

# Agenda 2000: Instrument for Structural Policies for Pre-accession ISPA 2000-2006, aid for applicant countries

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**PURPOSE :** to present the 2002 Annual Report on the implementation of the instrument for structural policy for pre-accession (ISPA). **CONTENT :** the present report is compiled in accordance with Article 12 of the ISPA Regulation 1267/1999/EC and covers the year 2002. The report has been adapted to take account of the comments made by the European Parliament, the Economic and Social Committee and the Committee of the Regions regarding the previous annual reports. Only a few months ahead of accession, the role of ISPA in preparing the new Member states for the Community cohesion policy appears even more important, in particular because ISPA is to assist the acceding countries in the smooth transition to the Cohesion Fund and to familiarise administrations and beneficiaries with the Commission procedures for structural measures. This is why the report attempts to strike a balance of 3 years of ISPA implementation and focuses, among others, on technical assistance measures, tendering and contracting and audits undertaken. The report points out key messages for 2002. Firstly, it concerns assisting ISPA beneficiary countries in upgrading environmental infrastructure and policy and in strengthening European transport links. Through ISPA, the Community has continued to provide financial assistance to environmental projects that require large infrastructure investments, namely for water supply, wastewater treatment and waste management. Furthermore, ISPA has proved to be a successful instrument to help candidate countries to strengthen their understanding and their administrative capacity to implement key environmental legislation. In the transport sector, the role of ISPA is to contribute to the development of the future trans-European transport network and to support the interconnection and interoperability within national networks as well as between these networks and the Union's network. As in previous years, ISPA funds spent in this sector in 2002 focused on upgrading and extending the TINA (Transport Infrastructure Needs Assessment) network. Since 2000, a total of EUR 74.3 million for 49 technical assistance measures was made available from ISPA to assist in the preparation of projects and applications, and to enhance the administrative capacity of implementing bodies, including for decentralised implementation. This included 14 new measures approved in 2002 to prepare new projects for 2003 and beyond, that is, for the Cohesion Fund. In 2002, 80 new projects were decided by the Commission. ISPA funds for these projects amounted to EUR 1.55 billion representing 64.9% of a total eligible investment cost of EUR 2.4 billion. With the decisions taken between 2000 and 2002, the Commission approved a total of 249 ISPA measures, amounting to EUR 8.8 billion of eligible cost, of which the EU is financing EUR 5.65 billion (64.5%). As a result, the Commission already allocated about 75% of the funds foreseen for the entire period 2000 to 2006 to priority projects in the environment and transport sectors. Commitments in 2002 were divided equally between the environment and transport sectors, increasing the total commitments for the period 2000-2002 to EUR 3.2 billion. Since 2000, 49% of the commitments were allotted to environmental projects and 51% to transport projects. More than half of the commitments in the transport sector were allocated to rail infrastructure, which reflects the Commission's objective to favour environment-friendly transport modes. With the signing of several works and many services contracts in 2002, effective implementation on the ground has progressed importantly compared to the previous year, notably as a result of the improved capacity of the applicant countries to deal with tendering and contracting. ISPA payments in 2002 totalled EUR 388.5 million, which is the double of the payments made in 2001. This shows that considerable progress in implementing ISPA measures has been made compared to the previous year, which is reflected by an increase in the number of second advance and intermediate payments. Enhancing administrative and institutional capacity for project management and policy implementation As in previous years, the Commission provided technical assistance through ISPA to enhance the capacity of national bodies with respect to environmental policy implementation and public procurement, as candidate countries still experience difficulties to implement the required standards. Two

multilateral seminars were organised by the Commission on the Water Framework Directive in order to assist candidate countries in drafting new water management policies and in preparing future ISPA and Cohesion Fund projects according to the requirements of this Directive, notably as regards the integrated management of river basins. Furthermore, a series of seminars were organised to train beneficiary countries' officials in drafting tender documents, evaluating tenders and supervising contracts. The Commission promoted a better understanding of the opportunities and risks regarding public-private partnerships for utility services as well as ways to structure such partnerships while integrating grant financing. To this end, a broad multilateral forum and several dissemination seminars were organised and, in March 2003, guidelines were published. Moving towards adequate financial management and control systems In the framework of shifting from ex-ante control of tendering and contracting by the Commission to decentralised management of procurement by the beneficiary countries (EDIS), all but one country completed the first stage system's gap assessment in 2002. One country already applied for the waiving of ex-ante control, confirming that the minimum criteria and conditions stipulated for granting EDIS had been met. New systems audits undertaken by the Commission in 2002 to assess the management and control systems in the candidate countries indicate that there has been significant progress towards meeting the requirements in this respect of the ISPA Regulation. Concerning ISPA in 2002, the budget for the ISPA instrument is provided for by two budget lines, B7-020 and B7-020A. The first line contains the means for co-financing projects (measures) in the candidate countries in the environment and transport domains as well as for providing technical assistance (TA) to identify and prepare the best projects. Measures to assist the candidate countries in moving towards fully decentralised management (EDIS) are funded from this line too. Line B7-020A foresees funding for actions at the Commission's initiative. For 2002, EUR 1 109 million was allocated from the Commission budget to the ISPA instrument. Initially, the B7-020 (project) budget line received EUR 1 089.2 million. This amount was then increased by EUR 18.25 million, which was transferred from line B7-020A. As a result, EUR 1 107 million was available to assist projects presented at the initiative of the beneficiary countries. From the original B7-020A budget (EUR 19.8 million), EUR 1.55 million was committed for activities at the Commission's initiative.