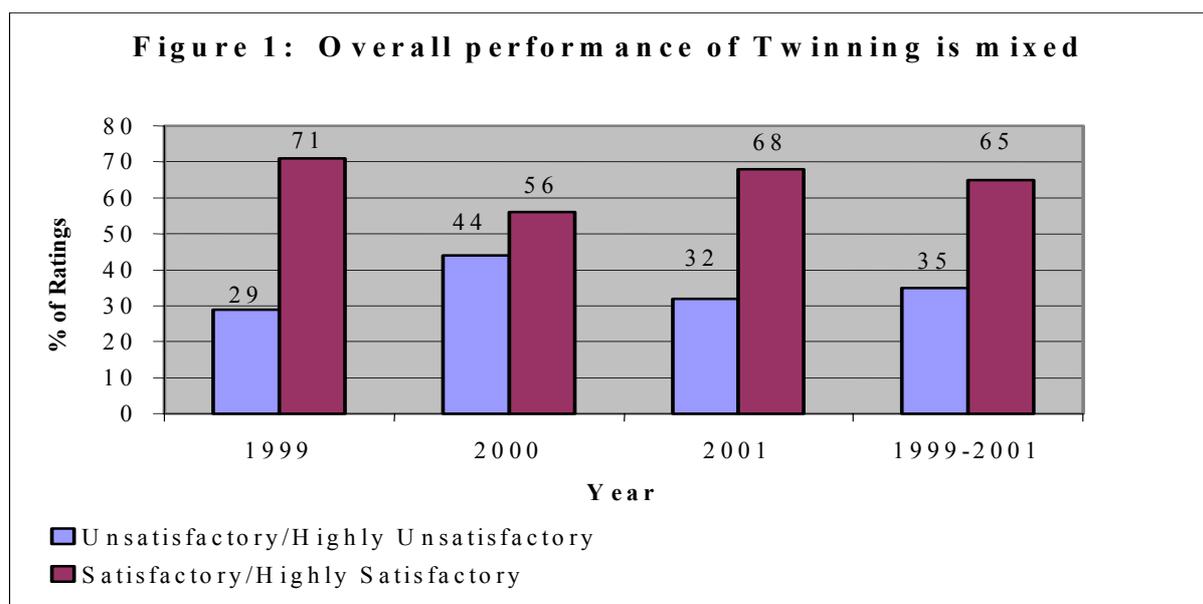
Another shortcoming is that the stakeholders do not make full use of the outputs of the monitoring and evaluation process in the programme/project management. Although the practice of developing recommendations for improving the management of projects has been effectively introduced and most of the recommendations are acknowledged to be feasible and useful, the follow-up is generally very effective only at department levels but much less so at the level of the whole institution.

### ***Twinning, Twinning Light and Technical Assistance***

***Twinning is an essential instrument.*** Twinning<sup>10</sup> has proved itself as an essential instrument for the pre-accession process. Although the results of twinning have been mixed (see figure 1), the tendency is for increasingly satisfactory performance of the instrument as experience of its use grows. However, sustainability depends on the effectiveness of public administrative capacity. There is evidence that, unless accompanied by widespread reform in public administration, twinning risk raising elaborate structures on very shaky foundations.

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<sup>10</sup> See also EMS Thematic Report Second Generation Twinning – Preliminary Findings (ZZ/TWI/03057)



**Improvement in ‘second generation’ twinning.** Following the start-up problems of the “first generation” of twinings in 1998, there is a clear tendency to improved performance of the “second generation” of twinings since 1999. However, although there are improvements in performance, the results remain rather mixed for the key performance criteria of effectiveness and efficiency (the unsatisfactory ratings remains at a high level of about 40%).

Nevertheless, in a more qualitative sense, overall performance must be rated as satisfactory. It is quite clear that relevant expertise in the *acquis* would not have been found in the private sector. Thus, without the twinning instrument, the candidate countries could not have progressed as they have done towards meeting the membership objectives. Moreover, it is also clear that twinning has fostered durable bilateral links with Member States that will continue after the completion of the twinning assignments.

