

South-east Europe, western Balkans: Community assistance, CARDS programme, 2000-2006

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The Commission presents its 2009 Annual report on Phare, Turkey Pre-Accession Instruments, CARDS and the Transition Facility.

PHARE, Turkey pre-accession instrument and CARDS: during 2009, management performance of CARDS programmes in the beneficiaries was, overall, satisfactory. By the end of the reporting period, the 2001-2006 programmes (2001-2004 for Croatia) were almost fully contracted (ranging from 97% of allocated funds for Albania and Bosnia and Herzegovina to 99% for Kosovo. Disbursements were also generally approaching completion, reaching more than 90% of 2001-2006 allocations in all CARDS beneficiaries, with the only exception of Albania (72%). At, respectively, 85% and 73% of allocated funds, the overall contracting and payment rates reached by the end of the contracting period in 2009 for the 2002-2006 programmes under the Turkey pre-accession instrument pointed to **less than satisfactory performance by the relevant management authorities in Turkey**. The situation is set to improve in the future following changes at management levels, new recruitments and resumption of monitoring activity. Organisational and procedural improvements introduced in the relevant managing structures as part of enhanced supervision of decentralised implementation under IPA should also have a positive impact on the management of assistance under the Turkey pre-accession instrument

Regarding Bulgaria and Romania, implementation of a number of projects under PHARE 2006 programmes for Romania will continue until mid 2011, so results were not yet available by the end of the reporting period. Disbursements reached, respectively, 77.10% and 65.10% of allocations under PHARE 2005 and 2006 in Bulgaria, while the corresponding figures for Romania were 79.62% and 69%.

Contracting of PHARE 2005 and 2006 in Croatia was completed in 2009, at an overall rate of about 86% of allocations.

Payments continued and reached 60% of overall allocations.

Transition Facility: the ten countries that acceded to the EU in 2004 completed implementation of the 2006 Transition Facility programmes on 15 December 2009, achieving the expected results notably in terms of enhancing the beneficiaries' public administration and contributing to meeting the remaining needs of the acquis. By the end of the reporting period, disbursement rates under the 2005 Transition Facility ranged from over 84% in Malta to over 98% in Cyprus. The corresponding range for the 2006 Transition Facility went from 58% to almost 98% (again in Malta and Cyprus, respectively).

As for Bulgaria and Romania, both countries reached a contracting rate of slightly less than 70%. In Romania, this rate was due to slower than expected contracting, while the low performance in Bulgaria is explained by the prolonged suspension of accreditation for decentralised implementation of the relevant Implementing Agency (applied also to PHARE pre-accession funds).

Main developments and lessons from implementation of PHARE and the Transition Facility in Bulgaria and Romania: one of the main developments in 2009 was related to the **suspension of funds to Bulgaria in 2008** and the subsequent withdrawal of accreditation from two Bulgarian Implementing Agencies in July of that same year. 2009 saw improvements in the acknowledgement and quantification

of control system weaknesses and in the follow-up of irregularities by the relevant Bulgarian authorities as of the month of July. In October 2009, Bulgaria submitted to the Commission proposals for financial corrections. This led the Commission to lift the suspension of payments on 18 November 2009.

Learning from this experience, the Commission engaged in a wider exercise aimed at addressing more comprehensively those standards of internal control that were most relevant for improving accountability, reinforcing the assurance process and enhancing the effectiveness of decision-making in programming and implementation of pre-accession assistance

The experience from implementation of PHARE and the Transition Facility under EDIS in Bulgaria and Romania has brought home the lesson that **decentralised management of EU assistance without ex-ante controls should be introduced before accession**, so that its efficiency and effectiveness can be demonstrated and confirmed in practice under the close scrutiny of the Commission. The latter has set **tight conditions for the decentralisation of the management of IPA funds to the Croatian authorities**.

Lastly, the experience in Bulgaria and Romania has also had an impact on the coordination of the EU pre-accession assistance in those countries. Following **Parliament's request for regular reporting on the status of implementation of EU funds in Bulgaria and Romania**, in 2009 the Commission has created an additional internal coordination mechanism to monitor the management of EU funds in those two countries.

Lessons from implementation of the pre-accession instrument in Turkey: although recognizing that projects funded from the EU budget had achieved their intended outputs and that results were likely to be sustainable, the Court of Auditors considered that, in the past, the link of the assistance to the priorities of the enlargement agenda and its effectiveness in supporting those priorities could not be sufficiently demonstrated.

The Commission is taking steps under the new instrument for pre-accession assistance (IPA) to increase its effectiveness. It outlines the steps being taken in addition to strengthening the management and control system under decentralised implementation.

Performance of PHARE/CARDS/Turkey Pre-Accession Instruments: overall the assistance which has been delivered has addressed the priorities and strategies agreed with the beneficiaries. Evaluation findings suggested the performance of assistance varied from moderately satisfactory to moderately unsatisfactory. Based on evaluation findings, recommendations for future programming included that beneficiary institutions dealing with pre-accession assistance should ensure more adequate capacity for programming and project design. Regarding implementation, the **administrative efficiency within both the national structures and the EU Delegations should be increased further** to enable timely procurement procedures and prevent implementation delays. Once projects are being implemented, they should be subject to more systematic monitoring.

The **long-term impact and sustainability of pre-accession assistance remained an open issue in most beneficiaries**, mainly due to high turnover of staff and budget uncertainty to cover follow up activities and operational/maintenance costs of projects. National authorities therefore need to address the problem of high staff turnover to ensure long-term impact and sustainability. Future programming should also address more systematically the question of financial resources needed to ensure that outputs delivered by programmes are translated into sustainable results.

The beneficiaries are addressing the findings and recommendations from the 2009 evaluations. For its part, the Commission has intensified its regular monitoring of progress in the actions undertaken by the beneficiaries to address evaluation findings. In addition, the Commission is drawing from the findings of these evaluations to improve management of pre-accession assistance under the new IPA instrument.