**Sustainability is at risk.** It has become clear that all twinning stakeholders need to see sustainable installation of the *acquis* as a process which involves civil service reform and a change of approach within public administrations. Failure to do so is limiting the beneficial effects of twinning, particularly for more complex *acquis* components requiring inter-ministerial collaboration, such as the Integrated Administration and Control System (for CAP). As the unique aspect of twinning is contact between Member State and candidate country administrators, twinning can have the positive added value in explaining the need for and promoting the development of longer-term planning and strategic expertise and improved horizontal public administration. Such a role of the twinning instrument is essential to ensure the sustainability of its results.

**Complex procedures limits efficiency of Twinning Light.** Since the instrument is to be used ad hoc, flexibly and only for short-term assignments, it is essential to reduce the currently excessive lead-in time so it can respond rapidly to needs. The programming of an “Unallocated Reserve” for Twinning Light in many countries should allow for this flexibility, but countries still need to be able to define their needs tightly and define the outputs they expect. In this sense, Twinning Light still requires an overall planning and programming framework that is strategically coherent, even if the use of the instrument is more ad hoc.

***Technical Assistance can be an instrument of choice.*** There is growing tendency for stakeholders to make a discrimination, based on their experience, between the best roles for Twinning and Technical Assistance (TA). TA can be entirely satisfactory, and could be the instrument of choice, where the *acquis* element is limited in scope and very precise as to the competencies required. The more complex the *acquis* element, and the more it involves other parts of the candidates' administration or involves a strategic or 'horizontal' dimension, the more important it probably is to adopt a Twinning approach.

### ***Grant Schemes***

***Overall performance is satisfactory, but capacity to manage complex grant schemes is weak.*** The importance of grant schemes has grown, particularly over the period 1999 – 2003. During this period, Phare adopted a more programmatic approach which has led to an increase in annual Phare funding to ESC projects, the majority of which have been delivered through a grant scheme. Nonetheless, Phare has used grant schemes since the early 1990s for the NGO and Civil Society Sector and therefore the spectrum of grant scheme usage spans a range of sectors from Institution Building to infrastructure, where the latter encompasses ESC-based intervention.

Overall performance of grant schemes is rated satisfactory. Programming and project design is satisfactory and increasingly based on needs analysis. The quality of preparation for Structural Funds has also been satisfactory.

However, very few of the large programmed grant schemes have been completely implemented. Delays exist in every candidate country. The delivery process demands a higher administrative capacity than most administrations anticipated and has resulted in contracting extensions. Administrative capacity constraints in Bulgaria and Romania are particularly worrying and unless corrected, will inhibit the efficiency and effectiveness of grant schemes. Implementation is generally speeding up due to more experience.

Experience suggests that it is important that grant scheme rules enable a smoother transition to the measures and institutions required under Structural Funds than has been the case to date. Moreover, a multi-annual planning approach is essential to underpin effective use of grant schemes. It would be beneficial to introduce a clearer distinction between the operational rules for small (i.e. NGO-type) and large (i.e. SME-type) grants schemes, with simpler schemes and less bureaucracy for the former.

## 5. CONCLUSIONS AND RECOMMENDATIONS

This chapter sets out the conclusions of progress of Phare support so far and what key challenges remain to be addressed in achieving the objectives of the pre-accession strategy. As a way forward, this review recommends three sets of actions: addressing the objectives of pre-accession strategy, the design of strategies and programs, and the management of programmes.

### 5.1 PROGRESS HAS BEEN SATISFACTORY BUT UNEVEN

Overall, Phare performance was rather mixed with only two-thirds of evaluated funds being rated as satisfactory. Whilst there have been relatively few outstanding Phare ‘success stories’, there have not been too many complete failures.

However, the extent to which the candidate countries have been enabled, with the support of Phare, to complete the pre-accession agenda and be ready fully to implement and enforce the *acquis*, and meet the other requirements of membership, will only be seen in the perspective of the post-accession performance of the new Member States, and in the perspective of continuing pre-accession activities for the remaining candidate countries that benefit from Phare. The Commission’s Comprehensive Monitoring Reports and Regular Reports of November 2003 show that the support provided by the Phare Programme and the work accomplished by the national administrations had not at that time enabled the candidate countries to complete adoption of the *acquis* and preparations for its implementation and enforcement. This mainly reflects continuing fundamental weaknesses in candidate countries systems of governance and public administrations.

*A substantial, but uneven contribution to building administrative and judicial capacity.* The financial and human resources deployed by Phare have been very substantial and have comprehensively addressed many of the key accession priorities identified by the Commission and the candidate countries themselves. The number of measures which candidate countries have had to address and fund by themselves has also been substantial.

However, absence of a comprehensive strategy and lack of adequate needs assessment have reduced the effectiveness of Phare contributions. Prospects for positive impact and for sustainability are also at risk as a result of the above mentioned weaknesses in public administrations.

*Adequate sectoral performance.* Over the last couple of years, there is some evidence that sectoral performance, which has generally been adequate, has peaked. This probably reflects the near-exhaustion of candidate countries’ capacities in the face of the mounting pressure to complete the pre-accession agenda by the accession deadline. While much of the *acquis* has been absorbed, progress on more complex chapters, requiring sound horizontal public administration, has faltered. There also appears to be a continuing failure in some candidate countries to understand which sectors and ministries must perform effectively if the potential benefits of membership are to be realised.

*Twinning has made an essential contribution.* Although the results of twinning have been mixed, twinning has proved itself as an essential instrument of the pre-accession process. Moreover, Twinning Light was a welcome innovation and is particularly useful in the later stages of *acquis* acquisition.

## **5.2 BUT MORE REMAINS TO BE DONE**

Despite this progress there are still significant shortcomings on building Administrative and Judicial Capacity, on supporting ESC and on building capacity for pre-accession assistance.

### ***Weak public administrative capacity has had pervasive adverse effects***

Adequate Public Administrative and Judicial Capacity is essential for membership, and reform of candidate countries current structures is the key to successful conclusion of the accession process. However, the Commission underestimated the difficulties related to candidate country public sector reform and developed no strategy for supporting it. It was largely left to the candidate countries to progress this and other non-*acquis* membership requirements. They found it difficult to fully assess what was required and to commit themselves to attaining it. It is only very recently that most candidate countries are beginning to pay serious attention to public sector and judicial reform.

Support to judicial training and procedures and to the introduction of civil service laws and procedures has been given *ad hoc*, on a small scale, and only in a few candidate countries. Positive ratings for these projects have been above the average. However, because these matters involve change in very deep-seated systemic attitudes, it will be some years before significant impact will be accomplished, particularly in regional administrations.

On a functional level, there have been pervasive weaknesses in candidate country project cycle management including financial control, all of which are PAJC issues. Ownership of these tasks was only started relatively late in the pre-accession period, which has hampered the effective ownership of these responsibilities.

### ***Poor preparation for ESC***

Phare has largely focused on regulatory issues. It has not helped the candidate countries to develop strategies for economic and social development and public investment policies, and the instruments for delivering them. Consequently, the pilot investments largely lacked coherence and synergy, and were frequently too small to have the necessary impact. The fact that the Phare procedures, which provided the learning context for ESC, are essentially different from those actually applying to ESC in Member States has complicated the learning experience. Given the complexity of the task, the introduction of ESC programmes only in 2000 left too short a time for candidates to adequately prepare.

### ***Weaknesses in design of programmes***

***Adopt strategic approaches.*** The annual Phare cycle has not helped the candidates to develop a strategic approach to planning, including for the deployment of Phare and national resources. Encouragement to developing national and sectoral strategies and to engage in multi-annual planning of pre-accession support should be given greater and earlier emphasis as an essential part of PAJC building. The 'shopping list' approach of the NPAs should be avoided, and support should be given to providing more advice on strategy development.

***Base programmes on needs assessment.*** As mentioned in Chapter 3, needs assessments were frequently too superficial to enable a proper design of a fully relevant programme. What remains to be done is much more systematic development of sectoral strategies to underpin programme prioritization. Moreover, the design needs to become more rigorous with clear objective setting and use of monitoring indicators.

***Insufficient attention to institutional implementation requirements of acquis.*** The Commission's well developed strategy for supporting *acquis* Institution Building has been based on the transposition of the *acquis*. However, there has been insufficient attention paid in programme design to the institutional implementation requirements of *acquis*, and on the operational implications of the candidate countries weak horizontal and non-*acquis*-specific PAJC. This has led to over-ambitious projects with reduced effectiveness, impact and sustainability. Furthermore, in some cases, e.g. Integrated Administration and Control System and the Structural Funds, it appears that some candidate countries will not be able to implement the *acquis* unless and until the horizontal PAJC of the country concerned is strengthened.

***Give support in proportion to the scale of difficulty.*** Experience suggests that the next enlargement should weight the support given to *acquis* and non-*acquis* PAJC obligations so as to take account of the relative difficulties experienced by current candidates. Areas needing priority are likely to include agricultural market support systems, public procurement, preparation of regions for Structural Funds, and public and judicial administration reform. Support should focus on actual EU mechanisms, for example for agriculture or the Structural Funds, and should not involve systems or intermediate measures.

### ***Weaknesses in management***

***Strengthen NACs.*** The establishment of effective NAC bodies has been problematic, with frequent shifts of ownership and difficulty in establishing satisfactory working relationships with beneficiary ministries and others. Because those bodies are frequently weak, NACs have been drawn into activities beyond their proper remit, and they have depended heavily on Phare support. Institutional instability still has not been eliminated and sustainability is not secure, though the situation has improved in recent years.

Undoubtedly, the decentralised monitoring and evaluation system has made a significant contribution to strengthening sound financial management of Phare. Whilst the practice of developing recommendations for improving the management of projects has been effectively introduced, the parties involved still do not make full use of the outputs of the monitoring and evaluation process in project and programme management.

***Simplify Grant schemes.*** For grant schemes, the key issue is the disproportion between the administrative burden they create and the amount distributed and results obtained. The thematic review of grant schemes concluded that those schemes operating in the social sectors were providing satisfactory results. By contrast those operating in ESC and CBC sectors were less satisfactory.

## **5.3 THE WAY FORWARD**

In order to respond to those shortcomings and weaknesses, there are three key areas in which recommendations are made for action: addressing the objectives of pre-accession, the design of strategies and programmes, and the management of programmes.

### ***Action 1. Addressing the Objectives of Pre-accession Strategy***

***Recommendation 1: The whole pre-accession strategy towards the current enlargement should be independently and comprehensively evaluated, so that lessons can be learned for future pre-accession strategies.*** The Commission should obtain a comprehensive evaluation of all the aspects of the post accession strategy. This will provide more definitive evidence of Phare's effective contribution to PAJC than is possible at present and will enable further lessons to be

learned. This analysis should also examine the costs to the candidate countries of developing, and maintaining after accession, adequate PAJC to meet the obligations of membership in relation to the scale of their budgetary resources. This will have implications for the pace and timing of a viable future pre-accession period and therefore the pace at which support should be provided. Future pre-accession strategy should be adjusted to take account of the findings.

**Recommendation 2: Phare programming priorities should be more balanced in accordance with all the Copenhagen criteria.** Programming priorities of Phare should be more properly balanced to recognise that the systematic support of all three accession criteria (political, economic and *acquis*) is essential to address the pre-accession objectives in a mutually reinforcing way. Explicitly, an adequate standard of PAJC and of the resources to implement it should be one of the gradual conditions for a build-up of the pre-accession assistance.

**Recommendation 3: Good governance and public administration reform should be given a much higher profile.** Meeting the full requirements of membership requires a substantial investment in human resources and, in many cases, considerable changes in governance and systems. For future accessions, the Commission should:

- actively support good governance and the development of strategic approaches to plan the pre-accession exercise, in a longer-term perspective;
- promote and support the benchmarking approach; and
- make more use of the tools of dialogue and permanent networking between existing Member States and the candidates, from the start of the pre-accession period.

These considerations should cover all the accession criteria and give issues of governance, public administrations, judiciaries and civil society bodies as much prominence as the *acquis*. The Commission should build on the underlying idea of Twinning and promote and finance the establishment of relatively informal topic-focused fora of representatives from current and new Member States and candidate countries, at political as well as administrative levels. To promote the 'market forces' for good governance and PAJC, these fora should include parliamentarians, media and representatives of the constituent bodies of civil society.

**Recommendation 4: A reassessment of the strategy and implementation of ESC should be urgently launched.** As a result of this reassessment an action plan should be urgently drawn up addressing the ESC shortcomings.

## **Action 2. Design of Strategies and Programmes**

**Recommendation 5: Enlargement Strategy Papers for each candidate country should be prepared.** The Commission should draft Country Strategy Papers (as is done, for example by RELEX) setting out the overall strategic approach for each candidate country. The strategy should, *inter alia*, provide for:

- Candidates development of national and sectoral strategies to be a priority from the start of the pre-accession period and be made a precondition for the multi-annual planning of support;
- Assessment of candidates' needs and capacities, including potential problem areas, such as those where membership would require constitutional change;
- Obligatory co-financing to be enforced for all support, as early as possible in the pre-accession period to encourage participation and ownership;
- More effective donor coordination at strategic and programme level;
- Mutually agreed specification of the responsibilities and tasks of all involved Commission Services.

**Recommendation 6: All future programming should be candidate country strategy based and multi-annual.** The Commission should persist with the introduction of multi-annual planning for all future assistance packages. The regulations and procedures for future assistance packages should be harmonised as far as possible with EU Structural Funds and the Cohesion Fund. Recent introduction of multi-annual planning for Romania serves as a good model.

**Recommendation 7: Programming should prioritise the most demanding areas.** The Commission and the candidate country, taking account of experience with the present enlargement, should identify those sectors (such as Agriculture) requiring the most resources and lead-in time for the preparations for accession, and plan multi-annual programmes accordingly to avoid creating an excessive demand for resources that the beneficiaries, Member States or framework contractors cannot meet.

**Recommendation 8: Requirements for sustainability should be addressed at design stage.** The National Aid Co-ordination Unit should ensure at the programming phase that every Phare-funded Institution Building project addresses the issue of sustainability in relation to the risks of high staff turnover. There should be guarantees that planned beneficiary staff will be in place when project activities start, and there should be contingency plans to compensate for the loss of staff during project implementation. Financing implications, for staff and also for disposables and maintenance, should be identified.

**Recommendation 9: More resources should be allocated to design of strategies.** The Commission should increase its capacity and resources to adopt a more in-depth strategic approach to future enlargements to ensure coordination, complementarity and coherence. Launching of new major initiatives such as ESC, should be comprehensively underpinned by a full-fledged strategy/sector paper.

### **Action 3. Management of programmes**

**Recommendation 10: Programme conditionalities should be rigorously enforced.** The Commission should ensure that programme and project conditionalities are clearly and precisely defined as contractual obligations, and it should enforce them without exception. Conditionalities should not be included in project documentation unless the commitment and means to enforce them exists. The EC Delegation and the National Aid Co-ordination Unit should also play their roles in preventing the implementation of projects where a conditionality is not met.

**Recommendation 11: Management of the instruments should be coordinated.** All the support instruments of PAJC (Twinning, Technical Assistance, TAIEX and Sigma) should be better coordinated within the Commission.

**Recommendation 12: Implementing bodies should establish their own systematic quality control systems for the production of project documents.** Candidate countries should systematically set up a quality control function to take responsibility for ensuring that programme and project proposals apply all EU guidelines (as well as good practice standards of Project Cycle Management).

**Recommendation 13: Comprehensive training packages should be made available to candidate countries.** Standardised training packages should be developed by the Commission, and made available to candidates on key topics, including strategy development, multi-annual planning, and all aspects of project cycle management and financial control. Specific initiatives should be developed at an early stage for training those civil servants engaged in the justice sector (who may not themselves be lawyers) in the requirements of the relevant *acquis* components and of the political criteria. This should include involvement of senior management at the earliest opportunity.